

# Integrated Plan of Regional and Social Development

## for the implementation of Phare 2000

### Part 1 - National Development Strategy

**developed by:** Ministry of Construction and Regional Development November 1999

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#### **Introduction**

The Slovak Republic has since its creation made efforts to become integrated into the Euro-Atlantic structures. The accession into the European Union appears to be the only realistic variant providing universal and sustainable development of the society as well as keeping up with the momentum of development in the most developed economies under the conditions of globalising economy and society. Therefore the Government of the SR in its policy statement of December 1998 declared the membership in the EU its "strategic goal" and one of the most important political and economic priorities.

Thus the Slovak Republic is witnessing a complex process of transforming the economy and society and creating the necessary institutional and legal framework to take over and implement the rules applied in the European Union. To this end it is necessary to map the problems and the background of the pre-accession period and set socio-economic developmental goals and priorities of the Slovak Republic.

The first outcome of this effort is the National Development Strategy constituting the first part of the *Integrated plan of regional and social development* (IP). The main goal of the National Development Strategy is the integration of the principles and goals of the economic, social and environmental policy into the common development policy of the Slovak Republic. The proposed development strategy is based on the principles of sustainable life and the concept of sustainable development.

The IP is a medium-term development programme of economic and social cohesion for the period of 2000-2002, supporting the structural and institutional reform. It serves as a guideline for the strategic decisions to be taken by the government mainly in the area of regional development and the utilisation of the pre-accession funds of the EU and for the focus of activities of the socio-economic partners in the Slovak Republic.

By linking the financial support of the Government of the SR, the private sector and the EU through pre-accession funds (Phare 2000, SAPARD, ISPA) the document focuses on the reduction of differences between regions by supporting:

- The enhancement of the competitiveness of the Slovak economy;
- The enhancement of the infrastructure and environment,
- The human resources development.

The IP gives a preliminary picture of the future convergence programme in the accession process of the SR to the EU and is a preliminary outcome of the drafted National development programme for the programming period of 2000-2006.

The implementation of the strategic goals of the plan has been restricted by the Government of the SR to selected regions of the Slovak Republic.

The document has been drafted based on the resolution of the Government of the SR No. 610/1999 of 7 July 1999, and is in harmony with:

- EU Directive for the Integrated Plan of Regional and Social Development.
- EU Directive for the programming of Phare 2000.
- Medium-term plan of economic and social development in the Slovak Republic, preparation.
- Rural Development Plan (SAPARD) and the goals of the programme ISPA.
- updated National Programme for the Adoption of the Acquis Communautaire (NPAA) submitted to the Commission on 29 April 1999.
- The Strategy of State Environmental Policy (ŠEP SR), adopted by the resolution of the Government of the SR No. 619/1993 and the National Council of the SR No. 339/1993.
- National Environmental Action Plan adopted by the resolution of the Government of the SR No 350/96.
- Plan of Territorial Development of Slovakia II, adopted by the resolution of the Government No. 903/1997.
- Documentation of the territorial planning of large territorial units, while preserving individual districts in line with the currently valid territorial administrative set-up.

The document's structure is divided into five large parts:

- the first one analyses the macro-economic, socio-economic and branch developmental trends in the SR.
- the second part describes strengths, weaknesses, opportunities and threats of the regional development in the SR (SWOT).
- the third part describes the NUTS units in the SR.
- the fourth part outlines the National Developmental strategy in the SR.
- the fifth part contains a description of harmonising the IP with the National Programme of Adopting EU legislation and the pre-accession programmes of the EU.

Individual parts are intertwined and the internal cohesion with the goals of the developmental strategy of the SR is maintained.

The IP sets framework budgetary rules for the period of 2000-2002 in the area of regional and structural policy.

