MINISTRY OF ECONOMY
of the Slovak Republic

Operational programme
Competitiveness and Economic Growth
(OP C&EG)

OPERAČNÝ PROGRAM
KONKURENCIESCHOPNOSŤ
A HOSPODÁRSKY RAST

Bratislava, May 2009

T A B L E O F C O N T E N T S

1 INTRODUCTION

The draft Operational Programme Competitiveness and Economic Growth for 2007-13 (hereinafter only the "OP C&EG") was prepared by the Ministry of Economy of the Slovak Republic (hereinafter only the "MoE SR") in compliance with Resolution of the Government of the Slovak Republic No. 837/2006 of 8 October 2006 concerning the justification and proposal of the 2007-13 Operational Programme for the Ministry of Economy of the Slovak Republic, in compliance with Resolution of the Government of the Slovak Republic No 832/2006 of 8 October 2006 concerning the proposed update of the National Strategic Reference Framework of the Slovak Republic for 2007-13, in accordance with the document named "Draft amendment of the draft NSRF SR for 2007-13 in connection with the Commission comments and negotiations with the Commission" approved by Resolution of the Government of the Slovak Republic No.407 of 2 May 2007 and in accordance with applicable EC regulations for the programming period of 2007-13.

OP C&EG was approved by Resolution of the Government of the Slovak Republic No. 1021 of 6 December 2006. The present OP C&EG programming document is updated with the conclusions and recommendations of the ex-ante evaluation in accordance with Article 32 of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (hereinafter only the "General Regulation") and with conclusive recommendations of the European Commission.

The draft OP C&EG for the years 2007-13 is linked to the strategy of the National Strategic Reference Framework of the Slovak Republic for the years 2007-13 (hereinafter only "NSRF SR"). The draft represents a basic document setting out the direction and framework of support designed to stimulate the development of innovation, industry, tourism and other selected services by tapping on the growth potential of individual regions and focusing on the fulfilment of the global and strategic goal of the NSRF SR during the 2007-13 programming period, which is "*to significantly increase, by 2013, employment and the competitiveness and performance of regions and of the Slovak economy while respecting sustainable development*".

The OP C&EG elaborates on the specific NSRF priority "Support to the competitiveness of industry and services mainly through innovation" through Priority Axis 1 " Innovation and Growth of Competitiveness" , Priority Axis 2 "Energy" and Priority Axis 3 "Tourism", which are hierarchically classified within NSRF as a specific priority under Strategic Priority 2, "Knowledge Economy". The measures contained under Priority Axis 1 are linked to the priority areas that form a part of the Competitiveness Strategy of Slovakia until 2010, the National Reform Programme (the Lisbon and Gothenburg strategies and the Convergence Programme of the Slovak Republic until 2010), as well as other documents. The OP C&EG also elaborates on Priority Axis 4 "Technical Assistance".

The OP C&EG has been prepared against the backdrop of the fact that although the Slovak Republic (hereinafter only the "Slovakia") has been making progress in recent years in bringing its level of economic competitiveness closer to the European Union (hereinafter only the "EU") average, its GDP remains below 75% of the EU average (according to the purchasing power parity - PPP). This implies that the regions of Slovakia (territory nomenclature units NUTS 2), except for the Bratislava Region, will be included under the Convergence Objective and thus become eligible for support from the EU structural funds during the programming period of 2007-13.

The goal of the support to be provided under OP C&EG is to maintain and foster the competitiveness and effectiveness of the manufacturing potential of industrial production and of the energy sectors, as well as the potential of tourism and other selected services, whilst respecting the conditions of sustainable development, and thereby effectively contribute to enhancing the

economic performance of Slovakia as a whole, and reduce the existing disparities in the economic performance of individual regions of Slovakia. Attention is also paid to supporting those activities that have a positive impact on employment and development of innovation. Since fostering the competitiveness of the national economy constitutes a permanent priority of Slovakia's economic policy, the increase in the competitiveness of the sectors included into this OP C&EG will facilitate the convergence of Slovakia and its regions towards the EU levels by the end of the 2007 – 2013 programming period.

2 PREPARATION OF THE "COMPETITIVENESS AND ECONOMIC GROWTH" OPERATIONAL PROGRAMME

2.1 The process of preparing the operational programme – application of the partnership principle

The partnership principle, as defined in the General Regulation (No. 1083/2006) has been one of the key approaches, on which the programme document preparation process is based. The application of the partnership principle in preparation of the NSRF SR and OP C&EG was coordinated by the Ministry of Construction and Regional Development of the Slovak Republic (hereinafter only MoCRD SR) as the Central Coordinating Authority (hereinafter only the "CCA").The document has been prepared on the basis of various analytical and strategic documents adopted at the national or EU level.

Individual parts of the OP C&EG were prepared and updated concurrently with the NSRF approval process. The MoE SR participated in the preparation of the NSRF in the framework of a *working group of ministers, intersectoral working group* and *Partnership for the National Framework* expert group.

Members of the *Partnership for the National Framework* expert group included representatives of the relevant ministries, self-governing regions, towns and villages, expert public, business entities, representative associations of employers and unions, non-governmental non-profit organisations and other partners. In the course of Partnership for the National Framework expert group operation, its members became acquainted with the outputs developed in individual blocks of works on the NSRF (analytical works, formulation of visions and priorities, implementation strategy and programme control system) and presented their opinions, additions and comments thereto. The work of the expert group was governed by the principle of consensus; i.e., the proposed modifications had to be acceptable to all or at least for most of the partnership members. At the same time, the forum of the Partnership group served as a platform for bilateral or multilateral meetings among the members of the Partnership.

The operation and mutual cooperation of the above working groups and their essential outputs are described in greater detail in the regular quarterly reports on the status of works in preparation of the NSRF for the programming period of 2007–13 submitted to the Government of the Slovak Republic by the Slovak Minister of Construction and Regional Development. On the basis of Government's Resolution No. 457 of 17 May 2006 and Resolution of the Slovak Government No. 832 of 08 October 2006, the presentation of quarterly reports on the status of work was replaced with the presentation of reports on Slovakia's preparedness for drawing from Structural Funds and the Cohesion Fund in the 2007 to 2013 programming period, regularly quarterly until 31 August 2007.

Given the cross-sectional nature of the operational programme, the internal "Working group for the preparation of the NSRF SR and of the Operational Programme of the MoE SR" was set up in order to bring on board representatives of various units and departments that were consulted on specific matters of technical nature in order to ensure the correctness of the content of the specialised parts of the Operational Programme. These individual consultations, which took place on 17 March 2005, 3 May 2005, 27 October 2005 and 15 November 2005, were steered by the Programme Preparation Department of the MoE SR. On 31 January 2006, a separate meeting took place with representatives of Higher Territorial Units (self-governing regions) to discuss the preparation of the operational programme of the MoE SR. The meeting focused on the strategy of the NSRF SR (1st version) and on including additional activities under the "Support to the competitiveness of industry and services" priority axis mainly through innovation from the point of view of the regions and the requirements of entrepreneurs.

Each partial output in the process of the document preparation was either sent or presented (by means of presentations) to representatives of Higher Territorial Units, the Association of Towns and Communities of Slovakia, business associations and federations, professional NGO's and other relevant institutions that had the opportunity to send their comments in writing. All relevant comments were integrated into the submitted document.

In drawing up the specific NSRF priority of "Support for competitiveness of industry and services through innovation" the MoE SR also cooperated with the MoCRD SR within the framework of formulating the NSRF SR by means of bilateral and multilateral negotiations. Additional discussions took place also with representatives of the Ministry of the Environment of the Slovak Republic (hereinafter only the "MoEnv SR"), the Ministry of Education of the Slovak Republic ("MoEdu SR"), the Ministry of Labour, Social Affairs and Family of the SR (hereinafter only "MoLSAF SR") , the Ministry of Agriculture of the Slovak Republic (hereinafter only the "MoA SR"), the Ministry of Health of the Slovak Republic (hereinafter only the MoH SR) and the Government Office of the Slovak Republic (hereinafter only GO SR) in order to specify activities in more detail and define the demarcation lines between measures focusing on similar themes.

In the course of preparing the above–mentioned priority axis, a project pool was created in accordance with Guideline No 2/2005 of the NSRF coordinator entitled "Methodical guideline on the preparation of a project pool for amounts allocated to specific priorities by 31 January 2006" and in cooperation with Higher Territorial Units, professional federations, special interest groups and associations. Indicative projects have been reflected in the proposal for the supported types of activities to be implemented under the priority axes.-

The final version of the operational programme "Competitiveness and Economic Growth for the period 2007 – 13" was approved on 16 November 2006 by the Management Meeting of the MoE SR. On 6 December 2006, the Competitiveness and Economic Growth operational programme was approved by Government Resolution No. 1021.

2.2 Ex-ante evaluation

According to Article 48 of Council Regulation (EC) No 1083/2006 of 11 July 2006, the OP C&EG was subject to an ex ante evaluation performed under the responsibility of MoE SR being the Managing Authority for the OP C&EG.

In accordance with the Methodical Guideline No. 3/2005 for the NSRF entitled "Methodical guideline concerning ex ante evaluation of the NSRF priority - framework terms of reference", the MoE SR drafted the terms of reference for the execution of the preliminary ex-ante evaluation of the OP C&EG.

The ex-ante evaluation of the OP C&EG was carried out by an external evaluator selected in accordance with Act No. 25/2006 Coll. on Public Procurement amending and supplementing certain laws.

The ex-ante evaluation focuses on reaching the following objectives:

- Evaluation of the analysis contained in the OP C&EG (including the SWOT analysis) and of the identified disparities in relation to their severity and development potential in this area;
- Evaluation of the justification and consistency of the OP C&EG strategy, including the proposed priorities, goals and the proposed amount and structure of investments allocated to these priorities, i.e. the proposed financial framework and formulation of recommendations for adjustments or changes;
- Evaluation of the expected results and impact of the planned interventions, quantification of the goals of proposed interventions and formulation of recommended adjustments or changes;
- Evaluation of the coherence of OP C&EG with the strategic national and regional documents of Slovakia and with the strategic documents of the Community;
- Evaluation of the proposed implementation system of OP C&EG, i.e. of the management, monitoring, evaluation and financial management processes from the viewpoint of their functioning and effectiveness.

In relation to each of the aforementioned goals, the ex-ante evaluator has drawn up a preliminary report on the 1st phase of OP C&EG ex-ante evaluation. The report from the ex-ante evaluation was submitted by the evaluator on 31 December 2006 and it represents a draft modification of the programming document as a whole. The ex-ante evaluator's comments have already been incorporated in the present document. On 20 March 2007, the evaluator drew up a final report on the ex ante evaluation, which contains his evaluation of the draft OP C&EG as a whole, and his recommendations concerning the adjustments and changes, which were taken into account and incorporated in the text of the OP C&EG by the MoE SR, as the OP C&EG Managing Authority.

The ex ante evaluation of the OP C&EG approved by the Government of the Slovak Republic on 6 December 2006 was carried out progressively. OP C&EG was gradually modified and the crucial decisions of the ex ante evaluator were incorporated as requested. At the same time, the decisions were continuously consulted with the evaluator.

Especially the following statements contained in the ex-ante evaluation report <1.2> prepared for the OP C&EG are considered to be crucial:

- the results of the analysis show that the main themes suitable for interventions under OP C&EG as defined in article 3 of the ERDF guideline are innovations, energy and tourism however, the analysis describes areas such as "Competitiveness and

innovation", "Service sector", "Tourism", "The results of the present situation analysis" and "Growth Poles". As a consequence, it is very difficult to find a transparent linkage between the analysis and strategy and therefore the document makes rather incoherent impression;

- some of the analytical conclusion are incorrect or inaccurate, which may lead to a false strategy and priorities;
- the broad scope of the document and a high complexity of its structure reduce the comprehensibility of the document and it is difficult to examine the logical links between the analysis and strategy in all stages of the programming period;
- It is recommended to shorten and simplify the analysis and reduce its structure to three basic areas: Innovation, Energy and Tourism. This structure should subsequently be reflected in the basis and priority axes of the strategy. The ex ante evaluator recommends to reduce, supplement and restructure the analysis referred to in the document, to include only one summary table or diagram, to include the remaining information in the annex and to describe the key material relations instead of the providing a descriptive analysis. The analytical conclusions need to be amended or supplemented;
- to amend structure of the chapter 3 and 4 of the OP C&EG pursuant to Guideline 1/2006 on the operational programme issued by the CCA;
- to reconsider the possibility of merging Measure 1.1 and 1.3 into one or clearly define the difference between them and eliminate overlapping of the individual activities;
- We have identified a potential conflict between Measures 1.1. and 1.3. From the point of view of priority themes, in the categories 7,8,9[1],
- finish and refine the definition of the innovation process scheme, make it more general and use it as a basis for all OP C&EG innovation measures, not only for Measure 1.2.
- use the mapping of links between the OP C&EG and NSRF measures stated by the evaluator in annex 9.4, supplement OP C&EG wording pursuant to the formulation referred to in finding 6 of chapter 6.1.4.2. of the mentioned evaluation report;
- SWOT analysis, disparity and the development factors have been well defined. They summarise correctly the main conclusions of the analysis that are contained in the analytical part of the document. Disparity and development factors reflect the conclusions of the analysis and are coherent with the SWOT analysis. In the following cases the ex ante evaluator identified an inconsistency in the SWOT analysis and requested a its supplementation: technical knowledge, professional skills, and a relatively skilled workforce able to adapt to mange new production and environmental technologies in sectors of industrial production;
- The more explicit interconnection between the electronic business and IT sector is missing. Even though this focus area was mentioned in OP C&EG description of the horizontal priority "Informatisation of the Society" it can not be found in the description of the measure;

[1] 07 – Investing in companies directly connected with research and innovation (innovation technologies, establishment of new companies by universities, existing centres and companies in the field of scientific and technological revolution, etc.) 08 – Other investments in companies 09 – Other measures supporting research, innovation and entrepreneurship in SMEs.

- Financial needs of companies especially in the area of innovation and energy efficiency as well as tourism areas exceed their possibilities and the amount allocated for OP C&EG can not by far cover the needs of the state and regions in this support area;
- In the part Synergy and complementarity of programmes financed from the EAFRD, EFF and NSRF SR operational programmes describe apart from the outlined demarcation lines, which are identified in the text, also the possible synergy links between them.

In connection with the draft solution of the ex ante evaluator the analytical part in the OP C&EG was corrected in accordance with the evaluator's proposal, i.e. it was shortened, the analyses as well as tables are included in the annex and it was divided into three basic areas: Innovation, energy and tourism, as defined in article 3 of the ERDF guidelines. The part "Specific features of innovation activities" was refined and supplemented by the development arguments and by the development of value characteristics that are described graphically. The description of the automotive industry was shortened and supplemented by a section dealing with existing sub-contracting capacities for the automotive industry. In connection with the amended analysis the strategy was reworked and three priority axes have been drafted:

Priority Axis 1 - Innovation and growth of competitiveness
Priority Axis 2 - Energy
Priority Axis 3 - Tourism

Furthermore, the priority axes were divided into measures as you can find them in the present OP C&EG.

Following the amendments of the OP C&EG we informed the CSF on these amendments and they were incorporated also into the National Strategic Reference Framework. In this way the demarcation lines and the synergy links between the NSRF SR operational programmes and programmes financed from the EAFRD and ESF were modified. Subsequently, the financial plan and indicators part were also amended.

Out of the proposals of the ex ante evaluator, especially the proposal to join the Measure 1.1 and 1.3 of the OP C&EG into one measure was not taken into account.

Neither the business community nor the presenters of the OP C&EG agreed with the evaluator. The reason of their disapproval was their ignorance regarding creation and implementation of innovation in the Slovak practice. In Slovakia there are no large companies producing technological facilities. Currently, none of the SMEs is engaged in innovating the technologies - they are only purchasing them – but they are dealing especially with the product and organisational innovation following the innovation cycle of products. Therefore is the division of measures in the operational programme adjusted to the current situation. Measure 1.1. is adjusted to the purchase of new technology because the products in the industry are produced with old machines and facilities, whereas Measure 1.3. enables the entrepreneurs to deal especially with innovation arising at the sales level, thus the product innovation and innovation at the management level, i.e. in the area of system management and organisational innovation. This knowledge stems from the analyses in companies, in which the innovation are created, as described in the OP C&EG, especially at the level of company management – approximately 20% - 25%, at the sales level - approximately 45% - 55 % and

in the production process 30% - 25%. Innovation at the level of the production process, i.e. technological innovation, is handled by the technology producers and not by the ordinary user. Due to the above reasons as well as the fact that the statement of the evaluator regarding the overlapping of Measures 1.1 and 1.3 is not based on the knowledge of the production processes in the Slovak Republic, we consider it irrelevant.

Presently, the eligible activities related to the justified expenditures for Measure 1.1. are fundamentally different to Measure 1.3. The same applies to the state aid schemes that are prepared pursuant to various regulations, not to mention the financial intensity of aid, which is lower for purchasing of technologies than for product innovation solution, such as product innovation, where the implementation has to be separated because the eligible overhead costs are related to innovation only under Measure 1.3 but not under Measure 1.1. This problem is elaborated in greater detail in Priority Axis 1.

2.3 Strategic environmental assessment

The OP C&EG was subject to a strategic environmental assessment carried out in accordance with Act No 24/2006 Coll. on Environmental Impact Assessment amending and supplementing certain laws (transposing Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment).

The strategic environmental assessment of the OP C&EG is the responsibility of the MoE SR as the Managing Authority for the OP C&EG. In accordance with Act No. 25/2006 Coll. on Public Procurement amending and supplementing certain laws, the selection of an external documentation provider for the process of strategic environmental assessment of the OP C&EG has been carried out.

The contracting authority ensured the preparation of the evaluation report that has been published together with the final statement of the MoEnv at the MoE SR webpage - www.hospodarstvo.sk. Considering the nature and scope of the strategic document and its territorial impact, the evaluation report elaborates on all points mentioned in Annex 4 to the Act, as required by the nature of the strategic document.

3 ANALYSIS

Macroeconomic relations

Since 2001, the Slovak Republic's economy has been achieving relatively high growth rates, without disturbing the internal and external balance. The positive macroeconomic development is influenced by the macroeconomic policy, structural reforms, and economic policy.

In recent years, the Slovak Republic has seen one of the most dynamic growth rates in the Central European region, achieving 5.5% GDP growth in 2004 and as many as 6.0% GDP growth in 2005. The high growth rate is accompanied by increasing employment, growing labour productivity, as well as with a high inflow of foreign investment. However, in spite of the economic growth achieved, in the field of structural reforms focused on increasing the importance and productivity of knowledge-based industries, Slovakia is markedly lagging behind EU countries.

The performance of the Slovak Republic's economy with respect to the EU-15 average was increasing, which is documented by a growth of this indicator from 43.0% in 2000 to 47.8% in 2004 and to 49.9% in 2005. Compared to EU-25, the performance of the Slovak Republic's economy reached 51.9% in 2004 and 53.9% in 2005. The aggregate efficiency expressed as labour productivity[2] reached 60.6% in 2005, which was compared to the in EU-15 average reaching 57.4%. The labour productivity growth was contributed to primarily by companies with foreign capital, which will keep this function in the coming years due to their capital strength and flexibility in production and innovative activities. The level of labour productivity in the Slovak Republic with respect to the EU average is a reflection of a lower competitiveness of the Slovak economy. However, the lower productivity is also a result of the lagging technical parameters, quality and structure of the product portfolio, low innovation performance of companies and insufficient transfer of high technologies. There are significant regional differences in Slovakia's economic performance and in regions' socioeconomic situation. Upon joining the EU, the performance of cohesion policy objectives has become more binding upon Slovakia as has the related, more balanced development of regions. This involves, in particular, the differences in the level of socioeconomic development of regions (on the NUTS 2 level) of Western Slovakia, Central Slovakia and Eastern Slovakia compared to the EU-15.

Slovakia has presently a functioning market environment and a high-quality business environment and ranks, with Lithuania and Estonia[3] among the fastest growing economies in the EU. The Slovak Republic's economic performance is reaching its potential level[4]. However, Slovak Republic's competitiveness is based particularly on the advantage of relatively low labour costs. In the structure of industry and services, there is a relatively high proportion of sectors with low added value, high raw material demand, and low degree of use

[2] expressed by the indicator of GDP per employee in purchasing power standard

[3] Actual and estimated (p) real GDP growth in years

	2005,	2006(p) a	2007(p):
Estonia:	10.5;	8.9;	7.9;
Lithuania:	10.2;	8.5;	7.6;
Slovakia:	6.1;	6.1;	6.5.

Source: Eurostat, 10/2006, GEB indicators, Growth rate of GDP volume - percentage change on previous year

[4] Measured by production gap, Source: National Bank of Slovakia, Convergence Report, May 2006, NBS

of the knowledge, innovativeness and ICT. For the forthcoming medium-term period, the maintenance of the high economic growth and its reflection in a higher quality of life is conditional upon developing the potential of economic growth based on knowledge, high-quality and accessible infrastructure, and free, educated, and creative people. innovation in industry and services are the means for the development of the potential concentrated in innovative[5] economic activities, which use sustainable sources and create competitive goods and services on both domestic and foreign markets. Increasing the competitiveness of industry and services as well as the sustainable performance is conditional upon the level of their innovativeness.

3.1 Competitiveness and innovativeness

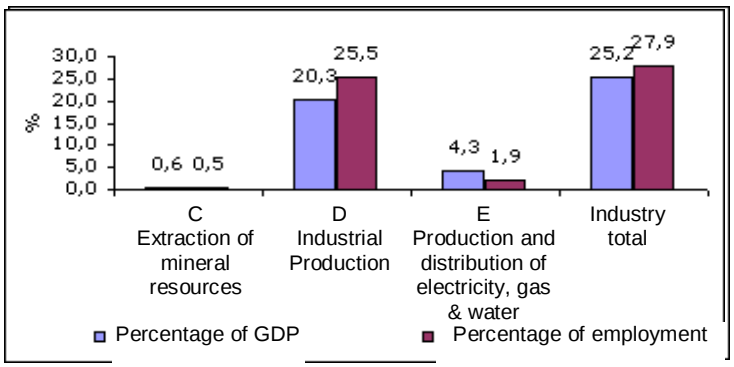
Introduction

Industry and services contribute significantly to economic growth, employment, the performance of regions and to reducing regional disparities in Slovakia and thus play a decisive role in the fulfilment of the Lisbon Strategy objectives and Gothenburg priorities. Industry and services account for a significant portion of GDP formation, with industry making up 25.2% and services representing 64.9% of the 2005 GDP in total; however, this percentage is lower compared to the EU-15. Slovakia has the potential to close the gap on the EU-15 concerning the percentage of industry in GDP formation, particularly by utilising the growth and innovation potential of the regions and the expected inflow of foreign direct investment, which is primarily targeting the industrial production.

Industry

GDP formation and employment in industry are dominated by industrial production, which is documented by Chart 1 below.

Chart 1: Percentage of industry in GDP and employment

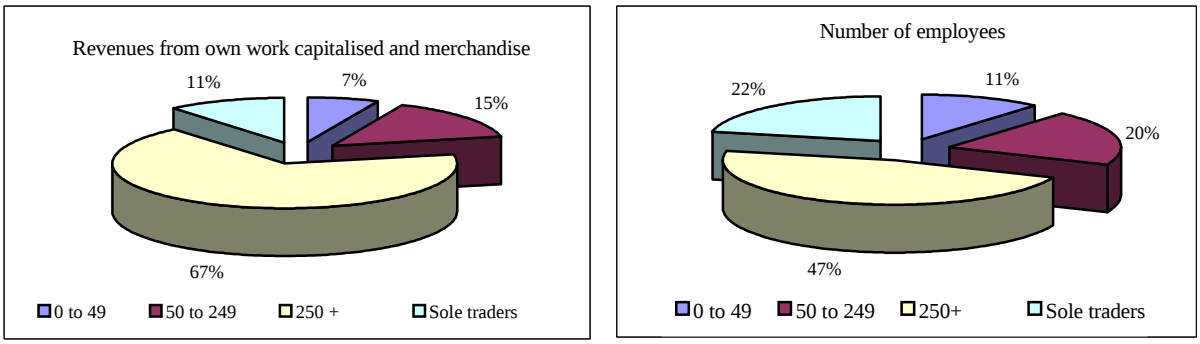


As at 31 December 2005, there were 11 515 enterprises registered in industry (of which 11 152 in industrial production) and about 58 600 sole traders, primarily in industrial production. Considering the weight of enterprises according to the number of employees in industry, major enterprises with 250 and more employees have the greatest share in revenues

[5] referred to also as knowledge-intensive; source: Eurostat classification, Knowledge-intensive high technology service and knowledge-intensive service industries (ISIC Revision 2 and NACE, Revision 1.1)

from own services and products and also in the number of employees, which can be seen in the following charts.

Chart 2: Percentage of companies by number of employees in revenues from own services and products and in employment.

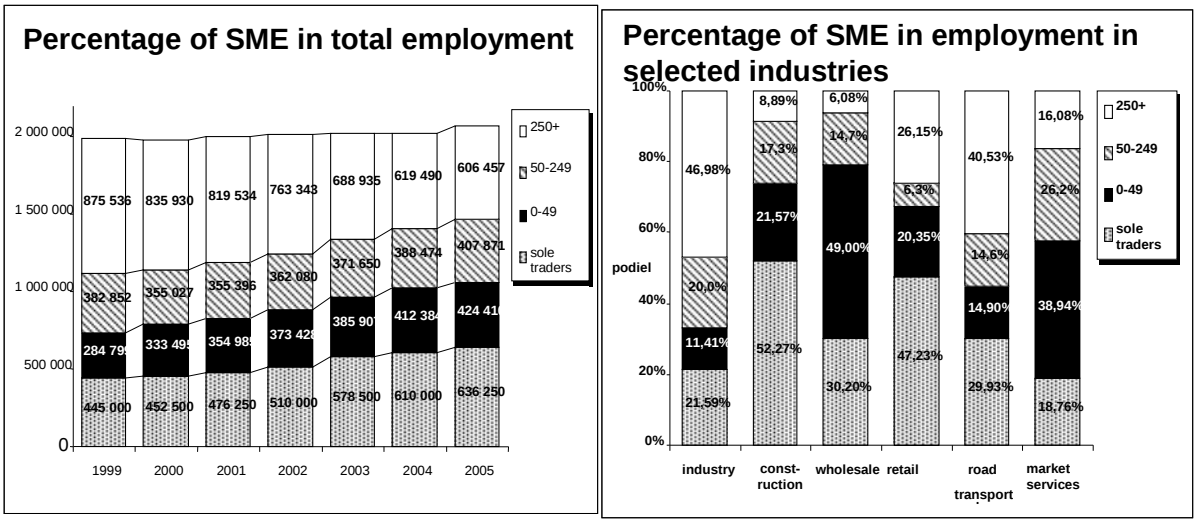


In the Slovak Republic's industry, the private sector has a significantly prevailing share in revenues from own services and products (84.3% in 2005) and also in employment (90.3% in 2005), its position strengthening particularly since 2002.

In 2005, business entities in industry (including companies with the number of employees up to 19 and sole traders) had revenues from own services and products in the amount of SKK 1 616 158 million employing 577 214 persons and reaching the labour productivity of SKK 2 800 000 per person. After several years' decline of employment in industry, in 2005, an increase by 18 338 employees was seen as a result of increased employment in industrial production. The structure of industrial production characteristics by size categories of companies (by number of employees) is given in Annex 1, Table 1.

Small and medium-sized enterprises (hereinafter only "SMEs") have a significant position particularly from the viewpoint of employment. The percentage of SMEs in the total employment and in employment in selected industries can be seen in Chart 3.

Chart 3: Percentage of SMEs in the total employment and in employment in selected industries



From the viewpoint of the share in employment, revenues and added value creation, the Slovak SME sector approaches the level of EU-25 in some indicators, which is documented by the overview below.

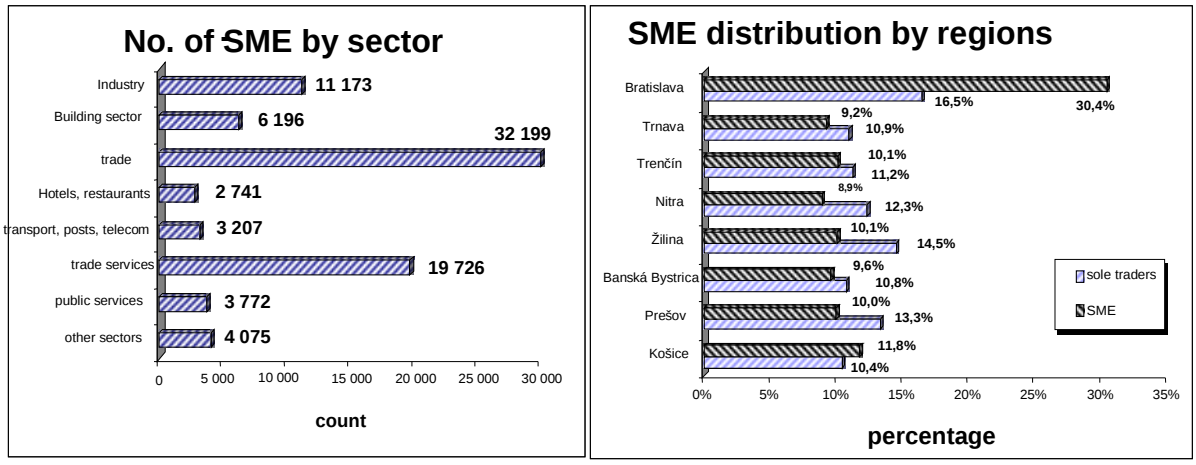
	Size category by number of employees			
	Micro (1-9)	Small (10-49)	Medium (50-249)	Large (250+)
No. of companies				
Slovak Republic	73.3	20.0	5.2	1.5
EU-25	91.4	7.3	1.1	0.2
No. of employees				
Slovak Republic	12.5	14.6	22.2	50.7
EU-25	29.8	20.8	16.5	32.9
Revenues				
Slovak Republic	12.7	15.9	19.8	51.6
EU-25	19.5	19.4	19.2	41.9
Added value				
Slovak Republic	11.7	12.3	17.6	58.4
EU-25	20.5	19.1	17.8	42.6

Source: EUROSTAT, information for 2003

In 2005 in industry, the SMEs contributed 53% to employment, 21.5% to revenues from own services and products, 21.4% to added value creation, and 10.5% to pre-tax profits.

The number of SMEs gradually increased to 83 089 in 2005, of which 2930 were micro enterprises with 0 to 9 employees, 10 658 small enterprises with 10 to 49 employees, and 69 501 medium-sized companies with 50 to 249 employees. The greatest number of SMEs operates in the field of trade, trade services and finance, industry and construction.

Chart 4: Number of SMEs by industries and their distribution in regions



SMEs with diversified range of products, which are able to adapt fast to the customers' demands, are successful especially in the domestic market. They fulfil all those market requirements that are not interesting for large enterprises. Their labour costs are relatively low, they create new jobs and are also fairly successful in the foreign markets. They have the potential of growth especially as regards cooperation with large enterprises and institutions in the field of education and research as well as services.

From the regional perspective, the biggest number of SMEs (per 1 000 economically active inhabitants) is in the Bratislava region and the smallest in the Košice and Banská Bystrica regions. While most of the sole traders reside in the Bratislava region, their lowest

number is in Nitra and Prešov regions. As of yet, the stagnant regions have not been able to create a sufficient number of business activities, which is mainly due to outdated technical infrastructure, having an unfavourable impact on the quality of the business environment and the intensity of entrepreneurial activities in the region. State intervention in favour of SMEs and the support for entrepreneurial activities may bring about very significant results not only in terms of the solution of the soaring unemployment rate, but also the establishment of new business entities, in the number of which the regions of Slovakia are lagging behind, the increase of the regions' contribution towards production of the added value and a better use of qualified sources of workforce.

The influx of foreign investment has a positive impact on the growth of business of the small and medium-sized enterprises, which can supply the big investors with the components and spare parts in the form of subcontracts and provide services to them. The assistance to SMEs should be directed at the improvement of the business environment and the access to capital, modern technology, results of research and development, licences, employee education and services.

In 2005, industrial enterprises with 20 and more employees (there are 2,293 of such companies):

- achieved revenues from own services and products at **SKK 1 382 861 million**;
- created added value of **SKK 319 528 million**;
- employed **416 798 employees;**
- reached productivity from revenues from own services and products of **SKK 3 318 000** per employee;
- from the added value of **SKK 767 000** per employee;
- generated pre-tax profit of **SKK 104 783 million**;
- made tangible investments in the total value of **SKK 121 911 million.**

The development of industrial business entities with 20 and more employees is characterised by a year-on-year growth of revenues from own services and products, added value, labour productivity from the revenues from own services and products, and added value labour productivity . Growth tendencies were apparent in industrial production and in production and distribution of electricity, gas, and water, and there was a decrease in mineral raw materials mining. Added value in industry in 2000 to 2005 grew 10.5% on average year-on-year. Employment decreased in all categories of industry. In 2005, a year-on-year growth of employment was already seen (growing fastest in electric and optical device production), but the 2000 level of employment was not reached. Labour productivity from revenues from own services and products in industry in 2000 to 2005 grew year-on-year by 15.6% on average, the highest value being achieved in production and distribution of electricity, gas, and water. The development of industrial production characteristics is documented in Annex 1, Table 2.

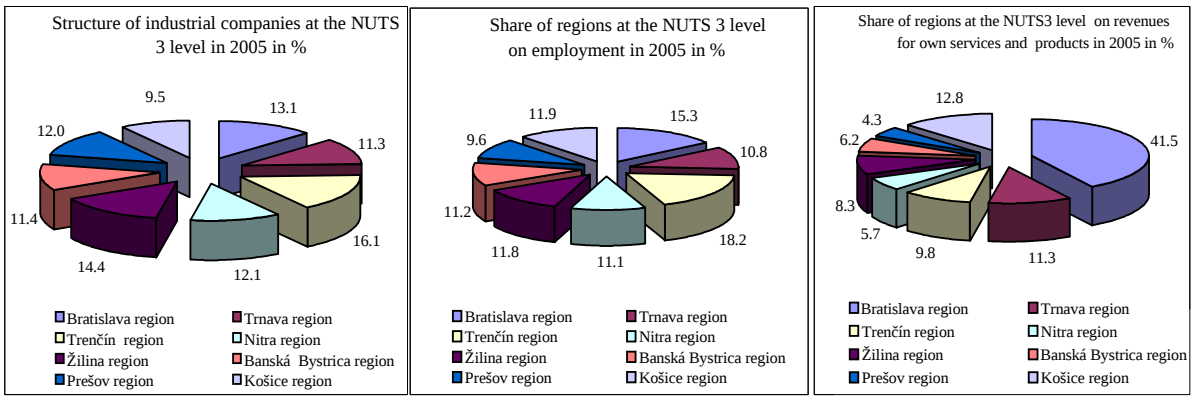
Added value labour productivity in industry grew year-on-year by 12.2% on average. The highest added value labour productivity with the greatest year-on-year growth was seen in the production and distribution of electricity, gas, and water. In spite of the above

favourable trends, Slovak Republic is achieving a considerably lower level in comparison to EU-15. The added value labour productivity is indicated in Annex 1, Table 3.

The value added share (share of added value in revenues from industrial activity) in the Slovak Republic's industry decreased from 31.0% in 2000 to 27.2% in 2005. The greatest value added share in the entire period under assessment has been achieved by the production and distribution of electricity, gas, and water (68.4% in 2005) followed by mineral raw materials mining (67.5% in 2005) and industrial production (23.4% in 2005).

The regional structure of Slovakia's industry (as indicated by companies' registered offices) is considerably unbalanced from the viewpoint of allocation and performance. The contribution of regions to selected industrial indicators on the NUTS 3 level is documented by the charts below.

Chart 5: Contribution of regions to selected industrial indicators on the NUTS 3 level



Added value developed favourably, showing a rising trend in every region. At NUTS 2 level, the most dynamic growth was seen in the region of Eastern Slovakia and that of Bratislava and at NUTS 3 level, in the Košice region, Bratislava region and Žilina region. In Slovakia's industry, the largest portion of the value added is generated by industrial enterprises based in the regions of Bratislava and in Western Slovakia. At NUTS 3 level, the industrial sector of the Bratislava region shows the largest proportion of total added value, whereas the lowest proportion is found particularly in the Prešov region.

The added value in the industrial sectors of individual regions fluctuates around the 30% mark. At NUTS 3 level, the highest values are achieved in the regions of Trenčín and Žilina, while the lowest are seen in the Nitra and, in particular, the Košice region.

Disparities in the industry allocation and performance are primarily related to the industrial structure within individual regions but also to the unbalanced capital availability and to the regional structure of foreign direct investment flow. There is a marked concentration of the Bratislava region's industry on the production of means of transport, oil refineries and the production and distribution of electricity, gas and water, and that of the Eastern Slovakia region on the production of metals and metal products. The industry of the Western and Central Slovakia regions is diversified considering individual industries. The structure of the Western Slovakia region's industry is dominated by the production of electrical and optical equipment, textile production, clothing production, leather processing and manufacture of leather products, production of chemicals, chemical products and rubber products. The significant industries of the Central Slovakia region include metal production,

wood manufacture, production of cellulose, paper and paper products. Such structure of industry then predetermines the industrial performance on the regional level.

The dominance of the Bratislava region's performance is closely related, besides the industrial structure, also to the level of capital availability in this region and to the inflow of foreign direct investment. In the Bratislava region, the per-capita fixed-capital formation exceeds that of other regions 5 to 7 fold. Information on the inflow of foreign direct investment indicate a shift of investors' interest to include also areas outside of the capital and its neighbourhood.

Industrial production

Industrial production has the greatest and growing influence on the production characteristics of industry and the greatest influence on industrial performance. The production of mineral resources has an increasingly weaker position. The share of the production and distribution of electricity, water and gas in the revenues from own services and products and in employment declined slightly, while the added value of the sector is slightly above the industry as a whole. The structure of industry with prevailing industrial production is also typical of the EU–15 countries.

The employment and GDP formation in industry are dominated by industrial production. The development of selected indicators of industrial production is given in Annex 1, Table 4.

In 2000-05, industrial production reported dynamic growth rates in sales, value added, labour productivity from revenues, value added productivity, and in employment growth and profit generation. In the period under evaluation, the inflow of foreign direct investment started to bring positive effects on the performance and effectiveness of enterprises. The structure of industrial production changed when the manufacture of means of transport, electrical and optical equipment as well as rubber and plastic products strengthened its position in the employment, revenues and added value structures. The change of the structure was related to the increased percentage of the high- and medium-technologies, while the growth tendencies in Slovakia's industrial production are contributed to primarily by manufactures and industries with medium technologies. The structure of industrial production compared to the EU–15 is dominated primarily by the production of means of transport and oil refinery processing, while production of foodstuffs, chemicals and chemical products, manufacture of machinery and equipment and manufacture of electrical and optical equipment hold less prominent shares.

The development in industrial production in 2000 to 2005 was considerably differentiated, which is linked to the specific features of the privatisation and restructuring processes as well as to foreign competition particularly in the production of textiles and shoes by the Asia producers (low labour costs and cost related to the environmental protection and occupational health and safety) and in the food industry (pricing policy of retail chains on the Slovak market). The structural changes were linked to the entry of foreign investors on the Slovak market particularly into the production of means of transport and development of capacities for production of components and spare parts for the automotive industry. Higher dynamics of revenue growth as an industrial production category was reached by the production of means of transport, manufacture of rubber and plastic products, production of refined oil products, and leather processing and the manufacture of leather products. The

development of selected indicators in industrial production subcategories for companies with 20 and more employees is documented in Annex 1, Table 5.

The relatively high added value growth in industrial production in 2000 to 2005 of 49.4% (9.9% on average year-on-year) underlines the contribution of manufacturing industries to GDP formation and to the relatively high year-on-year GDP growth. The highest increase in value added has been reported in the production of means of transport, production of refined crude oil products, production of miscellaneous machinery, production of electrical and optical equipment, as well as the production of foodstuffs and drinks and in tobacco processing. Value added increased across all subcategories of the manufacturing industry; decline was reported only in the production of cellulose, paper and paper products, in the publishing and printing industry and in the production of chemicals, chemical products and fibres.

The total employment in industrial production shows a sustained increase with the highest percentage increase being seen in 2005. The growth of employment in 2001 to 2005 was contributed to by foreign investment and by the continued growth of production in the category of industrial production. The employment rose in the sectors such as electrical and optical equipment manufacturing, production of means of transport, production of goods made of leather and plastics, and in the production of metals and metal products. The sharpest fall in employment occurred in the production of foodstuffs, drinks and tobacco processing, in the production of miscellaneous machinery and equipment, production of chemicals, chemical products and fibres, and in the production of textiles and clothing.

Between 2000 and 2005, the labour productivity in the manufacturing sector rose by 53.8%, which corresponded to an average annual growth rate of 10.8%. The highest labour productivity linked to value added was reported in the production of refined crude oil products, production of means of transport, production of metals and metal products as well as in the production of cellulose, paper and paper products and in the publishing and printing sector. The fastest growth, in both absolute terms and in comparison to the manufacturing sector as a whole, occurred especially in the production of refined crude oil products, production of miscellaneous machinery and equipment and in the production of metals and metal products.

Investment in the manufacturing industry totalled SKK 409.8 million in the 2000-05 period. The following sectors had the largest share in this investment: manufacture of means of transport; manufacture of basic metals and fabricated metal products; manufacture of food products, beverages and tobacco; manufacture of electrical and optical equipment; manufacture of machinery and equipment not included elsewhere, manufacture of other non-metallic mineral products and manufacture of cellulose, paper and paper products; publishing and printing. The investment rate (investments in tangible and intangible assets to revenues from own services and products) in the manufacturing sector grew from 6.3% in 2000 to 9.3% in 2005. The investment rate in the manufacturing sector, expressed by the cumulated volume of investments as a percentage of cumulative revenues, was 7.8% in the 2000-05 period.

The favourable development of industry benefited from the launch of new capacities particularly in the automotive industry. The automotive industry currently accounts for nearly 31% of Slovakia’s industrial exports, with almost 20% of this share taken by the VW Slovakia company. In the sector of manufacture of means of transport, the revenue from own work and products grew 2.3 times between 2000 and 2004 (SKK 237.4 billion in 2004),

employment grew 1.3 times and reached 30,348 employees, added value grew 1.7 times to SKK 26,754 million, labour productivity from the revenues from own work and products grew 1.8 times, reaching SKK 7,821,000 per employee and the productivity of labour (measured by added value) grew 1.3 times to SKK 881,000 per employee. Cars in Slovakia are currently produced by the VW Slovakia company. Other important investors, PSA and KIA, are also building their production plants in Slovakia. PSA is to invest around SKK 32.4 billion in Slovakia, KIA around SKK 44 billion. In 2006, car manufacture was launched by PSA in Trnava and by KIA in Žilina. After reaching the full production capacity in 2007, Slovakia will become the country with the greatest per-capita car production. Other automotive industry investors in Slovakia include FORD, MIBA, Continental AG, Yazaki Wiring Technologies Slovakia, GGB, VISTEON, etc. The growth of Slovakia's automotive industry resulted in the restructuring of the industry and a gradual recovery of mechanical engineering and other national economy sectors. The dynamic growth in the automotive industry boosted the sub-contracting capacity for the production of components and spare parts for the automotive industry. The sub-contracting capacities lack sufficient resources in terms of technologies, services, engineering activities and the technological equipment of companies.

Three natural clusters have formed recently in the automotive industry – these include the locations of main car manufacturers in Slovakia (Bratislava, Trnava, Žilina). These clusters represent the main potential for the development of the automotive industry in terms of production, technology and human resources. The strongest cluster is the regional cluster covering the region of Western Slovakia (Bratislava, Trnava, Nitra and the adjacent areas). Another strong cluster is being formed in Northern and Central Slovakia (Žilina, Považská Bystrica, Púchov, Bytča, Nové Mesto nad Váhom, Trenčín, Dubnica, Nová Dubnica, Kysucké Nové Mesto, Čadca, Martin, Zvolen, Prievidza and the adjacent areas). A third cluster is emerging in Eastern Slovakia (Košice, Prešov and the adjacent areas).

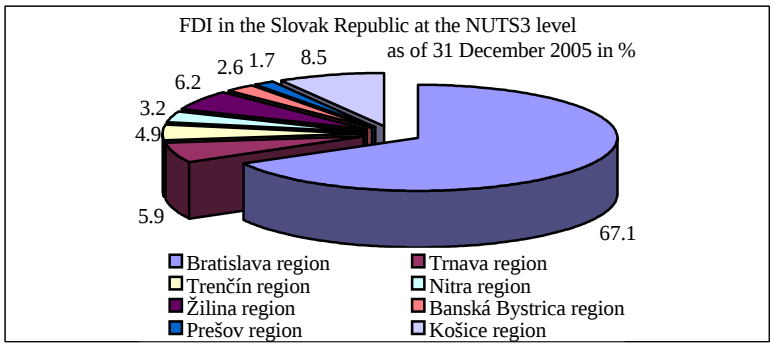
The electrical engineering industry is experiencing dynamic growth and accounts for a 12% share in Slovakia's exports. Between 2000 and 2004, the revenues in this sector grew constantly (index 214) to reach SKK 110 billion in 2004, employment grew 1.3 times and reached 56,499 employees, labour productivity from the revenue from own work and products increased 1.7 times to SKK 162 000 per employee, added value grew 1.3 times to SKK 18 620 million, while labour productivity (measured by added value) rose only slightly. The most important companies with foreign capital are the following: Siemens, Samsung, Sony, Delphi, Emerson Electric, Osram, Hella, ABB, etc. Sony and Samsung are presently planning further expansion of production in Slovakia. Other foreign investors manufacture components and spare parts for new production capacities in the electrical engineering industry. A number of Slovak companies (e.g. SEZ Krompachy, EVPÚ Nová Dubnica, VUKI Bratislava, OVP Orava etc.) managed to find their place in the highly competitive market and are able to compete not only through prices, but also through quality.

In the assessment period, the foreign direct investment (equity capital and reinvested profit) and the related launch of new production capacities, mainly in the automotive industry, had a positive impact on the development in the manufacturing sector. The balance of foreign direct investment in the Slovak Republic is steadily growing, which is attributable to the favourable investment environment with skilled labour availability, low labour costs, low tax burden, strategic location, as well as industrial tradition. From the cumulative amount of foreign direct investments (hereinafter "FDI"), which reached SKK 417,020 million as at 31 December 2005, SKK 350,379 million was invested in the corporate and SKK 66,641 million

in the banking sector. As regards sectoral classification, the total sum invested in industry was SKK 209,548 million (79.8% in manufacturing, 18.9% in production and distribution of electricity, gas and water and 1.3% in extraction of mineral resources). The total balance of FDI[6] intensity, as well as of enterprise investments[7], was higher in the Slovak Republic than the EU-15 average for the period of 2004-04. However, compared to the Czech Republic or Hungary, the total level of FDI intensity as well as of enterprise investment has been lower in a long term in the Slovak Republic.

The FDI development has been characteristic in a long term with a trend of FDI inflow concentration to the Bratislava region and to other regions of Western Slovakia[8] reducing the share of Eastern Slovakia's regions[9], which can be seen in the chart below.

Chart 6: FDI in individual regions as at 31 December 2005



Source: Report on the foreign direct investment influx in 2005

FDI is the decisive factor in stimulating structural changes in the industry, penetration of domestic companies into foreign markets, regional development, creation of new jobs and the overall improvement in the quality of the domestic business environment. The positive influence of FDI has also been felt in the increased competitiveness of the manufacturing sector, in implementation of innovation activities, and, subsequently, in higher added value and labour productivity. To a lower extent, foreign direct investment in industry is channelled into sophisticated production facilities with a higher added value employing high-tech (information and communication technologies, components for the automotive industry with the emphasis on electrical engineering and car electronics, software, strategic business services, pharmaceutical industry and production of medical apparatus, precision mechanical engineering, technology-based chemistry and biotechnologies).

In spite of positive trends in the industry, industry performance and competitiveness lags behind the EU–15 average. The statistical overviews included in Eurostat document entitled "Panorama of EU Industry" imply that Slovak Republic industry's labour productivity from revenues reaches about 25% and value added productivity ranges at about 21% of the EU–15 average. In the purchasing power standard, the relative level of labour

[6] FDI intensity - average value of FDI inflow and outflow as a proportion in the GDP, source: EUROSTAT

[7] Expressed as a percentage of private sector gross fixed capital in GDP, source: EUROSTAT.

[8] The volume of investment in the Trnava region rose between 2000 and 2004 nearly twofold to over SKK 21 billion. The volumes of investments in other regions in the west of Slovakia rose by SKK 8 billion on average with the resulting balance of nearly SKK 12 billion in the Nitra region representing nearly three times the initial value of the year 2000.

[9] The lowest increase of investment between 2000 and 2004 was seen in the regions of Banská Bystrica and Prešov. It was only SKK 4 billion in the Banská Bystrica region and 0.8 billion in the Prešov region. Substantially more FDI was thus allocated in the Prešov region between 1996 and 2000 than between 2000 and 2004.

productivity from revenues in the Slovak Republic's industry reaches 57% of the EU-15 average and value added productivity 48% of EU-15 average.[10] In individual subcategories of industrial production, the relations between labour productivity in the Slovak Republic and the EU differ considerably. In spite of that a higher productivity than EU–15 industries is achieved in the Slovak Republic by the manufacture of means of transport and the manufacture of rubber and plastic products. The labour productivity in the manufacture of cellulose, paper, and paper products, publishing and printing industry, and the manufacture of metals and metallic products is getting close to the EU standard.

To a considerable extent, the development of competitiveness in industry and production quality parameters are related to the technological level and structure of production. The industry restructuring process was influenced by different volumes of foreign capital involvement in individual subcategories of industrial production and availability of investment resources. In the structure of industrial production, from the viewpoint of production competitiveness and sustainability of growth, there is a relatively high proportion of material- and energy-intensive "traditional industries", low proportion of high added value production and low proportion of high-tech product exports compared to the EU-15. The industry is achieving a relatively high competitiveness of production programmes based on low labour costs. However, the added value share in these production programmes is typically comparably low. On the other hand, competitiveness of knowledge-intensive production programmes and state-of-the-art technologies, where the added value share is well above the average, is significantly lower in comparison to the EU-15. Industrial production is only gradually shifting from material-intensive products to less material-intensive ones, which require a transition to industries using innovative technologies. Gradual strengthening is seen in industries and production programmes with high level of technologies and labour skills, with higher added value (manufacture of electrical and optical equipment, manufacture of means of transport, manufacture of rubber and plastic products).

Development trends in the industry are linked to competitiveness of Slovak production in the market. One of the approaches to industries' competitiveness assessment is the method of production market segmentation. It has several shortcomings, namely, it primarily evaluates the results of the industries only through exports. Its application is justified particularly in those industry sectors, where export performance prevails over the production for the domestic market.[11] The informative value of production market segmentation results increases particularly when examining its results in a longer time series.

[10] PPS is used for conversion of individual GDP components and GDP as a whole. It is not used on the level of industries. In the case at hand, PPS is used for GDP to make the comparison more realistic with respect to the conditions of Slovak Republic's industries performance and those of EU–15 industries.

[11] In 2003, the proportion of export revenues in total revenues in Slovak Republic's industry reached 54.7%. The export performance in industrial production in 2003 was as many as 64.7% with 14.1% in the production and distribution of electricity, gas, and water and 15.2% in extraction of mineral resources.

The improving position of sectors with a good market position is reflected in the growth of manufacturing competitiveness at the common EU market. Improvement was observed in the competitiveness of manufacturing from the perspective of foreign trade, evaluated by the method of segmentation of the production in the market.[12] The development of industrial production competitiveness in foreign markets is shown in the table below (in %).

