

Summary of the audit report on ability to utilise the European Regional Development Fund in the implementation of the measure “Fostering Development of Innovative Environment” and the instrument “Research Infrastructure Development Projects” in 2004 and 2005

By joining the European Union, the Republic of Slovenia on the basis of the Single Programming Document acquired the right to utilise funds of the European Regional Development Fund (hereinafter, the ERDF). In the 2004-2006 programming period, commitment appropriations of the Republic of Slovenia from the ERDF amounted to EUR 136,523,478. In the frame of the ERDF, we audited the ability to utilise funds for the measure “Fostering Development of Innovative Environment” and the instrument “Research Infrastructure Development”, which together comprise 23 percent of commitment appropriations from this funds. For the measure “Fostering Development of Innovative Environment” the Ministry of Economy and the Ministry of Higher Education, Science and Technology published a joint call for proposals in 2004, to which institutions of knowledge and companies could apply under the condition that they entered into cooperation in order to accelerate and transfer the achievements of development and research activities to the economy. All available funds for the development and research activity in the frame of the audited measure for the entire programming period were put up for call for proposals.

The audited measure was aiming at the development of innovative environment, development infrastructure and conditions for the association of companies and institutions of knowledge, which would accelerate and increase the effectiveness of knowledge transfer into the products, services and processes in the companies and strengthen the recognisability of Slovenia as a development partner.

For the purpose of the audit we carried out a survey of all applicants to the call for proposals (successful and non successful) and published its analysis on the Court of Audit’s website. For the audited activities of the ERDF funds we determined, that because of availability of the ERDF funds and conditions to award them the already familiar holders and users of knowledge connected and therefore achieved the measure’s goals faster and with better quality.

For the instrument “Research Infrastructure Development” the Ministry of Higher Education, Science and Technology independently issued a separate call for proposals for the entire programming period in 2004 as well. The funds were intended for the development of research infrastructure of centres of excellence, which already attained funds for development and research activity in the frame of the measure “Fostering Development of Innovative Environment”. Because of the interconnection to carry out the research and development activity and research infrastructure development in the centres of excellence, we audited the measure and the instrument together, even though the instrument is placed under the second measure of the Single Programming Document, i.e. the measure “Fostering Entrepreneurial Sector and Competitiveness”.

The years 2004 and 2005 were the initial years of utilisation of the Structural Funds in the Republic of Slovenia. In addition, this period was the time of setting up the whole system for utilisation of the Structural Funds. In the audited period during the implementation process we determined some irregularities and under-performances, for which we demanded corrective actions that the ministries have to carry out within 90 days after the receipt of the report. The required corrective actions refer largely to the field of personnel and controls of eligible expenditures and to the compliance of state aid rules and therefore the eligibility to co-financing by the ERDF.

We demanded corrective measures from the Ministry of the Economy in the field of administrative qualification and number of employees, who are dealing with implementation of the projects, co-financed by the ERDF, and the assurance that the selected project is in compliance with the state aid rules. From the Ministry of Higher Education, Science and Technology we demanded corrective measures in the field of administrative qualification and number of employees, who are dealing with the Structural Funds projects, and in the field of controls of eligible expenditures.

The key conclusion refers especially to overburdening of the employees, who are dealing with the implementation of structural policy measures at both ministries. This represents an increased probability for errors and/or bottlenecks and therefore time-consuming procedures and risk to lose funds based on the "n+2" rule. It is our opinion that changes are required in this field, especially because of the 2007-2013 programming period, when four-times more assets at an annual level shall be available and the administrative burdens this much bigger.

To assess the ability to utilise the ERDF funds in the audited period we created the criteria, whereby we also examined the implementation of the "n+2" rule. According to this rule it is necessary to utilise the EU funds within two years after the year, in which the commitment appropriations were approved, otherwise the remaining part of the funds shall be permanently lost. We examined the execution of the "n+2" principle for 2004, because the deadline to utilise the commitment appropriations for 2004 expired on 31 December 2006.

We believe that the ERDF funds utilisation for the measure "Fostering Development of Innovative Environment" at both ministries until 31 December 2005 was satisfactory, because 2/3 of the commitment appropriations for 2004 were utilised in 2/3 of the available time. We assess the utilisation of ERDF funds for the instrument "Research Infrastructure Development" until 31 December 2005 at the Ministry of Higher Education, Science and Technology as good, because the whole part of commitment appropriations for 2004 was utilised in 2/3 of the available time.

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