## I. Geographic Description, Macroeconomic Framework and Branches of Industry

### 1. Geographic description of the territory of the SR

- The Slovak Republic is located in the centre of Europe, and has an area of 49,036 km<sup>2</sup>. To the north it has a border with Poland (597.5 km), to the West with the Czech Republic (265 km), to the south-west with Austria (127.2 km), to the south with Hungary (679 km) and to the east with the Ukraine (98 km).
- The Slovak territory is mostly mountainous, characteristic are long stretched mountain chains and deep valleys between them. The entire territory is a part of the Carpathian mountain range. A larger part of the territory (60 %) is at more than 300 m above sea level, 15 % more than 800 m above sea level and 1 % at more than 1500 m above sea level. The lowest point is the estuary of the Bodrog river (94 m above sea level), the highest is the Gerlach mountain in the High Tatra (2,655 m above sea level).
- >From the hydrological point of view the territory of the Slovak Republic belongs to two sea basins. The larger part (47,443 km<sup>2</sup>), belonging to the basin of the Black Sea, is drained by the Danube, the smaller part (1,593 km<sup>2</sup>), belonging to the basin of the Baltic sea, is drained by the rivers Poprad and Dunajec emptied into the Wisla river.
- The capital of the Slovak Republic - Bratislava is located in the south west of the country, close to the state boundaries with Austria and Hungary.

### 2. State of the Slovak economy in the period of 1994-1998 – macro-economic indicators for the year 1998

#### 1. Macro-economic indicators

table No. 1

Indicator	measure-ment unit	1995	1996	1997	1998
GDP growth (in fixed prices against the same period of previous year)	%	6.9	6.6	6.5	4.4
Rate of inflation	%	7.2	5.4	6.4	5.6
Unemployment according to Sample Labour Force Survey	%	13.1	11.3	11.8	12.5
Foreign trade balance of goods and	SKK billion	9.4	- 69.2	- 67.5*	- 80.1

services (in current prices)					
State budget balance	SKK billion	- 8.3	- 25.6	37.0** - 17.0***	- 19.2
Investment in current prices	% change	20	48.7	16.1	13.1
Average nominal monthly wage	SKK	7,195	8,154	9,226	10,003
Growth of the average nominal monthly wage	% change	14.3	13.3	13.1	9.6
Growth of the average real monthly wage	% change	4.0	7.1	6.6	2.7
Discount rate	%	11.0	8.8	8.8	8.8

- Among the dominant features of the Slovak economy is the *high rate of openness* of the economy and a significant re-orientation of foreign trade flows towards EU member states. On the other hand the Slovak economy lags behind the average of EU member states in terms of GDP per capita level, productivity of labour, wages and other macro-economic indicators as well as the momentum of the economic growth.

In the period of 1994-1996 the Slovak economy recorded a relatively high rate of GDP growth (as compared with other transforming economies. In the period of 1994-1995 (4.9% and 6.9% respectively) the growth was achieved mainly by increasing the utilisation of industrial capacities, which decreased temporarily during the transformation recession of the years 1990-1993. The growing consumption of public administration and an excessive liberalisation of the monetary policy in 1995 and in the first half of 1996 and the following strong growth of investment resulted in an overheating of the economy in the course of 1996. The growth of investment amounted to 39.6% in 1996 and the share of investment in the total GDP grew to almost 42.1 %. Despite high volumes of investment there was no real restructuring of the Slovak economy, since a majority of the investment was placed inefficiently into infrastructure projects.