Industrial segments	**Share in industrial production export**	
	2000	**2004**
Competition through quality	45.2	49.0
Competitiveness	6.6	13.0
Price competition	32.1	26.0
Structural problems	16.1	12.0

The most significant improvement of competitiveness (proportion of production competitive with respect to quality in the total export) in the period under assessment was achieved:

- in the manufacture of means of transport,
- in wood processing and in the manufacture of wood products,
- in leather processing and in the manufacture of leather products.

Conversely, the greatest decrease of competitiveness (growth of the proportion of production with a deficit in price competitiveness and with structural problems in total exports) occurred in:

- the production of foodstuffs, drinks, and tobacco processing,
- in textile and clothing production,
- the production of chemicals, chemical products, and chemical fibres,
- the production of metals and metallic products.

The development and state of competitiveness in the categories of industry and subcategories of manufacturing in terms of the growth potential can be analysed by comparing the development of the decisive production indicators (revenues, added value, employment, productivity from revenues, added value productivity) in relation to the reference values for the Slovak industry as a whole (Annex 1, Table 6) and the development of the indicators for the individual categories of industry and subcategories of manufacturing (Annex 1, Table 7).

[12] Methodology developed by WIFO Institute, based in Vienna, applied in the evaluation of the competitive ability of the economies in transition.

1. segment (**competitiveness through quality**) – exports are higher than imports and the unit price of exports is higher than that of imports, thereby ensuring positive trade balance –
2. segment **(competitive ability)** – exports are lower than imports and the unit price of exports is higher than that of imports; thereby ensuring competitiveness through prices, even though it leads to a trade deficit
3. segment **(competitiveness through prices)** – exports are higher than imports and the unit price of exports is lower than that of imports, thereby ensuring positive trade balance
4. segment **(structural problems)** - exports are lower than imports and the unit price of exports is lower than that of imports; this leads to a trade deficit whereby pointing to the necessity of innovation and changes in production structures.

Based on the results of the evaluation of the development dynamics of the above production indicators and the development of the relative indicators for the industrial production subcategories, it is possible to identify the sectors with the greatest potential for ensuring the economic growth and competitiveness of Slovakia's economy and formulate the following conclusions:

- as regards manufacturing, above-average dynamics in the growth of revenues, added value and labour productivity is attained in particular in the following sectors: manufacture of means of transport, manufacture of electrical and optical equipment, manufacture of rubber and plastic products, manufacture of basic metals and fabricated metal products, manufacture of leather and leather products, production categories not classified elsewhere, and oil refining.
- the sectors with the lowest growth dynamics in the field of manufacturing are, in particular, the following: manufacture of food products, beverages and tobacco; manufacture of textiles and textile products and the manufacture of chemicals, chemical products and man-made fibres.

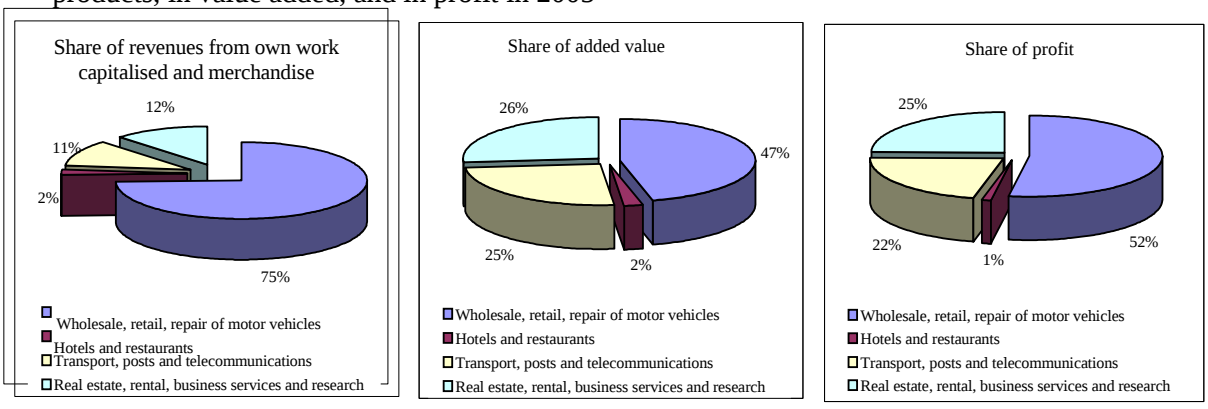
Services

Slovakia's service sector, including services for industry, is less developed compared to the EU. There are insufficient capacities in the provision of industrial services and services related to human resource quality improvement, particularly for SMEs and for start-up businesses.

Market services[13] have a prominent position in the structure of services, particularly in trading. In 2005, market services contributed 38.2% to GDP generation and 33.3% to employment. Market services reached revenues from own services and products of SKK 1 650 681 million in 2005 and they employ 691 953 persons.

The percentage of individual market service categories in revenues from own services and products, in value added, and in profit in 2005 is indicated in the following Chart 7.

Chart 7: Share of individual market service categories in revenues from own services and products, in value added, and in profit in 2005



[13] According to OKEČ/NACE, the following categories are involved: G - Wholesale, retail, repair of motor vehicles; H – Hotels and restaurants; I – Transport, posts and telecommunications; J – Financial intermediation; K – Real estate, rental, business services and research. This part does not deal with category J.

In revenues from own services and products for wholesale and retail the year-on-year growth continued. In sale and maintenance of motor vehicles the year-on-year slowed down in 2005, while in hotels and restaurants the trend of year-on-year decrease stopped in the same year. In transport and storage and in posts and telecommunications, the year-on-year growth of revenues from own services and products increased, while in real estate and rental, two years' decline was followed by an increase in 2005.

In wholesale, the growth of revenues from own services and products resulted from the increased revenues from mediation of wholesale, in non-agricultural intermediate product wholesale, in household goods wholesale and in other wholesale.

In retail, the general growth of services was contributed to, besides the out-of-store retail (40.8%), by revenues from second-hand goods retail (by 15.7%), other specialised retail (by 13.5%) and from non-specialised stores (by 9.1%).

In recent years, in Slovakia's retail, the concentration process became more dynamic with strong companies forming retail chains and pushing out independent retailers. The expansion of such retail chains, on the one hand, weakens the positions of domestic retail companies, on the other hand, however, it creates space for proportional production and distribution of goods.

The fundamental barriers of domestic retail companies' development include particularly the lack of domestic capital, diversification of activities, consequences of competence deconcentration, incompetent marketing management, which is manifested particularly in insufficient processes of marketing management, absence of marketing plan, and absence of working procedure formalisation directly linked to communication and customer relations. The shortcomings in marketing show up, in particular, in the way businesses underestimate the need to examine in detail the needs and wants of their customers as well as the ways of interacting with them and to create effective products and deliver effective services.

A more detailed analysis of the Hotels and Restaurants category is provided in Chapter 3.2, Tourism.

In transport and storage, the year-on-year growth was supported by growth in all basic transport activities. The development was also influenced by the change of the revenue development trend in railway transport. Revenues from air transport increased by 85.6%.

Half of the revenues from real estate and rental was generated in other trade services. The year-on-year growth of revenues resulted from the increase of revenues in recreational, cultural and sporting activities, computing and related activities, lease of machinery and equipment without attendance, and in other trade services.

SMEs and sole traders account for a substantial part of revenues from own services and products in market services. From the regional viewpoint, a significant percentage of revenues was generated by entities residing in the Bratislava region. The contribution of the remaining regions ranges from 4.1 to 14.2%.

Upon Slovak Republic's accession to the EU, the cooperation of the involved authorities on the national and Community level in the field of consumer protection considering the requirements of health and product safety, protection of economic interests in

cross-border purchase of products and service provision, as well as in information obligation, became a necessity. This was the reason why the Commission, in cooperation with national authorities, started launching consumer centres. A resolution was passed (OJ C 155) to create a European Extra Judicial Network, which initiated the establishment of the so–called Clearing Houses in Member States with the task of providing information on possibilities of out-of-court settlement of cross-border disputes.

As of 1 September 2004, the European Consumer Centre was established in Slovakia. During 2004, it started to build a library, edited and printed information leaflets in Slovak and English, and started to provide information for the public concerning cross-border issues.

On the day of its accession to the EU, the Slovak Republic also joined the European Union's Rapid Alert Information System on Dangerous Products – RAPEX. The RAPEX system was introduced as an information system concerning dangerous products with the purpose of supporting consumer safety and consumer health protection in EU Member States and it is mandatory for all EU Member States. The Slovak Republic started implementing the RAPEX system as of 1 May 2004.

Non-governmental consumer organisations (hereinafter only "NGCO") play an indispensable role in identification of consumer issues and in representation of their interests. They are an independent information source on implementation of the state consumer policy and they themselves fulfil part of the state's role in the field of consumer protection, particularly in consumer education and training, in settlement of consumer disputes, and in improving consumer information on their rights. The NGCO's contribute to the consumer protection system.

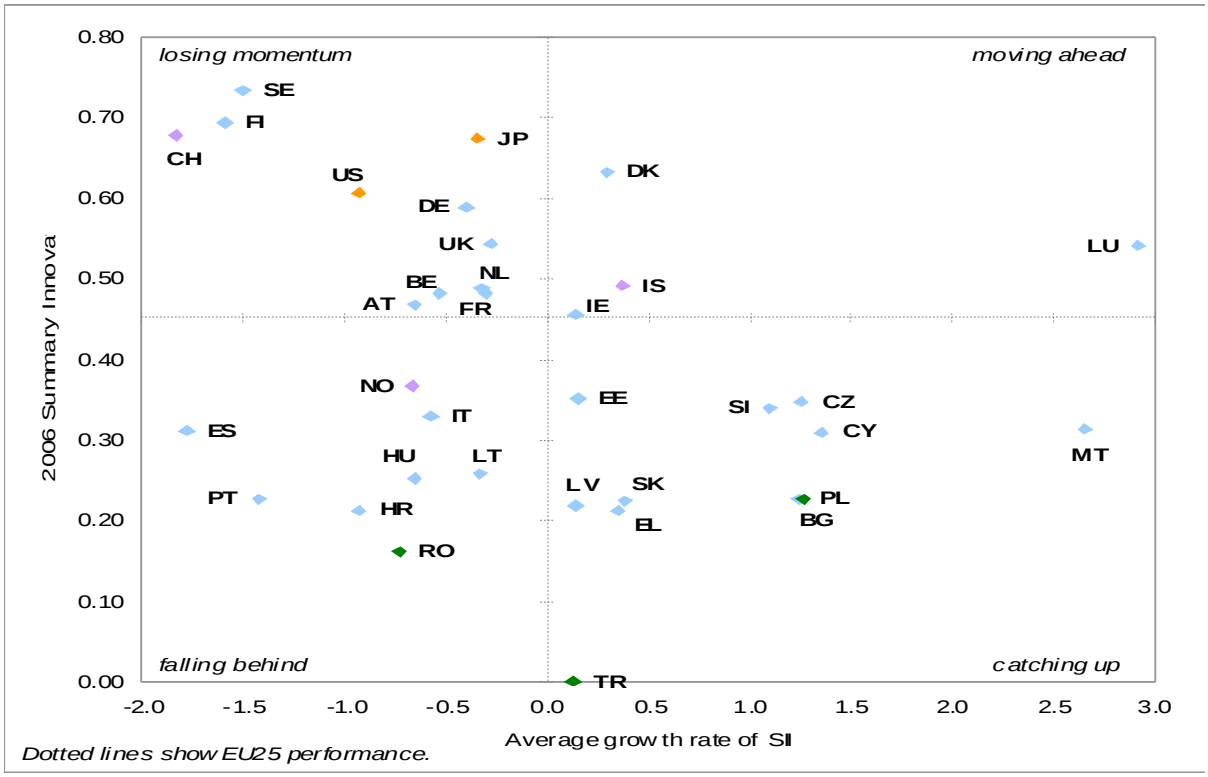
There are approximately 40 civil associations established with the objective of consumer support, so-called non-governmental consumer organisations, registered with the Ministry of Interior of the Slovak Republic. Approximately 30 of them maintain contacts with the MoE SR.

The most serious problems with respect to efficient operation and use of consumer organisations presently appear to be the lack of funds, the need to improve cooperation with other state administration bodies including market supervision authorities, and the insufficient links, communication, and cooperation of the NGCO's among themselves.

Specific features of innovation activities

Competitiveness and sustainable growth of industry and services are significantly influenced by the companies' innovative performance. Yet this is particularly an area where differences between Slovakia and EU countries are most apparent, which is documented by Chart 8.

Chart 8: Innovation status in EU Member States for 2006



In the European Commission's evaluation of innovation performance in 203 regions of EU Member States, the Bratislava region ranked 27th, Central Slovakia 167th, Western Slovakia 171st and Eastern Slovakia took the 189th rank.

While the share of innovation companies, i.e. those which have innovated their products and processes, is approximately 22% of the total number of companies in industrial production in Slovakia, in the EU it is 51%. The category of large enterprises (250 and more employees) has the greatest innovation capability. In this category, 50% of all enterprises in the Slovak Republic performed some innovation activity; in the category of medium–sized enterprises (50 – 249 employees) this number is 25% and in small enterprises only 16%. The following table documents the percentage of companies with innovation activities in the total number of companies:

	2001	**2003**	**2004**
Industry	22.1	22.4	26.9
Services	15.9	15.0	17.9

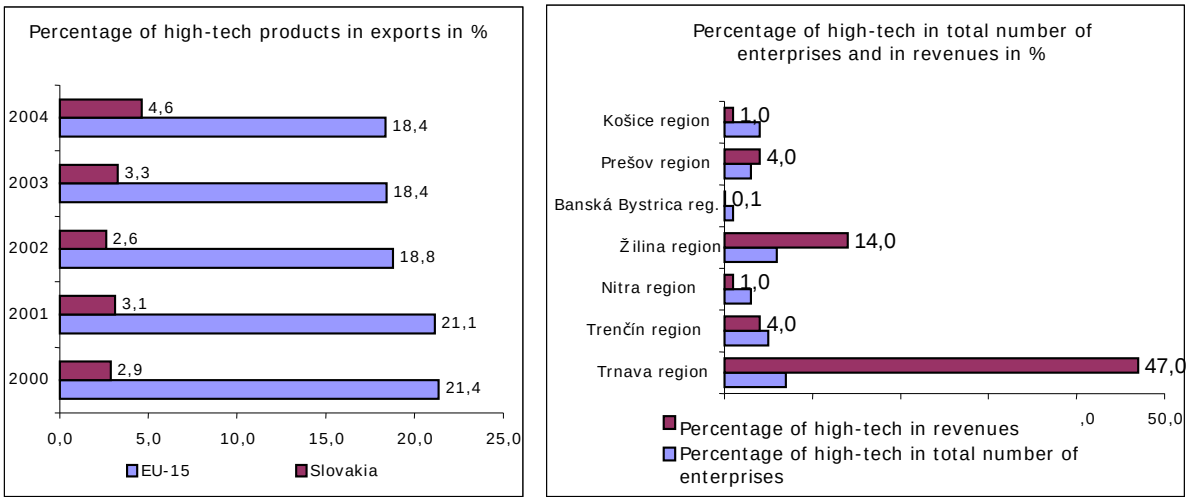
Source: Slovak Statistical Office

There is a greater percentage of exporting companies among the innovating companies. A third of the innovation companies cooperated during the development and innovation of products or processes especially with private R&D institutions, university workplaces and research institutions. While in large enterprises, the main objective of innovation is the improvement of the production quality, in medium-sized enterprises it is growth with the purpose of maintaining the market share and in small enterprises the requirement to adhere to regulations and standards, which indicates a deficit of competitiveness in this category of enterprises.

In Slovakia's industry, most enterprises (around 73% of all enterprises) can be classified in the lower technology level (ML-tech and L-tech), however, in the structure of

industry, the position of industries with high- and medium technologies gradually strengthens.[14] It is in particular the MH-tech sectors that are the main generators of growth in Slovakia's manufacturing industry. Their share in revenues has already neared the EU–15 level (SR – 37%, EU-15 – 40%). The participation of H–tech industries in manufacturing remains at a significantly lower level than in the EU-15 countries (in Slovakia, 6.4% in 2004; while in EU-15 it was 23.5%). The percentage of H-technologies in the total number of enterprises, revenues and export on the NUTS 3 level is documented by the following Chart 9.

Chart 9:: Share of H-technologies in the total number of enterprises, revenues and export on the NUTS 3 level



The prevailing method of innovation in the Slovak Republic is the introduction of procedures based on complete technological and technical solutions, comprehensively adopted from leading foreign companies. The percentage of R&D expenditures in the total revenues in Slovakia is only 6.5% of the innovation expenditures (up to 53% in the EU); procurement of external know-how takes up 22.1%, preparation phase of production and the launch to the market 7.6%, expenses concerning trial production 15.3%, designing 11.2%, market analysis 8.8% and other expenditures 13.4%.

The percentage of innovation spending in total revenues in 2004 in all enterprises was 3.1%, in large enterprises 3.2%, in medium-sized enterprises 2.7%, and in small enterprises 3.3%.

The insufficient system of innovation business activities financing, insufficient support for high-tech transfers, insufficient demand in innovation and introduction of high technologies in the business sector put a damper on the development of business activities and competitiveness in the industry and services. The cooperation between the universities, research and development institutions on the one hand, and the business sector on the other hand, is insufficient (in terms of incubators, innovation centres and networks), as is the support of the applied research and the research and development infrastructure. Presently there is no comprehensive functioning system in Slovakia that should comprise institutions, programmes and tools creating conditions for the support to innovation. Creation and introduction of innovation in Slovakia's business entities is currently at a relatively low level due to the lack of capital and efficient support schemes. The innovation-stagnant sectors also

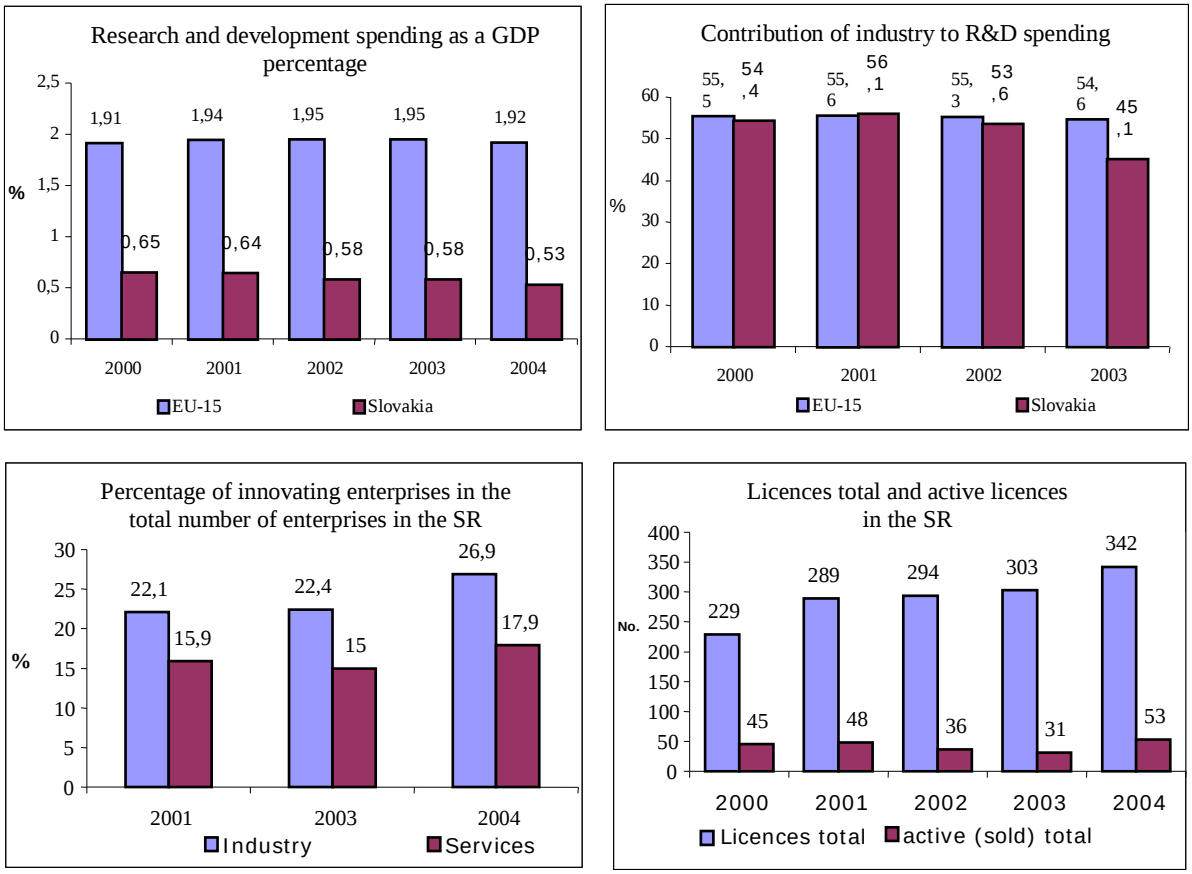
[14] H-tech sectors include sector classification of economic activities (OKEČ) 353, 244, 30, 32, 33
MH-tech sectors include OKEČ 31, 34, 24 without 244, 352, 354, 355, 29
ML-tech sectors include OKEČ 23, 25, 26, 27, 28, 351
L-tech sectors include OKEČ 15, 16, 17, 18, 19, 20, 21, 22, 36, 37

include sectors with insufficient motivation to introduce innovation. Moreover, high initial costs of innovation contribute to this lack of interest. These sectors therefore suffer from slower economic growth and lower profits and effectiveness.

The lack of capital for investment in business entities, especially in small and medium-sized enterprises, is at the same time limiting the innovation activities of companies and draws the need for the improved access to funds also from public sources, to be used for the stimulation of technological innovation and improvement of innovative products and services.

Slovakia is significantly lagging behind the EU-15 in several indicators characterising research, development, and innovation, which is documented by Chart 10.

Chart 10: Selected R&D indicators



The position of research and development and its connection to production is hardly comparable to the situation in the developed countries. Undercapitalisation, insufficient HR and inadequate quantity of material and equipment in research and development reduces the effectiveness and leads to a lower intensity of innovation activity in the enterprises. Expenditures in machinery and equipment in R&D in Slovakia per 1,000 employees are almost 5 times lower in EUR PPS than in the EU.

The number of employees in R&D in Slovakia gradually dropped in the years 2000 to 2003, but saw a year-on-year increase in 2004 and 2005. The R&D employment dropped also in the business sector. R&D in the business sector is also muffled by direct imports of the latest technology.

In 2004, in Slovakia's industry sector, there was a total of 40 research and development organisations with the total headcount of only 1 300. In addition, there is one agency, 5 business entities and 9 industrial associations active in this field. The relatively best-equipped research and development facilities are in the chemical industry. Save for a few exceptions (oil refining, rubber industry), research and development in the business sector does not exist anymore.

Research and development and business entities in industry are interconnected also through the network of six technical centres involving different industrial sectors:

- Energy Development Centre;
- Wood- Processing, Furniture-Making and Paper Industry Development Centre;
- Mechanical Engineering Development Centre;
- Electrical Technology and IT Development Centre;
- Chemical and Pharmaceutical Industry Development Centre;
- Processing Industry Development Centre;

As regards patent protection, while most of the patent applications in Slovakia are in classical mechanical engineering, building and transport industries, a significant majority abroad are in the field of pharmaceutical industry, organic chemistry and biotechnology, in particular genetic engineering. We may conclude that Slovakia is significantly lagging behind in the most progressive industries such as biotechnology, nanotechnology, etc.

A comparison of EPO patents granted in the Slovak Republic and in the EU-15 is given in the table below (in percent):

	2000	2001	2002	2003
Number of patents per million residents				
EU-15	159.873	159.546	:	:
Slovakia	7.206	4.205	7.686	3.423
Slovakia/EU-15	4.5%	2.6%	:	:

Source: Eurostat

The total technological balance turnover per capita (patents, licences, research and development results, trademarks, samples, design, knowledge-intense services) and the degree of inventiveness (expressed by the number of patent applications of residents per 10,000 inhabitants) is much higher in the EU countries than in Slovakia. Innovation intensity is much lower in the companies in Slovakia than in the EU countries. It has also something to do with the failure to identify innovation potential by the industrial sector and the fact that the business sector considers this type of transfer as risky and problematic and, therefore, prefers to deal with innovation through purchase of technology or technological process.

Regional differentiation of Slovakia's research base is extremely high. While in the Bratislava region, there are 12.1 R&D workers per 1,000 inhabitants, in other regions it is only 0.6-2.6 workers. Regional disparities in the development of R&D headcounts are documented by Chart 11. The distribution of employees in research and development by sectors is illustrated by Chart 12.

Chart 11: Regional disparities in the development of R&D headcounts

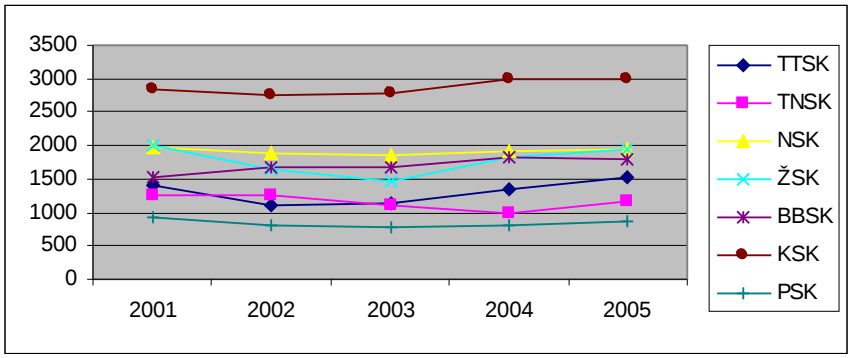
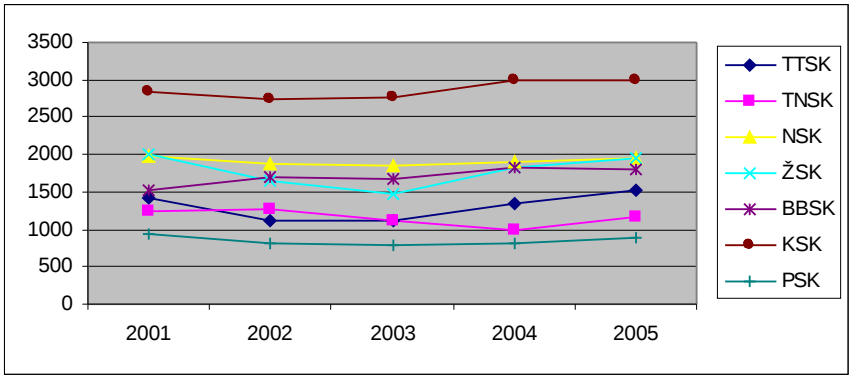


Chart 12: Employees in research and development by sectors



The main regional disparities in R&D are the following:

- concentration of R&D workers of the university and state sector in the Nitra self-governing region (79%), Žilina self-governing region (79%) and Košice self-governing region (90%);
- low number of R&D workers per 1,000 employees in the Trenčín self-governing region) (2.7) and in the Prešov self-governing region (1.5);
- low number of R&D workers in the business sector in the Banská Bystrica self-governing region (22%), Trnava self-governing region (34%), Trenčín self-governing region (35%) and Prešov self-governing region (38%);
- low share of R&D workers with higher qualification in the business sector in all self-governing regions (2-6 %).

Since the establishment of self-governing regions, the issue of innovation received no comprehensive attention in the regions. In certain regions, partial analyses were performed only with the launch of the Fifth Framework Programme for Research, Development and Demonstration (Nitra region, district of Nové Zámky). Projects are being presently implemented with a focus on the preparation of regional innovation strategies (RIS) as part of the Sixth Framework Programme for Research, Development and Demonstration in individual regions of Slovakia.

The European Commission pays increased attention to innovation level evaluation with the objective of finding the causes of the unfavourable development, solving and eliminating them. Slovakia ranks 22nd in the EIS evaluation of the summary innovation indicator (SII) among EU Member States.

On the level of regions (NUTS 3), no institution is entrusted with coordination or performance of the innovation activity support. Most of the activities have been performed in the framework of a Phare programme. The Slovak Republic, as opposed to other EU Member States, employs the network for innovation policy implementation to a very limited extent.

3.2 Energy sector

The energy intensity of Slovakia's economy, industry including, continues to be high in spite of a long-term decreasing trend and its level continues to be over four times the EU-15 average. This resulted particularly from the industrial production structure and the level of technologies used[15]. Within EU-25, only Lithuania and Latvia are worse off. Reduction of material and energy intensity of the Slovak Republic's economy represents one of the main objectives of the Slovak Republic's energy policy. Without a substantial reduction in energy intensity, maintaining an adequate dynamics of economic growth and growing competitiveness of Slovak industry will be a considerable challenge. Reduction of Slovak economy's energy intensity and, in its framework, particularly of industry through more efficient use of energy contributes to increasing competitiveness of industry but also to fulfilment of the new environmental and energy legislation requirements. Fulfilment of the requirements is linked particularly to replacing the obsolete manufacturing processes with advanced technologies with minimum energy and raw material demands and to achieving effectiveness starting from mining, treatment and processing of energy and raw material sources, through energy generation, transformations, distribution, up to its final use. The potential of material and energy savings concerns particularly the savings in technological processes, in energy flow management, and in reduction of building heat losses. The high, 90% dependency of Slovakia on imports of primary energy sources and Slovakia's international commitments in the field of climatic changes require paying attention to efficient use of renewable energy sources.

Since 2000, the Slovak energy sector has undergone a rather extensive restructuring involving all major companies. The restructuring increased economic effectiveness, cut off activities not related to the core activity, changed the ownership structure and reduced the number of employees from 42 700 in 2000 to 37 700 in 2005.

In 2005, the energy sector (production and distribution of electricity, gas, and water) contributed approximately 4.2% to GDP formation (current prices). In 2004, the energy intensity, which is defined as the ratio of gross domestic consumption of energy and GDP expressed in purchasing power standard, was 4.6 times higher than the EU-15 average.

The development of energy intensity in 2000–04 for the Slovak Republic's energy sector is presented in the following table:

	2000	**2001**	**2002**	**2003**	**2004**
EU-15	190.53	191.35	188.42	189.48	187.48
Slovakia	955.9	1015.75	976.01	929.55	854.32
Slovakia/EU-15	501.7%	530.8%	518.0%	490.6%	455.7%

[15] In 2004, the Slovak Republic's industry contributed 37% to the final energy consumption of energy sources in the Slovak Republic, while the housing sector, being the second largest, consumed 29%. Transport (16.7%) and the third sector (15.5%) reached approximately the same share in consumption and showed a moderately increasing trend. This situation has been caused by growing economic activities in both sectors mentioned. Agriculture had the lowest share in consumption (1.8%) and showed no substantial changes in consumption in recent years. Non-energy consumption was 6%.

Note: Economy's energy intensity – total energy consumption divided by GDP (in fixed prices, 1995) kgoe (kilogram of oil equivalent) per 1000 Euros; source: Eurostat

As a country with its economy in transition, Slovakia experienced a typical reduction in its economy and energy consumption associated with the period of transition. However, the fall in energy consumption was not associated only with the slowdown in economic activity but also with the restructuring of industry itself. Economic revival is accompanied partly by a rise in economic activities and partly by a move from energy intensive industry to areas requiring less energy that manufacture goods and commodities in line with the domestic and international market demand.

The energy intensity of Slovakia's economy and especially of its industrial sector is higher than that of the EU due to several principal factors including obsolete technology, high raw material and energy intensity of production, inappropriate heat characteristics of buildings (leading to greater heat losses), limited access to new and progressive technologies including poorer availability of measurement and regulation systems, and insufficient information provided by means of consulting concerning the (economic, energy related, ecological and social) opportunities and benefits associated with improving today's unfavourable state of affairs.

In 2004, the total consumption of energy amounted to 784 PJ, which was 2.1% more than in 2000. Over the same period, GDP grew by 19.5% (in constant prices of 1995), which hints at the rise of the economy associated with diminishing energy intensity. In 2004, the final consumption of energy equalled 433 PJ, of which 86.5 PJ was taken by electricity. The highest consumption of all types of fuels is in the industry, while the consumption of residential customers is still relatively low in comparison with the developed countries.

The development of selected indicators of Slovakia's energy sector in 2000 to 2005 is given in Annex 2, Table 1. Slovakia's per capita consumption of primary sources of energy (Annex 2, Table 2) is still lower than that of EU-15, amounting to less than 150 PJ per capita. Although this indicator has recently grown a little, it does not currently reach 90% of the EU average.

Almost 90% of primary energy sources (including nuclear fuel) are imported. Domestic energy sources are limited to renewable sources and brown coal. Extraction of natural gas and oil in Slovakia is insignificant. The development of primary energy sources consumption in Slovakia is indicated in Annex 2, Table 3.

Rising prices and the anticipated shortfall in the primary energy sources will have an unfavourable effect on economic development. Hence, questions concerning the future energy security of countries are becoming a dominant driving force in preparing the forecasts of economic and social development of individual countries. This also concerns the Member States of the EU, which use imports to cover their demand for energy sources. These imports account for more than 60% of the average consumption. Slovakia is even more dependent on importing primary sources of energy, covering more than 90% of its energy needs. In financial terms, these imports correspond to almost 20% of the total imports of Slovakia at the moment. The use of **renewable energy sources** ("RES") can partly contribute to reducing the dependence on energy imports. In addition, RES can substantially contribute to lowering greenhouse gas emissions, which will result in limiting the negative effects of energy on the environment. A greater use of RES represents one of the factors of Slovakia's sustainable

economic development. The current use of RES only accounts for 1.6% of the total consumption of primary energy sources.

The national indicative target has been set at 5.85 TWh, which corresponds to 19% of electricity production from RES in 2010 (the overview below shows the target values for the production of electricity by individual types of renewable energy sources required to comply with the national indicative target of 19%). Although the national indicative target value of 19% is significantly smaller than the national indicative target set for the Slovak Republic by the European Commission (during accession negotiations, SR accepted the task of ensuring 31% of electricity production from RES out of a total consumption of 29.8 TWh in 2010), it is feasible to reach the new target from the economic point of view.

Year	Estimated total consumption of electricity (annual growth of 0.9%) in GWh	RES based electricity production in GWh	As % of current year consumption	As % of 2002 consumption
2002	28 674	5 328	18.6	18.6
2003	28 932	3 600	12.4	12.6
2004	29 192	5 350	18.3	18.7
2005	29 455	5 400	18.3	18.8
2006	29 720	5 500	18.5	19.2
2007	29 988	5 600	18.7	19.5
2008	30 258	5 700	18.8	19.9
2009	30 530	5 800	19.0	20.2
2010	30 805	5 853	19.0	20.4

Biomass has the greatest usability potential (as much as 59.3% of all RES), followed by big hydroelectric power stations, geothermal energy, solar energy, waste management, biological fuels, small hydroelectric power stations and wind energy.

The total capital expenditures required to reach the national indicative goal of 19% are estimated at SKK 7.51 billion in the "Report on the progress in the development of renewable energy sources including the determination of national indicative targets for the use of renewable sources of energy".

Given the significant weight of traditional sectors in its industrial structure (energy industry, chemical industry, cellulose and paper industry, food industry, etc.), the environmental impacts of production in Slovakia are more adverse than in the countries with prevalent share of high-tech production lines with greater added value. Against the backdrop of rising production, the positive trend in the Slovak industry is characterised by the declining

share of the consumption of materials and energy in the gross turnover of industry, increasing industrial employment and growing volumes of investment in the environment.

Indicators characterizing the condition of the environment are improving gradually. Industrial technological processes generate 51% of the emissions of solid pollutants from stationary sources, 45% of sulphur dioxide emissions, 42% of the emissions of nitrogen oxides and 67% carbon monoxide emissions. The volume of pollutant emissions produced by industrial technological (dust, SO_2, NOx, CO) processes follows a downward trend. Emissions follow a steady downward trend, which, in addition to a drop in production and energy consumption, is caused by the change of the fuel base in favour of noble fuels and the use of fuels with better quality features. Investments in industrial manufacturing technologies also have a positive influence on the reduction of emissions, which is related to the entry of foreign investors in industry and the energy sector.

The volume of pollutants released by the largest polluters into waste water in the form of indissoluble substances is declining. BOD and COD pollution is decreasing in the chemical and petrochemical industry. In addition, water contamination caused by the largest polluter (chemical and petrochemical industry), as well as by metallurgy and paper industry, ebbs gradually.

An analysis of waste generation implies that the largest amount of waste is generated (regardless of the category) by industry (about 64%) and the industry also contributes the greatest percentage to hazardous waste ("HW") generation, specifically 70% of the HW generated.

Slovakia's industry is witnessing a growing integration of environmental aspects in the strategic activities of enterprises. There is an ever more widespread use of environmental management systems (EMS, ISO 14 000). The "Environmentally friendly product" mark is being granted to products. Ever more frequently, industrial manufacturers, including small and medium-sized enterprises, use low-emission, low-waste and energy efficient technologies and closed production cycles, prepare new production policies involving the marking of environmentally friendly products, and face increasing product liability concerning production and lasting during the whole product lifecycle.

Improvement of environmental indicators has been achieved by directing substantial investment volumes over recent years especially into addressing the air and water quality issues, as well as into waste disposal and reduction of waste production. In spite of this positive development, the eco-efficiency of industry is still insufficient especially in comparison to the level achieved in more advanced countries. To a large extent, industry uses non-renewable energy sources, burdens up parts of the environment, uses relatively large areas of land for landfills, etc. Unsolved environmental issues have had an adverse impact on the competitiveness of the industry and the quality of life, worsening the social and economic situation in structurally disadvantaged regions.

The climate change represents a global environmental issue, which is dealt with by the United Nations Framework Convention on Climate Change of 1992 and the 1997 Kyoto Protocol to the Convention. As for the climatic change, the main challenges include the high unit emissions of greenhouse gases (relative to GDP, per capita), energy intensity of industrial production, existing industry structure. In this respect, Slovakia may encounter problems complying with additional, more stringent reduction commitments stemming from

international instruments. The aggregated greenhouse gas emissions by sectors (CO2 equivalent [Tg]) in Slovakia between 1990 and 2004 is shown in the following overview.

	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Energy industry*	58,95	51,14	47,35	44,47	41,46	42,76	43,36	43,57	41,89	39,01	39,4	42,29	41,9	40,8	40,15
Industrial processes	4,26	3,37	3,35	3,04	3,36	3,56	3,60	3,75	4,37	3,71	3,91	4,11	3,99	3,99	4,85
Use of solvents	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,01	0,03	0,06	0,06	0,08
Agriculture	8,06	6,89	5,87	5,13	4,94	5,10	4,89	4,76	4,33	4,10	4,14	4,22	4,13	4,02	3,86
LULUCF	-2,41	-3,46	-4,12	-4,25	-3,28	-2,67	-2,42	-1,40	-1,92	-1,62	-2,39	-5,21	-5,23	-4,81	-4,23
Waste	2,09	2,03	1,99	1,91	1,92	1,93	2,11	1,93	1,80	1,82	1,92	1,86	2,13	2,22	2,08

Aggregated greenhouse gas emissions in 2003 moderately increased year-on-year; however, compared to the baseline year 1990, greenhouse gas emissions significantly dropped by 20 465 Tg, which represents about 28%. The energy sector contributes the greatest share to greenhouse gas emissions. Additional reduction of quotas for Slovakia will necessitate considerable investment in technologies or in the purchase of emission permits, especially on the part of those enterprises whose sources are classified as large producers of CO2 emissions. This can undermine the sustainability of certain types of production. Reflecting the environmental costs in product prices can undercut the competitiveness of industrial manufacturers, decrease the volume of production and level of employment, deflate profits and, consequently, impair the ability to generate the capital required to finance ecological investments.

Competitive environment and the marketing of industrial products lead to a lack of investment in environmental technologies. Moreover, it may turn out to be quite demanding on companies to invest into environmental programmes, as required by Slovak laws and regulations harmonised with the environmental laws of the EU (Integrated Pollution Prevention and Control Act - IPPCA, EIA, emission limits, and the Regulation of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, “REACH”). The environmental legislation’s requirements may cause investors to move to regions with significantly lower costs of environmental protection and occupational health and safety (eastern and south-eastern states). In the event of further increase of energies’ and strategic raw materials’ prices, the sustainability of certain production facilities will be conditional upon increasing effectiveness and application of environmentally friendly technologies.

In the OP C&EG, the focus of support to activities within individual measures is the reduction of energy and material intensity, increase of industry’s effectiveness, which will have an indirect impact on environmental improvements.

3.3 Tourism

A prospective area of the Slovak service sector is tourism, which is generally considered to be the industry of the future with respect to multiplication effects (economic growth, employment, sustainable development and social cohesion) accompanying its development. Tourism is an industry of cross-cutting nature with a range of other industries (transport, culture, building industry, healthcare, industry, agriculture, etc.) contributing to its operation.

Europe is presently the most extensively visited region of the world (in 2004, 414 million arrivals of foreign visitors or 54% of their total number), the highest year-on-year

visiting rate growth dynamic within Europe in 2004 being seen in Central European countries. The greatest growth of tourism in Europe continues to be expected to occur in east central and southeast countries of the continent. From this aspect, there are interesting prospects also for Slovak tourism. Within European tourism, Slovakia is presently lagging behind.

Since the Slovak Republic's official statistics do not examine tourism as an autonomous category of economic activity, the position of tourism in basic structural economic indicators may be quantified only on the basis of a qualified estimate. In category H of Standard Industrial Classification – Hotels and Restaurants – there were 54 thousand persons employed in 2005, which represents 2.6% of the number of persons employed in Slovakia's economy. GDP formation in this segment of tourism reached SKK 17.7 billion in 2005, which represents 0.2% of Slovak Republic's GDP (in current prices). According to information sources, there are revenues from inbound tourism (hereinafter "IBT") of SKK 37,529.1 million or USD 1,209.8 million in the payment balance current account for 2005. The revenues from IBT range at 2.6%[16] of Slovak Republic's GDP.

According to estimates, another 50 thousand persons provide tourism services in the Slovak Republic indirectly in the retail sector (category G), transport (category I), financial mediation (category J), and other services (category O, particularly section 92 – recreational, cultural, and sporting activities). In 2005, tourism in the Slovak Republic with these linked industries contributed 6%[17] to employment in the economy and 5%[18] to GDP formation.

The Slovak Republic's tourism sector shows a healthy growth. Comparing years 2000 and 2005, the number of visitors in the Slovak Republic increased 1.4 times (or by 462 280 persons), the revenues from IBT increased 1.9 times and expenditures for outbound tourism (hereinafter "OBT") increased 1.9 times. After 2001, however, substantial structural disproportions continue to persist in the development of basic indicators of Slovak Republic's tourism. Outbound tourism (OBT) shows substantially higher growth dynamics than inbound tourism and, moreover, the development in the part of the indicators related to IBT is stagnating (revenues from IBT in SKK, number of foreign visitors to the Slovak Republic, share of IBT in service balance and in exports of goods and services), or shows a decrease as at 2004 (proportion of revenues from IBT in GDP, tourism account balance) and an increase in 2005. The development of selected statistical indicators related to Slovak Republic's tourism in the period of 2000–05 is documented by the overview given in Annex 3 – Table 1.

The performance of Slovak tourism compared to neighbouring countries is lagging behind significantly. Particularly the IBT is a substantially higher source of foreign exchange revenues in most of the countries than in the Slovak Republic. In 2004[19], the IBT revenues in the Slovak Republic reached USD 901.2 million.

In 2004, Slovak Republic was visited by 1.4 million foreign tourists (the number is based on accommodation services). [20]

16 preliminary information

17 estimate

18 estimate

19 For 2005, the statistical information for EU-15 is not available.

20 The visiting rate of the Czech Republic reached as many as 6.5 million accommodated foreign tourists. Particularly unfavourable is the comparison of the capitals' visiting rates. Bratislava had a visiting rate of 438 thousand accommodated foreign tourists, while Prague had 3.4 million (Vienna, for example had as many as 5 million).

The level of per capita expenditures for OBT in the Slovak Republic has been dynamically growing (USD 55 in 2000, USD 157 in 2005) and highly exceeds the global average (USD 76); however, it lags behind the level of the neighbouring countries.

In the structure of visitors to the Slovak Republic (based on accommodated visitors), the clientele from the neighbouring countries (Czech Republic, Poland, and Hungary) prevails. The representation of this clientele in the structure of visitors to Slovakia is decreasing with time (51.1% in 2000, 48.8% in 2005). Comparing the years 2000 and 2005, there was an absolute decrease of Slovakia's visiting rate from countries such as USA, Japan, Israel, Russian Federation, and Ukraine. The development of the visiting rate from the Russian Federation and from Ukraine is undoubtedly linked to the existing system of visa requirement[21]. Visitors from these countries typically do not come with their own cars, they are bound to a single place (3 – 4 star hotels), and service packages are not as comprehensive for them as in other destinations.

In the structure of foreign visitors, the category of less demanding tourists prevails. The most important criterion for them is the price; they are typically happy even with a lower level of service. In the Slovak Republic, the total spending of foreign visitors for 2005 was USD 2 068 million, which represent an increase of 1.2% in comparison to the year 2000. The lower extent of visitors' spending in the Slovak Republic is primarily the result of a lower degree of tourism service development. This is confirmed by the number of persons directly employed in tourism and indirectly employed in its auxiliary services. In the Slovak Republic, per one job in tourism, there are 0.6 jobs in auxiliary services; in countries with developed tourism the ratio is exactly opposite. There are two jobs in services per one job in tourism.

The persisting problems in quality of tourism services (quality oftentimes not adequate to the prices in tourist facilities) are then reflected in the level of domestic tourism as well as in the level of IBT.

Domestic tourism is generally significantly increasing within global tourism. In Slovakia, however, domestic tourism has substantially weaker positions in the structure of tourism in comparison to advanced countries – both its outbound and inbound component. The values of indicators contained in Annex 3, Table 2, indicate a stagnation or even a decline of domestic tourism in the Slovak Republic. The number of participants in domestic tourism has been consistently substantially lower than in the segment of outbound tourism. Comparing the years 2000–05, the number of participants in OBT increased by 44 thousand persons. The development in recent years clearly indicates the preferences of Slovak Republic's population in tourism in favour of its outbound component. This is related to the permanent interest of the population in the sea, an important role in decision-making being played also by the adequacy of the quality and price of tourism services.

Although the revenues of travel agencies from domestic tourism show an increase for the last two years, in 2005, they reached only 74% of the level of 2000. The portfolio of travel agencies' services is clearly dominated by OBT products. The revenues of Slovak travel agencies from domestic tourism reached, in 2005, only less than 4.9% of the total volume.

[21] In the Slovak Republic, the visa fee is USD 47 and when granted within 24 hours, as many as double that amount. In Poland, the fee is zero and visas are granted within 24 hours; in Bulgaria, the fee is USD 23 with 48 hours deadline; and in Turkey, USD 20 with 24 hours deadline. In the EU countries, the fee is USD 42.

The number of domestic visitors accommodated has stabilised in recent years on the level of 1.7 – 2.0 million persons. The domestic clientele is characteristic with lower solvency and prefers tourism products in lower price categories.

The focus of tourism development and product creation is in Slovakia's regions. The most important role in the development and creation of tourism products is played by local and regional associations and business entities. Local and regional associations are involved in initiatives vis-à-vis business entities with the objective of achieving progress in the development of tourism. This is manifested also at international tourism exhibitions in joint participation and promotion of regions by both public and private sector.

In the business sphere of tourism in the Slovak Republic, there is a developed competitive environment with prevailing small and economically weaker enterprises providing primarily accommodation and catering services. The establishment of greater companies, which would play the role of a market leader in the field of quality, innovation and image of the country, proceeds with insufficient vigour. In general, the interest of foreign capital in entering this industry is comparably low. Only 0.6% of FDI in business sphere of the Slovak Republic are placed in the sector of hotels and restaurants.

The most substantial problem of Slovak hotels is their lower occupancy throughout the year. It ranges on the level of about 30%, while the occupancy of the spa industry accommodation capacities is as many as 70%. The low occupancy rate is related particularly to the absence of a flexible price policy and organisation of marketing campaigns in the intermediate season and to the scope of additional services offered.

After massive investment, the quality level of accommodation in Slovak tourism has improved significantly in recent years. For example, only the number of accommodation facilities between 2000 and 2005 increased by 518 and their accommodation capacity increased by nearly 19 800 beds. Accommodation facilities most preferred by foreign visitors included pensions, private accommodation (26.5%) and three-star hotels (15.5%). The number of pensions in this period increased by 191 and their accommodation capacity rose by 6 000 beds. The number of private accommodation facilities in this period increased by 69 and their accommodation capacity rose by 1 041 beds. The number of hotels in the period under examination increased by 112 and their accommodation capacity rose by 8 789 beds. The hotels continue to have the problem of only a few of them being part of international hotel chains or having international management and, at the same time, being connected to international hotel chains, which use an efficient booking system and have a stable quality of services.

Compared to other industries, in tourism, quality management systems are very difficult to implement. For small entities, system implementation is demanding both substantively and financially. Moreover, there is no organisation in the Slovak Republic with a specific accreditation for quality certification for tourism facilities.

The Slovak tourism has a general problem of the phenomenon of shadow economy in the sector. In the regions, there are many tourism accommodation facilities, which are not officially registered. In 2005, the IBT revenues in the Slovak Republic have been statistically on the level of USD 1.2 billion. However, a calculation based on average spending by foreign visitors to the Slovak Republic indicates IBT revenues of as many as USD 2.5 billion[22]. This

[22] Estimated from selective enquiries

disproportion indicates that in 2005, the shadow economy produced as many as USD 1.3 billion in the Slovak Republic's IBT. There appears to be a need, therefore, of a more accurate and strict legislative solution to this problem, but also a need of more consequent record keeping, interconnection, and information provision on the part of self-governing institutions and tax authorities.

With respect to its geographic position, Slovakia has always been an important crossroads of trade and cultures. In a relatively small territory, it has a natural potential with diverse species with the possibility of being used throughout the year. The potential of tourism in Slovakia covers nearly all forms and types of tourism.

The most important forms of tourism, for which Slovakia has the best prerequisites and which need to be developed and improved with respect to quality in the coming years, include:

- spa tourism;
- winter tourism and winter sports;
- urban and cultural tourism;
- summer tourism and holidays at water resorts; and
- rural tourism.

The interest of Slovakia's visitors concentrates particularly on summer tourism in national parks (there are 9 national parks in the Slovak Republic, which, with the protected landscape areas, cover 22.8% of the territory), winter holidays in ski resorts (there are 130 locations with one to two ski tows and 40 locations with multiple ski tows), thermal swimming pools and water bodies, spa vacations in selected Slovak therapeutic spas (visiting rate ranging about 230 thousand persons, of which 80 thousand from abroad), guided tours (in the Slovak Republic, there are nearly 10 thousand national cultural monuments, 18 urban conservation reserves, 109 castles, 555 palaces and mansions, 5 natural and human formations listed in the UNESCO list of world natural and cultural heritage, 15 accessible caves, which were visited by 650 thousand visitors in total in 2004).

The portfolio of Slovak tourism products includes congress and motivational tourism, rural tourism, golf tourism, and hunting. However, in these areas, the breadth and quality of the supply lags behind those in the neighbouring countries.

In 2005, the interest of the visitors coming to Slovakia was focused particularly on winter sports (22.9%), vacations in the mountains (18.7%), holidays at water resorts (10.3%), visits to family or acquaintances (8.6%). These key preferences are followed by spa vacations (6.2%), circular trips (4.8%), and rural tourism (2.6%).

Foreign visitors most frequently visit Bratislava, the Danube river basin, Orava, the High Tatras, the Váh river basin, the Low Tatras, Kysuce and Liptov; domestic visitors prefer the High Tatras, Liptov, Orava, Kysuce, the Slovak Paradise and the Slovak Karst.

In future, the key areas of Slovak tourism will continue to include cultural and sightseeing (urban and cultural) tourism, spa and therapeutic tourism, winter tourism, summer tourism in the mountains or water resorts and rural tourism.

