

INSTITUTIONAL REGULATION AND THE EFFECTIVENESS OF ABSORBING EU FUNDS: THE EXPERIENCES OF IRELAND, ESTONIA AND SLOVENIA

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The enlargement of the EU by ten new member states in 2004 increased the importance of the EU cohesion policy; however, the readiness of these states to absorb the funds has not been adequate. Consequently, their absorption capacity has been relatively low. An analysis was made which states the importance of institutional settings for the efficiency of absorbing funds. With this purpose in mind, we first closely examined the most successful countries in absorbing EU funds. These were: Ireland as the leading country among the EU-15 and Estonia and Slovenia as the leading countries among the EU-10. Ireland has a decentralized managing system with several managing authorities and paying authorities, also on the regional level, while Estonia and Slovenia have a more centralized system on a national level. Regarding the current implementation system and absorption success in these three countries, we cannot determine which of the three presented implementation structures is more effective and advisable for improving the absorption of EU funds. We came to the conclusion that even different implementation structures can lead to high absorption results.

Key words: administration systems of EU funds, Structural Funds, Cohesion Fund, absorption efficiency, transitional countries



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INTRODUCTION

With its entrance into the European Union in May 2004, Slovenia became eligible to draw on EU funds that fall within the regional and cohesion policy, especially from Structural and Cohesion Funds. New Member States have recognized that EU funds are the most important source for financing development projects and because of this they are trying to improve their absorption efficiency for the New Financial Perspective (2007-2013), which in the past differed among Member States. We want to find out in this paper if higher absorption efficiency is connected with a certain form of Administration and Implementation Framework of Structural and Cohesion Funds. With this purpose in mind we will first analyze the absorption success in three EU Member States, which were the best in absorbing EU money from Structural and Cohesion Funds. Ireland is the leading country among the EU-15 countries and Estonia and Slovenia are the leading countries among the new EU-10 with regard to absorption. At the same time we will make a detailed review of the Administration systems of Structural and Cohesion Funds of the three countries. We will also discuss changes that Slovenia introduced for improving its absorption capacity for the programming period 2007-2013.

Ireland has been eligible for EU financial support for regional development since 1973 and has been using it to finance pivotal projects, which have helped it become one of the most developed countries in the EU.

Estonia and Slovenia are only eligible for Structural and Cohesion Funds for two years and want to follow the path already taken by Ireland. In the Financial Perspective 2007-2013, countries will have the possibility of changing the existing Institutional Framework, so this question is of even greater importance.

ALLOCATION OF STRUCTURAL AND COHESION FUNDS IN THE PROGRAMMING PERIOD 2000-2006

European funds are the main financial instrument of EU regional policy. Their purpose is: first, to support the poorer regions of Europe, in order to enhance their economic progress and cooperation in the regions of EU markets. Second, to support integrating European infrastructure especially in the areas of transportation and environment. The strategic objective of EU funds is to ensure sustainable growth and to narrow the gap between living standards in EU regions.

In order to achieve its main Objective the EU defined in the financial period 2000-2006 three Objectives for Structural Funds (Mrak, 2006):

- 69.7%, or 135.9 billion EUR, of Structural Funds was reserved for a less developed region whose GDP per capita

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was less than 75% of the EU average. Objective 1 regions contain 22% of the EU population.

- 11.5%, or 22.5 billion EUR, of Structural Funds was reserved for economic and social development projects for regions facing structural problems. Objective 2 regions contain 18% of the EU population.

- 12.3%, or 24.05 billion EUR, of Structural Funds was reserved for improving educational systems and creating new jobs.

At present, four Structural Funds allow the European Union to grant financial assistance to resolve structural economic and social problems:

- The European Regional and Development Fund (ERDF),
- The European Social Fund (ESF),
- The European Agricultural Guidance and Guarantee Fund – Guidance Section (EAGGF)
- The Financial Instrument for Fisheries Guidance (FIFG).

The Cohesion Fund as a financial instrument of EU regional policy started to operate in 1994. To achieve the main objective of reducing economic and social disparities, the Cohesion Fund finances up to 85% of eligible expenditures of major infrastructural projects in the environment and in the transportation sector at a ratio of 50:50. In order to be eligible, a Member State's gross national product (GNP) per capita has to be less than 90% of the EU average and the value of a project has to be more than 10 million EUR (Government Office for Local Self-Government and Regional Policy, 2006b).

In the financial period 2000-2006, the EU granted 213 billion EUR for all structural instruments for the 15 Member States. In this time new Member States received 44 billion EUR, of which 22 billion EUR was preaccession aid and 16 billion EUR was earmarked for the 2004-2006 period. The total sum of EU finances spent on structural instruments was 251 billion EUR. Most of the funding is being spent through multiannual development programmes, managed jointly by Commission services, the Member States and regional authorities.

