

# **EU COHESION POLICY IN SLOVENIA**

Preparations for EU Structural Funds

How the Slovenian Hen Hatches the EU's Golden Eggs or Not...

OEUE PHASE II

Occasional Paper 6.4 – 09.04

Damjan Lajh

University of Ljubljana

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Institute for the Study of Social Change  
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## **ORGANISING FOR EU ENLARGEMENT:**

### **Challenge for the Member States and the Candidate Countries**

The Dublin European Institute, University College Dublin,<sup>1</sup> was awarded, in 2001, a research contract under the EU's Fifth Framework Programme<sup>2</sup> to carry out a comparative study of the impact of the EU on the structures and processes of public policy in six small countries: **Ireland, Greece, Finland, Estonia, Hungary** and **Slovenia**. The Project's partnership, under the direction of Professor Brigid Laffan, Dublin European Institute, University College Dublin<sup>3</sup>, includes: Professor Dr. Wolfgang Drechsler, University of Tartu; Professor Teija Tiilkainen, University of Helsinki; Professor Calliope Spanou, University of Athens; Professor Attila Ágh, Budapest University of Economic Sciences and Public Administration; and Professor Danica Fink-Hafner, University of Ljubljana.

The aim of the research project was to deepen our understanding of the processes of Europeanisation in a number of the existing member states and some of the candidate states.

The research project encompassed the following three objectives:

- The conduct of research which offers immediate policy relevance to key stakeholders in the enlarging Union;
- The conduct comparative, theoretical and empirical research on the management of EU public policy making in three existing member states – Ireland, Greece and Finland – and three candidate states – Estonia, Hungary and Slovenia;
- The shedding light on the capacity of smaller states to adjust and to adapt to the increasing demands of Europeanisation on their systems of public policy-making and thus to identify the barriers to effective, efficient and accountable management of EU business.

### **Research Strategy**

The research design consisted of two phases and within each phase, two levels of analysis. **Phase I** analysed the management of EU business at the macro level of the core executive and was complemented by a micro case study of a recent policy negotiation using decision analysis. **Phase II** of the research broadened the analytical focus to encompass other levels of government – the EU and sub-state – through multi-levelled governance. Here attention was centred upon the emergence of policy networks and the interaction between public actors and the wider civil society in specific, discrete policy sectors.

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<sup>1</sup> National University of Ireland, Dublin (University College Dublin).

<sup>2</sup> European Commission, Community Research Fifth Framework Programme (Socio-Economic Research).

<sup>3</sup> This project forms part of the Governance Research Programme, Institute for the Study of Social Change, University College Dublin, [www.ucd.ie/issc/](http://www.ucd.ie/issc/) and [www.ucd.ie/govern/intex.htm](http://www.ucd.ie/govern/intex.htm).

## **Methodology**

The study employed two specific methodologies: historical institutionalism and rational institutionalism in a new and innovative fashion. The use of combined perspectives provided a theoretically innovative and new approach to the study of the Europeanisation process. Both approaches could be used as they were applied to different elements of the empirical research.

## **Academic and Policy Implications**

This study's findings provide insight into the manner in which diverse state traditions, institutions and political and administrative cultures influence national adaptation to EU governance and how the interface between national policy processes and the Brussels arena is managed. It is expected that these findings will assist those making and managing policy, thus facilitating adjustments to the changing European Union while also contributing to the growing academic debate on Europeanisation.

At various stages during the course of this project the research findings and analysis were presented to a range of stakeholders and academics to facilitate feedback and enhance the analytical process. Further details about the Organising for EU Enlargement (OEUE) project are available on the project web site [www.oeue.net](http://www.oeue.net), along with i) the Project Report, ii) the OEUE Occasional Papers and iii) a selection of papers by the research partners which draw on various aspects their project research.

## **AUTHOR**

### **Damjan Lajh**

Damjan Lajh is a postgraduate at the Faculty of Social Sciences, University of Ljubljana. National core executive structures, the EU and its enlargement, and implementation of the EU structural policy feature among his areas of research. Damjan Lajh's recent publications include "Stability Pact: Slovenia – NGO's", Peace Institute, Ljubljana (2001); co-author with Danica Fink Hafner "Managing Europe from Home: the Europeanisation of the Slovenian Core Executive", Faculty of Social Sciences, Ljubljana (2003); co-author with Danica Fink Hafner "Institucionalno prilagajanje slovenske izvršilne oblasti povezovanju Slovenije z ES/EU: mednarodno primerjalni pogled" [*Institutional Adjustment of the Slovenian Executive Power in the Context of Slovenian Cooperation with EC/EU: International Comparative View*], *Teorija in praksa*, 39(6), 970-99 (2002); co-author with Alenka Krašovec "The Slovenian EU Accession Referendum: A Cat-and-Mouse Game", *West European Politics*, 27(4), 603-23 (2004).



## **ABSTRACT**

Every state entering the 'EU's Promised Land' expects to get 'golden eggs' that will significantly contribute to the prosperity of all parts of the country. This is also why Slovenia, in the area covered by the negotiating Chapter 21 on *Regional Policy and Co-ordination of Structural Instruments*, endeavoured to meet two main goals: 1) to increase the amount of funds earmarked by the EU for Slovenia in the 2004-2006 period; and 2) to reach an agreement whereby the least developed parts of Slovenia would preserve the status of an Objective 1 region (regions with the greatest possible access to EU Structural Funds) in the next financial period. But does the outcome of the negotiations in fact facilitate golden eggs for the Slovenian hen?

This paper argues that in keeping with the experiences of previous enlargement the member-states were only able to draw down a relatively small amount of the approved funds. Hence, it is true that more Structural Funds in the first years of membership – when the country is still not fully qualified to draw on them – might also mean taking on greater public finance risks. Furthermore, the Slovenian Government's announcement of the approval of a comparatively small amount of funding is exceptional and may even support the opposition's claims that the outcome of the negotiations is relatively poor. All of this clearly shows that the EU eggs hatched by the Slovenian hen are not very golden, but they are still the eggs.



## INTRODUCTION

The process of Europeanisation<sup>4</sup> 'requires' that states take part in the internalisation of the European Union's (hereinafter: the EU) norms and development of new identities. Satisfying these new requirements means changing actions, routines and even formal institutions and procedures (North 1990), depending on the level of adaptational pressure. The amount of adaptational pressure generated by Europeanisation reflects the 'goodness of fit'<sup>5</sup> between European institutions and domestic structures: the lower the compatibility (fit) between the new requirements on one hand, and (sub)national structures on the other hand, the higher the adaptational pressure (Risse et al. 2001: 6-7). As policy misfits produce adaptational costs at the domestic level, member states strive to 'upload' their policies to the EU level in order to reduce their compliance problems (Börzel and Risse 2003: 62). Because the member states do not always succeed in uploading their preferences to the EU level in a similar manner or to the same degree, the result is a very diverse pattern of policies, problem-solving approaches and organisational styles (Héritier 1999). Whereas the old(er) member states were to various degrees active in the creating and modelling of the EU's common institutions, practices and policies, the newcomers have had to internalise all of these practices and policies and institutionally adapt themselves before having a say in how the EU's polity, politics and policies are formulated (Fink-Hafner and Lajh 2003: 20-6). Yet, this internalisation (or adaptation) is not mechanical. In the EU context, states follow and imitate each other as a rule, but there is always room (albeit varying) for domestic interpretation, translation and editing. Hence, states interpret, translate and edit the rules of the game so they fit into their own domestic political context (Mörth 2003: 162).

This paper starts from the premise that the Europeanisation processes do not just affect EU member states but also the wider world, especially countries applying for EU membership (Olsen 2003). One aspect of this is the requirement that EU accession states make adjustments in the field of regional development. Every accession state with the ambition of achieving a high level of development for all its regions and hoping to receive support from the Structural Funds must thus put a lot of effort into creating an efficient institutional framework that allows the successful management and implementation of future EU funding (Laffan 2003). The main aim of this paper is to examine the impact of the EU's cohesion policy<sup>6</sup> (i.e. regional development initiatives) on

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<sup>4</sup> In the article we understand Europeanisation to be an 'incremental process re-orienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the organizational logic of national politics and policy-making' (Ladrech, 1994: 69).

<sup>5</sup> The 'goodness of fit', however, does not tell the full story of Europeanisation. For example, in some cases governments are under little adaptational pressure from EU regulations, whereas in some other cases adaptational pressure might not be the best predictor of how a country responds to Europeanisation: a country can be under strong adaptational pressure but can implement EU policy without too many problems. For more doubts about the 'goodness of fit', see Radaelli, 2003: 44-6.

<sup>6</sup> The EU cohesion policy is the only redistributive policy of importance in the almost exclusively regulatory project of European integration (Hooghe, 1996b: 6). It is not just one of many policies but is a spatial combination of a variety of sectoral policies (ibid: 10). Hence, other EU policies also have an uneven regional impact (Keating, 2001: 6), each of which is organised in accordance with particular boundary and decision rules. Although in the last few decades the EU cohesion policy has undergone some substantial changes, its core aim remains the same: the reduction of regional disparities and strengthening of economic and social cohesion throughout the EU. Yet, the EU cohesion policy, also frequently called 'the instrument of solidarity',

national and subnational structures in Slovenia<sup>7</sup>; institutions, actors and territorial organisation. When analysing the dynamics of the EU's cohesion policy and Slovenia's ambitions for the Structural Funds the paper focuses on a) the institutional challenge of establishing a competent network of actors and institutions with responsibility for co-ordinating and managing regional issues; and b) establishing a regional structure that is compatible with the NUTS<sup>8</sup> classification scheme.

The paper is organised as follows. Section 1 examines Slovenia's territorial organisation. The legacy of EU pre-accession assistance programmes in Slovenia is analysed in Section 2. Section 3 observes the preparations for the Structural Funds. The key issues and politics regarding Structural Funds in Slovenia are analysed in Section 4 and finally, Section 5 summarises the main findings and tries to answer the question 'what kind of eggs does the Slovenian hen hatch?'

