

**Position of the Commission Services on the development of the
Partnership Agreement and programmes in SLOVAKIA for
the period 2014-2020**

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INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF funds deliver long-lasting economic and social impacts, the Commission has proposed a new approach to the use of the funds in its proposal for the **2014-2020 Multiannual Financial Framework**². Strong alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and moves away from a culture of entitlement. The CSF funds will thus provide an important source of public investment and serve as a catalyst for growth and jobs by leveraging physical and human capital investment while they serve as an effective means to support the implementation of the **Country Specific Recommendations (CSRs)** issued in the context of the European Semester. This approach is in line with the European Council's call of 29 June 2012 regarding the use of the Union's budget³.

CSF Funds should aim at jointly fostering **competitiveness and convergence** by setting the right country-specific investment priorities. A general **refocus of spending** towards research and innovation, support to SMEs, quality education and training, inclusive labour markets fostering quality employment and social cohesion, delivering the highest productivity gains, mainstreaming of climate change objectives and shifting to a resource-efficient low carbon economy is necessary. In order to do so, planning and implementation of CSF funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders. The Europe 2020 objectives must be mainstreamed across the different CSF Funds, each of them bringing their contribution to smart, sustainable and inclusive growth. Moreover, CSF Funds have a key role to play in supporting financial instruments that can **leverage private investment** and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF funds that maximises their combined impact.

The purpose of this position paper is to set out **the framework for dialogue** between the Commission services and Slovakia on **the preparation of the Partnership Agreement and Programmes** which will start in autumn 2012. The paper sets out the key country specific challenges and presents the Commission services' preliminary views on the main funding priorities in Slovakia for growth enhancing public expenditure. It calls for optimizing the use of CSF Funds by establishing a strong link to productivity and

¹ The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final.

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12),

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

competitiveness enhancing reforms, and by leveraging private resources and boosting potential high growth sectors, while preserving solidarity within the Union and ensuring the sustainable use of natural resources for future generations. There is also a need to concentrate future EU spending on priority areas to maximise the results to be obtained, rather than spreading funding too thinly. EU funding should also be used to fund EU level priorities and to ensure that Slovakia can draw full benefits from its EU membership. Therefore, the Commission proposes to group and limit EU funding to the key challenges outlined in this position paper. National public spending should not only be used to co-finance but also to finance investments which are complementary and linked to EU funded projects in particular at regional and local level.

The starting point of the Commission's considerations are the assessment of Slovakia's progress towards its Europe 2020 targets in its Staff Working Document on the 2012 National Reform Programme (NRP) and Stability Programme⁴, underpinned by the country-specific recommendations addressed by the Council on 10 July 2012, and country-specific development challenges. The position paper takes account of the lessons learnt during the 2007-2013 programming period and the Commission's legislative proposals for 2014-2020.

In a context of fiscal discipline, this position paper encourages Slovakia and its regions to develop and implement medium-term strategies capable of facing the challenges ahead, notably globalisation, while helping to preserve the European social model. Moreover, it provides for a flexible framework for Slovakia and its regions to react and refocus European, national and local resources on creating growth and employment so that fiscal sustainability and growth-friendly policies go hand-in-hand, while also dealing with structural and institutional problems in Slovakia which act as a constraint on growth.

Finally, it invites Slovakia and its regions to exploit to the maximum potential synergies between the CSF Funds and other sources of EU funding in a strategic and integrated approach.

1. MAIN CHALLENGES

The Slovak economy was badly hit by the crisis but rebounded in 2010 and grew again by 3.3% in 2011, one of the best performances in the EU. GDP per head for the country as a whole is approximately 73% of the EU-27 average. However, this masks striking regional differences between the capital region of Bratislava on the one hand (with GDP per head of 178% of the EU average) and, for example, Prešov region, on the other (GDP per head 42% of the EU average). There are also strong development disparities between the urban centres and rural areas, characterised by small, dispersed communities.

Imports of modern technology induced by foreign direct investment were a major source of productivity gains in past years. However, this potential boost to growth is diminishing. Specialised as it is in a limited number of manufacturing industries, the Slovak economy would benefit from diversifying, in particular to the services sectors. As innovation capacity remains modest, Slovakia has yet to move significantly towards more knowledge-intensive economic activity. In spite of improvements in transparency, the overall inefficiency of public administration still impacts on the productivity of enterprises, and remains a major obstacle for improving the business environment.

⁴ Relevant documents are available on Europe2020 website: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

The labour market remains weak. Unemployment stood at 13.5% in 2011, some 4 percentage points above pre-crisis levels, with very high levels of youth unemployment (33.5% in 2011) and one of the highest rates of long-term unemployment in the EU (9.2%) in 2011. These features reflect persistent structural problems such as wide regional disparities, low internal labour mobility, skill mismatches within the country and the difficult situation of marginalised communities. The unsatisfactory quality of education sector and endemic corruption act as constraints on growth potential.

The 2012 National Reform Programme recognises these challenges and sets out priorities for economic and budgetary policies and defines measures to enhance economic growth and employment in line with the Europe 2020 targets and objectives. The 2012 Country Specific Recommendations (CSRs) from the Council to Slovakia advise taking further action to consolidate and improve fiscal measures and to address the high levels of unemployment, and improve the quality of the education and training systems and of public administration.

Table: Europe 2020 Strategy

Europe 2020 headline targets	Current situation in Slovakia	National 2020 target in the NRP
3% of EU GDP to be invested in research and development (% of GDP)	0.63% (2010)	1%
20% greenhouse gas (GHG) emissions reduction compared to 1990 levels ⁵	-2% (2020 projected emissions compared to 2005) ⁶ +0% (2010 emissions compared to 2005)	+13% (national binding target for non-ETS sectors compared to 2005)
20% of energy from renewables	9.8% (2010)	14%
20% increase in energy efficiency (reduction of energy consumption by 368 Mtoe) ⁷ for EU 27 ⁸	n.a.	Reduction by 1.6 Mtoe
75% of the population aged 20-64 should be employed	65.1% (2011)	72%
Reducing early school leaving to less than 10% (population aged 18-24)	5% (2011)	6%
At least 40% of 30-34 years old completing tertiary or equivalent education	23.4% (2011)	40%
Reducing the number of people at risk of poverty or exclusion by at least 20 million in the EU (baseline 2008)	+ 1 000 (2011)	- 170 000

Analysis of Slovakia's progress towards its 2020 targets and of its specific development needs shows significant gaps in many areas, in particular in business competitiveness and

⁵ 30% if the conditions are right

⁶ Based on existing measures, Commission report Progress towards achieving the Kyoto objectives, (COM(2012)626), 24.10.2012

⁷ Monitoring the 20% energy efficiency target in a harmonised format will follow the implementation of the Energy Efficiency Directive in April 2013

⁸ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the Energy Efficiency Directive. This will be available only by 30 April 2013.

research and innovation, the quality of education, employment rates, social exclusion, and resource efficiency. At the same time, well targeted and planned infrastructure investments in sustainable transport, key transport networks and the environment, are crucial to provide a foundation for longer term growth.

The principal challenges facing Slovakia are summarised below and are followed by the Commission's services views on the main funding priorities to be tackled using the CSF funds. These challenges cannot be addressed at national level alone and would benefit from cross-border or wider co-operation through the dimension of co-operation programmes as well as the EU Strategy for the Danube Region.

Weak competitiveness and research and innovation (R&I) system

The overall **competitiveness position** of Slovakia is low and is hampered by a weak business environment. Slovakia's regulatory policy environment is restrictive and scores poorly in product market indicators for barriers to entrepreneurship, in particular for regulatory and administrative capacity and administrative burdens on start-ups. There is overall a **low level of innovation and capacity for advanced technology solutions**, in particular in SMEs. Existing instruments and incentives, mostly relying on direct subsidies, are ineffective in encouraging innovation. Significant regional disparities exist.

Slovakia has an **underdeveloped R&I system** and has one of the lowest shares of R&D expenditure relative to GDP in the EU (0.63% in 2010 compared with 2.0%) making it particularly important to continue working towards attaining its national target. The lack of investment in R&D is primarily in the private sector. The R&I system increasingly relies on European resources. However, existing financing suffers from inefficiency, significant administrative burdens and lack of thematic concentration. Over 80% of public support is channelled to non-oriented research and general University funds⁹. The Slovak research strategy, which fed into the operational programme R&D, includes a wide range of 12 priorities and has resulted in the fragmentation of investments. In addition, Slovakia needs to develop a national roadmap for research infrastructures.

Lack of well-co-ordinated and targeted interventions in research, education and innovation has, together with weak human capital formation, negatively affected performance. Responsibilities remain fragmented between different ministries and agencies. Slovakia's performance in basic and applied research is poor, with a low level of scientific outputs. There is a need to enhance research excellence, strengthen interactions with the business sector, foster effective knowledge transfer and dissemination of research outcomes and mobilise innovation linkages. Strengthening institutional co-operation and networking are essential.

Increasing tertiary education attainment has not been coupled with increased quality of higher education and research. The share of human resources in science and technology is significantly lower than average, as is employment in knowledge-intensive services. Slovakia has increased its share of high technology sectors in recent years, but the relatively low quality of school education, vocational training and tertiary education continues to hold back growth potential.

Broadband coverage has improved markedly in recent years and reached 83% in 2010, but it is still below the EU average of 96%. Access and take-up are particularly low in rural areas (55% and 6% respectively).

Underdeveloped infrastructure

⁹ Erawatch country reports 2010: Slovakia

Slovakia has a **high density railway network** but its quality is low. The sector suffers from incomplete reform and lack of investment resulting in poor track conditions, very high renovation and maintenance costs and obsolete rolling stock. The Slovak **road and highway network is underdeveloped** as a result of past under-investment and limited maintenance. Public road transport shows a downward trend. Investment in **clean urban public transport**, based on sustainable urban transport plans, has been neglected despite growing traffic congestion in main urban centres, in particular Bratislava.

The absence of a comprehensive strategy, or **master plan**, covering all transport modes has been an important limitation and has hampered the identification and prioritization of important infrastructure investments, both nationally and in the broader regional context. Poor planning and policy changes, for example in the motorway sector, have significantly delayed implementation, an issue which has particularly affected the main West-East highway corridor. Very high unit costs of new or renovated infrastructure reflect not only difficult topography in some areas, but also weak planning, design and procurement. Value for money from infrastructure investment needs to be addressed in a much more active way in Slovakia.

*Under-performing education system, under-used labour market potential and high youth unemployment*¹⁰

Slovakia has one of the **lowest levels of investment relative to GDP in education and training** in the EU. As a result the quality of education is low with a negative effect on employment and on the country's research and innovation potential.

Very high youth unemployment (among the highest in the EU) reflects the current economic situation and more generally a **mismatch between Education & Training (E&T) and labour market needs**. The high unemployment rate of vocational education and training (VET) graduates, as well as difficulties in employability of higher education (HE) graduates, demonstrate the inability of the E&T systems to react to the demands of the economy. The participation of adults in lifelong learning is one of the lowest in the EU.

In the area of **Higher Education**, the current trend of enrolment of students (too many in social fields and too few in sciences, technology, engineering & management (STEM) and IT) risks preserving structural mismatches in the labour market in the medium and long-term and negatively affects research and innovation.