In the period 2000-2006, the EU Member states were eligible for Cohesion Fund financial resources in the amount of 19.7 billion EUR for the EU-15 countries and additional 8,5 billion for the EU-10.

In the period 2000-2006 (Table 1), Spain received most of the Structural Funds funding with about 49.7 billion EUR, followed by Germany with 32.76 billion EUR, and Italy with 32.71 billion EUR. On the other hand, Luxembourg received only 103 million EUR available for projects financed by Structural Funds. This is due to Luxembourg's high level of development and low population. The only Member States that received funding from the Cohesion Fund were: Greece, Portugal, Spain and Ireland (GNP per capita less than 90%). Spain

was once again the leader in receiving EU money, followed by Portugal, Greece and Ireland (European Commission, 2006).

TABLE 1
Structural and
Cohesion Funds from
2000–2006 in the EU-
15 in millions of EUR
and 2004 prices¹

Member State	Structural Funds [#]	Cohesion Funds	Total
Austria	2,008	0	2,008
Belgium	2,257	0	2,257
Denmark	909	0	909
Finland	2,304	0	2,304
France	17,192	0	17,192
Germany	32,765	0	32,765
Greece	24,095	3,388	27,483
Ireland	3,993	584	4,177
Italy	32,707	0	32,707
Luxembourg	103	0	103
Netherlands	3,615	0	3,615
Portugal	21,751	3,388	25,139
Spain	49,711	12,357	62,067
Sweden	2,396	0	2,396
UK	18,209	0	18,209
EU – 15	213,611	19,717	233,328

Source: European Commission 2006

[#]Including phasing out.

New Member States are eligible for Structural and Cohesion funding starting in May 2004. In the programming period 2004 and 2006 (Table 2), the total sum of money spent on New Member States was almost 25 billion EUR. Most of the funding, 12.81 billion EUR, went to Poland as one of the less developed countries in EU, followed by Hungary (3.2 billion EUR) and the Czech Republic (2.6 billion EUR). Estonia and Slovenia got a lower amount of funding than the average (2.4 billion EUR) and this is due to better economic progress and a smaller population (European Commission, 2006).

TABLE 2
Structural and
Cohesion Funds from
2004–2006 in the EU-
10 in millions of EUR
and 2004 prices

Member State	Structural Funds	Cohesion Funds [#]	Total
Cyprus	56	54	110
Czech Republic	1,685	936	2,621
Estonia	386	309	695
Hungary	2,095	1,113	3,208
Latvia	649	515	1,164
Lithuania	930	608	1,538
Malta	67	22	89
Poland	8,631	4,179	12,810
Slovakia	1,187	571	1,758
Slovenia	266	189	455
EU – 10	15,952	8,496	24,448

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Source: European Commission 2006

[#]Average

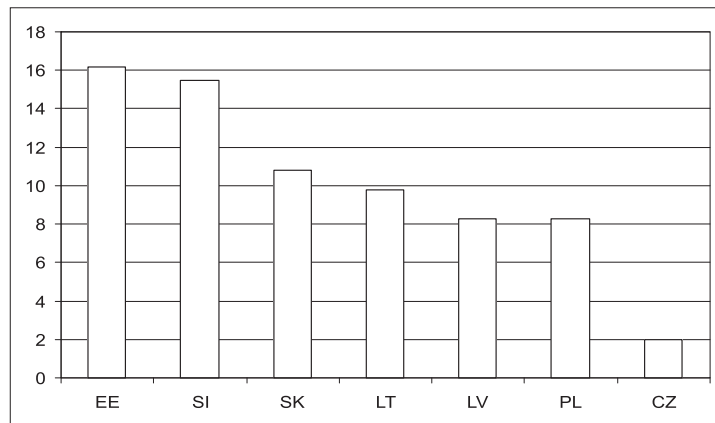
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The effectiveness of absorbing EU funding can be studied in different ways such as: the share of the application of total commitments,² the share of signed contracts for total commitments or the share of certified expense claims for total commitments. We decided to use the percentage of certified expense claims for total commitments in each fund as an indicator of their effective absorption because this actually represents how much money has been transferred to the final recipients.

As shown in Figure 1 among EU-10 members, Estonia and Slovenia were the most successful countries in absorbing EU money from Structural Funds. Estonia was able to receive 16 percent and Slovenia 15 percent of the total commitments until the end of 2005. The Czech Republic had the most problems in absorbing EU funding and this is reflected by only 2 percent of commitments received from Brussels (Government Office for Local Self-Government and Regional Policy, 2006a).

In addition to Slovenia and Estonia, we also studied the absorption of Ireland, which has proven itself one of the most successful countries in this field.