### **SLOVENIA'S TERRITORIAL ORGANISATION: A STRONG HEN AND FRAIL CHICKENS?**

Apart from smallness of the territory and the low number of inhabitants, Slovenia's special features include its extreme natural, cultural and socio-economic diversity.<sup>9</sup> The result of this diversity is limited access to certain areas, challenging settlement conditions and difficulty in organising economic activities (Slovenian Negotiating Positions 2000: 226). At the start of the twentieth century differences between particular parts of present-day Slovenia were quite large. Due to the centralist orientation of the administration after the Second World War, these disparities continued to grow up until 1971 when a special law on the Promotion of Balanced Regional Development was adopted. That law was based on the concept of polycentric development and heralded the start of regional policy and special measures to promote the growth of less-developed regions (Strategy of the Regional Development in Slovenia 2001: 19). These measures were based on the principles of forming a level playing field for living and working conditions in different parts of the country. Later, in the early 1990s, the law on Promoting the Development of Demographically Endangered Regions was adopted. It defined endangered regions through two demographic indicators, the level of population growth and the ageing index (Regional Policy and the EU 1999). This system did not turn out to be the most appropriate given that there was no fundamental change to Slovenia's demographic picture. Moreover, shortly after the country's independence regional development was placed on the back burner and implementation of a balanced regional policy was not seen as a priority, primarily because developmental problems were managed separately and not regionally (i.e. as regional

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is not solely limited to EU member-states. Namely, simultaneous to the negotiating process the EU also provided pre-accession financial assistance to the EU accession-states.

<sup>7</sup> Slovenia became a member of the EU on 1 May 2004. This paper analyses the dynamics of European cohesion policy as represented by pre-accession assistance in Slovenia and the preparations for the receipt of the Structural Funds following EU membership.

<sup>8</sup> The NUTS (Nomenclature of Territorial Units for Statistics) statistical classification system is a key tool of the European Commission to shape and standardise the EU cohesion policy (Hughes et al. 2003, 73).

<sup>9</sup> In comparison with other EU member states, Slovenia's regional diversity is unique due to its territorial smallness. Namely, no other EU member state is within such a small territory as regionally diverse as Slovenia.

developmental problems). In addition, in the initial years after Slovenia's independence there was a high degree of centralisation of resources and arbitrary decision-making at the national level; on top of the political agenda were the tasks of establishing the political and administrative structure of the state and the macroeconomic dilemmas in the process of economic transition. Hence, the level of resources earmarked for the regional domain was falling throughout, and disparities between 'regions'<sup>10</sup> in Slovenia after its independence increased further.

**Box 1:** The modernisation of regional policy in Slovenia

<p><b>Box 1:</b></p> <p>The modernisation of regional policy in Slovenia</p> <p>The modernisation of regional policy in Slovenia is an extensive project, involving institutional reforms at the national and local levels and the establishment of new institutions at the regional level. The reform of regional policy is a constituent part of the broader public administrative reform and one of the most important structural reforms in Slovenia. Modernisation is based on an analysis of regional disparities, an analysis of existing direct and indirect regional policy, a comparison of Slovenia's regional policy with the regional policies of developed countries, the European dimension of regional policy, the requirements of the state aid policy and an analysis of the development possibilities of Slovenian regions (Strategy of Regional Development in Slovenia 2001: 16-7).</p>	<p>There are two key and intertwining reasons to modernise regional policy in Slovenia:</p> <ol style="list-style-type: none"> <li>1) The internal grounds for modernising regional policy in Slovenia reflect the inefficiencies and unfulfilled objectives of the previous regional policy. Furthermore, during the 1990s, regional policy did not achieve the expected results because different 'regional' programmes were prepared and implemented within sectoral policies.</li> <li>2) The external grounds for modernising regional policy in Slovenia reflecting the new challenges of globalisation and Slovenia's membership in the EU. The new regional policy in 'European conditions' cannot only be designed to do away with internal developmental disparities, but it must stimulate the development programmes and international competitiveness of all parts of the country.</li> </ol>
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However, the past development of regional policy continued to have a bearing during the remodelling of institutional and functional design at the subnational level in Slovenia after its independence. In the year following the enactment of the Constitution of the newly-established state in 1991, the majority of central bodies at the national level were created, while others – including institutional structures at the local level – remained with the so-called 'communal system' (Šmidovnik 1997: 182). This system derived from the earlier socialist form of government whereby central and local governments were inseparably linked. Its main institution was the municipality, designated as a 'commune'.<sup>11</sup> In terms of status it was an independent public entity with a directly elected representative body and which functioned relatively

<sup>10</sup> Since regions in Slovenia as administrative-political units have still not been formed, this paper treats 'regions' as statistical or functional regions.

<sup>11</sup> The 'commune' was not the usual continental municipality, which is primarily concerned with specifically local matters and their administration. It instead acted as the agent of central government and dealt with local matters only secondarily (Šmidovnik 1997: 182).

autonomously. These communes undertook the bulk of state administrative tasks. Thus, the lion's share of the territorial, functional and organisational structure of the commune reflected the needs of the central administration<sup>12</sup> (Vlaj 1998: 21). However, this old municipal system could not be taken apart by a dictate overnight so the life of the communes continued until the beginning of 1995 (Šmidovnik 1997: 183), when new municipalities became operative.

The new municipalities<sup>13</sup> were formed pursuant to the Law on Local Self-Government,<sup>14</sup> and following a referendum on the establishment of municipalities.<sup>15</sup> This legislation on Local Self-Government established criteria for the definition of the new municipality, including the minimum infrastructural capacities of the area of a municipality, which could not have fewer than 5,000 residents. However, this criterion was ignored when the municipalities were finally demarcated since political criteria prevailed in line with interests emerging in Parliament when it passed the Law on New Municipalities at the end of 1994. In fact, of the 147 new municipalities initially formed more than one-third have fewer than 5,000 residents and were thus too small according to the official criterion. Also, approximately one-fifth of the municipalities retained the territorial boundaries of the former communes and consequently exceeded the intended limits (Šmidovnik 1997: 186). The number of municipalities with fewer than 5,000 residents has even increased as over subsequent years a majority of the 'large' municipalities subdivided into smaller municipalities so to date the number has grown to 193 (see Figure 1). As a result, a vast majority of municipalities in Slovenia are generally very small since the country's total population of 2 million inhabitants is divided up amongst these 193 municipalities. Most municipalities thus have very limited financial and political power and are inadequately staffed.

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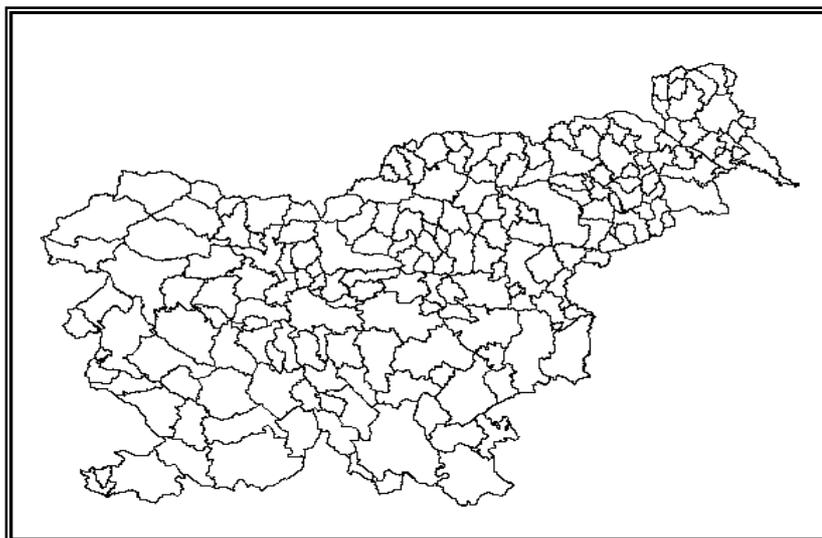
<sup>12</sup> Some experts today estimate that about 80 percent of a commune's work was concerned with state administration and only 20 percent with local affairs (Šmidovnik 1997: 182).

<sup>13</sup> Municipalities in the Slovenian context are self-governing local communities. In accordance with Slovenian legislation, the territory of a municipality comprises a settlement or several settlements bound together by the common needs and interests of the residents. The municipality's responsibilities comprise local affairs which may be regulated by the municipality autonomously and which only affect the residents of the municipality. With the prior consent of the municipality or wider self-governing local community, the state may by law vest specific duties within the state jurisdiction in the municipality if the state provides financial resources for this purpose, whereas state authorities supervise the proper and competent performance of work relating to matters vested in the local community bodies by the state. In principle, a municipality is financed from its own resources. Municipalities unable to completely provide for the performance of their duties due to insufficient economic development are assured additional funding by the state in accordance with principles and criteria provided by law.

<sup>14</sup> The Law on Local Self-Government was adopted in 1994.

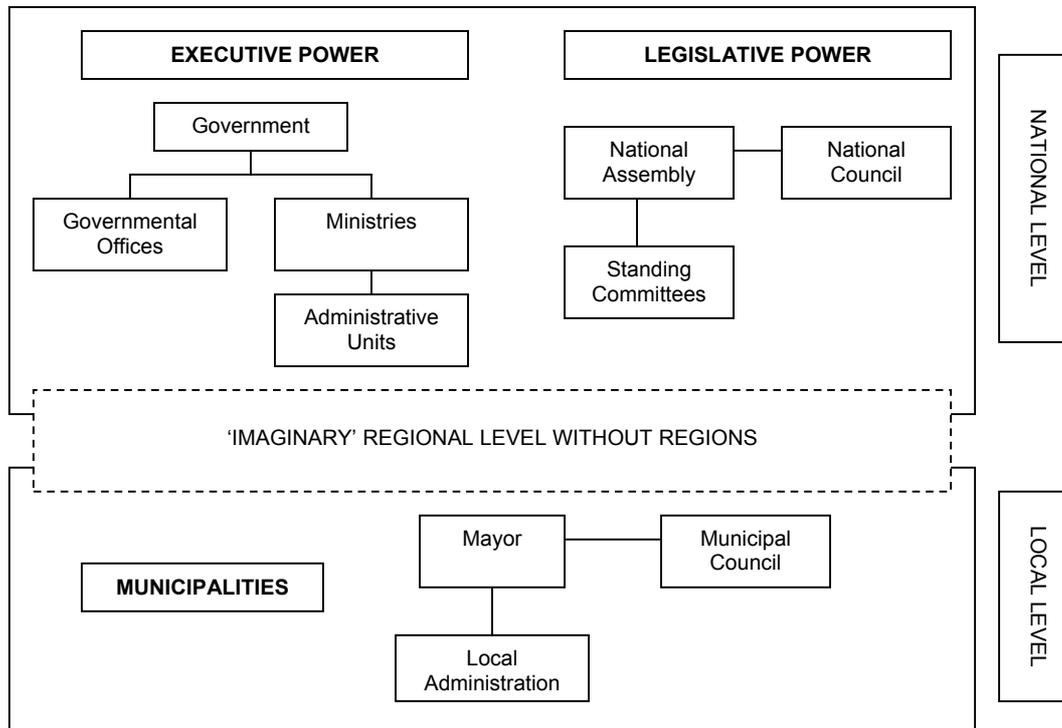
<sup>15</sup> Provisions of the Law on Local Self-Government were predetermined by the Slovenian Constitution, which states: 'Residents of Slovenia exercise local self-government in municipalities and other local communities' (Article 138). 'A municipality is established by law following a referendum by which the will of the residents in a given territory is determined' (paragraph 3 of Article 139).

