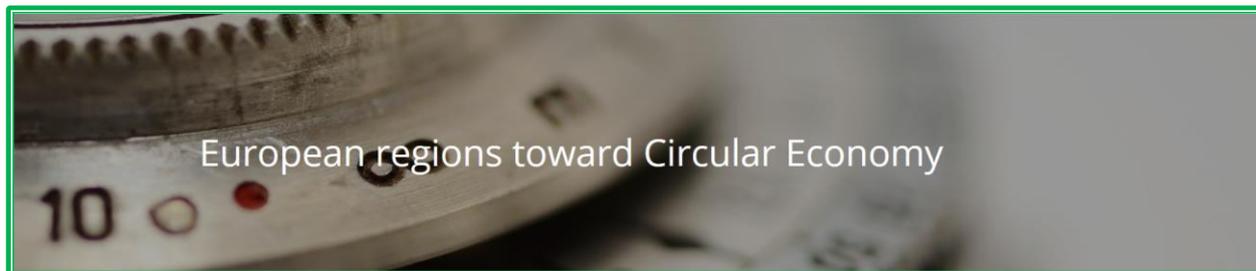


"Circe - European regions toward Circular Economy"

INTERREG Europe Project



## **Policy Instrument Analysis and policy options**

### **Project Partner 8**

#### **Association of Municipalities and Towns of Slovenia**

#### **Skupnost občin Slovenije**

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## 1. Executive summary

The key documents of analysis per application form is the Operational Program for the Implementation of Cohesion Policy in the Programming Period 2014-2020 and the Smart Specialization Strategy. In this document the focus is on these two documents.

## 2. Policy instrument analysis

### 2.1. Operational Program for the Implementation of Cohesion Policy in the Programming Period 2014-2020

The key documents underlying the implementation of the European cohesion policy in Slovenia are, in addition to the Partnership Agreement, the Operational Program for the Implementation of Cohesion Policy in the Programming Period 2014-2020<sup>1</sup>, with changes (hereafter referred to as OP) and the Smart Specialization Strategy. Association of Municipalities and Towns of Slovenia in the Circe project primarily addresses the OP. The focus is on influencing actions under Priority Axis 9, which could lead to better local development strategies and / or to new projects with effects at the local level. Wherever possible and appropriate, the priority axis 1 and 3 are to be considered.

Priority Axes:

Priority axis 1: Strengthening research, technological development and innovation

Priority axis 3: Increasing the competitiveness of small and medium-sized enterprises

Priority axis 9: Promoting social inclusion and combating poverty and any discrimination

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<sup>1</sup> [Operational program for implementing Cohesion policy in the programming period 2014 – 2020, 3. amendment, 4.1](#) (Slovenian; latest version - [word](#)), confirmed by the European Commission 11. 12. 2018, [comparison with version 3.2; Operational Programme for the Implementation of the European Cohesion Policy in the 2014-2020 period](#) (English version);

## Horizontal Principles - Sustainable Development<sup>2</sup>:

“By deliberately investing in conserving biodiversity, by strengthening sustainable development and management (natural and cultural heritage) and using appropriate criteria for project planning in areas with conservation regimes, we will contribute to preserving ecosystems and their services. This will increase the societies resilience against environmental stresses and preserve this comparative advantage of Slovenia.

At the systemic level, which goes beyond the implementation of measures in the context of drawing of European structural and investment funds, an important leverage for achieving sustainable development will also be the establishment of mechanisms for the internalisation of external costs (eg elimination of environmentally harmful subsidies, development of financial instruments, green tax reform), and for promoting sustainable consumption and production.

In order to consistently integrate environmental content in the OP, the responsibility will be borne by the managing authority and the intermediate body, or other potential implementing institutions with the assistance and guidelines of the ministry responsible for the environment. The use of instruments that the public sector can use as a lever for promoting sustainable development (green and innovative public procurement, energy accounting, environmental management systems, etc.) will also play an important role.

