

# THE PREPARATION FOR EUROPEAN UNION STRUCTURAL FUNDS USE

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## Introduction

The regional policy has achieved in the countries of eastern Europe an unprecedented boom and this is in connection with the ambitions of these countries for the EU accession. The regional policy is one of the main European instruments for the preservation and deepening of the internal cohesion and decreasing of the differences between the regions. The amount of the investments for regional differences' reduction raises; about half of the population draw the money from the structural funds. For the period of 2000 – 2006, the EU set aside some 195 billion € (in 1999 prices) for the measures financed through the structural funds. The EU targets mainly regions that are lagging the development and whose GDP per capita is lower than 75% of the EU average. For this purpose, 69,7% of the total financial aid were set aside (135,9 billion €). As other primary sectors of intervention, there are the aid for the regions having the structural difficulties (Target 2) and education and employment assistance (Target 3). The EU created special financial instruments for different targets – structural funds (European fund of regional development, European social fund, European agricultural guiding and guaranteeing fund and Financial tool for fishery). For helping the countries that do not achieve 90% of EU average GDP per capita, the EU created the Cohesion fund, which supports the transeuropean transport network erection and the protection of the environment. For implementation of all these financial instruments, each member and candidate country has to develop a system that will assure their efficient management and will assure efficiency and usefulness of the financial aid.

## **Chapter 21 Regional policy and coordination of structural instruments**

The EU requirements in regional policy towards the country applying for the EU accession are included in the Chapter 21 Regional policy and coordination of structural instruments. The Chapter 21, in accordance with the strategic document of the European Commission on the EU enlargement, approved by the Council in Nice in December 2000, was determined as a priority of the Spanish presidency (1<sup>st</sup> half of 2002), altogether with other chapters, having the financial consequences (e.g. Agriculture – n° 7, Financial and budgetary provisions – n° 29). From the point of view of negotiations, the chapter is among the most difficult, because it has a direct connection to the budget of European Union. The candidate countries must satisfy the requirements in the field of legislature, regional classification, program capacities, administrative capacities and financial and budgetary management. The chapter is among the last four opened chapters in the negotiation process of Slovak Republic. (as in May 2002) During the negotiations with the Commission, the technical consultations to the Chapter 21 took place and the representatives of the individual ministries, Commission and Mission of Slovakia at the EC in Brussels were present. The talks required supplementary precisions and information from the Commission. The information are the content of the Third Supplementary Information, that contains detailed prospect on the preparedness of Slovakia for the drawing of the structural funds and Cohesion fund from the point of view of legislature, institutions, as well as from point of view of programming, monitoring, financial and control mechanisms. Supplementary information include the spheres of requirements for preclusive closure of the Chapter 21 and expresses developments and deficiencies in this field.

### **Finances**

In the framework of preparation for implementation of EU funds, the assessment of presumptive financial resources from the EU funds for the period of 2004 – 2006 was carried out. As one can observe from the Table 1, Slovakia will receive in the years 2004 – 2006 some 72 billion SKK (Slovak crowns), whereas the greatest part (probably 40% of sources) will be oriented towards the human resources development and the industry will consume about one fourth of resources. (see Table 2).

**Table 1: Supposed financial resources from the EU funds' flow, period 2004 - 2006**

<b>Total amount of the transfers from EU funds</b>	<b>SKK mil. 2004</b>	<b>SKK mil. 2005</b>	<b>SKK mil. 2006</b>	<b>SKK mil. Total</b>
Total ŠF transfers amount	12 862	14 167	15 612	42 642
Total CIP transfers amount	657	724	798	2 178
total KF transfers amount	6 826	7 519	8 285	22 630
Total EAGGF transfers amount (CAP)	1 290	1 421	1 566	4 277
<b>Total</b>	<b>21 635</b>	<b>23 830</b>	<b>26 261</b>	<b>71 726</b>

**Table 2: Supposed sectorial division of EU funds in 2004**

<b>Sector</b>	<b>Share</b>	<b>2004 SKK (mil.)</b>
Industry	25,0%	3 215
Tourism	10,0%	1 286
Human resources	40,0%	5 145
Transport and infrastructure	15,0%	1 929
Agriculture and rural development	10,0%	1 286
<b>Total</b>	<b>100,0%</b>	<b>12 862</b>

For acquirement of these resources, there is a need of an efficient management and implementation system's development, but there must be mainly some good projects. The estimations state a need of some 4500 projects of good quality preparation. At present time, Slovakia has problems with developing of good projects within the pre-accession funds (PHARE, ISPA, Sapard) and more people has to be trained to develop such projects. Incapacity of projects' development is not only a problem of Slovakia, but even the member countries (e.g. Austria) were often unable to draw all resources during the first years of the EU membership.