**Figure 1:** The Slovenian 'hen' and the 193 small 'chickens'



Linked to the issue of the country's territorial organisation, a significant and long running problem has been the fact that there has not been 'institutional coverage' at the inter-municipal or regional level. Therefore, in the intervening space between the national government and municipalities a kind of 'vacuum' has developed, impacting adversely on the operations of both national and local levels. The fact is that business arising from the common interests of people in their locality usually does not stop at the borders of their municipality but moves beyond them to a broader territorial unit (Šmidovnik 1997: 189). This defect was corrected in part on Slovenia's accession to the EU, which as an exogenous factor triggered co-operation between local actors (especially municipalities) at the 'regional' level (Lajh 2004: 20) and partly filled the vacuum between national and local levels with the setting up of Regional Development Agencies (hereinafter: RDA). However, many experts (e.g. Ribičič 1998; Šmidovnik 1998; Vlaj 1998; Grafenauer 2003) argue that regions in Slovenia as administrative-political entities still need to be established since the current territorial organisation is exacerbating the gap between the small and powerless communities and the centralised state. The introduction of political-administrative regions should also address the divergence in power between the small municipalities and the state, which is excessively centralised and has too much power compared with the municipalities. Furthermore, the present situation is also emphasises the difference between the more developed central Ljubljana urban region and the rest of Slovenia. In fact, three quarters of the country's territory has been lagging even though it was one of the few (if no the only) countries in the socialist world to base its development on the polycentrism (Plut 1998).

**Figure 2:** State administration, local government and the 'vacuum' between them



Because Slovenia has no historical tradition of regional government, its political-administrative regionalisation is clearly no simple task. In the opinion of some experts (e.g., Šmidovnik 1998; Grafenauer 2003), Slovenia's political-administrative regionalisation requires amendments to the 1991 Slovenian Constitution. Namely, the chapter on local government in the Constitution came into existence without the necessary experience and knowledge and cannot compete with other successful constitutions on this issue (e.g., the Italian or German constitutions). Although the Constitution even offered the bottom-up possibility of forming regions, it still adopted a centralistic model of state administration since it did not envisage any 'mandatory' body for realising regional interests (Grafenauer 2003: 39). The most controversial part is Article 143 of the Constitution which does not provide for the establishment of regions within the whole territory of Slovenia, nor does allow the regions to be autonomous local communities.<sup>16</sup> Hence, this Article only defines voluntary forms and ways of municipalities' co-operation at the regional level. This is at the same time the main reason why regions, despite the constitutional category, have still not been formed in Slovenia.<sup>17</sup> Pursuant to Article 143 a region is thus founded on one single pillar,

<sup>16</sup> The first paragraph of Article 143 of the Slovenian Constitution states: 'Municipalities may independently decide to join into wider self-governing local communities, as well as regions, in order to regulate and manage local affairs of wider importance. In agreement with such communities, the state may transfer specific matters within the state competence into their original competence and determine the participation of such communities in proposing and performing particular matters within the state's competence'.

<sup>17</sup> Grafenauer (2003) argues that at least two other reasons are possible as to why regions in Slovenia have not yet been formed. First, in the opinion of some professionals and politicians due to certain characteristics of Slovenia such as its population, historical, political, economic and other circumstances it is really not necessary to divide the already small Slovenian territory into smaller regions. Secondly, the constitutional possibility of municipalities participating in the policy process, including the possibility of forming regions, has already been given.

the community, while the interests of the state and the interests of the people in communities and companies in regional areas are underestimated.

Experience from the last ten years shows that regionalisation<sup>18</sup> in Slovenia needs to be carried out across the whole territory, whereas the 'spontaneity' of linking communities is not a strong enough foundation. In summary, the last decade in Slovenia has been marked more by fragmentation than the co-operation (or networking) of subnational actors (i.e. municipalities). Instead of the municipalities coming together they have been divided. Given this, it is obvious that regionalisation cannot be left up to the coincidental decision-making of individual communities (from the 'bottom-up') but demands a stable normative basis in national law.

### **EU PRE-ACCESSION AID IN SLOVENIA:**

#### **INTERPRETATION AND TRANSLATION OF THE RULES OF THE GAME**

The topic of regional development was one of the most complex issues in Slovenia's negotiations with the EU.<sup>19</sup> Thus, it is not surprising that participation in the EU's cohesion policy in the last decade has triggered some relatively significant adjustments to Slovenia's legal and institutional order. However, the scope and extent of adjustments in the field of regional development in Slovenia differs significantly at various points along the accession process. These adjustments can generally be divided into two phases, the first involving the building of an institutional structure for managing and implementing EU pre-accession assistance; and the second, directed towards the preparation for participation in Structural Funds under the conditions of full EU membership. In the first phase, adjustments were as a rule made *ad hoc* and based on 'learning by doing'. In this way, simultaneously with the implementation of the EU's pre-accession assistance programmes the institutional structure was being established. In the second phase, adjustments have been made more deliberately on the basis of experience and knowledge, and mostly represent the review of the initially established institutional structures and practices. However, it must be stressed here that both adaptation phases have overlapped to some extent since the end of the 1990s. The development of the institutional structure for managing and implementing EU pre-accession assistance during the first phase of is examined below.

Slovenia has been receiving EU financial assistance since 1992. The story of relations between Slovenia and the EU started in practice with the PHARE programme. Slovenia signed the first Financial Memorandum with the EU on 15 September 1992 in Brussels. On signing of this Financial Memorandum funds for the realisation of the 1st Indicative PHARE programme for 1992 were released. Just a few weeks later (7 October 1992) a Skeleton Agreement was also signed in Brussels by the Slovenian Government and the European Commission on the operationalization of

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<sup>18</sup> The idea of Slovenia's internal regionalisation is not new, but had its origins in the very beginning of the reform of local government in independent Slovenia. Thus, this issue is now on a political agenda already for about a decade.

<sup>19</sup> Hughes et al. (2003: 70) established that, of the thirty-one negotiating chapters of the *Acquis Communautaire*, regional policy was the third most problematic; as a consequence, all parties left it to the final stages of the negotiations.

measures for financial, technical and other forms of co-operation. The signing of the agreement and its later ratification meant the full satisfaction of conditions necessary for the smooth implementation of the agreement itself and numerous projects providing technical and financial assistance. During the transitional period, 1992-1995, financial assistance was primarily orientated towards the restructuring Slovenia's economy. The funds under PHARE were provided to the following sectors: privatisation, public finances and banking business (20 percent); infrastructure (20 percent); the TEMPUS Programme and education (20 percent);<sup>20</sup> and science and technology, the environment, energy and tourism (20 percent).

After the conclusion of the transitional period, pre-accession financial assistance was redirected towards implementing the pre-accession strategy, harmonising legislation, reforming the public administration, and social development (Genorio 2002). This reorientation was represented by the signing of a second Financial Memorandum between the Slovenian Government and the European Commission on 5 June 1995 in Ljubljana, and the Multi-annual Indicative Programme (signed on 3 July 1996) in which the core medium-term orientation and strategy of PHARE assistance up until the end of the 1990s was agreed. In this period, attention was specially focused on 1) strengthening the public administration for the efficient co-ordination of EU affairs; 2) informing the public about EU matters and Slovenia's accession to the EU; and 3) supporting the National Assembly in its pre-accession activities (ibid). Slovenia also qualified for funds from Cross-border Co-operation Assistance with around 50 percent of its territory being eligible for classification as subject to cross-border influences. The significant extent of the country's shared borders naturally brought to the fore policies on cross border cooperation. Under the PHARE Programme, Cross-Border Co-operation with Italy started in 1994, and in 1995 it extended to Austria and Hungary. Three Multi-Annual Indicative Programmes were put in place with Austria, Italy and Hungary for the 1995-1999 period.<sup>21</sup> The four countries collectively prepared the Joint Programming Document for the PHARE Programme's Cross-Border Co-operation for the period 2000-2006 (EU Programmes, 2002).

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<sup>20</sup> In contrast to other candidate-countries, in this initial period Slovenia saw a relatively high amount of funds being directed to the fields of science, technology and education (Genorio 2002).

<sup>21</sup> These documents represented the strategic basis for implementation of PHARE Cross-Border Co-operation in this period.