Since 2011, the Green Public Procurement Regulation [156] has been in force in Slovenia, which is mandatory for all contracting public authorities for 11 product and service groups [157]. By reducing fees for organizations that are introducing the EU Ecolabel and EMAS and subsidies in some areas for their acquisition, we are promoting the environmental responsibility of companies and the development of green products and services. "

The environmental component of sustainable development will be horizontally included in other priority axes as follows:

- **Priority Axis 1:** where actions, in line with the guidelines of the Smart Specialization Strategy, help to find solutions to key societal challenges (sustainable energy, sustainable mobility, sustainable construction, efficient use of resources, health, food and the environment, an inclusive and secure society).

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<sup>2</sup> Operational program for implementing Cohesion policy in the programming period 2014 – 2020, 3. amendment, 4.1, page 526.

- **Priority Axis 3:** a link will be established between the key societal challenges and the Smart Specialization Strategy, with special attention to measures which promote the material and energy efficiency of enterprises, both through horizontal criteria and through specific support strands for this purpose.
- **Priority axis 8:** specific training programs will be developed for providing specific knowledge in renewable energy sources, energy rehabilitation, local self-sufficiency with food, nature protection and biodiversity, etc.

## 2.2 Smart Specialization Strategy

On December 21, 2017, the Government of the Republic of Slovenia adopted the 1st amendment to the Slovenian [Smart specialization Strategy - S4](#), 1. amendment; [Criteria for Selection of Operations](#), 2. amendment, May 2018

Smart specialization Strategy (S4) is a platform for focusing development investments for:

- a) strengthening the competitiveness of the economy by strengthening its innovation capacity,
- b) diversification of the existing industry and service activities, and
- c) the growth of new and fast-growing industries and enterprises.

S4 represents the implementation document of the adopted strategic documents. It addresses all four objectives of the existing Slovenia's Development Strategy 2006-2013 in the part relating to the establishment of "Innovation knowledge society". In this part, Slovenia has already identified three key sectoral strategies, namely RISS 2011-2020 (Research and Innovation Strategy of Slovenia), SIP (Slovenian Industrial Policy) and the Digital Agenda. From other aspects, other strategies may be also relevant, for example, in the field of nature protection, energy or education.

The smart specialization strategy creates priority areas / priorities identified through an in-depth consultation process in the period 2014-2015, when three pillars (Digital - Circular - (S) Industry 4.0) and nine areas of use with focal areas and technologies were identified. The areas of joint development were identified by Strategic Development Innovation Partnerships (SRIPs) in their Action Plans.

Action plans are regularly upgraded and complemented and, as such, represent the dynamic part of S4 through which a further process of focusing innovation policy on the key niches is expected.

In addition, a further in-depth review and, if necessary, an amendment to S4 is foreseen in 2019.

As mentioned above, the Smart Specialization Strategy lists three pillars and nine focal areas, among them the most relevant priority areas for the CIRCE project, focusing on the 9 realized opportunities are listed below.

One of the priority areas of S4 is section 2.2. NATURAL AND TRADITIONAL SOURCES FOR THE FUTURE, chapter 2.2.1. **Networks for the transition to a circular economy**. The objective in this area is to connect stakeholders - economic operators, educational and research system, NGOs, the state and individuals - into a value chain according to the principle of the economy of completed material flows and to develop new business models for the transition to a circular economy.

Focus areas and technologies are:

1. Technologies for biomass processing and development of new biological materials
2. **Technologies for the use of secondary raw materials and reuse of waste**
3. Acquisition of energy from alternative sources

For our research in the CIRCE project, point 2 is particularly interesting - Technology for the use of secondary raw materials and reuse of waste, where it states:

"Slovenia has relatively well-preserved natural resources, but due to [...] pressures it is necessary to work on even better and more effective conservation and management thereof, especially when they are important for the long-term provision of welfare and ecosystem services. This requires the transformation of economic systems from linear to circular by eliminating the concept of waste, ensuring that the period of circulation of products in use is as long as possible, their cascading use and the provision of cleaner and unreactive materials that can be reused. In order to establish such a system, it is essential to innovate at the level of business models and establish appropriate systems, the so-called return logistics. "<sup>3</sup>

Chapter 2.2.2. **Sustainable food production** indicates the goal:

1. Promoting sustainable high-quality food production with an integrated business model that integrates knowledge institutions with manufacturers and economic operators along the entire value chain, including the development of new marketing models on the domestic, European and global markets.
2. **Establish innovative, short supply chains for local food, especially for organic foods with guaranteed and recognized traceability from field to table.**
3. Ensure long-term sustainable conditions for the development of Slovenian territory and climate change of varieties and agricultural practices.