➔ FIGURE 1
The Absorption of EU Structural Funds until the end of 2005 for the most successful new Member States



Source: Government Office for Local Self-Government and Regional Policy 2006a

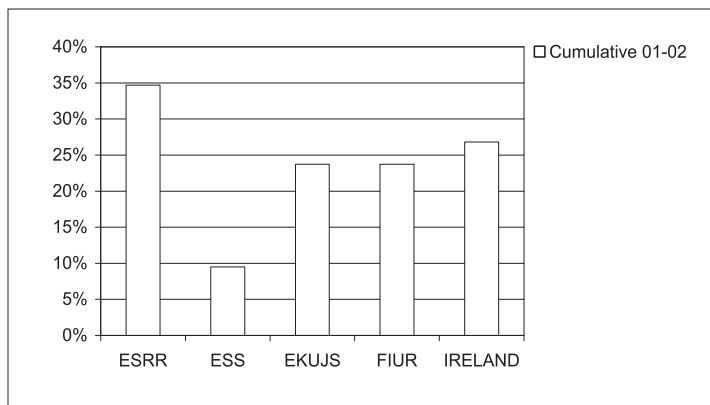
Ireland

We examined the absorption of Ireland from 2001 to 2002 in order to use the results to compare it with the new Member States who entered the EU in May 2004. The decision to use the data of absorption for the start of financial period 2000-2006 was to get a more realistic picture and to ensure equal conditions among comparing countries.

Ireland (Figure 2) was able to draw down 26.0% of all commitments in a two year period. ERDF was the most successful Fund with the absorption of 34.7% followed by EAGGF and FIFG with 23.7%. The least successful Fund was ESF with

only 9.5% received commitments and the reason for such a low absorption is in financing small budget projects that undergo the same administrative and bureaucratic system and require the same amount of preparatory work (National Development Plan of Ireland – NDP 2006a-2006j).

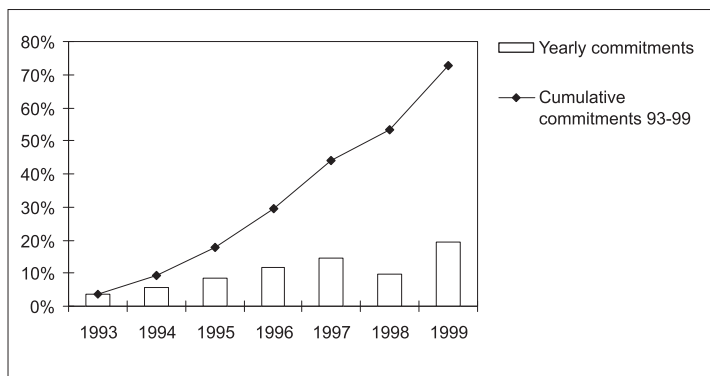
➤ FIGURE 2
 The Absorption of EU Structural Funds in Ireland (cumulative from 2001 to 2002)



Source: National Development Plan of Ireland – NDP 2006a-2006j

Figure 3 presents the absorption of the Cohesion Fund from its introduction in 1993 to 1999 (we used this period because the allocation of Cohesion fund for Ireland was three times higher than allocation for 2000-2006). At the beginning it was difficult to receive EU money, as can be seen from the Figure. In the first two years, Ireland was able to invest only 9.2% of EU money from the Cohesion Fund, or nearly 140 million EUR out of the 1.5 billion EUR negotiated for the financial period 1993-1999. From year to year, Ireland raised its level of absorption (except 1998) and at the end of the financial period 1999 it received 72.7% of the total commitments from the Cohesion Fund. The remaining commitments Ireland received under the n+2 rule, which states that the Member States have to absorb all EU funding in two years after the end of the financial period (Ministry of Finance of Ireland 2006a).

➤ FIGURE 3
 Absorption of EU Cohesion Fund in Ireland from 1993 to 1999



Source: Ministry of Finance of Ireland 2006a

Estonia

New Member States were eligible for receiving financial support from Structural and Cohesion Funds as of May 2004. In a two year period Estonia (Table 3) was able to absorb from Structural funds as many as 27.22% of total commitments. The available data did not allow us to compute the absorption of EAGGF and FIFG separately and as presented in Table 3 those Funds are the most successful. Unfortunately, this does not have a great impact on the overall performance of Estonia because of the small amount of financial resources allocated to EAGGF (56.7 million EUR) and FIFG (12.5 million EUR). ESF was the least successful Fund in Estonia with 15.19% of absorbed commitments behind ERDF with 25.6% (Ministry of Finance of Republic of Estonia 2006b).

➔ TABLE 3
Absorption of EU
Structural Funds in
Estonia from May
2004

	May 2006	October 2006
ERDF	25.6%	36.9%
ESF	15.2%	24.1%
EAGGF & FIFG	45.6%	56.8%
ESTONIA	27.2%	38.2%

Source: Ministry of Finance of Republic of Estonia 2006b

In only five months (in October 2006) Estonia made a huge step in absorbing EU funding, receiving 38.2% of all commitments. The absorption improved the most by ERDF with an increase to 36.9% and ESF to 24.1% (Ministry of Finance of Republic of Estonia 2006b).