**Box 2:** Financial resources allocated to Slovenia in the 1992-2002 period.

<p><b>Box 2:</b> Financial resources allocated to Slovenia in the 1992-2002 period</p> <p>In the decade 1992-2002, for the PHARE National Programme and Cross-border Co-operation Programmes Slovenia received on average EUR 33.6 million in financial assistance annually or, altogether in the ten-year period, around EUR 336 million. In addition, within the framework of the ISPA</p>	<p>programme in the 2000-2002 period Slovenia received around EUR 71 million, while in the framework of the SAPARD Programme in the same 2000-2002 period around EUR 19.4 million in financial assistance. The total of financial aid Slovenia has received in the said decade from all three EU pre-accession assistance programmes was around EUR 426.4 million.</p>
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As previously mentioned the development of the institutional structures for managing the EU pre-accession financial programmes coincided with the progress of the processes associated with pre-accession assistance and marked the first phase in Slovenia's adjustments to the dynamics of EU cohesion policy. Immediately after Slovenia's international recognition and establishment of open contacts with the EU, the Slovenian Government started to prepare itself to implement the PHARE programme. In December 1991, the Government established a body for the 'Inter-ministerial Co-ordination for Foreign Technical Aid' whose direction was entrusted to the then Ministry of Science and Technology.<sup>22</sup> Within the Ministry, the Department for Foreign Technical Aid was established with the main task of servicing and co-ordinating the activities of different assistance programmes from abroad. Given its initial responsibility for variety of projects in the field of science there was a logic in the Ministry of Science and Technology being made responsible for coordinating various forms of foreign assistance conducted mainly in a project based manner. While this responsibility included EU pre-accession aid it is important to note that in the early nineteen nineties the European Union was just one of the sources of technical and financial assistance coordinated by the Ministry.<sup>23</sup> However, in 1996 responsibility for the coordination of EU pre-accession assistance (PHARE National Programme and PHARE Programme for Cross-Border Co-operation) was transferred to the Office for European Affairs with the Ministry of Foreign Affairs. This Office had been established the previous year to first, co-ordinate the

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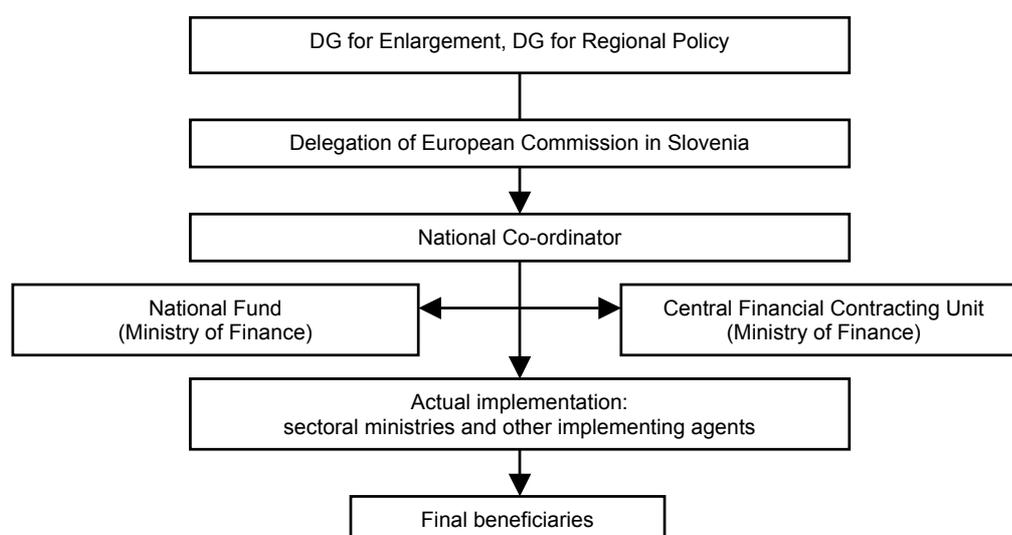
<sup>22</sup> Following the process of wider reform and rationalization of state administration in 2000 in Slovenia, the Ministry of Science and Technology was merged with the Ministry of Education and Sport into the Ministry of Science, Education and Sport.

<sup>23</sup> Here, very similar evidence can be observed in the context of Slovenia's participation within the Stability Pact for South-Eastern Europe (hereinafter: the Stability Pact). The Stability Pact is conceived as a long-term project comprising targeted activities to be carried out by the wider international community under the auspices of the EU. It is a co-ordinated and strategically agreed process, which brings together various initiatives existing in this region in an organised and orderly manner (Lajh 2002: 15). Since Slovenia is historically and culturally strongly related to South-Eastern Europe, it is obvious that it has been actively engaged in the resolution of 'post-Yugoslav war' crisis. As a result, it also started to actively participate in the aforementioned project, where – unlike the EU pre-accession assistance programmes – Slovenia is not a recipient of assistance but a donor (ibid: 31-2). However, the processes of establishing an institutional structure for co-ordinating activities within the Stability Pact was very similar to those related with EU pre-accession assistance. Namely, the role for co-ordinating activities was initially entrusted to the Ministry of Science and Technology, whereas the deepening of these activities later on established the national co-ordinator for Stability Pact within the jurisdiction of the Ministry of Foreign Affairs.

preparations for negotiations on signing the Europe Agreement, and second, facilitate informal co-ordination of EU business at the national level (Fink-Hafner and Lajh 2003: 99). These progressive developments are representative of the early *ad hoc* institutional adaptation and correspond with the findings of Fink-Hafner and Lajh (2003: 165) whereby an initial incremental, pragmatic and flexible institutional adaptation in Slovenia, saw the 'new' European tasks were simply added to the existing functions within individual departments.

Following the initial experience of co-ordinating EU pre-accession assistance, the main aim of improving the national institutional structure was to ensure the transparency of activities and prevent the improper dispersion of funds. In addition, it was hoped that the established structure would meet, as much as possible, the design needs of the institutional structure under the circumstances of EU membership. With this ambition in mind, the role of national co-ordinator of EU assistance in Slovenia was moved from the Ministry of Foreign Affairs to the Government Office for European Affairs on its establishment in 1997. Furthermore, within the Government Office for European Affairs, a special Foreign Aid Division was established with responsibility for carrying out expert and technical operational tasks in the framework of the national co-ordination of EU assistance. Given these roles the Foreign Aid Division 1) provided timely information to the public administration on the possibilities and orientations relating to EU assistance; 2) gathered and distributed information on trends relating to the drafting and modification of EU financial instruments (ISPA, SAPARD, PHARE); 3) provided up to date information to the public administration on PHARE-related procedures; and 4) kept the Slovenian Government regularly informed of the effects of the EU's assistance programmes. The Foreign Aid Division worked on all the various stages associated with EU assistance, namely programming, implementation, monitoring and assessment (Fink-Hafner and Lajh, 2003).

**Figure 3:** Implementation of pre-accession assistance in Slovenia



**Source:** <http://www.gov.si/svez/>, April 2003

The funds already allocated to Slovenia through various assistance programmes have been managed under the National Fund (NF), which controlled the inflow of assistance and was set up within the jurisdiction of the Ministry of Finance. Simultaneously, this structure also enabled the co-ordination of EU funds with domestic funds. Furthermore, the Central Financial Contracting Unit (CFCU) was established in the Ministry of Finance and the Unit was responsible for the financial management of EU financial assistance. Its main task was to carry out public tenders and make contracts with implementing agencies, while responsibility for the selection of projects and monitoring of their implementation lay with sectoral ministries and the final beneficiaries of assistance. Sectoral ministries were thus responsible for the actual implementation of projects that benefited various partners at the regional and local levels. Finally, in accordance with the Memorandum on Establishment of the National Fund and regulations regarding the increased decentralisation in implementation of pre-accession assistance, the Slovenian Government nominated the so-called PHARE Joint Management Committee, comprising the National Co-ordinator for pre-accession assistance, actors responsible for the implementation of specific projects, and European Commission representatives.

#### **PREPARATIONS FOR THE STRUCTURAL FUNDS: REVIEW OF PRE-ACCESSION STRUCTURES AND PROCESSES**

The second phase in Slovenia's adjustment to EU cohesion policy, which commenced in mid 1999, involved the preparations for participation in the Structural Funds process under EU membership. The legacy of the institutional structures and processes developed to manage EU pre-accession aid and the experiences gained during this first phase of adjustment, as traced above, provided the basis, subject to review, for these preparations. Notably, the institutions and process were reviewed twice, firstly, in the course of the drafting by the Slovenian government of the legal basis to implement EU cohesion policy and secondly, during the concluding stages of the accession negotiations on *Regional Policy and Co-ordination of Structural Instruments* (Chapter 21) in light of the European Commission's response to the first review.

##### **First Review**

The National Assembly's approval, on the 16 July 1999, of the legislation on the Promotion of Balanced Regional Development<sup>24</sup> marked the commencement of the second phase of Slovenia's adjustment to EU cohesion policy and provided the legal basis for its implementation. From the perspective of building-up an institutional structure suitable for administering the Structural Funds, the legislation provided for the establishment of three important bodies namely, the National Agency for Regional Development (NARD); the Council for Structural Policy (CSP); and establishment of the network of RDAs.

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<sup>24</sup> Official Gazette of the RS, No. 60/99

The National Agency for Regional Development was established in 2000, initially as a constituent body of the Ministry of the Economy,<sup>25</sup> and it took over the responsibility as the national co-ordinator for regional development issues in Slovenia. In this respect, the NARD became responsible for carrying out the development, advisory and co-ordination tasks of the state related to the promotion of (regional) development. As such, the NARD became a key institution in the country for co-ordinating the implementation of the regional development policy at various levels. At national and EU levels the NARD was responsible for: 1) preparation and implementation of PHARE Programme - Economic and Social Cohesion (including Cross-Border Co-operation which is complementary to Interreg IIIA); 2) preparation of the Strategy for Regional Development; 3) preparation of the National Development Plan (hereinafter: the NDP); and 4) advising the Council for Structural Policy on regional development policy issues. In addition, at the regional level the NARD: 1) assisted in setting up RDA at the NUTS-3 level; 2) co-operated in the preparation of regional development programmes (RDPs); 3) was responsible for monitoring regional, state and international aids; 4) assuring conformity with the EU and national requirements; and 6) preparing reports for the relevant national and EU institutions on progress made in the 'regions'. Given these responsibilities, the National Agency for Regional Development was initially expected to become the Managing Authority (MA) for the Structural Funds and the Cohesion Fund in Slovenia.

Responsibility for cross sectoral co-ordination was undertaken by the Council for Structural Policy, presided over by the minister responsible for regional development and comprising the ministers or state secretaries handling EU cohesion policy and the allocation of incentives. As required, expert and administrative support was provided by the Government Office for Structural Policy and Regional Development<sup>26</sup> (GOSP). The Office's main tasks are<sup>27</sup> 1) to discuss and, from the standpoint of balanced regional development and Slovenia's integration into the EU structural aid, manage and inter-sectorally co-ordinate the documents of long-term development planning (i.e. Strategy of Economic Development of Slovenia, RDPs, NDP); 2) to make decisions on regional policy and development priority issues; 3) to discuss RDPs and to inter-sectorally co-ordinate them; 4) to monitor implementation of the NDP; and 5) to discuss and inter-sectorally co-ordinate incentives and other forms of assistance and activities important for balanced regional development.

Finally, RDA's and their associated network were established – in accordance with the 'EU model of regionalisation' – . It has been observed that regional actors in practically all EU member-states gained momentum in European politics in the 1980s (Börzel 2001: 137) and have incrementally (in line with national policy) employed and (potentially) empowered subnational actors. Regional governments or regional administrations in the EU accession-states have been

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<sup>25</sup> The Decree on the Composition, Organisation and Tasks of the NARD (Official Gazette of the RS, No. 60/99) defines the Agency as a constituent body within the ministry responsible for development.