- Analytical documents show that regional differences in the level of economic development, economic performance and the level of unemployment are very closely related with the often unfavourable conditions in the business environment, particularly for the small and medium sized enterprises, where it is administratively very demanding to establish entrepreneurial activities. Also a low level of co-ordination of individual branches policies has a negative impact in the regions.
- According to preliminary estimates the gross domestic product of the SR in 1998 totalled SKK 717.4 billion. As compared with 1997 it grew by 4.4 % (in current prices by 9.7 %). The development of GDP was influenced by the growth of domestic and foreign demand. As far as the structure of domestic demand is concerned, the creation of gross fixed assets was the fastest growing element. Also the final consumption of household continued to grow.
- The value of acquired investment totalled SKK 318.3 billion in 1998 and was higher by 13.1% than in 1997 (in fixed prices by 8.3%). A significant part of the investment was done in non-finance organisations (70 %). The remaining part was done by finance institutions (8.5 %), government sector (9.7 %), household sector (10.9 %) and private non-profit organisations (0.9%). The year-on-year increase in investment was also influenced particularly by the dynamics of investment by non-finance organisations (with a faster growth of acquisition of machinery and equipment).
- The **state budget** of the Slovak Republic recorded a preliminary deficit of SKK 19.2 billion as at 31 December 1998 (data of the MF SR), which was higher by SKK 2.2 billion than in 1997. Its share in GDP grew by 0.1% year-on-year and achieved 2.7 %.
- The continuing **imbalance** between exports and imports of goods and services was reflected in the growing passive balance of trade of the SR in current prices to SKK 80.1 billion. The share of the passive balance in the GDP was higher by 0.9 points than in 1997 and achieved 11.2 %. The level of this share however is influenced by not considering in the GDP the shadow economy and the consumption of fixed capital in the household sector. The export performance of the economy (measured by the share of exports of goods and services in the GDP) grew year-on-year by 3 points to 63.7%. The import exigency (measured by the share of imports of goods and services in the GDP) grew by 3.8 points to 74.8 %.
- The average **monthly wage** of an employee in the economy totalled SKK 10,003. In comparison with the year 1997 it grew in nominal terms by 9.6 %. After considering the development of consumer prices the average monthly wage grew in real terms by 2.7% in comparison with 1997 (which is slower by 3.9 than in 1997). The speed of growth of the nominal monthly wage was 1.1 points slower than the growth of GDP per employee (productivity of labour per employee of the Slovak economy without the entrepreneurs) in current prices. The real wage grew by 2.7 points slower than the productivity of labour of GDP in fixed prices. The speed of growth of the productivity of labour in the industry in fixed prices was faster by 6.5 points than the development of the real monthly wage.

**Money aggregate M2** (in current exchange rates) amounted to SKK 472.7 billion as at the end of December 1998. In comparison with the same period of 1997 it grew by 4.2 %. The year-on-year growth was influenced by the increase in the volume of the quasi-money by 13.2 % (with a significant growth of deposits in foreign currencies) and a decrease of money M1 by 11.3%. This was reflected in the year-on-year increase in the share of the quasi-

money in the structure of money aggregate (by 5.4 points to 68.8%). Deposits in Slovak crowns (not considering the government sector), as a part of the money reserve totalled SKK 354.3 billion as at the end of December 1998. In comparison with the state at the end of December 1997 this was lower by 1% (with an increase of deposits of the population by 10.6% and a decrease in corporate deposits by 21.5%). The total state of loans extended as at the end of December 1998 totalled SKK 398.2 billion, out of which 85.5% were loans, denominated in Slovak crowns. The volume of loans grew by 2.4% in comparison with the same period of the previous year (with a growth of loans denominated in foreign currency by 24.2 % and a decrease of loans denominated in Slovak crown by 0.6 %).

#### 1. Industry and services

As for the **industry in the SR** the most important branches are: *machinery, metallurgy, chemistry, food and energy*. In the process of restructuring the corporate sector, significant changes were made as for the structure of ownership of the companies and in the size structure of the companies. In 1998 a total 98% of companies (with 82.4% share in GDP) were in private ownership. The process of a more profound restructuring is however burdened by some factors. It is necessary to proceed from the original structure of the industry prior to 1989, which was created on the basis of former Eastern European economic co-operation groups and thus was not appropriate for the efficient operation of market mechanisms in a market-oriented economy. Among other important factors are the insufficiently implemented micro-economic adaptation of the corporate sector and also problems with creating a balanced and stable macro-economic environment. A further negative feature in the area of restructuring is the non-transparent privatisation. The consequence of that is non-transparent ownership.

**The industry** with its output, employment, export and creation of funds is contributing significantly to the performance of the economy. The share of the industry in the gross domestic product in the 1<sup>st</sup> half of 1999 amounted to 31.5 %. The share of market services in the creation of GDP accounted to 46.6% as at the end of the 1<sup>st</sup> half of 1999. In 1998 a total of 9,196 business entities were registered in the industry, out of which 6,587 had up to 20 employees. Apart from that 72,893 natural persons - not incorporated into the register of companies (small-trade licence holders) operated in the industry. Private companies and joint stock companies created 77.8% of the total industrial output of the SR in 1998. The industry of the SR employed a total of 583.9 thousand people in 1998, out of which 467.7 thousand were employed in the private sector. A total of 60.1% were employed in companies with 250 and more employees. Industrial companies contribute significantly (more than 90 %) to the Slovak exports. The foreign capital invested in the industry since the beginning of the transformation process through the end of 1998 totalled SKK 35.2 billion, i.e. 50.8% of the total amount of foreign capital invested into the Slovak economy.