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<sup>3</sup> Smart Specialization Strategy, page 15 – 16;

Objective 2 is particularly relevant for the CIRCE project priority - the establishment of short supply chains. In S4 it states: "[...] functional foods, which represent a major market opportunity for the development of the entire food processing industry together with the supply chain and all local suppliers that provide process solutions in production. Market analyzes show that 56% of Europeans are trying to improve their health condition with food / drink so that 19% of Europeans use functional foods at least a few times a week, while demand is not strongly bound to already established brands. "<sup>4</sup>

Chapter 2.2.3. **Sustainable tourism** is a key development priority for creating a competitive, sustainable tourism product that will position Slovenia on global markets as a green, active and healthy tourist destination. It emphasizes the development of integrated services that lead to superb experience while integrating and taking into account the preservation of nature and natural and cultural assets. This should be achieved through the systematic development of targeted, specialized, individual needs and wishes of tailored and innovative tourism products and services at national, destination and local level. It sets out key objectives:

1. Increase of added value from tourism by 15%.
2. Increase in inflows from export of travel by 4-6% per year.
3. Increasing energy efficiency in tourist facilities by 20%.

The Smart Specialization Strategy states that in the organizational sense, this will be achieved through a link between the stakeholders of the tourism economy and the links with other sectors, namely:

- I. Leading tourist companies among themselves;
- II. Tourist carriers in individual areas with the remaining stakeholders (stakeholders from other sectors, smaller providers, local governments, NGOs, etc.) and**
- III. By encouraging innovative bottom-up connectivity products, which will be supported by a strategic partnership, international networking, a regulated support environment (eg incubators) and a proactive development role of the state.**

Priorities in this field are:

- 1. Information-based marketing and networking by designing innovative, comprehensive and sustainable tourism products and services in line with emerging needs.**
- 2. Knowledge for raising the quality of services (service design, innovative management, process innovations, branding of basic (catering) and thematic tourist products taking into account internationally established brands and training.**

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<sup>4</sup> Smart Specialization Strategy, page17 – 18;

**3. Technological solutions for the sustainable use of resources in accommodation facilities (in connection with activities in the field of smart buildings).**

**4. Green scheme of Slovenian tourism (a systematic approach to connecting, directing and developing sustainable and comprehensive solutions at the destination and local level).**

Concerning the competitive advantage of Slovenia in the field of tourism, the Strategy of Smart Specialization states:

»Existing trends in tourism activities are going in the direction of high-quality sustainable tourism for demanding customers, also in connection with well-preserved nature and rich cultural heritage (natural and cultural tourism). Slovenia has already been recognized as one of the countries with the highest plant and animal biodiversity in Europe, at the same time it has a very large share of Natura 2000 sites, a rich and varied cultural heritage and the developed potential of cultural offerings, from exhibitions to concerts and festivals. Such wealth represents a great potential for developing high-quality ecotourism. Such an activity can also be a platform for horizontal links to the development of innovative green technologies and is perfectly complemented by the focus on sustainable food. "5

The smart specialization strategy also mentions the field of **mobility (chapter 2.3.3)**, as stated in the objectives:

I. The transition from the development of individual components and materials to the development of more demanding and more complex energy efficient products with higher added value in line with the new EU standards in the field of emission reduction (EURO 6c, EURO 7) and in the field of safety (EURO NCAP)

II. Strengthening the status of Slovenian producers as pre-development suppliers.

S4 sees the following focus areas and technologies:

1. Low-voltage components and systems for internal combustion engines

**2. Systems for e-mobility and energy storage**

3. Safety and comfort systems and components

4. Materials for the automotive industry

The smart specialization strategy also mentions a package of measures - among them there are special measures in chapter 4.1.6, important for implementation of the prioritized opportunities in project CIRCE. Thus, for example, the area of sustainable food production will be supported from the Structural Funds in the RRI policy segment. All other aspects of development in the area of

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<sup>5</sup> Smart Specialization Strategy, page 18 -19;

sustainable food production, including the development of human resources and investments, will be addressed under the Rural Development Program, especially in the context of measures:

- Transfer of knowledge and information activities
- Quality schemes for agricultural products and food
- Investments in fixed assets
- Establishment of groups and producer organizations
- Cooperation

In the field of sustainable tourism, within the framework of TC3 in the operational program, funds are allocated for the development of new and innovative tourism products and services, which will be supplemented with the funds of the European Social Fund in order to raise quality and upgrade services and technology-based marketing and networking. Encouraging entrepreneurship will be further promoted through a special program for medium, small and new businesses, while solutions for sustainable use of resources in accommodation facilities will be backed up by TC1 in conjunction with smart buildings as one of the specific areas of application. The area of sustainable tourism (including cultural) is also one of the priorities in the context of European territorial cooperation programs.<sup>6</sup>

## 2.3 Analysis and possible actions

The analysis results in a match between the objectives of the priority axes in the Operational program and the Smart specialization strategy-S4 with CIRCE prioritized opportunities, which are as follows:

PRIORITY	TITLE OF OPPORTUNITY	HORIZONTAL		COMMENTS
1.	Mobility PP8_S5_03	Digitization PP8_S5_08 + Tourism 4.0	The role of municipalities PP8_S5_05	/
2.	Food system* PP8_S5_09 + PP8_S5_01 + PP8_S5_07			* GATHERED THREE OPPORTUNITES: - Agricultural cooperatives - Self-sufficiency - Robinfood
3.	Diffused hotel PP8_S5_04			/
4.	Re-use centers PP8_S5_06			/

<sup>6</sup> Smart Specialization Strategy, page 32;

	Forest wood chains* PP8_S5_02		* not connected to tourism and municipalities, therefore eliminated
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Priority axes, specialization areas, columns and fields of application merge to some extent the priorities we addressed within project CIRCE.

The possible CIRCE Actions to be undertaken are:

1. Identifying already planned calls, trying to steer their contents and conditions (e.g. by introducing enabling requirements), within Axis 9, 8, 3 and 1 of the existing OP;
2. Influencing the design of new calls, within Axis 9, 8, 3 and 1 of the existing OP;
3. Policy recommendations for the new Operational program in the new programming period (2021-2027);
4. Policy recommendations for Action plans for the relevant SRIP (e.g. SRIP for smart towns and communities, circular economy, sustainable food, sustainable tourism, mobility)
5. Policy amendments for the review of Smart specialization Strategy – S4 in the chapter: 2.2.3 and 2.3.3.
6. Recommendations for policy change of national legislation, where this eliminates the obstacle to the realization of the opportunity
7. Recommendations to local governments where, by changing their policies, they could influence the development of an area.

### 3. Policy options identified

#### Policy options for the opportunities

ID	Opportunity	Sector	Barriers	Policy option
PP8_S5_03	Mobility  Transition to clean energy products, car sharing, soft mobility in tourism;	Tourism	- insufficient infrastructure for electrical mobility - inconsistent database for reporting eg. cycling routes	- systematic planning of investments in transport infrastructure and publicly owned vehicles (tenders in the current OP, planning for the next OP) - support public transport transition to alternative fuels and the establishment of regular long-distance connections