<sup>26</sup> More about the establishment and responsibilities of the GOSP is included in the next sub-section.

<sup>27</sup> As specified by the Decree on the Establishment, Composition, Organisation and Tasks of the CSP (Official Gazette of the RS, No. 60/99)

subjected to fundamental changes while seeking to join the EU (Brusis 2003: 89). However, Slovenia featured among the accession states, which had inadequate regional structures and like others have had to introduce fundamental changes (Brusis 2003: 89). At the very the least the establishment of the multilevel partnership arrangements was a necessary precondition for the implementation of the EU's cohesion policy. The European Commission's guide on the accession negotiations notes that there is no EU model of regionalisation; 'The *Acquis* under Chapter 21 (regional policy) does not define how the specific structures for the practical management of Structural and the Cohesion Funds should be set up, but leaves it up to the member-states' (European Commission quoted in Hughes et al. 2003: 72). Nevertheless, the accession-states must agree on a NUTS territorial classification with the European Commission. The NUTS-2 category is crucial because it not only provides statistical information and analysis for regional development planning and programmes, but also defines the administrative level at which Structural Funds and other regional and Cohesion Funds are managed (Hughes et al. 2003: 73). However, it is important note that the Slovenian model for regional development is based on the NUTS-3 category instead of the NUTS-2 category, thus, the regions in the Slovenian context are actually sub-regions in the EU context.

### Box 3

Case Study:

New Business (Infra) Structures in the Role of Stimulating the Economic Restructuring of Rural Areas in the Pomurje Region.

**Box 3** Case study: The project 'New Business (Infra)Structures in the Role of Stimulating the Economic Restructuring of Rural Areas in the Pomurje Region'

The project 'New Business (Infra)Structures in the Role of Stimulating the Economic Restructuring of Rural Areas in the Pomurje Region' was conducted within the framework of the EU's PHARE Special Preparatory Programme for Structural Funds (hereinafter: the SPP). Since 'the manner in which pre-accession aid is being implemented is an important indicator of the capacity of the accession-states to manage regional policy post-membership' (Laffan, 2003) we believe it is particularly appropriate to select this project realised within the framework of the SPP to illustrate Slovenia's preparations to participate in the EU's cohesion policy as a member-state from 2004 onwards. Namely, as its main aim the PHARE SPP seeks to give EU accession-states direct experience in the operating aspects of the conception and implementation of "Objective 1"-type programmes concerning local development in a specific zone or zones of a country (covering all the Structural Funds). In this context, a limited number of pilot actions were identified and prepared in accordance with the Objective 1 methodology. The actions were initiated on the basis of the Preliminary National Development Plan, and an integrated regional development strategy within the context of a strategic and integrated approach to local development. It was desired that pilot activities be co-financed at progressive rates by the Slovenian side, up to the minimum Objective 1 co-financing rate of 25 percent.

These activities covered areas eligible for the Structural Funds (e.g. ERDF, ESF, EAGGF) and included the implementation of new projects as well as the co-financing of existing national schemes, where appropriate (Lajh, 2004: 22-3).

The case study focuses on implementation of the pilot and demonstration project involving economic restructuring of the rural areas of 'Pomurje region'. The Pomurje region is the biggest agricultural region according to Slovenia's NUTS-3 level classification. It is the least developed region of Slovenia and has the lowest GDP per capita. The region suffers from large-scale unemployment, especially due to the lack of alternative employment possibilities in rural areas. Finally, because certain negative demographic trends (a very old population, high emigration rate for young people, negative population growth in general) in the Pomurje region are well above the national average the region may be characterised as an area of long-term depopulation.

The project had three main aims: first, to enable new production forms in the agriculture sphere through the use of renewal energy sources (thermal water). Second, to stimulate an entrepreneurial approach within the sphere of agriculture. Third, to gain skills and experience in the design and implementation of Structural Fund-type programmes and projects in the region that contribute to development of the region and its population, as well as to disseminating the project's experiences and know-how to other regions in Slovenia (Lajh, 2004: 23-4).

Slovenia formally aligned its statistical regions with the NUTS classification in March 2000. At the time, the Slovenian Government took the initiative to establish two large NUTS-2 regions (the Ljubljana Urban Region and the Rest of Slovenia), primarily motivated by the desire to qualify for structural funding for as long as possible. Hence, rather than being considered as one NUTS-2 region, which would potentially become ineligible for Structural Funds in the short term, the Government proposed a two-way split. However, the European Commission has not been very favourable about this approach since 'it is not clear on which analytical requirements and administrative structures the division into these two statistical units is based' (Regular Report from the Commission 2000). A mutually acceptable solution, to close the negotiating chapter on regional policy and co-ordination of structural instruments, was reached at the EU accession conference in July 2002. Accordingly, Slovenia is considered a single NUTS-2 region for programming purposes for the 2004-2006 period and discussions continue as to the country's final regionalisation at the NUTS-2 level in the long term. With the future in mind the government has prepared a proposal for three NUTS-2 (cohesion) regions (Central, Eastern and Western Slovenia), which they argue would provide for a more statistically balanced division of the Slovenian territory. Even though the European Commission (still) does not sympathise with such a proposal, the Slovenian Government believe that there are strong justifications to make the case for their proposal which will they will be negotiating as members of the EU in the run up to the completion of the current programme in 2006. It is expected that Slovenia's 'real' regionalisation will have been completed by then although to date this has not been a prerequisite for the completion of negotiations.

### Box 3.1

Case Study:

Implementation of 'New Business' (Infra) Structures in the role of stimulating the economic restructuring of rural areas in the Pomurje Region.

**Box 3.2** Case study: Implementation of the project 'New Business (Infra) Structures in the Role of Stimulating the Economic Restructuring of Rural Areas in the Pomurje Region'

The primary aim of the analysed project was to gain experience in the implementation of Structural Fund programmes and projects. Here, an important principle is subsidiarity, meaning that local and regional actors should implement projects and programmes whenever they are able to do so. In this respect, the Municipality Moravske Toplice, in co-operation with RDA Mura, submitted the project, 'found' local partners, they together brought in the project their share of the related finances, and were responsible for implementing the project. Interestingly, local project implementers and beneficiaries were to a large extent actually the same. At the subnational level, the main focal point was RDA Mura as the main co-ordinator of the project and contractor with the NARD (i.e. the main focal point at the national level). In this way, RDA Mura was a central link with national and EU actors. Although subnational actors played significant role, they were heavily dependent on national and EU actors. A pivotal role was in the hands of the national-level (governmental) actors and the EU-level actors, which actually enjoyed

a monopoly in the resources that hold the network together. EU actors played the key role in ensuring finances (the Commission) and in giving Technical Assistance (especially the twinning partners). Slovenian national actors were mostly responsible for project contracting out to the project implementers (the NARD), for controlling the inflow and management of the EU's financial assistance (the Ministry of Finance), and for co-financing the project (the Ministry of the Economy, and the Ministry of the Agriculture, Forestry and Food).

Implementation of the analysed project has involved a multi-level policy network with the pivotal role of national (governmental) actors and the Commission. The project was implemented in quite a ritualised and symbolic way, failing to exert a sustainable influence on the implementation result. This was partially the result of the fact that the project's primary aim was to gain experience in the implementation of Structural Fund programmes and projects. Within existing relations and power structures, subnational actors, although a component and indispensable part of the project's implementation phase, lacked the capacity to play a pivotal role so instead they just played the Commission and national-level actors' game (see Lajh, 2004).

The legislation on the Promotion of Balanced Regional Development established a system of twelve<sup>28</sup> unelected functional planning regions corresponding to NUTS-3 statistical units, but without any accompanying governance structures. In fact, these statistical or functional regions were already introduced in 1995 as an intermediate level between municipalities and the state, primarily due to the delay in the establishment of the administrative-political regions. These functional regions were initially important for demonstrating statistical data at the regional level,

<sup>28</sup> These regions are: Pomurje, Podravje, Koroska, Savinjska, Zasavje, Spodnje Posavje, Jugovzhodna Slovenija, Osrednja Slovenija, Gorenjska, Notranjsko-kraska, Goriska and Obalno-kraska.

during the process of Slovenia's accession to the EU and in March 2000 they became important for planning and development purposes at the NUTS-3 level. The 12 RDAs were either established or authorised by municipalities for regional planning and development purposes involving project initiation and development, design and submission of project proposals for public tenders, monitoring of projects implemented by municipalities and other project leaders and for the evaluation of project results. Given these responsibilities the RDAs have become key regional actors and formally represent local municipalities at the national level and lobby for their interests at regional, national and EU levels.

## **Second Review**

The Slovenian authorities further revised the institutional structures put in place in preparation for the receipt of EU Structural Funds in response to issues that arose during the course of the accession negotiations and developments in the Slovenian political arena. In its 1999 Report<sup>29</sup> the European Commission positively viewed the administrative reforms that rationalized the distribution of regional funding, introduced through the legislation on the Promotion of Regional Development. However, the European Commission's subsequent assessment of the accession countries commitments in the context of negotiations on Regional Policy and the Co-ordination of Structural Instruments (Chapter 21)<sup>30</sup> suggested the need for further adjustments. The Slovenian government first, modified the legislation on the Promotion of Regional Development and the Organisation and Competencies of Ministries; and second, adopted the Decree on the Implementation of Procedures in Use of the Instruments of Structural Policy in the Republic of Slovenia. The most significant change stemming from these modifications saw the Government Office for Structural Policy and Regional Development become, following its establishment in February 2003<sup>31</sup>, the Management Authority for the Structural Funds and Cohesion Fund rather than the National Agency for Regional Development as originally anticipated. The national political assessment of the National Agency had found it formally and politically too weak, in the context of the state's administration, to carry out the responsibilities of the Managing Authority. With the status of a ministry without portfolio the GOSP<sup>32</sup> took over the facilities, personnel and unfinished tasks of the NARD.

Organised in two departments, for regional development and structural policy, the GOSP's main responsibilities have been first, leading the preparations of the National Development Plan, monitoring its realisation and harmonising the developmental policies of various ministries under the Plan; and second, leading negotiations with the EU, drafting and realising agreements (pre-

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<sup>29</sup> In its report the Commission stated: 'The Law is based on the same principles as the EU Structural Funds and establishes a general administrative framework for the implementation of a regional structural policy' (Regular Report from the Commission on Slovenia's Progress towards Accession, 1999).