**Value added** created in the industry in the first half of 1999 recorded a year-on-year increase by 10.4%. Rates higher than the industry average were reported in the food industry, machine construction, electric equipment and means of transport manufacturing and in the production and distribution of electricity, gas and water.

**Comparison with the EU:** Characteristic of the Slovak industry, when compared with the EU is the inherited inefficient structure of industrial production as regards the needs of long-term export performance oriented on the highly competitive Western markets as well as deterioration of the best performing operations in industrial production.

#### 2. Small and Medium Sized Enterprises

- As at 31 December 1998 263,733 of the total 295,801 registered natural persons, were small trade licence holders, i.e. natural persons operating according to the Small Trade Act and registered in the small trade licence holders' register; 12,946 persons were in the category independent professions and 19,122 were private farmers. Long-term data shows an increase in the recent years, which reflects the decline in the job opportunities, due to stagnation in the industry and the collapse of large and medium-sized enterprises. The independent professions progressively achieve saturation and the number of private farmers keeps declining. In 1998 the revenues from retail sale totalled SKK 379.4 billion, which is a year-on-year increase by 8.2 %. Of the total revenues for the retail sale, large companies accounted for 9.6%, medium-sized companies accounted for 10.6 %, small companies for 29.2 % and small trade licence holders accounted for 50.6 %. As compared with the year 1997 the share of small companies, medium-sized companies and small trade licence holders increased.
- **Revenues** for other market services totalled SKK 112.3 billion and increased against the year 1997 by 4.9%. A significant part of the services was provided by small enterprises (43.7%) and small trade licence holders (29.5 %). Medium sized enterprises accounted for 14.5 % and large companies for 12.3 % of the total revenues. Compared year-on-year the share of medium-sized enterprises and small trade licence holders decreased. Small and medium-sized enterprises contribute significantly also to the foreign trade. This contribution to export is important in terms of the volume and number of the participating entities. The

entire share of the SMEs in the exports amounts to 45%. SMEs are proportionally represented in the exports into the most important areas.

- **Comparison with the EU:** As for small and medium sized enterprises the level of development, the numbers of entrepreneurs, people in independent professions, the share of SMEs in the gross production and in other indicators can be considered as advanced however not sufficient. According to the share in the employment and in the GDP the standing of the small and medium sized enterprises approaches that of the level in the EU. >From the point of view of comparing the creation of new business entities in the SR these values are comparable with the EU average.

table 2 - Comparison of SMEs in the SR and in the EU in

Size of company (No. of employees)		0-9	10-49	50-249	250 and more
No of companies /million of inhabitants	SR	8,635.3	1,311.6	623.7	147.2
	EU	46,340.5	2,962.5	442.4	93.8
Gross production /company (EUR million)	SR	0.088	0.532	2,091	28,095
	EU	0.200	3,000	16,000	175,000
Employment/million of inhabitants	SR	28,478.7	28,725.6	76,581.2	162,783.4
	EU	99,195.7	56,595.2	40,402.1	102,466.5
Value added /employee (1000 EUR)	SR	13.7	10.9	6.0	8.6
	EU	30.0	40.0	50.0	55.0

#### 1. Tourism

- **Tourism is one of the branches, which demonstrated after 1989 that it is an important factor of economic transformation. Tourism allowed with its dynamic development to absorb a significant part of employees from the primary and secondary sectors into the tertiary sector and thus supported the settlement of the unemployment problem, contributed to the gross domestic product and stirred up investment activities in the national economy.**
- **Comparison with the EU.:The opening up of the borders with the developed countries of Western Europe and the development of private enterprise created a favourable framework for a fast growth in the number of foreign visitors. Currently the extensive factors of tourism are exhausted which is demonstrated by the revenues from active tourism, as stated in table 4.**

table 3

Indicator	1996	1997	1998
Entries (in thousand persons)	33,113.4	31,741.7	32,735.0
Exits (in thousand persons)	22,897.7	22,135.1	23,740.7
Revenues from active foreign tourism (in USD million)	672.8	545.5	488.9
Expenses on passive foreign tourism (in USD million)	482.8	438.9	474.3
Balance (in USD million)	190.0	106.6	14.6

