

The Use of EU Funds in Slovakia

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Abstract

The paper investigates how funds are allocated by the European Union and how they are used in the Slovak Republic. The paper concentrates on utilizing funds in two regions: Trnava self-governing region and Presov self-governing region, in two periods, namely 2004-2006 and 2007-2013. The conclusions define some negative issues in the process of applying for the funds and utilizing them in the regions. The region lying in the eastern part of Slovakia utilized twice more funds than the region in the western part of the country. Although a new period, 2014-2020, has already started, no funds have unfortunately been applied for and no funds have been allocated and utilized in the country. The new rules for financial control are expected to improve the process of utilizing structural funds in Slovakia. The data processed in the paper are offered by the Office of the Slovak Government.

Keywords

The European Union, funds, utilizing European funds, structural funds, regional disparities.

1. The region and regional disparities

The main objectives of the European Union are to diminish disparities among the European regions. The financial tools called *structural funds* are used to diminish regional disparities. When Slovakia accessed the European Union (on 1st May 2004), it became faced with new challenges such as the open market, the duty-free zone and access to structural funds as well. Historical, economic and political development in Slovakia during the communist era was affected a lot by the communist regime. The European Union has created a system of funds to assist the newly-accessed countries, including Slovakia, in order to diminish regional disparities and reach the level of the national economy and politics in other European countries. The system of funds is referred to as *structural funds* and the *cohesion fund*. Before we start discussing the issue of using the funds, we shall define the term "region". According to the definition and the concept designed by the Declaration of the Assembly of European Regions on regionalism in Europe, a region is:

- a territorial body of public law, established at the level immediately below the one of the State and endowed with political self-government,

- a region shall be recognized in the national constitution or legislation which guarantees its autonomy, identity, powers and organizational structures,
- a region shall have its own constitution, statute of autonomy or another law, which shall form part of the legal order of the State at the highest level, establishing at least its organization and powers. The status of a region can only be altered in cooperation with the region concerned. Regions within the same State may have a different status, in keeping with their historical, political, social or cultural characteristics,
- a region is an expression of a distinct political identity, which may take very different political forms, reflecting the democratic will of each region to adopt the form of the political organization it deems preferable. A region shall resource and staff its own administration and adopt insignia for its representation (Európska komisia, 2008).

Assessing the needs and requirements and disparities in European regions, the NUTS methodology is employed so as to classify the regions. The abbreviation *NUTS* stands for a French expression: La Nomenclature des Unités Territoriales Statisti-

ques, developed by the Eurostat – the European Office for Statistics. The NUTS methodology is employed when social and economic situations in the European Union's regions are monitored and analyzed. According to the The Slovak Ministry of Construction and Regional Development (2003), the NUTS regions are divided as it follows:

- NUTS I – 3,000,000–7,000,000 residents,
- NUTS II – 800,000–3,000,000 residents,
- NUTS III – 150,000–800,000 residents.

From the point of view of structural funds assistance, the most important classification is NUTS II (Babitz, & Havran, 2005).

The most common indicator for detecting disparities among regions is the unemployment rate, the GDP per capita and average nominal wages per month. Currently, Slovakia is being ranked the fifth, with the unemployment rate of 12.5% out of the 28 EU countries.

2. Funds

Prior to having accessed the EU, Slovakia, together with nine other accession countries, had been entitled to apply for the Structural Funds. The pre-accession funds, such as “PHARE, ISPA, SAPARD”, were used to assist the countries to prepare themselves for the EU accession and become acquainted with the EU structural policy. The PHARE fund supported the process of the approximation and the harmonization of legislation; it supported the development of industries and human resources as well as the development of the infrastructures of small and medium-sized enterprises. The projects on cross-border cooperation and Romany children integration were funded by PHARE. The ISPA – a pre-accession fund – was used to cover the projects on the environment, the transport infrastructure. The SAPARD fund was used to fund the projects designed for the field of agriculture. Slovakia accessed the European Union on May 1st, 2004; from that year to today, Slovakia has been eligible to apply for structural funds. In some cases, the adoption of structural programs is preceded by the adoption of a Community Support Framework, which lays down the general strategy for European funds assistance. The Slovak government was obliged to design the basic document named “National Development Plan”, defining the current situation, the objectives, the priorities and the actions that were to be funded by structural funds and the na-

tional “Community Support Framework”. The two program periods: 2004-2006 and 2007-2013 have been analyzed in two self-governing regions, namely the regions of Trnava and Prešov, both representing the NUTS III group. Trnava region lies near Bratislava region, near Austria; it borders the Czech Republic and Hungary. The good location of the region is reflected in the foreign investment flow, establishing new plants, creating and opening new positions.