### **Management and Implementation**

In accordance with the harmonisation of the Slovak legislative with the acquis communautaire, the Ministry of Construction and Regional Development of Slovak Republic has processed an **Act on the support of the regional development** (Act n° 503/2001 Z.z.). The act determines common framework for the support of the individual regions (the support was up to this act fragmentary) and arranges the competences of bodies of civil service and of bodies of regional administration within the support of regional development, in accordance with the Regulations of the Council n° 1260/1999 and n° 1266/1999. At the same time, the act creates

conditions for coordination and implementation of the measures for increasing of economy and social cohesion. Legislative arrangement of this field is based on concentration of the resources in the troubled regions, all this through perennial programs. The accent will be gradually given on decentralisation in decision-making and in responsibility-taking, including cofinancing and on cooperation of individual subjects acting in the regional development.

The Government of Slovak Republic, by its Resolution n° 133/2002 of February 13, 2002, decided on the way of programming the assistance from the structural funds. The assistance should be addressed to the regions coming under the Target 1 in the form of Community Support Framework (CSF). Moreover, the Government decided on creation of respective executive bodies (RO), in the view of the structure of the National Development Program and on creation of payment bodies for individual structural funds. By this Resolution, executive bodies for CSF, operational programs, payment bodies for individual structural funds and payment body for the CF were appointed. According to recommendation of the Commission, the Ministry of Finance is recommended being appointed payment body for all structural funds. The Ministry of Construction and Regional Development elaborated a report "Proposal for specification of competences at central level and between central and regional level within implementation of structural funds" and the proposal includes reduction of four payment bodies to one. The proposal also contains creation and completion of implementing bodies and elaboration of implementation plans, as well as structure and role of implementing bodies for the program period 2004 – 2006. The proposal was a subject of the Government's Discussion for Regional Policy on May 16, 2002 and should be proposed at the Government Discussion in June 2002. By its Resolution n° 317/2002 of March 27, 2002, the Government decided on the way of programming the assistance from the structural funds for the regions under the Target 2 and Target 3 (in Slovakia, such region is NUTS II Bratislava). The programs should have form of the SPD (simple planning document). The Government also decided on creation of bodies for SPD NUTS II Bratislava Target 2 and SPD NUTS Bratislava Target 3. The Ministry of Construction and Regional Development prepared a report "Proposal for assignment of bodies responsible for preparation and implementation of Cohesion Fund and its coordination" (within the proposal, the Ministry of Construction and Regional

Development should be coordinator of Cohesion Fund and Ministry of Transport, Post and Telecommunications and Ministry of Environment should be responsible for preparation and implementation of the Cohesion Fund). The report was subject of the Government Discussion on the Regional Policy on May 16, 2002 and after settlement of some discords between the departments, the report was proposed for the Governemnt Discussion. The final probable structure of the structural funds and Cohesion Fund's management is the following:

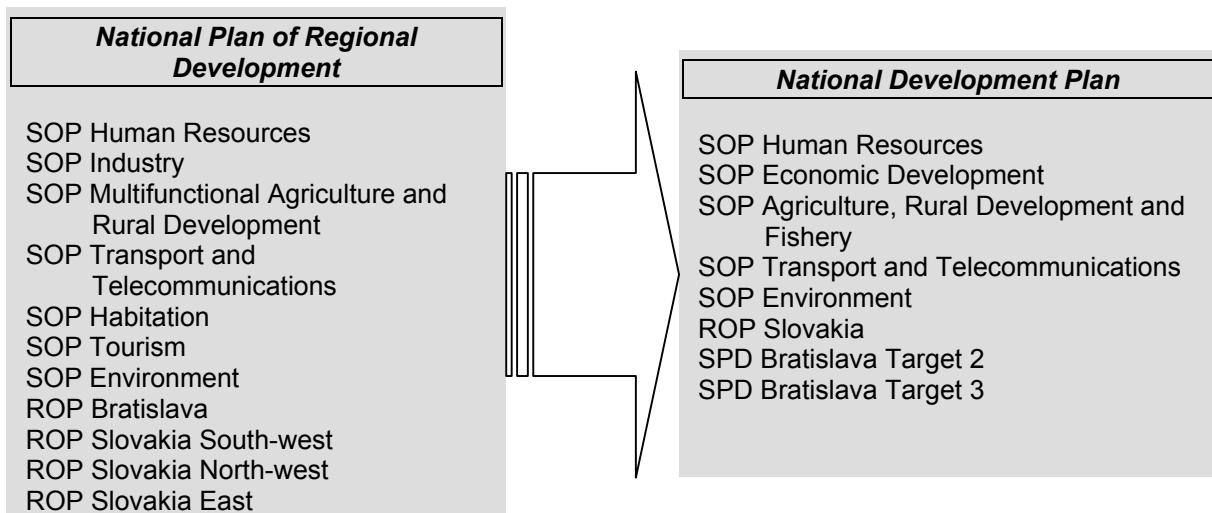
<i>Institution</i>	<i>Responsibility</i>
<b><i>Ministry of Construction and Regional Development</i></b>	Executive body CSF Executive body ROP Executive body SPD Target 2 Bratislava
<b><i>Ministry of Finance</i></b>	Payment body
<b><i>Ministry of Work, Social Affairs and Family</i></b>	Executive body SOP Human Resources Executvie body SPD Target 3 Bratislava
<b><i>Ministry of Economy</i></b>	Executive body SOP Economic Development
<b><i>Ministry of Environment</i></b>	Executive body SOP Environment
<b><i>Ministry of Agriculture</i></b>	Executive body SOP Agriculture, Rural Development and Fishery
<b><i>Ministry of Transport, Post and Telecommunications</i></b>	Executive body SOP Transport and Telecommunications