Slovakia has a rich cultural and historic potential conducive to development of cultural tourism and guided tours. However, the possibilities of using it for the offering of attractions in tourism are limited particularly due to the technical condition of the monuments. Nearly two thirds of national monuments are in a condition that requires modifications, renewal or refurbishment. The ability to finance their maintenance is an issue particularly in the case of landmarks owned by self-governments (25%) and natural persons (28%). This ability has then a substantial impact on making the structures accessible to the public and to tourists. The economic development potential of these attractions is closely related to activities of civil associations in the protection of cultural heritage. They often fail to realise the economic development potential of such attractions and their effort is only to save the historic essence of the structures. The harmony of interests is defined particularly by the Global Code of Ethics for Tourism. On the one hand, it emphasises the possibilities of positive action of tourism in presentation of nation's cultural identity and cultural heritage, on the other hand, however, it calls for tolerance in the use of cultural heritage.

In spa tourism, of 1250 mineral and thermal springs only part is used for therapeutic purposes. The reason for lower utility of the springs is the technical base of spa facilities and the infrastructure of the locations and centres. Over one half of the spa facilities are older than 50 years; however, on the other hand, part of the facilities matches luxurious European spa centres.

Spas contribute 7% to the number of accommodated visitors to the Slovak Republic. The accommodation capacity of spas is 10% of the nationwide capacity. The occupancy rate in spas comes close to 70% (Slovak Republic's total being 30%), the average number of nights spent in spas is 12.9, while for the entire tourism industry of the Slovak Republic it is only 3.6.

In the last two years, the Slovak spa industry is going through important changes. The spa revenues are mostly decreasing with the number of domestic visitors declining. The development is closely related to the start-up of the healthcare reform (reduction of the number of the insured, shift of focus to commercial clients). The spas' offering is changing. Besides classical treatment, there are short-term wellness or relax vacations for families and managers. The Slovak spas are also experiencing a decline in the visiting rate of foreign clients. Spa and relax vacations are the best selling products of travel agencies within domestic tourism. The development of the most important indicators of selected Slovak spas in 2003 and 2004[23] is documented by the overview given in Annex 3, Table 3. The orientation for the future of the Slovak spa industry should be the quality improvement of healthcare services but also of accommodation, catering, recreational and free-time services, extending the supply from classical therapy up to short-term wellness or relax vacations and, likewise, quality certification according to ISO standards (a necessary precondition for a contractual relationship with foreign, particularly German, insurance companies).

The greatest progress in the quality of services was recently made by the Slovak winter sports centres. Winter centres in Slovakia have recently adapted to demanding wishes of skiers, invested massively (in artificial snowing systems, transport facilities, sports centre equipment and their auxiliary services, etc.) and set the bar high for the entire Slovak tourism

[23] The last selective enquiries are available as at 2004.

industry. The most prospective centres are those with connections to aqua parks and thermal swimming pools operated throughout the year, offering ski scooter rides, skating, skijoring or ice climbing. The popularity of cross-country skiing is spreading from Germany with numerous Slovak centres having already caught this trend.

The potential of tourism in Slovakia has been assessed in the Regionalisation of Tourism, which treats it as an aggregate of conditions and prerequisites for tourism. This includes the tourism potential given by the territory's features but reflects also other factors such as transport accessibility, distance from demand centres, etc. Slovakia's territory was thus divided into 21 tourism regions where a region represents a specific part of the territory characterised by relatively homogeneous conditions for tourism development.

3.4 Indirect state aid analysis

In Slovakia, forms of indirect state aid with regard to small and medium-sized enterprises have been implemented through the PHARE programme as early as 1994. Financial products, presently referred to as Innovative Financial Instruments, including venture capital in direct connection to JEREMIE, were created in line with the PHARE programme through the particular programmes.

Within the Institutional Building programme, Slovakia as an associated country built several institutions to support primarily small and medium-sized enterprises, including the National Agency for Development of Small and Medium-Sized Enterprises, Slovenská záručná a rozvojová banka as well as EXIMBANKA SR. In addition, the MoE SR created state semi-budgetary organisations SARIO, SACR and SIEA that also directly or indirectly support small and medium-sized businesses. Forms of support of primarily small and medium-sized enterprises which are still used presently were implemented in the Slovak business environment on the basis of knowledge and experience of Western European experts.

In Slovakia, small and medium-sized enterprises generate a relatively small demand for support by means of venture capital or some other form of support (millions of Slovak crowns were invested mostly in venture capital ranging approx. from SKK 500,000 to 10 million).

Microfinancing in Slovakia – with regard to support for business – presently fully covers the demand and, moreover, several support institutions are active in the Slovak business environment offering an extensive portfolio of financial products which have been used for over ten years.

The National Agency for Development of Small and Medium-Sized Enterprises continues to implement the following financial instruments:

- Microlending Programme
- Small Loan Scheme
- Support Credit Programme
- Fond fondov s.r.o. (Seed Capital Company, s.r.o.)
- Regional Start-Up Capital Fund
- Fond Seed Capital
- Slovenský Rozvojový Fond

- Business Angel

In addition to the above facts, EXIMBANKA SR and Slovenská záručná a rozvojová banka created several financial products and dispose of sufficient financial resources which, in cooperation with commercial banks, can also be used to support innovations bound directly to specific existing or new business activities of enterprises. The created product portfolio of financial institutions will also be linked to the implementation of OP C&EG from the synergic and complementary point of view.

Within the 2007 – 2013 programming period, the Commission included the following actions in the basic requirements with the aim to strengthen the support to indirect financial instruments and increase the interest of businesses in such forms of help:

- increasing competitiveness of Member State economies – this requirement cannot be ensured without increasing the competitiveness of businesses;
- introducing innovations in businesses;
- elimination of regional disparities;
- ensuring mutual synergy and complementarity among individual operational programmes;
- ensuring support for science and research in the academic community;
- ensuring the involvement of marginalised groups in economic activities;
- etc.

In accordance with the application of innovative financial instruments for the support of industrial business entities attention needs to be paid to the fact that the transformation of Slovakia's economy only addressed the restructuring of banks.

The anticipated financial restructuring of state-owned enterprises was not implemented with state aid (addressing irrecoverable credits) as a result of which many traditional industries ceased to exist, causing an unbalance among the regions.

Within the transformation and privatisation process, several research and development institutions and enterprise-based research and development facilities ceased to exist. The result is the presently non-functioning material and technical base of science, research and innovations, which is virtually nonexistent in Slovakia's regions. Thus, the start-up of the development of a knowledge society is more complicated for Slovakia.

In the course of the preparation of the indirect and direct state aid, regional particularities, mentality and customs of Slovak business entities need to be taken into consideration. The latest experience and knowledge gained by MoE SR during the implementation of various financial instruments in Slovakia imply that an application of innovative financial instruments primarily aimed at support of small and medium-sized enterprises during the 2007 – 2013 programming period in combination with direct aid and their preparation and utilisation in accordance with the GAP analysis is appropriate.

Conclusion:

The assessment of the application of innovative financial instruments in Slovakia as well as of the financial status and interest primarily of SMEs in their utilisation for the implementation of innovative business plans imply that a combination of direct and indirect state aid instruments needs to be adopted in order to achieve the global goal of OP C&EG. The implementation of the JEREMIE initiative in OP C&EG will be based on the increased demand of the business sector and on the support of a broader use of innovative financial instruments for the innovation of processes, technologies and products and is dependent primarily upon adoption of legislative standards relating to such form of utilisation of resources from public and private funds.-

3.5 Current situation analysis results

Positive development was seen in recent years in the most important evaluation indicators of competitiveness and performance of industry, market services and tourism; however, in several areas, it fails to reach the level of advanced EU countries.

Slovakia's industry lags behind particularly in the standard of technologies, production facilities, innovation activity and productivity. Moreover, the added value is lower, while the material and energy cost factor of industrial manufacturing is higher. In addition, there are regional differences in the performance of industry and services. The development of competitiveness in industry and the production quality parameters are related to the technological level and structure of production. The modernisation of manufacturing facilities, application of technologies based on innovation, better energy efficiency, reduced consumption of raw materials and lesser environmental impacts including ICT are all insufficient. The existing technical infrastructure is insufficient to meet the logistical needs for industrial development. The industries and production facilities involving high technologies and higher added value only gradually attain strength. The shift from material-intensive products to less material-intensive ones using modern technologies is slow. The industrial production structure is characterised by a low proportion of high added value production technologies and a low percentage of innovated products and export of high-tech products. The industry is achieving a relatively high competitiveness of production programmes based on low labour costs. Insufficient support for high-tech transfers puts a damper on the development of business activities and competitiveness in the industry.

Especially small and medium-sized enterprises lag behind the technical and technological standards of the more advanced EU Member States. Slovakia lags behind the EU-15 in exports of high-tech products. The insufficient innovation activity of the SMEs is mainly due to lack of capital, reduced access to industrial information and services, and insufficient opportunities of employee training. An important factor for the development of SMEs is an appropriate business environment, making the legislation simpler and more transparent, reducing the administrative and tax burden, strengthening support infrastructure, and improving access to capital.

In the field of innovativeness, the differences between Slovakia and EU states are most apparent. Slovakia lacks innovation drivers. There are poor preconditions for knowledge creation and relatively low innovation capacity and competitiveness of enterprises. Outputs of innovative processes in the economy, in the form of applications (employment and export of high-tech productions, introduction of new products) and intellectual property (patent applications, registered patents, utility models, etc.), are very low compared to EU countries. Among the barriers preventing businesses from gaining access to international markets are the

poor standards of accreditations and certifications with international validity and acceptance, the non-existence of national certification brands enjoying wide international acceptance, insufficient rules in the field of product standards and quality, technical standardisation, testing, accreditation, certification, protection of industrial and intellectual property, and quality policy.

What is also insufficient is the demand in innovation and in the introduction of innovative high technologies in the business sector considering the high innovation costs and economic risks. The support for applied research, development and innovation is low and unsatisfactory. A high-quality technological and application infrastructure, including infrastructure for research, development and innovation, failed to be created or is unavailable in Slovakia. There is a lack of information on innovation and markets as well as that of high-quality and creative human resources capable of creating and appreciating knowledge and high-quality production processes. The cooperation is insufficient, lacking an efficient system linking the business sphere and research and development institutions and educational institutions.

Slovakia has seen a positive development in its economy's energy intensity. However, compared to the EU average, it is still high. Reducing energy intensity of the economy and industry in particular is dependent upon the support to replacing the obsolete manufacturing processes with advanced technologies with minimum energy and raw material demands and improving effectiveness starting from mining, treatment and processing of energy and raw material sources, through energy generation, transformations, distribution, up to its final use. The potential of energy and material savings concerns particularly the savings in technological processes, in energy flow management, and in reduction of building heat losses. The potential of renewable energy sources is insufficiently used, particularly of biomass, and the support to projects in this area would contribute to a reduction of energy dependence on import and, at the same time, to a reduction of greenhouse gas emissions causing a reduction of negative influence of energy production on environment, as well as to sustainable economic development of Slovakia (at present, the use of RES represents only 1.6% from the total consumption of primary energy sources).

The main development barriers faced by domestic trading companies in market services and particularly in business activities include the lack of domestic capital, diversification of activities and incompetent marketing management (absence of marketing plans and formalised working procedures directly linked to the communication and contact with customers).

The cooperation of the involved authorities on the national and Community level in the field of consumer protection considering the requirements of health and product safety, protection of economic interests in cross-border purchase of products and service provision, as well as in information obligation, became a necessity. The weak link appears to be the handling of individual consumers' complaints and enforceability of their rights, the lack of funds, the insufficient cooperation of the involved authorities including state administration, market supervision authorities, and the insufficient links, communication, and cooperation of the non-governmental consumer organisations (NGCOs) among themselves.

In tourism, there is a lack of resorts used all year round providing comprehensive services, low competitiveness in quality and structure of services provided, including auxiliary/supplementary services. Quality management systems are implemented

insufficiently. There is unsatisfactory coordination and joint action of state, regional and local authorities, professional interest associations of tourism and of the private sector.

3.6 Growth poles

3.6.1 Innovation growth poles in regions

Innovation growth poles in regions are characterised in the table below.

Region	Field of innovation excellence of nationwide scope	Universities	Research institutes
Trnava	Increasing energy security and use of renewable energy sources Automotive industry Electrical Engineering	**Faculty of Material Sciences and Technology** Trnava **University of SS Cyril and Methodius** Trnava	**Leading institution of the technical centre for energy sector development** Trnava **Technical Testing Institute Piešťany** Piešťany **Research Institute of Air Conditioning** Piešťany
Trenčín	Small-scale chemistry products, Chemical specialties, Industrial ecology, Processing industry and advanced materials, Glass industry and advanced ceramics, Semiconductor converters and drives	**Trenčín University of A. Dubček** Trenčín	**Leading institution of the technical centre for processing industry development** Partizánske **ZTS Elektrotechnika a.s**., Nová Dubnica **EVPU a. s.,** Nová Dubnica **VZP a. s.**, Prievidza **VUG a. s.**, Púchov
Nitra	Agriculture, Plastic industry	**Slovak University of Agriculture** Nitra **Constantine the Philosopher University** Nitra	**Leading institution of the technical centre for chemical and pharmaceutical industry development** Nitra **Navicom a.s., Research Institute of Shipbuilding** Komárno **Institute of Scientific and Technical Information for Agriculture** Nitra

			VUSAPL a.s. Nitra
Žilina	Telecommunications, Industry of mineral deposits, Automotive industry, Multifunctional textile materials and smart textiles Machinery industry Nanotechnologies Medicine (oncology, genetics, tumorous diseases…)	**Institute of Medical Biochemistry, Jessenius Faculty of Medicine, Comenius University** Martin **University of Žilina** Žilina **Medical Faculty,** Martin	**Leading institution of the technical centre for machinery sector development** Martin **Dairy Research Institute** Žilina **VÚTCH-CHEMITEX spol. s.r.o** Žilina **Research Institute of Textile Chemistry**
Banská Bystrica	Wood processing and forestry industry, design Mobile machinery and aggregates ICT	**Technical University,** Zvolen **Association of Wood Processors,** Zvolen **Matej Bel University,** Banská Bystrica	**National Forestry Centre,** Zvolen **Forest Ecology Institute, SAV** Zvolen **Geology Institute, SAV** Banská Bystrica **State Veterinary and Food Institute,** Zvolen **Research Institute of Posts and Telecommunications,** Banská Bystrica
Prešov	Industry automation and mechanisation Fibre industry Logistics	**University of Prešov** Prešov	**VUCHV a.s.,** Svit
Košice	Refrigeration + heat pumps Biotechnologies - probiotics and biomodulators, applications of bioactive substances IT + multimedia Treatment technologies using the most up-to-date methods of cell and tissue regeneration Smart technologies + mechanotronics Traditional foodstuffs and their safety	**P. J. Šafárik University** Košice **University of Veterinary Medicine** Košice **Technical University** Košice	**ZTS VVU**, Košice **SAV, Košice** **Research Institute of Veterinary Medicine, Košice**

3.6.2 Growth poles in tourism

REGION	Forms of tourism	Activities with the highest long-term potential	Important locations
Bratislava	➢ Sightseeing tourism ➢ Business tourism ➢ Summer water resort tourism	➢ Exploring cultural heritage ➢ Business tourism ➢ Congress/conference tourism ➢ Visits to cultural and sporting events ➢ Holidays at water resorts ➢ Water sports ➢ Canoeing/kayaking and water tourism ➢ Bicycle tourism	➢ Urban type: Bratislava, Pezinok, Modra, Senec, Svätý Jur ➢ Places with cultural monuments: Bratislava, Devín, Rusovce, Svätý Jur, Pezinok, Častá - Červený Kameň, Bernolákovo ➢ Places with cultural/social events: Bratislava, Pezinok, Modra, Senec, Devín, Rusovce, Stupava, Svätý Jur ➢ Places with natural landmarks: Devínska brána, tok Dunaja ➢ Recreational area: Small Carpathians, Hrušov water reservoir ➢ Tourist destinations: Harmónia - Piesky, Senec – Slnečné jazerá, Čuňovo, Zlaté piesky, Draždiak, Železná Studnička - Kamzík
Danubian	➢ Summer water resort tourism ➢ Water sports ➢ Thermal water resort tourism ➢ Sightseeing tourism – historical heritage	➢ Holidays at water resorts ➢ Water sports ➢ Water tourism, canoeing/kayaking ➢ Holidays at thermal water resorts ➢ Bicycle tourism ➢ Rural tourism ➢ Sightseeing tourism	➢ Urban type: Šamorín, Dunajská Streda, Veľký Meder, Komárno, Štúrovo ➢ Places with cultural monuments: Komárno, Šamorín, Bíňa, Iža ➢ Spas ➢ Places with cultural/social events: Komárno, Štúrovo, Šamorín ➢ Places with natural landmarks: Flood forests of the Danube, Číčov oxbow ➢ Recreational areas: the Danube and the Little Danube ➢ Tourist destinations: Madarás, Jahodná, Kováčov and numerous thermal swimming pools
Záhorie	➢ Spa with therapeutic function ➢ Summer water resort tourism ➢ Rural tourism ➢ Weekend house areas – serving mostly Bratislava's population; numerous weekend houses	➢ ➢ Holidays at water resorts ➢ Water tourism, canoeing/kayaking ➢ Bicycle tourism	➢ Urban type: Malacky, Skalica, Holíč, Senica, Brezová pod Bradlom ➢ Places with cultural monuments: Skalica, Holíč, Šaštín, Bradlo, Plavecký Peter, Veľké Leváre, Branč castle, Plavecký castle, Sobotište, Brezová pod Bradlom ➢ Spas: Smrdáky therapeutic spa ➢ Recreational area: Small Carpathians, Bory ➢ Tourist destinations: Zlatnícka dolina, Šaštín – Gazarka, Kunov, Tomky, Kamenný Mlyn, Košariská
Lower Váh river basin	➢ Spa tourism with therapeutic function ➢ Summer water and thermal	➢ Holidays at thermal water resorts (spas) ➢ Water sports	➢ Urban type: Trnava, Piešťany, Hlohovec, Galanta, Šaľa, Sereď, Vrbové ➢ Places with cultural monuments: Trnava, Hlohovec, Smolenice,

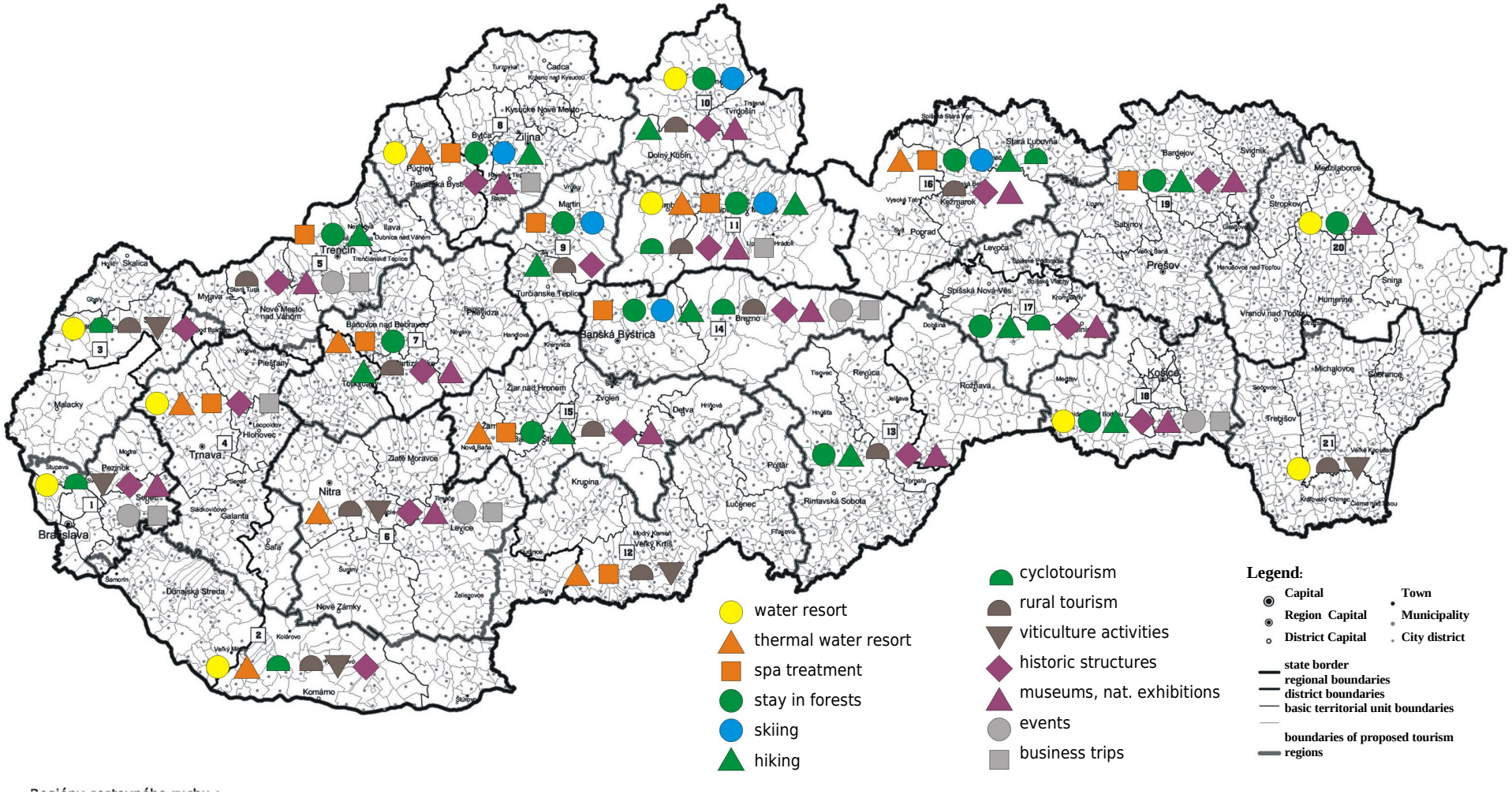
	water resort tourism ➢ Business tourism ➢ Sightseeing tourism – historical heritage	➢ Exploring cultural heritage	Dolná Krupá, Moravany nad Váhom, Ducové, ➢ Spas: Piešťany ➢ Places with cultural/social events: Trnava, Piešťany, Hlohovec ➢ Places with natural landmarks: Smolenice – Driny ➢ Recreational areas: Small Carpathians, Inovecké vrchy, Kráľová na Váhu (in the future) ➢ Tourist destinations: Jahodník, Sĺňava, Bukovec, Bezovec
Central Váh river basin	➢ Spa with therapeutic function ➢ Sightseeing tourism (exploring cultural heritage, local traditions, visits to important cultural events, museums, cultural facilities) ➢ Business tourism (business trips, congresses, conferences, fairs and exhibitions) ➢ Rural tourism	➢ Holidays at thermal/mineralised water resorts ➢ Holidays at forest/mountain resorts ➢ Hiking ➢ Bicycle tourism ➢ Rural tourism ➢ Exploring cultural heritage	➢ Urban type: Trenčín, Nové Mesto nad Váhom, Myjava, Dubnica ➢ Places with cultural monuments: Trenčín (municipal cultural reserve), Beckov, Čachtice, Vršatec, Pruské ➢ Spas: Trenčianske Teplice ➢ Recreational areas: White Carpathians, Strážovské vrchy, Inovecké vrchy ➢ Tourist destinations: Javorina – Dubník, Zelená Voda, Kálnica, Soblahov, Mojtín
Nitra	➢ Sightseeing tourism (exploring cultural heritage, local traditions, visits to important events) ➢ Religious tourism ➢ Business tourism ➢ Summer water resort tourism	➢ Holidays at water resorts, water sports ➢ Holidays at thermal water resorts ➢ Exploring cultural heritage	➢ Urban type: Nitra, Levice, Zlaté Moravce ➢ Places with cultural monuments: Topoľčianky (manor house, buffalo park, stud farm), Želiezovce, Kostoľany pod Tríbečom, rock dwellings of Brhlovce ➢ Recreational area: Tríbečské vrchy, Inovecké vrchy, Pohronský Inovec, Hron river, hunting areas ➢ Tourist destinations: thermal water resorts of Levice, Santovka and Podhájska, Poľný Kesov, Lipovina, Remitáž, Komoča, Uhliská, Obice,
Upper Nitra river basin	➢ Spa tourism with therapeutic function ➢ Sightseeing tourism (exploring cultural heritage) ➢ Easy trips ➢ Winter sports – skiing	➢ Stay/recreation by thermal or mineralised water ➢ Holidays at forest/mountain resorts ➢ Hiking	➢ Urban type: Prievidza, Partizánske, Topoľčany ➢ Places with cultural monuments: Bojnice (castle, zoo), Prievidza, Partizánske, Brodzany, Veľké Uherce, Uhrovec, Oponice, Topoľčany, Nitrianske Pravno ➢ Spas: Bojnice therapeutic spa ➢ Recreational areas: Inovecké vrchy, Strážovské vrchy, Vtáčnik Tourist destinations: thermal swimming pools: Chalmová, Bánovce nad Bebravou, Nitrianske Rudno, Remata, Duchonka, Jankov vŕšok
North Váh river basin	➢ Winter mountain tourism ➢ Summer stays in mountains	➢ Holidays at forest/mountain resorts ➢ Hiking	➢ Urban type: Žilina, Považská Bystrica, Čadca, Bytča ➢ Places with cultural monuments: Žilina, Budatín, Strečno,

	➢ Thermal water resort tourism ➢ Spa tourism with therapeutic function ➢ Sightseeing tourism ➢ Business tourism	➢ Downhill skiing ➢ Rural tourism ➢ Holidays at thermal water resorts ➢ Holidays at water resorts, water sports ➢ Exploring cultural heritage	Čičmany, Rajec, Lietava, Bytča, Súľov castle, Strečno, historical logging back swath railway (museum of folk architecture) Vychylovka ➢ Spas: Rajecké Teplice, Nimnica ➢ Recreational areas: Javorníky, Západné Beskydy, Strážovské vrchy, Malá Fatra, Nosice dam, Hričov, Žilina ➢ Tourist destinations: Manín strait, Súľov, Čertov, Podjavorník, Terchová - Vrátna, Pod Jedľovinou, Čičmany, Javorinka, Veľká Rača, Bumbálka, Kasárne, Skalité
Turiec	➢ Skiing including ski tourism ➢ Summer stays in mountains ➢ Thermal water resort tourism ➢ Spa tourism with therapeutic function ➢ Sightseeing tourism	➢ Holidays at forest/mountain resorts ➢ Hiking ➢ Downhill skiing ➢ Holidays at thermal water resorts ➢ Ski tourism ➢ Rural tourism ➢ Exploring cultural heritage	➢ Urban type: Martin (monuments in the city, Museum of Slovak Village) ➢ Places with cultural monuments: Kláštor pod Znievom, Mošovce, Diviaky, Slovenské Pravno, Necpaly, Sklabinský Podzámok ➢ Spas: Turčianske Teplice ➢ Recreational areas: Malá Fatra, Veľká Fatra ➢ Tourist destinations: Trusalová, Martinské Hole, Podstráne, Valčianska valley, Mošovce – Drienok, Gaderská valley – entry, Čremošné, Jasenská valley
Orava	➢ Skiing including ski tourism ➢ Summer stays in mountains, hiking ➢ Summer water resort tourism, water sports ➢ Sightseeing tourism	➢ Holidays at forest/mountain resorts ➢ Holidays at water resorts, water sports ➢ Hiking ➢ Downhill skiing and ski tourism ➢ Thermal water resort tourism ➢ Rural tourism ➢ Exploring cultural heritage	➢ Urban type: Dolný Kubín, Tvrdošín ➢ Places with cultural monuments: Dolný Kubín, Oravský Podzámok, Leštiny, Dolný Kubín, Tvrdošín, Trstená, Podbieľ, Zuberec (Museum of the Orava Village) ➢ Recreational areas: Západné Beskydy, Oravská Magura, Malá Fatra, Western Tatras – Roháče, Chočské vrchy, Orava dam ➢ Tourist destinations: Malá Lučivná, Kubínska Hoľa, village of Zuberec with bases, Oravice, Orava dam (Ústie, Stará hora, Slanická osada, Vojenské), Slaná voda, Oravská Lesná
Liptov	➢ Downhill skiing and ski tourism ➢ Summer stays at thermal water resorts, at water bodies, water sports ➢ Summer stays in mountains, hiking ➢ Rural tourism ➢ Exploring cultural heritage and natural features ➢ Spa stays with therapeutic	➢ Downhill skiing and ski tourism ➢ Summer stays in mountains, hiking ➢ Water sports, canoeing/kayaking ➢ Holidays at thermal water resorts ➢ Exploring cultural heritage ➢ Visits to caves ➢ Rural tourism	➢ Urban type: Liptovský Mikuláš, Ružomberok ➢ Places with cultural monuments: Vlkolínec (UNESCO), Liptovský Ján, Hybe, Svätý Kríž, Liptovský Hrádok ➢ Spas: Lúčky, Korytnica, Liptovský Ján ➢ Recreational areas: Chočské mountain range, High Tatras, Veľká Fatra, Low Tatras, Liptovská Mara ➢ Tourist destinations: Ľubochňa, Malinô-Hrabovo, Smrekovica, Trlenská dolina, Bešeňová, Liptovský Trnovec, Liptovský Mikuláš – aquapark, Žiarska valley, Račkova valley, Podbanské, Demänovská valley (Jasná, Záhradky, caves), Opalisko, Vyšná Boca – Čertovica, Jánska dolina

	function Business tourism		
Ipeľ	➢ Spa with therapeutic function ➢ Summer holidays at thermal water resorts ➢ Easy summer trips	➢ Holidays at thermal water resorts ➢ Holidays at forest/mountain resorts ➢ Rural tourism	➢ Urban type: Krupina, Lučenec ➢ Places with cultural monuments: Sebechleby cultural reserve, Šahy, castles of Modrý Kameň, Fiľakovo, Čabraď, Divín ➢ Spa Resorts: Dudince ➢ Recreational areas: Krupinská vrchovina, Javorie, Cerová vrchovina, Slovak Ore Mountains Tourist destinations: thermal spas of Dudince, Dolná Strehová, Vinica, Ružiná, Línia – Háj
Gemer	➢ Sightseeing tourism ➢ Summer holidays at forest/mountain resorts and in the country ➢ Spa with therapeutic function	➢ Holidays at forest/mountain resorts ➢ Hiking ➢ Bicycle tourism ➢ Visits to caves and speleology ➢ Rural tourism ➢ Exploring cultural heritage	➢ Urban type: Rožňava, Rimavská Sobota, Revúca ➢ Places with cultural monuments: Chyžné, Jelšava, Muráň, Šivetice, Hajnačka, Betliar, Krásna Hôrka, Štítnik, Koceľovce, Plešivec, ➢ Spa Resorts: Číž ➢ Recreational area: Slovak Ore Mountains, Cerová vrchovina, Slovak Karst Tourist destinations: Kurinec, Teplý vrch, Tornaľa – Králik, Bánovo, Muránska Huta, Hrádok
Upper Hron river basin	➢ Winter skiing stays ➢ Summer stays in mountains, hiking ➢ Sightseeing tourism ➢ Rural tourism ➢ Business tourism ➢ Spa stays with therapeutic function	➢ Downhill skiing and ski tourism ➢ Exploring cultural heritage ➢ Holidays at forest/mountain resorts, hiking ➢ Visits to caves and speleology ➢ Rural tourism	➢ Urban type: Banská Bystrica, Brezno ➢ Places with cultural monuments: Banská Bystrica, Hronsek, Slovenská Ľupča, Brezno, Heľpa, Čierny Balog, Špania valley ➢ Spa Resorts: Brusno ➢ Recreational area: Kremnické vrchy, Low Tatras, Slovak Ore Mountains Tourist destinations: Králiky – Kordíky, Turecká, Donovaly, Šachtičky, Tále – Krpáčová, Chopok – South, Mýto pod Ďumbierom, Chvatimech, Osrblie
Hron	➢ Sightseeing tourism – historical heritage ➢ Spa with therapeutic function ➢ Summer water resort tourism ➢ Thermal water resort tourism ➢ Summer holidays at forest/mountain resorts ➢ Winter mountain stays Rural tourism	➢ Exploring historical heritage ➢ Holidays at water resorts ➢ Holidays at thermal water resorts ➢ Holidays at forest/mountain resorts, hiking ➢ Skiing stays ➢ Rural tourism	➢ Urban type: Banská Štiavnica, Kremnica, Zvolen ➢ Places with cultural monuments: Banská Štiavnica and adjacent areas (UNESCO), Kremnica and adjacent areas, Svätý Anton, Žarnovica, Nová Baňa, Hronský Beňadik, Vígľaš, Detva, Zvolen, Babiná, Dobrá Niva ➢ Spa Resorts: Sliač, Kováčová, Sklené Teplice ➢ Recreational area: Vtáčnik, Kremnické vrchy, Slovak Ore Mountains, Štiavnické vrchy Tourist destinations: Skalka – Krahule, Poľana, Hodruša lake, Richnava lake, Počúvadlo lake, Vyhne
The Tatras	➢ Summer stays in mountains ➢ Winter stays in mountains -	➢ Holidays at forest/mountain resorts ➢ Hiking	➢ Urban type: Poprad, Kežmarok ➢ Places with cultural monuments: Kežmarok, Poprad, Červený

	skiing ➢ Incentive tourism/congresses and conferences ➢ Spa tourism with therapeutic function ➢ Sightseeing tourism	➢ Down-hill skiing ➢ Ski tourism ➢ Exploring cultural heritage ➢ Holidays at thermal water resorts	Kláštor, Spišská Belá – Strážky, Veľká Lomnica, Osturňa, Batizovce, Švábovce, Betlanovce Ždiar, Podolínec, Stará Ľubovňa, Hniezdne ➢ Spa Resorts: climatic spas of the High Tatras, Vyšné Ružbachy ➢ Recreational areas: Western Tatras, High Tatras, Spišská Magura, Pieniny, Ľubovnianske vrchy, Kozie chrbty, Levočské vrchy Tourist destinations: Podbanské, Tatranská Štrba, Štrbské Pleso, Smokovce, Tatranská Lomnica, Stará Lesná, high-mountain bases (challets), Javorina, Ždiar, Jezersko, Červený Kláštor, spa of Nová Ľubovňa, Vrbov, Lopušná valley, Vernár
Spiš	➢ Sightseeing tourism ➢ Summer holidays at forest/mountain resorts ➢ Winter stays in the nature ➢ Rural tourism	➢ Exploring cultural potential ➢ Hiking ➢ Holidays at forest/mountain resorts ➢ Bicycle tourism ➢ Downhill skiing and ski tourism ➢ Rural tourism	➢ Urban locations: Spišská Nová Ves, Levoča ➢ Places with cultural monuments: UNESCO monuments (Spišské Podhradie - castle, Spišská Kapitula, Žehra), Levoča, Bijacovce, Dravce, Markušovce, Spišská Nová Ves, Gelnica, Smolník ➢ Recreational areas: Levočské vrchy, Branisko, Slovak Paradise, Spišsko – Gemerský kras Tourist destinations: Levočské kúpele, Slovak Paradise (Podlesok, Čingov), Dedinky – Mlynky, Turzov, Plejsy, end of the Ružiná dam
Košice	➢ Exploring cultural heritage ➢ Summer stays in water resorts and in forests ➢ Business tourism ➢ Shopping tourism	➢ Exploring cultural potential ➢ Holidays at water resorts ➢ Holidays at forest/mountain resorts, hiking ➢ Downhill skiing (Kojšova hoľa)	➢ Urban type: Košice ➢ Places with cultural monuments: monuments in Košice, Jasov, Turňa nad Bodvou, Slanec, Svinica, Turnianska Nová Ves, Vyšný and Nižný Medzev, ➢ Recreational areas: Slovak Ore Mountains, Slánske vrchy, Slovak Karst ➢ Tourist destinations: Kojšova hoľa, Jahodná, Kavečany, the Ružín dam – Košické Hámre, Čaňa, Herľany, Bukovec, Izra
Šariš	➢ Spa with therapeutic function ➢ Sightseeing tourism ➢ Summer holidays at forest/mountain resorts ➢ Winter skiing stays ➢ Shopping tourism	➢ Exploring cultural heritage ➢ Spa stays ➢ Holidays at forest/mountain resorts with hiking ➢ Winter stays in the mountains – skiing	➢ Urban type: Prešov, Bardejov ➢ Places with cultural monuments: Bardejov (UNESCO monuments, open-air museum), group of wooden churches, Dukla, Sabinov, Prešov, Kapušany, Veľký Šariš ➢ Spa Resorts: Bardejov ➢ Recreational areas: Nízke Beskydy, Ondavská vrchovina, Šarišská vrchovina, Slánske vrchy, Čergovské pohorie Tourist destinations: Lipovec – Šindliar, Dubovica – Žliabky, Renčišov – Búče, Drienica – Lysá, Regetovka, Sigord
Upper Zemplín	➢ Summer water resort tourism ➢ Sightseeing tourism ➢ Summer holidays at forest/mountain resorts ➢ Shopping tourism	➢ Water sports ➢ Holidays at forest/mountain resorts ➢ Sightseeing stays or round trips	➢ Urban type: Medzilaborce ➢ Places with cultural monuments: Hanušovce nad Topľou, wooden churches ➢ Recreational areas: Nízke Beskydy, Bukovské vrchy – Poloniny, Vihorlat, Domaša dam Tourist destinations: Domaša (Poľany, Holčíkovce, Kelča, Valkov,

			Dobrá), Danová, ponds of Snina
Lower Zemplín	➢ Summer water resort tourism ➢ Sightseeing tourism ➢ Shopping tourism	➢ Water sports ➢ Holidays at water resorts ➢ Sightseeing stays ➢ Viticulture and gastronomy ➢ Possibly spa stays	➢ Urban type: Michalovce, Trebišov ➢ Places with cultural monuments: Michalovce, Trebišov, Leles, ➢ Recreational areas: Vihorlat, Slánske vrchy, Zemplínske vrchy, Zemplínska Šírava ➢ Tourist destinations: Zemplínska Šírava (Biela hora, Hôrka, Medvedia hora, Kaluža, Paľkov), Vinianske lake, Morské oko, Byšta


water resort
thermal water resort
spa treatment
stay in forests
skiing
hiking
cyclotourism
rural tourism
viticulture activities
historic structures
museums, nat. exhibitions
events
business trips
Legend:
Capital
Region Capital
District Capital
Town
Municipality
City district
state border
regional boundaries
district boundaries
basic territorial unit boundaries
boundaries of proposed tourism regions
Bratislava
Trnava
Nitra
Trenčín
Žilina
Banská Bystrica
Košice
Prešov

3.7 SWOT analysis

Strengths	Regional structure			
Priority Axis "Innovation and Growth of Competitiveness"	**WS**	**CS**	**ES**	**BA**
Increase in the number of enterprises, superior investment environment and Growth in direct investment, gradually changing production structure and a growing trend in the share of added value in gross production	x	x	x	
Existing network of science and research institutions and the potential of relatively skilled workforce suitable for the development of innovative industries and services	x	x	x	
Export-oriented production	x	x	x	
Priority Axis "Energy"	**WS**	**CS**	**ES**	**BA**
The condition of the intrastate transit and distribution network for electricity and gas	x	x	x	
Appropriate structure of electricity sources	x	x	x	
Priority Axis "Tourism"	**WS**	**CS**	**ES**	**BA**
Favourable geographic location of the SR, natural and cultural potential for the development of tourism, unique sources of mineral and thermal springs, great quantity and variety of tourist attractions within small territory that can be used all year round, and intangible cultural heritage	x	x	x	

Weaknesses	Regional structure			
Priority Axis "Innovation and Growth of Competitiveness"	**WS**	**CS**	**ES**	**BA**
Low labour productivity related to added value in the majority of industrial sectors and a poor representation of high-tech products and services in the total exports of the SR	x	x	x	
Isolation and a low degree of coordination and concentration of research and development capacities and a poor use of ICT in connecting the research and development basis with the business sector	x	x	x	
Insufficient demand for innovation in the business sector, poor motivation for enterprises to implement innovation and insufficient linking of universities and research and development centres to the business sector of industry in the implementation of research, development and innovation	x	x	x	
Very low level of innovativeness of Slovakia's economy and the level of intellectual property application	x	x	x	
Low level of knowledge creation, sources of innovations, quality and performance of innovation processes in enterprises	x	x	x	
Use of obsolete technologies in production, poor standards of physical infrastructure and lack of the enterprises' own funds required to purchase high-tech technologies and new environmental technologies and to get rid of old ecological liabilities	x	x	x	
Insufficiently developed regional innovation structure	x	x	x	
Insufficient transfer of applied research results to the business sector and poor financing of applied research from public sources and even more so from private ones	x	x	x	
Unfavourable energy and raw material structure of industry's production and a relatively insignificant role of technology innovations aimed at reducing material consumption and growth of added value	x	x	x	
Insufficient support granted to public sources designated for the preparation of small and medium-sized enterprises for the use of venture capital	x	x	x	
Insufficient links between domestic supplier capacities and FDI and between large companies and potential subcontractors from the SME sector, limited access to funds, new technologies and consulting services faced especially by SMEs, and persisting barriers preventing more rapid development of SMEs	x	x	x	
Insufficient linking of the education system to the requirements of the labour market and poor cooperation between employers and vocational schools and universities	x	x	x	
Relatively low standard of accreditation and certification with international validity, of quality management systems, intellectual property protection and the use of patents for innovative products	x	x	x	
Priority Axis "Energy Sector"	**WS**	**CS**	**ES**	**BA**
Low share and use of the technical potential of renewable energy sources (RES) in relation to the total consumption of energy sources				

Priority Axis "Tourism"	**WS**	**CS**	**ES**	**BA**
The degree of cooperation between the providers and sellers of services in tourism; quality and comprehensiveness of services provided in tourism including supplementary services of tourism and cooperation between enterprises active in tourism; the standard of marketing instruments promoting Slovakia as a tourist destination	x	x	x	

Opportunities	**Regional structure**			
Priority Axis "Innovation and Growth of Competitiveness"	**WS**	**CS**	**ES**	**BA**
Creation of environment supporting the entry of strategic investors especially from the sophisticated production area; the development of the automotive industry facilitates rapid development of research, development, innovation, ICT and other subcontracting sectors; development of new high-tech technologies and ecological technologies	x	x	x	
Improvement of the infrastructure and environment for innovation business activities in industry and services (research, development and innovation centres), better consulting and other services mainly for SMEs, increased use of industrial areas and revitalisation of so-called brownfields to facilitate the entry of new investors in existing production facilities	x	x	x	
Relatively high demand for innovations	x	x	x	
Existing network of science and research institutions, the potential of highly qualified workforce for the advancement of research and development, the potential for technical designs covered by patents, utility models and designs and a wider application of intellectual property	x	x	x	
Technical knowledge, professional skills, and a relatively skilled workforce able to adapt to manage new production and environmental technologies in sectors of industrial production	x	x	x	
Priority Axis "Energy"	**WS**	**CS**	**ES**	**BA**
Structural change in the production facilities of the energy sector, increased use of RES, reduction in the negative effect of the energy sector on the environment, reduction in energy intensity and new and more efficient techniques for obtaining and refining primary fuels	x	x	x	
Available and high-quality renewable energy sources	x	x	x	
Increased share of energy supplies from renewable sources and a decrease in the energy intensiveness of GDP generation	x	x	x	
Priority Axis "Tourism"	**WS**	**CS**	**ES**	**BA**
Great number of unused tourist attractions and establishing partnerships				
Growing demand for services and high-quality tourism products as a result of the economic growth, increased free time and globalisation				
Increased demand for new and modern programmes of tourism that can be used all year round and include accompanying programmes, spa tourism and wellness; organizing of tourism in the form of clusters	x	x	x	

Threats	**Regional structure**			
Priority Axis "Innovation and Growth of Competitiveness"	**WS**	**CS**	**ES**	**BA**
Transfer of global investment capital to territories that are more competitive than the SR, loss of comparative advantages based on low cost of labour, effect of globalisation on selected industrial sectors (textile and food industries) and economic stagnation in the EU and/or in the world	x	x	x	
Poorly effective support to innovation with respect to increasing the competitiveness of industry and services due to fragmented and rather inflexible forms of support; insufficient cooperation between the business sector and universities and research institutions in the area of innovation; poor innovation activity of enterprises	x	x	x	
Limited relative extent of funds supporting innovation from private and public sources, leading to a decrease in the competitiveness of the research and development infrastructure of SR with a negative impact on regions; poor participation of research and development institutes in international programmes	x	x	x	
Continued decline in innovation performance	x	x	x	
Priority Axis "Energy"	**WS**	**CS**	**ES**	**BA**
Great cost burden for enterprises resulting from compliance with environmental legislation,	x	x	x	

especially in the case of SMEs				
Insufficient protection of intellectual property	x	x	x	
Decommissioning of large power station capacities and possible outages in the production of electricity	x	x	x	
Priority Axis "Tourism"	**WS**	**CS**	**ES**	**BA**
Loss of competitiveness unless there is a significant improvement in the quality and structure of services in tourism including supplementary services and promotion of tourism; underrating of the human factor and of professional training of experts in the area of tourism	x	x	x	
Failure to ensure coordination and joint action of state, regional and local authorities, professional interest associations of tourism and of the private sector	x	x	x	
Insufficient protection and upkeep of the environment especially in and around tourist resorts	x	x	x	

3.8 Principal disparities and factors concerning development

Key disparities	Regional structure				Main factors concerning development	Regional structure			
Priority Axis "Innovation and Growth of Competitiveness"	**WS**	**CS**	**ES**	**BA**	**Priority Axis "Innovation and Growth of Competitiveness"**	**WS**	**CS**	**ES**	**BA**
1. Low unemployment rate with quite large regional differentiation; regional differences in the performance of industry and services	x	x	x		a. Stable macroeconomic and attractive business environment encouraging economic growth and investment (1, 2, 3, 5)	x	x	x	
2.Low level of added value generation per employee especially in the production of materials, insufficient quality and development of services and low labour productivity derived from PPP based GDP	x	x	x		b. Structural changes increasing the aggregate productivity of factors (1, 2, 5, 6)	x	x	x	
3. Insufficient availability of fixed capital in regions	x	x	x		c. Existing network of science and research institutes and the potential of a highly skilled workforce for the advancement of research, development and innovation (2, 1, 4, 6)	x	x	x	
4. Insufficient quality of the environment and relations in business, environmental protection, education, research, development and innovation	x	x	x		d. The core industrial sector of the SR (automotive industry) facilitates rapid progress in research, development, innovation, ICT and other related sectors (1, 2, 3, 5, 6)	x	x	x	
5. Insufficient demand for innovation in the business sector, poor motivation for enterprises to introduce innovation, innovation underdevelopment	x	x	x		e. Change in the structure of economy sectors towards productions with greater relative added value per unit of consumed materials and energy and per unit of paid wages (3, 5, 6, 10, 12)	x	x	x	
6. Insufficient level of information, communication, technology and innovation	x	x	x		f. Direct and indirect financial and other instruments supporting innovation (1, 2, 4, 5, 6, 13)	x	x	x	
7. Insufficient promotion and marketing on foreign markets aimed at strengthening international cooperation in the area of industry and services	x	x	x		g. Support of the building of industrial parks, innovation centres, incubators and clusters (1, 2, 4, 5, 6, 8, 13, 14)	x	x	x	
8. Insufficient consumer protection	x	x	x		h. Involvement in international innovation programmes (1, 6, 7)	x	x	x	
9. Insufficient level of accreditation and certification with international validity and insufficient protection of intellectual property					**Priority Axis "Energy"**	**WS**	**CS**	**ES**	**BA**
Priority Axis "Energy"	**WS**	**CS**	**ES**	**BA**	i. Support of the use of renewable energy sources (10, 11)	x	x	x	
10. Low aggregate use of the technical potential of renewable energy sources	x	x	x		j. Investment in the building of new and in the modernisation of existing power station capacities; use of advanced technologies and equipment increasing the efficiency of using primary sources of energy (11, 12)	x	x	x	
11. Limited non-renewable energy sources associated with low efficiency and processed by obsolete technologies	x	x	x		k. Reduction in the energy intensity of production and in the consumption of energy (11, 12)	x	x	x	
12. Low efficiency of the use of materials and energy by individual sectors of industry	x	x	x						
Priority Axis "Tourism"	**WS**	**CS**	**ES**	**BA**	**Priority Axis "Tourism"**	**WS**	**CS**	**ES**	**BA**
13. Insufficient extent of using the natural and cultural potential for tourism; poor availability of tourist infrastructure and activities offered all year long	x	x	x		l. Investment in the creation of comprehensive products of tourism (13)	x	x	x	
14. Low degree of partnership between entities active in tourism and creation of comprehensive products	x	x	x		m. Support for changing the product portfolio from goods to highly professional and creative services (1, 2, 3, 4, 5)	x	x	x	
15. Low standard of marketing instruments promoting Slovakia as a tourist destination	x	x	x		n. Existing intangible potential of tourism, development of instruments aimed at increasing the standard of comprehensive services available all year round and the infrastructure of tourism (15)	x	x	x	

4 THE STRATEGY OF THE OPERATIONAL PROGRAMME COMPETITIVENESS AND ECONOMIC GROWTH

4.1 Results of the 2004-06 programming period implementation

MoE SR is implementing, within the shortened programming period of 2004-06, the Sectoral Operational Programme Industry and Services (hereinafter only "SOP I&S"), which represents a programming document for industry and selected services (tourism and trade). The global objective of the SOP I&S is to ensure "*Growth of industry and services competitiveness*". In the framework of the priorities, the support is aimed at new production activities and development of production, trade and tourism, and at development of business services based on the use of information technologies so that the competitiveness of products and services in the market is increased through mobilisation of innovation capacities, use of knowledge from applied research and development, through rational use of human resources and development of cooperation between business entities and R&D institutions. The priorities are designed so that – through improvement of infrastructure by public sector – new industrial areas are created or the existing ones are utilised more intensively as well as that infrastructure is built at appropriate existing and new tourist locations. Individual priorities were implemented through the following measures:

Priority	**1.**	**Growth of industry and services competitiveness making use of the development of domestic growth potential**
Measure	1.1	Support for the development of new and existing businesses and services
Measure	1.2	Support for construction and reconstruction of infrastructure
Measure	1.3	Support for enterprises, innovation and applied research
Measure	1.4	Support for energy saving and use of renewable energy sources
Measure	1.5	Development of international cooperation and the image of the Slovak Republic
Priority	**2.**	**Development of tourism**
Measure	2.1	Support for the building and reconstruction of tourism infrastructure
Measure	2.2	Support of business activities in tourism
Measure	2.3	Promotion of tourism and information system creation
Measure		Technical assistance for both priorities and for feasibility studies

On the basis of the SOP I&S funds actually drawn by final beneficiaries and envisaged drawing of funds on the basis of contracted projects it can be concluded that the strategy, priorities and activities within the measures have been set appropriately and reflected the demand side of businesses and public sector. Considering the set-up of the implementation system and the total drawing of funds, the SOP I&S can be seen as successful. The balance of the SOP I&S contracting and drawing as at 30 September 2006 and an overview of SOP I&S calls are given in Annexes 4 and 5, respectively.

The evaluation of activities conducted in 2004-06 implies that to assist Slovakia's economic growth and increase of employment as well as the introduction of innovation, sustainable growth and increased competitiveness of industry and services, activities need to be supported with a focus primarily at:

- transfer of innovative technologies,

- increasing innovation activities in enterprises and broader application of R&D results in the innovation process,
- strengthening the cooperation of enterprises with research and development institutions and universities,
- improvement of infrastructure for business,
- activities related to quality management, industrial property protection and product certification.

Considering the success in implementation of measures and their activities designed within the SOP I&S 2004-06, the formulation of OP C&EG strategy for the period of 2007-13 was based on the experience from the previous period and therefore the OP C&EG follows up the strategy of the SOP I&S.