Prešov self-governing region lies in eastern Slovakia and its development is based on the technical infrastructure that currently does not reach a very high quality and standard. The regional economy is the worst one, the foreign investment flow is at the minimum level and the unemployment rate in this region is very high. The undeveloped infrastructure prevents the region from developing its industries and services, thus increasing the unemployment rate and keeping the standard of living at low levels (Morvay et. al, 2014).

Trnava region consists of 7 districts. The largest area is covered by the Danube lowland of “Podunajska nizina”, in the south, and the lowland of “Zahorska nizina”, in the north. The region has the highest percentage in agricultural production. The region abounds with hot mineral springs. The north and the central parts of the region are industrial, with an impact on the employment rate (The European Job Mobility Portal, 2015). The population of the region is 557,608, with the average nominal wage per month and per capita reaching the amount of 842 euros. The unemployment rate is 8.2%, which is the second lowest unemployment rate in Slovakia, and Trnava's share in the Slovak GDP is 12.5% (Trnavský samosprávny kraj, 2009, p. 163). The European funds agreed upon in contracts and used created 86% out of all the funds allocated to 572 projects in Trnava region.

Table 1 Trnava Region – Structural Funds 2004-2006

Operational Program	Number of projects	Allocated funds	Used funds	Used funds in %
Industry and Services	61	61 646 488.16	49 837 624.54	80.84
Human Resources	53	9 679 160.31	6 818 126.96	70.44
Agriculture and Rural Development	248	101 938 809.96	93 708 359.42	91.93
Basic Infrastructure	120	66 662 537.43	57 886 668.76	86.84
INTERREG III A	75	5 607 057.51	4 693 914.37	83.71

NP Neighborhood Program Hungary – SR - Ukraine	10	952 756.97	902 191.86	94.69
EQUAL	5	2 086 481.19	1 358 407.17	65.11
Total	572	248 573 291.53	215 205 293.08	86.58

Source: The author

Prešov region lies in north-western Slovakia and comprises 13 districts. It borders Poland and Ukraine. The population counts 817 382, and the region belongs to the poorest Slovak regions. The average nominal wage per month is 643 euros; the unemployment rate of 17.55% is the highest unemployment rate in Slovakia. The share of the region in the Slovak GDP is 9%.

Table 2 Prešov Region – Structural Funds 2004-2006

Operational Program	Number of projects	Allocated funds	Used funds	Used funds in %
Industry and Services	106	81 588 668.16	67 619 820.92	82.88
Human Resources	156	20 277 856.15	14 934 449.03	73.65
Agriculture and Rural Development	195	72 915 119.92	67 580 753.19	92.68
Basic infrastructure	257	147 299 808.88	136 390 648.15	92.59
INTERREG III A	41	1 228 041.87	1 033 751.37	84.18
Neighborhood Program Hungary – SR - Ukraine	10	2 259 605.26	2 186 057.15	96.75
EQUAL	6	2 086 481.19	1 236 472.60	59.26
Total	771	327 655 581.43	290 981 952.41	88.81

Source: The author

A new start for the new programming period for the years 2007-2013 was the year 2007. The period was the first programming period in which structural funds were used in Slovakia. The National Strategic Reference Framework document was designed, with the objectives and the strategy aiming at enhancing the competitiveness and effectiveness of the regions and the Slovak economy and the employment rate, simultaneously respecting sustainable development (NSRR SR for 2007-2013).

The period of utilizing the funds of 2007-2013 has not been completed yet. The funds allocated to Slovakia must be utilized by the day of 31st Dec. 2015 as the $n+2$ rule is still valid. The programming period aims at the approximation of the standard of living in Slovakia and other European countries, improving the Slovak Republic's competitiveness and enhancing the quality of the lives of Slovak citizens.