Estonia received from the Cohesion Fund 25.2% of the total allocated commitments for the first two years of the financial period 2004-2006 (Ministry of Finance of Republic of Estonia 2006b).

Slovenia

Structural Funds

For the programming period 2004-2006, Slovenia approved a Single Programming document (SPD) in which 78.9 billion SIT or 334.5 million EUR (EU and national co-financing) was available for development projects. In the beginning of its implementation, Slovenia, as with other eligible countries, faced some problems with absorption. Regardless of the problems, analyses showed the right strategic direction of SPD considering the response of the ministries and the preparation of tender documentation (Government Office for Local Self-Government and Regional Policy, 2006c).

In a two-year period (Table 4), Slovenia managed to absorb as much as 29.2% of the total commitments. ERDF con-

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➔ TABLE 4
Absorption of EU
Structural Funds
in Slovenia from
May 2004

tributed the most to this high level of absorption by receiving more than 40% of total commitments of the fund in two years, followed by ESF with 21.2% of total commitments and EAGGF and FIFG (Government Office for Local Self-Government and Regional Policy, 2006a).

	May 2006	October 2006
ERDF	40.4%	60.4%
ESF	21.2%	27.6%
EAGGF & FIFG	12.7%	16.1%
SLOVENIA	29.2%	42.2%

Source: Government Office for Local Self-Government and Regional Policy 2006a

Until the end of October 2006, Slovenia absorbed 42.2% of the total commitments, which is an increase of more than 30% in only five months. Once again the biggest contributor of absorbing EU funding was ERDF with 60.4% of absorbed total commitments. ESF managed to absorb 27.6% of total commitments and EAGGF and FIFG 16.1% (Government Office for Local Self-Government and Regional Policy, 2006a).

As shown in Table 5 (and Figure 4), Slovenia has been successful in absorbing Structural Funds and improvement is visible from month to month.

➔ TABLE 5
Absorption of
Structural Funds –
end of 2004 – end of
2005 – end of 2006

	End 2004 % ¹	End 2005 % ¹	End 2006	
			% ¹	In billions of SIT
Tender allocation*	58	88	110	87.0
Financial allocation**	36	78	114	90.1
Signed contracts	11	58	105	84.4
Executed payments	7	30	69	54.0
Certified expense claims (EU part)	0	20	59	35.1

¹Share of available allocation defined in SPD.

*Technical help allocation is not taken into account.

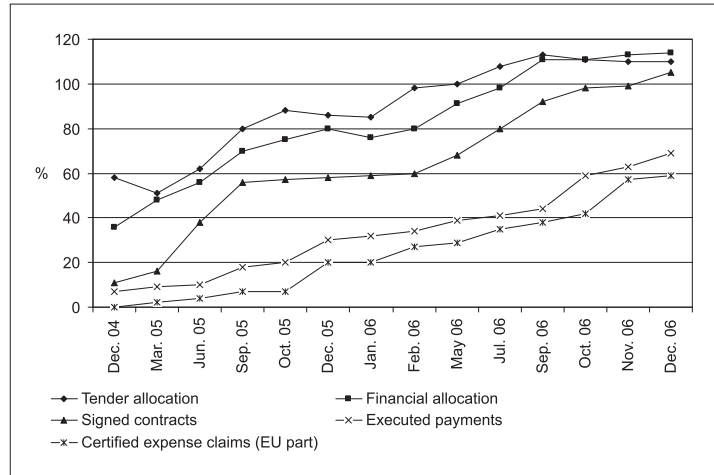
**Technical help allocation is taken into account.

Source: Government Office for Local Self-Government and Regional Policy 2007a

Tender allocation and Financial allocation exceeded 100%, which means that Slovenia has allocated more financial sources than available in SPD for the programming period 2004-2006 and this indicates the ability of Slovenia to absorb its total allocation for the cohesion policy until 2008. In the beginning of 2006, the Government of Slovenia adopted financial measures for optimizing absorption by allowing additional

expenditure commitments (Government Office for Local Self-Government and Regional Policy, 2007a).

➔ FIGURE 4
Absorption of Structural Funds – dynamics of ESP (in %)



Source: Government Office for Local Self-Government and Regional Policy 2007a

The share of signed contracts until the end of 2006 was 105%, payments from the National budget were 69%, and the share of certified expense claims, sent to the paying authority, was 59% (Government Office for Local Self-Government and Regional Policy, 2007a).

Slovenia received 8.6 billion SIT (35.9 million EUR) from the EU budget in the year 2005 for structural policy purposes and 20.5 billion in the year 2006, which makes Slovenia one of the most successful countries regarding absorption.