4.2 Linking the OP Competitiveness and Growth strategy with the NSRF of the Slovak Republic for the period of 2007-13. OP C&EG global objective

Aimed at ensuring economic growth in Slovakia, three strategic priorities have been proposed in the NSRF SR for the years 2007-13, which should lead during the seven years to the fulfilment of the defined **strategic goal of the NSRF SR for the years 2007-13**, the goal being to "*Significantly increase, by 2013, the competitiveness and performance of regions and of the Slovak economy while respecting sustainable development*".

The objective of the strategic priority in the NSRF SR *"Knowledge Economy"* is formulated as *"Developing the sources of sustainable economic growth and increasing the competitiveness of industry and services"*. This objective is defined by the following four specific priorities in the NSRF SR:

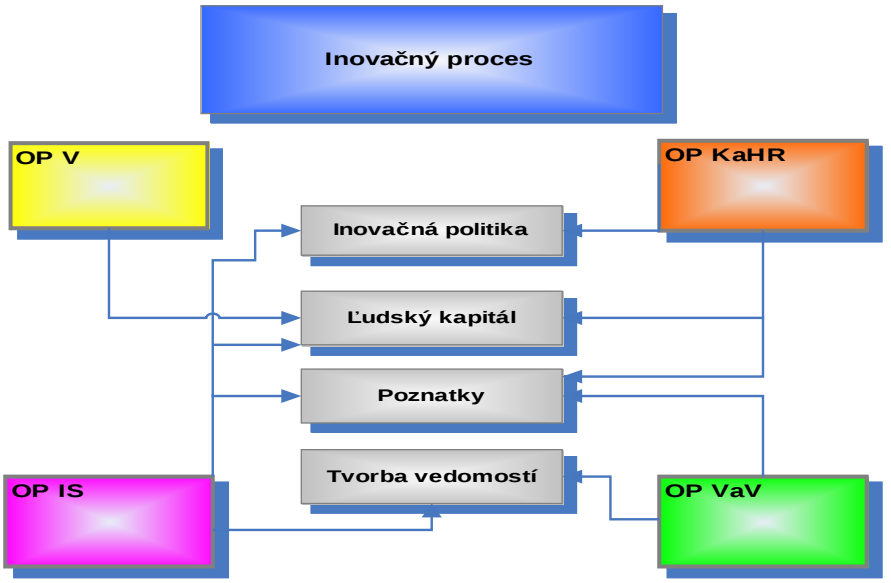
- Support for competitiveness of industry and services through innovation
- Infrastructure of higher education institutions
- Research and Development

Informatisation of society.

The strategic priority is ensured by the following operational programmes:

- Operational programme "Competitiveness and Economic Growth"
- Operational Programme "Research and Development"
- Operational programme "Informatisation of Society"
- Operational programme "Education"

Overview: Illustration of innovation-oriented operational programmes



Legend: Inovačný proces - Innovation process, OP V – OP Education, OP KaHR – OP C&EG, Inovačná politika – Innovation policy, Ľudský kapitál – Human capital, Poznatky – Knowledge, Tvorba vedomostí – Knowledge creation, OP IS – OP Informatisation of Society, OP VaV – OP Research and Development

The Ministry of Economy of the SR is the Managing Authority for the OP C&EG, which ensures the **specific priority *"Support for competitiveness of industry and services through innovation".***

OP C&EG global objective

The goal of the specific priority, which is simultaneously also **a global objective of the OP C&EG, is to "*Ensure sustainable economic growth and employment*".** To meet this goal, it is necessary to focus on supporting the activities that will ensure sustainable growth, increase in competitiveness and growth in added value and employment in industry and services.

The specific priority's strategy of development and the measures and activities defined within it are in line with the strategy of the strategic priorities of "Infrastructure and regional access" and "Human resources: employment, social inclusion and education", which are associated with the Convergence Objective. It is not possible to ensure sufficient development of industry and services including tourism unless the other individual strategies of the NSRF SR for the years 2007-13 are implemented simultaneously (e.g. ensuring interregional interconnection of transport systems, ensuring workforce flexibility by means of housing policy, organising education programmes and employment support, increasing regional ICT penetration accompanied by greater access of business to information, ensuring the availability of qualified workforce, quality healthcare, etc.). In its individual sections, the Operational Programme C&EG is directly linked to the strategy of the NSRF SR.

The global objective of the OP C&EG, is to "*Ensure sustainable economic growth and employment*" The global objective is being fulfilled by implementation of innovative and advanced technologies in the business sphere, improvement of regions' conditions and attractiveness for the development of business, strengthening the innovation potential in the regions, achieving savings of materials and energy and increasing efficiency in the use of energy sources. Increasing share in the use of secondary and renewable raw materials in industrial production and of renewable energy sources will result in reduction of differences in the technological and innovation level of the Slovak Republic

when compared with the EU 15, increased competitiveness, value added, productivity and efficiency in industry, provide for sustainable development and increased employment also in the less developed regions.

In tourism, the objective is to build comprehensive tourism centres that can be used all-year-round.

The following priority axes have been proposed to achieve the OP C&EG global objective:

Priority Axis 1 - Innovation and Growth of Competitiveness

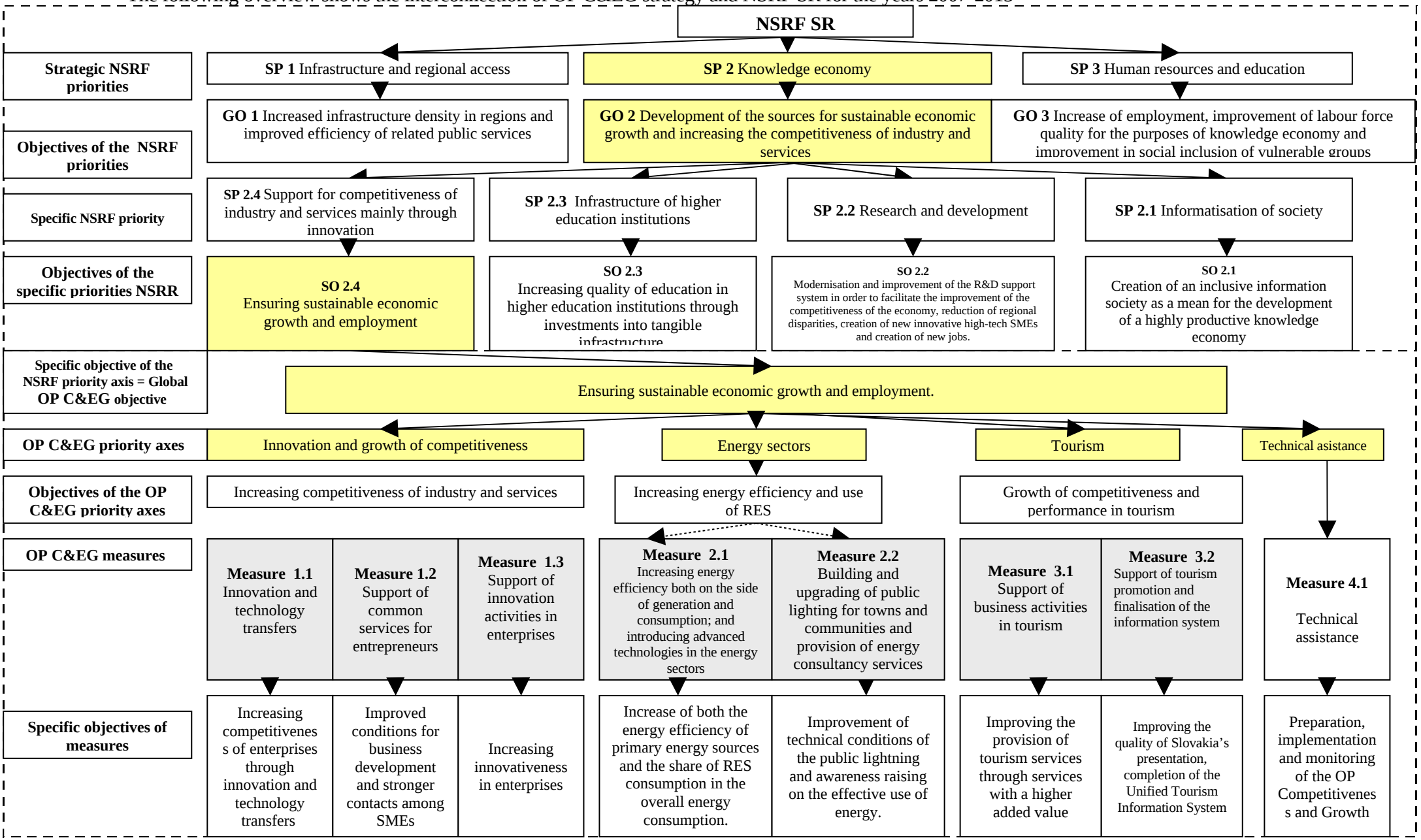
Priority Axis 2 – Energy

Priority Axis 3 - Tourism

Priority Axis 4 - Technical Assistance

The priority axes are described in greater in the chapters below.

The following overview shows the interconnection of OP C&EG strategy and NSRF SR for the years 2007-2013



4.3 Draft strategy of the OP Competitiveness and Economic Growth

The forecast concerning the development of the sectors integrated in the OP C&EG correlates with the forecast concerning the economy of SR in 2005-13, which is contained in the National Strategic Reference Framework of the Slovak Republic for the years 2007-13.

The Slovak Republic is meeting the criteria required to achieve a high rate of sustainable growth over the whole period ending in 2013, which would subsequently make it possible to catch up more rapidly with the standard of living enjoyed by more advanced countries. However, the said macroeconomic criteria are largely dependent on the success of economic policy as well as on an effective use of funds from the EU budget. Therefore, it will be necessary in the programming period 2007–13 to focus the available funds on the fulfilment of in particular those objectives that are contained in the *National Lisbon Strategy* (Human resources and education; Science, research and innovation; Information society; Business environment) and those included in the *"Convergence Programme of the Slovak Republic until 2010"*, which should have a positive effect on increasing the output and competitiveness of the Slovak economy.

The forecast of further development of the Slovak economy is based on several assumptions concerning the internal and external environment:

- successful implementation of Slovakia's economic policy intentions concerning high and stable growth as well as sustainable convergence;
- successful entry of SR in the Euro zone on 01.01.2009;
- successful implementation of EU economic policy intentions aimed at reviving growth in EU economies;
- relatively unstable development in the world prices of energy;
- increased influx of FDI to Slovakia in 2005 to 2013.

The forecast until 2013 is based on the development of internal and external conditions. The trends being presented result from the cyclical process of harmonizing fiscal, monetary and sectoral intentions and some expert estimates concerning indicators such as the effects of FDI, representing a factor accelerating the Slovak economy, on the growth of investment, employment, exports and imports in individual years. The trends are also affected by changes in enterprises' expectations, world prices and the competitiveness of the SR in the context of new external conditions. Moreover, the forecast is taking into account the intentions and procedures (reforms and policies) adopted by the government with respect to the Euro zone entry and preparation for the adoption of the Euro, i.e. aimed at ensuring the fulfilment of all Maastricht criteria in 2007 and starting the implementation of the single European currency in the Slovak Republic on 1 January 2009. In addition, the forecast takes into consideration the trends and characteristics of development assumed in the process of preparing the multi-annual budget 2005–07 and updating the *Convergence Programme of the Slovak Republic until 2010* (November 2004).

The following overview contains the forecast of Slovakia's economic development characterised by selected macroeconomic indicators covering the years 2005 to 2013:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
GDP growth rate in constant prices (in %)	4.9	8.3	8.8	6.8	5.8	5.0	4.8	4.4	4.2
Average annual rate of inflation (in %)	3.3	2.5	2.0	2.0	2.4	2.6	3.0	3.0	3.0
Labour productivity growth in constant prices (in %)	4.2	4.3	5.2	4.3	4.2	4.2	4.1	3.6	3.5
Employment growth based on SWFS* (in %)	0.8	3.8	2.6	1.6	1.0	0.8	0.7	0.7	0.6
Average rate of unemployment based on SWFS* (in %)	17.7	13.3	10.9	10.0	9.6	9.2	9.0	8.8	8.6
Real wage growth (in %)	4.1	3.9	3.7	3.7	3.5	3.5	3.4	3.4	3.2
Current account (in % of GDP)	-3.8	-4.4	-0.8	0.4	1.4	1.9	2.1	2.1	2.1
Balance of PF** budget including cost of pension reform (in % of GDP, ESA 95)	-3.7	-3.9	-3.0	-2.5	-1.6	-0.7	-0.4	-0.1	0.1
Final consumption of households (real growth in %)	5.0	4.7	4.4	4.4	4.2	4.2	4.3	4.1	3.9
Formation of gross fixed capital (real growth in %)	9.2	8.0	5.0	4.0	4.0	4.0	3.5	3.0	2.6
Influx of FDI (in % of GDP)	33.7	38.4	38.3	38.0	37.5	36.9	36.4	36.0	35.7
Balance of payments surplus or deficit (in % of GDP)	-3.9	-4.7	-1.0	0.3	1.4	2.0	2.3	2.2	2.2
GDP per capita adjusted for PPP (EU15=100)	51.3	53.0	55.2	56.7	58.0	59.3	60.6	61.8	63.0
Comparative price level (Euro zone=100)	52.2	53.0	53.9	55.1	55.9	56.4	56.8	57.0	57.2

Source: MoF SR, Eurostat, OECD, *Labour Force Survey, ** Public Finances

The overview implies the following trends in the forecasted period 2005–13:

- a relatively high GDP growth continues to be generated (from 4% to 9%), which does not cause internal or external imbalance in the economy (inflationary pressures and risks related to the current account of the balance of payments); GDP is expected to develop near the level of the potential product (equivalent to about 5% at the moment);
- growth based on qualitative changes including increases in the overall productivity factor and in the overall competitiveness mainly thanks to the effects of foreign investment; however, in spite of the envisaged growth of foreign direct investment, its dynamics will slow down;
- the growth of investments can be expected to slow down; by 2010, the year-on-year growth could range on the level of 5 to 6%;
- growth stimulated primarily by domestic demand (consumption and investment) but also by foreign demand;
- decreasing and/or low inflation rate that reflects reduction in the effects of changes in regulated prices and indirect taxes and a balanced nature of the economy's development dynamics;
- real wage growth commensurate to labour productivity growth and inflation development, causing no inflationary pressures and setting the stage for permanent growth in living standards;

- sharp improvement in the current account balance with the possibility of surpluses; the transitory growth of deficit in 2005 and 2006 will mainly reflect increased imports related to investment associated with the development of new production lines (automotive industry) as well as with amplified consumption;
- the balanced growth of the economy will be accompanied by increases in structural employment that will correspond to the creation of new jobs generated by newly established or extended production lines (expected positive effect of FDI) as well as to the degree of success enjoyed by structural reforms; additional impulses should come from EU budged funds and public investment, especially in the area of infrastructure;
- unemployment rate will be going down only gradually, reflecting the development of employment as well as that of economically active population (labour market entry of people born in years with higher birth rates accompanied by extensions of the retirement age).

The forecast presents a development of the Slovak economy that corresponds to the level of overall convergence encompassing nominal, real and structural aspects. Total domestic demand, consumption and wages are expected to grow in a balanced manner related to the development in the performance of the Slovak economy as well as to the effects of external conditions. The predicted growth of Slovakia's economy is connected with primarily positive risks that include a higher than expected effect on the GDP of launching the automotive production facilities but also a higher involvement of Slovak companies in the final production (lower import intensiveness of the production). Expected are also effects in other sectors of industrial production. An improvement of the balance of services may occur as a result of building outsourcing centres of major international companies in Slovakia. Negative risks include primarily the growth of oil prices and the related primary and secondary impacts on the growth of the price level as well as the subsequent need of a faster increase of interest rates with negative repercussions in public finances and economy's dynamics.

4.3.1 Draft strategy for competitiveness and innovation

In the innovation performance and in effective transfers of R&D results in innovation processes, Slovakia lags behind advanced states. The companies' innovation activity is low. The support for research, development and innovation in Slovakia is insufficient. The ambitious objective of the EU to use 3% of GDP for research, development and innovation purposes by 2010, of which 1/3 should come from the state budget and 2/3 from business sources, was adopted by the Slovak Republic as well. It will be difficult for Slovakia to reach this goal, which is quite stringent for the whole EU, too. For example, average total science and technology expenditures amounted in 2001 to only 1.94% of GDP in EU Member States, while they corresponded to 2.98% of GDP in Japan and 2.7% of GDP in the USA (which fulfils the objective at 60%) and the target of 3% of GDP would be reached in 2015 also using the resources of EU structural funds.

The insufficient legislation in this area, system barriers in the field of managing and financing the innovation process and insufficient protection and use of the results of such process will be reflected in the decrease of competitiveness of enterprises in industry and services.

The system of intellectual property protection is insufficient. Introduction of quality systems in accordance with EU harmonized technical standards has a significant effect on the transfer of new technologies and on production innovation, which is nonetheless expensive for SMEs in particular.

In the area of innovation, support will be focused on increasing the engagement of chiefly SMEs in research and innovation with respect to both their direct participation in research innovation projects and the actual practical implementation of research results. At the same time, we think another activity is related to this, too, which has to do with the establishment of a functioning and efficient "network" (link, cooperation) connecting the business sector to the research and academic sector, accompanied by intensified participation in science and technology cooperation (e.g. in framework programmes). Such functioning network represents the necessary prerequisite for the acceleration of the process of performance of the Lisbon Strategy targets in this field.

The Slovak Republic is unable to sufficiently finance research, development and innovation in all areas of science and technology, which is why it has to focus on those areas for which sufficient capacity exists at present and on those associated with the greatest potential of application.

To increase the penetration of innovation and innovation processes to production, activities need to be focused on:

- improvement of the business environment (prepare new instruments providing support to innovation, fiscal measures promoting investment in research and innovation by enterprises, create a fund to support a scheme of mobility between the academic and business sectors, introduce consulting services in the area of intellectual property and a system of education and training in this area, etc.);
- adoption of legislative measures (discuss and approve an Innovation Act);
- improvement of transport and information infrastructure including the modernisation of the research, development and innovation infrastructure;
- promotion of the transfer of new technologies including the introduction of new pieces of knowledge in the business sector; increase in the quality of research and development management;
- promotion of the establishment of research and development centres, the implementation of a functioning network connecting the sector of research and academia to that of business and support of international cooperation of these sectors (integration of research stations and capacities into research, development and innovation centres);
- creation of an environment promoting the development of a milieu of innovation in the area of industrial research, development, innovation, know-how, innovative products and processes, including the creation of an environment supporting a greater use of information and communication technologies;
- establishing a system of human resources education and training – lifelong education.

Industry continues to be characterised by the undercapitalisation of companies, especially SMEs, making it hard for them to carry out progressive and innovation activities and new production technologies. Industry is lagging behind in the area of the technical and technological level of production facilities, of the intensity of innovation activities carried out by enterprises and of the effective transfer of research and development results to technology,

product and service innovation. In several sectors of industry, a part of production takes place by means of physically worn-down or in some cases obsolete production equipment that requires relatively larger amounts of raw materials and energy, achieves lower production efficiency and has a negative effect on the environment. Insufficient funds are available for research, development and innovation. Moreover, research, development and innovation infrastructure is deficient. As a consequence, the business sector is dependent on importing machinery, equipment, progressive technologies, licenses and know-how.

Strategic investment should ensure a higher technology standard of industry (production processes, knowledge, skills, qualification) and increase the competitiveness of industry by introducing innovative and environmentally friendly technologies, information and communication technologies and electronic commerce. In the next period, FDI should continue to contribute to creating new jobs and developing subcontractor programmes. FDI should be directed to the development of less advanced regions and sectors with good prospects. It is necessary to support existing investors (with probable expansion possibilities), their strategic subcontractors (both foreign and domestic) and multinational companies that are expanding or considering relocation (brown-field or green-field investment projects). Support should be focused primarily on cooperation relationships between SMEs and large companies as well as on the development of managerial skills in SMEs.

The analysis of the development enjoyed so far by industry and services implies that insufficient cooperation takes place between the business sector and research, development and education institutes and universities. The analysis also demonstrates that the transfer of the R&D results into the innovation process is underdeveloped. Business infrastructure is not developed sufficiently in the area of creating incubators and in the realm of consulting services for research, development and innovation. No industrial parks with appropriate infrastructure are available for the introduction of new business activities, the entry of strategic investors or the development of innovation business. In the current period, there has been no interest in areas burdened by industrial activity (so-called brownfields), while no attention is paid to their revitalisation and subsequent use for business. SMEs, start-up enterprises and those run by self-employed individuals are restricted in their development by the lack of capital preventing innovation activity and by reduced access to new technologies, environmentally friendly technologies, industrial information, research and development results and comprehensive business-related services. The quality level of marketing is fairly low especially in the field of SMEs and, in terms of finance, the SMEs and start-up businesses have insufficient opportunity for education and training activities for the workers. In a number of regions there is no interconnection between innovation and business activity and the regional economic development and the development potential of regions is not used sufficiently.

Improving the innovation and technology standard of industry and services requires to focus support on creating business incubators for start-up businesses and enterprises run by self-employed individuals as well as for entrepreneurs with innovation potential. Establishing business innovation centres and industrial parks with infrastructure as well as the revitalisation of existing industrial areas will improve the advancement of research and development as well as the transfer of technologies especially with respect to SMEs. The development of networks will intensify cooperation between the private sector, science, technology and information centres and universities in certain branches of industry and services with respect to which the respective region has growth potential. The suitable business infrastructure should create the conditions for the boost of technological and product

innovation in the business sector, support the establishment of new, technologically-focused businesses, make access to the services for the existing and new companies, especially SMEs, and improve their quality.

Supporting the presentation and participation of entrepreneurs in subcontractor exhibitions, international trade missions and conferences will lead to an increased engagement of enterprises in international cooperation.

From the regional point of view, the support directed to enterprises that will increase their innovation potential, to the establishment of business innovation centres and technology and industrial parks, revitalisation of industrial areas for new business activities and other activities will be based on the utilisation of the production, technology and human potential of the regions and the direction of development experienced by sectors of industry and services.

To ensure sustainable growth and increasing competitiveness of industry, it is necessary to focus activities on:

- increasing innovation of technologies and products in industry;
- introduction of new production technologies;
- broader application of information and communication technologies;
- improving the cooperation of business entities with research and development institutions and universities to speed up the transfer of results and know-how to the practice;
- establishing research, innovation and technology centres, innovation associations and networks (especially for SMEs in order to increase their access to new technologies, support their innovation abilities, enhance access to patent protection and promote the introduction of quality management systems and certification);
- increasing the qualifications of the workforce and the use of new pieces of knowledge in companies to encourage the development of the sectors with the highest growth potential and the use of new technologies in industry;
- developing applied research and development especially in the area of new materials, new products involving high levels of added value, environmental technologies, clean energy generation technologies, biotechnologies and nanotechnologies;
- production programmes aimed at reducing the material and energy intensity of industry and at mitigating and eliminating negative effects of industry on the environment and the quality of human life;
- technology intensive production lines and new materials including those that involve greater levels of added value in the processing of domestic raw materials including recycled and renewable raw materials;
- providing infrastructure for business;
- preparation of industrial sites and parks for investment activities particularly by utilising “brownfields”;
- improving the image of Slovakia abroad.

As for SMEs, it is necessary to focus support in the next period on:

- the development and establishment of SMEs by means of access to investment sources;

- developing the business skills of SMEs (education, permanent professional training, consulting, availability of information, exchange of best practice examples);
- improving the access of SMEs to EU single internal market also through the use of certification of product conformity with the European standard;
- enhancing the technology capacities of SMEs (programmes promoting access to technologies, cooperation between SMEs, innovation abilities, introduction of quality management systems, certification, promotion of patent protection, etc.);

To increase the penetration of research, development and innovation in regional development, it is necessary:

- to intensify the involvement of universities' and higher education institutions' workplaces in preparation and implementation of projects as a part of the Regional Innovation Strategy; to support their cooperation with industrial R&D workplaces.
- to support the increase of the number of R&D workers with higher qualification (especially in the business sector) using the resources from the EU funds (ESF);
- to regulate the growth of employment in any particular region through the increase of the number of R&D workers, so that the regions approximated the Slovakia's average in the number of R&D workers per 1 000 workers;
- to reduce the degree of obsolescence of R&D technical infrastructure facilities using the EU funds.

The industries decisive for the growth of Slovakia's economy will include automotive industry. By 2010, the share of the automotive industry in the total output of Slovakia's industry will increase significantly. This sector will create more than 20 000 new jobs. A sales crisis is not expected to affect all of the automotive production segments in Slovakia simultaneously. There is, of course, the risk that these production lines will be moved to less expensive territories, but it does not concern the next 15 to 20 years. Automotive production requires logistic backing which can be created for investors in Slovakia. Some other key advantages of Slovakia include its geographical proximity to the key car markets, long tradition of industrial production and workforce availability.

The development of automotive industry creates opportunities for additional new domestic subcontractors especially in the area of machine industry and the sectors of electrical engineering, furniture, textiles and clothing. There will be a strengthening in the bonds existing between the automotive industry and the sectors of metallurgy and production of goods made of rubber and plastics. Participation of enterprises in global supplier networks will have effects of synergy and multiplication. The automotive industry will contribute to the general restructuring of related sectors of industrial production, initiating qualitative changes in the Slovak economy.

The following factors represent the basis for the development of the automotive industry:

- restructuring of industry aimed at strong growth sectors subcontracted by the automotive industry, products with high added value and the application of new technologies (machine industry and chemical industry in particular);
- development of human resources;
- establishment of industrial and research and development centres focusing on the automotive industry;
- introduction of the most advanced technologies;
- completion of infrastructure, especially of technical infrastructure;
- preparation of regional development strategies and integration of the regional industrial potential into the production of cars;
- completion of energy sector facilities aimed at meeting the needs of the automotive industry;
- development of new communication technologies and expansion of communication networks;
- development of industrial parks and industrial zones.

4.3.2 Draft strategy for services

The development of trade activities will be mainly affected by the dynamics of the overall economic development, trends in private and public consumption and the development of the price level. Trade will continue to develop in the direction of globalisation and concentration of processes, services and trading units. Distribution and logistic systems will gain a competitive advantage in the area of cost reduction.

Large companies of various structures and their chains will continue to increase their dominance. SMEs will keep the sales of specialised products and services and the flexible satisfying of local and occasional demand for new and local products. To strengthen their financial position, small retail companies are also required to form voluntary or franchising cooperation structures based on central purchasing, marketing and sales promotion activities.

After it becomes saturated, a significant role will be accorded to improving the quality of services and supplementary services. The development of customer relations management will be the most important factor of the advancement of trade, which will result in transferring the weight of investment from tangible assets and furnishings to intangible assets associated with human resources and technology.

Specialisation represents an opportunity for small and medium-sized enterprises active in trade and services to survive the risks associated with the expansion of large-capacity trading outfits and to gain and maintain economically viable positions. Regional specialisation of small and medium-sized enterprises provides a relatively extensive range of opportunities for trading companies to serve rural areas, i.e. to supply goods and/or provide services to consumers in regions separated by geographical or transit constraints from areas saturated by wholesale activities.

The increase of competitiveness of the sector of trade, hotels and restaurants in the period 2007-13 is conditional upon implementation of activities to be financed using state budget funds focusing on:

- improving the qualification of workforce in trade by supporting the organisation of training courses concerning the use of advanced techniques of information and communication technology management and the application of quality standards and by improving the professional, social and linguistic skills of the sales staff working with business partners and buyers;
- intensifying and simplifying electronic communication with state administration authorities, other institutions and business entities;
- innovation of technology and operating equipment, especially in the case of SMEs, and the use of marketing and logistics;
- enhancing Slovak products' image at international markets, exhibitions and fairs;
- directing effective support to the development and completion of the system of metrological inspection and calibration of measuring equipment in the area of production and services.

The strategy of consumer protection must comply with the standards and principles of consumer policy. It will focus on the protection of industrial production, environmental protection in relation to sustainable development, etc.

Consumer protection is characterized by problems related to the handling of individual consumer complaints and to the enforceability of consumer rights.

It is a strategic objective of the SR to adopt the euro by 2009. To minimise the negative impacts on citizens, this objective is closely linked to ensuring consumer protection.

4.3.3 Draft strategy for energy sector

Reducing the energy intensity of the Slovak economy represents one of the main goals of the Energy Policy of SR. As industry represents the largest consumer of electricity from the point of view of energy intensity, it is necessary that the activities aimed at reducing the energy intensity of the Slovak economy be focused primarily on lowering the energy intensity of industry and services by using energy more efficiently and by handling matters of energy security, which will contribute to enhancing the competitiveness of industry and to meeting the requirements of new environmental and energy legislation.

The fulfilment of the requirements has to do primarily with equipping the existing production facilities with advanced technologies associated with minimum material and energy intensity as well as with achieving efficiency in the extraction, treatment and processing of energy sources and raw materials and in the generation, transformation, distribution and final use of energy. The benefits will come in the form of reduced consumption of primary fuels, lower cost of energy generation, increase in the extent of support services, reduction in negative environmental impacts of energy generation and improvement of operating flexibility. The potential savings of energy are mainly related to savings in technological processes, in the management of energy flows and in reducing the heat losses of buildings.

As for reducing the energy intensity, the overall direction being considered is to support projects aimed at saving energy by means of:

- replacing obsolete technologies that involve high raw material and energy intensity, by industry standards, with new, for example BAT technologies that enjoy lower raw material and energy intensity and are environmentally friendly;
- reconstructing and modernising existing sources based on fossil fuels (by increasing the efficiency of facilities, increasing the annual degree of utilisation, reducing the facilities' own consumption of energy and energy carriers, etc.);
- reconstructing existing systems of distribution of energy and energy carriers (by improving the insulation of pipelines, renewing energy media distribution systems, introducing systems that monitor leakage of energy carriers, reconstructing heat exchanger stations, etc.);
- reconstructing buildings with a view to improving their thermal and technical characteristics;
- introducing measurement and regulation systems aimed at reducing energy consumption;
- reconstructing existing energy intensive technologies or replacing them with new ones that are less energy intensive;
- upgrading the public lighting in towns and municipalities which is significantly obsolete and expensive in terms of energy costs.

Another important area is associated with the development of the use of renewable energy sources ("RES"). This area boasts a sufficiently significant potential. The high, 90% dependency of Slovakia on imports of primary energy sources and Slovakia's international commitments in the field of climatic changes make the issue of efficient use of renewable energy sources a very urgent topic. This urgency became significantly more pressing as Slovakia joined the European Community and thus started to participate in ensuring the fulfilment of EU goals in the area of energy.

Previous stages of handling the development of RES underlined the complexity and in some cases even the conflicting nature of the use of renewable energy sources. This complex and demanding character requires that such programme be implemented with the backing of an extensive research and development support. Only the participation of the research and development sector, which is linked to foreign centres as well, can guarantee the involvement of domestic potential in the implementation of objectives related to the use of RES, enabling the programme to contribute to reducing unemployment and today's disproportionate environmental burden.

Biomass has the greatest RES usability potential (as much as 59.3% of all RES), followed by solar energy (16.7%), geothermal energy (11.2%), major hydroelectric power stations (9.9%), small hydroelectric power stations (1.8%), and wind energy (1.1%).

Therefore it is being proposed to increase the proportion of RES in relation to the total energy generated by means of building technical facilities that use biomass and by constructing small hydroelectric power stations and other alternative energy sources.

In spite of a positive development in the impact of industry on the environment, the deficit of industry's ecological efficiency is still significant, especially in relation to the situation in more advanced countries. The development of industry and services should go in

the direction of economic growth, sustainable development of the regions and sustainable development of industry, while ensuring environmental protection.

It will be financially difficult for industrial enterprises to maintain sustainable development because it will be necessary for them to invest not only in production technology, research and development but also in ecological programmes entailed by compliance with the conditions of EU harmonized Slovak legislation related to the environment. The sectors of industry are primarily affected by compliance of the act concerning integrated pollution prevention and control transposing - Council Directive 96/61/ EC of 24 September 1996 concerning integrated pollution prevention and control (transition period must not exceed 31 December 2011), other EC directives (2000/80, 2000/81, 94/63, 99/13, etc.) and the Regulation of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals "REACH".

In environmental protection, development activities should be directed to:

- implementing ecological innovation;
- implementing saving programmes aimed at reducing material and energy intensity of industry;
- introducing low-emission, low-waste and energy conserving technologies (introducing environmentally friendly production technologies) that will ensure reduction of pollutant emissions and minimising waste generation;
- supporting enterprises, especially SMEs, in the practical implementation of the REACH Regulation.

It is necessary to pay attention to eliminating old environmental liabilities and to revitalising the brownfields, i.e. those being used in an ineffective and insufficient manner. The strategy and support will focus on making regions more attractive for investors (renewal of buildings, industrial areas, etc.), utilizing currently unused industrial areas for new business activities, setting up industrial parks and organising ecological audits followed by the elimination of old burdens associated with specific revitalisation projects resulting in further industrial use.

In terms of the environment, a significant trend has primarily to do with increasing the relative use of environmentally more acceptable fuels and renewable sources in the production of electricity and/or heat by changing the fuel structure of energy sources towards more low-emission and renewable sources of energy. Due to atmospheric conditions, wind power does not represent a significant source of energy for SR. The source having the greatest usability potential is represented by biomass, followed by hydroelectric power stations, geothermal energy, solar energy, and wind energy.

To reduce greenhouse gas emissions in industry, it is necessary to support activities that will contribute to a reduction of industry's energy intensity and projects aimed at energy production from renewable sources. The activities will result also in reducing greenhouse gas emissions and compliance with more stringent greenhouse gas emission reduction targets within the framework of international commitments.

The activities proposed on the level of individual OP C&EG measures contribute to the improvement of environmental indicators. On the level of projects, the project evaluation

will require environmental impact assessment in accordance with Act No. 24/2006 on Environmental Impact Assessment amending and supplementing certain laws.

4.3.4 Draft strategy for tourism

Every country is characterised by different climatic, geographic and natural conditions that affect the availability of tourist attractions. With respect to its geographic position, Slovakia has always been an important crossroads of trade and cultures. In a relatively small territory, it has a preserved natural potential with diverse species with the possibility of being used throughout the year. The potential of tourism in Slovakia covers nearly all forms and types of tourism. Therefore Slovakia decided to use this potential and change the way of supporting tourism.

In the previous programming period 2004-06, support was focused on building new tourist facilities, reconstructing and modernising existing tourist facilities and on reconstructing and modernising cultural, historical and natural formations for tourist purposes within the territory of SR. Support was granted by means of state aid schemes from which the private sector was able to receive a contribution promoting the development of tourism provided that state aid criteria were complied with.

This aid primarily managed to build or reconstruct accommodation facilities, catering facilities, sites of cultural and historical heritage or natural potential used for tourism, spa centres and multifunctional facilities and facilities presenting cultural activities. However, it was forgotten to connect these entities to each other and to focus on making the offered services more comprehensive, which was demonstrated by analysis, too. Many hotels and restaurants are now available and in good shape, but only 30% of their capacity is used. In addition, they do not offer comprehensive service packages good for the different types of weather associated with individual seasons of the year.

For the future, the pivotal areas of Slovak tourism will continue to be cultural and sightseeing tourism; spa and health tourism, winter tourism; and summer mountain, water, and rural tourism. **The support should be channelled into comprehensive tourism services that can be used and sold all-year-round, which would come about by means of new innovative services with a greater added value.**

It is necessary to support comprehensive investment projects of tourist centres as well as the regions with the greatest potential for the development of tourism. In tourism, it appears to be a necessity to build comprehensive tourism centres that can be used all-year-round. Examples include the use of mineral and geothermal springs for the development of summer and winter tourism providing comprehensive customer services and the establishment of recreational centres offering opportunities of cultural and sightseeing tours including the sale of Slovak products. As a consequence, it is necessary to focus the overall marketing strategy of Slovakia’s tourism towards using the cultural potential of the regions, drafting the principles of utilising the cultural and natural potential of Slovakia in tourism and providing domestic and foreign tourists permanently with activities available all-year-round. When processing marketing studies for individual tourist resorts and regions, it is necessary to pay attention especially to areas representing the attractions and greatest strengths of the resort’s or region’s tourist potential.

In the EU, the customs, art, architecture, history, folklore and gastronomy are elements that must play a very important role in appropriate policy of tourism. To increase the competitiveness of Slovakia in comparison to the neighbouring countries, it is important to identify the key national products of tourism that each visitor will remember with respect to his or her stay in the country. In this respect, it is equally necessary to support the state promotion of Slovakia as a tourist destination by means of the Slovak Tourist Board ("STB"). The Higher Territorial Units should also support such promotion by participating in international trade fairs and exhibitions organised in the area of tourism. In addition, one should coordinate the work on establishing a unified national tourist information system that will contribute to forming the image of Slovakia abroad.

In tourism, a project of innovation business activities is being prepared. The aim of the project is to develop innovative forms of business activities which would be established in the Higher Territorial Units to operate during the whole programming period 2007–13, which will ensure continuous preparation and implementation of projects in tourism.

The establishment of such centres can substantially revive the regions and ensure their development. The current criteria requiring facilities to operate all-year-round (e.g. skiing in winter, hiking paths, cycling tracks and optional trips in summer; construction of wellness and spa centres offering services all-year-round, etc.) can lead to profitability, sustainability, employment, competitiveness and regional revival.

In the efforts aimed at ensuring regional development, the use of natural and cultural heritage and the use of existing facilities and activities in the development of tourism, it is necessary for the Higher Territorial Units, cities, towns and municipalities, in cooperation with tourist associations and enterprises, to focus on expanding the product portfolio especially in the area of sightseeing tours and those including accommodation.

For example, the area of sightseeing tours may be enriched by the introduction of sightseeing products of tourism such as the gothic path, UNESCO heritage sites, castles and manor houses, caves, wine road, etc.

As for tours including accommodation, it is appropriate to make tourist stays more attractive by offering half-day or whole-day sightseeing trips aimed at filling the clients' spare time (e.g. for clients staying in hotels or spa centres in bad weather, etc.), which can be done, for example, in the form of folk art craft presentations including sale (e.g. sale of ceramics, glass, porcelain, embroideries, art craft products, etc.).

Significant attention should be also paid to the support of activities aimed at the improvement of technical conditions of cultural sights used for the development of tourism as well as their subsequent renovation to provide high quality accommodation services. With respect to the gradual development of golf in Slovakia, it is ideal to make a link between these sporting activities and the transformation of unused or decrepit historical buildings into hotels providing services of a high standard to demanding guests. In addition, we should motivate enterprises to introduce products and new attractions and to develop supplementary services to fill the spare time of holiday makers.

Activities of the tourism development in Slovakia shall include also local services and will be aimed at:

- improving the structure of visitors by increasing the quality of the services provided;

- creating sightseeing tours that last several days and focus on a specific theme;
- defining optional trips that always involve the sale of Slovak products;
- creating clusters/associations for entrepreneurs;
- organising education aimed at creating instruments of innovation;
- establishing information centres;
- ensuring increased presentation of tourism in international and domestic trade fairs and exhibitions;
- developing the information services of tourism, etc.

Within the OP C&EG, Priority Axis 3 "Tourism", Measure 3.1, "Support of business activities in tourism" will support the private sector and associations of legal persons (at least three participants to come from predominantly private sector, as required by law), while the public sector will be supported by Measure 5.1 "Support and reconstruction of the infrastructure of tourism" of Priority Axis 5 "Infrastructure of tourism" of the Regional Operational Programme. A synergic effect will also be achieved by means of the development and construction of Slovakia's infrastructure covered by the Operational Programme "Transport" (Managing Authority of which is the Ministry of Transport, Posts and Telecommunications of the SR), which represents a fundamental prerequisite for the development of any sector. The development and construction of infrastructure will be accompanied, in a complementary manner by the use of Measure 3.1 in supporting the building of micro-infrastructure associated with tourist resorts.

It is important to increase the transparency of the responsibilities and powers of the individual levels of administration existing in the various relevant areas (town, municipality, region, Higher Territorial Unit, resort) with respect to the management of tourism. In addition, it is imperative that comprehensive strategies be adopted by all levels of tourism administration with respect to the development of tourism. Moreover, it is necessary that the self-governing and other regions start to systematically prepare strategic and development documents aimed at advancing tourism in the regions. If the defined tasks are carried out, it is possible to expect an increase in the income from active foreign tourism from 2.6%[24] of GDP in 2005 to 4.0% in 2013.

4.3.5 Draft strategy for indirect state aid

In order to achieve the global objective under the OP C&EG it is necessary to set as simple as possible implementation tools for the aid beneficiaries, which promote fastest possible economic growth. In this context, the following two aid state aid instruments may *inter alia* be considered, which may be combined in mutual synergy and complementarity:

- state aid – direct;
- state aid – indirect.

One of the prospective forms of the use of structural funds is the utilisation of so-called innovative forms of funding. Article 36 of the General Regulation for ERDF, ESF and the Cohesion fund mentions participation by the European Investment Bank (EIB) and the European Investment Fund (EIF) and refers to the financial engineering and lays down

[24] preliminary information

legislative framework for the operation of new EC initiatives, JEREMIE and JESSICA. With regard to the financial engineering, the Finance Ministry prepared a Proposal of Innovative Financial Instruments for the National Strategic Reference Framework 2007 – 2013 (stage I and II), approved by Government resolution No. 921 of 23 November 2005 and resolution No. 836 of 8 October 2006. The following forms of indirect aid are proposed:

- guarantee schemes for SME loans;
- support schemes for start-up businesses;
- soft loans;
- technical assistance for the development of PPP projects.

Given the nature of the Operational Programme Competitiveness and Economic Growth, the JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative appears most suitable. This joint initiative of the Commission, EIB, EIF and EBRD concentrates facilitating the access by small and medium enterprises to financial resources, in particular in the field of science and research, support to meeting the Lisbon strategy objectives and promotion of technology transfers and innovation.

The state aid in the context of EU's and Slovakia's strategic documents under which the OP C&EG was developed and approved by the Slovak Government in December 2006 represents an implementation tool for the accomplishment of the set objective which will be the result of the operational programme implementation. A clear objective under the OP C&EG is to improve competitiveness of national economy, while eliminating regional disparities and increasing employment. This objective is included in the EU's basic strategic document – the Lisbon Strategy on which national strategies build (see the "Underlying Strategic Documents" section of the OP C&EG).

In the light of the Commission regulations, the managing authorities are competent to freely decide on the forms of state aid in order to accomplish national objectives aiming towards the attainment of the common goal set under the revised Lisbon Strategy, i.e. to improve the competitiveness of the EU as a whole, driven by improved competitiveness of its Member States. When opting either for a direct or indirect form of state aid, the Member States assume responsibility for the accomplishment of the aforementioned goal.

In the light of the above facts, the Economy Ministry in its capacity as the Managing Authority for the OP C&EG took a very serious approach to choosing the form of state aid as an implementation tool of the operational programme. The following was taking into account:

- experience with the implementation of the EU pre-accession funds in the area of indirect state aid;
- present status of supporting instruments in the Slovak business environment;
- the Commission's main requirements.

The MoE SR plans to use the innovative financial instruments (IFIs) in the 2007 – 2013 programming period to support activities horizontally within individual priority axes.

The Slovak state budgetary funds will also be used for the establishment of funds to finance IFIs and venture capital during the 2007 – 2013 programming period.

The use of indirect financial instruments in financial engineering in the form of a capital entry to an undertaking through a purpose-built holding venture capital fund and co-funding provided by financial intermediaries requires a change in the mindset of the Slovak business community. As shown by previous experience, the business community may mainly be influenced through awareness-raising and information campaigns, which, however, is a long-term process spanning over several years. The provision of small loans to the individuals who were denied access to loans through usual banking channels is expected to give these people a chance to obtain funds necessary for the implementation of their business plans and for their self-employment.

Under the Operational Programme C&EG, the MoE SR will earmark under individual priority axes an indicative financial allocation of EUR 25 million from the ERDF for the 2007 – 2013 programming period in order to promote financial engineering. Financial engineering is included in the OP's horizontal priorities particularly in the form of guarantee schemes, soft loan schemes for SME and the support scheme for start-up businesses.

4.4 Indicators

The performance of the global and specific objectives of the OP C&EG is to be assessed by means of a system of measurable indicators, which enable monitoring of the programme and priority implementation through individual measures and, subsequently to assess the programme performance with reference to the defined objectives. The indicators for the purposes of monitoring and evaluation on the level of the operational programme and its priorities enable quantifying the set objectives.

This involves indicators serving the evaluation of the support's effects for the entire OP C&EG and its priorities and measures, which enables expressing the extent of fulfilment of the objectives set.

The indicators used to evaluate specific objectives and the achievement of the global objective of the OP C&EG have been selected to link up to data processed by the Statistical Office of the Slovak Republic. When defining the indicators, predicted indicators were used characterising the development of sectors. A brief summary of these is given in the analytical part. The evaluation of the expected impacts, results and outputs will be completed with sources from the Implementation Agencies and from the Monitoring System established in the framework of the OP C&EG Managing Authority at the MoE SR, which is based on an indicative method of the evaluation of outputs, results and impacts on the level of specific objectives, priorities and measures. This will provide evaluation of the effectiveness of ERDF funds use and of their impacts.

The indicators for the purposes of monitoring on the level of priorities reflect specific objectives of the OP C&EG with reference to the defined areas of programme interventions. To monitor these, the programme manuals will include specifications of information sources or, as the case may be, the method of information collection on the level of the relevant support programme. Their structure in the monitoring system in the OP C&EG on the level of measures comprises the groups mentioned below.

- **input indicators** - quantify the resources provided to ensure processes leading to

the achievement of the specified objectives; the inputs nearly exclusively comprise funds, therefore the method of recording these indicators is obvious, it is defined by accounting and related regulations and it is not further developed in the system of monitoring indicators;

- **output indicators** - express the specific outputs on the level of individual projects and actions; these are formulated by the applicants in accordance with the substantive

Table 1 – Context Indicators

Programme level	Indicator	Indicator definition	Unit of measurement	Initial value		Target value	Source – organisation name	Source – web address
				year	value	year 2013		
OP								
Competitiveness and Economic Growth								
	GDP real growth	context	%	2007	6,4	4,3	SO SR	**www.statistics.sk**
	Avg. employment growth, according to SELF	context	%	2007	1	0,7	SO SR	**www.statistics.sk**
	Gross domestic fixed-capital formation (real growth)	context	%	2007	11,5	2,6	SO SR	**www.statistics.sk**
	Economy's energy intensity	context	kgoe/1000 €	2007	854,3	663,43	SO SR	**www.statistics.sk**
	Percentage of RES in gross electric energy consumption	context	%	2007	14,4	19	SO SR	**www.statistics.sk**
	Summary innovation index (EIS)	context	ranking	2007	0,17	0,21	EUROSTAT	
	SMEs implementing own innovations (% of total)	context	%	2007	15,7	18,6	SO SR	**www.statistics.sk**
	Total investment in venture capital	context	% GDP	2007	0,006	0,018	SO SR	**www.statistics.sk**
	High-tech product export	% in total export	%	2007	3,4	6,2	SO SR	**www.statistics.sk**
	Total number of tourists (visitors using accommodation services)	context	count	2007	1 498 000	SKK 1 710 000	SO SR	**www.statistics.sk**
	Foreign tourism balance	context	SKK billion	2007	11,3	16,86	SO SR	**www.statistics.sk**

focus of the projects and the objectives set under the OP C&EG. For the purposes of monitoring on the level of measures, the indicators will be listed under individual measures in the Programme Manual. They are defined so as to enable aggregation within indicators from the measure level to the priority and programme level;

- **result indicators** - enable assessment of the level of achieving the summary quantitative objectives on the measure and support programme level;
- **impact (effect) indicators** - enable general assessment of how appropriately the individual priorities and measures were defined concerning the operational programme as a whole, links to NSRF SR strategic objectives and the intervention categories in the structure according to the Commission.

Context indicators on the global objective level

The global objective of the OP C&EG is quantified by means of the following indicators

Table: Indicators on the level of the global objective of the OP C&EG

Indicator	Type	Measurement unit	Initial value	Intermediate-term value	Target value	Source
			SR			
			2007	2010	2013	
Number of jobs created	Impact Core	Count	1134	7580	13264	ITMS, SO
Increase of added value	Impact Core	%	103.5	105.5	105.8	ITMS, SO SR
Increase in revenues	Result Core	%	104.5	108.7	109.6	ITMS, SO SR
Innovation expenditures	Result Core	SKK million	5	71	124	ITMS, SO SR
Number of comprehensive tourism centres supported	Result	Count	0	4	7	ITMS

The performance of the objectives under the priority axes is to be assessed by means of a system of measurable indicators, which enable the monitoring of the implementation of the priority axes through individual measures and, subsequently to assess the programme performance with reference to the defined objectives. The indicators for the purposes of monitoring and evaluation on the priority axis level enable quantifying the set objectives in the ITMS system.

Table: Indicators at the level of Priority Axis 1 *Innovation and growth of competitiveness* of the OP C&EG

Indicator	Type	Measurement unit	Initial value 2007	Intermediate-term value 2010	Target value 2013	Source
Number of jobs created	Impact Core	Count	976	4 598	8 427	ITMS, SO SR
Increase of added value	Impact Core	%	103,5	105,5	105,8	ITMS, SO SR
Increase in revenues	Result Core	%	104,5	108,7	109,6	ITMS, SO SR
Innovation expenditures	Result Core	SKK million	5	71	124	ITMS, SO SR
Number of supported innovation projects	Output	Count	40	75	106	ITMS,
Number of supported projects	Output Core	Count	305	438	649	ITMS
Number of supported SMEs	Output	Count	183	263	340	ITMS,
Number of industrial parks supported	Output	Count	11	20	34	ITMS

Table: Indicators at the level of Priority Axis 2 *Energy* of the OP C&EG

Indicator	Type	Measure ment	Initial value	Interme diate-	Target	Source

		unit	2007	term value 2010	value 2013	
Number of jobs created	Impact Core	Count	102	502	923	ITMS, SO
Increase of added value	Impact Core	%	103,5	105,5	105,8	ITMS, SO SR
Increase in revenues	Result Core	%	104,5	108,7	109,6	ITMS, SO SR
Energy savings	Result	GJ/year	$900x10^3$	$1350x10^3$	$1800x10^3$	ITMS
Increase in installed capacity of an RES-using facility	Output Core	MW	5	30	75	ITMS
Thermally insulated surface	Output	m2	1 000	3 000	5 000	ITMS
Number of supported projects	Output Core	Count	155	188	278	ITMS

Table: Indicators at the level of Priority Axis 3 *Tourism* of the OP C&EG

Indicator	Type	Measurement unit	Initial value 2007	Intermediate-term value 2010	Target value 2013	Source
Number of jobs created	Impact Core	Count	56	479	913	ITMS, SO
Increase of added value	Impact Core	%	103,5	105,5	105,8	ITMS, SO SR
Increase in revenues	Result Core	%	104,5	108,7	109,6	ITMS, SO SR
Number of comprehensive tourism centres supported	Result	Count	0	4	9	ITMS
Number of created tourism products	Output	Count	2	16	32	ITMS

Table: Indicators at the level of Priority Axis 4 *Technical assistance* of the OP C&EG

Indicator	Type	Measurement unit	Initial value 2007	Intermediate-term value 2010	Target value 2013	Source

Number of applications administered by MA/IBMA for TA	Result	Count	60	110	160	ITMS
Number of publications issued to inform the public	Output	Count	2	5	8	ITMS
Number of employees paid under the TA	Output	Count	130	160	200	ITMS

5 PRIORITY AXES OF THE OP "COMPETITIVENESS AND ECONOMIC GROWTH"

5.1 Priority Axis 1 – Innovation and Growth of Competitiveness

5.1.1 The objective and focus of the priority axis

Priority Axis 1, *"Innovation and Growth of Competitiveness"*, represents the basis of the OP C&EG in the field of industry, innovation and other selected services.

The fulfilment of the objective of Priority Axis 1, ***"Increasing competitiveness of industry and services through innovation"***, requires a focus on the support of activities that will ensure sustainable development, increasing competitiveness, growth of added value and employment in industry and services sectors.