#### 1. Agriculture, forestry and water management, rural development

- **The share of agriculture in the creation of gross domestic product has been declining - from 4.41% in 1997 to 3.99% in 1998 due to a more significant year-on-year decrease of the share of agriculture in the value added (from 4.65% to 4.20 %). This trend has been strongly influenced by the continuing growth of the price gap between the inputs into agriculture and the prices of agricultural products. A reduction in the value added in agriculture also influenced a strong decrease of investment into agriculture which was reflected in the share of agriculture in total investment procured, which fell from 3.31% in 1997 to 2.89% in 1998.**
- **Forestry contributed 0.9% to the GDP. The domestic raw wood is also the basis for the processing industry, which contributes more than 8% to the GDP. The share of forestry in total investment accounts to only 0.21%. The state of wear of tangible assets in the part of machines and equipment is 69%. The number of employees in forestry has been declining since 1990 and accounts for 1.32% of the total employment of the economically population in the SR.**
- **As for water management value added was created in organisation with 20 and more employees totalling SKK 4.97 billion and increased by 12.6% against 1996. The value added in water**

management is influenced by the price of drinking and sewage water (fees for water supply and sewage), which is regulated and is different for the population and other clients, as well as by the regulated price of surface water.

- Rural problems were not at the centre of public interest and only minimal attention was paid to them. Exact definition of rural settlement is difficult from the point of view of defining the area as well as from the point of view of way of life. It is possible to say that in most cases, settlements with less than 5,000 inhabitants in Slovakia have rural character. *A characteristic feature of the settlement structure is a strong prevalence of settlements with less than 5,000 inhabitants, where lives more than 43% of the Slovak population and which represent almost 90% of the total number of settlements. In the process of transformation a bad social and economic situation developed in many rural municipalities as a result of the economic attenuation of companies or redundancies in agriculture.*
- Among other problems is the high number of young people leaving to find employment and housing, ageing of the population, deteriorating of the housing stock in the villages, etc. We have also recorded a high rate of unemployment and social problems. An analysis of the technical infrastructure of the Slovak rural areas has shown significant differences in the level of facilities available in the individual regions. *The most pressing issue however is the connection of small municipalities to the public water and sewage networks. Another problem is the completion of transportation and telecommunication infrastructure.*
- Comparison with the EU: >From the international comparison of the achieved basic indicators of the Slovak agriculture with the EU member states and the CEFTA countries it resulted that the share of agriculture in the creation of GDP and employment in 1996 was higher in Slovakia than in the EU, however in relation to the Czech republic, Hungary and Poland it was the second lowest, after the **Czech Republic**. As for the number of employees per 100 ha p. p. Slovakia was second closest to EU average, after Hungary (EU 52.6%, SR 60.5%, CR 72.6 %, PR 76.7 %). The hectare yields of the majority of the critical plant commodities ranged between 50-80% of the EU average in the business year 1998/1999.

table 4 data of 1996

	EU	CR	Hungary	Poland	SR
<b>Share of agriculture in:</b>					
- GDP creation (%)	1.7	3.0	7.2	6.6	4.7
- employment (%)(+ forest. & fish.)	5.1	6.0	8.2	26.9	6.5
<b>Employees per 100 ha p.p.</b>	5.2	7.0	5.3	23.4	5.9

### 3. Human Resources

#### 1. Labour market

- The rate of economic activity of the Slovak population was on average 59.9% in 1998 (men 68.9%, women 51.4%), while approximately the same values were achieved also in 1997. In comparison with the EU countries (41-49%) this figure is relatively high. The total number of economically active persons was 2,544.8 thousand in 1998 (out of which women accounted for 44.7%). It is expected that the number of inhabitants in all but the Nitra region will grow until the year 2005. According to the estimated development of numbers of inhabitants after this year a decline is expected through the year 2015, mainly in the Nitra and Bratislava region. The highest total growth of inhabitants is expected for the Prešov region.
- The Slovak economy in the process of transformation is characterised by a high rate of unemployment and a low rate of job creation. Since 1998 the development of employment reflected significantly the slowing dynamics of the economic development mainly due to the neglecting of systemic problems and not performing the restructuring. Other reasons are the insufficient link between the education system and the labour market and inappropriate relation between social benefits and wages, low mobility of labour, restricted possibility to use the tools of active labour policy and unclear ownership of companies. In 1998 the average number of unemployed was 379,466, the average rate of unemployment was 13.67%. As at 30 June 1999 the number of unemployed was 470,766 persons (17.68% available registered unemployed).
- Most people were employed in industry (ca 584 thousand in 1998), while this share has been permanently declining since 1996. The most significant decline in employment was recorded in the building and construction, the industry in total, agriculture and forestry. The highest growth of employment in the period of 1994-1998 was recorded in banking and insurance sectors.
- A serious problem is the long-term unemployment - as much as 38.2% of the total number of unemployed at the end of 1998 were long-term unemployed, while very long-term unemployed accounted for 20.6% of the total number of unemployed. In 1998 the long-term unemployment concerned on average 7% more