<sup>30</sup> See Communication from the Commission to the European Parliament and the Council on the Implementation of Commitments Undertaken by the Acceding Countries in the Context of Accession Negotiations on Chapter 21 – Regional Policy and Co-ordination of Structural Instruments, Brussels, 16.7.2003.

<sup>31</sup> The Government Office for Structural Policy and Regional Development was established following an amendment to the legislation on the Organisation and Competencies of Ministries.

<sup>32</sup> In a similar vein, in December 1997 the Government Office for European Affairs was established as a central co-ordinating unit for handling EU matters in Slovenia (see Fink-Hafner and Lajh 2003).

accession financial memoranda, the Single Programming Document (SPD) and supplement), and co-ordinating the activities of joint bodies founded on the basis of these agreements in the area of pre-accession aid, Structural Funds and the Cohesion Fund. As the Managing Authority the GOSP is also responsible for interministerial co-ordination. The National Agency for Regional Development was not abolished after loosing of the role of Managing Authority and it maintains advisory and promotional roles regarding regional development. However, these tasks are also undertaken by the GOSP as the

The NARD was, however, not abolished but remained responsible for carrying out the development, counselling and co-ordination tasks of the state related to the promotion of (regional) development. In accordance with the abovementioned Decree on the Composition, Organisation and Tasks of the NARD, these remaining tasks also fell within the jurisdiction of the newly established the GOSP since the GOSP became the main body responsible for development in Slovenia.

The Decree on the Implementation of Procedures in Use of the Instruments of Structural Policy in the Republic of Slovenia, besides also appointed the three Intermediate Bodies, one for each fund: 1) the Ministry of the Economy is responsible for the policy on the European Regional Development Fund; 2) the Ministry of Labour, Family and Social Affairs is responsible for leading the policy on the European Social Fund and the EQUAL Community Initiatives; while 3) the Ministry of Agriculture, Forestry and Food is responsible for the policy on the European Agriculture Guidance and Guarantee Fund, the Financial Instruments for Fisheries Guidance and the LEADER Community Initiatives. In addition, the Decree also confirms the NF within the Ministry of Finance as a Paying Authority<sup>33</sup> (hereinafter: PA), which also performs the function of certifying expenditure to the Commission. In relation to financial control arrangements, within the Ministry of Finance the Department for Audit and Certification as an independent body was established. This Department carries out systemic audits of the bodies using EU funds.

It is necessary to constantly monitor programme implementation to measure the meeting of policy goals and avoid deviation that could threaten the expected results and success of the adopted approach. However, with the exception of the some particular studies and analyses, monitoring practices and evaluation of regional policy had been underdeveloped in Slovenia until the adoption of the Public Finance Act in 1999<sup>34</sup> and the conditions associated with pre-accession assistance and EU Structural Funds.

Responsibility for monitoring and evaluating cohesion policy was taken over at the outset by the NARD, while the Statistical Office of the Republic of Slovenia collected and published the statistical data needed for applying the cohesion policy. For monitoring and controlling a particular RDP, the competent programme board in statistical regions has been responsible. All

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<sup>33</sup> In Slovenia, no Intermediate Bodies are designed for the PA.

<sup>34</sup> Official Gazette of the RS, No. 79/99

programmes and sub-programmes that form part of the RDP should contain the physical and financial indicators necessary for quantitatively monitoring implementation of the RDP. In line with the preparation for Structural Funds in Slovenia, a single computerised monitoring system for all funds (ISNARD) is (still) developing within the NARD. The collection of data is organised by direct transfer from other databases, especially the Ministry of Finance and the Statistical Office of the Republic of Slovenia, as well as through direct online entering of other data from the final beneficiaries into the central monitoring system.

## **ISSUES AND POLITICS REGARDING STRUCTURAL FUNDS IN SLOVENIA**

### **Regional development policy in Slovenia: from a hardly to a highly politicised issue?**

For a long time political parties in Slovenia did not regard regional development policy as a major political issue. This is particularly so in the case of the EU's cohesion policy. The negotiations with the EU on regional policy and the co-ordination of structural instruments, although being exhausting, were not seen as politically problematic at home. In the same vein the results of the negotiations were at first glance assessed as satisfactory. For these reasons, for a long period the only politically exposed issue was the matter of political-administrative regionalisation. The issue of establishing regions has actually been one of the most politicised issues on the political agenda in last decade in Slovenia. Particularly controversial questions have been the number of regions, their size, borders, seats and responsibilities (see Vrišer 1998). However, in Slovenia political parties are not uniform actors on these issues. Thus, the professional public (academics) and politicians are more divided over the abovementioned questions than among partisan lines. A particularly visible role here is played by National Assembly deputies representing people from less developed parts of Slovenia striving for decentralisation. However, it is also important to emphasise that it is impossible to find any politician of stature who will lobby against the internal regionalisation of Slovenia.

Also politically delicate was the establishment of the GOSP, after former Prime Minister Janez Drnovšek resigned (to allow him to run for the position of President of the Republic), and on 19 December 2002 Tone Rop (like Drnovšek, a member of the Liberal Democrats of Slovenia) won parliamentary support to take over the position of Prime Minister. The composition of the new (old) government coalition in fact stayed the same in terms of the (coalition) political parties and the numbers of their portfolios. However, one coalition party (the Democratic Party of Retired Persons of Slovenia) demanded that it lead one ministry. According to some interpretations, as a result of this 'demand' a new GOSP (however, without a portfolio) was established and the abovementioned coalition partner nominated the new minister without portfolio. This is why there are two differing explanations of the establishment of the new Office. The first explanation (the opposition's point of view) is that one coalition partner was 'satisfied' and earned a ministerial post. The second explanation (the government's point of view) is that regional development policy is such a complex and important field that it 'deserves' to have its own ministry.

The issue of regional development policy has become more greatly politicised since Slovenia's accession to the EU. However, it is important to emphasise that this also corresponds with the forthcoming national parliamentary elections that are due in October 2004. At the end of July 2004, the two biggest parties in opposition (Slovenian Democratic Party and New Slovenia) even tabled an interpellation<sup>35</sup> with respect to the work of the Government. In this interpellation, the harmonised regional development in Slovenia was one of the key issues. The opposition parties particularly criticised the existing regional policy in Slovenia, which – in their opinion – does not provide the same living and working conditions for all 'regions' and thereby does not narrow the differences in their development levels. In the opposition's point of view, the Government also overly 'crumbled' the public institutions responsible for regional development. They especially criticised the poor co-ordination between them, particularly the unsatisfactory horizontal co-ordination between sectoral ministries. For some of the institutions responsible for regional development (though, among RDAs not stating any other institution), they even claim that they are not real engines of regional development, only an additional bureaucratic apparatus. Here, they are particularly critical of RDAs which they perceive as the mere 'collectors of projects'. The opposition was also sceptical of project-based financing, which is accordingly still not alive in practice. According to the opposition, RDAs do not sufficiently include the interests and needs of the economy, and overly supports municipal interests and their projects. Last but not least, according to the opposition it has also become clear that the results of negotiations with the EU in the field of cohesion policy are not as good for Slovenia as previously presented. In this respect, the opposition has started accusing the government of misleading the broader public with incorrect information. Here, it is probably needless to emphasise that the Government rejects all of such criticism by saying that in the last decade it has resolved the problems of regional development disparities more successfully than the European average. Moreover, according to the Government in the last decade all Slovenian 'regions' (with the exception of the Zasavje region which has been lagging behind the average) had proportional and continual economic growth, including as a consequence of governmental interventions. In this way the Government has asserted that regional development in the last decade in Slovenia has received a new impetus, providing a good basis for even greater effectiveness in the future.

These issues have logically also become important in the national parliamentary election campaign. At the moment, it is hard to say whether the most recent political events also mean a higher level of politicisation in regional development policy for the future or whether the current situation is just a consequence of the upcoming election. In any case, the increased politicisation of this particular policy field raises the questions of effectiveness and democratic procedures there.

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<sup>35</sup> In accordance with Slovenian Constitution, an interpellation with respect to the work of the Government or an individual minister may be initiated in the National Assembly by at least ten deputies. If, after the debate following such an interpellation, a majority of all deputies carries a vote of no confidence in the Government or in an individual minister the National Assembly dismisses the Government or said minister (Article 118).

### **The balance between efficiency and democracy**

No matter which kind of implementation model (centralised vs. decentralised) a respective member-state introduces, the most important thing is to find the appropriate balance between efficiency and democracy. Since the EU's cohesion policy is assumed to take place in (multileveled) policy networks, we believe that at this point it is appropriate to consider the sense of deliberative democracy. At the core of the theory of deliberative democracy is the notion of public deliberation (Valadez 2001: 31). Deliberative democracy consists of two elements and includes: 1) collective decision-making with the participation of all who will be affected by the decision or their representatives (democratic part); and 2) decision-making by means of arguments offered *by* and *to* participants who are committed to the values of rationality and impartiality (deliberative part) (Elster 1998: 8). A central aspiration of deliberative democracy is thus that members of the polity attempt to influence each others' opinions by engaging in a public dialogue in which they examine and critique (in a civil and considerate manner) each others' positions while explaining the reasons for their own views (Valadez 2001: 5). In this respect, public deliberation need not always aim at consensus; in more difficult cases of disagreement it will suffice that participants believe they have equitably influenced the deliberative process and agree to continue to co-operate in good faith in future deliberations (ibid).

During the 1990s, regional policy in Slovenia did not achieve the expected results because different 'regional' programmes were prepared and implemented within sectoral policies, whereby every ministry defined its own regional priority tasks and its own standards for assessing problems. In addition, sub-national actors were largely excluded from those processes and relationships between ministries and local communities were accordingly very poor. As a consequence, during the process of accession to the EU the improvement of co-ordination and deliberation procedures horizontally (among sectoral ministries) as well as vertically (between the state and local communities) has been one of the biggest challenges for the young Slovenian state. At this point we believe the attempt to improve this situation can best be illustrated through a short presentation of the process of preparing the NDP 2001-2006. Namely, drafting of the NDP sought to satisfy a basic principle of the EU's cohesion policy, i.e. the main criteria of the principle of partnership. Since the NDP includes sectoral as well as regional development planning, which are the responsibility of sectoral ministries and statistical regions, the document's preparation required extensive co-ordination not only within the Government but also with sub-national actors and other relevant interest groups and civil society organisations.