The strategy and draft of the OP C&EG priority axis "Innovation and growth of competitiveness" for the 2007 - 2013 programming period builds on the existing development and the forecast of the Slovak economy for 2005 – 2015 and is based on the results of a SWOT analysis, identified disparities and development factors and reflects the principle of thematic and territorial concentration of interventions defined in the NSRF SR. It is focused on increasing competitiveness and ensuring sustainable growth of the sectors included under the OP C&EG such as industry (manufacturing), innovation and selected services (SMEs, the environment, trade and consumer protection).

Individual regions fail to fully exploit their innovation and research & development potential, which could become one of the main pillars of their development. Under the OP C&EG, innovation activities should be implemented primarily in innovation growth poles. In innovation growth poles, conditions will be created for the formation and development of the most significant sources of growth built on the use of knowledge, on the growth of effectiveness and on the efficiency of the most important economic and social processes influencing the development in the rest of Slovakia's territory. Other cohesion-focused projects should be implemented primarily in cohesion growth poles.

One of the reasons of low innovation activity in Slovakia's regions is the incomplete support structure for innovations in growth poles. The causes of this situation include, inter alia, the privatisation of state-owned enterprises and research institutes that ceased to exist after some time. Other causes include the loss of markets and the subsequent lack of regional innovation strategy, the lack of funds for its establishment and the orientation of regional development based primarily on low cost labour, cheap material and energy inputs and on incentives for foreign investors.

Another reason for the enterprises being less keen to introduce innovation into practice is the lack of information and necessary services as well as the lack of adequate infrastructure. Interventions will therefore be focused on the build-up of material and logistic infrastructure for innovative business activities as well as on the provision of appropriate services. The supported activities will include those aimed at developing the cooperation of enterprises with research and development organisations and universities through networking, and on supporting research and development in enterprises, particularly in SMEs, to increase their innovation activities. The support is also focused on activities connected with industrial

property protection, development of design, standardisation, accreditation but also in quality and on activities related to consumer protection.

Innovation activities in enterprises will also focus on new technology transfer projects, and process and product innovation in enterprises. Attention should also be paid to activities which will facilitate the adaptation, particularly by SMEs, to new EU regulations (such as REACH) through partially compensating for increased financial requirements, eliminating thus the threat of their liquidation or decline in their competitiveness. The support provided will enable improving the financial stability of companies involved in product, technology and service innovation. Technology innovation will also partly address the industry's energy intensity. Compared to the EU, Slovakia struggles with an outmoded technology base, limited access to new progressive technologies, including poorer availability of metering and regulation systems, as well as the lack of consultancy services on available options and benefits (economic, energy, environmental and social).

What is extremely important is the support for the introduction of ICT, which contribute to economic growth through leveraging the existing growth factors.

The objective of the regional innovation structure is to support regional activities that will lead to improved competitiveness of the region's business sector through innovation.

From the viewpoint of innovation processes, each region is unique and therefore the composition of the support innovation structures varies. The objective is to carry out structural changes which will help build support systems that are efficient and sustainable, or capable of further development.

The concept is based on the following actions:

- establish a regional support structure to initiate activities leading to individual innovation projects. The support structure should gradually develop in a way so as to comply with the changing conditions for regional innovation projects in the 2007 – 2013 period;
- create an environment and conditions for the formation and development of individual innovation projects by entrepreneurs, SMEs in particular;
- ensure innovation-based development of industry and services sectors.

Based on the thematic and territorial concentration, the OP C&EG interventions implemented in innovation and cohesion growth poles and activity support will apply generally to the entire territory of Convergence Objective.

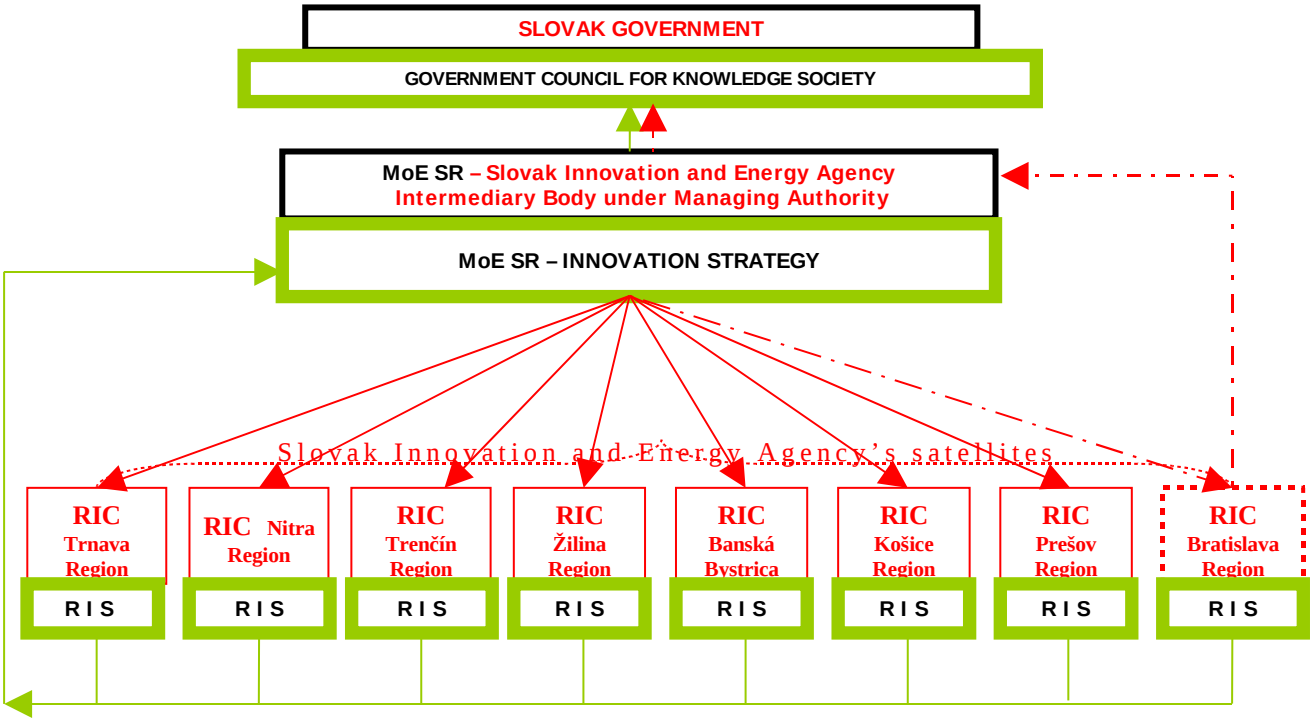
In order to increase Slovakia's innovation performance a new innovation strategy was prepared by the MoE SR and approved by the Government. The strategy is based on individual regional innovation strategies (RIS) prepared by higher territorial units (VÚCs). In addition, the MoE SR has prepared a draft Innovation Act to be submitted for approval by the National Council of the Slovak Republic.

The innovation strategy will be coordinated by the Slovak Innovation and Energy Agency established at the MoE SR, which will be responsible for the implementation of the

innovation strategy in compliance with the RIS and for international cooperation in the field of innovation.

Regional partners on the VÚC-level will be so-called Regional Innovation Centres, that is, associations of public-sector legal entities: VÚCs, municipalities, public universities; hereinafter referred to as region-level "RIC". The key task of the RICs will be to choose a strategy for the improvement of the region's innovation performance which would be complementary to other regional strategies and fulfil the RIS-level and nationwide innovation strategy objectives.

The use of the knowledge base in regions in the innovation process is based on the plans of the Government Council for Knowledge Society, which is chaired by the Deputy Prime Minister for Knowledge Society. The Government Council for Knowledge Society is a government advisory body for innovation. The chart below describes graphically the Slovak Republic's draft innovation management and implementation system.



There is a broad range of innovation activities that fulfil various functions depending on local, regional, nationwide and international conditions. The aim is to design such tools that would lead to innovation in industry in the sense that the development of economy on the national, as well as regional level will be ensured (through intensification) particularly through application of innovation in business sector. These tools are designed to eliminate certain weak points in regional economy and/or ensure further acceleration of development through innovation.

The following issues seems pivotal in the filed of innovation:

- transfer of environment-friendly technologies that minimise waste production;
- innovation in enterprises;

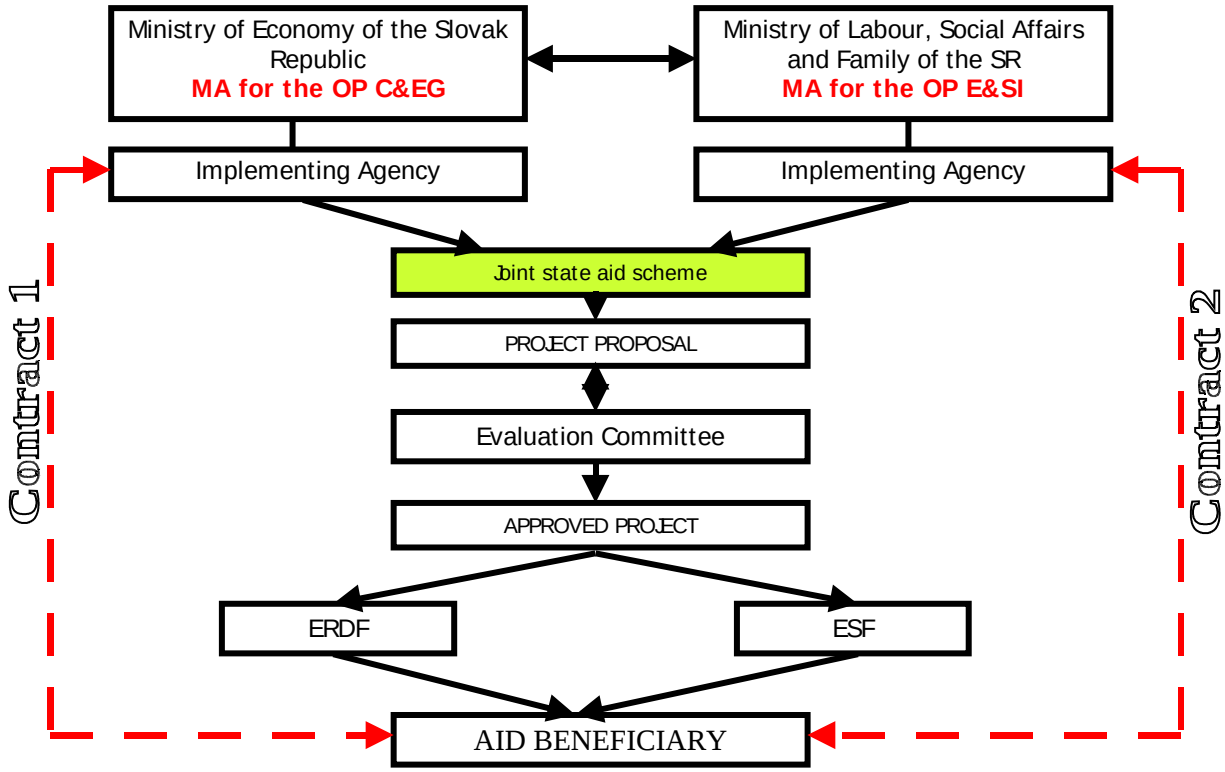
- innovation centres as knowledge transfer accelerators;
- technology platforms – linked to EU activities;
- informatisation – a supporting tool to improve competitiveness;
- knowledge base created in regions on the basis of applied development, including the role of human resources in regions' innovation process.

In addition to the funding from Structural Funds within the OP C&EG for 2007 – 2013, innovative companies will also be able join other complementary EU programmes such as the Seventh Framework Programme for Research and Technology Development for 2007-13, Competitiveness and Innovation Programme for 2007-13, etc.

Synergy and complementarity should be felt particularly with the OP "Research and Development" ("OP R&D"), OP "Information Society" ("OP IS"), OP "Education" ("OP E"), OP "Employment and Social Inclusion" ("OP E&SI"), i.e., innovation-focused programmes, which will create an environment for their interaction wihtin the territory. Subsequently, a significant contribution of interventions to growth, employment and competitiveness can be expected, which would increase the level of Slovakia's structural convergence to EU-15 in key areas of Slovakia's production structure concentrated particularly in the major innovation growth poles.

In an effort of fulfilling the objectives of Priority Axis 1 - Innovation and growth of competitiveness – the MoE SR and the MoLSAF SR agreed on mutual cooperation in project funding in support of job creation through development of entrepreneurship. **The cooperation includes a joint MoE-MoLSAF de minimis aid scheme under Measure 1.1 of the OP C&EG** under which start-up businesses may obtain funds from the ERDF to purchase technologies and, at the same time, from the ESF to finance training, wages, or payroll contributions.

The joint scheme is shown below.



Similar cooperation between the MoE SR and the MoLSAF SR will exist under Measure 1.2 of the OP C&EG concerning the reconstruction of industrial parks where new jobs are created. This again involves calls for proposals issued jointly by both Managing Authorities, within which revitalisation of brownfields will be funded from the ERDF and the costs of creating new jobs, wages and training will be funded from the ESF. The Managing Authority for the OP C&EG will inform applicants about the possibility to employ such trained workers. Information about this possibility will be included in the call for project proposals, as well as in the applicant's manual.

The system of synergy and complementarity management is addressed on the level of both Ministries' Managing Authorities through an agreement on cooperation in creation and implementation of programming documents for 2007 – 2013.

The third area of cooperation is **a project of integrated innovation instruments in Slovak regions, 7+1.** This is a pilot project to address institutional capacities in the regions for the development of innovation on the NUTS III level, i.e., on the level of higher territorial units. **In view of its experience in the field of innovation and the prepared strategy to build 7+1 RICs the MoE SR will cooperate in the implementation of the respective project though the SIEA acting as an Intermediary Body under Managing Authority.**

Improved competitiveness of the regions' business sector and growth in jobs will be facilitated by the support to the building of the regional innovation structure in the form of Regional Innovation Centres (hereinafter "RICs"), and the follow-up innovation activities. The implementation of innovation in the regions through the RICs was prepared under the cooperation of the MoE SR with VÚCs, state universities and higher education institutions in drafting the OP C&EG.-

5.1.2 Description of measures to implement the priority axis

The measures are focused on economic growth and employment through increasing competitiveness primarily of SMEs through innovation with the objective of maintaining and increasing employment in a long term, in accordance with the renewed Lisbon Strategy, with the general guidelines for economic policies, Council regulations, national strategies, and needs of the Slovak Republic. The measures in the framework of the priority axis will also support the secondary food processing industry. The assistance from the European Regional Development Fund (hereinafter ERDF) will be provided for activities in the following areas:

1. **industry and services** - on technology development, innovation and business, i.e., strengthening technology development with a focus particularly on increasing efficiency of material and energy use, including infrastructure, support to research and technology development, applied research, development and innovation, on technology transfer, building higher quality links among businesses, universities, and research and development institutions, development of business networks and groupings, provision of business services and innovation, revitalisation of brownfields, on the support of sustainable models of production through introducing quality systems and environmental management systems, standards, protection of intellectual property, including investments in staff training; support to presentation of companies.
2. **to increase employment and job creation in regions,** activities contributing to the growth of competitiveness in the industry and services sector financed from the ERDF are envisaged to be also supported in a complementary manner with the ESF funds pursuant to Article 34 of Regulation (EC) No. 1083/2006. The ESF assistance will be used in order to motivate entrepreneurs and help reduce initial costs of firms, particularly of start-up businesses, sole traders, as well as entrepreneurs applying innovative business practices. Eligible costs will include training support, compensation for a part of labour costs during three years following the establishment of a company, sole trade, or starting an innovative business. The criteria will be defined in the entrepreneur's manual and in the calls.
3. This method of funding applies to selected measures of the operational programme (1.1 and 2.1), which will be implemented in an integrated manner between the MoE SR and the MoLSAF SR. The implementation process will be described in detail in the Programme Manual for the C&EG Operational Programme and in the Programme Manual for the E&SI Operational Programme of the MoLSAF SR.

Measures will be financed in the following forms:

- direct aid
- indirect aid – financial engineering

The table below defines the proposed measures for Priority Axis 1 – **Innovation and Growth of Competitiveness**

Priority Axis	Measure
1 - Innovation and Growth of Competitiveness	1.1 Innovation and technology transfers
	1.2 Support of common services for entrepreneurs
	1.3 Support of innovation activities in enterprises

5.1.2.1 Measure 1.1 Innovation and technology transfers

Purpose:

The measures is designed to provide support to the private sector where the so-called main stone of innovation and technology transfers is to address the issues of reducing energy intensity, mitigation of environmental impacts and enhancing efficient production, which will result in increased competitiveness of the industry and services sector, higher growth in added value, increased efficiency, modernisation of facilities, etc. Technology transfer is linked directly to innovation transfer in production technologies and services and, at the same time, encourages innovation of products and services, which will be supported under Measure 1.3.

In addition to technology and innovation transfer, this measure is expected to help create new jobs through support to business development, i.e. support provided to start-up businesses. Trading is an inevitable part of manufacturing. Therefore, this measure will also be used to support participation of Slovak producers at fairs, exhibitions and trade missions under a separate aid scheme.

Sub-measures:

1.1.1. Support for introducing innovation and technology transfers

1.1.2. Support for job creation through business development

1.1.3. Support for participation of Slovak manufacturers in fairs, exhibitions, trade missions.

Results:

- increasing the competitiveness of existing enterprises by introducing innovative and advanced technologies, machinery, instruments, and equipment aimed particularly at increasing the efficiency of use of materials and energies (e.g., BAT technologies…);
- reducing and eliminating adverse effects of the industry and services sector on the environment particularly through decreasing pollutant emissions and waste generation in the technology process;
- creating an environment to increase the innovation potential of enterprises in the industry and services sector;
- support for sustainable production with a lower impact on environmental pollution, including adaptation of technologies to environmental legislation (REACH…);
- support for ecological production as a necessity to prepare sustainable environmental development of enterprises in the future;
- improvement of the utilisation of domestic and renewable raw materials, including secondary raw materials;
- increasing the number of subcontractors from the SME sector for major manufacturers.

Description:

The sector of industry and services, and SMEs in particular, represents the fundamental segment of the Slovak and European economy. The support for the introduction of innovative and advanced technologies to increase the competitiveness of industry and services, ensuring sustainable industrial production and achieving a level comparable to that of EU countries, is very capital intensive. The lack of investment capital in businesses, primarily in the SMEs, limits the companies' innovation activities and results in a need to

improve the access to funds including from public sources to stimulate technological development. The transfer of new and environmental technologies and knowledge-intensive production technologies into industry sectors will ensure support to innovation activities in companies, namely in the field of technological processes, products and related services, with a positive effect on the economic growth and competitiveness on the national and international level. The technology transfer is linked to the innovation process in manufacturing technologies and services. This process involves the transfer of technologies into practice, i.e. the transfer of research and development results to market along with the introduction of innovations. Innovations originate mainly in trade (so-called product innovation), manufacturing (so-called technology innovation) and management (organisational, marketing, quality assurance, etc.).

Competitive environment leads to consistently insufficient investments in innovative and environment-friendly technologies, particularly in companies that cannot afford charitable behaviour in the competitive market. The support focused on the development of ecological production is a must in order to ensure sustainable environmental development in the future, and represents one of the major areas of promotion.

In the field of participation of Slovak manufacturers in fairs and exhibitions in the Slovak Republic and abroad, in international trade missions and conferences, and to support the participation of industrial federations and associations in subcontracting fairs, assistance is envisaged to small and medium-sized enterprises in presentations on the domestic and foreign markets and thereby assisting the businesses in their greater involvement in international division of labour and international cooperation.

Intervention categories:

03 - technology transfer and improvement of networking among small enterprises (SMEs), among small enterprises and other enterprises and universities, higher education institutions of any kind, regional authorities, research centres and science and technology centres (science and technology parks, tech centres, etc.);

06 - assistance to SMEs to support environment-friendly products and manufacturing procedures (introduction of an efficient system of environmental management, adoption and use of anti-pollution technologies, introduction of clean technologies in manufacturing);

07 - investing in companies directly connected with research and innovation (innovation technologies, establishment of new companies by universities, existing centres and companies in science and technology development, etc.);

08 - other investments in companies;

09 - other measures to support research, innovation and business development in SMEs;

14 -services and applications for SMEs (e-commerce, education and training, networking);

64 - development of special services in the area of employment, expert training and support in connection with the restructuring of sectors and firms, and development of systems to forecast economic changes and future demand for jobs and skills.

Eligible activities:

- actions designed for modernisation of machinery, instruments and facilities, equipment in testing laboratories and technologies in order to increase competitiveness and added value, including the necessary hardware and software;

- actions designed for modernisation of machinery, instruments and facilities in order to mitigate and eliminate adverse impacts of the industry and services sector on the environment, including the necessary hardware and software;
- minor structural modifications, reconstruction of operating premises related to innovation, which are exclusively closely related to installation of new machinery, instruments and equipment, manufacturing procedures and technologies (the eligible costs do not include the costs of reconstruction of buildings and construction of new premises);
- support for job creation through business development;
- participation of Slovak manufacturers in fairs and exhibitions in the Slovak Republic and abroad, in international trade missions and conferences, participation of entrepreneurs in subcontracting fairs;
- development and introduction of e-business applications;
- and other similar eligible activities that support the objectives under this measure.

Envisaged forms of state aid:

- scheme to support the introduction of innovative and advanced technologies in the industry and services sector (de minimis aid scheme);
- state aid scheme to support the introduction of innovative and advanced technologies in the industry and services sector;
- scheme to support international cooperation (de minimis aid scheme);
- scheme to support start-up businesses (de minimis aid scheme) – the scheme is designed to support new activities of start-up businesses, it has been prepared and will be implemented in cooperation with the MoLSAF SR acting as the Managing Authority for the OP Employment and Social Inclusion;
- financial engineering (particularly in the form of guarantee schemes, soft loan schemes for SMEs and schemes to support start-up businesses).

Aid beneficiaries:

Aid beneficiaries include the **private sector** – natural or legal persons licensed to do business under the Commercial Code or the Trades Act, registered in the Slovak Republic[25]. A non-repayable grant will be provided in compliance with the state aid rules.

[25] – *micro, small and medium-sized enterprises (SME)*: the governing definition of SME is that used in Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises, attached as an annex to Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development.

- *large enterprises* Entrepreneurs pursuant to §2(2) of the Commercial Code of the Slovak Republic that do not fall under the definition of SME, and employ less than 2,500 people (less than 500 people in the case of de minimis scheme). As regards the 2,500 (500) limit on the staff headcount in large enterprises, the rules of the SME definition used in Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003) shall apply, specifically Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts save for paragraph 4, Article 5 Staff headcount and Article 6 Establishing the data of an enterprise.

Aid beneficiaries may not include enterprises in difficulty as defined in Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244 of 1 October 2004, pg. 2).

In the case of the aid provided from the Structural Funds to a large undertaking, the Managing Authority undertakes to request a guarantee from the undertaking concerned that the aid will not be used to support investments pertaining to the transfer of its manufacturing facility or services from another Member State. The above formulation and the aid intensity will be included in state aid schemes The largest portion of aid will be provided to SMEs.

5.1.2.2 Measure 1.2. Support of Common Services for Entrepreneurs

Purpose:

The aim of this measure is to provide support to the public sector in building infrastructure for business development in the industry and services sector, in particular for SMEs, with a positive impact on employment and quality of life in regions. It further aims to facilitate, through the support provided to the public sector, business development in the context of balanced regional development, including revitalisation of former industrial and business sites. The support will primarily focus on revitalisation of brownfields; development of greenfields will be supported only in exceptional cases, subject to approval by the MoE SR, for the purposes of new job creation and joint activities in the regions in cooperation with the MoLSAF SR. This renders a regional dimension to the measure, as well as an opportunity for networking as part of international cooperation. If there is interest in national projects for industry and consumer protection, they will only be implemented subject to approval by a Monitoring Committee.

Results:

- support to revitalisation and upgrade of former industrial sites for further sustainable investment in rehabilitation and restoration of public infrastructure supporting business. Eligible costs of both investment and non-investment nature can be supported;
- increased number of entities doing business in revitalised brownfields;
- creating an environment for the implementation of innovative business plans;
- creating an environment for knowledge transfer into the commercial sphere through business entities;
- enhanced industrial activities in the region focused on the area of advanced technologies supporting the development of the knowledge society,
- creation of sustainable jobs that generate a higher added value, with a motivating income, focused on the groups with higher education and with innovation capacities,
- increasing the satisfaction of living needs of the population through innovation with an emphasis on the quality of life and sustainability of living nature sources,
- improved consumer protection;
- higher number of enterprises, SMEs and sole traders in particular, and employment growth in the regions;
- implementation of national project.

Description:

Under this measure, the aid should be provided to the public sector for the building of infrastructure. Projects for the public sector will provide secondary support to further innovation development of small and medium-sized enterprises in the particular region. This

will prepare conditions for the development of primarily innovative small and medium-sized enterprises in industrial areas.

The aim is to support, through the public sector, the renewal of business activities in the context of balanced regional development, including revitalisation of former industrial sites. This involves the support to investments in a more efficient use of buildings and locations with infrastructure already built or partially built, which is necessary for the establishment of new business operations. The objective is to create favourable conditions for business activities in the industry and services sector by supporting the building-up of industrial parks.

A project to set up a "**Consumer and Mediation Centre in Slovakia**" is currently under preparation, to serve as an effective and efficient consumer aid. The objective is to increase the efficiency and effectiveness of consumer right enforcement through alternative, out-of-court settlement of disputes. The Centre will be established as an association of a Higher Territorial Unit, municipalities and the MoE SR. Non-governmental associations may join in as members based on an agreement. The project is currently under preparation.

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Intervention categories:

03 – technology transfer and improvement of networking among small and medium-sized enterprises (SMEs), companies and universities, all kinds of post-A-level education institutions, regional authorities, research centres and science and technology associations (science and technology parks, technopolies, etc.)
04 – support to science and technology development, particularly in small and medium-sized enterprises (including access to science and technology development *services in research centres*)
05 – improved support services for undertakings and groups of undertakings
07 – investing in companies directly connected with research and innovation (innovation technologies, establishment of new companies by universities, existing science and technology development centres *and undertakings*)
09 – other measures to encourage research, innovation and business
14 – services and applications for small and medium-sized enterprises (*e-business, education and training, networking, etc.*)
50 - revitalisation of brownfields and contaminated soil
54 - other measures for environmental protection and risk prevention
64 - development of special services in the area of employment, expert training and support in connection with the restructuring of sectors and firms, and development of systems to forecast economic changes and future demand for jobs and skills.

Eligible activities:

- the building and revitalisation of brownfield infrastructure (support for reconstruction and modernisation of former industrial and business sites for further sustainable investments in rehabilitation and restoration of public infrastructure facilitating business development);
- the building of greenfield infrastructure - only in exceptional cases where there is a significant social and economic impact on the regions, subject to approval by the MoE SR;
- constructing and equipping tangible infrastructure (refurbishment or construction of buildings and technological premises, including networks);

- other non-specified activities related to the project;
- implementation of a consumer protection project;
- and other eligible activities supporting the objectives under the measure.

Envisaged forms of the aid:
- direct aid

Aid beneficiaries:

Public sector

Beneficiaries in the case of brownfield and greenfield projects are:

Higher Territorial Units (VÚCs) established under Act No. 302/2001 Coll. on the Self-government of Higher Territorial Units as amended; municipalities established under Act No. 369/1990 Coll. on Municipalities as amended and their associations, budget-funded and subsidised established by towns and municipalities to ensure development of industry and selected services.

For national and individual projects, eligible beneficiaries will be defined separately in each approved project.

5.1.2.3 Measure 1.3 Support of innovation activities in enterprises

Purpose:

The main purpose of the measure is to increase the competitiveness of industry through supporting innovation activities and the related applied research in businesses, i.e., through supporting the introduction of new innovation technologies (not their purchase), procedures, or products. The entrepreneurs may also apply for funds to finance the costs of experts necessary for the introduction of innovation into practice.

Another aim is to support implementation of best practices and production methods of global level in new and existing companies (for example, introduction of quality management systems or other systems (e.g. product certification by the European conformity mark – Keymark), protection of intellectual property, industrial design, which increase the businesses' competitiveness). The objective is to enable businesses to build an accreditation and certification system focused on improving quality of production and the possibility of becoming involved in international cooperation.

Results:

- increased number of innovation technologies and products in companies and services, prototypes and trials, management system innovation, product innovation, etc.;
- improved competitiveness of businesses as a result of introduction of quality management methods (such as ISO 9000, ISO 14000, introduction of EMAS), introduction of a pre-certification and certification process, obtaining certificates, accreditation and support to introduction of new and applied technical standards into practice);
- protection of industrial rights (inventions, utility models, designs, and trademarks) and support of technical solutions on the level of patents and utility models, etc., support to application of technical solutions on the level of patents and utility models in companies, organising seminars;
- preparation of technical feasibility studies, consulting and projects as part of innovation preparation in the industry and services sector;
- increasing the number of competitive companies through the support of industrial design;
- increasing the number of links, particularly with SMEs, to innovation business by supporting existing scientific research organisations with the objective of introducing the research and development results into practice.

Description:

The support for business in the field of innovation and applied research is one of the priority areas of the Lisbon process and one of the main tools to increase the quality of business. It is an important element of achieving competitiveness of production and services. Innovative products and practices originate in and are the result of activities in management, trade and technology. Based on that, innovation may have the nature of non-technical innovation (organisational and marketing innovation), product innovation and technology innovation. Innovation promotes the utilisation of intellectual property in practice through the introduction of more effective technologies and management methods, makes it possible to

respond to changes and opportunities on the market, and facilitates the creation and preservation of qualified jobs.

This measure is focused on eligible expenditures of investment and non-investment nature (current and capital costs) on the level of a company by supporting stronger links to existing innovation centres (such as universities and research institutes) in the framework of introducing the research results into practice (e.g., cooperation in the development of products).

Expansion to international markets requires adoption of rules in the field of quality standards, product safety, added value growth, improved product effectiveness, technical standardisation, testing, accreditation, certification, protection of industrial and intellectual property, industrial design, and quality policy.

These areas in the Slovak Republic are harmonised with EU regulations. They also include a better awareness of protection of and compliance with consumer rights.

Intervention categories:

01 – science and technology development activities in research centres
07 – investing in companies directly connected with research and innovation (innovation technologies, establishment of new companies by universities, existing centres and companies in science and technology development, *etc*.)
08 – other investments in companies
09 – other measures to encourage research, innovation and business in SMEs

Eligible activities:

- support in industry focused on systematic acquisition of new knowledge and its practical use in the development of new products, processes, technological procedures and equipment or services or in substantial improvement of the existing products, processes, technological procedures and equipment or services (including specialised consulting in preparation of quality documentation in the process of quality management, in implementation of quality management systems);
- support to innovation in industry and services, channelling the results of the production research to the plan, project, modification or designing of a new, changed or improved product, procedure or service designated for sale or lease and their systematic use in the production of materials, equipment, systems, methods, and procedures. An output of this process may also be the making of the first non-commercial prototype and its verification (including the production of trial conditions); feasibility analysis, preparation of construction documentation including the purchase of computer and construction software and data control hardware;
- technical feasibility studies – analysis of, for example, technical solutions on the level of patents and utility models, innovative activities from the economic, technical, and technological aspect of feasibility in practice;
- preparation and building of quality management systems and external pre-certification and certification process related to the introduction of a quality management system. The eligible projects include projects aimed at the introduction of quality management systems in accordance with international standards – ISO 9000, ISO 14000, EMAS, VDA, BS, QS, Good Manufacturing Practice, Good

Laboratory Practice, HACCP and ISO/TS 16 949, or, as the case may be, other systems enhancing competitiveness of businesses in the supported areas;

- support to pre-certification audit to verify the condition of the company after the preparation, i.e., having passed the training courses and technical consulting;
- support to projects connected with industrial legal protection of inventions, utility models, trademarks and designs in Slovakia and abroad;
- support to projects connected with the application of new metrological practices and harmonisation of calibration systems;
- support to projects connected with the acquisition of accreditation and certification in Slovakia and abroad;
- support for participation of Slovak manufacturers in sessions of technical commissions of European and international standardisation organisations;
- support for projects to create new and applied technical standards for practice; and
- and other similar eligible activities that support the objectives under this measure.

Envisaged forms of state aid:

- state aid scheme for innovation support;
- scheme to support innovation and introduction of quality management systems, protection of industrial rights, and introduction of technical standards into manufacturing practice and services (de minimis aid scheme)
- financial engineering (particularly in the form of guarantee schemes, soft loan schemes for SMEs and schemes to support start-up businesses)

Aid beneficiaries:

Private sector - natural and legal persons licensed to do business under the Commercial Code or the Trades Act, registered in the Slovak Republic and planning to carry out particular types of eligible projects[26].

The aid may also be provided to **non-for-profit organisations,** authorised and notified legal and natural persons in compliance with Act No. 264/1999 Coll. on technical requirements for products and conformity assessment as amended, and with Act No. 90/1998 Coll. Construction Products, which are independent of the form or method of funding and whose main line of business is research and development and dissemination of R&D results

[26] - *micro, small and medium-sized enterprises (SME):* the governing definition of SME is that used in Commission Recommendation 364/2004/EC, attached as an annex to Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) No70/2001 as regards the extension of its scope to include aid for research and development.

- *large enterprises:* Entrepreneurs pursuant to §2(2) of the Commercial Code of the Slovak Republic that do not fall under the definition of SME, and employ less than 2,500 people (less than 500 people in the case of de minimis scheme). As regards the 2,500 (500) limit on the staff headcount in large enterprises, the rules of the SME definition used in Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003) shall apply, specifically Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts save for paragraph 4, Article 5 Staff headcount and Article 6 Establishing the data of an enterprise.

Aid beneficiaries may not include enterprises in difficulty as defined in Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244 of 1 October 2004, pg. 2).

trough trainings, publications or technology transfer. All profit is reinvested in the R&D activities, dissemination of their results or training.

In the case of the aid provided from the Structural Funds to a large undertaking, the Managing Authority undertakes to request a guarantee from the undertaking concerned that the aid will not be used to support investments pertaining to the transfer of its manufacturing facility or services from another Member State. The above formulation and the aid intensity will be included in state aid schemes The largest portion of aid will be provided to SMEs.

5.2 PRIORITY AXIS 2 - ENERGY

5.2.1 The objective and focus of the priority axis

Priority Axis 2 *"Energy"*, aimed at improving energy efficiency in energy production, transmission and consumption, reducing industrial energy intensity and consumption of primary energy sources, and increasing the use of RES, concentrates on the promotion of business activities that will help to reduce industrial energy intensity per unit of output and ensure availability of energy to the business sector, as well as increase the use of RES.

Even though the overall final energy consumption has been gradually falling, energy consumption in the industry sector remains high, driven by the existence of more energy-intensive manufacturing processes. Implementation of activities to save energy and raw materials is very capital intensive, for SMEs in particular. To reduce its energy intensity is a crucial factor for the industry sector in order to enhance its effectiveness and improve competitiveness. Also, the dependence on energy imports and related risks of global energy price swings being reflected in the Slovak economy require that the support focuses on the improvement of energy efficiency in energy production, as well as on its more efficient use, in the industry sector in particular. The support will be provided for the modernisation of existing energy production facilities in order to improve their efficiency and the effectiveness of their utilisation, including upgrades of metering and regulation systems, as well as reconstruction of energy distribution systems aimed at reducing energy losses. The implementation of progressive, environment-friendly technologies will be supported in order to save energy and improve the efficiency in the use of energy sources. Slovak still falls behind in utilising the potential of renewable and secondary energy sources. The support will be provided to businesses in the area of utilisation of renewable and secondary energy sources.

Another area that we consider to represent an important component of the energy sector has to do with increasing awareness concerning the opportunities and benefits (of economic, energy, environmental and social nature) related to improving today's unfavourable state of efficient energy use, but also a better use of renewable sources.

The following is pivotal for the fulfilment of the OP C&EG objectives in the energy sector:

- electricity generation from renewable energy sources;
- use of renewable energy sources in heat and hot water production;
- promotion of highly-efficient electricity and heat cogeneration;
- improved energy efficiency both on the side of generation and consumption;
- introduction of progressive energy saving technologies in the energy sector;
- coordination of the energy efficiency improvement actions in Slovakia.

5.2.2 Description of measures to implement the priority axis

The measures in the energy sector aim towards the use of progressive technologies and equipment for the purpose of higher efficiency in the utilisation of primary energy sources minimising the environmental impact; towards reducing energy intensity and towards the use of renewable sources, through the use of progressive economical technologies for the energy supply and equipment with higher energy use efficiency, generally aimed at reducing the energy intensity of production and consumption and increasing energy efficiency. The aim of these measures is also to support the public sector in building and upgrading public lighting in towns and municipalities and providing better information about possible energy savings and increased used of renewable energy sources.

Cooperation is planned between the MoE SR and the Ministry of Agriculture in the area of RES support. The MoE SR will provide support to businesses to purchase technologies for RES processing and utilisation, while the MoA SR will support the growing of bio-products to be used for energy purposes.

Measures will be financed in the following forms:

- direct aid
- indirect aid - financial engineering

The table below includes the measures proposed for Priority Axis 2 **"Energy"**:

Priority Axis	Measure
2 – Energy	2.1 Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the energy sector
	2.2 Building and upgrading public lighting for towns and municipalities and provision of energy consultancy services

In addition to the OP Competitiveness and Economic Growth, the energy sector and energy efficiency will also be supported within the activities performed under the Regional Operational Programme, the OP Environment (utilisation of renewable sources), the OP Health, the OP Research and Development, the OP Bratislava Region, and in the Rural Development Programme of the Slovak Republic funded from EAFRD. The energy efficiency activities will be coordinated by the MoE SR which is responsible under the competence law[27] for the energy policy and performs the tasks Slovakia is committed to under EU regulations, directives and strategic documents, and, at the same time, is obliged to report to the Commission on the fulfilment of those commitments.

On that account, a close cooperation between the MoE SR and Managing Authorities for the aforementioned operational programmes will be required. The respective Managing Authorities will in cooperation with the MoE SR ensure that competent MoE representatives participate in project selection committees for the measures which will support the use of renewable sources or energy efficiency improvements under the aforementioned operational programmes. In addition to evaluating the projects, the competent MoE representatives will also approve indicators in a project proposal so that it is possible to monitor the project's contribution to energy efficiency improvement. The monitoring method for the horizontal

[27] Act No. 575/2001 Coll. on the organisation of Government activities and on the organisation of central state administration

priority is described in more detail in Section 6.3 *Sustainable Development* of the OP C&EG and in a programme manual to be prepared after the approval of the OP C&EG.

Through the Intermediary Body under Managing Authority for the OP Competitiveness and Economic Growth (i.e. the Slovak Innovation and Energy Agency – SIEA), the MoE SR will ensure the collection of energy data from individual Managing Authorities, so that their overall value for all relevant operational programmes could be centrally monitored and assessed by the MoE SR.

5.2.2.1 Measure 2.1 Increasing energy efficiency both on the side of generation and consumption; and introducing advanced technologies in the energy sector

Purpose:

The purpose of this measure in the energy sector is to bring the energy intensity closer to the level comparable with that of the EU 15, make energy savings, increase the efficiency of the use of primary energy sources in order to reduce energy costs, as well as increase the proportion of consumption of renewable energy sources in the total energy consumption. Support will be provided to activities to increase the use of renewable energy sources, as well as to activities aimed at savings and efficient use of energy in industry and related services.

Energy efficiency improvement measures will also be included in other operational programmes, e.g. OP R&D, OPH, ROP, etc., for which the MoE SR in cooperation with the competent Managing Authorities will ensure joint evaluation of reduction in energy intensity, using the set indicators.

Results:

- energy savings, reduction of energy intensity, reduction of energy consumption in industry and related services;
- modernised existing energy sources (reduction of the environmental pollution by technologies generating heat and electricity, increased efficiency of power and heat generating plants);
- a higher share of renewable sources in the total energy consumption resulting from the use of biomass, building small hydropower plants and other renewable energy sources;

Description:

The measure is designed to support the projects using advanced energy saving technologies and facilities with higher energy use efficiency with a minimum impact on the environment, generally focused on the reduction in energy intensity of manufacturing processes.

Support will be further focused also on projects ensuring improvement of thermal characteristics of buildings and equipping facilities with metering and regulation systems. Support will also be provided to projects utilising new technology facilities for generation of electricity and heat, as well as projects utilising waste heat from electricity generation while improving environmental aspects of the industry sector and projects reducing losses by modernisation of the equipment used for the distribution of energy media.

Increased attention will be paid to promoting projects utilising renewable sources of energy, especially biomass, geothermal energy, building small hydropower stations and utilisation of municipal waste for energy purposes.

Intervention categories:

40 – renewable energy sources: solar
41 – renewable energy sources: biomass
42 – renewable energy sources: hydro, geothermal and other
43– energy efficiency, combined generation of electricity (cogeneration), and energy management

Eligible activities:

- energy savings in all areas of industry and services including insulation of buildings with the purpose of improving their thermal properties;
- highly efficient electricity and heat cogeneration;
- utilisation of renewable energy sources, that is, construction, modernisation or reconstruction of: small hydropower plants, facilities utilising biomass and biogas energy, facilities producing biofuel and biogas, facilities utilising solar and geothermal energy;
- reconstruction and modernisation of existing fossil fuel based energy sources in order to improve the efficiency of facilities or to utilise renewable sources of energy;
- refurbishment of existing thermal facilities for heat distribution (e.g., improvement of piping insulation, introduction of heat loss monitoring systems, refurbishment of heat delivery stations and other);
- and other similar eligible activities that support the objectives under this measure.

Envisaged forms of state aid:

- state aid scheme to improve energy efficiency both on the side of generation and consumption and to introduce advanced technologies in the energy sector;
- scheme to support sustainable development (de minimis aid scheme);
- financial engineering (particularly in the form of guarantee schemes, schemes for more affordable loans for SMEs and schemes to support start-up businesses)

Aid beneficiaries:

Private sector.

The private sector – natural and legal persons licensed to do business under the Commercial Code or the Trades Act, registered in the Slovak Republic and planning to carry out particular types of eligible projects[27].

In the case of the aid provided from the Structural Funds to a large undertaking, the Managing Authority undertakes to request a guarantee from the undertaking concerned that the aid will not be used to support investments pertaining to the transfer of its manufacturing facility or services from another Member State. The above formulation and the aid intensity will be included in state aid schemes The largest portion of aid will be provided to SMEs.

[27] - *micro, small and medium-sized enterprises (SME):* the governing definition of SME is that used in Commission Recommendation 2003/361/EC, attached as an annex to Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development.

- *large enterprises:* Entrepreneurs pursuant to §2(2) of the Commercial Code of the Slovak Republic that do not fall under the definition of SME, and employ less than 2,500 people (less than 500 people in the case of de minimis scheme). As regards the 2,500 (500) limit on the staff headcount in large enterprises, the rules of the SME definition used in Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003) shall apply, specifically Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts save for paragraph 4, Article 5 Staff headcount and Article 6 Establishing the data of an enterprise.

Aid beneficiaries may not include enterprises in difficulty as defined in Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244 of 1 October 2004, pg. 2).

5.2.2.2 Measure 2.2 Building and upgrading public lighting for towns and municipalities and provision of energy consultancy services

Purpose:

The purpose of the measure is to support the public sector in building and upgrading public lighting in towns and municipalities. Its further purpose is to raise awareness on the effective use of energy and renewable energy sources – an individual project.

Results:

- lower energy intensity of public lighting in towns and municipalities;
- better consultancy on energy savings and utilisation of renewable sources;

Description:

The measure will support towns and municipalities in improving technical conditions of public lighting through activities aimed and the building and upgrading of lighting. Investments will help remove identified shortcomings for safe and non-defective lighting in towns and municipalities, and increase energy savings through modern lighting system operation.

Support to consultancy services on energy saving opportunities for the business community and the general public will contribute to raising the awareness of the energy efficiency issue. Energy saving consultancy will support the activities aimed at presenting the importance of energy savings and how to save energy. By the same token, consultancy on the utilisation of renewable sources will encourage businesses and the public to use renewable energy sources.

Intervention categories:

43 – energy efficiency, combined generation of electricity (cogeneration), and energy management

Eligible activities:

- activities connected with the building and upgrading of public lighting in towns and municipalities (public sector);
- consultancy services provided by the SIEA on the effective use of energy and utilisation of renewable energy sources, including better information for the general public;

Envisaged forms of the aid:

- direct support in the form of a non-repayable grant;
- an individual SIEA project for consultancy services on the effective use of energy;

Aid beneficiaries:

For building and upgrading public lighting: - municipalities established under Act No. 369/1990 Coll. on Municipalities as amended (municipality and city).

In the area of awareness raising and consultancy services on the effective use of energy and utilization of renewable energy sources: - Slovak Innovation and Energy Agency - SIEA.

5.3 Priority Axis 3 - Tourism

5.3.1 The objective and focus of the priority axis

The *Tourism* priority axis, with the objective of **"Growth of Tourism Industry Competitiveness and Performance"**, is focused on the use of the natural, cultural, and the existing potential for the development of sustainable tourism with the objective of preferentially financing the building of comprehensive tourism services used all year round, connected with the sale (of local services), by means of new services with a higher added value (the use of mineral and geothermal springs, natural and cultural attractions of Slovakia for the development of summer and winter tourism with comprehensive customer services including also optional trips, always connected with sales of Slovak products such as glass, porcelain, embroidery, wine tasting, presentation of folk art crafts connected with sales, etc.) to ensure innovation, sustainability, and to support employment in the regions. It is further focused on the promotion of Slovakia's tourism industry at home and abroad, particularly through completion of the National Unified Tourism Information System (NUTIS).

Taking into account the need of developing institutional capacities in the regions, responsible for the development of tourism, Priority Axis 3, Tourism, envisages a **National Pilot Project for the Development of an Institutional Basis for Tourism on the NUTS 3 Level**, i.e., on the level of higher territorial units. The project is presently under preparation and it is envisaged to be implemented using a similar system as for the National Pilot Project of Integrated Innovation Instruments in the Regions of Slovakia defined within Priority Axis 1, Innovation and Growth of Competitiveness.

Measures will be financed in the following forms:

- direct aid
- indirect aid - financial engineering

The table below defines the proposed measures for Priority Axis 3, Tourism.

Priority Axis	Measure
3 – Tourism	3.1 Support of business activities in tourism
	3.2 Development of tourism information services, presentation of regions and of Slovakia

According to Government's decision, the tourism strategy should be implemented in the following operational programmes:

1. the Operational Programme "Basic Infrastructure" that includes the part of the strategy designed for the public sector only, and
2. the Operational Programme "Competitiveness and Economic Growth" that should address the private sector only.

However, the objective of the priority axis is to finance the building of comprehensive services of tourism available all year round and connected with sales, through new services with a higher added value. That is why the Ministry of Economy of the Slovak Republic proposes addressing this problem in cooperation with the Ministry of Construction and Regional Development of the Slovak Republic through joint calls of both Managing

Authorities, with jointly defined criteria and with a joint Evaluation Committee to achieve synergies between public and private sectors and thus also between both operational programmes. Presently, the method of tourism strategy implementation in the two operational programmes is under negotiation.

5.3.2 Description of measures to implement the priority axis

The measures are focused on the growth of tourism competitiveness in the field of services provided, on increasing the quality of tourism offering and creating new attractions in the regions and achieving a level of supply comparable to neighbouring countries with an advanced tourism industry. Measures within the priority axis will assist the private sector and the public sector by a support towards completing a single information system for tourism and promotion of Slovakia both at home and abroad. The assistance from the ERDF will be provided to activities in the following areas:

- support of investment in comprehensive tourism products operating all year round;
- support of the development of tourism information services, presentation of regions and Slovakia - attention needs to be focused on the support to all forms of promotion and presentation of Slovakia as a country of tourism, this being in accordance with Slovakia's marketing strategy pursued by the Slovak Tourist Board. It is necessary to complete and populate the National Unified Tourism Information System (which was initiated in the previous programming period of 2004-06) with contents so that it covers the entire territory of Slovakia with information provided over the Internet.

5.3.2.1 Measure 3.1 – Support of business activities in tourism

Purpose:

The purpose of the proposed measure is the tourism competitiveness growth in the field of services provided, through supporting investment and non-investment activities in the private sector. The support for the building of comprehensive tourism services used all year round (the use of mineral and geothermal springs for the development of summer and winter tourism with comprehensive services for the customer, creating recreational centres with the possibilities of cultural and sightseeing tours connected with sale of local products such as glass, porcelain, embroidery, wine tasting with sale, etc.).

Results:

- creating comprehensive tourism services operating all year round;
- creating new innovative services with a higher added value;
- improved customer services resulting in longer stays by foreign visitors in Slovakia;
- new tourism products with an emphasis on a better use of cultural, technical and historic monuments of the Slovak Republic and natural curiosities;
- renewed cultural heritage and natural potential;
- improved access to facilities and centres of tourism and culture;

- preparation and operation of sightseeing tours;
- extending the offering for customers in the event of bad weather;

Description:

The measure aims to assist the private sector to achieve a synergic effect namely by investing in the tourism infrastructure with significant impacts on the growth of tourism sector's performance in private sphere and on the growth of employment.

Support will be channelled to projects of comprehensive tourism programmes operating all year round with an emphasis on the use of natural (mineral and geothermal springs) and cultural heritage and the existing tourist facilities. The objective is to create several tourism programmes operating all year round, which will be able to connect various summer and winter activities (sports, cultural, optional and other) into a comprehensive product and, with its uniqueness and reflecting national specific features of Slovakia, to attract domestic as well as foreign tourists for longer periods of time. When creating the comprehensive tourism programmes used all year long, the basic criterion will be the use of cultural, natural and other attractions of the region (such as wine route, gothic route, iron route, and other trips connected with sales, UNESCO sites), which will support the linked industries, and cultural historic structures will be selected for refurbishment, if any, for the purposes of tourism. Development of comprehensive tourism products including their coordinated offer through territorial tourism management will play an important role in the future in intensification and quality improvement of tourism in Slovakia. Building comprehensive programmes will contribute also to mitigation of regional disparities in Slovakia's economic performance.

Intervention categories:
55 – promotion of natural assets
56 – protection and development of natural heritage
57 – assistance to improve tourism services
58 – protection and preservation of the cultural heritage
59 - cultural infrastructure development

Eligible activities:

In the building of comprehensive tourism services:

- support to the building of infrastructure for tourism centres, i.e., particularly the micro-infrastructure, which does not generate profits on its own (parking lots, water, sewer and utility lines, public toilets, rest areas, orientation signs, etc.);
- construction of new and upgrades of existing tourism facilities (e.g., revitalisation of the spa industry, additional and sports services, outdoor swimming pools, ski cableways and lifts, use of mining sites for tourism purposes, use of industrial heritage sites for tourism purposes, etc.);
- creating new attractions in regions (e.g., summer or winter sports resorts, etc.);
- support to renovation of preservation areas, thematic cultural routes and refurbishment of cultural and historic structures and facilities with the objective of using them for tourism purposes; including also UNESCO sites registered, as well as proposed for registration on the UNESCO list;

- support for leisure time management;
- support for construction and renewal of ski pistes, jetties, ports, and the like;
- and other similar eligible activities that support the objective under this measure.

One of the main criteria for the support of the above activities is that in the framework of "comprehensive tourism programmes used all year long", optional trips are organised in the Slovak Republic and that activities are provided throughout the year (summer/winter) avoiding seasonality.

Envisaged forms of state aid:

- state aid scheme to support tourism business activities in the form of comprehensive tourism products with the year round operation,
- financial engineering (particularly in the form of guarantee schemes, soft loan schemes for SMEs and schemes to support start-up businesses)

Aid beneficiaries:

Beneficiaries include businesses or associations of legal persons that submit a joint project to build, reconstruct or modernise comprehensive tourism centres with year round operation[28].

In the case of the aid provided from the Structural Funds to a large undertaking, the Managing Authority undertakes to request a guarantee from the undertaking concerned that the aid will not be used to support investments pertaining to the transfer of its manufacturing facility or services from another Member State. The above formulation and the aid intensity will be included in state aid schemes The largest portion of aid will be provided to SMEs.