Slovakia's employment rates are below the EU average for both genders and for all age categories. **Long-term unemployment** (9.2%) is one of the highest in the EU. It co-exists with labour shortages and it concerns low skilled workers for whom demand is estimated to decline. The **youth unemployment** rate rose substantially during the crisis and reached 33.5% in 2011 (EU average 21.4%). Long-term unemployment among youths is the highest in the EU (54.4% compared with 30.1%) and reflects low employability of young people and the weak connection between education and labour market needs. Older workers' (55-64) employment rate is also below the EU average and their employability is negatively influenced by low access to life-long learning.

Female participation in the labour market is relatively low, in particularly for younger and older age cohorts. The employment rate for women with children is below the EU average and is negatively influenced by difficulties in reconciling family and work life, lack of affordable childcare, in particularly nurseries and lack of care services for the elderly. Horizontal and vertical gender segregation in sectors, gender stereotyping and

¹⁰ See SWD, pp. 15-19: Labour market, education and social policies, and CSRs 4, 5 and 6.

gender pay gap also have an adverse effect on female employment. Internal mobility of workers is very low. The employment rate in rural areas is significantly lower than in urban areas (57.8% compared with 68.5% in 2010).

The capacity of the **Public Employment Services** and the efficiency and effectiveness of active labour market policies (ALMP) need to be improved.

The **poverty** threshold in Slovakia is relatively low, reflecting the comparatively low GDP per capita. The share of people at risk of poverty or social exclusion is below the EU average but severe material deprivation, remains significantly above the EU average, particularly in rural areas. The situation is significantly better in the Bratislava region.¹¹

Poverty and social exclusion affect in particular the **marginalized Roma communities** (MRC) mostly living in segregated rural areas, often in inadequate housing conditions. MRC face a higher risk of poverty and significant barriers to integration in the labour market, to the mainstream education system and to adequate health care. Slovakia's approach in the current programming period has not delivered real progress on the ground as a result of lack of coordination and weak implementation.

Inefficient use of natural resources

Slovakia has committed to limit **greenhouse gas (GHG) emissions** in sectors not covered by the European trading scheme (e.g. buildings, transport, agriculture) to an increase of 13% by 2020 (compared to 2005). Although there has been a gradual reduction, Slovakia remains the **fifth most energy intensive country of the EU**. This reflects insufficient energy saving investments in the past and the high final energy consumption of the industrial sector (37.5% compared to EU average of 25.3%). This is despite the fact that electricity prices for industry are among the highest in the EU. Slovakia has defined a long-term final energy savings target for 2020 with savings of 0.5% per year. This does not seem ambitious when considering the potential for energy savings. Lack of appropriate accessible financing products, and of energy performance contracting, relatively poor awareness and insufficient expertise remain barriers to unlocking savings, especially in the housing and public buildings sector. Slovakia is committed to achieving a share of energy from renewable sources (RES) in gross final energy consumption of 14% by 2020. The share of RES, dominated by hydropower and solid biomass, was 9.8% in 2010, below the EU average of 11.7%. The national legal framework for support of renewable energy in the form of feed-in-tariffs was implemented only in 2009 and has been subject to frequent changes.

Total **municipal waste** generated by Slovakia is among the lowest in the EU (322 kg per capita against 524 kg, 2009). However, around 80% is still being land-filled. The share of municipal waste that is incinerated amounts to 11% (EU average 20%), while recycling accounts for only 4%. Slovakia fell short of most targets in the national waste management plan for 2006-2010.

Slovakia enjoys abundant **water resources** and connection to adequate water supply has risen. Nevertheless, water pollution is still a challenge and around half of water bodies are at risk of not meeting the good-status objectives of the EU Water Framework Directive by 2015. Contamination of ground and surface water by nitrates and other contaminants results in particular from intensive farming and breeding facilities. Slovakia

¹¹ See SWD, pp. 15-19: Labour market, education and social policies, and CSR 6

applies with some difficulties an action programme under the EU Nitrates Directive¹² Nitrate vulnerable zones (NVZ) on 33% of its territory.

Slovakia has significant **biodiversity resources** (29% of territory designated under Natura 2000 compared with EU average of 12%), with the main threats to these being intensive agriculture, transport, forestry in certain areas and land abandonment in others. Considerable effort will be needed to meet the targets in the EU Biodiversity Strategy to 2020¹³.

Flooding, soil contamination and erosion (affecting about 35% of farming land) risk increasing with climate change with adverse economic consequences for the rural economy and ecosystems.

Although air pollution has decreased, Slovakia still faces a problem of high levels of pollutants in ambient air.

Weak public administration

Slovakia records relatively **low scores in a number of governance indicators** (e.g. World Bank indicators - quality and effectiveness of government, rule of law, voice and accountability and control of corruption). The latest Corruption Perception Index of Transparency International places Slovakia among the five EU member states with the lowest scores. This negatively affects the business environment and the efficiency and effectiveness of public spending, thus constraining the Slovak economy's growth potential.

Public administration suffers from weak human resources management, high turnover of staff (often linked to the political cycle) and underdeveloped analytical capacities. This hampers policy development and implementation and the efficient delivery of public services and the construction of important public infrastructures.

There is a need to enhance the efficiency of the **civil justice system**. Existing backlogs and delays impair the access of citizens and businesses to legal recourse, leaving many legal disputes unsolved. The limited use of alternative forms of dispute does not allow the freeing up of judicial resources.

Implementation of procurement rules is ineffective, with time requirements and costs of competition for public tenders above average and with frequent material errors identified in audits.

The availability of e-government services to business is close to the EU average but e-government services to citizens remain significantly underdeveloped.

2. PRIORITIES FOR FUNDING

The CSF Funds will be one of the most important instruments to tackle the main development challenges for Slovakia and to implement the Europe 2020 strategy. Each fund should give priority, when relevant, to policy areas addressed in the Country-Specific Recommendations and in the national reform programmes. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. To this end the intervention from the CSF

¹² Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources.

¹³ Communication from the Commission: Our life insurance, our natural capital: an EU biodiversity strategy to 2020 (COM (2011) 244).

Funds needs to be concentrated on a limited number of priorities. Experience shows that thematic concentration allows for an increase in the effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Prioritisation is of particular importance in times of fiscal consolidation.

Five complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges¹⁴. They reflect the importance of funding needs and potential contribution to growth and jobs. There is no ranking in the presentation of the funding priorities.

These are the priorities the Commission would like to co-finance in Slovakia for the next programming period 2014-20. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds.

2.1 Innovation-friendly business environment

The quality of the innovation system in Slovakia both nationally and in its links to the broader regional and EU contexts, will determine the long-term competitiveness of businesses and thus growth prospects and the ability to generate sustainable jobs. This funding priority should receive more support in relative financial terms in comparison to the 2007-13 programming period.

Enhancing business innovation and competitiveness to increase value added and stimulate growth and jobs

SMEs are the main source of job creation. Enhancing the competitiveness and sustainability of SMEs, including those operating in rural areas and of businesses in the agriculture, food and aquaculture sectors, should be a priority. Support for SMEs should move away from traditional investments towards, for example, innovation-oriented sectors and projects (including eco-innovation). It should be focused in particular on remedying market failures and encouraging linkages to good practice and opportunities abroad. Support for social enterprises can also contribute to job rich growth. In agriculture, traditional investments (e.g. in farm machinery) should be rebalanced in favour of more innovative and value-added creating projects and of practices that are particularly favourable to environmental and climate objectives. Financial support should move significantly away from grant-based assistance towards financial instruments (start-up capital, loans, guarantee or equity based instruments) to maximise the use of limited grant funds and increase leverage via private financing. Lessons learned from the considerably delayed implementation of the JEREMIE initiative in the current programming period should be taken fully into account.

Improving research and innovation performance, including the quality of higher education, and increasing private R&I investment

Improving the quality of each component of the "**knowledge triangle**" – education, research and innovation - is essential. Given the poor quality of the tertiary education system, a gradual approach towards innovation is needed. A sufficiently developed human capital base remains a pre-requisite to ensure that R&I are effective and lead to sustainable results. The focus should be on creating an innovation-friendly business

¹⁴ The thematic objectives in the proposed regulations and their link to the funding areas are outlined in the Annex.

environment in order to stimulate private research and innovation (R&I) activities and improve the transfer of knowledge between the public and private sectors. Actions should be based on the national/regional "Research and innovation strategy for smart specialisation" and should focus on the effective transfer of knowledge and technologies, mobilisation of innovation linkages, the development of clusters, the dissemination and adoption of new technologies, the development of access to risk capital and loan guarantees, and the development of skills for the relevant sectors.

Developing the e-economy and promoting access in areas of market failure and take-up of ICT

The potential of **ICT** for stimulating growth, competitiveness and innovation should be mobilised through the development of network and e-services sectors. In line with the goals of the Digital Agenda, enhancing access to ICT should focus on investment in networks assuring next generation access (NGA), while normal broadband access should be promoted in remote, sparsely populated areas (Slovakia needs to complete the broadband infrastructure project which has been delayed in the current programming period). Promoting the development and use of e-commerce, and business-to-business e-services, as well as e-government (building on the experience of the current programming period) and e-procurement solutions will enhance an innovation-friendly business environment.

Improving the economic environment in rural areas, including related local infrastructure (EAFRD only)

Efforts to promote economic competitiveness at a regional level will be needed given the strong territorial disparities in Slovakia. Promoting entrepreneurship and economic diversification in the lagging rural areas may require, inter alia, establishing or upgrading certain basic local infrastructure and services which are pre-requisites for growth and creating new job opportunities (e.g. to address low connectivity (to highways), low broadband coverage, to establish common facilities for rural tourism, marketing local products etc.).

2.2 Infrastructure for economic growth and jobs

Well planned modern infrastructure improves accessibility and connectivity of regions and their attractiveness for investors and thus lays the foundations for increased competitiveness, business development and economic growth and for the creation of new jobs. The focus of investments should be on completing the gaps and missing links in Slovakia's basic infrastructure, both nationally and across borders, with an emphasis on more sustainable, environmentally friendly and cost-efficient transport infrastructure. Although it is expected that in absolute financial terms this funding area will remain important for Slovakia, its relative share in the total funding should decrease in comparison to the 2007-13 programming period.

Improving accessibility and sustainable modes of transport

Transport investments need to be based on the key priorities identified in the national transport master plan and should focus on the TEN-T Core Network. A close coordination mechanism with the Connecting Europe Facility should be set up. For rail transport the focus should be on developing a cost-effective, high quality and interoperable railway system responding to real passenger and commercial demands. For road transport the focus should be on developing the core system of motorways and expressways with due attention to traffic demand, road safety and the environment. Attention should also be given to developing inland waterways for the transport of goods

where appropriate, for example, using co-operation links established in the context of the Danube Strategy.

Sustainable urban mobility should be more actively promoted through sustainable urban transport plans based on an integrated approach.

2.3 Human capital growth and improved labour market participation

Developing human capital should be the core concern for Slovakia. CSF Funds should contribute to job-rich growth by investing in human capital and by ensuring its full utilisation. This calls for stepping up efforts to concentrate investments on employment and education thematic objectives in line with the CSRs. Thus the relative share of CSF funds investment should increase in comparison with the programming period 2007-13. Tackling the multiple issues relating to the marginalised Roma communities should be a priority and a sizeable part of available resources should be dedicated to promoting social inclusion.