There will be, at each level of implementing system, designated bodies for execution of verification of structural funds and Cohesion Fund's operations; respective executive body will be responsible for this verification. There will be also a department or person responsible for confirmation of expenses for structural funds and Cohesion Fund (a person from payment body will be assigned responsible). There will be bodies for internal audit (departments of internal audit of respective central body of civil service) and bodies that will issue declarations on structural funds and Cohesion Fund assistance cessation (either Supreme Supervisory Office or Ministry of Finance, either external company – in the report on financial management of structural funds that is being prepared at the Ministry of Finance and that is to be sent to the Government by the end of July, 2002).

## Creation of strategic documents

National plan on regional development (NPRR) was approved by the Government of Slovak Republic on March 3, 2001 and in June 2001, it was presented to Commission. At the present day, the plan is being updated according to comments of Commission of March, 2002. In accordance with the Commission's recommendations aimed mainly at simplification of operational programs' systems (as it is connected with creation of the system of management of each operational program), there is a change in number of operational programs. It means that number of regional operational programs decreases from four to one and number of sectorial operational programs decreases from seven to five (scheme n° 1). In consequence of the Government Resolution n° 133/2002 and in accordance with the Regulation of Council (EC) n° 1260/1999, the Ministry of Construction and Regional Development has worked out a report "Proposal of content and organisational assignment of elaboration of National Development Plan – NDP", dealing with content of individual parts for CSF, organisational assignment of NDP preparation, regional operational program (ROP) and sectorial operational programs (SOP) at respective ministries, as well as with their processing timetables.

### Scheme n° 1: Modifications in structure of operational programs



## Monitoring and Evaluation

Monitoring and Evaluation play a very important role in assuring the efficiency of EU resources use. A group for monitoring and evaluation of structural funds, composed of representatives of future executive and payment bodies, pre-entrance

advisors and representatives of other bodies, was formed. The most important task within the scope of these requirements is the creation of an efficient system of monitoring for the structural funds and creation of a system for automatic data exchange. The Ministry of Construction and Regional Development prepared a report on structure of monitoring committees for implementation of structural funds and the report should be discussed in the Government by June 1, 2002. The structure of monitoring committees will reflect the structure of executive committees. – it is thus necessary to create a Monitoring committee for CSF, monitoring committees for individual operational programs and monitoring committees for individual SPD.

In the field of evaluation, the implementation of evaluation ex-ante is included in the National Development Plan. The first aim is appraisal of content of National Development Plan Proposal in relation to objectives following structural interceptions. The second aim is elaboration of testimonial of program quality and proposal for respective adjustment. The evaluation ex-ante must be targeted to the social-economic situation, environment and equity of opportunities of men and women. During the programming period, it is necessary to realize preliminary evaluation that will showw efficiency of expenses and will provide with ways of modification of direction of financial resources.

### **Conclusion**

In spite of some deficiencies in the field of regional policy, I am sure Slovakia will be able to absorb the assistance from the structural funds in maximal possible scope the EU will offer. Slovakia will then contribute to principal objective of European regional policy – reduction of regional disparities at the regional level, as well as reduction of disparities compered with other EU member countries. The key success factor is adequate quality personnel, sufficient interministry coordination, establishment of bodies responsible for financial supervision and establishment of implementing system, including monitoring and evaluation structures. It is also important to link efficiently al the important partners mainly at regional and local level.

*Abbreviations:*

ŠF – structural funds

CF – Cohesion Fund

CIP – Community Initiatives

CAP – Common Agricultural Policy

EAGGF – European Agricultural Guiding and  
Guaranteeing Fund

EK – European Commission

NDP – National Development Plan

NPRR – National Plan of Regional Development

SPD – Simple Planning Document

SOP – Sectorial Operational Program

ROP – Regional Operational Program