5.3.2.2 Measure 3.2 – Development of information tourism services, presentation of regions and of Slovakia

Purpose:

The purpose of this measure is to support the promotion of Slovakia's tourism industry both at home an abroad. It should contribute to forming a positive image of Slovakia as a country of tourism with rich cultural and historical heritage and numerous natural assets also through completion of the National Unified Tourism Information System (NUTIS). The measure directly supports the promotion of Slovakia through public sector entities and is

28 - *micro, small and medium-sized enterprises (SME):* the governing definition of SME is that used in Commission Recommendation 2003/361/EC, attached as an annex to Commission Regulation (EC) No 364/2004 of 25 February 2004 amending Regulation (EC) No 70/2001 as regards the extension of its scope to include aid for research and development.

- *large enterprises:* Entrepreneurs pursuant to §2(2) of the Commercial Code of the Slovak Republic that do not fall under the definition of SME, and employ less than 2,500 people. As regards the 2,500 limit on the staff headcount in large enterprises, the rules of the SME definition used in Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003) shall apply, specifically Article 3 Types of enterprise taken into consideration in calculating staff numbers and financial amounts save for paragraph 4, Article 5 Staff headcount and Article 6 Establishing the data of an enterprise.

- *associations:* pursuant to Civil Code, Act No, 40/1964 Coll., with at least 3 participants. Membership is open to natural or legal persons licensed to do business under the Trades Act and the Commercial Code and registered in the Slovak Republic, towns, municipalities, and VÚCs; private sector entities must prevail, both with respect to voting rights and share in the assets of the association.

Aid beneficiaries may not include enterprises in difficulty as defined in Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244 of 1 October 2004, pg. 2).

indirectly aimed at the support to small and medium-sized enterprises in their presentation in local and foreign markets, in fostering the image of tourism business.

This measure includes:

- improving the level of Slovakia's presentation;
- completing and populating the National Unified Tourism Information System with information contents;

Results:

- creating, populating, and updating information databases for the purposes of culture and tourism development within the SACR information system;
- improved presentation of the tourism industry at international and domestic fairs and exhibitions;

Description:

Slovakia is presently a little known country with the need of building a special image. It is poorly known in Asian and American tourism markets but also in part of Western Europe.

The goal is therefore to create a comprehensive strategy followed by a programme of intensive promotion. The efforts are also aimed at creating an information system. The implementation of the measure will also be focused on the cooperation with the entities providing the presentation on both local and regional level, using and involving new or existing tourist information offices in the information system mentioned. The NUTIS system should also be extended with a booking system or a system enabling on-line connection between potential tourists and tourism service providers, which will create conditions for making the system self-financing.

Intervention categories:

55 – promotion of natural assets
56 - protection and development of natural heritage
57 – Assistance to improve tourist services

Eligible activities:

- development of tourism information services - further development of the National Unified Tourism Information System, collection of information for the NUTIS by tourist information offices, establishment and operation of tourist information offices, etc.;
- creation of information and presentation materials, participation in tourism promotional and presentation activities, support to Slovak Republic's presentation abroad as an attractive tourist destination, etc.

Envisaged forms of the aid

- direct support in the form of a non-repayable grant

Aid beneficiaries:

The beneficiary under this measure is the Slovak Tourist Board (SACR).

5.4 Priority Axis 4 - Technical Assistance

Generally speaking, technical assistance is designed to cover the operating costs connected with the implementation of the OP C&EG.

Priority Axis 4, Technical Assistance, is aimed at ensuring the quality of all processes influencing the implementation of Structural Funds and at the provision of the necessary support to the main actors involved in this implementation. This involves strengthening the quality of management, coordination, implementation, information, monitoring, and evaluation of assistance provided within the Ministry of Economy of the Slovak Republic in the period of 2007 – 2013.

The growing allocations of resources from Structural Funds bring about increased demands on efficient implementation of all phases of their use, starting from the process of programming through implementation, monitoring, up to final audits and evaluations. All components involved in the system must function in a coordinated manner and work in mutual cooperation; however, each process requires specific know-how, which is demanding for the actors of this process. The technical assistance funds are to help the managing, implementing, as well as other authorities involved in the partnership process to obtain and maintain the necessary, sufficiently knowledgeable human resources, to ensure their professional growth and conditions for their mutual interoperation and, last but not least, to provide them with necessary technical background for high-quality decision making.

Ensuring high-quality implementation of the operational programme and its priority axes on all levels of management structures, from the Managing Authority (MA) through implementing agencies (IB/MA), up to authorities cooperating on the regional level. Increasing the efficiency of the use of the funds spent for implementation of the interventions approved.

The total financial limit for the technical assistance is set by Council Regulation (EC) No. 1083/2006 of 11 July 2006 (Section 5, Article 46, paragraph 1(a)), stating that the total amount for technical assistance (in the event of Slovakia, the sum of the ERDF allocation for the Operational Programme “Technical Assistance” and ERDF funds allocated for technical assistance actions within the framework of other OPs under the Convergence and Regional competitiveness and employment objectives) may not exceed 4% of the total allocation for the two objectives. In addition to the respective total limit of 4% and the set allocation for the OP Technical Assistance covering horizontal activities, the funds earmarked for technical assistance under each of the other OPs shall not exceed 3.13% of the Community contribution for the respective OP.

5.4.1 Measure 4.1 – Technical Assistance

Purpose:

The objective of this priority axis is to ensure, on the level of the Managing Authority and on the regional level (higher territorial units, cities, communities), an increase of the quality of undertaken interventions and a more efficient use of the funds allocated from Structural Funds and from the state budget. The measure combines effective management, promotion, and evaluation of the OP C&EG within the MoE SR. The priority axis is indicated as an area of intervention from EU funds in accordance with Council Regulation (EC) No.

1083/2006 of 11 July 2006 to finance the preparatory, management, monitoring, evaluation, information and control activities of operational programmes together with activities to reinforce the administrative capacity for implementing the Structural Funds, and will be updated in compliance with Article 26 of Council Regulation (EC) 1083/2006.

It includes support activities on the level of the Managing Authority for the OP C&EG, as well as on the regional level.

Description:

Technical assistance, managed and coordinated by the specified internal unit of the OP C&EG Managing Authority, will be implemented through activities defined by Council Regulation (EC) No. 1083/2006 of 11 July 2006 and in accordance with Community Strategic Guidelines.

This will involve, in particular:

- activities involving reinforcement of the administrative capacity in connection with the implementation of operational programmes;
- activities aimed at adequate material and technical provisions for entities involved in OP C&EG implementation;
- activities directly connected with the OP C&EG operational management, including operating expenditures, maintenance expenditures, etc.;
- activities aimed at creation and updates of strategic and methodological documents in MA's competence;
- activities related to the audit and inspection of project and operational programme implementation;
- activities related to the monitoring of project and operational programme implementation;
- activities related to the preparation, implementation and provisions for the exercise of competences of the Monitoring Committee, working and coordination groups and committees;
- activities related to information dissemination, awareness raising and publicity of operational programmes on an adequate level[29] for the beneficiaries, potential beneficiaries and the public;
- activities related to creating networks of contact points and information channels;
- activities related to the implementation of the communication action plan;
- evaluation activities connected with operational programme monitoring during the programming period;
- activities aimed at preparation of expert opinions, methodologies, studies, environmental impact assessments, regional analyses and other analyses related to the OP preparation and implementation.

Aid beneficiaries:

The beneficiaries will include the MoE SR as the MA for OP C&EG (respective organisational units of the MoE SR), IB/MAs, higher territorial units and institutions established by the higher territorial units.

[29] In accordance with Article 69 of Council Regulation (EC) No. 1083/2006, as well as with Section 1 of Commission Regulation No. 1828/2006

6 HORIZONTAL PRIORITIES

The NSRF strategy defines horizontal priorities, which, in a complementary way, support the achievement of NSRF objectives in four areas: marginalized Roma communities, equal opportunities, sustainable development, and information society. Fields of support defined in the OP C&EG help, within relevant actions, to achieve these horizontal objectives. A purpose of every horizontal priority is to ensure the achievement of its objective related to several NSRF priorities and therefore it cannot be reached only through one operational programme but requires a coordinated approach across a number of specific priorities or projects. The implementation of horizontal priorities will particularly be monitored in annual reports for individual operational programmes and in a NSRF annual report.

6.1 Marginalised Roma communities

The support for marginalised Roma communities (hereinafter "MRC") in the framework of the OP C&EG is addressed horizontally in all measures. Interventions under the OP C&EG measures are designed so that Roma communities have equal opportunities to participate in said support mechanisms as any other businessperson. The OP C&EG objectives do not directly address the issues of social inclusion and social services, but contribute to addressing employment and education. These are subject to other operational programmes in the framework of the NSRF SR.

To gain better insight into issues of Roma communities in doing business and to be able to address these issues in the Operational Programme, the MoE SR organised meetings with representatives of the Roma business community. The discussions resulted in conclusion of the following problems: The Roma community considers obtaining funds for start-up businesses to be the greatest problem. As the reason they presented the fact that when starting a business, they do not have the possibility to get a loan from a bank for the purchase of technologies as they do not have a property of sufficient value to use as a collateral to obtain the loan. Therefore the MoE SR proposes, in the framework of the OP C&EG, preparing a de minimis scheme for start-up businesses as described in the first priority. This concerns a joint state aid scheme with the Ministry of Labour, Social Affairs and Family of the Slovak Republic, where entrepreneurs have the possibility to obtain funds from the ERDF for purchase of technologies and also from the ESF fund for salaries, levies and training. The system of synergy and complementarity management is addressed on the level of both Ministries' Managing Authorities through an agreement on cooperation in creation and implementation of programming documents for 2007-13.

6.2 Equal opportunities

The basic element of the general equality principle is the prohibition of discrimination on the grounds of sex, race, ethnic origin, religion or belief, individuality, age, or sexual orientation. Equal opportunities are a part of pillars of the European Employment Strategy and the European Framework Strategy on non-discrimination and equal opportunities for all. Special emphasis is placed on the gender equality principle (equal opportunities for both men and women).

The policy of equal opportunities for men and women is a task extending across all parts of operational programmes and is therefore analysed particularly in the NSRF.

The horizontal priority “Equal Opportunities“ will be monitored in all operational programmes in the framework of NSRF. All SF and CF applicants will be obliged to assess an impact of their projects on the achievement of the horizontal priority “Equal Opportunities” and the achievement will be monitored in a project application where the applicant assesses whether the project has or does not have any impact on equal opportunities.

In the field of ERDF intervention, the OP C&EG strategy maintains equal opportunities of men and women in the labour market. The monitoring of measure implementation through structural funds will include also equal opportunities of men and women, e.g. from the viewpoint of the number of women employed, their financial remuneration and non-discrimination on the grounds of age.

6.3 Sustainable development

The sustainable development is one of the main EU objectives which is pursued by all its policies and activities.

Sustainable development means a targeted, long-term (continual), comprehensive and synergic process, affecting conditions and all aspects of life (cultural, social, economic, environmental and institutional) at all levels (local, regional, global), oriented to such a model of a certain community (local and regional community, country, international community), which meets biological, material, spiritual and social needs and interests of people, while eliminating or considerably reducing interventions threatening, damaging or destroying conditions and forms of life. It does not burden the landscape over the bearing capacity, reasonably uses its resources and protects the cultural and natural heritage.

The Government of the Slovak Republic considers the sustainable development to be one of the basic pillars of a knowledge society and therefore it will support a balanced sustainable development approach so that not only the economic growth but also social and environmental impacts are taken into account.

The sustainable development as one of the NSRF key principles is included in the strategic objective of the National Strategic Reference Framework of the Slovak Republic for 2007-13 which specifies the conformity with sustainable development principles as one of the crucial conditions for increasing competitiveness and performance of regions and Slovakia’s economy in the years 2007-13. In this context, fulfilment of the long-term vision of NSRF, i.e. convergence process of the Slovak economy to the EU 15 average must be carried out in compliance with the sustainable development requirements.

The objective of the horizontal priority “Sustainable Development” is to ensure that the resulting effect of all interventions financed under the NSRF promotes sustainable development in synergy with all its components, i.e. in the environmental, economic and social component in compliance with objectives and indicators of the EU’s Renewed Sustainable Development Strategy.

On the political level, the implementation of the "Sustainable Development" horizontal priority is coordinated by the Deputy Prime Minister for the Knowledge Society, European Affairs, Human Rights and Minorities. The Deputy Prime Minister is the chairman of the Government Council for Sustainable Development. A coordinator of the horizontal priority on the working level is the Government Office of the Slovak Republic.

The Government Office ensures that the horizontal priority is managed effectively and implemented in relation to all operational programmes and to their priority axes. It also monitors and evaluates the achievement of objectives of the horizontal priority on the NSRF level.

For this purpose, a working group for horizontal priority SD has been established at the Government Office, where all relevant MAs, Central Coordinating Authority, the MoF SR , and representatives of social and economic partners (representatives of regional and local self-governing bodies, academic community, research institutes, business associations, trade unions, special interest groups and civil society) are represented.

The Government Council for Sustainable Development of the Slovak Republic is an advisory and coordination body of the Government of the Slovak Republic for implementation of sustainable development principles. It comments, inter alia, on materials submitted by the working group for SD. The Government Council's cooperation and advisory bodies are comprised of experts from universities, science institutes, representatives of self-governing bodies, trade unions, employees' unions, state administration bodies who help to assess solutions to some sustainable development problems.

Key tools for the management of interventions intended for the fulfilment of the horizontal priority "Sustainable Development" comprise integration instruments resulting from conceptual, legal and institutional framework of sustainable development:

- strategic and programming documents, concepts in the area of sustainable development;
- principles, priorities, objectives and indicators of sustainable development;

On the basis of the use of integration tools, the implementation of the horizontal priority "Sustainable Development" will be carried out in the following phases of the programme cycle:

a) implementation
b) monitoring and evaluation of the operational programme;

a) Implementation

- In the implementation phase of operational programmes, the horizontal priority "Sustainable Development" will be fulfilled by defining a uniform text of the beneficiary's manual for all MA/IBMA where an applicant for non-repayable grant will be asked to specify if and how he intends to support sustainable development by his project.

- In the implementation phase, fulfilment of the horizontal priority "Sustainable Development" will be secured by project evaluation criteria set in compliance with the objectives of the horizontal priority "Sustainable Development". Individual MA/IBMA will send to the Government Office a proposal for evaluation criteria

for individual horizontal priorities. The evaluation criteria are based on the aforementioned integration tools.

b) monitoring and evaluation

- In the monitoring and evaluation phase, the horizontal priority SD will be fulfilled through the monitoring of SD indicators fulfilment on the level of priority axes and the operational programme. The Government Office in cooperation with representatives of individual managing authorities will select a set/group of indicators from those defined in the given operational programme or in the National System of Indicators. The selected indicators will be monitored in the context of SD by the Monitoring Committee.

- The EU's 2006 Renewed Sustainable Development Strategy is based on the EU SDS which was developed, on the national level, into the Sustainable Development Action Plan of the Slovak Republic for years 2005-2010 specifying long-term priorities – integrated goals which are further divided into 28 strategic objectives In cooperation with the MA, the Government Office will define which of the 28 strategic objectives are deemed relevant in terms of the operational programme. The Government Office will assess the contribution of the operational programmes to the meeting of the strategic objectives under the SD Action Plan based on the above definition. Results of the assessment will form a part of annual reports arising from operational programmes and of the NSRF annual report. SD assessment reports will be submitted for approval to members of the SD working group and the Government Council for SD. The SD assessment reports will serve as underlying documents for continual evaluation of Slovakia's Sustainable Development Action Plan for the years 2005-2010.

- The Government Office will prepare a monitoring report of the horizontal priority SD, also including a regional projection of activities performed. The monitoring report will be a part of the NSRF annual report.

- The Government Office plans to publish in cooperation with relevant partners an analysis or a study based on the reports, which will provide a view on the fulfilment of the sustainable development principles both on the national and regional level.

- Subject to an agreement with individual MAs, all deliverables of the Government Office will also serve as inputs for the sessions of individual monitoring committees.

Sponsors of HP SD will participate in the sessions of monitoring committees of individual operational programmes.

One of the areas contributing largely to sustainable development is energy efficiency. The energy efficiency activities will be coordinated by the MoE SR which is responsible under the competence law (Act No. 575/2001 Coll. on the organisation of Government activities and on the organisation of central state administration) for the energy policy and performs the tasks Slovakia is committed to under EU regulations, directives and strategic documents, and, at the same time, is obliged to report to the Commission on the fulfilment of those commitments. Subsequently, the MoE SR will provide the Government Office with background documents regarding the assessed area of the energy sector and energy efficiency

so that the Government Office is able to prepare a comprehensive evaluation of the horizontal priority SD.

For the purpose of the assessment of horizontal priority SD, a working group for horizontal priority SD has been established at the Government Office. One of the members of the working group is a representative of the MoE SR responsible for the assessment of energy efficiency. Within the HP SD working group, the MoE SR will propose indicators for the energy efficiency assessment to be monitored at the priority axis and programme levels. At the project level, the indicators will be included in the Application for non-repayable grant for all relevant operational programmes supported from the ERDF in the 2007-2013 period so that their fulfilment for Slovakia could evaluated. Each MA is obliged to specify these indicators in a non-repayable grant application and evaluate them through the ITMS. In the ITMS, the fulfilment of the indicators for Slovakia will be evaluated by the MoE SR in cooperation with the Government Office.

Indicators to monitor energy efficiency under the NSRF horizontal priority "Sustainable Development".

Indicator	Unit	Initial value	Estimated value	Estimated value	Source
		2007	2010	2013	
Increase in the installed capacity of the facility attributable to RES	MW	5	32	80	ITMS
Thermally insulated surface	m2	1000	3800	6200	ITMS
Annual energy savings	GJ/year	$1000x10^3$	$1500x10^3$	$2000x10^3$	ITMS
Economy's energy intensity	kgoe/1000€	854,3	758,5	663,43	SU SR
Percentage of RES in gross energy consumption	%	14,4	16,7	19	SU SR
Energy efficiency	%	55	60	66	SU SR

6.4 Information society

Currently, development of a knowledge society undergoes gradual transformation of its traditional concept as a knowledge triangle (education, research and innovations) into a knowledge square (the fourth point is added – information) Implementation of information and communication technologies (ICT) and a growth in the effectiveness of processes due to application of ICT help substantially to increase effectiveness and efficiency in the implementation of all components of a knowledge society. Therefore, a knowledge society and information society do not form two different factors in support of sustainable development and an increase in the competitiveness of the Slovak Republic. Coordination of activities in these areas aims to ensure that they contribute to the meeting of the objectives under the National Lisbon Strategy.

The main objectives of the information society development in Slovakia have been defined in accordance with the strategic documents as follows:

- information literacy
- effective electronisation of public administration
- wide Internet accessibility

Implementation of the horizontal priority will enhance synergic links among affected operational programmes and ensure that activities supported on the basis of particular projects take into account all aspect of the information society.

The Deputy Prime Minister of the Government of the Slovak Republic for Knowledge-Based Society, European Affairs, Human Rights and Minorities is responsible for coordination of implementation of horizontal priority Information Society on the political level. A coordinator of the horizontal priority on the working level is the Government Office of the Slovak Republic. On the conceptual and factual level, the horizontal management and implementation of all projects related to the society informatisation falls within the responsibility of the Ministry of Finance of the Slovak Republic which is a central government body for informatisation in accordance with Act No. 275/2006 Coll. on Public Administration Information Systems and on amendment to certain acts.

The Government Office ensures that the horizontal priority is managed effectively and implemented in relation to all operational programmes and to their priority axes. It also monitors and evaluates the achievement of the horizontal priority objectives on the NSRF level.

For this purpose, a working group for the horizontal priority Information Society has been established at the Government Office , where all relevant MAs, the Central Coordinating Authority, the MoF SR, representatives of social and economic partners (representatives of regional and local self-governing bodies, academic community, research institutes, business associations, trade unions, special interest groups and civil society) are represented. In addition, the Office of the Plenipotentiary of the Government for Informatisation of Society has been established as a part of the working group for information society where it fulfils an advisory function in compliance with its statute.

Key tools for the management of interventions intended for the fulfilment of the horizontal priority “Information Society” comprise integration instruments resulting from conceptual, legal and institutional framework of the society informatisation:

- strategic documents, action plans in the area of information society;
- national concept for the public administration informatisation and resulting concepts of development of the public administration information systems of obligated entities which are public administration institutions;
- national projects implemented under the OPIS
- data standards, technology standards and safety standards;
- methodical instructions, guidelines, manuals for applicants or calls for project proposals;

The tools listed above stem from applicable legal and strategic frameworks and are in the responsibility of the MoF SR acting as the central government body for informatisation in accordance with the Competence Act and Act on the Public Administration Information Systems.

Using the integration tools, the horizontal priority “Information Society” will be implemented in the following phases of the programme cycle:

a) a) implementation
b) b) monitoring and evaluation

a) Implementation

- In the implementation phase of operational programmes, the horizontal priority “Sustainable Development” will be fulfilled by defining a uniform text (to be

consulted with the MoF SR) of the beneficiary's manual for all MA/IBMA where an applicant for a non-repayable grant will be asked to clearly specify if and how he intends to support the information society development by his project.

- In the implementation phase, the fulfilment of the horizontal priority "Information Society" will further be ensured through project evaluation criteria set in compliance with the horizontal priority "Information Society" objectives. Individual MA/IBMA will send to the Government Office a proposal for evaluation criteria for individual horizontal priorities. In cooperation with MoF SR, the Government Office will assess the proposed evaluation criteria against the aforementioned integration tools.

b) monitoring and evaluation

- In the monitoring and evaluation phase, the horizontal priority „Information Society" will be fulfilled through the monitoring of Information Society indicators fulfilment on the level of priority axes and the operational programme. The Government Office and the MoF SR in cooperation with representatives of individual managing authorities will select a set/group of indicators from those defined in the given operational programme or in the National System of Indicators. The selected indicators will be monitored in the context of Information Society by the Monitoring Committee.
- The Government Office will prepare a monitoring report for the horizontal priority "Information Society", also including a regional projection of activities performed. The monitoring report will be a part of the annual report of NSRF.
- The Government Office plans to publish in cooperation with relevant partners an analysis or a study based on the reports, which will provide a view on the fulfilment of the information society principles both on the national and regional level.
- Subject to an agreement with individual MAs, all deliverables of the Government Office will also serve as inputs for the sessions of individual monitoring committees.

Sponsors of HP IS will participate in the sessions of monitoring committees of individual operational programmes.

7 CONFORMITY OF THE OP "COMPETITIVENESS AND ECONOMIC GROWTH" STRATEGY WITH POLICIES, DOCUMENTS, AND OBJECTIVES

OP Competitiveness and Growth is unequivocally based on the National Strategic Reference Framework of the Slovak Republic for 2007 – 2013, which reflects all fundamental EC policies for economic, social, and territorial cohesion[30] (Community Strategic Guidelines on Cohesion; Competitiveness Strategy for the Slovak Republic until 2010, so-called Lisbon Strategy for the Slovak Republic, and, following up this document, the Commission-approved set of "integrated principles" for 2005 – 2008, particularly supporting the economic growth

[30] NSRF, Chapter 4.5 Conformity of the strategy with policies, documents, and objectives

and jobs in Europe[31]; EU industrial and energy policy, as well as EU sustainable development strategy).

The strategy and the individual measures within the OP Competitiveness and Growth have been designed in accordance with the EC Treaty and using tools adopted therein. The OP Competitiveness and Growth concept is also in accordance with the methodological guideline of the Ministry of Construction and Regional Development of the Slovak Republic, which was prepared on the basis of draft EC regulations and the Community methodological documents for the new programming period. It respects the EU and SR rules in the field of economic competition, public procurement, environmental protection, equal opportunities, and non-discrimination.

Within the OP Competitiveness and Growth, policies are specifically reflected in the responsibility of the MoE SR as the state administration authority. In accordance with the competence law, this involves the energy policy, the raw material policy, the industrial policy, the tourism support policy, the trade policy, the policy of small and medium-sized enterprise support and business environment improvement, and the innovation policy. All the above fundamental policies are transposed into the OP.

The programme document respects the need of coordination and complementarity in the provision of financial aid among individual funds, this issue being subject to additional negotiations among the relevant MA's. At the same time, the relationship with selected banking institutions (EIB and EIF) is ensured in the provision of indirect state aid.

The contents of the OP C&EG have been prepared in accordance with new regulations for the area of structural funds for 2007 – 2013 programming period; they are listed in 7.1.1.

7.1 Underlying strategic documents

7.1.1 EU documents

- Gothenburg Strategy and Lisbon Strategy;
- Strategic Community Guidelines on Cohesion;
- Council Regulation (EC) No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999;
- Regulation (EC) No. 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1783/1999;
- Regulation (EC) No. 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No. 1784/1999;
- Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC);
- Council Regulation (EC) No. 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No. 1164/94;

[31] Integrated Guidelines for Growth nad Jobs 2005 - 2008 for Growth and Jobs 2005-2008– COM (2005) 141 final – 12/4/2005, OJ L n° 205 of 6;0802005, p. 21-37.

- Council Regulation (EC) No. 1198/2006 of 27 July 2006 on the European Fisheries Fund;
- Council Regulation (EC) No. 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD);
- Commission Regulation (EC) No.1828/2006, setting out rules for the implementation of Council Regulation (EC) No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and Regulation (EC) No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.
- European Employment Strategy;
- Draft Financial Perspective 2007 – 2013;
- 7th Research and Technology Development Framework Programme (2007 – 2013);
- Green Paper on Energy Efficiency or Doing More with Less: COM(2005) 265 final of 10.06.2005;
- Draft Competitiveness and Innovation Framework Programme (2007 – 2013);
- Commission Report: Support of structural change: industrial policy for enlarged Europe, COM(2004) 274 final of 20.04.2004;
- European Charter for Small Enterprises adopted by the "General Affairs" Council on 13 June 2000;
- Green Paper on Entrepreneurship in Europe, COM (2003) 27 final of 21.01.2003
- Consumer policy strategy 2002 – 2006
- Directive (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals "REACH";
- EC legislation concerning the rules associated with competition, public procurement, environmental protection and improvement, equality of opportunity, gender equality and non-discrimination
- Regional Aid Guideline 2007 – 2013 (2006/C54/08).

7.1.2 Documents of the SR (national, sectoral and regional)

- National Strategic Reference Framework of the Slovak Republic for the years 2007 – 2013, approved by the Resolution of the Government of SR (RG SR) No. 832/2006;
- Management system for the structural funds and for the Cohesion fund for the programming period 2007 – 2013, basic version, approved by RG SR No. 833 on 08.10.2006;
- Financing strategy concerning the structural funds and the Cohesion fund in the programming period 2007 – 2013, approved by RG SR No. 834 on 08.10.2006;
- Financial administration system for the structural funds and for the Cohesion fund for the programming period 2007 – 2013, approved by RG SR No. 835 on 08.10.2006;
- Proposal of innovative financial instruments for the National Strategic Reference Framework 2007 – 2013 (2nd stage), approved by RG SR No. 836 on 08.10.2006;
- Integrated plan of regional development, approved by RG SR No. 923/1999;

- National plan of regional development, approved by RG SR No. 133/2002;
- National Development Plan 2004 – 2006, approved by RG SR 166/2003;
- Slovak Spatial Development Perspective 2001, approved by RG SR No. 1033/2001 on 31 October 2001;
- Updated Convergence Programme of the Slovak Republic 2004 – 2010;
- Slovak Competitiveness Development Strategy until 2010, approved by RG SR No. 140/2005;
- Slovak Competitiveness Development Strategy until 2010: Action Plans, approved by RG SR No. 557/2005;
- National Reform Programme of SR 2006 – 2008, approved by RG SR No. 797/2005;
- National Sustainable Development Strategy, approved by RG SR No. 978/2001, and Action Plan for Sustainable Development in SR 2005 – 2010, approved by RG SR No. 574/2005;
- National Strategic Plan for Rural Development 2007 – 2013;
- National Decade Action Plan for the Inclusion of the Romany Population 2005 – 2015;
- Programmes of economic and social development of the self-governing regions;
- Municipal social and economic development programmes;
- Development Strategy for Tourism until 2013, approved by RG SR No. 923/2005 on 23.11.2005;
- Tourism Development Perspective, approved by RG SR No. 923/2005 on 23.11.2005;
- Regionalisation of Tourism;
- Energy Policy of the SR, approved by RG SR No. 5/2000 on 12 January 2000;
- Energy Policy of the SR, approved by RG SR No. 29/2006 on 11 January 2006;
- Concept of new energy policy, MoE SR;
- Perspective concerning the use of renewable energy sources, new version, approved by RG SR No. 282/2003 on 23 April 2003;
- Report on the progress in the development of renewable energy sources including the determination of national indicative targets for the use of renewable sources of energy, approved by RG SR No. 667/2004 on 07.07.2004;
- Draft policy on the implementation of public private partnership (PPP) projects, approved by RG SR No. 914/2005 on 23.10.2005;
- Convergence Programme of the Slovak Republic 2005 – 2010, approved by RG SR No. 949/2005 on 30.10.2005;
- Macroeconomic perspective of the NSRF 2004 – 2015, MoF SR, March 2005;
- Report on the state of the business environment in SR including improvement proposals, new version, approved by RG SR No. 950/2005 on 30.10.2005;
- Report on the implementation of the European Charter for Small Enterprises;
- Medium-term outlook concerning the development of internal trade and services in the SR;
- Issues concerning the support of export-oriented activities of enterprises in the SR;
- Report on the influx of foreign direct investment;

- Evaluation of the results of activities associated with the development of science, technology and public research and development contracts supported by the Science and Technology Support Agency;
- Innovation Strategy of the Slovak Republic 2007 – 2013, approved by RG SR No. 265 on 14.03.2007;
- Draft act on innovation amending and supplementing certain laws;
- Act No. 565/2001 on Investment Incentives amending and supplementing certain laws;
- Consumer Policy Perspective 2005 – 2007, approved by the Management Meeting of the Ministry of Economy of the SR (MM MoE SR) in 2005;
- System structure of the national economic strategy of the SR 2005 – 2013;
- Industrial policy of SR in line with the call of the European Commission included in the Commission Communication COM (2002) 714 final, negotiated by MM MoE SR in September 2003;
- Elaboration on the intentions, priorities and goals of the National Sustainable Development Strategy (NSDS) concerning industrial policy (December 2004);
- Draft strategy of innovation in industrial production, negotiated by MM MoE SR on 21.04.2005;
- Document underlying the elaboration on innovation policy in industrial production for the years 2007 – 2013, negotiated by MM MoE SR on 20.10.2005;
- Impact of the proposed chemical legislation (REACH Regulation) on the sustainability of Slovakia's chemical industry, negotiated by MM MoE SR in December 2004;
- Development of the automotive industry representing the driving force of economic growth and restructuring in industry, negotiated by MM MoE SR on 10.03.2005.

7.2 Synergy and complementarity in the framework of the NSRF operational programmes with the OP C&EG

The greatest amount of synergy can be seen in OP C&EG in combination with:

OP Research and Development through the activities of Measure 1.3 – Transfer of knowledge and technologies obtained in research and development into practice – as well as mutual interactions between R&D base and the business sphere provides inputs for innovation processes in enterprises and directly links to Measures 1.1, 1.2 and 1.3 of the OP C&EG. The division line – synergy and complementarity – is set up by the Lisbon Strategy by means of applied science and research and support to business innovations.

Division line:

- Applied science and research from universities will get into practice in 7 to 15 years, it begins with a basic scientific research and depends on the academic community only.
- The requirements of the business innovations are generated directly in the manufactures and will get into practice in 0.5 to 2 years, otherwise they lose their importance as to competitiveness.

- Business innovations depend on internal business development which is able to ensure the implementation of innovation cycles into practice. Based on the above facts, it is planned to establish RICs on the level of higher territorial units which shall replace development and innovation business capacities.

Synergy:

RIC will be established as an association of legal entities with the following structure:

- Management = public administration (higher territorial units + universities and higher education institutions from the given region);
- Partners = advanced industrial companies with own development and innovation base from the given region;
- Members = universities and higher education institutions from beyond the region and from abroad, as well as industrial companies.

The above RIC structure creates conditions for mutual linking of the business community and the academic community in direct cooperation concerning innovative business issues.

Complementarity:

R&D are linked to world trends in science and technology and address potential innovations in connection with these trends.

RIC is linked to current national economy issues and R&D, and is able to address the competitiveness of businesses through innovations in connection with this link.

OP Informatisation of Society (OP IS), providing the environment for the development of electronic services (eGovernment, smart administration) and higher penetration of broadband connection, links directly to Measures 1.1 and 1.2 of the OP C&EG (eBusiness, helping SMEs go digital, W@tch), as well as Measure 3.2 (eTourism). OP C&EG, at the same time, intervenes the electrical engineering industry including IT, which, in turn, will be significantly stimulated by OP IS (eGovernment, eContent, broadband).

OP Health – supports the business sector in terms of healthcare services only, i.e. the category „Health and Social Care“. In state aid schemes, OP C&EG will grant support to entrepreneurs with the exception of health and social care. This does not concern the public sector in Measure 1.2 Common Services for Entrepreneurs in OP C&EG, where health sector can participate in the innovations as well.

OP Education, ensuring important inputs for innovation processes in industry and services (including tourism) through the preparation of human resources for the needs of the knowledge society, touches generally all measures of the OP C&EG.

OP Employment and Social Inclusion, ensuring important inputs for innovation processes in industry and services through supporting quality and availability of labour. In order to set up cooperation, MoE SR and MoLSAF SR signed an agreement. The objective of the Agreement between the Ministry of Labour, Social Affairs and Family of the Slovak Republic and the Ministry of Economy of the Slovak Republic is the effective coordination of activities supported from structural funds with the aim to *achieve better collaboration, mutual complementing of both ministries and increase the efficiency of activities* supporting the creation of jobs and employment policy.

The Agreement governs the cooperation and partnership between MoE SR and MoLSAF SR for the following activities:

1. *Preparation and implementation of the state aid scheme for start-up businesses*, in which:
   - **MoE SR** shall support costs incurred in purchasing technologies, machinery, instruments, and equipment for start-up businesses **from the European Regional Development Fund (ERDF);**
   - **MoLSAF SR** shall pay the following expenditures **from the European Social Fund (ESF):**
     - expenditures for the payment of salaries, including payroll contributions paid by employer and payment of health insurance for each newly created job;
     - expenditures for consultancy services concerning business support;
     - education expenditures.

2. *Support to the public sector to ensure conditions for business development* in the area of innovative activities in the regions through **Regional Innovation Centres 7+1**. This relates to improving conditions and increasing research and development capacities for enterprises' access to innovative activities, to new state-of-the-art technologies, eco-technologies and comprehensive services, namely through building innovation centres based on strengthening cooperation among universities, research and development institutions, and the business sphere.
   - **MoEdu SR** shall pay the costs of building and restoration of public infrastructure facilitating innovative business **from ERDF**; and
   - **MoLSAF SR** shall support the creation of jobs and the employment policy **from ESF**.

3. *Support to revitalisation and upgrade of former industrial sites:* The Ministry of Economy of the SR shall promote the revitalisation of „brownfields" and fields which create conditions for higher employment.
   - **MoE SR** shall pay the costs of rehabilitation and restoration of public infrastructure facilitating business **from ERDF**; and
   - **MoLSAF SR** shall support the creation of jobs and the employment policy **from ESF.**

4. *Support to the national project "Development of Human Resources to Facilitate the Development of Tourism Business Activities in the Slovak Republic"* with the aim to ensure higher quality of tourism coordination and administration by creating organisational networks with professional personnel in the regions on the level of higher territorial units. From the methodological and technical point of view, the Project will be linked to SACR. **MoLSAF SR** shall pay the following expenditures **from ESF**:
   - expenditures for the payment of salaries, including payroll contributions paid by employer and payment of health insurance for each newly created job;
   - expenditures for consultancy services concerning business support;
   - education expenditures.

Regional Operational Programme contributes to higher efficiency and effectiveness of OP C&EG interventions primarily in tourism. Development of tourism is conditional upon

good coordination of territorial concentration of interventions and by management of comprehensive projects in the field of restoration of public tourism infrastructure, regeneration of communities, reconstruction of cultural and historic objects (ROP) and business activities in tourism. Moreover, the construction and refurbishment of public lighting in cities and villages as one of the activities within OP C&EG Measure 1.2 Support of common services for entrepreneurs, is directly related to high-quality revitalisation of communities supported by ROP in the framework of Measure 4.2 Regeneration of Communities.

Operational programme "Environment", in the framework of Measure 3.3 Minimising unfavourable impacts of climate changes, including support to renewable energy sources, through supporting activities aimed at changing the fuel base of energy sources with an emphasis on low-emission and RES will be complementary to OP C&EG Measure 2.1 aimed particularly at building new RES, which will result in reduction of greenhouse gas emissions.

Planned support to projects for the use of renewable energy sources is incorporated **in Measure 2.2 Minimising unfavourable impacts of climate changes (OP Environment)** only as an instrument to reduce emissions of basic and other pollutants (PM_{10}, $PM_{2,5}$, SO_2, NO_x, benzene, VOC, NH_3, heavy metals, and PAH), as well as to reduce greenhouse gas emissions as regards sources of air pollution. The reduction of pollutant emissions (stated in the above sentence) will contribute to lower pollutant content in the air which is also the objective of the obligations resulting from Acqui and from the Thematic Strategy of Air Protection.

Measure 2.1 Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the energy sector in OP C&EG focuses on the promotion of the use of renewable sources and on facilitating the increase in energy efficiency, including the promotion of highly-efficient electricity and heat cogeneration for the business sector. Increasing energy efficiency in the Slovak Republic will be implemented within various OPs, while the MoE SR will provide for their coordination. Synergy will be achieved also with the SR's Rural Development Programme, where the MoE SR will support the technology for the production of electricity, heat and biomass biofuel through ERDF, while the MoA SR will support growing of annual and multi-annual plants for the production of electricity, heat and biofuels.

In the field of waste recovery, OP Environment Measure **4.2 Support to waste recovery activities**, will provide **support to activities** aimed particularly at:

- treatment of separated waste components before their recovery or environmentally friendly disposal;
- waste recovery including its mechanical, biological and thermal treatment;
- increasing the extent of recycling through support to new technologies or improving the quality of output products by completing existing **BAT technologies in waste recovery**.

In the framework of OP C&EG Measure **1.1 Innovation and technology transfers**, support will be provided to activities aimed at reducing and eliminating negative impacts of industry and services on the environment (environmentally friendly and economically effective innovative production technologies focused on minimising waste generation and on recovery of byproducts formed in the technological process).

Where better waste recovery results in a secondary raw material obtained in excess of activities included in the OP Environment Measure 4.2 Support to waste recovery activities, such activities will be supported in the framework of OP C&EG Measure 1.1 Innovation and technology transfer.

MoE SR will coordinate SR´s output in the field of energy efficiency in the programming period 2007 – 2013. Through Evaluation Committees, MoE SR will coordinate the process of supported activities or grants from structural funds for projects concerning energy efficiency through individually specified indicators within the OPs, namely OP Environment, OP Health, OP R&D, OP Bratislava Region, Regional Operational Programme and Rural Development Programme of the SR 2007 – 2013.

MoE SR will ensure the participation of competent representatives in Evaluation Committees in charge of project selection and will, at the same time, collect and evaluate data on a central level through its IB/MA – Slovak Innovation and Energy Agency from the individual managing authorities of the above OPs.

OP Bratislava region copies the key measures of the OP C&EG, which will be implemented, as opposed to the OP C&EG, only in the Bratislava region, while the OP C&EG covers the entire territory of Slovakia under the objective 1, Convergence. The synergy between the programmes is very strong and they are mutually interconnected very closely.

Programme of international cooperation (INTERREG IVC), in the framework of Priority 1, Innovation and knowledge economy, through supporting activities aimed at improvement of policies, methods and approaches in innovation and knowledge economy, will be complementary to Measures 1.1, 1.2 and 1.3 of the OP C&EG focused on innovation activities and common services for businesses, which will result in reduction of regional disparities through strengthening regional potential and increasing regions' competitiveness in Europe. In the framework of Priority 2, Environment and risk prevention, through supporting activities aimed at stimulating energy efficiency and development of renewable energies as well as better coordinated efficient systems of energy management, it will be complementary to OP C&EG focused particularly on building new RES and on reducing energy intensity, which will result in reduction of greenhouse gas emissions and energy intensity of industrial production. With adequate combination of OP C&EG activities with an international element it can contribute to the knowledge transfer from neighbouring countries.

Compliance with EU strategic documents

7.2.1 Community Strategic Guidelines (CSG)

Community Strategic Guidelines on cohesion (published in the Official Journal No. L291 on 21 October 2006) define frameworks for Funds' operation on the European level with the objective of ensuring consistence and conformity of the strategic documents prepared by individual Member States with Community priorities, policies and activities and are complementary to other Community financial instruments.

The conformity of the OP Competitiveness and Growth with Community Strategic Guidelines on cohesion is illustrated in the following overview.

Conformity of the "Support for competitiveness of industry and services through innovation" priority axis strategy with CSG

	CSG – intersection areas							
	Make Europe and its regions a more attractive space for investment and work				**Improving knowledge and innovation for practice**			
NSRF – Priority Axis	Improving the attractiveness of Member States, regions, and cities through improving accessibility – extension and improvement of infrastructures	Ensuring adequate quality and level of services	Maintaining environmental potential – innovative technologies with a direct impact on environmental improvement	Addressing the issue of intensive use of traditional energy sources and support for technologies based on renewable and alternative sources	developmentIncreasing and improving the quality of investment in research and technology	Facilitating innovation and supporting business	Creating information society	Facilitating access to funds through direct and indirect state aid
Support for competitiveness of industry and services through innovation								

7.2.2 Lisbon and Gothenburg Strategy

In preparation of strategic documents, Slovakia identifies with the main priorities of the Lisbon Strategy, which include ensuring adequate public funds, growth factor of employment and productivity, internal market development, high level of social cohesion, and sustainable development. Sustainable development means that employment, economic

reforms, social policies and environmental policies must be designed in a manner that will ensure their mutually interconnected promotion.

In its OP C&EG for the programming period of 2007 – 2013, the MoE SR proposed such priorities and measures for the support from the ERDF, which are in conformity with the renewed Lisbon Strategy for growth and employment with an emphasis on the support to innovations, business, competitiveness, economic growth and formation of new and permanent jobs and ensuring sustainable development.

The OP Competitiveness and Growth, relying on the Gothenburg Strategy calls, includes employment support elements as well as the use of technologies with ecologically positive impacts on the environment.

7.2.3 EC legislation in the area of cohesion policy

Cohesion policy is designed to address the disparities among Community regions, based on which individual states create their map of state and regional aid. In May 2005, the European Union defined the Euro fund support framework for 2007 – 2013. The above framework became the basis for the preparation of the **Community Strategic Guidelines on Economic, Social and Territorial Cohesion**. For Slovakia this implies an emphasis on increasing competitiveness, performance of its regions and economy while respecting sustainable development. In this respect, the OP C&EG is aimed at supporting the growth of economy through increased competitiveness of small and medium-sized enterprises and introducing product and technology innovations. The implementation of the selected measures requires coordination between the solutions of regional disparities through rural development (coordinated by the Ministry of Economy of the Slovak Republic) and the solutions supported from funds within the competence of the present OP Competitiveness and Growth.

OP C&EG, falling under the objective “Convergence” in accordance with ERDF articles, will focus its assistance on the support of economic growth and employment particularly in the following areas:

- **research and technology development, innovation and business**, which is linked to Measures 1.1, 1.2 and 1.3 in accordance with Art. 4(1) of the Regulation;
- - **information society**, where the support is aimed particularly at assistance and services to small and medium-sized enterprises with links to Measures 1.2, 1.3 and 3.1 in accordance with Art. 4(2) of the Regulation.
- information technologies and communication instruments are an important factor of industry and services competitiveness growth, therefore a specific priority includes electronic business, quality and informatisation systems in enterprises, making consulting services available to entrepreneurs, and introducing a single tourism information system;
- - **environment** with an emphasis on the support of industrial site revitalisation and on the assistance to SMEs in support of sustainable manufacturing models through introduction of cost-effective systems of environmental management and introduction and use of technologies to prevent pollution in accordance with Article 4(4) of the Regulation; links to Measures 1.1, 1.2, 1.3, 2.1, 2.2, 3.1;
- - **tourism**, including support to natural and cultural assets as a potential for the development of sustainable tourism, protection and improvement of the natural

heritage to support social and economic development, assistance to improvement of tourism service provision through new services with a higher added value in accordance with Article 4(6) of the Regulation and in accordance with Article 4(7) of the Regulation;

- **culture** with an emphasis on the protection and maintenance of the cultural heritage, development of cultural infrastructure with the purpose of supporting social and economic development and increasing the region's attractiveness, as assistance aimed at the offer of cultural services through services with a higher added value linked to Measure 1.5;
- - **energy**, particularly with an emphasis on improving energy efficiency and development of RES, linked to Measures 1.1, 1.3, 2.1, and 2.2 in accordance with Art. 4(9) of the Regulation;
- **investment in professional training** of human resources for the purposes of industry and services, particularly for the introduction of progressive technologies and eco-technologies, staff training for innovative business, introduction of quality standards into manufacturing and services, introduction of patents and use of intellectual property in enterprises, etc., linked to Measures 1.1, 1.3, 2.2 but also 2.1.

7.2.4 EC legislation in the area of competition rules

In the area of competition rules, the OP C&EG is in accordance with the basic EC Treaty Articles 87 and 88 and in accordance with the objective of the competition protection policy, which is to protect and aid the development of competition conditions. The competition policy is also an instrument to create an attractive environment for investment and for job growth, acting towards ensuring sustainable growth and competitiveness of the economy.

Rules of competition will be assessed pursuant to Act No. 136/2001 Coll. on the Protection of Economic Competition and on amendment and additions to Act of the Slovak National Council No. 347/1990 Coll. on the Organisation of Ministries and Other Central Authorities of the State Administration of the Slovak Republic as amended, as implied by amendments and additions implemented by Act No. 465/2002 Coll. and Act No. 204/2004 Coll., Act No. 68/2005 Coll. amending and making additions to Act of the National Council of the Slovak Republic No. 18/1996 Coll. on Prices as amended, amending and supplementing certain laws.

The Community legislation for state aid is binding upon the Slovak Republic and directly applicable (Art. 88 and 89 of the EC Treaty).

7.2.5 EC legislation in the area of public procurement

The implementation of the OP C&EG will be governed by the valid legislation of the Slovak Republic (Commercial Code No. 513/91 Coll., Section 3, Public Tender, Sections 281 to 288) and by the Public Procurement Act No. 25/2006 Coll. as amended and on amendment to Act No. 575/2001 Coll. on the organisation of Government activities and on the organisation of central state administration as amended, and the aid beneficiary/final beneficiary will ensure that public procurement for delivery of goods, provision of services and performance of works is conducted in accordance with the Slovak Republic's legislation.

Notices on the public procurement calls will be published through media in Slovakia (press, radio, television) and in foreign press, in Public Procurement Journal or in the Official Journal of the European Union and also on the Public Procurement Office's website - www.uvo.gov.sk.

The issue of public procurement and contracting is provided for by approximated legislation through the Public Procurement Act No. 25/2006 Coll.

Activities not subject to the application of the Public Procurement Act, such as market survey, are performed on the basis of the Commercial Code through a public tender.

7.2.6 EC legislation in the area of the environment

Individual projects will be assessed pursuant to the environmental impact criterion in accordance with Act No. 24/2006 Coll. on Environmental Impact Assessment. The law defines the basic notions and principles of environmental protection, as well as obligations of natural persons and legal entities concerning the conditions of protection and improvement of environment and the use of natural resources. It is based on the principle of sustainable development.

As for the development of tourism, the attention will be focused on projects implemented in protected areas within the meaning of Act No. 543/2002 Coll. on Nature and Landscape Protection as amended, Act No. 525/2003 Coll., Act No. 205/2004 Coll., Act No. 364/2004 Coll., Act No. 587/2004 Coll., and Act No. 15/2005 Coll. and related regulations. Attention will also be paid to locations NATURA 2000.

In the process of OP Competitiveness and Growth implementation, the introduction of environmentally friendly technologies will be supported. Environmental impact assessment will be ensured in accordance with applicable legislation – Act No. 24/2006 Coll. on Environmental Impact Assessment amending and supplementing certain laws.

Provided that the activities in the field of tourism development are implemented in accordance with the above legislation, they may significantly contribute to the protection of natural wealth and cultural heritage, which will have immediate benefits for the improvement of population's living environment.

Concerning the support of projects in areas requiring special air protection under Act No. 478/2002 Coll. on Air, the condition of making the environmental conditions more strict will be complied with (such as the introduction of BAT regardless of the appropriateness of expenditures, more strict emission limits and the like), as this involves areas where poor air quality needs to be improved, or good air quality needs to be maintained, as the case may be.

7.2.7 EC legislation in the area of equal opportunities, gender equality, and non-discrimination

In the framework of the OP Competitiveness and Growth, projects will be supported that provide equal opportunities in the business sector, above all, supporting women having managing positions particularly in developing areas and in less developed regions.

Projects' impacts on equal opportunities will be monitored, which will be subsequently evaluated by the MoE SR Monitoring Committee for the Programme Complement.

In the event that the principle of equal opportunities is found to have been violated, the MoE SR programming document may be amended.

7.3 Conformity with Slovak Republic's strategy documents and policies

7.3.1 NSRF of the Slovak Republic for 2007-13 and the Operational Programmes

The Slovak Republic's lagging behind the EU-15 in the field of competitiveness of production points at the slow progress in Slovakia's transition to knowledge economy. This is formed particularly by companies that use innovation and state-of-the-art technologies to increase their competitiveness. At the same time, each economy, throughout its development, must save and efficiently use the existing sources in the interests of future generations. The priority axes of the OP C&EG thus, with their focus on the support to innovations and new technologies and through individual measures reducing energy intensity, fulfil the long-term vision of economic and strategic development of the country, which the NSRF defines as the General Convergence of the Slovak Republic's Economy to the EU 15 Average through Sustainable Development. This is derived into a strategy to fulfil the vision outlined, defined as the Significant Increase, by 2013, of Competitiveness and Performance of Regions and Slovak Economy while Respecting Sustainable Development. The NSRF also emphasises one of the priority thematic areas to be the support to innovations and informatisation, which, through technology development and process quality improvement, develops the sources of economic growth for knowledge economy and increases the quality of economic growth built on the existing factors. The above orientation is in full compliance with the developed strategy and measures/sub-measures of the priority axis of the present programming document.

7.3.2 National Reform Programme/Action Plans of the Competitiveness Strategy for the Slovak Republic until 2010

The main objectives of the OP C&EG strategy defined as well as of the National Reform Programme for Slovakia 2006-08 consist in achieving a long-term economic growth and thereby closing the gap on the EU countries' living standard. The OP Competitiveness and Growth strategy concentrates on two of four areas[32] of the National Reform Programme, which will support the growth of Slovak economy's creative potential through improving conditions for business and supporting research, development and innovation. There is an analogous harmony between the OP Competitiveness and Growth strategy and the Competitiveness Strategy for the Slovak Republic until 2010 and its action plans in two identical areas of four – business environment and science, research, and innovation.