Reinforcing all levels of education to increase its quality and its labour market relevance

To increase their impact on the labour market, concentration of CSF funds' investments in education should be enhanced and should focus on improving the *quality of education* at all levels. Quality assurance can help the Higher Education system in equipping graduates that are labour market relevant and can contribute to developing the country's research and innovation potential.

Vocational training and participation in *life-long learning*, especially of low-skilled persons and older persons, can help overcoming bottlenecks resulting in mismatches between education outcomes and the needs of the labour market. An efficient lifelong learning system could at least partially compensate the failures of the initial E&T system and help to reduce skills mismatches and shortages. Skills shortages in vocational professions could be tackled through the establishment of dual apprenticeship schemes, based on quality assurance mechanisms.

Increasing access to employment and integration of vulnerable groups in the labour market

CSF investments should focus on eliminating barriers in the labour market for the most vulnerable groups: the long-term unemployed, older persons, women, and people at risk of social exclusion. Stronger public employment services will be a key tool to deliver on these goals.

To address the *long-term unemployment rate*, Slovakia should implement measures integrating long-term unemployed and inactive people into the labour market and increasing employability of individuals facing multiple disadvantages and promote sustainable self-employment and entrepreneurship. These measures should also help tackling long-term unemployment in rural areas.

To increase the participation of *women in the labour market*, CSF investments should support measures promoting equality between women and men and the reconciliation between work and private life. This includes increasing the availability of good quality and affordable child care facilities, in particular nurseries. It also includes support for policies aimed at combating gender stereotyping in education and labour market and at reducing the gender pay gap; promoting work-life balance; encouraging more flexible work arrangements (part-time work) and increasing equal care responsibilities.

CSF investment should also promote the *active inclusion* of individuals who for different reasons face a risk of social exclusion.

Increase participation of young people in the labour market

The high level of *youth unemployment* calls for an individualised approach including training, activation measures for young people not in employment or in education, increased participation of low-skilled young people in apprenticeship-type trainings in companies and the introduction of "youth guarantee" schemes.

Promoting the social inclusion of the marginalised Roma communities (MRC)

Moreover, investments should aim to tackle the poverty and social exclusion affecting in particular the MRC in Slovakia. The very disappointing progress in the current programming period suggests addressing this issue in a much more active and co-ordinated way drawing, for example, on good practice and encouraging joint projects with partners elsewhere. This should continue to be based on an integrated approach, including education (support to pre-school and to students), housing, labour market and health, as set out in Slovakia's National Roma Integration Strategy and the Commission's recommendations.

2.4 Sustainable and efficient use of natural resources

The rational management of resources is one of the most important economic and environmental challenges. Resource efficiency improves competitiveness and provides opportunity for new jobs while protecting natural resources. It is expected that the investments from the CSF Funds will increase in comparison to the 2007-13 programming period.

Supporting the shift towards an energy efficient, low-carbon economy

The shift to higher resource efficiency and to a low carbon economy is crucial to the medium and longer-term competitiveness of the Slovak economy. The focus should be on increasing energy efficiency, in particular in public buildings and SMEs, promoting eco-innovation, supporting integrated low carbon and energy strategies, including local energy infrastructure (e.g. more efficient heating systems). Wider use should be made of financial instruments. The sustainable production and distribution of environmentally sound renewable energy sources (RES) should be supported, in particular through innovative technologies and projects. Carbon sequestration and emission reduction in rural areas should also be developed.

Environmental protection, climate change adaptation and improved management of natural resources

Improved waste and water management remain a priority. The investments need to focus on the activities with the highest priority in meeting the requirements of EU directives in the most cost-effective way, notably in the wastewater and solid waste sectors (respecting the good-status objective for water and the waste hierarchy). The relatively high costs of infrastructure investments should be addressed through improvements to project planning and procurement. Resource-efficiency should be reinforced through the promotion of sustainable land, water and soil management, and preservation of natural resources. This should include the protection of biodiversity (including Natura 2000 and high nature value areas), as well as ensuring climate-change resilience (e.g. flood prevention using ecosystem-based solutions) and air quality protection.

Where appropriate, use should be made of the framework provided by the Danube Strategy for more effective co-operation with neighbouring countries on environmental and climate change matters.

2.5 A modern and professional administration

A modern and professional public administration is fundamental to being able to achieve the objectives of the National Reform Programme, to promote jobs and growth in line with Europe 2020, and generally to improve the efficiency of public services and public spending in Slovakia. An efficient public service is also essential to the creation of a business-friendly environment. Funding needs in this area should be assessed on the basis of a clear strategy which should take stock of the current situation. The relative share of CSF funding should increase from its low base in comparison with the programming period 2007-13.

Reforming the public administration to improve the quality of public services, the efficiency of public spending and promote a business-friendly environment

CSF funds should support a comprehensive public administration reform giving priority to actions strengthening the quality of the public service, improving the management of human resources, strengthening analytical capacities for policy development and improving the quality of spending. Improving tax governance, tackling corruption and strengthening the efficiency and the independence of the judiciary and law enforcement can significantly contribute to creating a better business environment.

CSF funds should also support capacity building and other measures which can enable civil society to play a stronger public oversight role. Increasing the ability of civil society and the social partners to monitor and contribute to public policy making and policy implementation will increase public sector accountability and contribute to effective reforms.

CSF investments in e-government should be part of a systematic approach, with a view to reducing the administrative burden on citizens and business.

3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY

Together with financial consolidation, structural reforms play a key role in enhancing the overall efficiency and adjustment capacity, and thereby the growth potential of the Slovak economy. They are also key conditions for the successful implementation of the CSF Funds which will only have optimal impact, if an appropriate policy, legal and administrative framework is in place.

Therefore, the new Common Provisions Regulation will set out **ex-ante conditionalities** which are **preconditions relating to the effective and efficient use of EU Funds**. Slovakia should speed up the assessment process set out in the Commission's proposal for the Common Provisions Regulation, including identifying the ex-ante conditionalities which are likely to be applicable and examining whether there are gaps in their fulfilment. Slovakia is encouraged to enter into dialogue with the Commission on potential gaps as soon as it has the first results of its assessment, before the formal submission of the programmes. The Commission will formally examine the information provided by Slovakia in the framework of its assessment of the Partnership Agreement and programmes.

Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, the Slovak authorities will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed, and at the latest within two years of adoption of the Partnership Agreement, or by 31 December 2016.

The Commission services have identified a number of ex-ante conditionalities, linked to the above funding priorities for the CSF Funds, where significant effort appears to be needed for their fulfilment, based on experience from the current programming period and in view of the 2012 CSRs. These are as follows:

- the existence of a national and/or regional innovation strategies for smart specialization;
- the existence of a comprehensive national transport master plan;
- active labour market policies designed and delivered in coherence with the Employment guidelines;
- labour market institutions modernised and strengthened in accordance with the Employment guidelines
- the existence of national or regional strategies for increasing tertiary education attainment, quality and efficiency;
- the existence of a national and/or regional policy framework for lifelong learning in line with EU level policy guidance;
- the existence of a strategy for reinforcing the Member State's administrative efficiency including public administration reform;
- correct transposition into national law of EU directives concerning in particular energy efficiency and the environment;
- an appropriate recording system to allow systematic monitoring of State aid expenditure¹⁵.
- preparation of a Multiannual National Strategic Plan for aquaculture and development of national administrative capacity for data collection on the sector.

Administrative and institutional efficiency are key determinants of effective public investment. Over the past years Slovakia has used significant amounts of technical assistance to pay for administrative capacity to implement the CSF Funds (including a separate ERDF Technical Assistance OP in the current period). However, turnover of staff is very high and is impacted by the political cycle. Moreover, overall co-ordination of the funds and programmes has generally been weak. This has, in a number of cases, negatively affected implementation such as for the measures supporting the marginalised Roma Communities. Particular areas for improvement include tackling recurring public procurement and project selection problems, reducing the administrative burden on beneficiaries, fighting corruption, and improving strategic and evaluation capacities.

4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION

Under the European territorial co-operation goal, the ERDF supports cross-border and transnational cooperation. Slovak cross-border programmes would benefit from a more strategic approach and a focus on a limited number of priorities with tangible impact. Cross-border actions, in coherence with similar efforts by country-specific programmes, should concentrate on removing the main bottlenecks in transport, improving

¹⁵ Slovakia should ensure the independence of the Ministry of Finance vis-à-vis granting authorities and ensure that it has appropriate, dedicated resources (budget and qualified staff), that it is consulted on the design of State aid measures and that its opinions are taken into account.

accessibility of border regions (including multimodal public transport services), removing barriers to labour mobility, favouring exchanges of know-how and joint innovative projects so that Slovak regions benefit from knowledge, skills and infrastructure in their immediate neighbourhood. Co-operation in the field of environment, with a cross-border impact, such as water quality or anti-flood measures, should be reinforced.

The EU Strategy for the Danube Region enhances the strategic approach to co-operation projects in Slovakia. It facilitates, for example, more active engagement in the areas of the knowledge society, notably for large projects such as research infrastructure, as well as issues such as the improvement of water quality. There is a need for enhanced co-operation measures with particular attention, for example, to the improvement of navigation management on the basis of integrated, multi-modal projects for the macro-region. Slovakia should provide for the necessary funding for this, where appropriate, in the country-specific programmes.

ANNEX

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

Investment areas that require specific justification

Based on the experience from previous programming periods, and in view of the most urgent development needs in Slovakia, for future *ERDF* investments in the areas listed below the Commission expects specific justification regarding their usefulness for attaining the Europe 2020 objectives and respect of the following considerations¹⁶:

- General education infrastructure (with the exception of targeted infrastructure required to achieve specific objectives identified in the position paper in relation to pre-primary, VET and LLL education): taking into account the significant overbooking of expenditure on educational infrastructure from the Regional OP in the current period and key priorities for the use of scarce CSF funds, these should primarily be financed with national funds;
- Health infrastructure: Slovakia has a separate Health OP in the current period, which has been successful in financial terms; however, unless part, for example, of a poverty reduction strategy, future investments should primarily be financed with national funds;
- Local roads and public lighting systems: should be financed mostly via national funding. Local roads should only be supported by the CSF Funds when they contribute to support the economic development of deprived urban and rural communities and areas;
- Commercial tourism facilities, such as hotels, leisure and spa facilities: these should be financed by private funds. Basic public tourism infrastructure, information, cross-border co-operation, small scale facilities, agri-tourism, etc, on the other hand, represent potentially justifiable uses for CSF funds in some areas, for example as a means of diversification and unlocking the economic potential of rural areas.

Territorial issues

Regional disparities in socio-economic development remain very important in Slovakia, showing a significant West-East and North-South division, with economic activity being concentrated in the capital city region. Europe 2020 indicators at a regional level show a similar pattern. Around 88% of the population of Slovakia lives in the 7 "convergence" regions that are classified as predominantly rural and intermediate regions.

EU fund support for regions and urban development in 2007-2013 is highly fragmented and the linkages between sectoral policies and regional policy are insufficient. Self-governing regions currently implement about 38% of the regional programme budget as intermediate bodies (public tourism infrastructure, regeneration of settlements and regional roads).

¹⁶ The list is not exhaustive

Under rural development, Slovakia in 2007 – 2013 allocated very limited funding for improving the basic services and quality of life in rural areas and did not clearly prioritise investments contributing to the economic development of rural areas.