According to available data, by the end of 2006 the European research and development fund co-financed 137 projects with a value of 48.8 billion SIT (203.64 million EUR). European social Fund co-financed projects with a value of 24.3 billion SIT (100.15 million EUR). European Agriculture Guidance and Guarantee Fund and Financial Instrument for Fisheries Guidance co-financed 9493 projects with a value of 13.5 billion SIT (56.34 million EUR) (Government Office for Local Self-Government and Regional Policy, 2007a).

Cohesion Fund

The Cohesion Fund is based on a project approach which is rather different than the programming approach applied by Structural Funds. For the programming period 2004-2006, all available resources were already allocated for financing projects. Because of the project approach, the absorption of Cohesion Fund depends entirely on the final recipients (in case of problems there is no possibility to transfer the allocated re-

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sources to other projects as it is for projects co-financed by Structural Funds).

The absorption of Cohesion Fund for transportation was 41% until the end of 2006 and 21% for the environment (Government Office of Slovenia for Local Self-Government and Regional Policy, 2007a).

IMPLEMENTATION AND ADMINISTRATION OF EU STRUCTURAL FUNDS AND COHESION FUNDS; THE CASES OF IRELAND, ESTONIA AND SLOVENIA

The purpose of the implementation and administration system is to ensure the effective distribution of national and EU public finances to final recipients and therefore the functions of a system are to supervise the distribution, and to monitor the process of spending EU money, in order to prevent any kind of abuse and to ensure effective counseling.

Ireland

In the financial period 2000-2006, Ireland established 2 Regions NUTS II for Structural Funds purposes: Border, Midland and Western Regions (B.M.W. Region) and Southern & Eastern Regions (S&E Region) that received 4.1 billion EUR for EU funding. In 2000, Ireland introduced a National Development Plan, which was the largest and most ambitious investment programme ever proposed with a value of 57 billion EUR (National Development Plan of Ireland – NDP, 2006k).

Ireland decided for a system with more than one managing authority (MA). The overall responsibility of implementing NDP rested with the Ministry of Finance. The MA delegates responsibilities to implement measures to lower levels of the administration structure and negotiates with the European Commission for approving operational programmes in which a country identifies goals, priorities and measures for the projects co-financed by the EU.

In addition to the overall MA, Ireland also has 7 managing authorities for each Operational programme (National Development Plan of Ireland – NDP, 2006k):

- Regional Assembly S&E for the Operational Programme S&E;
- Regional Assembly B.M.W for the Operational Programme B. M. W;
- Department for Environment and Local Government for the Operational Programme Employment and Human resources;
- Department for Enterprise, Trade and Employment for the Operational Programme Employment and Human Resources;

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- Department for Enterprise, Trade and Employment for the Operational Programme Productive Investment;
- The EU Programmes Body for PEACE Programme;
- Department of Finance for Cohesion Fund.

The responsibilities of the MA are: providing secretarial duties for the Monitoring Committee, collecting and supplying information from the Operational Programmes to the overall MA (Department of Finance), drawing up the annual implementation report for approval by the Monitoring Committee and submission to the Commission, preparing payment claims for the paying authorities (PA) for Structural Funds and ensuring the proper use of EU funding regarding EU policies.

In Ireland, each Structural Fund has its own paying authority (PA). The PA for ERDF and Cohesion Fund is the Department of Finance; for the ESF Department of Enterprise, Trade and Employment; for EAGGF the Guidance Department of Agriculture and Food; and for FIFG the Department of Communication, Marine and Natural Resources. The responsibilities of the PA are to prepare and submit a paying claims application forecast no later than April 30 of each year to the European Commission, managing the payment on account of Funds and making sure that the Final recipient receives the EU contribution as quickly as possible (National Development Plan of Ireland – NDP, 2006l).

The managing authority, paying authority can delegate several responsibilities to intermediate bodies (IB) but in general IBs have the following functions: preparation and implementation of measures, preparing a project's selection criteria, cooperation by preparing a Single Programming Document, planning national co-financing, informing partners and applicants, and approval of payment applications. Ireland has many IBs most of which are Government Departments, Agencies, and Local Authorities such as: the National Roads Authority, the Dublin Transport Office, Sustainable Energy Ireland, Rural and Gaeltacht Affairs, D/Arts, Sport and Tourism, the Central Fisheries Board, Waterways Ireland etc. (National Development Plan of Ireland – NDP, 2006k).

Operational Programmes have their own Monitoring Committees whose members are representatives of the Department of Finance, individual managing authorities, agencies, different professionals and local authorities. The function of Committees is to approve annual and final implementation reports, examining the results of implementation, proposing adjustments to the MA, and confirming or adjusting the programme complement.

Final recipients are institutions carrying out the projects co-financed by EU Structural Funds and the Cohesion Fund.

These can be Government Departments, Agencies, Local Authorities and Private Entities (National Development Plan of Ireland – NDP, 2006l).

Estonia

Estonia received 695 million EUR from entering the EU till 2006 and in the Single Programming Document (SPD) it laid down the goals, priorities and measures in order to ensure the proper spending of EU funds (Strukturifondid, 2006b).