The strategic priorities for the Programming period are: 1/Infrastructure and the regional access; 2/Knowledge economy; 3/ Human Resources.

Strategy No.1 is committed to improving the infrastructure and the effectiveness of the public services; Strategy No. 2 is committed to enhancing the resources for sustainable development, improving sustainability in the industries and the services; Strategy No. 3 is committed to increasing the employment rate, improving the qualities of human resources, improving the social inclusion of risky social groups.

The “National Strategic Reference Framework” is realized through operational programs controlled by Slovak ministries.

Table 3 Operational Programs for 2007-2013, European Funds and Supervising Bodies

Operational Program	Allocated funds in euro	Controlling Body
European Fund for Regional Development + Cohesion Fund		
Regional OP	1 445 000 000	Slovak Ministry for Transport, Construction and Regional Development
OP Environment	1 800 000 000	Slovak Ministry for Environment
OP Transport	3 206 904 595	Slovak Ministry for Transport, Construction and Regional Development
OP Informatization of Society	993 095 405	The Office of the Slovak Government
OP Research and Development	1 209 415 373	Slovak Ministry for Education, Science, Research and Sports
OP Competitiveness and Economic Growth	772 000 000	Slovak Ministry for Economy
OP Health Care	250 000 000	Slovak Ministry for Health Care
OP Technical Assistance/Aid	97 601 421	Slovak Ministry for Transport, Construction and Regional Development
OP Bratislava Region	87 000 000	Slovak Ministry for Transport, Construction and Regional Development
ESF		
OP Employment and Social Inclusion	881 801 578	Slovak Ministry for Labor, Social Affairs and Family
OP Education	617 801 578	Slovak Ministry for Education, Science, Research and Sports
Total	11 360 619 950 EUR	

Source: The author

Each operational program has defined its global goal complemented by partial specific goals.

In the period from 2007 to 2013, there were 699 projects in Trnava region, agreed upon and covered in the amount of 832,243,338.84 euros. By 31st Dec. 2014, only 41.36%, i.e. 344,219,803.47 euros were utilized. The projects must be completed by 31st Dec. 2015.

Table 4 Trnava –Region – 2007- 2013

Operational Program	Number of Projects	Allocated Funds	Funds - used	Used funds in %
Regional Operational Program	220	173 529 600.17	132 427 397.18	76.31
OP Environment	77	193 111 519.28	120 985 828.37	62.65
OP Transport	5	53 732 628	38 821 942.58	72.25
OP Informatization of the Society	6	10 838 864.76	3 532 094.16	32.59
OP Research and Development	38	125 944 708.09	61 950 023.58	49.19
OP Competitiveness and Economic Growth	196	209 917 734.67	62 907 557.34	29.68
OP Health Care	6	20 752 118.27	1 536 198.40	7.40
OP Employment and Social Inclusion	86	17 981 624.41	8 876 609.91	49.36
OP Education	65	26 434 541.19	13 182 151.95	49.87
Total	699	832 243 338.84	344 219 803.47	41.36

Source: The author

Table 5 Prešov Region in 2007-2013 and the projects funded by the EU

Operational Program	Number of projects	Allocated funds	Used funds	Funds used in %
Regional Operational Programme	481	357 070 162.76	267 851 022.18	75.01
OP Environment	143	322 257 591.18	229 546 380.89	71.23
OP Transport	11	442 242 180.75	259 815 692.91	58.75
OP Informatization of Society	8	14 175 795.88	4 924 844.64	34.74
OP Research and Development	19	66 635 071.92	26 238 172.82	39.38
OP Competitiveness and Economic Growth	396	455 054 329.38	167 015 087.34	36.70
OP Health Care	20	64 825 542.04	62 357 041.03	96.19
OP Employment and Social Inclusion	511	73 371 767.53	37 301 887.87	50.84
OP Education	236	58 944 304.70	28 451 076.38	48.27
Total	1 825	1 854 576 752.14	1 083 501 206.06	58.42

Source: The author

In this region, 1825 projects were funded by the European Union and they cover the sum of 1,854,576,752.14 euros. The used funds represent 58.42 %, i.e. 1,083,501,206.06 euros.