Slovakia should critically evaluate the experience and lessons learnt from the 2007-2013 programming period, including the architecture of the implementation system, the concept of growth poles¹⁷, and the impact of the approach taken in relation to decreasing territorial disparities, both in sectoral, regional and rural development programmes.

Slovakia is invited to:

- Analyse the reasons for the disparities between and within certain regions, in particular along the West-East and North-South axis, and identify strengths and weaknesses in regional economies.
- Develop a more strategic and integrated approach to territorial development taking account of the broader regional and Danube contexts.
- Ensure a balanced sustainable territorial development that will reduce the development gaps between and within regions, and between urban centres and rural regions, developing in particular a more effective concept of growth poles.
- Set out in the programmes the contribution to be made to an integrated approach for territorial development, including, where appropriate, a planned integrated approach to sustainable urban development.

Programming architecture

The proposed 2014-2020 legislation for the CSF funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. Annex I of the Commission's amended proposal for the Common Provisions Regulation includes elements of the Common Strategic Framework¹⁸ and sets out different options for integrated approaches to programming, to achieve coordination and synergies during implementation, which Slovakia is encouraged to explore.

The balance of funding, the number of programmes, both country-specific and addressing territorial co-operation, and the most suitable architecture will have to be decided in partnership with stakeholders in Slovakia and in negotiations with the Commission. This decision shall also be based on a thorough assessment of the administrative capacity of those institutions that could be designated to manage programmes and take into account their performance in the current programming period.

Complementarity and Synergy

In drawing up the programmes, synergy should be sought not only between the five CSF funds but also with other EU instruments such as Erasmus for All, the Asylum and Migration Fund, Horizon 2020 and Programme for Social Change and Innovation, the LIFE programme (particularly for integrated projects) and the Connecting Europe Facility (CEF). CEF can provide funds to finance projects on the TEN-T core networks - especially along TEN-T Core Network Corridors¹⁹ - as well as horizontal priorities such as traffic management systems or multimodal connections. CEF can also trigger private investments and PPP through financial instruments. Additionally, “Project Bonds” can

¹⁷ 82 innovation growth poles and 891 cohesion growth poles (concept introduced in the NSRF 2007-13).

¹⁸ SWD (2012)496 final, 11.09.2012.

¹⁹ In SK: Baltic-Adriatic Corridor and Hamburg/Rostock – Burgas – Piraeus – Lefkosia Corridor

help to increase debt financing availability for large scale infrastructure. It is essential that all funds and instruments work together in a smooth and integrated way.

Close co-ordination between the use of CSF funds and the financing strategies of the European Investment Bank and the European Bank for Reconstruction and Development is also highly desirable.

Integrated Territorial Investments (ITI) in cohesion policy allow the implementation of parts of programmes in a cross-cutting manner and can provide flexibility below the programme level to implement integrated actions. Where this mechanism is selected, Slovakia should define for each ITI an appropriate governance structure and designate a management body. Allocations for ITI should be defined in the programmes.

The Partnership Agreement should set out the contribution to the integrated approach for territorial development, including where appropriate a planned integrated approach to sustainable urban development. It should identify the cities where sustainable urban development strategies will be implemented or the principles established for their identification.

Community-led Local Development (CLLD) offers an integrated bottom-up approach in response to complex territorial and local challenges through the involvement of local communities. Slovakia is invited to present its approach as regards CLLD across the CSF Funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF Funds and coordination mechanisms. Slovakia should also foresee preparatory support for local actors. Given the limited size of the Slovak aquaculture sector and corresponding financial allocation, it would be beneficial if representatives of the sector were involved in the development and implementation of local strategies in the context of a multi-fund approach coordinated by other EU funds. The proportion of funds devoted to LEADER should be further enhanced, given the proposed multi-fund approach to community-led local development.

The possible use of Joint Action Plans should be exploited in an efficient and effective manner to focus them on the relevant operations, especially under ESF, in order to maximise the advantage of simplified cost options.

All funding shall be in accordance with EU State aid rules and should be limited to the minimum necessary. Funding should address real market failures and distortions of competition should be limited to the minimum.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission Services' view on priorities for CSF Funds for Slovakia. They have been developed on the basis of the Commission services' in-depth country analysis and selected from the 11 thematic objectives, which stem from the Commission proposals for the Common Provisions Regulation²⁰ for CSF Funds adopted by the Commission on 6 October 2011. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF Funds.

²⁰ COM(2011)615 final/2; http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives, those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities. The challenges and funding areas for Slovakia correspond to the following thematic objectives:

Funding priorities	Related thematic objectives
Innovation-friendly business environment <ul style="list-style-type: none"> • Enhancing business innovation and competitiveness to increase value added and stimulate growth and jobs • Improving research and innovation performance, including the quality of higher education, and increasing private R&I investment • Developing e-economy and promoting access in areas of market failure and take up of ICT • Improving the economic environment in rural areas including related local infrastructure (EAFRD only) 	Strengthening research, technological development and innovation Enhancing access to, use and quality of information and communication technologies Enhancing the competitiveness of SMEs, the agricultural and aquaculture sectors Investing in education, skills and lifelong learning
Infrastructure for economic growth and jobs <ul style="list-style-type: none"> • Improving accessibility and sustainable modes of transport 	Promoting sustainable transport and removing bottlenecks in key network infrastructures
Human capital growth and improved labour market participation <ul style="list-style-type: none"> • Reinforcing all levels of education to increase its quality and labour market relevance • Increasing access to employment and integration of vulnerable groups in the labour market • Increase participation of young people in the labour market • Promoting the social inclusion of the marginalised Roma communities 	Promoting employment and supporting labour mobility Promoting social inclusion and combating poverty Investing in education, skills and lifelong learning
Sustainable and efficient use of natural resources <ul style="list-style-type: none"> • Supporting the shift towards an energy efficient, low-carbon economy • Environmental protection, climate change adaptation and improved management of natural resources 	Supporting the shift towards a low-carbon economy in all sectors Promoting climate change adaptation, risk prevention and management Protecting the environment and promoting resource efficiency
Modern and professional administration <ul style="list-style-type: none"> • Reforming the public administration to improve the quality of public services, the efficiency of public spending and promote a business-friendly environment 	Enhancing institutional capacity and an efficient public administration Enhancing access to, use and quality of information and communication technologies

FUNDING PRIORITY: INNOVATION-FRIENDLY BUSINESS ENVIRONMENT

The objectives of the funding priority '**Innovation-friendly business environment**' will be achieved primarily by thematic objectives 'Strengthening research, technological development and innovation', 'Enhancing access to, use and quality of information and communication technologies', 'Enhancing the competitiveness of SMEs, the agricultural sector and the fisheries and aquaculture sector' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Strengthening research, technological development and innovation

Europe 2020 headline target	Current situation	National 2020 target in the NRP
3% of EU GDP to be invested in research and development (% of GDP)	0.63% (2010)	1%
Country Specific Recommendation n.5, 2012: Improve the quality of higher education by strengthening quality assurance and result orientation.		

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds. The thematic objective should be implemented in line with the national/regional "Research and innovation strategy for smart specialisation" elaborated with the participation of all stakeholders as well as the priorities identified in the ERA Communication adopted by the Commission on 17 July 2012²¹.

1. Promoting business R&I investment through smart specialisation and improving the business environment

- Focus on increasing the research and innovation capacities and performance, and creating research jobs. Facilitate industry-academia mobility of researchers.
- Foster the transfer of knowledge and technologies, promotion and commercialisation of research outcomes including the dissemination and adoption of new technologies (e.g. low carbon energy technologies as set out in the Strategic Energy Technology Plan²², Key Enabling Technologies²³) through enhanced cooperation between business, research organisations and universities.
- Facilitate private investments in emerging technologies and sectors with the view to creating higher value-added activity based on higher knowledge intensity, and stimulate further growth of services sectors (e.g. ICT).
- Promote a cluster approach and cooperation between cluster organisations and knowledge institutions, including in the green growth sectors.
- Stimulate the development of innovative products, processes and services (e.g. facilitating the low carbon and resource efficient economy) through the promotion of creative services and design, in particular for SMEs and public services.
- Support innovation in a broad sense (technological, non-technological, eco-innovation, etc.) by increasing a number of instruments and improving their overall efficiency, including public procurement of innovation in key public sector areas. Develop a tailor-made offer of financial instruments for innovative, high-growth companies.

2. Enhancing R&I infrastructure and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest

- Support scientific excellence, including higher education and applied research linked to projects of European interest and areas to be identified in the light of

²¹ COM(2012) 392 final

²² SET-P: http://ec.europa.eu/energy/technology/set_plan/Set_plan_en.htm

²³ http://ec.europa.eu/enterprise/sectors/ict/files/kets/hlg_report_final_en.pdf

the smart specialisation strategy, while building on well defined "teams of excellence" (e.g. centres of excellence, large university centres and research parks, etc). Support effective transfer of knowledge and networking of research teams at national and EU levels.

- Create a support system to attract researchers, in particular young researchers.
- Support Joint Programming Initiatives as well as the participation in or capacity building for public-public partnerships under Horizon 2020 (ERA-NETs²⁴ and Article 185 initiatives). In general, ensure synergies with Horizon 2020.
- Optimise the use and development of existing R&I infrastructure; focus on supporting strategic, high quality infrastructure projects in line with priority areas and the national roadmap adopted in ESFRI²⁵.
- Enhance innovation capacity and co-operation of actors within the "knowledge-triangle" at national and EU level (e.g. via EU Innovation Partnership initiatives).
- Strengthen cross-border knowledge circulation. Use the cooperation framework of the EU Strategy for the Danube Region for the transfer of knowledge dissemination of good practices and joint projects.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Develop a national/regional "Research and innovation strategy for smart specialisation" in order to provide a coherent and integrated framework for focused investment, including measures to mobilise private investment. The Strategy should build on national/regional strengths and competitive advantages and fully reflect regional specificities. It should help to concentrate CSF funds on a limited set of important areas with genuine growth potential. The participation of relevant stakeholders, such as entrepreneurial actors, in the process of developing the strategy is an essential principle. Urgent steps are needed to accelerate preparation and to ensure strong coordination with the participation of all stakeholders. Assessment and "lessons learnt" from the current programming period are essential and should feed to this process.
- Review and improve institutional responsibilities for promoting the policy area and ensure closer co-ordination and effective working of ministries and agencies involved, including better coordination between regional and national levels and across borders. Accelerate the implementation of a critical mass of measures to improve the R&I framework, including structural reforms and the reform of funding, as outlined in existing strategies²⁶ and the NRP.
- Reinforce the higher education system to increase research and innovation output. Mobilise qualified human capital in R&I by increasing the quality of education, and supporting collaboration between industry and academia. Address the brain drain in Slovakia.
- Maximise the impact and efficiency of resources by prioritisation and concentration

²⁴ Networking of national research programmes in the European Research Area

²⁵ European Strategy Forum on Research Infrastructure – ESFRI. At present, Slovakia does not have a national roadmap for research infrastructure.

²⁶ The update of the long-term plan of state science and technology policy by 2015 (Phoenix Strategy), the Strategy for supporting innovations 2011-2013, the Minerva 2.0 Strategy

of investment. Promote the use of international benchmarking and quality standards for funding allocation. Improve evidence-based approach and evaluation culture of these policies.

- Establish regional or national partner facilities for ESFRI Roadmap Projects.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs, low carbon economy, climate change, environment and resource efficiency, employment and education²⁷.