The Ministry of Finance plays a major role in Estonia in the implementation and management of SPD in Estonia for the period 2004-2006. The Ministry of Finance takes the role of MA, PA and Monitoring Committee for Structural Funds and the Cohesion Fund (Strukturifondid, 2006a).

Estonia divided IBs into two levels: Priority IBs (The Ministry of Social Affairs for Priority 1, the Ministry of Economic Affairs and Communications for Priority 2, the Ministry of Agriculture for Priority 3 and the Ministry of Finance for Priority 4 and 5) and Measure IBs (Ministry of Economic Affairs and Communications; Ministry of Internal Affairs; Ministry of Environment; Ministry of Social Affairs; Ministry of Education and Research; Ministry of Agriculture; Ministry of Finance). If Priority IB and Measure IB are the same institution the responsibilities are not distinguished (Strukturifondid, 2006a).

Final beneficiaries are direct or indirect state budget beneficiary institutions. The MA and PA can delegate several functions to guarantee the proper implementation of EU Funding such as: the technical and financial assessment of projects, informing partners and applicants, taking financing decisions on applicants, verifying payment claims submitted by final recipients, developing project selection criteria, carrying out spot verification on final recipients etc.. The final beneficiaries in Estonia are: the Foundation Enterprise Estonia; the Environmental Investments Centre; INNOVE; the Road Administration; the Railway Administration; Estonian Informatics Centre; the Estonian Aviation Administration; the Estonian Maritime Administration Labour Market Board; the Ministry of Social Affairs; the Estonian Agricultural Registers and the Information Board; the State Chancellery; the Ministry of Finance etc (Strukturifondid, 2006b).

Final recipients such as Government institutions, municipalities, local authorities, entrepreneurs and SMEs receive EU funding for preparing projects worth EU financial consideration. In case the final beneficiaries and final recipients are the same institution, the responsibilities are combined into one organization (Strukturifondid, 2006a).

Slovenia

The managing authority for Structural and Cohesion Funds is the Government Office for Local Self-Government and Regional Policy (GORP) and the paying authority is the Ministry of Finance. Intermediate bodies (IBs) in the case of Structural Funds are the Ministry of Agriculture, Forestry and Food for EAGGF and FIFG and GORP for ERDF and ESF. At the beginning of 2006 a major change of the administration system was carried out by shifting responsibilities of IBs from the Ministry of Economy and Ministry of Labor, Family and Social Affairs to MA in order to improve the administrative capacity for the absorption of EU funds.

Intermediate bodies (IBs) in the case of the Cohesion Fund are the Ministry of Environment and the Ministry of Transportation.

The final beneficiaries are the Public Agency for Entrepreneurship and Foreign Investment, the Ministry of Economy, the Ministry of Labor, Family and Social Affairs, the Ministry of Transportation, the Ministry of Higher Education, Science and Technology, the Ministry of Culture, the Employment Service of Slovenia, regional development agencies and the Agency of the Republic of Slovenia for Agricultural Markets and Rural Development (Government Office of Slovenia for Local Self-Government and Regional Policy, 2006d).

The final recipients are technological parks, small and medium-sized companies, incubators, public companies, different institutions, regional development agencies, unemployed workers etc. (Strukturni skladi v EU v Sloveniji, 2006).

Slovenia's institutional regulations for managing Structural funds is based on a system with separate institutions acting as managing and paying authorities. This is different from the Baltics, where both roles are performed by the Ministry of Finance, or the Irish system, which includes more managing authorities.

IMPLEMENTED ACTIVITIES FOR IMPROVING ABSORPTION CAPACITIES IN SLOVENIA

Since the start of the programme period, authorities have undertaken measures to improve absorption (Government Office of Slovenia for Local Self-Government and Regional Policy, 2007b):

- shifting functions of IBs for ERDF and ESF to MA; there was one level of coordination less, which should improve the responsiveness and effectiveness of the system;
- strengthening the cooperation between the managing authority, paying authority and intermediate bodies (weekly meetings);

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- establishing monthly implementation reports by the managing authority and reporting to responsible Ministries and the Prime Minister of the Republic of Slovenia;
- establishing a weekly monitoring system for evaluating certified expense claims sent to the EU;
- defining final dates for signing contracts, payments and certified expense claims with the aim of improving absorption;
- liability of ministries of consistently applying financial insurance for the seriousness of a contract – often final recipients stepped out of the contract;
- better promotion of Structural and Cohesion Funds;
- educating staff at home and in other EU countries;
- additional employment for *ex-ante* control;
- better implementation of instruments;
- preparation of transparent and clearer instructions and guidelines;
- more accurate defining of justified expenses.

As already mentioned, the Government of the Republic of Slovenia adopted financial measures for optimizing the absorption by allowing additional expenditure commitments (additional expenditure commitments were increased by 20% of the already allocated resources to the projects) because it was in Slovenia's strategic interest to absorb as much as possible of the allocations by the end of 2006 and to start preparing activities for the financial period 2007-2013.