				(also regarding the needs of tourism) - arrange a database of cycling routes across municipalities - incentives for the tourism sector and / or municipalities to establish soft mobility systems - revision of SRIP Mobility Action Plans - revision of S4 in chapter 2.3.3. Mobility: there is currently more or less the focus on car production – redirecting to needs of people/mobility users
PP8_S5_09 + PP8_S5_01 + PP8_S5_07	Food system = <i>Agricultural cooperatives</i>  Promoting organic production and processing of produce, linking with vulnerable groups, integrating into short supply chains and catering - tourist purposes; + <i>Self-sufficiency</i>  Model of cooperation with local providers towards the realization of joint orders - short supply chains for catering tourist establishments and public institutions; +	Tourism	- problems with renting of suitable agricultural land and their size - lack of organization of small producers for a common market appearance - lack of knowledge about marketing / branding - organizing into a cooperative takes a lot of time  - insufficient quantities of products for the supply - unwillingness of joint bids - the required quantities are not known upfront (crop planning) - public procurement (price as the most important criterion), - customer relationship;  - customer relationship / resistance against eating and buying food near expiry date	- Fund of agricultural land: to develop a simple database with available agricultural land for rent, publicly available - education of farmers (chambers, ministry, local communities, rural development fund) - the establishment of a local / regional coordinator in the field of agriculture (rural development funds) - establish a database of available quantities of produce, enable cooperation for joined bids, where the buyer also announces an indicative demand for a one-year period ((calls by the Ministry of Agriculture or Economy) - simplification of green (public) procurement

	<p><i>Robinfood</i></p> <p>Preventing food waste - food that is close to the end of the expiration date because of the changed packaging, excess production or other similar problems, which cannot be sold, shouldn't end up as waste. (sales in the store, processing of products in meals or new products)</p>		<ul style="list-style-type: none"> <li>- an undeveloped market (only a niche)</li> <li>- non-efficient ordering of products / not in accordance with their shelf life</li> <li>- food is often not prepared with respect to the expiry date</li> <li>- Insufficient tax legislation that does not support the inbound meals of the inn can be shared free of charge</li> </ul>	<p>procedures in the field of food (Ministry of Public Administration)</p> <ul style="list-style-type: none"> <li>- systematic education in the field of food procurement for all public institutions (Ministry of Public Administration)</li> <li>- Raising customer awareness (Ministry of Economy and Chamber of Commerce)</li> <li>- systematic education for public institutions in the field of kitchen management (Ministry of public administration)</li> <li>- training programs on optimization in the kitchen for guest establishments</li> <li>- support for IT solutions in agriculture and kitchen planning</li> <li>- changes in tax legislation (Ministry of Finance)</li> <li>- revision of SRIP Agriculture Action Plans</li> </ul>
PP8_S5_04	<p>Diffused hotel</p> <p>Form of business cooperation of many individuals (owners or managers of real estate) who together manage a dispersed hotel within the tourist cooperative (room accommodation, tourist accommodation, other programs in tourism). It has a common reception and marketing; the</p>	Tourism	<ul style="list-style-type: none"> <li>- competition with business as usual,</li> <li>- inadequate legal framework</li> <li>- business relationships with green business and mindset frameworks at managerial and operational levels,</li> <li>- lack of internalization of external effects,</li> <li>- additional transaction costs,</li> <li>- difficult access to appropriate green technology,</li> <li>- lack of skills and competences;</li> </ul>	<ul style="list-style-type: none"> <li>- revision of legal framework (Ministry of economic development)</li> <li>- incentives to prevent market failures (Ministry for economic development, municipalities – both with calls)</li> <li>- investing in the education of the tourism sector about circular tourism</li> <li>- training in the creation of diffused hotels</li> </ul>

	<p>accommodation is diffused across different locations. In the forefront is the integration in all areas that touch the stay of a tourist in the local environment.</p>			<ul style="list-style-type: none"> <li>- targeted calls for assistance in setting up a new business model</li> <li>- orientation of development documents in the decentralization of the tourism industry (with appropriate developmental stimulus)</li> <li>- supporting digitization in tourism, blockchain technology (calls and development in the direction of Tourism 4.0)</li> <li>- Empowerment of local communities and their institutions in the field of tourism in the direction of circular tourism</li> <li>- revisions to SRIP sustainable tourism action plans</li> <li>- revision of S4 in Chapter 2.2.3. Sustainable tourism: clearly indicate the priority of the transition to circular tourism, alongside the green scheme of Slovenian tourism</li> </ul>
PP8_S5_06	<p>Re-use centers</p> <p>Reparation of used products for re-use, sale of renovated products at a good price, fitting out catering and tourist facilities;</p>	Tourism	<ul style="list-style-type: none"> <li>- competition with business as usual</li> <li>- there are no tax breaks for this activity</li> <li>- the transfer of useful bulky waste to companies is not regulated by law</li> <li>- the underdeveloped of secondary material market; (definition of secondary raw materials - a key issue)</li> </ul>	<ul style="list-style-type: none"> <li>- definition of secondary materials in legislation</li> <li>- review the legislation to support giving re-usable waste to businesses for re-use</li> <li>- review of tax legislation in order to promote the sale and purchase of reusable goods</li> <li>- incentives for setting up reuse centers and repair shops, libraries of things</li> </ul>