The biggest number of the projects were implemented from the Regional Operational Program, representing 25%, only to be followed by 24% accounting for Transport and the Environment operational program accounting for 21%.

Most projects i.e. 1229 were realized by the public sector institutions and were funded with the sum of 766,128,090.44 euros. The private sector implemented 488 projects, the sum of which amounted to 280,258,733.76 euros. One hundred and eight projects were implemented in the third sector and the same were funded with the sum of 37,114,381.86 euros.

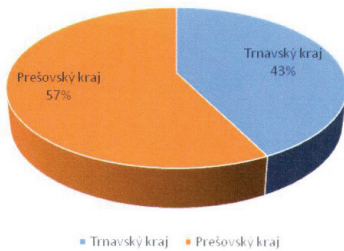
In Trnava region in the period 2004-2006, 572 projects were funded with the sum of 215,205,293.08 euros, and the largest number of the projects were funded and implemented in the Program of “Agriculture and Rural Development”. The most successful – 95% of the funds were allocated to the Program of Neighborhood: Hungary–Slovakia–Ukraine. The majority of the projects were implemented and funded in the private sector. All the projects funded in Trnava region reached the level of 86.58% out of all of the allocated funds.

In Prešov region, 771 projects were implemented and funded with the sum of 290,981,952.41 euros. The majority of the projects belonged to the Operational Program of the “Basic Infrastructure”. Also in this period, the most successful project (97%) was the Project on the Neighborhood Hungary–Slovakia–Ukraine. For the most part, the funds were allocated to the private sector. The public sector had the largest number of the projects funded and implemented. Prešov region reached the level of 88.81%.

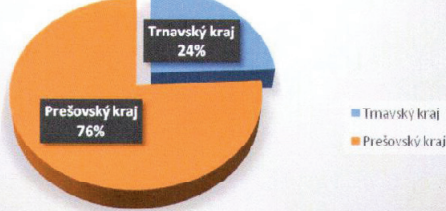
In the period between 2007 and 2013, Trnava region applied for 699 projects in all the operational programs funded with the sum of 344,219,803.72 euros. The majority of the projects belonged to the Regional Operational Program which was most successfully funded from the EU funds – 76%. The public sector institutions applied for and implemented the largest number of the projects.

In the period from 2007 to 2013, Prešov region realized 1825 projects funded with the total sum of 1,083,501,206.06 euros. The sum was three times as high as the sum allocated and used in Trnava region. The operational program of Health Care was the most successful one – 96%. This program was implemented in Trnava region at the level of 7% only. Allocating the funds and implementing the projects in Prešov region reached the level of 58.42%.

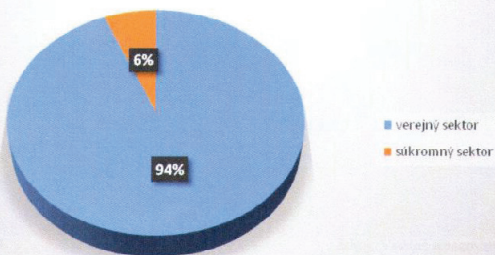
Porovnanie čerpania v Trnavskom a Prešovskom kraji v PO 2004-2006



Porovnanie čerpania v Trnavskom a Prešovskom kraji v PO 2007-2013



Sektor



Source: The author

The research was carried out and the respondents belonged to the public (90 respondents), the private (6) and the third sectors in the regions of Trnava and Prešov. Altogether, 605 applications were sent to apply for the structural funds, 278 applications were approved, which is almost half of all the applications submitted. Forty projects have not been completed financially – the funds have not been used yet. The total of 181 projects were funded and completed, which represents 65% out of the total number of the projects approved. According to the responses, we can sum

up that the respondents, i.e. the applicants for the projects, faced the same problems and issues. They applied for the funds in order to implement and complete their projects in the fields of: sewage management, water treatment, gathering the waste, building paths for cyclists, bridges reconstruction, developing parks, green areas, the cultivation of landfill, the reconstruction of sights and landmarks, rural development, the tourism industry, health care, research and development, the digitalization of intangible assets, heritage. **SM**

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