STRUCTURAL AND COHESION FUNDS IN SLOVENIA FOR THE FINANCIAL PERSPECTIVE 2007-2013

Programming documents 2007-2013

The managing authority GORP prepared, together with other involved institutions and Ministries in the cohesion policy, a proposal on the National Strategic Reference Framework and three Operative Programmes.

The National Strategic Reference Framework is a strategic document defining a strategy and demonstrating that the decisions are in accordance with the guidelines of the European Community based on analyzing regional discrepancies, weaknesses and opportunities. The implementing part includes a list of operating programmes and a framework for yearly financial spending (by programmes).

Operational programmes represent the implementing of documents that include obligations and rights of a member state. Upon the proposal of a member state and after the approval of the European Commission, the European Commis-

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sion adopts a decision in which it certifies allocations and a share of co-financing for the development priorities.

In the programming period 2007-2013, the Republic of Slovenia will implement the following operational programmes for achieving the main objective of the "convergence" of Structural and Cohesion Funds (Government Office of Slovenia for Local Self-Government and Regional Policy, 2007b):

- The operational program for strengthening regional development potential for the period 2007-2013 (OP ERDF).
- The operational program for developing human resources for the period 2007-2013 (OD ESF).
- The operational program for developing environmental and transportation infrastructure for the period 2007-2013 (OP DETI).

In addition to the above-mentioned Operational programmes, the Republic of Slovenia will implement an operational programme for achieving the main objective "European Territorial Co-operation" of the European Regional and Development Fund.

Operational programmes in the period 2007-2013 will have the same function as the SPD in the programming period 2004-2006.

In the financial perspective 2007-2013, Slovenia was able to negotiate for 3.5 times more financial support than in the previous financial perspective. In the next seven years, Slovenia will receive 4.205 million EUR for structural and cohesion policy, of which (Government Office of Slovenia for Local Self-Government and Regional Policy, 2007b):

- 1.710 million EUR is allocated for OP ERDF,
- 756 million EUR is allocated for OP ESF,
- 1.635 million EUR is allocated for OP DETI,
- 104 million EUR is allocated for European Territorial Co-operation.

Implementation structure in 2007-2013

On the basis of the positive experiences from the first programming period 2004-2006, Slovenia retains a centralized implementation system of Structural and Cohesion Funds and in addition it has applied measures to simplify the system. At the same time, some adjustments are necessary in order to comply with new EU regulations for the programming period 2007-2013.

Institutions involved in implementing cohesion policy are (Government Office of Slovenia for Local Self-Government and Regional Policy, 2007b):

- managing authority: the Government Office for Local Self-Government and Regional Policy (GORP);

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- certification authority: the Ministry of Finance of the Republic of Slovenia, National Fund; in the programming period 2004-2006 the paying authority fulfilled this role;

- intermediate body: institution of private or public law, working for the managing authority or certification authority to accomplish tasks in relation to beneficiaries. In the three operational programmes there are at this moment 11 Ministries and Government Offices involved (the Ministry of Economy and the Ministry of Labor, Family and Social Affairs, the Government Office for Local Self-Government and Regional Policy, the Ministry of Agriculture, Forestry and Food etc.)

- beneficiaries are companies or public institutions responsible for the development and implementation of projects.

The implementation structure for the new programming period 2007-2013 does not differ between final beneficiaries and final recipients but introduces beneficiaries.

CONCLUSION

In this article, we closely examined the three most successful countries in absorbing EU funds, which are: Ireland, as the leading country among the EU-15, and Estonia and Slovenia as the leading countries among the new EU-10. We focused on the total sum of the allocation for the three countries and their Administration and Implementation system for Structural and Cohesion Funds.

When comparing absorption in the first two years of the programming period for the three countries, the share of the countries is similar. The absorption of Ireland was 27%, while Estonia had 27% and Slovenia had 29% of all allocations for Structural Funds. Ireland and Slovenia were the most successful in allocating ERDF financial resources and Estonia in allocating EAGGF and FIG. Conversely, Ireland and Estonia had the most problems in absorbing ESF and Slovenia in absorbing EAGGF and FIG financial resources.

Regarding administration and implementation systems of Structural and Cohesion Funds in Ireland, Estonia and Slovenia, we confirmed the diversity among examined countries. Ireland has a decentralized managing system with several managing authorities and paying authorities, also on the regional level, while Estonia and Slovenia have a more centralized system on a national level. The Ministry of Finance has a more important role in Estonia by acting as managing and paying authority, while on the other hand in Slovenia those functions are divided between the Government Office for Local Self-Government and Regional Policy (managing authority) and the Ministry of Finance (paying authority).