When the National Development Plan was being prepared, the NARD was the central state institution for co-ordinating cohesion policy in Slovenia and consequently the key actor for preparing the Plan. Hence, the NARD co-ordinated the Plan's preparation and was – according to pre-selected investment priorities – supported by a number of sectoral ministries. The Plan was prepared with five investment priorities, four being sectoral and one being regional (i.e. strengthening of balanced regional development). In line with these priorities, five working

groups (four sectoral and one regional) were formed. For each of the four structural investment priorities a sectoral working group was set up, which was led by the leading ministry (i.e. Intermediate Body). What is interesting here is that none of these sectoral working groups included any representatives from the sub-national level.<sup>36</sup> Therefore, sub-national actors were included in a regional working group only. Moreover, in this working group only the representatives of RDAs were included. This means sub-national actors were generally excluded from deliberations when preparing the National Development Plan as a long-term indicative implementation document of the Strategy of Economic Development and as a document forming the basis for negotiations on Slovenia's financial allocation from Structural Funds and the Cohesion Fund.

However, this significant exclusion of sub-national actors did not only disrespect the partnership principle. Namely, this shortcoming in democratic deliberations also had a negative impact on RDPs, which were in turn poorly prepared. Particular RDPs emerged after the NDP was adopted and were based on it. The result is that all RDPs are very similar to each other and do not mirror the peculiarities of particular 'regions'. We believe the main reason for this is the exclusion of sub-national actors from sectoral working groups. Since representatives of RDAs only participated in part of the National Development Plan dealing with regional investment priorities, all RDPs strongly reflect just this part of the National Development Plan.

The Slovenian case thus shows that deficiency in democratic deliberation is very likely to lead to ineffective actual implementation. This experience certainly does not satisfy democratic deliberation as many (especially sub-national) participants do not share the feeling that they equitably influenced the deliberative process. Therefore, Slovenia certainly has not yet found the appropriate balance between efficiency and democracy.

### **A centralised implementation model?**

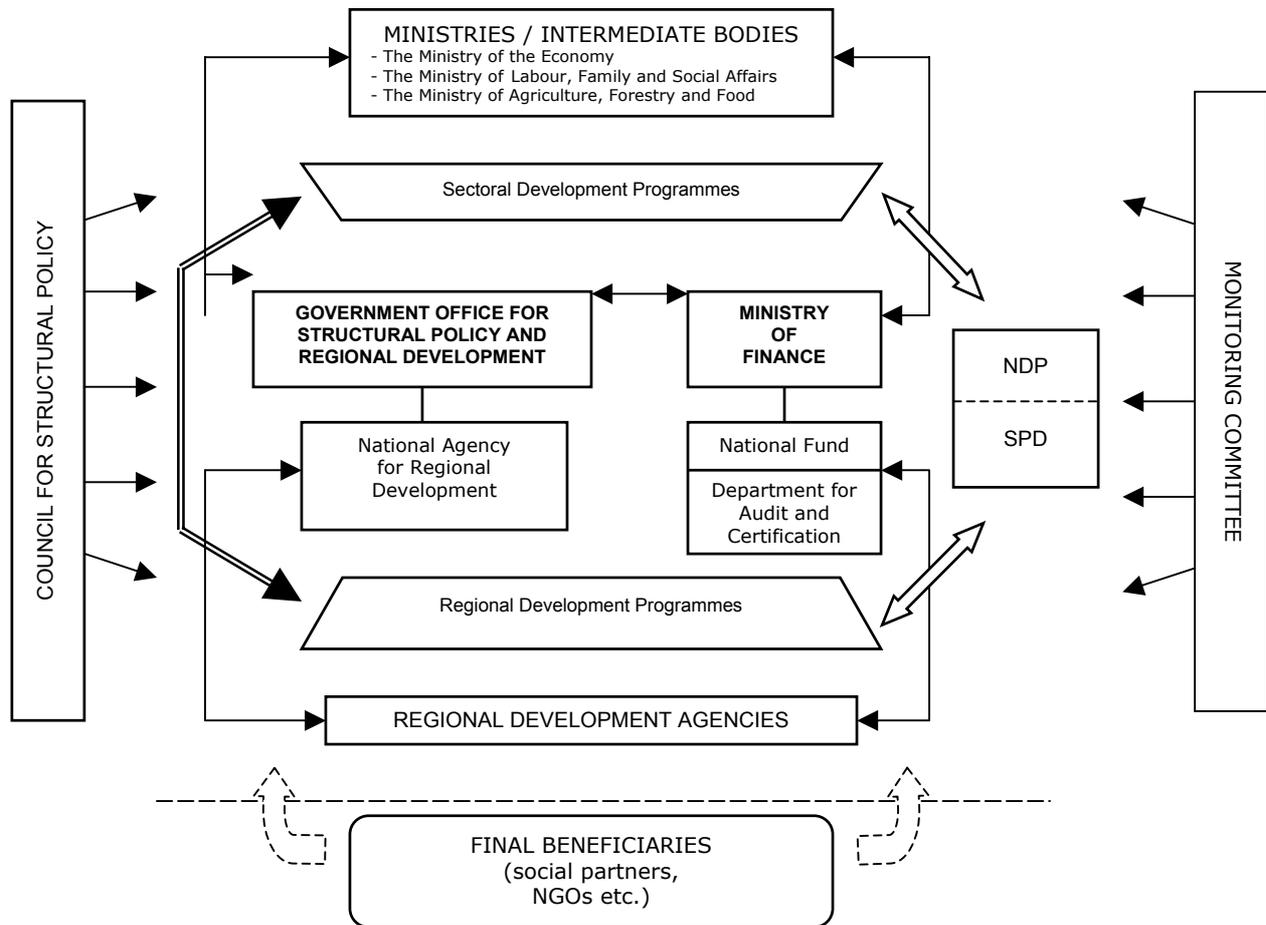
One distinct feature of the EU's cohesion policy is its single implementation model, the same for all EU member-states with their different sets of policy instruments and politics. Implementation of the EU's cohesion policy envisages the involvement of a wide range of actors, particularly the participation of sub-national authorities, yet it does not regulate their constitutional status in EU member-states (Hooghe 1996a; Jones and Keating 1995). The way these actors (re)act is influenced by a twofold framework of reference. On one hand, the European regulations stipulate requirements on how to implement the Structural Funds. On the other, the legal framework of domestic policies brings its own (and possibly different) requirements for the implementation of cohesion policy (Lang 2003: 159). The EU's policy model of the Structural Funds is thus more elaborate and demanding than those of most domestic regional policies, and requires the co-

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<sup>36</sup> Each sectoral working group consisted of: a) a representative of the NARD Project Group; b) a representative of the leading ministry; c) representatives of the ministries responsible for particular programmatic components; d) an independent expert from the NARD Project Group; e) a representative of the group for strategically estimating the NDP's impacts on the environment and health; f) a representative to monitor the employment component; and g) a representative for ensuring equal opportunities between men and women.

operation of several actors and demands more efforts than domestic regional policies in terms of the time and resources of the participants involved in implementation (ibid: 155). While regional policy in a nation-state is usually implemented within a uniform framework of national-subnational relations, the EU's cohesion policy has to accommodate the highly divergent territorial power relations across the EU member-states since the scope and scale of their decentralisation varies greatly.

**Figure 4:** The network for managing regional development in Slovenia



Congruent with current territorial organisation and the size of population, the negotiating positions on *Chapter 21 on Regional Policy and the Co-ordination of Structural Instruments* already anticipated that the administrative arrangement for managing and implementing cohesion policy in Slovenia would be centralised. This means that the central role of managing cohesion policy in Slovenia was taken over by one central institution for co-ordination purposes (the Managing Authority), and by one single Paying Authority. As we saw in the previous sections, two features of the evolution of the country's institutional structure can be observed: a frequently shifting MA within Slovenia's state administration, and the stable position of the PA.

The Europeanisation process has led to the establishment of structural network for administration (see Figure 4). Gradually, this network has evolved to become a relatively stable and institutionalised arena, which is particularly important given that the institutional and political environment for regional development was very unstable in Slovenia over the last decade. Finally, the Management Authority has been formally established within a new GOSP. In the network, actors tend to share similar objectives, common interpretations of problems, and seek the instruments best suited to solving problems. However, this network is quite centralised at the national level, where the central role of managing and implementing cohesion policy lies within

one central institution for co-ordination purposes (the GOSP) and one single PA set up within the Ministry of Finance. Nonetheless, the model is not centralised absolutely. First, there are three Intermediate Bodies: the Ministry of the Economy, the Ministry of Labour, Family and Social Affairs, and the Ministry of Agriculture, Forestry and Food. Second, the Slovenian Government officially proclaimed the importance of a partnership with sub-national and non-governmental actors, as co-operation with them should contribute considerably to the quality of and improved equilibration and harmonisation in the adoption of key strategic documents. As such, according to Slovenian Government such a partnership should lead to a broader consensus that is also necessary for successful implementation in practice (GOSP 2004). This was not, however, the case in the process of preparing the NDP. As a rule the sub-national actors' only access to the network is through the RDAs, associations that help plan RDPs and NDP. These findings are, however, not in keeping with the argument of Ansell et al. (1997). They observed that the establishment of EU-subnational links in EU cohesion policy has created a structure of 'dual networks'. They argued that each of the three actors (i.e. three sets of actors: EU, national and subnational) in EU cohesion policy has two direct relationships, and thus EU cohesion policy does not simply bring three independent actors together in a policy network, but each actor has two different roles: first, subnational actors can potentially mobilise Commission support against their own national governments, and *vice versa*; second, subnational actors can and do mobilise their national governments against the European Commission, and *vice versa* (ibid, 350). This notion primarily points to the very important constantly shifting alliances within the triad. However, in the Slovenian case direct links between subnational actors and EU institutions are still quite exceptional, which is also confirmed in the case study presented in this paper (also see Lajh 2004; Prša 2004).

### **Positive impact of the EU cohesion governance mode**

Past experience in EU member-states shows that the EU cohesion governance mode might have very different impacts on national structures and procedures. Introduction of the partnership principle certainly challenges established hierarchical relationships between central and subnational actors in EU member-states. However, while Structural Funds partnerships have challenged existing territorial relations within member-states, this challenge was met with different degrees of resistance and different outcomes: in some member-states subnational actors were mobilised but not necessarily empowered, whereas in others the impact on territorial organisation was more significant (Bache 1998: 141).