Thematic objective: Enhancing access to and, use and quality of information and communication technologies

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges:

1. *Extending broadband deployment and the roll-out of high speed networks*

- Support extension of infrastructure for Next Generation Access Networks according to national/regional plans to reach EU high-speed access targets focusing on areas not sufficiently served by private investment.
- The planned actions should take into account the particular handicaps and needs of rural areas.
- Identify accompanying measures to reduce cost and facilitate private investment by exploiting the synergy in civil engineering and co-investment of utilities in other infrastructures such as transport, energy and water networks; facilitate co-deployment and sharing of existing infrastructure and streamline the authorisations for rights of way.

2. *Developing ICT products and services, e-commerce and enhancing demand for ICT*

- Set out a strategy for delivering affordable, quality and interoperable ICT-enabled private and public services, and increase uptake among citizens, business and public administration (chapter on digital growth within “Smart Specialization Strategy”) and accessibility for persons with disabilities.
- Stimulate the uptake of digital technologies and e-commerce in particular by start-ups and small businesses, in order to facilitate their access to markets.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Evaluate the effectiveness of spending in the current programming period in particular to consider how digitisation of archives and cultural artefacts already carried out can be better articulated to business developments and innovation in public services.
- Focus EU financial support on identified areas of market failure using financial instruments as far as possible.
- Review and improve institutional responsibilities for promoting the policy area and ensure closer co-ordination and effective working of ministries and

²⁷ Thematic objectives 2, 3, 4, 5, 6, 8 and 10 according to the draft Regulation

implementing agencies involved.

- Stimulate the use of ICT services and applications, especially in remote rural areas, which would facilitate the reaching of EU 2020 targets.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, employment, education and public administration.²⁸

Thematic objective: Enhancing the competitiveness of SMEs, the agricultural sector and the fisheries and aquaculture sector

Country Specific Recommendation n.7, 2012: Strengthen the quality of the public service, including the management of human resources and strengthening analytical capacities. Further shorten the length of judicial proceedings and strengthen the role of the Public Procurement Office as an independent body.

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges. The thematic objective should be implemented in line with the national/regional "Research and innovation strategy for smart specialisation".

1. *Promote entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms.*

- Provide access to finance for SMEs with high added value, which focus on new product development, efficient production and/or effective distribution, through financial instruments (e.g. start-up capital, guarantees, loans, mezzanine and seed capital).
- Promote the development of SMEs in fast growth sectors such as the cultural and creative industries and associated services.
- Support the competitiveness of SMEs through training of skilled workers.
- Support the application of green technologies, eco-innovations, innovative and sustainable production and consumption patterns in SMEs including in the agri-food and aquaculture sectors.
- Accompany farm restructuring and promote generational renewal in the agricultural sector, backed up by advisory services.
- Increase consumer awareness about sustainable and environmentally friendly products, including fisheries and aquaculture food.
- Promote social enterprises providing a high degree of innovation in governance and production processes.
- Develop skills and foster knowledge transfer within the farm, agri-food and forestry sectors, in areas related to sustainable agricultural practices and the use of new technologies and to adaptation to and mitigation of climate change.
- Develop the potential of aquaculture and cruise tourism.

2. *Develop new business models for SMEs, in particular for internationalisation*

²⁸ Thematic objectives 1, 3, 10 and 11 according to the draft Regulation.

- Adopt improved management and organisation systems in the supply chain, as well as the improvement of market organisation to drive competitiveness and value-adding capability.
- Use the extended possibilities under the new rural development policy in areas such as quality schemes, integration of primary producers into the food chain, development of short supply chains and the setting up of producer groups.
- Make use of the development of clusters and platforms (regional, national, cross-border and transnational) to position Slovak sectors and SMEs on the global market, using available co-operation mechanisms where relevant.
- Further enhance the potential of the bio-economy sectors in order to maintain and create economic growth and jobs in rural and industrial areas (e.g. use of biomass at local level), while ensuring environmental protection and reducing fossil fuel dependence.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Fully implement current and planned actions under the NRP and other government initiatives to improve the general environment for doing business in Slovakia and to maximise the effectiveness of EU support for SMEs.
- Take specific actions for effective implementation of the Small Business Act (SBA) including the improvement of legislation on late payment in commercial transactions and bankruptcy.
- In general, support to SMEs should move away from traditional investments and give priority, for example, to innovation-oriented sectors/projects, micro-finance schemes, etc. where clear market failures are demonstrated. In agriculture, traditional investments (e.g. in farm machinery) should be rebalanced in favour of more innovative and value-added creating projects and practices that are particularly favourable to environmental and climate objectives.
- Move significantly from grant-based assistance towards financial instruments (start-up capital, loans, guarantee or equity based instruments) to maximise the use of limited grant funds and increase leverage via private financing. Lessons learned from the delayed implementation of the JEREMIE initiative should be taken fully into account.
- Targeted policy intervention should aim at completing the value chains of competitive domestic sectors.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, low carbon economy, environment and resource efficiency, employment and education.²⁹

<p>Thematic objective: Investing in education, skills and lifelong learning</p>
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The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges:

²⁹ Thematic objectives 1, 3, 4, 6, 8, 10 according to the draft Regulation.

1. Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels

- Reinforce cooperation between higher education and other research institutions and businesses both nationally and across borders.
- Modernise didactic facilities (laboratories) at faculties, which are the most important for the innovativeness of the country/regions.
- Introduce specific measures such as apprenticeships of researchers in firms with a view of improving partnership between education and businesses.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, ICT, SMEs, low carbon economy, climate change, environment and resource efficiency, and employment and social inclusion.³⁰

FUNDING PRIORITY: INFRASTRUCTURE FOR ECONOMIC GROWTH AND JOBS

The objectives of the funding priority **Infrastructure for economic growth and jobs'** will be achieved primarily by the thematic objective 'Promoting sustainable transport and removing bottlenecks in key network infrastructure'.

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructures

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific and broader regional challenges:

1. Supporting a multimodal Single European Transport Area by investing in the Trans-European Transport Network (TEN-T)

- Investments in transport infrastructure should focus on the cost-efficient implementation of the TEN-T Core Network to allow the upgrades needed until 2030. The project designs should be prepared taking into account geographical, urban or environmental constraints and the financial envelope available.
- Some core tasks should be investigated more specifically by appropriate pre-feasibility studies, in particular the railway corridor Žilina- Košice; the 2nd road connection North – South; rail connections with Vienna and Budapest; public transport in Bratislava; and investments in inland waterways.
- CSF funds should support the deployment of traffic management systems in line with relevant EU Decisions and national plans (ERTMS, GSM-R)³¹ in order to improve the interoperability of transport systems.
- Road safety: prepare and apply a systematic approach towards implementing relevant measures aimed at increasing road safety including in particular enforcement measures to ensure the full application of the provisions of Directive 2008/96/EC on road infrastructure safety management. Every road investment program/project should address road safety explicitly as guided by EU policy.

³⁰ Thematic objectives 1, 3, 4, 5, 8, 9 according to the draft Regulation

³¹ ERTMS – European Rail Traffic Management System; GSM-R - Global System for Mobile Communications – Railways.

- Assess potential for economic and environmentally sound improvements to navigation and multimodal facilities on the Danube and Vah River in Slovakia, also in the co-operation framework of the EU Strategy for the Danube Region.
 - Provide support to the completion of the TEN-T rail network (particularly the lines designated to rail freight corridors No 5, 7 & 9 on the basis of Regulation EC 913/2010).
- 2. *Enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure***
- Define, in line with the transport master plan, the prioritisation of investments in key transport connecting secondary and tertiary nodes to TEN-T infrastructure (e.g. bypasses of cities).
- 3. *Developing environment-friendly and low-carbon transport systems and promoting sustainable urban mobility***
- Develop sustainable urban transport plans for main urban centres so as to provide a basis for identifying key investment priorities in clean urban transport, including tramways, railways, clean-fuel buses, etc. An integrated approach is encouraged, linking energy, air quality and climate with transport, fully integrated into the sustainable urban development strategies.
- 4. *Developing comprehensive, high quality and interoperable railway system***
- Analyse lack of competitiveness of railway transport in Slovakia and recommend necessary measures to address this, including measures to improve economic management and performance of railway companies.
 - Define the conditions for co-financing rolling stock in the future. Emphasis should be put on synergies with rail infrastructure projects.
 - Support actions aimed at better integration of transport modes, such as intermodal hubs, with priority to measures for technical harmonisation and interoperability between systems, particularly for containers.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Complete work on the national transport master plan to provide a strong basis for programming of EU funding and identification of key priorities consistent with EU transport policy (in particular TEN-T policy) and taking account of available financial resources. The plan should be subject to strategic environmental assessment. Within the master plan, complete chapter on railway development prioritizing investments, including infrastructure, rolling stock, and measures to ensure interoperability. Prepare a realistic and mature project pipeline, in advance of 2014, especially in railways. Introduce a sound system for evaluation and prioritisation of projects with the support of the technical teams of JASPERS³².
- Promote decarbonisation and lowering emissions of transport, by ensuring a more cost-efficient and competitive rail sector by modernising existing corridors in order to complete significant gaps in the TEN-T Core Network Corridors in the country, including the deployment of ERTMS, interoperability and modernisation

³² JASPERS – Joint Assistance to Support Projects in European Regions

of the rolling stock.

- Ensure synergies with activities financed under the Connecting Europe Facility-Transport which will also provide funds to finance the core TEN-T network, especially cross-border connections, and horizontal priorities such as traffic management or multimodal connections.
- Ensure via effective planning a proper level of maintenance of transport infrastructure. To that end, the user pays principle should be applied to ensure self-financing arrangements for maintenance via the introduction of a smart charging scheme to ensure sustainable maintenance of the existing infrastructure. Revenues from pricing and charging systems (and not EU funds) should be used for financing maintenance costs.
- Assess the capacity of key bodies responsible for transport infrastructure projects and introduce effective capacity building measures to improve the ability to plan, procure and manage such projects in accordance with international good practice.
- Analyse reasons for relatively high unit costs in transport infrastructure in Slovakia and recommend necessary measures to address this issue via improved planning, design, procurement or monitoring of project implementation.
- Review procedures for managing environmental impact assessments to ensure full compatibility with EU requirements.
- Consider the resilience of infrastructure to natural and man-made disasters.
- Slovakia should develop its future transport strategy according to European policy that aims to reduce GHG and CO2 emissions - long-term decarbonisation target for 2050 (Energy Roadmap 2050).

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at low carbon economy and environment and resource efficiency.³³

FUNDING PRIORITY: HUMAN CAPITAL GROWTH AND IMPROVED LABOUR MARKET PARTICIPATION

The objectives of the funding priority '**Human capital growth and improved labour market participation**' will be achieved primarily by thematic objectives 'Promoting employment and supporting labour mobility', 'Promoting social inclusion and combating poverty' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Promoting employment and supporting labour mobility
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Europe 2020 headline target	Current situation	National 2020 target in the NRP
75% of the population aged 20-64 should be employed	65.1% (2011)	72%
Country Specific Recommendation n.4, 2012: Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individual employment services for the young, the long-		

³³ Thematic objectives 4 and 6 according to the draft Regulation.

term unemployment, older workers and women. Ensure the provision of childcare facilities. Reduce the tax wedge for low-paid workers and adapt the benefit system.