Regarding the current implementation system and absorption success in these three countries, we cannot determine

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which of the three presented implementation structures is more effective and advisable for improving the absorption of EU funds. We came to the conclusion that even different implementation structures can lead to high absorption results.

In the new financial perspective 2007-2013, Slovenia was able to negotiate for 3.5 times more financial support (4.205 million EUR) than in the previous financial perspective. To improve the absorption capacity for the programming period 2007-2013, Slovenia has introduced some changes. On the basis of the positive experiences from the first programming period 2004-2006, Slovenia retains a centralized implementation system of Structural and Cohesion Funds and in addition it has applied measures to simplify the system. At the same time, some adjustments are necessary in order to comply with new EU regulations for the programming period 2007-2013. Slovenia will increase the role of the managing authority and move to an even more centralized managing system. The managing authority will have greater influence regarding the confirmation of instruments (public tenders, programs, projects etc.), financial management (which will transfer money if the goals of the project are not achieved), and control of spending for EU funds, while the implementing measures will still be the responsibility of ministries. With this implementing structure, Slovenia wants to assure an even better absorption of EU funds and stronger control of spending.

NOTES

¹ Due to the different lengths of the programming periods for EU-15 and the 10 New Member States, it is not useful to add the financial amounts up for these two groups of countries.

² Commitments – the amount of money received by a Member State from the EU budget for a particular financial instrument, in this case Structural Funds and Cohesion Funds (Mrak and Wostner, 2005).

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Institucionalna regulacija i uspješnost apsorpcije fondova EU-a: iskustva Irske, Estonije i Slovenije

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Proširenje Europske Unije na deset novih članica 2004. godine povećalo je važnost politike kohezije EU-a; ipak, spremnost tih zemalja da primaju novčana sredstva iz fondova nije se pokazala dostatnom. Tako je njihov kapacitet apsorpcije do sada bio razmjerno nizak. Napravljena je

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analiza koja govori o važnosti institucionalnih okvira za uspješnu apsorpciju sredstava. Imajući to na umu, prvo smo pomno promotrili najuspješnije zemlje u apsorpciji fondova EU-a. To su bile: Irska, kao vodeća zemlja među EU-15 te Estonija i Slovenija kao vodeće zemlje unutar EU-10. Irska ima decentraliziran sustav upravljanja, s više upravljačkih i financijskih struktura, i to na regionalnim razinama, dok Estonija i Slovenija imaju sustave više centralizirane na nacionalnoj razini. Promatrajući sadašnji sustav primjene i uspješnost apsorpcije u tim trima zemljama, ne možemo utvrditi koje su od tri predstavljene implementacijske strukture uspješnije i koje je uputno preporučiti za unapređenje apsorpcije fondova EU-a. Naš je zaključak da i različite implementacijske strukture mogu dovesti do visokih rezultata apsorpcije.

Ključne riječi: administracijski sustavi fondova EU-a, strukturalni fondovi, Kohezijski fond, uspješnost apsorpcije, tranzicijske zemlje

Absorption von EU-Fördermitteln: Institutionale Regelung und Erfolg am Beispiel Irlands, Estlands und Sloweniens

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Die Ausweitung der EU und der Beitritt von zehn neuen Mitgliedstaaten im Jahr 2004 hat die Aktualität der EU-Kohäsionspolitik erhöht; jedoch hat sich die Kapazität dieser Länder, Fördermittel aus EU-Fonds in ihre Modernisierung zu investieren, als unzulänglich erwiesen. Dementsprechend war das Absorptionsvermögen bisher relativ gering. Die vorgenommene Analyse widmet sich der Bedeutung des institutionalen Rahmens für eine erfolgreiche Absorption der genannten Fördermittel. Vor diesem Hintergrund wurden zunächst die in dieser Hinsicht erfolgreichsten Länder untersucht. Das sind: Irland als das führende Land der EU-15-Staaten sowie Estland und Slowenien als die führenden Staaten der EU-10 (EU-Erweiterung 2004). Irland hat ein dezentralisiertes Verwaltungssystem mit mehreren Verwaltungs- und Finanzstrukturen auf regionaler Ebene, während Estland und Slowenien über ein eher zentralisiertes Verwaltungssystem auf nationaler Ebene verfügen. Betrachtet

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man den aktuellen Stand in der Umsetzung von EU-Fördermitteln und das Absorptionsvermögen der erwähnten Staaten, so lässt sich nicht mit Bestimmtheit sagen, welche der drei Implementierungsstrukturen die erfolgreichste und als nachahmungswert zu empfehlen ist. Die Verfasser dieser Studie kommen zu dem Schluss, dass auch völlig unterschiedliche Implementierungsstrukturen zu hochwertigen Ergebnissen bei der Absorption von Fördermitteln führen können.

Schlüsselbegriffe: Administrationssysteme von EU-Fonds, EU-Strukturfonds, EU-Kohäsionsfonds, Absorptionsvermögen, Transitionsländer