[32] The four areas are: 1) information society, 2) business environment, 3) education and employment, 4) science, research and innovation

Conformity of the “Support for competitiveness of industry and services through innovation” priority axis strategy with NPR

	NPR – intersection areas								
	Business environment						Science, research, and innovation		
NSRF – Priority Axis	Enforceability of law, contracts, and legal basis	Public institutions as a partner	Improvement of infrastructure for business	Efficient access to capital market	Good quality of physical infrastructure and energy services	Market liberalisation	Growth and support of scientists' quality	businessHigh quality research with adequate links to	Efficient public support to business activities aimed at innovation
Support for competitiveness of industry and services through innovation									

The Strategy for Competitiveness of Industry and Services through Innovation will contribute to an improvement of the business environment quality through improving access to information. This will be enabled by improving the information network of national libraries, whose resources will be more focused on business information sources. In the field of improving infrastructure for business until 2007, the strategy defines areas of assistance as one of the basic prerequisites for the development of business environment, which will contribute to creation and quality improvement of the material and logistic infrastructure for entrepreneurs with innovative business plans as well as for starting entrepreneurs. The said area of aid will also assist to increase the qualification skills and capacities of entrepreneurs – small businesses, primarily of craftspersons. Individual activities will contribute to increasing awareness of innovation and its application in the practice, and of the potential of savings in energy generated from non-renewable sources. The strategy of the priority axis concerning the improvement of access to capital addresses the issue of access to venture capital as one of the existing barriers. In the field of energy service infrastructure, the strategy focuses on increasing the importance of the use of renewable sources for energy production. At the same time, it supports the development of such production methods that are environmentally friendly.

In the second intersection priority of the NPR – science, research, and innovation, the strategy of the priority axis “Support for competitiveness of industry and services through innovation” puts emphasis on the interconnection of the applied research with the business practice and commercialisation of the results of research and innovative activity. In spite of the insufficient legislation in the field of innovation, the measures contribute to the support of innovative entrepreneurs, who have an opportunity to develop their innovative ideas in business incubators. These, in addition to adequate premises, will provide the necessary professional consulting services adequate for the starting entrepreneurs. Additional common areas with the NPR are represented by mediation of funds to support starting innovative entrepreneurs by extending soft loans, grants, and guarantees, and other instruments reducing investor risk.

7.3.3 National Sustainable Development Strategy/Sustainable Development Action Plan

Ensuring sustainable development (SD) is one of the European Union's policy priorities, which is reflected in the Slovak Republic in drafting the National Sustainable Development Strategy (National SDS), which has been prepared in accordance with the EU SDS. According to the EU SDS, the basic orientation of the EU countries should be the long-term, systematic and comprehensive drive towards creating a society based on the SD principles and their practical application, setting 8 long-term priorities to achieve this orientation in the Slovak Republic and 28 strategic objectives stemming therefrom. According to the NSRF, the priority axis "Innovations and growth of competitiveness through innovation" overlaps with the National SDS in two long–term priorities – New Economic Model and High Quality of the Environment, Protection and Rational Use of Natural Resources.

The objective of the priority axis measures is to bring innovation to enterprises, which necessarily results in their modernisation, and the priority axis thus directly fulfils the National SDS's strategic objective of Restructuring, Upgrading and Recovery of the Manufacturing Sector. Measures of the priority axis are also aimed at supporting energy savings, higher use of renewable energy sources, and supporting tourism development, whereby they directly fulfil the following strategic objectives of the National SDS: Reducing Energy and Raw Material Intensity and Increasing the Efficiency of Slovak Republic's Economy, Reducing the Proportion of Use of Non-Renewable Energy Sources while Rationally Utilising Renewable Sources, and Improvement of Transport and Technical Infrastructure, Development of Tourism. The support of the economy transformation into a competitive knowledge economy directly influences the improvement of main economic indicators and contributes to completion of the general transformation of the economy.

Conformity of the "Support for competitiveness of industry and services through innovation" priority axis strategy with the National SDS

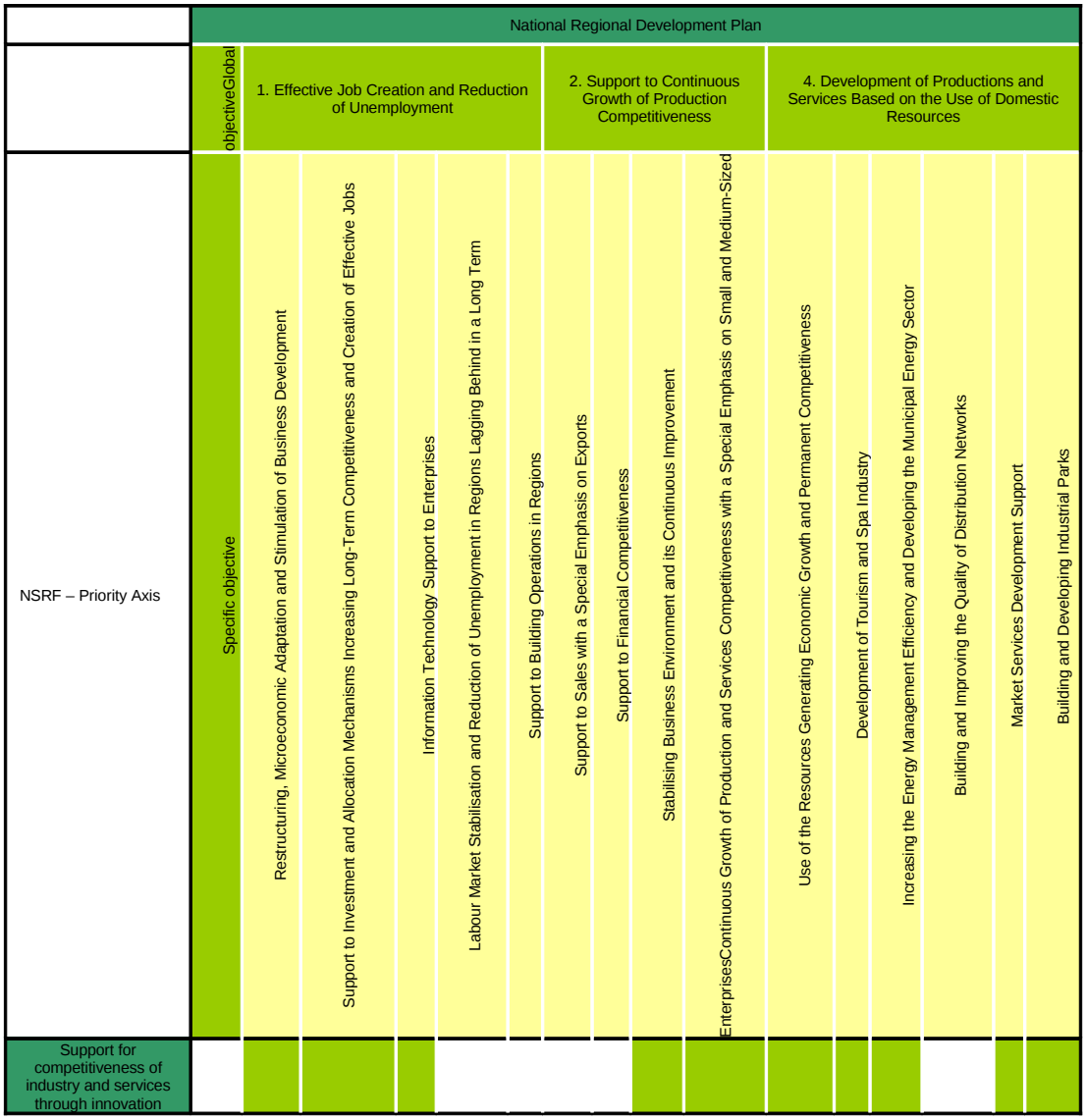
7.3.4 Slovak Spatial Development Perspective

The Slovak Spatial Development Perspective as a document aimed at guiding the Slovak Republic's development in correlation of the planned activities with their spatial implementation reflecting the nationwide level is based on the National Regional Development Plan as the basic programming document of the regional policy. The Concept lays down 6 basic objectives for land use planning, whose aims overlap with the priority axes in the first objective: Supporting the Development of the Economic Base and Strengthening its Competitiveness and Efficiency. The Concept, besides setting the objectives themselves, puts to the forefront also the objectives of the National Regional Development Plan, which sets 6 global objectives and 32 specific objectives stemming therefrom.

The objective of the priority axes is to support innovation in enterprises increasing their competitiveness, whereby the priority axis continuously links to the specific objectives set by the National Regional Development Strategy. These are aimed at stimulating the business development, information and technological support of enterprises, supporting investment and long-term competitiveness resulting therefrom, and at supporting the use of the existing domestic sources generating economic growth (development of tourism, market services, industrial parks). One of the specific objectives is an increase of the energy management efficiency, which fully corresponds to the measures of the priority axis set.

The overlap of the OP Competitiveness and Growth with the specific objectives is illustrated in greater detail by the figure.

Conformity of the "Support for competitiveness of industry and services through innovation" priority axis strategy with the National Regional Development Plan



7.3.5 Other national, sectoral strategic materials

When designing the Measures of the OP Competitiveness and Growth, sectoral strategic materials were fully respected. Measure 1.1 – Innovation and technology transfers – was based, besides the Lisbon Strategy for Slovakia, also on the document "**Report on the Status of the Business Environment in the Slovak Republic with Proposals of its Improvement**" and on the MoE SR's document "Innovation Strategy of the Slovak Republic", which contains the basic objectives, strategy, and priorities in the field of innovation. The design of the Measure also relied on the Innovation Act that is being drafted. Measure 1.2 – Support of common services for entrepreneurs – and Measure 1.3 – Support of innovation activities in enterprises – similarly as the previous Measures were based on the Lisbon Strategy for Slovakia, which defines the basic theses of direction in the given area.

Detailed processing of sectoral policies, strategies, and activities is presently being implemented in the framework of sectoral concept materials and in the Innovation Act that is being drafted. Measure 1.3 also relied on partial documents of the MoEdu SR such as the Programme of the Agency for Promoting Human Potential in the Area of Research and Technological Development, and the Popularisation of Science.

Measure 2.1 – Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the energy sector – is linked to two strategic documents – Draft Energy Policy of the Slovak Republic and the Concept of Utilisation of Renewable Energy Sources. The Energy Policy is a strategic document, which determines the basic objectives and frameworks of energy sector development for the period until 2020 and with a long-term outlook until 2030. The Measure is linked to the Energy Policy of the Slovak Republic particularly in its last objective. Through supporting energy savings in industry, services, as well as in the public sector, and through public information, it contributes to reducing energy intensity of the economy. Besides that, to ensure security and diversification of supply, it supports projects using RES. The Concept identifies key areas and possibilities of RES use in Slovakia, defines the technically useful potential and the status of its use as well as the legislative provisions on the national, European, and international level. The Measure also significantly contributes to fulfilment of international obligations through supporting investment projects for the construction of facilities using energy from RES.

Measure 3.1 – Support of business activities in tourism – builds on the Strategy of Tourism Development in the Slovak Republic until 2013 and the Draft Concept of Tourism Development in the Slovak Republic. The Strategy of Tourism Development in the Slovak Republic until 2013 is a long-term strategic document, the objective of which is to design the solution of essential, fundamental issues of the position and development of tourism in Slovakia for the period until 2013; it is broken down into 5 strategic objectives. Measure 3.1 – Support of business activities in tourism – contributes to the fulfilment of these objectives, particularly that of objective 2 – Growth of Slovak Republic's Tourist Industry Competitiveness in the European Area, of objective 3 – Increasing Slovak Republic's Attractiveness as a Holiday Destination, and objective 4 – Volume Growth of Residential Tourism. The Strategy of Tourism Development is the basis for a short-term concept material, Draft Concept of Tourism Development in the Slovak Republic, which is based on 5 strategic objectives and specifies tasks for their fulfilment.

7.4 Links to other EU financial instruments

7.5.1. Synergy, complementarity with programmes financed from EAFRD and EFF

Measures and activities of the OP Competitiveness and Growth financed from the European Regional Development Fund (hereinafter the "ERDF") complement the activities of the National Strategic Rural Development Plan of the Slovak Republic (hereinafter "NSRDP SR") financed from the European Agricultural Fund for Rural Development (hereinafter "EAFRD") in the following areas.

In the framework of Priority Axis 1 of the OP Competitiveness and Growth, support will be provided also to businesses in food industry as per SIC (Standard Industrial Classification), namely the secondary processing companies in the food industry (15800 –

Manufacture of other food products, 15810 – Manufacture of bread; manufacture of fresh pastry goods and cakes; 15820 – Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes; 15840 – Manufacture of cocoa, chocolate and confectionery; 15850 – Manufacture of macaroni, noodles, couscous and similar farinaceous products; 15900 – Manufacture of beverages; 15910 – Manufacture of distilled potable alcoholic beverages; 15960 – Manufacture of beer; and 15980 – Production of mineral waters and soft drinks).

In the framework of the OP Competitiveness and Growth, Measure 2.1 – Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the industry will support business entities with less than 30% of agricultural activity, while the NSRDP will support entities with the proportion of agricultural activity of over 30%. The activities will be focused on the generation and sales of electric energy obtained from RES, including making geothermal boreholes.

In the framework of the OP Competitiveness and Growth, the activities of Measure 3.1 – Support of business activities in tourism – are complementary to activities of the NSRDP SR so that rural tourism will be supported through the NSRDP, namely through supporting special-purpose accommodation facilities of up to 10 beds and the OP Competitiveness and Growth, within Measure 2.1 – Support of business activities in tourism – will support only projects of comprehensive tourism centres used all year long.

The NSRDP SR may increase the synergy of the OP C&EG and further the benefit of interventions in the field of rural tourism and diversified agricultural activities particularly in the field of processing and supply of fuels from renewable sources.

7.4.1 Synergy and complementarity of the OP C&EG with the EFF

The European Fisheries Fund (hereinafter the “EFF”) for the programming period of 2007-13, which replaced the existing Financial Instrument for Fisheries Guidance (FIFG), is designed to fulfil the sustainable development objectives in the framework of the European fisheries industry and aquaculture. OP C&EG does not cover or address the said issue.

7.4.2 Synergy, complementarity with other EC financial instruments

Measures of the Priority Axis “Support for competitiveness of industry and services through innovation” are in a synergetic relation to the Seventh Framework Programme in the Field of Research, Technical Development, and Demonstration Activities. After separating the CIP activities (Competitiveness and Innovation Programme) from the Framework Programme, the Seventh Framework Programme does not have a direct influence on activities in the framework of the OP Competitiveness and Growth measures. Nevertheless, it has a significant indirect impact in the following areas:

- Direct support for science and research projects with an emphasis on possible commercialisation of outputs;
- Possibility of SME participation in the Seventh Framework Programme with possible funding of pre-marketing activities such as demonstration projects, testing, etc.;
- Possibility to finance technological transfer activities concerning results developed within the framework of the projects proposed;
- Possibility of networking activities and broader support to activities within the framework of the Capacities programme.

As opposed to its framework programmes for research and demonstration activities, which the European Commission or its predecessors have been initiating for several decades,

CIP is a new framework programme, whose implementation will start in 2007 lasting until 2013. Said programme will not substitute missing activities in structural funds, but from the viewpoint of the NSRF, it is perceived as a complementary one, with a focus on addressing horizontal problems of the entire EU rather than of only one Member State. From the viewpoint of the contents, CIP will bring very intensive inspirations for specific innovation processes.

In addition to the above, the specific OP Competitiveness and Growth measures are related to the following documents:

Measure 1.1:

- 7FP – 7th Framework Programme in the Field of Research, Technical Development and Demonstration Activities (2007-13)
- CIP – Competitiveness and Innovation Programme 2007-13
- REACH – Registration, Evaluation and Authorisation of Chemicals

Measure 1.2:

- 7FP – 7th Framework Programme in the Field of Research, Technical Development and Demonstration Activities (2007-13)
- CIP – Competitiveness and Innovation Programme 2007-13

Measure 1.3:

- 7FP – 7th Framework Programme in the Field of Research, Technical Development and Demonstration Activities (2007-13)
- CIP – Competitiveness and Innovation Programme 2007-13

Measure 2.1 and 2.2:

- CIP – Competitiveness and Innovation Programme 2007-13
- Intelligent Energy - Europe programme

8 FINANCIAL PLAN

An indicative financial plan constitutes the basis for financing the Operational Programme "Competitiveness and Economic Growth". For financial frameworks for the use of ERDF funds, the draft National Strategic Reference Framework, approved by Government Resolution No. 1005 of 6 December 2006, represented the basic document.

On the basis of financial need structure analyses in sectoral parts of the NSRF, the OP C&EG was allocated funds from the ERDF in the amount of EUR 772 million. This entails funds for co-financing from the national public funds in the amount of EUR 136 million. The total allocation to the OP C&EG from the public funds (EU funds and national public funds) thus amounts to some EUR 908 million.

The structuring of funds for the implementation of individual measures within the framework of priority axes reflects the global objective and importance of fulfilling the individual specific objectives, while also taking into account the experience in implementation from the preceding period and experience obtained by MoE SR in implementing state programmes.

In line with Government Resolution of 8 October 2006 concerning the Structural Funds and Cohesion Fund Financing Strategy for the Programming Period from 2007 to 2013, the share of ERDF aid is calculated with reference to total public eligible expenditure pursuant to Article 53(1)(b) of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

8.1 OP financial plan – annual commitments of the OP Competitiveness and Growth

(in EUR, in current prices)
(in accordance with Annex XVI 2 to Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund)

((in EUR, in current prices))

	ERDF structural funds (1)	**Cohesion Fund** (2)	**Total** (3)=(1)+(2)
2007	109 797 927	0	109 797 927
2008	106 842 402	0	106 842 402
2009	102 818 877	0	102 818 877
2010	94 855 311	0	94 855 311
2011	102 138 834	0	102 138 834
2012	112 693 582	0	112 693 582
2013	142 853 067	0	142 853 067
Total 2007-2013	**772 000 000**	**0**	**772 000 000**

8.2 OP financial plan for the whole programming period by priority axis and source of funding

((in EUR, in current prices))
(in accordance with Annex XVI 2 to Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund)

	EU funds (a)	National funds (b)= (c)+ (d)	Indicative breakdown of the national funds		Total (e) = (a)+(b)	Co-financing rate (f)= (a)/(e)	For information	
			National public funds (c)	Private funds * (d)			EIB contribution	Other sources
Priority Axis 1 - Innovation and growth of competitiveness Fund: ERDF	432 320 000	76 291 765	76 291 765	0	508 611 765	85,00 %	0	0
Priority Axis 2 – Energy Fund: ERDF	168 836 400	29 794 659	29 794 659	0	198 631 059	85,00 %	0	0
Priority Axis 3 - Tourism Fund: ERDF	146 680 000	25 884 706	25 884 706	0	172 564 706	85,00 %	0	0
Priority Axis 4 - Technical Assistance Fund: ERDF	24 163 600	4 264 165	4 264 165	0	28 427 765	85,00 %	0	0
Total	**772 000 000**	**136 235 295**	**136 235 295**	**0**	**908 235 295**	85,00 %	**0**	**0**

* - The reason why private funds are not listed is the fact that the Slovak Republic, by means of Government Resolution of 8 October 2006 concerning the SF and CF Financing Strategy for the 2007-2013 programming period, set the calculation of contribution from the funds based on public eligible expenditure pursuant to Article 53 (1)(b) for all operational programmes, including OP Competitiveness and Growth.

8.1 Division of grants from fund(s) into categories of aid from the SF 2007–13 on the level of the OP

8.1.1 Informative division of grants from fund(s) into categories of the "Priority Theme" dimension

Category code	Indicative amount of funds (EUR) in the category
01*	18 365 680
03*	74 686 200
04*	34 144 390
05*	50 745 920
06*	48 760 480
07*	59 065 480
08	53 438 800
09*	38 836 240
12*	3 235 850
14	5 000 000
40*	24 457 405
41*	24 547 405
42*	41 247 406
43*	78 584 184
50	14 000 000
54	10 700 000
56	19 200 000
57	38 300 500
58	65 820 460
59	26 200 000

64*	18 500 000
85	12 081 800
86	12 081 800
OP Total * (OP Total *▪)	772 000 000 0

* categories contributing to the implementation of Lisbon objectives in the framework of the objectives "Convergence" and "Regional Competitiveness and Employment" (as per Annex 4 of the GR)
▪ categories contributing to the implementation of Lisbon objectives in the framework of the objective "Convergence" (as per Annex 4 of the GR))
The table does not include priority 4, Technical Assistance, as the structure by categories of the "Priority Theme" dimension is not applicable to this priority.

8.1.2 Informative division of grants from funds into categories of the "Form of Grant" dimension

Category code	Indicative amount of funds (EUR) in the category
01	747 000 000
02	10 000 000
03	15 000 000
Total	772 000 000

8.1.3 Informative division of grants from funds into categories of the "Supported Territory" dimension

Category code	Indicative amount of funds (EUR) in the category
01	372 000 000
05	400 000 000
Total	772 000 000

9 IMPLEMENTATION SYSTEM

Chapter 9 describes the OP C&EG implementation system in accordance with Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (hereinafter "general regulation") and in accordance with the SF and CF Management System for the 2007-2013 programming period.

9.1 Management

9.1.1 Central Coordinating Authority

On the basis of Government Resolution No. 832 of 8 October 2006, the **Ministry of Construction and Regional Development of the Slovak Republic** as the **Central Coordinating Authority for operational programmes in the National Strategic Reference Framework of the Slovak Republic for 2007–13** (hereinafter the "CCA") provides the strategic level of the NSRF management (EU Structural Funds and the Cohesion Fund) and is responsible for effective and efficient management of the SF and CF. In this respect, the CCA fulfils the following functions in the field of SF and CF aid management:

In relation to SF and CF financial management, CCA ensures:

- preparation of the National Strategic Reference Framework of the Slovak Republic (hereinafter the "NSRF");
- negotiations of the NSRF with the European Commission;
- coordinating NSRF management and implementation processes and other operational programmes with the objective of ensuring balanced use of aid from the SF and CF in accordance with the SF and CF Management System;
- methodological guidance of entities involved in management and implementation of operational programmes;
- at the level of the NSRF, ensures programming, monitoring, evaluation, publicity, awareness, and training of administrative capacities in these areas;
- determining minimum standards for expenditure eligibility;
- coordination of audit trail preparation for Managing Authorities and Intermediary Bodies under the Managing Authorities for the field of programming, monitoring, and evaluation;
- development, introduction, operation, maintenance, and management of IT monitoring system for the SF and CF;
- In cooperation with Managing Authorities, proposing reallocations, if any, of funds among operational programmes, their presentation for opinion to the Ministry of Finance of the Slovak Republic, for approval to the Slovak Government, and for approval to the National Monitoring Committee;
- Fulfils the function of a MA for the Technical Assistance OP.

CCA's tasks in the field of monitoring:

- responsibility for the preparation of a national system of indicators for the NSRF in cooperation with individual Managing Authorities and its updates, if any;

- coordination and methodological guidance of Managing Authorities in the field of monitoring;
- monitoring on the level of the NSRF.

CCA's tasks in the field of evaluation:

- ensuring preliminary evaluation of the main strategic document for the programming period up to 2013;
- ensuring, on a running basis, thematic evaluation on the central level;
- coordination and methodological guidance of Managing Authorities in the field of evaluation.

CCA's tasks with respect to the ITMS:

- responsible for the system development, use, and maintenance, ensuring the operation of all parts of the ITMS;
- managing an ITMS expert commission, in which each Managing Authority has a representative and which proposes the direction of development, communicates MA's requirements to the CCA, manages and provides guidance to system users according to instructions and direction by the CCA, responsibility for system initialisation data;
- developing guidelines for ITMS use;
- maintaining initialisation data on the level of the NSRF in the current state.

CCA's tasks in the field of information and publicity:

- preparation and implementation of the Central Communication Action Plan for the SF and CF (hereinafter "CCAP") including cross-cutting activities for all operational programmes;
- coordination and methodological guidance of Managing Authorities in the field of awareness and publicity;
- being a liaison for the European Commission and for the Community communication networks and informing the Managing Authorities.

9.1.2 Managing authority

In accordance with Article 59(1)a) of Council Regulation (EC) No. 1083/2006 of 11 July 2006 and by means of Government Resolution No. 832/2006, the **Ministry of Economy of the Slovak Republic** was designated as the **Managing Authority for the Operational Programme "Competitiveness and Economic Growth"** (hereinafter the "Managing Authority") .

The Operational Programme Managing Authority (hereinafter the "MA") represents the operational level of NSRF management. The Managing Authority is an authority designated by a Member State on the basis of Article 59(1) of the General Regulation, which is responsible for the management and conduct of the programme in accordance with EU's and Slovakia's regulations. In the management of the operational programme, the MA proceeds in accordance with CCA's methodological instructions and methodological instructions of the Certifying Authority and the Audit Authority in the relevant areas.

The coordination within the Managing Authority (hereinafter the "MA") has been entrusted to a unit of the MoE SR – The Department of Operational programmes Management and Methodology established within the Support Programme Section.

In accordance with Article 58 of the General Regulation, the internal structure of the Competitiveness and Economic Growth Operational Programme (hereinafter the "OP Competitiveness and Growth") management is illustrated in an annex. This internal structure ensures separation of functions related to OP Competitiveness and Growth implementation and compliance with the principle: "programmers do not implement, implementers do not finance, and financers do not control"..

In accordance with Article 60 of the General Regulation, the MA is responsible for the management and implementation of the respective OP, particularly for:

- preparation of the operational programme and programme manual;
- co-financing of the operational programme from the state budget;
- guidance to the IB/MA and beneficiaries;
- monitoring and evaluation of the operational programme;
- preparation of the annual and final report on the implementation, their presentation to the Monitoring Committee and to the European Commission;
- publicity on the aid from the EU and informing the public on the EU funds in accordance with Article 69 of the General Regulation;
- granting full power for delegating tasks to the Intermediary body under the Managing Authority and performance of control over the delegated tasks;
- collection and recording of data necessary for financial management, monitoring, verification, audits and evaluation in electronic form;
- archiving and availability of documents in accordance with Article 90 of the General Regulation;
- receipt, selection and approval of beneficiaries' projects in accordance with project evaluation and selection criteria approved by the Monitoring Committee;
- entering into Non-repayable Grant Contracts with beneficiaries;
- verification of individual project co-financing from beneficiaries' funds and from other national funds;
- verification of delivery of the co-financed products and services and verification of costs actually incurred;
- ensuring that a separate accounting system is maintained by the beneficiaries and other bodies involved in the implementation;

OP Competitiveness and Growth MA's tasks in the field of monitoring:

- proceeding in accordance with CCA methodology in the field of monitoring;
- if necessary, presenting proposals for changes or additions to the national system of indicators to the CCA;
- responsibility for data collection and analysis on the programme level in the field of monitoring through a system of indicators as well as in the field of monitoring at the aid category level;

- responsibility for the preparation of annual and final reports on the performance of the OP, which it submits for approval to the MC for the given OP and, subsequently, to the European Commission.

OP Competitiveness and Growth MA's tasks in the field of evaluation:

- proceeding in accordance with CCA methodology in the field of evaluation;
- ensuring preliminary and interim evaluation of the OP and submitting results of the interim evaluation to the OP Competitiveness and Growth Monitoring Committee and to the Commission;
- ensuring communication with the EC and inputs for the subsequent OP evaluation and a strategic evaluation, if any, conducted by the EC.

MA's tasks with respect to the ITMS:

- maintaining initialisation data of its programme in the current state;
- responsibility for entering data on the programme, projects, and subordinate structures according to CCA's guidelines on the ITMS use;
- responsibility for user role assignment in accordance with internal manuals;
- providing first-level support to users of the public and non-public parts of the ITMS.

OP Competitiveness and Growth MA's tasks in the field of information and publicity:

- preparation of a Communication Action Plan for the OP;
- proceeding in accordance with the CCA methodology in preparation of the Communication Action Plan and other activities of information and publicity;
- presenting the Communication Plan to the European Commission within 4 months after OP approval;
- including the area of publicity and information in annual and final reports on performance of the OP;
- informing the OP Monitoring Committee on the progress in Communication Plan implementation, on activities carried out and planned;
- ensuring the compliance with the provisions of Article 8 of the Implementing Regulation by the beneficiary (the obligation of informing the public on the aid provided from funds), fixing these details in the contract with the beneficiary.

In accordance with Article 71 of the General Regulation, the internal structure and division (delegating) of MA responsibility for the OP Competitiveness and Growth will be described in the management and control system description, which the Member State shall submit to the EC before submitting the first interim application for payment or not later than 12 months after approval of the OP.

9.1.3 Intermediate Bodies under the Managing Authority

In accordance with Article 59(2) of the General Regulation, a Member State may designate one or several intermediate bodies under the managing authority (hereinafter "IB/MA") for the performance of some or all tasks of the managing authority .In accordance with Article 12 of the Implementing Regulation and with the SF and CF Management System,

the details are exactly laid down in the full power on delegating powers (hereinafter the "full power").

The final responsibility for the management and implementation system of the European Regional Development Fund aid, which is provided in the framework of the operational programme, rests with the Managing Authority also in the event of delegation.

The MoE SR intends to use the network of existing implementing agencies as intermediate bodies under the Managing Authority (hereinafter "IB/MA"), which are within the competence of the MoE SR and whose orientation is relevant to the operational programme measures. The following agencies perform the role of IB/MA:

- Slovak Innovation and Energy Agency
- Slovak Tourist Board
- Slovak Investment and Trade Development Agency

Through SIEA, the Ministry of Economy of the Slovak Republic will perform the role of IB/MA in the case of framework activities "Building and Supporting the Regional Research and Innovation Centres" within the framework of Priority Axis 1 of the OP Research and Development and "Building and Supporting the Regional Innovation Centre" within Priority axis 2 of the OP Research and Development. Simultaneously, the MoE SR is obliged by a contract on joint financing, management and implementation of Regional Innovation Centre within the OP C&EG signed with the Ministry of Labour, Social Affairs and Family of the Slovak Republic through the Operational Programme "Employment and Social Inclusion".

IB/MA's will carry out the following tasks, in particular:

- ensuring operational programme implementation in the field of receiving applications for non-repayable grants and projects;
- ensuring the evaluation process concerning the submitted applications for non-repayable grants and projects;
- entering into contracts with beneficiaries, including the possibility of sanctions in the event of non-compliance with certain conditions and where necessary;
- ensuring monitoring, evaluation, and inspection of project implementation directly at beneficiaries;
- cooperation with authorities responsible for inspection and audit;
- submitting regular reports to the Managing Authority on project implementation status;
- cooperation with First Contact Information Centres in regions.

IB/MA's tasks in the field of monitoring:

- proceeding in accordance with CCA and MA methodology in the field of monitoring;
- if necessary, presenting proposals for changes or additions to the national system of indicators to the CCA through the MA;
- responsibility for data collection and analysis at the measure level in the field of monitoring through a system of indicators as well as in the field of monitoring at the aid category level;

- responsibility for the preparation of the respective parts of annual and final reports on performance of the OP.

IB/MA's tasks in the field of information and publicity:

- developing a Communication Action Plan for the OP broken down for individual measures;
- proceeding in accordance with the CCA and MA methodology in developing the Communication Action Plan and other activities of information and publicity;
- Ensuring mediation of information vis-à-vis the beneficiaries.

IB/MA's tasks in the field of financial management:

- receiving payment applications from beneficiaries;
- formal check of beneficiaries' payment applications;
- inspection of physical implementation of selected projects (on-the-spot check);
- preliminary and interim verification of reality, eligibility, regularity, topicality of expenditures claimed by the aid beneficiary; non-overlapping of the funding, and conformity with EU legislation concerning public procurement, environment, state aid, and equal opportunities;
- submitting a list of expenditures by the beneficiary for each project to the Managing Authority;
- approving and submitting, to the Certifying Authority and the Managing Authority, reports on irregularities found, if any, in a preliminary inspection;
- submitting reports on the results of IB/MA internal audit and reports on the result of IB/MA external audit to the Certifying Authority and to the Managing Authority.

9.1.4 Involvement of the regional and local self-government bodies

Through the First Contact Information Centres ("FCIC"), also individual Higher Territorial Units (except for that of Bratislava) are involved in the implementation of the OP C&EG. FCICs perform a central role in the implementation of information activities related to OP C&EG implementation for beneficiaries and they cooperate in monitoring activities. The function of the FCIC is performed by Regional Development Departments of the VUCs except for the Development Agency of the self-governing region of Trenčín, which has been established as a non-profit organisation. FCICs conduct activities in accordance with framework contracts.

On the regional and local level, the FCICs are responsible in the field of publicity for the implementation of the following information activities:

- promotion and public awareness raising concerning the OP C&EG and methods of application for non-repayable grants for potential final beneficiaries/aid beneficiaries through advice, consulting and methodological assistance;
- ensuring cooperation related to information and publicity with the objective of raising awareness among Slovakia's population concerning the possibility of drawing funds from the EU SF as well as the transparency and efficiency of these funds' use;
- providing information on the possibilities of planning of the aid from the ERDF and on the conditions to be fulfilled when applying for aid for the general public;

- distributing promotional materials (brochures, leaflets, posters, etc.);
- in cooperation with local self-government and other institutions operating in the field of regional development in the territory of the region, provision of information to the MoE SR on potential projects as well as other required information;
- consulting services for the applicants.

On the regional and local level, the FCICs are responsible in the field of monitoring particularly for the following activities:

- monitoring of regionally relevant project implementation;
- collection, completing and evaluation of the documentation presented by the final beneficiaries/aid beneficiaries;
- communication with the IB/MA and with the final beneficiaries/aid beneficiaries;
- updating an internal database of projects implemented;
- participation in quarterly monitoring meetings in the seat of the IB/MA.

In the evaluation process, individual VUCs provide standpoints concerning conformity of applications for aid from the funds, which are planned to be submitted, with the Programme of Economic, Social and Cultural Development of the respective region. A standpoint by VUC is a mandatory part of the application for aid from the funds.

At the same time, representatives of individual VUCs are members of the Evaluation Committees to evaluate the applications and projects with a vote, or they act as observers.

The details of FCIC involvement in the process of OP C&EG implementation will be defined in an agreement on cooperation between the Managing Authority and individual VUCs.

9.2 Monitoring Committees

9.2.1 Monitoring Committee for Knowledge Economy

In accordance with Article 63 of the General Regulation, a Monitoring Committee (hereinafter “MC”) must be set up for each OP within three months following its approval by the European Commission. The objective of the Monitoring Committee is to oversee the effectiveness and quality of programme implementation.

In order to ensure effective coordination of contributions from the funds focusing on knowledge economy, the Monitoring Committee for Knowledge Economy will be set up as a joint monitoring committee for three operational programmes, through which Knowledge Economy as a NSRF strategic priority is implemented (OP Research and Development, OP Competitiveness and Economic Growth and OP Information Society). The Monitoring Committee will be chaired by the Deputy Prime Minister of the Government of the Slovak Republic for Knowledge-Based Society, European Affairs, Human Rights and Minorities.

The members of the Monitoring Committee comprise central bodies of state administration (MoF SR, MoE SR, MoEdu SR, MoTPT SR, MoLSAF SR, MoCRD, MoC SR), the Supreme Audit Office (NKÚ SR), Telecommunications Office (TÚ SR) and also, in line with the partnership principle, the representatives of regional and local self-governments and the representatives of the business and non-profit sectors. Representatives of the

European Commission may act as advisors to the Monitoring Committee. Members of the Monitoring Committee are appointed by the Deputy Prime Minister of the Government of the Slovak Republic for Knowledge-Based Society, European Affairs, Human Rights and Minorities. Competence, activities, composition and structure of the Monitoring Committee is governed by the statute and rules of procedure approved by the Monitoring Committee.

In accordance with Article 65 of the General Regulation, the main tasks fulfilled by the Monitoring Committee are as follows:

- approving criteria for the selection of projects (within six months of OP approval) and their revisions, if any;
- assessing and approving proposed changes and additions to the operational programme contents;
- regularly examining the programme implementation results, particularly the achievement of operational programme objectives and evaluations mentioned in Article 48(3) of the GR;
- assessing and approving annual and final reports on the implementation of the programmes before they are sent to the European Commission;
- receiving information on the annual inspection report or on such part of the report, which relates to the OP, and on all important comments, which the Commission may raise after its examination;
- it may propose, at any time, any revision or examination of the OP to the Managing Authority, which could enable achievement of the respective Fund's objectives or improve the OP management including financial management..

9.2.2 National Monitoring Committee for the NSRF

The National Monitoring Committee for the NSRF (hereinafter the "NMC") is chaired by the Minister of Construction and Regional Development of the Slovak Republic as the CCA representative for the NSRF. The function of the secretariat is held by the CCA. The statute and rules of procedure are to be approved by the NMC at its first session.

The National Monitoring Committee meets for sessions at least twice a year. The members of the NMC include representatives of central government authorities, municipalities and self-governing regions and other social and economic partners. The observers include the Permanent Representation of the Slovak Republic to the EU and the Ministry of Agriculture of the Slovak Republic. The European Commission is in an advisory capacity.

The main activities of the National Monitoring Committee include, in particular:

- monitoring NSRF implementation;
- approving changes in the NSRF falling within its competence;
- preparing a summary annual (or final) report for the NSRF;
- approving strategic reports before they are sent to the European Commission;
- formulating recommendations for the activity of the OP monitoring committees with the objective of achieving an efficient system of monitoring the cohesion policy implementation in the Slovak Republic;
- approving the redistribution of funds among operational programmes
- fulfilling the function of a Monitoring Committee for the Technical Assistance OP

9.3 Financial Engineering Implementation Management

The management of financial instrument implementation to support SMEs requires an approach slightly different from those in implementation of state aid schemes or de minimis aid schemes of individual priority measures, the reason being the fact that this involves:

- Financial products
- Indirect state aid

Based on the above, the mentioned implementation process will have to include the competent IB/MAs as well as a financial institution to be selected within a tendering procedure on the basis of a public tender. Both institutions will have a competence delegation contract signed with the MoE SR as the Managing Authority for the OP Competitiveness and Growth.

Indirect state support of SMEs in the field of innovation will consist in preparation of a project, which the selected institution will assess from the viewpoint of the substance and contents in accordance with criteria, which will be set in the indirect state aid so as to increase the SMEs competitiveness.

9.4 Monitoring

In accordance with the SF and CF Management System, monitoring represents an activity systematically dealing with collecting, sorting, aggregating and storing relevant information for the purposes of evaluation and control of the managed processes. The main objective of the monitoring is to monitor the progress in the implementation of NSRF objectives, operational programmes and projects by means of indicators.

The monitoring outputs provide the Managing Authority with inputs for decision making for the purposes of improving the implementation of the operational programme, preparation of annual reports and final report on fulfilment of the OP and background documents for monitoring committees' decision-making (e.g., in relation to OP revisions, if any).

The monitoring process is based on a structured model of management on the NSRF level, OP level, and project level. Monitoring and evaluation are provided by all entities involved in SF and CF management in the scope of defined tasks and responsibilities and by the entities that draw funds.

Monitoring (and subsequently evaluation) proceeds in two ways – on the basis of a system of indicators and on the basis of SF aid categories.

9.4.1 Monitoring through a system of indicators

The objectives of the NSRF and of individual operational programmes are defined and subsequently quantified in the process of programming through a system of physical and financial indicators (national system of indicators for the NSRF). The indicators will be binding upon all entities and will be part of the ITMS. Fulfilment of the defined indicators

represents the most important tool for monitoring and evaluation of the fulfilment of operational programme and NSRF objectives.

Operational programme indicators are detailed in Annex No. ...[33].

Monitoring starts on the lowest level – on that of the project. For the purposes of monitoring, a project is the basic unit, which is analysed through relevant data collected. In the contract for provision of assistance from funds, the beneficiary will commit to provide data for the purposes of project monitoring and reporting. Both physical and financial indicators of projects obtained from the beneficiary through uniform monitoring sheets shall be reflected in the ITMS and aggregated upwards to the level of measure, priority axis, operational programme, and the NSRF.

9.4.2 Monitoring through SF aid categories

In accordance with Article 9 of the General Regulation and Annex II to the Implementing Regulation, fund expenditures are to be monitored according to the following categories:

- Priority themes;
- Form of finance;
- Territory type;
- Economic activity dimension;
- Location dimension..

Each OP contains an indicative planned breakdown of contributions from the funds at the programme level within the first three categories. For the “priority theme” category, the OP specifies an indicative proportion of the contribution from the funds to those activities that are aimed at the support of competitiveness and job creation, i.e., the so called “Lisbon activities”. The above will enable, in the course of programme implementation and thereafter, the monitoring and evaluation of the contribution of operational programmes to the achievement of the objectives of the Lisbon Strategy and of the National Reform Programme.

Monitoring through SF aid categories shall be subject to the following procedure: Upon project approval, data is entered in the ITMS and after project conclusion, the actual value reached in the given category is recorded. Through the ITMS, data for categorisation at individual projects’ level is aggregated into higher programme structure levels and are part of annual reports.

9.5 Evaluation

In accordance with the SF and CF Management System, evaluation is a process that systematically examines the benefit of programme implementation and their conformity with the objectives set in the OP and in the NSRF, analyses the efficiency of implementation

[33] Annex No.… will be supplemented following the preparation of the national system of indicators for the NSRF

processes and the adequacy of the setting of individual programmes, and measures and prepares recommendations to increase their efficiency.

In accordance with Article 47 of the General Regulation, evaluations may be of a strategic nature (examining the evolution of a programme or group of programmes in relation to Community and national priorities) or of an operational nature (with the objective of providing support to the progress of the operational programme). The evaluation is carried out before the beginning of the programming period (preliminary evaluation), in its course (interim evaluation), and after the conclusion of the programming period (final evaluation).

The evaluation is carried out in accordance with Article 47 of the General Regulation as follows:

- The objective of the evaluations is to improve the quality, effectiveness, and consistency of assistance from the Funds and the strategy and implementation of operational programmes with respect to the specific structural problems affecting the Member States and regions concerned, while taking account of the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment.
- Evaluations may be of a strategic nature in order to examine the evolution of a programme or group of programmes with respect to Community and national priorities. It may be of an operational nature in order to support the monitoring of an operational programme. The evaluations are carried out before, during, and after the programming period.
- Depending on the circumstances, the evaluations are carried out under the responsibility of the Member State or the Commission, in accordance with the principle of proportionality laid down in Article 13 of the General Regulation. The evaluations are carried out by experts or bodies, internal or external, functionally independent of the authorities mentioned in Article 59 of the General Regulation. The results shall be published according to the applicable rules on access to documents.
- The evaluations are financed from the budget for Technical Assistance.
- The Commission, in accordance with the procedure specified in Article 104 of Council Regulation, will provide indicative guidance on evaluation methods, including quality standards, in accordance with the procedure laid down in Article 103(2).

The evaluations are carried out under the responsibility of the Member State (CCA, MA) or the Commission, in accordance with the principle of proportionality. The results are published according to applicable rules on access to information.

9.6 IT monitoring system for the SF and CF

The SF and CF monitoring shall be conducted using an IT monitoring system for the SF and CF. The IT monitoring system for the SF and CF (hereinafter "ITMS") is a central information system serving the registration, processing, export, and monitoring of data on programming, project and financial management, inspection and audit of the SF and CF. It comprises two subsystems, working in parallel, for the programming periods of 2004-06 and 2007-13. The subsystems for the two programming periods closely cooperate, use a common database, and a common registry of objects therein.

The ITMS is used by all operational programmes in the same extent. The common monitoring system is designed to ensure a uniform and compatible system of monitoring, control, and financial management of programmes financed from the SF and CF.

The system is divided into three main parts:

1. the non-public part of the ITMS ensuring programming, project, and financial management, inspection and audit with links to the Funds Accounting Information System (FAIS) and, through it, with the state treasury and budget information system;
2. the output part ensuring the generation of static and dynamic data exports;
3. the public part ensuring communication with the beneficiaries, with the European Commission's information system "SFC 2007", and with the monitoring systems of neighbouring countries for cross-border cooperation programmes.

Authorised users of the public part of the ITMS may include, on the basis of an application, all entities eligible to submit an application for a contribution from the Funds. The communication of the applicants/beneficiaries with the public part of the ITMS is provided using the SSL protocol. The CCA shall prepare a manual for beneficiaries for the use of the ITMS public part. The applicants/beneficiaries of contributions from funds will be provided, through the public part of the ITMS, with the following options:

- electronic filing and receipt of applications for contributions from the Funds;
- obtaining clearly arranged information on the status of processes in their projects, including applications for payments/expenditure refunds;
- other options (updating data on the beneficiary, electronic receipt of payment applications, electronic receipt of monitoring sheets).

The ITMS and the communication processes of applicants applying for a contribution from the funds at the project level are as follows:

- creating an account, signing a use agreement between the MA and the fund contribution beneficiary, activating an account;
- entering data into electronic forms and their transfer to the public part of the ITMS, sending a verified paper version of the form by the beneficiary to the administrator and user of the non-public part of the ITMS;
- verifying the conformity of the electronic and paper versions of the form by the user of the non-public part of the ITMS;
- further processing of applications after checking and correcting discrepancies of the electronic and paper forms, if any.

9.7 Electronic exchange of data with the Commission

Under Implementing Regulation, Section 7, electronic communication of Member States with the European Commission database "SFC 2007" is mandatory.

The following forms of electronic communication are supported:

- SFC 2007 web interface;
- Integration of Member States' monitoring systems with SFC 2007.

The Slovak Republic opted for the second approach – the ITMS II integration with the SFC2007 system. ITMS II will provide data collection and communication with SFC 2007. The SFC 2007 web interface can be used by individual MAs, but the use of the ITMS II interface will ensure data integrity in both systems and saves data entry time. In the event of non-functioning of the ITMS or of the interface, the web interface can be used, after an approval by the CCA, to enter data to the SFC 2007, however, the data enterer will be responsible for data reconciliation in both systems.

ITMS II and SFC 2007 interfaces:

- importing the breakdown of the amount allocated from the SF and CF for the Slovak Republic per objectives in fixed prices of 2004 and in current prices;
- NSRF export;
- OP and priority axes export;
- Major project export;
- OP TA export;
- Import of the Commission decisions concerning the OP;
- Breakdown of EU funds categorisation;
- Export of estimated expected expenditures;
- Payment applications to the Commission;
- Declaration for partial closure of the programme;
- Export of the management and control system description;
- Annual report export;
- Final report export;
- Final payment export;
- Reconciliation pursuant to the n+2 (n+3) rule;
- Non-structured data export:
- Non-structured data import: EC decisions on the NSRF, OP.

At the system level, ITMS II and SFC 2007 communication is secured using a guaranteed electronic signature to be issued for the ITMS II.

User and client system identification within the SFC2007 is the responsibility of the so-called MS Liaison in each Member State. The role of the MS Liaison for the ERDF, ESF and CF in the Slovak Republic is held by a responsible employee of the CCA. All requests for access to the SFC2007 web interface and for access right modifications are to be sent to the CCA. After formal and content check of the request, the MS Liaison communicates with the European Commission in creating and activating the user account. Access passwords from the European Commission are sent in two parts; one is received directly by the user, the other part is received by the MS Liaison.

9.8 Information and publicity

In accordance with Article 69 of the General Regulation, the Member State and the Managing Authority shall provide information on and publicise co-financed programmes; the information shall be addressed to the citizens and beneficiaries with the aim of highlighting the role of the Community and ensuring that assistance from the Funds is transparent. The objective of the information activity is to increase awareness of the Slovak citizens about the aid from the ERDF as well as to ensure transparency and efficiency of these sources' use.

For the purposes of ensuring information and publicity, the Managing Authority shall prepare a communication action plan for the respective operational programme and, within four months of the OP approval, submit the same to the EC. In CAP implementation, the MA shall ensure that all information and publicity measures are performed in accordance with Articles 5 to 7 of the Implementing Regulation. In the framework of the CAP, measures will be adopted with the following objectives:

- provision of information on the opportunities provided by the EU to the SR with the objective of ensuring transparency of such aid. Information will be focused on potential beneficiaries, regional and local authorities, other competent public authorities, commercial organisations and business circles, economic and social partners, non-governmental organisations, with an emphasis on institutions supporting equality between men and women, project employees and supporters;
- informing the general public on the role played by the EU in cooperation with the Slovak Republic in the framework of aid from the ERDF as well as on its results.

The MoE SR as the Managing Authority will be responsible for the conduct of the national information activity. The activities of publicity and information will involve also the IB/MA and the FCIC, which will be responsible for ensuring these activities on the regional and local level. The information activity will involve also the MC, which will be submitted, by the Managing Authority, the Communication Action Plan as well as interim information on the quality and effectiveness of measures adopted for public information. The information activity will employ various media, brochures, advertising, posters, seminars, promotional materials. At the same time, information on ERDF will be available on the Internet.

9.9 Financial management, control and audit

The Structural Funds and Cohesion Fund Financial Management System includes a complex of interlinked and interconnected subsystems and activities ensuring efficient financial planning, budgeting, accounting, reporting, payments to beneficiaries, cash flow monitoring and financial control and audit in the implementation of aid from the Community.

The financial management system of an operational programme involves the following entities:

- Managing Authority;
- Intermediary body under the Managing Authority;
- Certifying Authority;
- Paying unit;
- Audit Authority.

The functions of the **Managing Authority** are specified in section 9.1.2.

The functions of the **Intermediary body under the Managing Authority** are specified in section 9.1.3.

In accordance with Article 59(1)b) of the General Regulation, the Ministry of Finance of the Slovak Republic (hereinafter the "MoF SR") was designated by means of Government Resolution No. 832/2006 as the Certifying Authority for the operational programmes and the Audit Authority for the operational programmes.
The Certifying Authority is responsible in particular for:

- coordination and methodological guidance concerning the financial management of the Structural Funds and the Cohesion Fund, including coordination of paying units' activities;
- drawing up and sending to the Commission interim payment applications and final payment applications;
- preliminary financial control of an aggregate payment application by paying units;
- certification verification at all levels of financial management, including aid beneficiary, with the objective of satisfying itself as regards the procedures of the Managing Authority, Intermediary body under the Managing Authority, and paying units;
- certifying the statement of expenditure to the Commission;
- the receipt of EU funds in special extra-budgetary accounts of the MoF SR;
- transferring the EU funds to an aid beneficiary through a paying unit;
- compiling and presenting an estimate of envisaged expenditure for the respective and subsequent year to the European Commission on the basis of background documents from Managing Authorities every year by the end of April;
- maintaining a book of debtors;
- compiling and presenting, by March 31, a statement of amounts as at 31 December of the preceding year, which are to be recovered, classified by the year in which the proceedings commenced;
- financial corrections of EU funds as required by the European Commission;
- recovery of funds unduly spent or not used to the European Commission, including late payment interest;
- introduction of a uniform accounting system for the Certifying Authority and paying units (Funds Accounting Information System - FAIS);
- maintaining accounting records, reporting, and archiving of documents.

The functions of the Paying Unit are performed by the Ministry of Education of the Slovak Republic. The Paying Unit is responsible in particular for:

- the evaluation of beneficiaries' payment applications provided by the Managing Authority ;
- transferring the EU and state budget funds to the beneficiaries for co-financing;;
- completing and submitting aggregate payment applications and partial statements of expenditure to the Certifying Authority;;
- maintaining accounting records, reporting, and archiving of documents;
- maintaining a partial book of debtors.

Within the MoE SR, a structure of paying, managing, control and implementing

bodies for the SOP I&S was established in line with the regulations of the Council of the European Communities. This internal structure ensures separation of functions related to OP Competitiveness and Growth implementation and compliance with the principle: "*programmers do not implement, implementers do not finance, and financers do not control*"..

The **Audit Authority** is responsible in particular for:

a) drawing up a report setting out the results of an assessment of the systems set up, pursuant to Article 71(2) of Regulation No. 1083/2006
b) ensuring that audits are carried out to verify the effective functioning of the management and control system of the operational programme;
c) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
d) presenting to the Commission within nine months of the approval of the operational programme an audit strategy covering the bodies which will perform the audits referred to under points (a) and (b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the entire programming period. Where a common system applies to several operational programmes, a single audit strategy may be submitted.
e) By 31 December each year from 2008 to 2015, it will be responsible for:
   i. submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12-month period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration referred to in point (e);
   ii issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
   iii. Submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned.
   When a common system applies to several operational programmes, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under points (ii) and (iii) may cover all the operational programmes concerned;
f) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

At the Ministry of Finance, the functions are carried out by units that are not interconnected from the organisational point of view. The function of a certifying authority is carried out by the Slovak Finance Ministry's (MoF) European and International Affairs

Section which reports to the First State Secretary. The function of an audit authority is carried out by the International Funds Audit and Inspection Section of the MoF, the Director General of which directly reports to the Minister of Finance.