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges:

1. Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility

- Develop targeted active and preventive labour market measures to increase the employment rate of long-term unemployed, low skilled workers, older people and women.
- Integrate inactive people into the labour market, increase employability of individuals facing multiple disadvantages and persons with disabilities, including those living in rural areas.
- Enhance the capacity of the PES to deliver targeted and individualised employment services.
- Promote sustainable self-employment and entrepreneurship.
- Develop and promote innovative, accessible and elderly friendly work conditions to maintain older workers longer in employment.
- Increase labour mobility.
- Encourage business start-ups and non-agricultural activities in rural areas in order to diversify the local economy and create additional employment opportunities.
- Support job creation in particular in areas offering new sources of growth such as the green economy, the silver economy, ICT, and health and social services.

2. Sustainable integration of young people not in employment, education or training into the labour market

- Support quick transition from school to work through targeted active labour market policies for young people and support to business start-ups.
- Increase the participation of low-skilled young people in apprenticeship-type trainings in companies.
- Introduce "youth guarantee" schemes offering further education, (re)training or activation measures to every young person not in employment or in education or training, within 4 months of leaving school.
- Foster the development of entrepreneurial skills of young people.

3. Equality between men and women and reconciliation between work and private life

- Increase availability of good quality, sustainable and affordable child care solutions, in particularly nurseries, and long-term care services for elderly in view of increasing the employment rate of women.
- Promote policies and mobilize economic and social partners to address gender segmentation in labour market, gender pay gap as well as unequal distribution of unpaid care work.
- Tackle gender stereotypes in education and training systems and promote less gender-biased career choices.

- Promote innovative ways of work organisation, including teleworking and flexible working arrangements.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:

- Funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up.
- The highest possible job efficiency of measures should be ensured.
- CSF funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, ICT, SMEs, low carbon economy, climate change, environment and resource efficiency, education and social inclusion.³⁴

Thematic objective: Promoting social inclusion and combating poverty		
Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing the number of people at risk of poverty or exclusion by 20 million in the EU (compared with 2008 level)	+1 000 (in 2011)	- 170 000
Country Specific Recommendation n.6, 2012: Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second- chance education and short-cycle vocational training.		

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges:

1. Active inclusion

- Reduce the number of people at risk of poverty and social exclusion, in particular among people under 18, low-skilled and households of single adults with dependent children.
- Support the transition from institutionalised care to community-based care (de-institutionalisation) in accordance with the national strategy (761/2011, especially in child, rehabilitation, mental health and long-term care, with a particular attention to improving access to high-quality services.
- Provide support to social enterprises.
- Develop a strategy of non-discriminatory access to housing for people at risk of poverty and social exclusion, including a plan addressing eligibility for a housing contribution for people with temporary residence in shelters or in undocumented dwellings.

³⁴ Thematic objectives 1, 2, 3, 4, 5, 6, 8 and 10 according to the draft Regulation.

- Further support youth centres and youth work to help young people with fewer opportunities to contribute to their personal development, autonomy and sense of initiative.

2. *Integration of marginalized communities such as the Roma*

- Implement policies and measures (in the areas of housing, employment, health, education) as set out in the National Roma Integration Strategy, taking into account the Commission's recommendations noted in the Staff Working Document [SWD(2012)133].
- Enhance access to good quality inclusive early childhood education and care for Roma, including through investing in non-segregating school infrastructure, enhancing parents' involvement, and improve home parenting, particularly in deprived areas and neighbourhoods faced with lack of capacity.
- Increase awareness of the opportunities offered by inclusive education in close partnership with parents, families and communities.
- Eliminate special schools and classes and reintegrate pupils into mainstream education. Prevent and combat segregation in education.
- Improve academic achievements, implement whole-day education programmes, and provide mentoring and tutoring to pupils and increase the number of teaching assistants (including Roma working as teacher assistants).
- Provide effective support to students from disadvantaged or marginalised families to pursue upper secondary and university education.
- Promote financial literacy, debt management and savings facilitation.
- Increase health awareness, promote use of the existing preventive health services and healthy lifestyles and expand the health mediators' programme.

3. *Support for physical and economic regeneration of deprived urban and rural communities*

- Support the physical and economic regeneration of deprived urban and rural areas, which reduces the spatial concentration of poverty in line with an integrated local development strategy.
- Improve quality of life and attractiveness of rural areas by promoting community-led local development (building on experience under LEADER), and through investments in improving small-scale infrastructure and access to local basic services as a pre-condition for their economic development to retain population.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:

- Funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up.
- The highest possible job efficiency of measures should be ensured.
- Effective support for the integration of the marginalized Roma communities (MRC) requires strengthening the capacity of the Plenipotentiary Office and of the concerned municipalities and local communities.

- An EU- Statistics on Income and Living Conditions (SILC) booster-sample will improve the evidence-based policy making for the MRC.
- CSF Funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs, education and employment.³⁵

Thematic objective: Investing in education, skills and lifelong learning

Europe 2020 headline target	Current situation	National 2020 target in the NRP
At least 40% of 30-34 years old should have completed a tertiary education	23.4% (2011)	40%
Reducing school drop-out rates below 10%	5% (2011)	6%

Country Specific Recommendation n.5, 2012: Adopt and implement youth action plan in particular as regards the quality and labour market relevance of education and vocational training, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.

The CSF funds should concentrate their interventions on the following priorities and specific objectives reflecting country specific challenges:

1. *Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems*

- Increase the participation of vocational students/trainees in a dual apprenticeship schemes by introducing incentives for employers.
- Introduce a comprehensive reform in vocational education and training (VET) underpinned by quality assurance mechanisms in line with the European Quality Assurance Reference Framework for VET (2009/C 155/01).
- Build up a comprehensive system of forecasting of labour market needs and career guidance based on cooperation between ministries of education and labour, regional authorities and social partners.
- Increase participation in adult lifelong learning especially for the people most in need of up-skilling and re-skilling, by developing a framework of incentives for both individuals and employers.
- Establish the National Qualifications Framework (NQF) and system for validation of non-formal and informal learning.
- Finalising the curricular reform (shift towards key competences) in primary and secondary education.
- Improving the status and quality of teachers from early up to secondary education through continued professional development activities.

³⁵ Thematic objectives 3 and 8 according to the draft Regulation.

2. Improving the quality, efficiency and openness of tertiary and equivalent education with view to increasing participation and attainment level

- Increase the number of graduates in science, technology, engineering and mathematics (STEM) and IT studies; this should also result in higher number of graduates in the research sector.
- Strengthening quality assurance, result orientation and excellence in tertiary education, in particular by attracting high quality teachers and external experts and practitioners to higher education institutions.
- Promote entrepreneurship, innovation and problem-solving skills in higher education curricula.
- Promote practical learning in higher education curricula by stimulating creation of vocationally-oriented bachelor degrees.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general considerations would improve governance and delivery:

- Investment in adaptation of infrastructure to particular needs of disabled persons to enable their participation in education and labour market should be ensured.
- Funding should be delivered through efficient programming which includes reforms and systemic measures to support a comprehensive approach and through a strong and dedicated institutional set-up.
- The highest possible job efficiency of measures should be ensured.
- CSF Funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, ICT, SMEs, low carbon economy, climate change, environment and resource efficiency, employment and social inclusion.³⁶

FUNDING PRIORITY: SUSTAINABLE AND EFFICIENT USE OF NATURAL RESOURCES

The objectives of the funding priority '**Sustainable and efficient use of natural resources**' will be achieved primarily by thematic objectives 'Supporting the shift towards a low-carbon economy in all sectors', 'Promoting climate change adaptation and risk prevention and management and 'Protecting the environment and promoting resource efficiency'.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline target	Current situation	National 2020 target in the NRP
20% greenhouse gas (GHG) emissions reduction compared to 1990 levels ³⁷	-2% (2020 projected emissions compared to 2005)	+13% (national binding target for non-ETS sectors)

³⁶ Thematic objectives 1, 2, 3, 4, 5, 6, 8, 9 according to the draft Regulation.

	+0% (2010 emissions compared to 2005)	compared to 2005)
20% of energy from renewables, including 10% use of renewables in transport	9.8% (2010) 7.9% (2010)	14% 10%
20% increase in energy efficiency (reduction of energy consumption by 368 Mtoe) ³⁸	n.a.	Reduction by 1.6 Mtoe
Country Specific Recommendation n.2, 2012:make greater use of environmental taxation		

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific and broader regional challenges:

1. Supporting energy efficiency and renewable energy use in public infrastructures, the housing sector and SMEs

- Focus on achieving deep renovation of existing buildings by enabling systemic rather than partial renovation while respecting cost-optimal requirements as set out in the EPBD. Promote nearly zero energy houses, innovative, low-carbon technologies and systemic approach to buildings (e.g. by reducing energy demand, water, and using ICT, RES etc.).
- Promote the use of Energy Performance Contracting, in particular in the public sector and remove the technical, financial and legislative barriers hindering the development of the market for energy services.
- Promote energy efficiency measures, the sustainable use of renewable energy sources, low-carbon technologies and eco-innovation approaches in SMEs. Promote the use of energy audit and environmental management and audit system (EMAS) to reduce energy consumption in SMEs.
- Raise awareness, mainstream energy issues, including information campaigns and events, as well as specialised training for actors involved in implementing low-carbon technologies.
- Promote the conversion to high efficiency generation of heat and power, increasing the use of renewable energy and effective use of industrial waste heat.

2. Promoting integrated low-carbon strategies and sustainable energy action plans for urban areas

- Reduce GHG emissions; promote energy savings and optimisation of energy use at local/urban level by supporting low-carbon strategies/sustainable energy action plans (including more efficient heating systems and networks, smart grids, clean urban transport, etc.). Assess potential linkages with the Covenant of Mayors, in particular the use of sustainable energy action plans.
- Promote systemic investments in district heating/cooling networks (starting first with reducing the demand by buildings insulation, reducing losses in the heat

³⁷ 30% if the conditions are right

³⁸ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the Energy Efficiency Directive. This will be available only by 30 April 2013.

distribution network and improve the efficiency of heat generation according to the useful heat demand).

- Promote the development and roll out of smart grids, integrating energy efficiency and local energy production on the territorial basis.

3. Promoting production and distribution of renewable energy sources

- Increase the share of RES in the final energy mix by promoting innovative RES technologies and projects, development of more environmentally sustainable RES supply³⁹ (e.g. from by-products, wastes, residues and other non-food raw materials) and increasing RES capacity including efficiency of networks in sectors where market barriers remain.

4. Promoting natural carbon sequestration and emission reduction in rural areas

- Conserve and enhance natural carbon sequestration (through afforestation, sustainable management of soils, forest grassland and peat lands), including ecosystem-based approaches.
- Reduce nitrous oxide, ammonia and methane emissions from agriculture (reduced use of fertilisers/pesticides, improved livestock management practices, crop rotation).