				- support for the promotion of re-use (national and local campaigns)
PP8_S5_08	<p>Digitization</p> <p>Digitization of entrepreneurship and industry, smart cities, e-commerce, e-skills, e-inclusion, cyber security, other developmental areas of digital society; HORIZONTAL + Tourism 4.0 It's a name for the current trend of big data processing collected from a vast number of travelers, to create personalized traveling experience. It is based on variety of modern high-tech computer technologies. Term originates from new paradigm in industry, known as Industry 4.0. It enables travel experiences to be more efficient, safer, greener and less hassle while optimizing journey times, and minimizing costs for travelers. Moreover, it has long term objective as it aims to connect private and public sector as well as tourist in collaborative</p>	Tourism	<p>- unavailability of IT solutions immediately (development phase, testing phase) - difficult accessibility of IT solutions (price)</p>	<p>- greater support for IT sector / tourism solutions in the next programming period (OP) - the utilization of investment funds for IT solutions in the existing programming period (OP, calls) - establishing closer cooperation between the tourism economy, IT sector and municipalities - revision of SRIP smart cities and communities action plan</p>

	innovation process, which is the fastest way of creating a product that is in demand and user friendly.			
PP8_S5_05	<p>The role of municipalities</p> <p>Municipalities play an extremely important role in circular economy, as they represent support to their locality, they connect in partnerships at various levels and at the same time they are centers of development. The circular economy is a key factor in smart and competitive cities, as changes in today's world are inevitable and the adaptation and response to it is crucial. This must be innovative, smart and sustainable, as we want to preserve economic, environmental and social stability with it.</p> <p>HORIZONTAL</p>	Tourism	<ul style="list-style-type: none"> <li>- limited powers of local communities</li> <li>- very limited resources for the development of local economy</li> <li>ignorance of the state for the development needs of municipalities</li> <li>- insufficient knowledge of the field of circular economy in tourism</li> <li>- lack of designated human resources</li> </ul>	<ul style="list-style-type: none"> <li>- the elimination of legislative barriers to the participation of local communities in economic initiatives in the field of tourism</li> <li>- increase of allocated funds for municipalities in the field of economy / tourism (for municipal calls for participation, employment of coordinators of the circular economy / tourism)</li> <li>- preparation of program documents, where resources for incentives in circular tourism can be used by local communities (OP)</li> <li>- revision of SRIP smart cities and communities action plan and the harmonization with smart villages declaration</li> <li>- revision of SRIP Networks for the transition to CE action plan revision</li> </ul>

#### 4. The Stakeholders

In the process of consultation, the stakeholders highlighted their needs and the obstacles they face in implementation of initiatives in the field of circular tourism. Since this field is still

underdeveloped and very extensive/holistic, there are many stakeholder proposals and recommendations for policy changes.

On the part of the tourism industry, the desire for tax exemptions/reductions is especially noticeable, in the phase when the principles of circular tourism are introduced as they face competition with business as usual.

The public institutions saw a strong desire to simplify procedures (for example, public procurement), but there is a strong need for further education.

With regard to access to funds from tenders, the stakeholders pointed out that many times the tender criteria do not reward companies that implement measures for circular economy. Similarly, there are few calls in the field of circular economy by local communities - stakeholders from the public sector have pointed out that they do not receive state funds for this purpose, which means that they must be provided from current budgets.