As an audit authority, the Ministry of Finance prepared the Procedures for the Audit of Structural Funds, the Cohesion Fund and the European Fisheries Fund for 2007-2013 and, based on this document, expects to sign agreements with the individual ministries, specifying the scope of audit which should be performed by individual independent units at the ministries and by the Financial Inspection Administrations. These units will be performing audit-related activities as bodies acting on behalf of the audit authority and will follow the methodology set out by the Ministry of Finance. The units must be independent of the units designated to perform any activities related to the management, implementation or monitoring of the Structural Funds, Cohesion Fund, and European Fisheries Fund for 2007-2013, as will be stated in the description of the systems covering in particular the organisation and procedures of the audit authority and any other bodies carrying out audits under its responsibility as required under Council Regulation (EC) No 1083/2006. The procedures for the audits of the Structural Funds, the Cohesion Fund and the European Fisheries Fund for 2007-2013 will be approved by the Slovak Government by 30. November 2007 at the latest.

Cash flow system

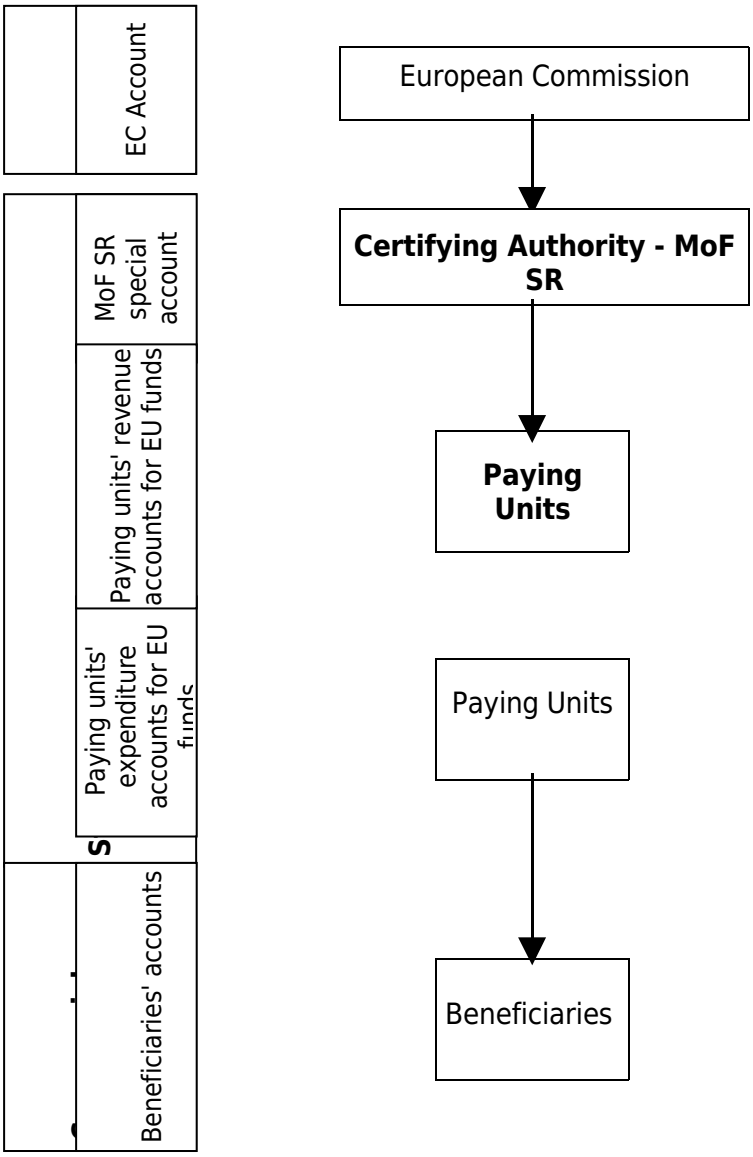
The payments of EU funds are to be transferred from the European Commission to a special account of the Certifying Authority of the Ministry of Finance of the Slovak Republic with the State Treasury within the commitment adopted by the European Commission. The payments of EU funds to the beneficiaries shall be made through the state budget.

EU funds and state budget funds for co-financing shall be paid to the beneficiaries through the Paying Unit simultaneously on the basis of a Non-repayable Grant Contract in the ratio defined for the project.

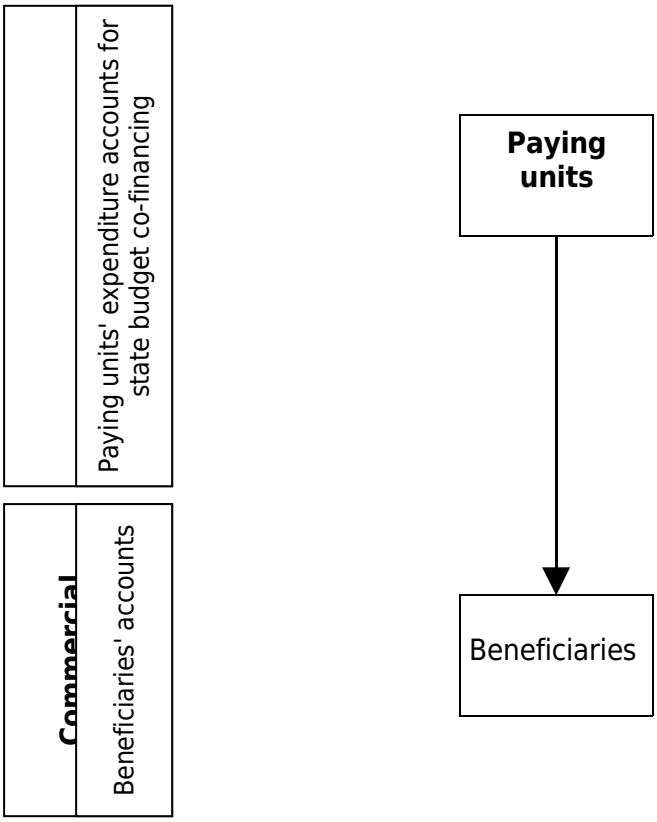
The payments of EU funds and state budget co-financing to the beneficiaries shall be made by the paying unit in the amount approved by the certifying authority based on a cumulative application for payment if the repayment method is applied. If pre-financing approach is applied, the payments to the beneficiaries are made by the paying unit in the amount of approved pre-financing applications without a prior consent of the certifying authority.

A detailed description of financial management is given in the Structural Funds and Cohesion Fund Financial Management System for the Programming Period 2007–13 approved by Slovak Government Resolution No. 835/2006 of 8 October 2006 and published at **www.finance.gov.sk**.

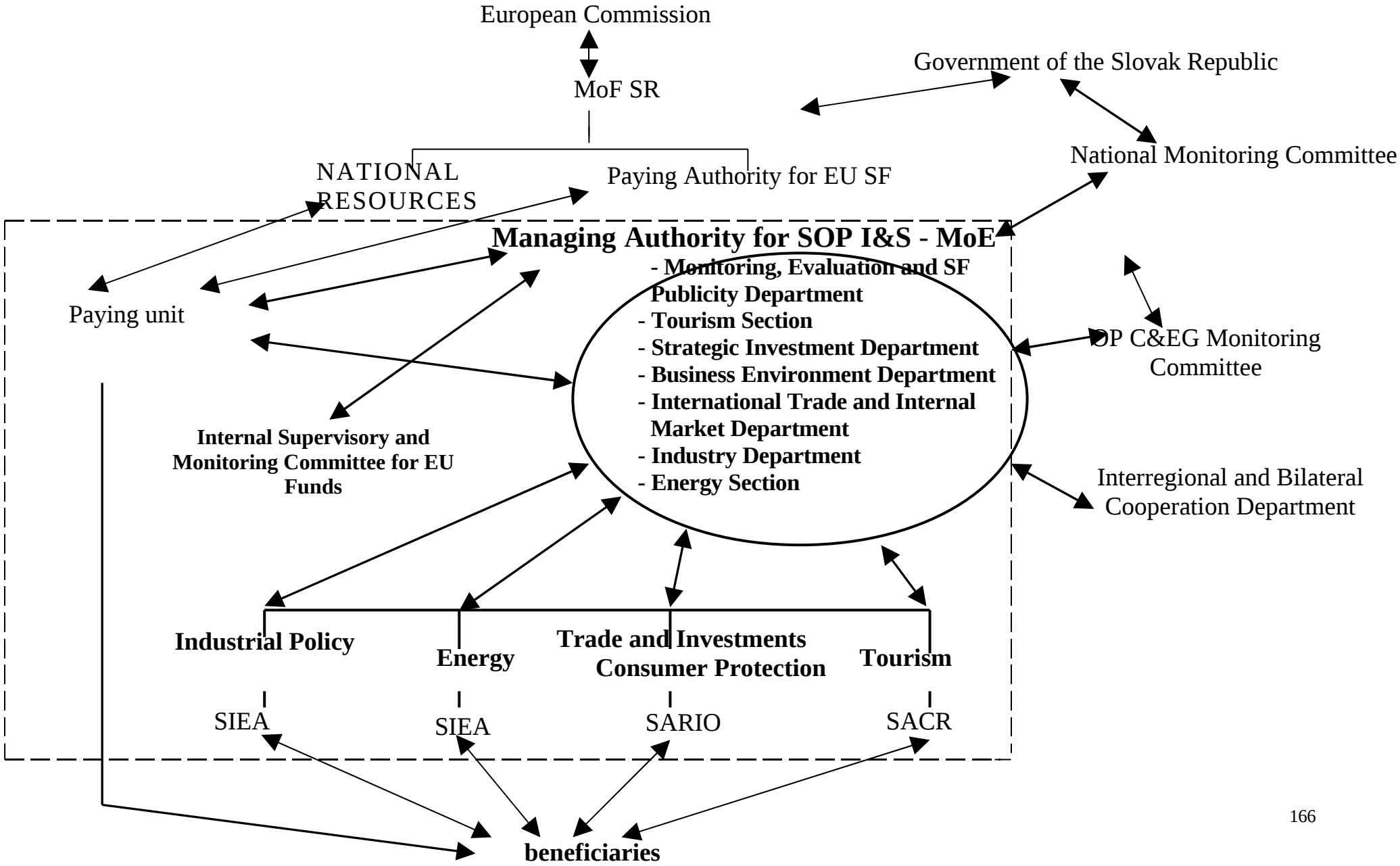
Cash flow scheme – Structural Funds and Cohesion Fund



Cash flow scheme – national co-financing from the state budget



Managing the OP C&EG at the MA (MoE SR)



10 ANNEXES

ANNEX 1: OVERVIEW OF SELECTED INDUSTRY INDICATORS

Table 1: Structure of the production characteristics of industry, by company size (in %)

No. of employees	Revenue from own work capitalised and merchandise (SKK mil., current prices)						Average number of employees (persons)					
	2000	2001	2002	2003	2004	2005	2000	2001	2002	2003	2004	2005
Micro enterprises (0 to 9)	**2.5**	**2.9**	**2.3**	**2.1**	**1.9**	**1.4**	**3.5**	**3.6**	**2.8**	**3.0**	**3.0**	**2.5**
Small enterprises (10 to 49)	**5.8**	**6.0**	**5.9**	**5.7**	**5.1**	**5.3**	**7.9**	**8.3**	**8.8**	**8.0**	**8.5**	**8.9**
Medium-sized enterprises (50 to 249)	**14.2**	**14.8**	**15.2**	**14.3**	**14.3**	**14.9**	**19.4**	**20.4**	**20.6**	**20.0**	**19.3**	**20.0**
Large enterprises	**69.4**	**66.5**	**66.7**	**68.1**	**68.2**	**67.2**	**56.3**	**54.8**	**53.6**	**52.7**	**50.3**	**47.0**
250 to 499	10.1	7.6	8.0	8.3	8.5	9.0	12.3	10.9	11.0	11.4	10.6	10.5
500 and more	59.3	58.9	58.7	59.8	59.7	58.2	44.0	43.9	52.6	41.3	39.7	36.5
Sole traders	**8.1**	**9.8**	**9.9**	**9.8**	**10.5**	**11.2**	**12.9**	**12.9**	**14.3**	**16.3**	**18.9**	**21.6**
Industry total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Statistical year-books, data in current prices for all of the organisations, including the enterprises with up to 19 employees and sole traders

Table 2: Development of industry production characteristics

	Revenue from own work capitalised and merchandise (in SKK million)			Employment (in persons)			Added value (in SKK million)		
	2000	2003	2005	2000	2003	2005	2000	2003	2005
C Extraction of mineral resources	13 838	11 441	13 102	14 951	10 560	8 978	8 427	6 038	7 271
D Industrial production	657 254	947 626	1 125 308	379 688	376 151	368 664	151 119	187 574	225 733
E Production & distribution of electricity, gas & water	150 684	222 013	244 451	45 849	44 579	39147	50 240	79 710	86 524
Industry total	**821 776**	**1 181 080**	**1 382 861**	**440 488**	**431 290**	**416 789**	**209 786**	**273 322**	**319 528**

Source: Statistical Yearbooks of the Slovak Republic, Industry Yearbooks, in current prices; data include organisations with more than 19 employees

Table 3: Development of labour productivity related to the added value (in SKK '000 per employee)

	2000	2001	2002	2003	2004	2005
C Extraction of mineral resources	439.9	414.6	545.2	571.8	702.0	809.9
D Industrial production	402.9	447.7	463.2	498.7	579.2	612.3
E Production & distribution of electricity, gas & water	1 095.8	1 174.9	1 349.6	1 788.1	2 096.3	2 210
Industry	**476.3**	**521.9**	**560.2**	**633.7**	**734.5**	**766.6**

Source: Statistical Yearbooks of the Slovak Republic, Industry Yearbooks

Table 4: Development of selected indicators of industrial production

Indicator	Unit	2000	2001	2002	2003	2004	2005
Revenue from own work capitalised and merchandise	SKK mil.	796 921	892 874	960 513	1 131 626	1 235 804	1 355 960
	index	118.8	109.0	105.6	115.4	106.5	105.8
Employees	people	487 499	495 887	494 334	503 101	506 337	527 825
	index	97.1	101.7	99.7	101.8	100.6	104.2
Labour productivity	SKK '000	1 635	1 801	1 943	2 249	2 441	2 569
	index	122.4	109.0	105.9	113.4	105.6	101.5

Source: Industry yearbooks 2004 and 2005; the data include enterprises run by self-employed individuals and enterprises with less than 20 employees; indices are expressed in constant prices (December 2000 = 100)

Table 5: Development in subcategories of industrial production for companies with more than 19 employees

	Revenue from own work capitalised and merchandise		Average number of employees		Labour productivity linked to revenues from own work capitalised and merchandise		Added value		Labour productivity linked to added value	
	SKK million		people		SKK '000/employee		SKK million		SKK '000/employee	
	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005
DA Production of foodstuffs & drinks; tobacco processing	95 712	108 016	47 152	37 113	2 030	2 910	16 415	18 580	387	501
DB Production of textiles and clothing	17 313	20 436	45 584	38 046	380	537	7 538	8 027	165	211
DC Leather processing and production of leather goods	7 687	14 492	15 708	14 194	489	1 021	2 663	3 648	170	257
DD Wood processing; production of wooden goods	9 230	17 452	10 364	9 856	951	1 771	2 181	3 434	210	348
DE Production of cellulose, paper and paper products; publishing and printing	39 708	54 954	18 026	14 954	2 203	3 675	11 638	11 733	646	785
DF Production of refined crude oil products	72 846	99 117	4 650	3 536	15 666	28 031	12 127	17 756	2 608	5 021
DG Production of chemicals, chemical products and chemical fibres	42 038	42 702	18 971	11 742	2 216	3 637	10 291	8 701	543	741
DH Production of rubber and plastic products	26 617	52 420	12 967	16 466	2 053	3 184	6 353	11 455	490	696
DI production of other non-metallic mineral products	29 046	43 697	22 670	20 279	1 281	2 155	10 070	14 128	444	697
DJ Production of metals and metal products	102 120	184 916	53 648	55 364	1 904	3 340	25 984	50 825	484	918
DK Production of machinery and equipment not included in other categories	45 795	77 287	48 792	39 323	939	1 965	12 277	19 302	252	491
DL Production of electrical and optical equipment	51 365	157 713	44 966	62 232	1 142	2 534	14 295	25 601	318	411
DM Production of means of transport	102 936	218 439	23 880	30 349	4 311	7 198	16 142	25 362	676	836
DN Production not included in other categories	14 841	33 669	12 310	15 210	1 206	2 214	3 145	7 186	256	472
D Industrial production	**657 254**	**1 125 308**	**379 688**	**368 664**	**1 731**	**3 052**	**151 119**	**225 733**	**398**	**612**

Source: Statistical Yearbooks of the Slovak Republic; data include organisations with more than 19 employees

Table 6: Overview of selected indicators between 1999–04 characterised by average year-on-year growth rate (in %)

	Revenues	Added value	Employment	Productivity/ Revenues	Productivity/ Added value
Industry	13.1	10.2	- 1.9	15.5	12.4
C Extraction of mineral resources	1.0	- 2.3	- 10.7	12.9	9.4
D Industrial production	13.5	11.0	- 1.6	15.3	12.8
DA Production of foodstuffs & drinks; tobacco processing	3.2	0.4	- 4.7	8.4	5.6
DB Production of textiles and clothing	3.4	2.3	- 3.1	6.8	5.7
DC Leather processing and production of leather goods	17.6	12.3	- 0.8	18.7	13.4
DD Wood processing; production of wooden goods	10.6	9.9	- 5.4	16.9	15.8
DE Production of cellulose, paper and paper products; publishing and printing	7.6	2.7	- 4.4	12.6	7.4
DF Production of refined crude oil products	16.9	36.9	- 5.6	22.9	44.0
DG Production of chemicals, chemical products and chemical fibres	2.2	- 3.0	- 10.3	13.8	8.0
DH Production of rubber and plastic products	20.3	16.9	4.2	15.0	12.5
DI Production of other non-metallic mineral products	9.0	9.5	- 3.1	12.5	13.0
DJ Manufacture of metals and metal products	12.3	22.9	1.3	11.0	21.0
DK Production of machinery and equipment not included in other categories	12.8	8.3	- 6.6	20.7	16.0
DL Production of electrical and optical equipment	22.7	12.5	6.9	15.1	5.3
DM Production of means of transport	25.1	14.3	4.0	19.7	10.3
DN Production not included in other categories	21.1	13.3	- 1.0	22.2	14.5
E Production & distribution of electricity, gas & water	13.7	10.6	- 2.5	16.4	13.5

Source: MoE SR Information Bulletin, data for organisations with more than 19 employees

Table 7: Basic economic ratios in industrial manufacturing of the Slovak Republic between 2000 – 2004

	Unit	**2000**	**2001**	**2002**	**2003**	**2004**
Cost return	%	2.93	5.03	4.10	4.84	5.94
Return on equity	%	9.15	15.22	12.22	15.32	17.32
Value added productivity	SKK ‘000	409.6	460.7	485.5	508.3	591.98
Value added rate	%	25.4	25.7	25.1	22.0	22.5
Added value per SKK 1 of wage	SKK	2.76	2.82	2.76	2.70	2.82
Debt-to-equity	%	52.0	45.4	39.1	34.6	23.9
Loans covered by equity	index	1.923	2.203	2.560	2.890	4.19
Tangible investment assets depreciation	%	46.1	47.1	47.4	47.6	48.9
Investment/revenues ratio	%	6.7	8.6	9.5	6.8	8.0
Investment per employee	SKK ‘000	108.5	154.5	184.3	156.5	211.5

Source: MoE SR Information Bulletin

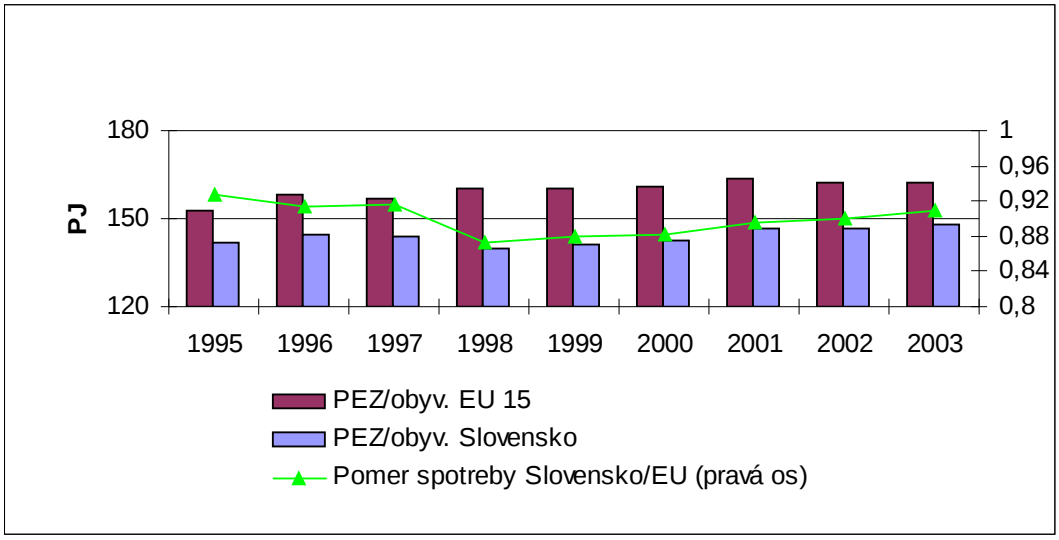
ANNEX 2: OVERVIEW OF SELECTED INDICATORS OF THE ENERGY SECTOR

Table 1: Development of selected indicators of Slovakia's energy sector in 2000 to 2005

	2000	2001	2002	2003	2004	2005
Final consumption of energy (PJ)	473	501	467	447	433	-
Number of employees ('000 persons)	42.8	42.2	43.6	41.2	38.9	37.7
GDP of energy sector in current prices (SKK billion)	32.9	23.9	33.3	56.8	58.7	63.1
Energy sector as % of Slovakia's GDP	3.6	2.4	3.1	4.8	4.3	4.3

Source: Statistical yearbooks, Statistical Office of the Slovak Republic

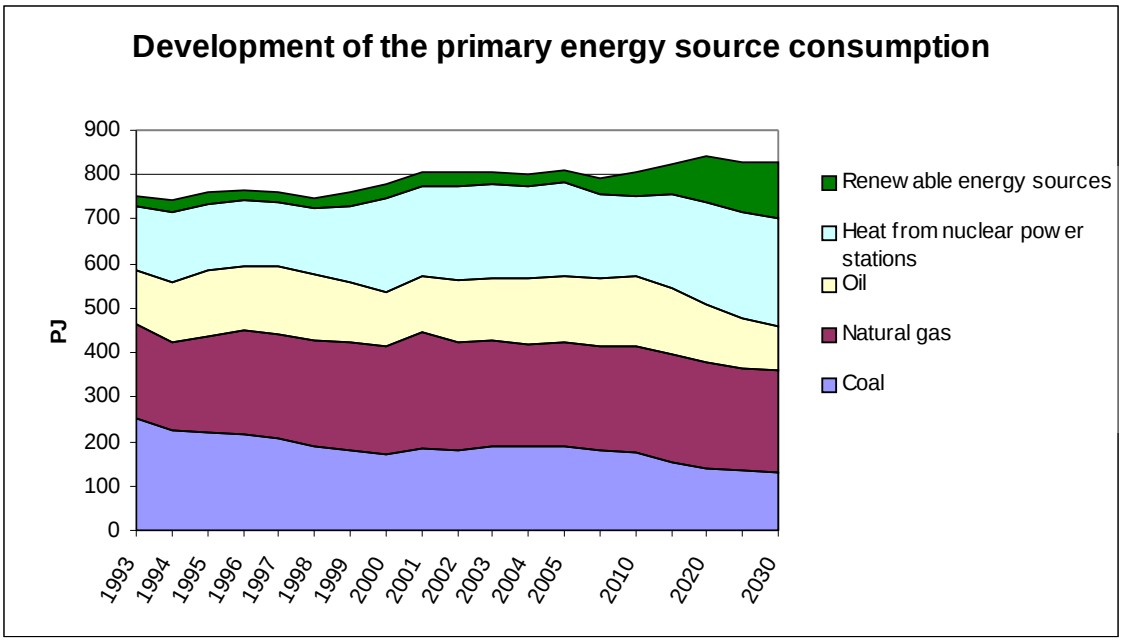
Table 2: Per capita consumption of primary energy sources



Source: Energy Policy 2006, MoE SR

Legend: PEZ/obyv. EU 15 – Primary energy sources (PES) per capita, EU 15
PEZ/Obyv. Slovensko–PES per capita, Slovakia,
Pomer spotreby Slovensko/EU (pravá os) – Slovakia/EU consumption ratio (right axis)

Table 3: Development of the primary energy source consumption



Source: Energy Policy 2006, MoE SR

ANNEX 3: OVERVIEW OF SELECTED INDICATORS OF TOURISM

Table 1: Development of selected indicators of Slovakia's tourism in 2000 to 2005

Indicator	Unit	2000	2001	2002	2003	2004	2005
Income from ACOT	**SKK mil.** **USD mil.**	19935 431.5	30992 641.1	32823 724.0	31735 863.0	29068 901.2	37529.1 1209.8
PCOT expenditures	**SKK mil.** **USD mil.**	13643 295.3	13985 289.3	20047 442.2	21042 572.2	24040 745.3	26234.9 845.7
Balance of tourism	**SKK mil.** **USD mil.**	6292 136.2	17007 351.8	12776 281.8	10693 290.8	5028 155.9	11294.2 364.1
Foreign currency income as % of GDP	**%**	2.13	3.07	2.99	2.64	2.19	2.6*
Per capita foreign currency income from ACOT	**USD**	80	119	136	160	168	224
ACOT as % of exportation of goods and services	**%**	2.9	4.0	4.0	3.2	2.7	3.8*
Number of foreign visitors (crossing of borders)	**millions of people**	28.8	27.8	26.5	25.0	26.4	29.4
Total number of tourists (visitors using accommodation services)	**'000 people**	2794	3161	3446	3374	3244	3428
Total number of foreign tourists (visitors using accommodation services)	**'000 people**	1052	1219	1399	1387	1401	1515
Average number of overnight stays of foreign visitors	**days**	3.6	3.6	3.6	3.6	3.3	3.2

Source: NBS: Balance of payments of the Slovak Republic; Statistical Office of the Slovak Republic: Statistical yearbook; Statistical Office of the Slovak Republic: Organised tourism in the Slovak Republic; MoE SR

Table 2: Development of statistic indicators linked to domestic tourism

Indicator	Unit	2000	2001	2002	2003	2004	2005
DT participants (organised by travel agencies)	people ('000)	208	199	184	301	272	252
Number of domestic visitors using accommodation	people ('000)	1742	1942	2047	1987	1843	1913
Revenues of travel agencies from DT	SKK mil.	680.2	455.7	364.8	472.9	520.7	503.6

Source: Statistical Office of the Slovak Republic: Statistical yearbook of the Slovak Republic; Organised tourism in the Slovak Republic, Tourism Section

*

Table 3: Development of key indicators characterising the activities of selected Slovak spas in 2003 and 2004

	2003				2004			
	Revenues SKK mil.	**Guests total (‘000)**	*of which* foreigners	*of which* Slovaks	**Revenues SKK mil.**	**Guests total (‘000)**	*of which:* foreigners	*of which:* Slovaks
Piešťany	1206.1	48.1	27.5	20.6	1070.0	47.1	25.8	21.3
Bardejov	257.1	24.6	8.4	16.2	220.4	21.2	7.8	13.4
Rajecké Teplice	214.1	14.7	n	n	201.5	20.9	12.0	8.9
Bojnice	198.6	10.5	5.3	5.2	200.0	10.4	5.3	5.1
Sliač	170.2	8.1	1.2	6.9	138.3	6.1	0.8	5.3
Štrbské Pleso	126.0	18.6	4.8	13.8	96.8	12.9	4.6	8.3
Vyšné Ružbachy	89.3	7.8	1.8	6.0	92.0	8.6	n	n
Trenčianske Teplice	89.5	4.0	1.5	2.5	90.5	3.9	1.4	2.5
Lúčky	94.8	8.9	3.1	5.8	62.7	4.3	0.5	3.8
Nimnica	66.7	5.2	1.4	3.8	55.7	4.7	0.2	4.5
Dudince	123.1	n	n	n	124.8	8.0	1.2	6.8

n = data unavailable

ANNEX 4: SOP I&S OVERALL CONTRACTING AND DRAWING STATUS AS AT 30 SEPTEMBER 2006

SOP I&S structure	Implementing body	Received projects in total	Approved projects in total	Signed NFP contracts	Total amount of contracted projects (SF + SB + own eligible funds)[34]	Contracted NFP amount[1]	Repaid funds (application amount approved by PA)[35]	Paid (but unaccounted for) pre-financing	Total drawing (repayment + pre-financing accounted for + pre-financing unaccounted for)	% drawing in proportion to contracted NFP
Measure 1.1[36]	NARMSP	416	50	50	1 898 696 714.60	1 191 646 882.69	795 797 251.27	0.00	795 797 251.27	66,78
Measure 1.2	NARMSP	17	8	8	280 714 727.00	266 678 986.65	277 270 414.97	82 011 341.33	359 281 756.30	19,58
	NARMSP (nat. pr.)	2	1	0	0.00	0.00				
	SARIO	44	8	8	1 244 099 327.03	1 181 894 260.67				
Measure 1.3	SEA	91	73	47	392 986 174.00	198 806 445.80	16 278 954.13	0.00	16 278 954.13	8,19
Measure 1.4	SEA	64	51	42	1 370 988 353.75	757 687 532.24	43 855 398.78	0.00	43 855 398.78	5,79
Measure 1.5	SARIO	118	19	19	43 979 126.00	23 602 449.90	10 879 689.23	0.00	10 879 689.23	46,10
Measure 2.1	SACR	132	23	23	1 531 947 499.09	1 455 090 695.78	246 509 834.22	52 961 891.35	299 471 725.57	20,58
Measure 2.2[3]	SACR	336	40	41	2 043 033 548.87	1 298 000 000.00	417 384 652.69	0.00	417 384 652.69	32,16
Measure 2.3	SACR	1	1	1	641 254 256.00	641 254 256.00	219 337 222.82	26 645 513.40	245 982 736.22	38,36
Measure TA[37]	MoE SR	44	44	43	276 093 437.40	274 647 413.80	64 728 149.78	0.00	64 728 149.78	23,57
TOTAL		**1 265**	**318**	**282**	**9 723 793 163.74**	**7 289 308 923.53**	**2 092 041 567.89**	**161 618 746.08**	**2 253 660 313.97**	**30.92**

[34] *Compared to the previous monitoring period, the contracted amount may be adjusted in accordance with the conclusion of a public tender or on the basis of an approved request for change of NFP amount*

[35] *Including accounting for pre-financing*

[36] *Project pool was used in the case of Measures 1.1 and 2.2 after withdrawal of successful applicants or IB/MA*

[37] *Technical assistance projects are submitted and approved as necessary*

ANNEX 5: OVERVIEW OF SOP I&S 2004-06 CALLS

OP	Priority	Measure	Call Title/ number	Date of call publishing	Deadline	Received applications for NFP (Non-Repayable Grants)		Approved applications for NFP			NFP contracts concluded		
						Number of applications received	Amount of requested funds [38]	Number of approved applications	Amount of approved funds		Contracts concluded	Amount of funds on the basis of concluded contracts[39]	
									EU funds	State budget funds		EU funds	State budget funds
SOP IS		1.1 - Support for the development of new and existing businesses and services	Call for proposals SOP I&S – 2004 – 1.1 (state aid scheme)	15.06.2004	30.09.2004	416	8 325 405	50	649 385	556 615	50	642 755	548 891
			Call for proposals SOP I&S – 2006 – 1.1 (de minimis scheme)	16.08.2006	*20.10.2006*								
		1.2 - Support for construction and reconstruction of infrastructure	Call for proposals SOP I&S – 2004 – 1.2 (implemented by NARMSP)	07.04.2004	31.08.2004	17	1 289 304	8	212 668	56 711	8	210 536	56 143
			Call for proposals SOP I&S – 2004 – 1.2 (implemented by SARIO)	07.04.2004	01.10.2004	7	1 105 887	4	387 949	101 873	4	383 910	102 376
			Call for proposals SOP I&S – 2005 – 1.2 (implemented by SARIO)	06.06.2005	09.09.2005	17	2 151 513	4	565 553	150 814	4	549 165	146 444
			Call for proposals SOP I&S – 2006 – 1.2 (implemented by SARIO)	28.04.2006	28.07.2006	20	1 625 763						
		1.3 - Support for business, innovation and applied research	Call for proposals SOP I&S – 2004 – 1.3 (state aid scheme)	03.08.2004	15.10.2004	28	352 705	21	116 165	99 570	18	94 552	81 044
			Call for proposals SOP I&S – 2004 – 1.3 (de minimis scheme)	01.06.2004	31.08.2004	63	38 164	52	17 794	15 252	29	12 498	10 713
		1.4 - Support for energy savings and the use of renewable energy sources	Call for proposals SOP I&S – 2004 – 1.4 (state aid scheme)	23.08.2004	15.11.2004	41	1 504 246	34	456 115	390 956	27	388 078	332 639
			Call for proposals SOP I&S – 2004 – 1.4 (de minimis scheme)	01.06.2004	31.08.2004	23	54 124	17	21 592	18 507	15	19 907	17 063
		1.5 - Development of international cooperation and Slovakia's image	Call for proposals SOP I&S – 2004 – 1.5 (state aid scheme)	15.06.2004	16.09.2004	9	25 507	6	8 905	3 816	6	6 850	5 871
			Call for proposals SOP I&S – 2004 – 1.5 (de minimis scheme)	15.06.2004	16.09.2004	15	17 473	13	5 871	5 033	13	5 859	5 022

38 Given the fact that no obligation to break down the funds to EU funds and state budget funds arose during registration, MoE quotes the requested non-repayable grants (NFP) only in total.

39 Compared to the previous period, the amount may be adjusted on the basis of an implemented public tender, withdrawal of a successful applicant or IB/MA, or in the case of withdrawal by using the project pool.

	1 – Growth of industry and services competitiveness making use of the development of domestic growth potential		Call for proposals SOP I&S – 2006 – 1.5 (de minimis scheme)	16.05.2006	16.08.2006	94	205 047						
	2 - Rozvoj cestovného ruchu	2.1 - Support for construction and reconstruction of tourism infrastructure	Call for proposals SOP I&S – 2004 – 2.1 (implemented by SACR)	06.05.2004	06.09.2004	132	6 993 252	23	1 154 053	307 747	23	1 148 756	306 335
		2.2 - Support for business activities in tourism	Call for proposals SOP I&S – 2004 – 2.2 (state aid scheme)	15.06.2004	17.09.2004	336	8 873 318	40	701 615	601 385	41	698 923	599 077

Annex 6: Evaluation of OP C&EG coherence with other OPs of the NSRF SR

			OP C&EG Measures					
Operational programme	Priority Axis	Measure	1.1	1.2	1.3	2.1	3.1	Fund
Regional Operational Programme	1 Education Infrastructure	1.1 Refurbishment, Expansion and Modernisation of Existing Education Facilities with the Objective of Improving Education Process Conditions (Kindergartens, Elementary and Secondary Schools)		M				ERDF
	3 Infrastructure of Repository Institutions on Regional and Local Level and Revitalising Historic Structures	3.1 Modernising Regional and Local Infrastructure of Repository Institutions			L		L	ERDF
		3.2 Revitalising and Economic Use of Historic Structures in the Territory					M!	ERDF
	4 Support for Regions' Competitiveness and Innovative Capacity	4.1 Upgrading and Building Regional Communications Ensuring Transport Serviceability of the Region		M!				ERDF
		4.2 Regeneration of Communities					M!	ERDF
	5 Tourism Infrastructure	5.1 Support and Renewal of Tourism Infrastructure					H!	ERDF
Operational Programme "Environment"	2 Protection of Air, Ozone Layer and Minimising Harmful Impacts of Climatic Changes Including the Support for Renewable Energy Sources	2.1 Air Protection				M		ERDF/CF
		2.2 Minimising Harmful Impacts of Climatic Changes Including the Support for Renewable Energy Sources				M		ERDF/CF
		2.3 Protection of Earth's Ozone Layer				M		ERDF/CF
	3 Waste Management	3.1 Support to Technologies Minimising Waste Generation in Manufacture	H!		M	L		ERDF/CF
		3.3 Support to Waste Recovery Activities				M!		ERDF/CF
		3.4 Handling Selected Kinds of Hazardous Waste				M!		ERDF/CF
		3.5 Removal of Environmental Liabilities and Landfill Closure and Reclamation				M		ERDF/CF
	4 Protection and Regeneration of Natural Environment and Landscape	4.1 Programmes of Care for the Protected Territory Including NATURA 2000 Areas and Salvage Programmes for Critically Endangered Plants and Animals Including the Species and Biotop Monitoring				L		ERDF
		4.3 Information and Promotional Activities				L		ERDF
Operational Programme "Transport"	3 Upgrade and Development of Intermodal Transport Infrastructure	3.1 Construction of the Basic Network of Intermodal Transport Public Terminals		M!				CF
	5 Upgrade and Development of Road Infrastructure (high-speed roads and 1st class roads)	5.1 Construction of High-Speed Roads		M				ERDF
		5.2 Upgrade and Construction of 1st Class Roads		M				ERDF
	6 Development of Public Passenger Transport	6.1 Development of Railway and Bus Public Passenger Transport		M				ERDF
Operational Programme "Research and Development"	1 Research and Development	1.2 Support to Networks of Excellence in Research and Development as the Pillars of Regional Development and Support to Interregional Cooperation			M!			ERDF
		1.3 Transfer of R&D-Obtained Knowledge and Technologies into Practice	M	H!	M!	M		ERDF
	2 Research and Development in the Bratislava Region	2.2 Support to Networks of Excellence in Research and Development as the Pillars of Regional Development in the Bratislava Region		M!	L			ERDF
		2.3 Transfer of R&D-Obtained Knowledge and Technologies into Practice in the Bratislava Region	M	H!	M!	M		ERDF
Operational Programme	1 Support to Growth of Employment and Social Inclusion	1.1 Support to Programmes in the Field of Employment Support and Addressing Unemployment and Long-Term Unemployment		M!				ESF

"Employment and Social Inclusion"								
Operational Programme "Education"	1 Modern Education for Knowledge Society	1.1 Transforming a Traditional School into a Modern One			L			ESF
		1.2 Higher Education Institutions and R&D as Engines of Knowledge Society Development		M!	L			ESF
		1.3 Life-Long Education for All as the Fundamental Principle of Knowledge Society			H!			ESF
		1.4 Increasing Education Level of Persons with Special Education Needs with a View of Marginalised Roma Communities		L!				ESF
	2 Modern Education for Knowledge Society for the Bratislava Region	2.1 Transforming a Traditional School into a Modern One for the Bratislava Region			L			ESF
		2.2 Increasing the Bratislava Region's Competitiveness through Developing Tertiary and Life-Long Education		M	L			ESF
Operational Programme "Bratislava Region"	2 Innovation and Informatisation	2.1 Innovation and Technology Transfers	H	H!	H	H	H	ERDF
		2.2 Informatisation of Society	H!	H	H		H	ERDF

Legend: H – high cohesion, M – medium cohesion, L – low cohesion, ! – further coordination needed

1.1 Innovation and technology transfers, 1.2 Support of common services for entrepreneurs, 1.3 Support of innovation activities in enterprises, 2.1 Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the energy sector, 3.1 Support of business activities in tourism

Annex 7: List of acronyms used

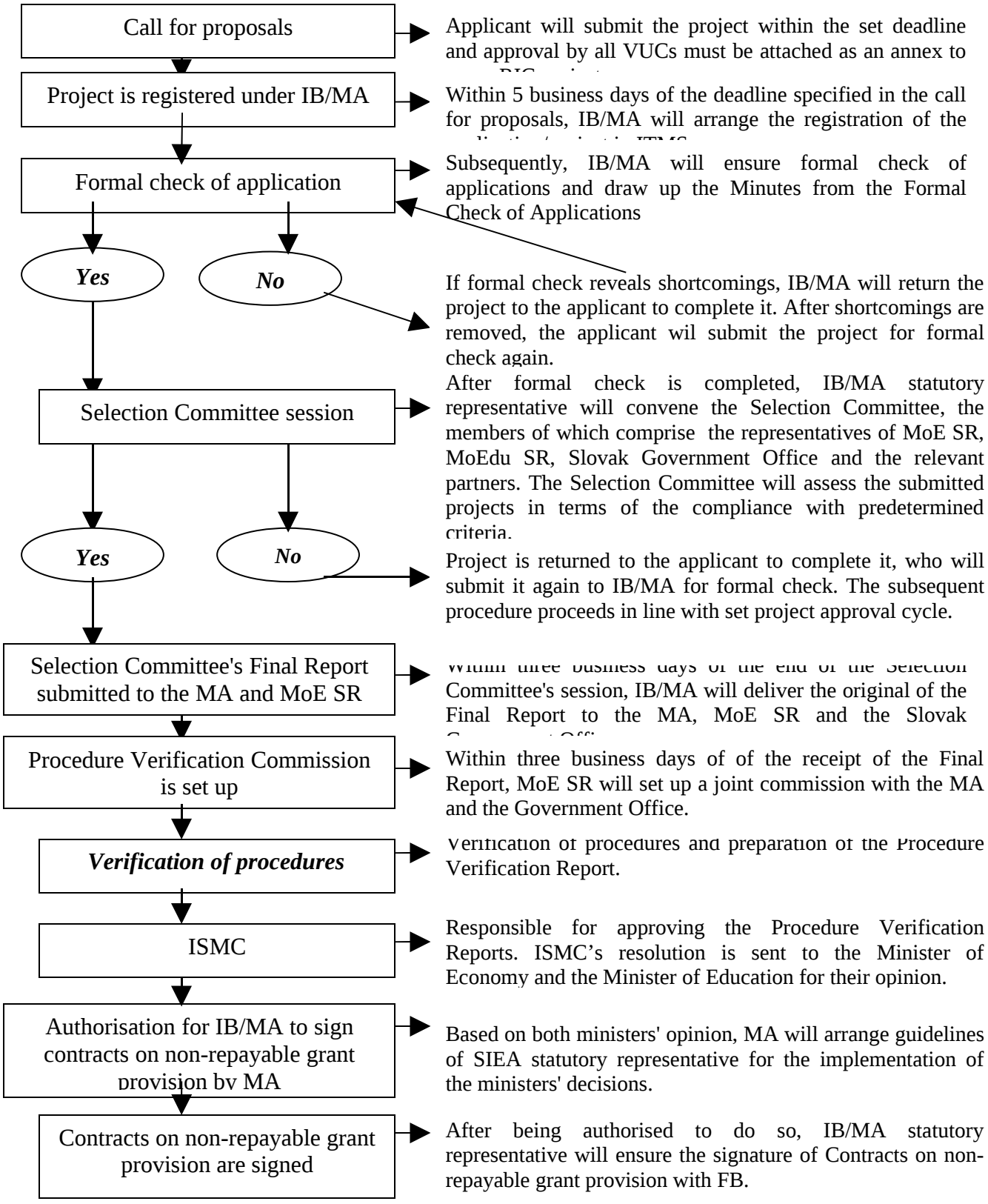
IBT	Inbound Tourism
BSK	Bratislava Self-Governing Region
CCA	Central Coordinating Authority for NSRF, MoCRD SR
CA	Certifying Authority, MoF SR
CSF	Community Support Framework
DT	Domestic tourism
EAFRD	European Agricultural Fund for Rural Development
ECB	European Central Bank
EFF	European Fisheries Fund
EIB	European Investment Bank
EC	European Commission
ERDF	European Regional Development Fund
ERM II	Exchange Rate Mechanism II
ESF	European Social Fund
EU 15	so-called "old" Member States (Great Britain, Italy, France, Belgium, Denmark, Finland, Greece, Ireland, Luxembourg, the Netherlands, Germany, Portugal, Austria, Spain, and Sweden)
EU 25	"old" Member States plus "new" Member States (Slovakia, the Czech Republic, Poland, Hungary, Lithuania, Latvia, Estonia, Slovenia, Cyprus, Malta)
GDP	gross domestic product
GDP/capita (P.P.S)	overall economic performance expressed in Purchasing Power Standard
HICP	harmonized index of consumer prices
GNI	gross national income
ICT	information and communication technologies
ITMS	IT monitoring system
CF	Cohesion Fund
KURS 2001	Slovak Spatial Development Perspective 2001
LAU	local administrative unit (or NUTS from French nomenclature des unités territoriales statistiques)
MRC	Marginalised Roma Communities
SME	small and medium-sized enterprises
NACE	Classification of Economic Activities in the European Community
NDP	National Development Plan
NSRF	National Strategic Reference Framework

NUTS	Nomenclature des Unitées Territoriales Statistiques - classification system of local administrative units introduced by EUROSTAT in cooperation with national statistical offices
AA	Audit Authority, MoF SR
OKEČ	sector classification of economic activities
PPP	public private partnership
PPS	purchasing power standard
OBT	outbound tourism
FDI	foreign direct investment
MA	Managing Authority
SAV	Slovak Academy of Sciences
PHC	population and housing census
IB/MA	Intermediary body under the Managing Authority
SR	Slovak Republic
SWOT	Strengths/Weaknesses/Opportunities/Threats
SF	structural funds
TEN-T	trans-European networks
SD	sustainable development
VUC	higher territorial units
SRB	science and research base
MoTPT SR	Ministry of Transport, Posts and Telecommunications of the Slovak Republic
MoF SR	Ministry of Finance of the Slovak Republic
MoE SR	Ministry of Economy of the Slovak Republic
MoC SR	Ministry of Culture of the Slovak Republic
MoLSAF SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
MoEdu SR	Ministry of Education of the Slovak Republic
MoCRD SR	Ministry of Construction and Regional Development of the Slovak Republic
MoHealth SR	Ministry of Health of the Slovak Republic
MoEnv SR	Ministry of Environment of the Slovak Republic

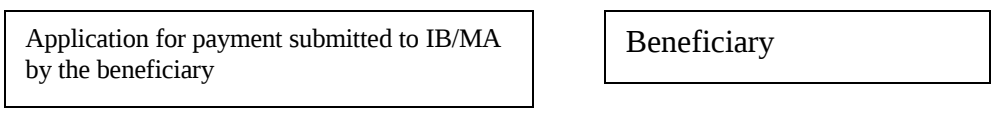
ANNEX 8: MANAGEMENT AND IMPLEMENTATION SYSTEM OF THE FRAMEWORK ACTIVITY "Building and Supporting the Regional Research and Innovation Centres" within OP R&D

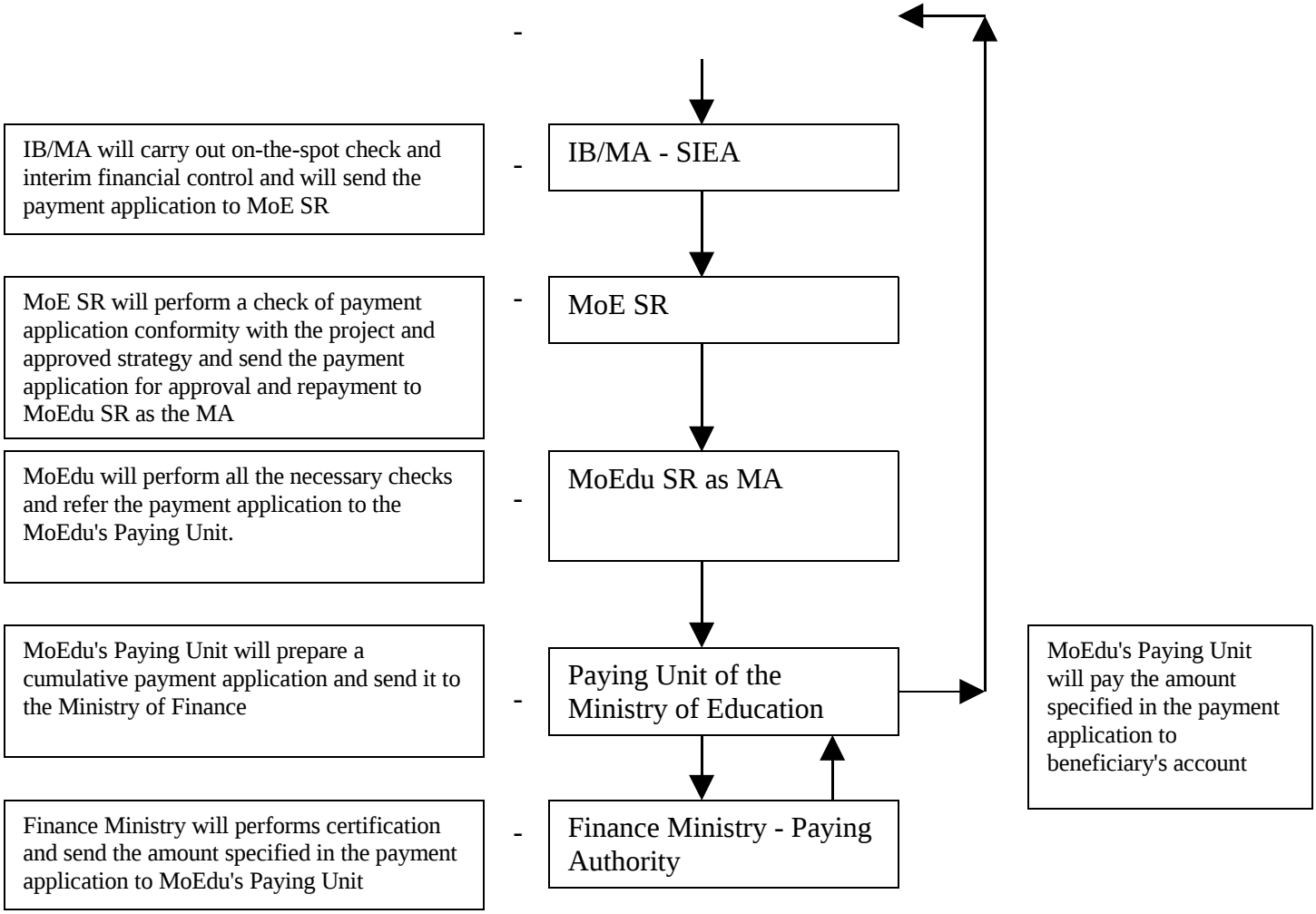
- the Managing Authority function is carried out by the Ministry of Education of the Slovak Republic;
- the function of the Intermediary body under the Managing Authority (IB/MA) is carried out by MoE SR through the state semi-budgetary organisation Slovak Innovation and Energy Agency;
- MoE SR carries out the function of the Methodological and Professional Management Authority for the implementation of projects aimed at building individual Regional Innovation Centres (RIC);
- MoEdu SR (as MA), SIEA (as IB/MA) and MoE SR (as the Methodological Management Authority) will sign a Delegation Authorisation, which will include a definition of the tasks and the status of the individual authorities involved in the implementation projects aimed at building individual RICs.
-

ANNEX 9: PROJECT SUBMISSION AND APPROVAL CYCLE



ANNEX 10: PAYMENT APPLICATION APPROVAL CYCLE




IB/MA will carry out on-the-spot check and interim financial control and will send the payment application to MoE SR
IB/MA - SIEA
MoE SR will perform a check of payment application conformity with the project and approved strategy and send the payment application for approval and repayment to MoEdu SR as the MA
MoE SR
MoEdu will perform all the necessary checks and refer the payment application to the MoEdu's Paying Unit.
MoEdu SR as MA
MoEdu's Paying Unit will prepare a cumulative payment application and send it to the Ministry of Finance
Paying Unit of the Ministry of Education
MoEdu's Paying Unit will pay the amount specified in the payment application to beneficiary's account
Finance Ministry will performs certification and send the amount specified in the payment application to MoEdu's Paying Unit
Finance Ministry - Paying Authority