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Develop a longer term vision of moving towards a low-carbon economy aligned with the low-carbon roadmap to 2050. Ensure appropriate legislative framework to facilitate achieving the national climate and energy 2020 targets.
- Implement the 2010 National Renewable Action Plan. Ensure the cost-effectiveness of the RES promotion mechanism, including the feed-in tariff system. Simplify administrative procedures. Further analysis should be made to identify technologies that merit special attention and EU funding support. Such funding should avoid competing with existing national support schemes and over-subsidisation.
- Focus on implementation of the 2nd National Energy Efficiency Action Plan (2011-2013) and on the recently adopted Energy Efficiency Directive. Address the remaining barriers and accelerate efforts needed to reap the benefits of cost-effective energy efficiency improvements, especially in the buildings sector, including public buildings but also local energy infrastructure and enterprises. Fully use a monitoring system to track energy savings.
- Use the framework and instruments offered by the Directive on energy performance of buildings⁴⁰ (EPBD) to mobilise energy savings. Promote the proper implementation of energy audits and energy performance certificates' recommendations. For new buildings, draw up a National Plan for nearly-zero energy buildings and increase consumer awareness. Build the technical expertise and industrial base of key implementers to ensure lasting efficiency and employment effects.

³⁹ Limiting the impacts on the environment in forest and agricultural areas (risk of intensification of forestry, land take for biofuels and short rotation crops).

⁴⁰ Directive 2010/31/EU of 19 May 2010

- Boost investment in energy efficiency measures in the building sector and enterprises by promoting a wider use of financial instruments/repayable aid and Energy Performance Contracting. Build on experiences and "lessons learnt" from the pilot JESSICA type projects and other existing instruments/schemes. Include energy efficiency requirements in public procurement.
- The bulk of low carbon investment should be made by the private sector, with public funding complementing this. Financial instruments should be supported where the potential for private revenue or cost savings is large, including revolving funds and guarantee schemes. In the case of physical investment, grants should be primarily used to address market failures or to support innovative technologies and investments going beyond cost-optimal energy efficiency performance. Support intensity should be determined by the energy savings achieved.
- Focus on systemic projects, reducing the energy consumption first, then focusing on heat/electricity distribution and then refurbishing the heat/electricity source – optimised to the new energy consumption pattern.
- Linkages to the regional, local and national action plans in support of the climate and energy targets have to be clearly established, along with clear monitoring and evaluation mechanisms.
- Investment in energy technologies and solutions should be focused on the market roll-out of new generation of technologies targeted in the Strategic Energy Technology Plan (SET Plan).

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, climate change, environment and resource efficiency and education.⁴¹

Thematic objective: Promoting climate change adaptation and risk prevention and management

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific and broader regional challenges:

1. Supporting dedicated investment for adaptation to climate change

- Risk prevention and climate change adaptation measures must prioritise multi-benefit, ecosystem-based solutions such as floodplain restoration, mountain forest protection and appropriate spatial planning.
- Based on risk assessments, identify appropriate projects/measures for possible EU co-financing directly relevant to the objective of climate change adaptation.
- Accompany investments by information and knowledge transfer actions on climate change adaptation, e.g. to land managers via farm and forest advisory services.

2. Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems

⁴¹ Thematic objectives 1, 3, 5, 6 and 10 according to the draft Regulation.

- Improve flood prevention by supporting flood risk assessments, ecosystem-based adaptation, monitoring and alert systems, crisis communication, and measures to raise awareness of the general public, in accordance with risk assessments of regions/areas most likely to be affected.
- Develop tools related to collection and observation of disaster related data.
- Implementation of priority preparedness actions, including procurement of relevant response assets (e.g. flood retention barriers, pumping units, CBRN⁴² teams), development and implementation of specific training infrastructure and programmes, exercises, early warning system and tools.
- Invest in post disaster recovery and rehabilitation taking into account prevention concerns and lessons learnt.
- Promote sustainable water management, through water pricing, the creation of on-farm water storage zones; support for water-efficient cropping patterns.
- Promote improved soil management through support for practices to prevent soil degradation, erosion and depletion of soil carbon stock, such as low tillage, winter green cover, and the establishment of agro-forestry systems and new forests.
- Prevent cross-border spillover effects, (flood protection, protection of forests against fires and pests) through cooperation across regions and neighbouring Member States. Make use of the EU Strategy for the Danube Region and the International Commission for the Protection of the Danube River (ICPDR), and ETC programmes, to improve the effectiveness of measures, and learn from good practice experience from other Danube countries.
- Support fish ponds used as retention lakes in water management to absorb extreme flood discharges.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Adopt a comprehensive national strategy for adaptation to climate change to identify key priorities and possible measures for EU financing, where appropriate taking account of the broader regional context and in close co-operation with neighbouring countries.
- Develop and implement a national risk assessment plan, covering all natural and man-made risks, followed up by an assessment of the capabilities of the country to cope with the major risks that have been identified and a prioritization of further investments.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, education and environment and resource efficiency.⁴³

Thematic objective: Protecting the environment and promoting resource efficiency

⁴² Chemical, Biological, Radiological and Nuclear

⁴³ Thematic objectives 1, 3, 6, 8 and 10 according to the draft Regulation.

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific and broader regional challenges:

1. Addressing the significant needs for investment in the water sector

- Determine priority areas for future investment in water infrastructure and ensure adequate resources for the timely preparation of key projects consistent with these priorities to meet requirements of the Urban Wastewater Treatment Directive.
- Improve and extend sewerage collection and treatment systems in line with priorities identified to meet Directives, install adequate higher performance treatment capacity and achieve higher connection rates to water supply and sanitation networks⁴⁴. For drinking water ensure implementation of remedial actions (basic infrastructure or innovative solutions) needed to meet the values of chemical and indicator parameters.
- Increase efficiency in the use of water by agriculture and improve water quality through investments in more efficient irrigation, advice on water efficiency and preserving the buffer and filter functions of soils; measures to reduce contamination by nitrates (changes to animal housing systems, manure storage and application, fertilizer application).

2. Addressing the significant needs for investment in the waste sector

- Identify key investments to be carried out using new technologies and giving priority to the first steps of the waste hierarchy (prevention, re-use and recycling) of the Waste Framework Directive.
- Ensure investment in priority municipal waste treatment and recycling facilities to stimulate the diversion of waste from landfills and help meet Slovakia's ambitious target of 50% recycling by 2020.
- Assess current situation with regard to the reduction, recovery, and disposal of hazardous waste materials in Slovakia and propose measures.
- Promote incentive systems to favour prevention and participation in separate collection (pay-as-you-throw schemes).

3. Improving the urban environment, including regeneration of brownfield sites and reduction of air pollution

- Assess hazards posed by contaminated sites and propose solutions for the highest priority sites which represent a risk to human health or which significantly act as a brake on development of the areas concerned.
- Develop and apply best available technologies to minimise emissions, especially from industry and from residential heating.
- Support clean urban transport projects.
- Improve the urban environment through preservation and valorisation of cultural and natural heritage with a focus on the exploitation and management of these

⁴⁴ Available data shows that there is a high risk in Slovakia of not meeting the required level of treatment (tertiary), even where the infrastructure appears to be in place; additionally, although the networks may be built, there is a problem as regards ensuring adequate connection rates.

non renewable resources, and in the framework of integrated strategies for territorial regeneration.

4. *Protecting biodiversity, soil protection and promoting ecosystem services including NATURA 2000 and green infrastructures*

- Support preparation of management plans (e.g. for Natura 2000 sites) incorporating biodiversity measures.
- Ensure that the CSF Funds support the sustainable management and preservation of biodiversity, including in Natura 2000 sites, green infrastructure, forests⁴⁵, areas of High Nature Value farmland, or facing significant natural constraints (mountains etc.).
- Promote incentives and voluntary initiatives, to integrate biodiversity conservation in forest management plans and forestry practices; increasing the forest ecosystems by improving their functional and spatial connectivity.
- Promote environmentally sound farming systems, including organic farming and aquaculture with a high level of environmental protection and provision of environmental services (public goods).
- Introduce measures to protect soil from erosion, compaction, salinization, landslides, and loss of organic matter.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- Develop a strategic plan for environmental investments with sound assessment of their cost-efficient compliance with EU legislation.
- Planning of new infrastructure should take account of a review of investments in the present period to assess to what extent they help to fulfil Slovakia's obligations under EU directives (with particular emphasis on the relative contributions of major and small projects in the water sector given the importance of this sector in the current period).
- Improve the system for selection and preparation of projects to ensure adequate attention given to cost efficiency and effectiveness (address issue of high unit costs), and to solutions adapted to circumstances of the areas served - including assessment of affordability and options for non-traditional solutions for dispersed, rural settlements.
- Implement a water pricing policy that provides incentives for the efficient use of water resources and ensures an adequate recovery of costs in accordance with Article 9 of the Water Framework Directive.
- Develop waste management plans for municipal and dangerous waste in accordance with the Waste Framework Directive as a priority.
- Adopt effective clean air strategies in large agglomerations to reduce PM and ozone concentrations and protect human health (including the continued reduction of ammonia emissions in agriculture).

⁴⁵ In forests, maintain forest biodiversity levels, protect valuable open habitats from conversion to forests, diversifying forest output.

- Achieve a favourable status for habitats and species of EU importance by ensuring that public funds support sustainable management and restoration of Natura 2000 network (CSF fund financing of Natura 2000 should be consistent with the prioritised action framework (PAF)).
- Ensure an effective mechanism and institutional arrangements for the correct transposition, implementation and supervision of EIA and SEA Directives.
- Set in place and/or expand/improve economic instruments in the field of environment (in particular, waste and water) to help ensure full implementation of the EU environmental legislation and to encourage a more efficient use of these resources in line with the Roadmap to a Resource Efficient Europe⁴⁶.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs and climate change.⁴⁷

FUNDING PRIORITY: MODERN AND PROFESSIONAL ADMINISTRATION

Thematic objective: Enhancing institutional capacity and ensuring an efficient public administration

Country Specific Recommendation n.7, 2012: Strengthen the quality of the public service, including by improving management of human resources and strengthening analytical capacities. Further shorten the length of judicial proceedings and strengthen the role of the Public Procurement Office as an independent body.

The CSF funds should concentrate their interventions on following priorities and specific objectives reflecting country specific challenges:

Investment in institutional capacity and in the efficiency of public administration and public services with a view to reforms, better regulation and good governance

- Improve the quality the public service and the management of human resources, diminish impact of the political cycle on staffing decisions, optimise internal processes and relocate resources towards core activities of public administration at central government level (e.g. through independent functional reviews), in line with a comprehensive Public Administration Reform strategy.
- Strengthen analytical capacities for policy development; improve tax governance and the quality of spending.
- Improve the efficiency and quality of civil justice procedures, ensure enforcement of court decisions, and promote alternative dispute resolution mechanisms. Modernise court infrastructure and their organisation.
- Curb corruption and ensure transparent and effective application of public procurement rules.
- Strengthen civil society public oversight role and enhance capacities of social partners and civil society organisations to contribute to public policy making and monitoring of policy implementation.

⁴⁶ COM(2011) 571 of 20.9.2011

⁴⁷ Thematic objectives 1, 3 and 5 according to the draft Regulation.

- Improve transnational and cross-border aspects of governance related to cross-border crime and security, including the financing of capacity-building in customs systems.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at ICT.⁴⁸

Thematic objective: Enhancing access to, use and quality of information and communication technologies

Strengthening ICT applications for e-government, e-learning, e-inclusion and e-health

- Adopt appropriate legislative framework for e-government and define conditions for interoperability of information systems and e-registers.
- Reinforce technical and administrative capacity of ministries/institutions involved in ICT implementation.
- Streamline the governance of strategic e-government projects and speed up their implementation, in particular those aimed at developing government-to-government and government-to-citizen services.
- Increase the sophistication and availability of online public services

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at R&I, SMEs, employment, social inclusion and education.⁴⁹

⁴⁸ Thematic objectives 2 according to the draft Regulation.