When linked with partnership arrangements and the impacts of European integration on territorial structures across EU member-states, such research questions are particularly interesting in the case of post-socialist EU accession-states. Namely, in old socialist states political decisions were regularly taken in narrow political circles, interlaced at most with certain personal networks. Hence, the post-socialist countries of Central and Eastern Europe in the past generally lacked deliberative politics and a network culture. On the contrary, in accordance with the partnership principle, officially introduced with the 1988 reform of the Structural Funds, the day-to-day

implementation of the EU's cohesion policy initiatives is assumed to take place within multi-level policy networks that involve a variety of EU, national and subnational authorities as well as societal actors such as interest groups, social and economic partners, and NGOs that collaborate as partners to achieve common goals. In this sense, the emergence of policy networks assumes the existence of both a developed state and a developed society. Yet, neither the states nor the societies of post-socialist EU accession-states were sufficiently developed in the past to make the evolution of policy networks likely (Marsh 1993: 30-1). Similarly, Fink-Hafner (1998) studied the emergence and changes of policy networks in the context of democratic transition in Slovenia and ascertained that, in the early transitional period, political decisions were more or less personified and still controlled by political parties and state actors in a narrow sense. However, her study also shows the revival of the embryo of consultative politics, first in those policy areas where civil society was represented by relatively strong economic interest groups<sup>37</sup> (ibid). Based on consultative politics, more stabilised and institutionalised policy networks have been gradually evolving in different policy fields. Here, accession to the EU certainly represents an additional and strong catalyst for developing consultative politics in Slovenia: first, within the state administration<sup>38</sup> and, second, by mobilising civil society and subnational actors in different policy fields. Implementation of the EU cohesion policy could in particular be good for stimulating the emergence of subnational networks and consultative politics since the EU cohesion policy offers 'a culture for growing policy networks' (Rhodes et al. 1996: 385).

As we saw in previous sections, the last decade in Slovenia has been marked more by fragmentation than co-operation (or networking) at the subnational level. Although the Slovenian Constitution even offered a 'bottom-up' approach to regionalisation, over the last decade inter-municipal co-operation in Slovenia has been wholly unsuccessful. However, European integration in the Slovenian case has indeed had a positive impact on subnational mobilisation. Namely, the 'EU model of regionalisation' as an exogenous factor triggered co-operation between local communities as well other subnational actors in Slovenia. The implementation model of Structural Fund programmes and projects (including pre-accession assistance programmes) includes an important principle of subsidiarity, meaning that local and regional actors should implement projects and programmes whenever they are able to do so. In this respect, due to limited financial, personnel and other resources, individual local actors (municipalities) have not been able to implement various projects on their own. Thereby, they have had to start at least to some extent thinking regionally and co-operating with other local actors and adjacent municipalities. In fact, this has led to the emergence of subnational networks (see Figure 5), where key links

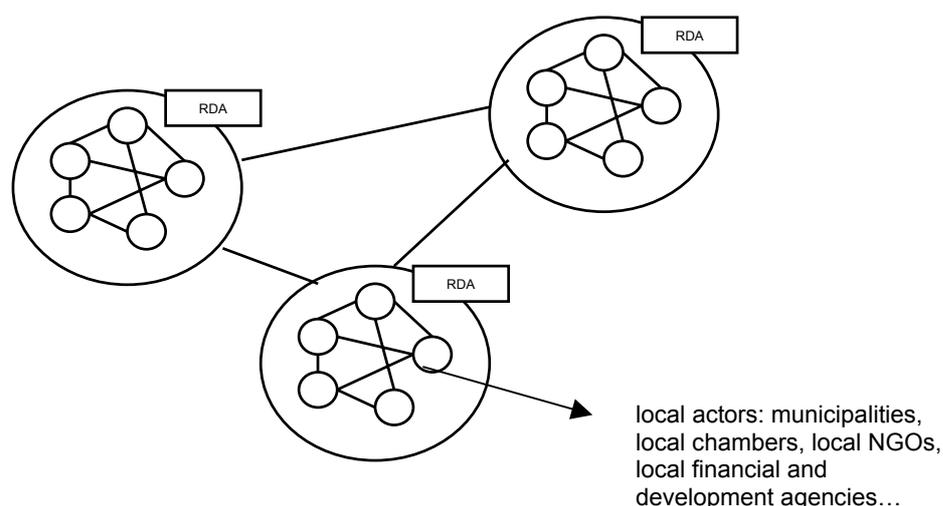
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<sup>37</sup> Kustec (2000), likewise, in the field of telecommunications observed the relatively significant role of economic strong interest groups, resulting in the bottom-up emergence of an institutionalised policy network.

<sup>38</sup> In their study of the Europeanisation of the Slovenian core executive, Fink-Hafner and Lajh (2003: 114) observed that the mentality of the old socialist system that 'co-ordination and co-operation is neither necessary nor desired' in the first years of accession impeded the formation of any more effective co-ordination of EU affairs in Slovenia. In this way, a system was growing that did not correspond to the needs of effective communication with Brussels, and mostly derived from traditional patterns of the Slovenian state administration's operations. Deepening of Slovenia's integration with the EU gradually led to the internalisation of EU norms, including an awareness of the need for consultative politics.

involve the RDAs.<sup>39</sup> These networks are more the results of exogenous factors than of the efforts of autonomous subnational actors, and reflect changes in the national legislation on regional development and adaptational pressures on territorial reorganisation in line with a supposed 'EU model of regionalisation'.

**Figure 5:** Sub-national networks stimulated by the 'EU model of regionalisation'



The analysis conducted points out the employment of subnational actors in the EU cohesion policy process in the case of Slovenia, rather than their empowerment. This notion is very much in line with Smyrl's (1997) findings when analysing selected French and Italian regions, but is in some conflict with Anderson's (1990) sceptical reflections made when analysing national and subnational interests in Britain and Germany. The main reason for the pretty feeble empowerment of subnational actors in Slovenia is the absence of self-governing, autonomous regions as political-administrative entities with their own budgets. The RDAs as key actors at the 'regional' level are generally still very frail, financially weak, have limited skilled staff and lack experience in implementing projects, particularly within a programme context. Limited funds and staff at the regional level is also one of the main and ongoing criticisms of the Commission. There are also quite significant varying levels at which the RDAs are supported by the municipalities, in particular by local politicians and mayors. The fragmentation of municipalities during the last decade has also led to the weak financial situation of municipalities, resulting in limited local budgets for public co-financing. From a subnational perspective, local actors are thus the most important as mediators of knowledge about local and regional development problems. In this respect, in Slovenia subnational actors have at least started to matter in the

<sup>39</sup> This notion is also supported by the study of the implementation phase of the project 'New Business (Infra)Structures in the Role of Stimulating the Economic Restructuring of Rural Areas in the Pomurje Region' in Slovenia, conducted within the PHARE Special Preparatory Programme for Structural Funds. Implementation of this project generated a multi-level implementation network, including implementing partners from the EU, national and sub-national levels. At the sub-national level, the main focal point was RDA Mura as the main co-ordinator of the project and contractor with the NARD (i.e. the main focal point at the national level). In this way, RDA Mura connected other sub-national actors and was simultaneously a central link with national and EU actors (see Lajh 2004).

EU cohesion policy process. Last but not least, even Slovenian official politics (at least 'in theory') see the great importance of the principle of partnership as 'an opportunity for the development of civil society, professional capacity and for enhancing the culture of dialogue (GOSP, 2004).

## CONCLUSION

Every state entering the 'EU's Promised Land' expects to get 'golden eggs' that will significantly contribute to the prosperity of all parts of the country. This is also why Slovenia, in the area covered by the negotiating Chapter 21 on *Regional Policy and Co-ordination of Structural Instruments*, endeavoured to meet two main goals: 1) to increase the amount of funds earmarked by the EU for Slovenia in the 2004-2006 period; and 2) to reach an agreement whereby the least developed parts of Slovenia would preserve the status of an Objective 1 region (regions with the greatest possible access to EU Structural Funds) in the next financial period. But does the outcome of the negotiations in fact facilitate golden eggs for the Slovenian hen?

In the negotiations Slovenia agreed to receive in the 2004-2006 period a total of EUR 405.4 million from EU structural instruments, EUR 236.8 million of which would come from Structural Funds and EUR 168.6 million from the Cohesion Fund. In addition, the final decision on the regionalisation of Slovenia for the needs of cohesion policy (regionalisation at the NUTS-2 level) should be taken by the end of 2006.

**Table 1:** Funds from the EU Structural Funds and the Cohesion Fund devoted to Slovenia from its entry in the EU till the end of 2006

	%	<b>2004-2006 (EUR million)</b>	2004 (EUR million)	2005 (EUR million)	2006 (EUR million)
<b>Structural Funds</b>	58.4	<b>236.8</b>	58.7	79.3	98.9
Objective 1	88.7	<b>210.1</b>	52.1	70.4	87.6
Objective 2	-	-	-	-	-
Objective 3	-	-	-	-	-
INTERREG	8.9	<b>21.0</b>	5.2	7.0	8.8
EQUAL	2.4	<b>5.7</b>	1.4	1.9	2.4
<b>Cohesion Fund</b>	41.6	<b>168.6</b>	57.7	47.5	63.4
<b>Altogether</b>	100	<b>405.4</b>	116.4	126.8	162.2

**Source:** Kezunovič, ed. 2003: 100

According to official Slovenian politics, in the long-term perspective the outcome of the negotiations may be seen as quite successful. They give Slovenia wide space for manoeuvring in its talks with the EU concerning regionalisation of the country at the NUTS-2 level and this provides opportunities to draw funds for structural activities in the period after 2007. In the short-term perspective, as the Government states, the outcome of the negotiations is not as

positive since it would obviously be better if the amount of funding approved for structural and development purposes in the 2004-2006 period were slightly higher. However, in view of the criteria applied it is logical that the EU has earmarked a relatively small share of funds for the most developed accession-states, noting here Slovenia is ranked at the very top. When assessing the outcome of the negotiations from the public finance point of view, the Government considers that the relatively low amount of these funds also means lower risks. This point of view can be seen from two angles. On one hand, as the experiences of countries acceding in previous EU enlargements shows, in the first year of membership new member-states were only able to draw a relatively small amount of approved funds. Hence, it is true that more Structural Funds in the first years of membership – when the country is still not fully qualified to draw on them – might also mean taking on greater public finance risks. On the other hand, however, the Government's announcement of the approval of a comparatively small amount of funding is exceptional and may even support the opposition's claims that the outcome of the negotiations is relatively poor. All of this clearly shows that the EU eggs hatched by the Slovenian hen are not very golden, but they are still the eggs.

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