⁴⁹ Thematic objectives 1, 3, 8, 9 and 10 according to the draft Regulation.

C. ADMINISTRATIVE ARRANGEMENTS

Coordination mechanisms and development of capacity

The substantial increase in structural fund allocations for Slovakia in the 2007-13 programming period has proven to be a major challenge for all levels of the administration.

Overall co-ordination of the Structural Funds in Slovakia is the responsibility of the Central Co-ordinating Body (CCB), located since January 2011 in the expanded Ministry of Transport, Construction and Regional Development. Despite recent reinforcement, co-ordination of the funds has generally been a weak feature in Slovakia. Moreover, linkages to the broader regional and EU contexts through effective co-operation have been disappointing.

Managing authorities and intermediate bodies seem to have their full complement of staff, most of whom are paid from EU technical assistance. However, turnover is very high and reflects a number of factors, including the relative lack of attractiveness of a public administration career, but also the political cycle⁵⁰.

Complex institutional set ups and policy changes appear to have adversely affected implementation in particular of the Information Society programme (involvement of three government departments), and the financial engineering instruments such as JEREMIE, as well as the horizontal priority for marginalised Roma communities. In some cases, the lead ministry appears to lack obvious technical expertise in the area concerned (e.g. managing authority for ICT infrastructures), while in other cases, frequent changes in managerial staff have been particularly evident and have had a negative impact on programme implementation (e.g. the Ministry of Environment).

Insufficient administrative capacity, inefficient coordination among government authorities, lack of co-financing from municipalities, and absence of synergies between "soft" and "hard" projects have also severely hampered the implementation of Local Strategies of Comprehensive Approach (LSCA) in favour of the marginalised Roma communities..

Heavily bureaucratic project selection procedures are evident in a number of programmes and seem to reflect the fear of possible sanctions by control bodies, as well as mistrust between the actors involved. However, making procedures more "fraud-proof" has increased complexity while not necessarily improving transparency and impartial treatment. In some fields specialist consultants ("grant writers") facilitate the process for beneficiaries lacking the capacity, know-how or influence to find their way in the system. The overall result has been to increase the administrative burdens and costs for such beneficiaries and their projects.

The implementation of CSF funds suffers from the overall weakness of the Public Administration as highlighted Section 1 of this paper, as well as the more specific issues

⁵⁰ According to an OECD report, "Sustainability of Civil Service Reforms in Central and Eastern Europe Five Years after EU Accession, SIGMA, April 2009" Slovakia was classified along with Poland and Czech Republic as a case of "destructive reform reversal" because of the elimination of civil service institutions following accession. The report nevertheless notes some efforts to reconstruct these, especially in Poland.

mentioned in the foregoing paragraphs. This impacts negatively on the implementation of the funds, and hampers the growth potential of the economy and its competitiveness.

In order to address these weaknesses, the Slovak authorities are encouraged to undertake the following:

- Develop a strategy for reinforcing the administrative capacity and efficiency of bodies responsible for CSF funds within the context of overall public administration reform. This should include, inter alia, the following:
 - Reassessment of current co-ordination arrangements located in Ministry of Transport to ensure greater effectiveness and impartiality of role vis à vis other ministries, and to enhance the synergies between actions financed under the different CSF funds;
 - Review of functions of managing authorities with the aim of establishing a more rational allocation of responsibilities and more efficient and effective implementation (e.g. highly technical sectors, such as ICT, should be managed by a body with adequate expertise in the field, while the current split between regional policy development and management of regional programmes should be rationalized);
 - Thorough audit of staffing financed under EU technical assistance in managing authorities and intermediate bodies to establish reasons for high staff turnover and to determine whether principles of good administration and provisions of relevant EU or national legislation/guidance (e.g. Slovak Civil Service Act) have been adhered to, e.g. in the recruitment, appointment, dismissal and reallocation of staff;
 - Based on a thorough analysis of needs, and taking full account of experience from the present programming period, propose appropriate measures to reinforce capacities of all bodies responsible for CSF funds (including intermediate bodies and beneficiaries) to improve strategic planning, policy and programme evaluation, project development, provision of e-government services, public procurement and financial management and control.
- Take measures to strengthen the capacity of key stakeholders (Civil Society organisations, social partners) to ensure that they can contribute to the formulation of policies, the preparation of legislation and the delivery of the policy measures.
- Strengthen existing measures to increase the transparency of public procurement procedures to ensure equal treatment, fair competition and value for money in the use of all EU co-financed expenditures and especially in large-scale infrastructure. Consider entrusting the Public Procurement Office with independent ex ante second level verification of all procurements co-financed from the EU Funds. The capacity of the Procurement Office will need to be strengthened to properly play its supervisory and advisory role vis-à-vis the managing authorities.
- Ensure better targeting of EU technical assistance funds so as to strengthen administrative capacities and efficiency of key intermediate bodies and beneficiaries – give particular attention to beneficiaries such as municipalities and bodies responsible for developing and managing large-scale infrastructure projects in view of their specific needs.

- Significantly reinforce actions to restrict the room for corruption, conflicts of interest and cronyism in the use of EU co-financed spending. The corruption risk in Slovakia entails a very high reputational risk for EU Funds and threatens their efficient and effective use. Where relevant, a link to the EU Anti-Corruption Report due in 2013 should be established.

Project delivery

A significant proportion of cohesion policy resources in Slovakia in 2007-2013 is implemented by major projects. To ensure smooth delivery of projects it is recommended to:

- Expand the project pipeline initiatives providing tailored assistance for project beneficiaries as regards project planning, preparation and management.
- Improve the existing systems of support for project promoters, including drawing on good practice from elsewhere, in areas suffering from weak capacities (especially for innovation, RTDI, ICT and human resources). Improve co-ordination and planning of investment (both inside and outside the specific sectors) in order to avoid overlap and promote efficiency. Economic and social rationale (use of cost-benefit analyses), cost-effectiveness (procurement, cost estimation, options analysis) and physical implementation of projects in line with environmental legislation should be improved.

Administrative burden

Assess the impact on beneficiaries of project selection and control procedures and recommend appropriate actions to reduce administrative burdens and costs substantially.

Slovakia should present its plans to reduce the administrative burden for beneficiaries without compromising either requirements of the regulations or the quality of projects. Actions for the CSF funds to that end should include:

- Further streamlining of project selection procedures and enhancing transparency and objectivity of the selection process and selection criteria, so that beneficiaries can assess in advance whether their projects might succeed in the appraisal procedure;
- Redesigning the reporting process so that it focuses on gathering the most relevant data for monitoring (data from beneficiaries should be collected with frequency assuring effective management of implementation);
- Timely preparation and dissemination of implementation and procedural guidelines before the start of the programmes;
- More extensive use of a system of simplified costs, which have been insufficiently used so far. Beneficiaries would benefit from a limited number of well conceived systems. This could be realised by introducing standard unit costs, lump sums and flat rates.
- Regular evaluation of administrative burdens created for beneficiaries. Regular actions for reduction of administrative burdens and dissemination of good practices should be a part of monitoring and reporting on implementation system's processes. National or regional benchmarks could be established and could help in constant improvement of administrative efficiency.
- For cohesion policy, development for each operational programme of a user-friendly e-cohesion platform (on the basis of existing good practices) allowing for a digitalised exchange of information with beneficiaries.

Partnership

Active participation of relevant partners at each stage of the programming cycle improves the quality of implementation. To this end the following should be considered:

- The role of the social partners and civil society to act as a partner and to team up with government should be strengthened in Slovakia.
- Partnerships with bodies specialised in non-discrimination to be integrated in policy planning, including equality authorities and civil society.
- Further develop and make better use of existing networks for mobilising citizens, business, NGOs and other partners for initiatives essential for the smooth implementation of operational programmes. The performance and needs of the networks should be regularly assessed.
- Enhance the presence of environmental organisations in the monitoring committees for the CSF Fund programmes.

Monitoring and evaluation

Strengthen evaluation mechanisms and capacity in order to improve the quality of programmes and better demonstrate the results achieved in terms of their relevance, effectiveness, efficiency, sustainability and wider socio-economic impact. Improve monitoring systems, including the setting up, collection and reporting on indicators.

Monitoring and evaluation systems need to be adjusted to the requirements of the new regulations (in particular performance framework and result orientation). Actions in this field should include:

- The expansion of the information system for ERDF and ESF and development of IT system for EAFRD to enable the electronic submission of aid applications;
- Necessary arrangements with National Statistics Office on better and quicker data collection for result-oriented management of the funds;
- More harmonised used of indicators allowing for comparability of data and performance between programmes.
- Improvement of the follow up system for recommendations from evaluation studies allowing for their effective implementation.

Financial management and control

The key principle of sound financial management remains the basis for the development of management and control systems in the next programming period. Systems for the new period should incorporate lessons learned from weaknesses in the 2007-2013 and previous programming periods and build on the positive achievements.

For the CSF Funds, Slovakia is encouraged to reflect on how sound financial management could be further enhanced by the application of simplification, better co-ordination of funds and programmes and by cutting administrative costs and burden for the beneficiaries. Wider use of e-Cohesion possibilities should be encouraged in accordance with the Regulations.

Audits by national and Commission auditors have confirmed that significant weaknesses exist in the practical implementation of existing financial management and control procedures in Slovakia, and that there are shortcomings in the main national control

bodies. Procurement procedures, management verifications and project selection remain the main areas of weakness.

Slovakia should ensure an effective and efficient control environment and be able to confirm in advance that its control systems are fully operational.

Slovakia should consider the following:

- The independence of the Delegated Audit Bodies which are embedded in the line ministries could be enhanced by positioning them under the Ministry of Finance (Audit Authority);
- Better substantiation of the allocation of staff financed from technical assistance based on an in-depth analysis of the core management and control tasks;
- The procedures to select operations to be co-financed should be re-inforced to avoid the weaknesses detected at the start of the 2007-2013 period and to assure a transparent appeal procedure;
- Change in the national legislation should improve the appeals procedure towards the Public Procurement Office as under the current legislation final beneficiaries are discouraged from appeal by the rule that in a case where the Public Procurement Office confirms a suspected non-compliance with the public procurement rules, the minimum correction imposed is 50%, regardless of the interest at stake.

Horizontal principles

The horizontal principles of sustainable development, adaptation to climate change and risk prevention and management as well as equality between men and women and non-discrimination and accessibility for persons with disabilities should be fully integrated into the programming cycle, from the planning stage through to the management of the programmes including the selection of projects, reporting, monitoring and evaluation. In this context, Slovakia should consider removing existing environmentally harmful subsidies and increasing the scope and level of environmental taxation.

The coherence, complementarity and synergies as regards to the mainstreaming of climate action for the CSF funds as well as other national and EU instruments such as greening actions under the CAP, Horizon2020 and LIFE should be assured. In particular, Slovakia should maximise opportunities for synergies and cost-effective use of funds by promoting integrated projects and by improving co-operation across national borders.

All actions under CSF funds must respect the Charter of Fundamental rights of the European Union. Given the situation of the marginalised Roma community and the gender gap in activity rate and pay, anti-discrimination and gender equality are key principles that need to be applied in programming CSF funds and implementing their operations.

The evaluation and reporting of horizontal principles in Slovakia in the 2007-2013 programming period has been weak and should be radically improved in the next period.