women than men. As at the end of 1998 the age group 15-29 years accounted for as much as 44% of the total number of unemployed.

- The expenses for the unemployment benefits along with the expenditure of the state budget for the social allowances amounted to 1.84% of GDP in 1998 in fixed prices of 1995. The proportion of expenditure for active employment policy against passive was 41.7% in 1998.
- Regional differences in the rates of unemployment are growing. A high rate of unemployment is recorded mainly in the districts of the Banská Bystrica region, (22.8% as at 30 August 1999), the Košice region (26.69%) and Prešov region (25.59%), while the districts Revúca, Rimavská Sobota, Veľký Krtíš, Trebišov, Rožnava and Sobrance report a rate of unemployment of 30 to 35%. The reasons of high unemployment in these districts are similar: high share of Romany population, low level of education, weak infrastructure, significant deficit of industrial production and decreasing share of agricultural production. The districts and regions with high unemployment have also a higher rate of long-term and very long-term unemployment.
- **Comparison with the EU:** As for the length of annual and weakly working hours the level in the SR is comparable with the EU member states, however the flexibility of working time is lower. The share of part-time employees is rather symbolic and flexible working regimes constitute the exception. Unlike EU countries, the development of unemployment is influenced also by the insufficient link between the education system and the labour market, the inappropriate relation between the social benefits and wages, low mobility of labour, restricted possibilities to apply tools of active labour market policy and unclear ownership mainly in bankrupt companies.

#### 1. Housing

- **Current state and dynamics of the development:** As much as two thirds of the housing stock is currently in private ownership. >From the survey it resulted that a relatively high number of apartments 8.5% are empty. Currently legislation work is carried out to progressively eliminate all barriers to the implementation of procedural and institutional measures with the aim to liberalise the market with apartments and promote the construction of rental apartments.
- **Comparison with the EU:** According to opinion polls housing is one of the most pressing social problems in the SR. From the point of view of apartments per 1000 inhabitants, Slovakia significantly lags behind the developed Western European countries.

table 5 - No of apartments per 1000 inhabitants in the SR

Country	1988	1996
Netherlands	385	409
Denmark	450	462
Austria	431	445
Germany	452	434
Switzerland	460	461
United Kingdom	405	420
Hungary	374	393
Poland	286	303
Czech Republic	352	359
SR	300	312

- The development of the housing stock is different in individual areas, while these territorial differences are visible mainly in the view of the districts less in the view of regions. The demographic situation, the development and the composition of counted households reveal the assumed need of new apartments. From this point of view the situation is critical in all regions of Slovakia. The **lack of apartments** is a burden mainly for the young generation. The current distribution of apartments and jobs are different. The specified difference results in high numbers of commuters in the entire territory of the SR.

#### 1. Education and vocational training

- The law stipulates that compulsory education has to last 10 years. Slovakia has a total of 3,327 kindergartens and 2,484 primary schools. The number of pupils in primary schools is 647,877. There are 900 secondary schools (of which 210 are lycees, 383 vocational schools and 307 apprentice schools), with a total number of 307,569 students. The highest number of secondary schools is in Košice and Prešov regions, the lowest is in the Trnava region. The structure and the focus of secondary schools have been influenced since 1990 by the new concept of education and the overall change of priorities according to the sectors of the Slovak economy. A total of 84,483 teachers teach at the primary and secondary schools, while only 65.22% of them meet the qualification criteria.

- In 1998 Slovakia had a total of 21 institutes of higher education (universities), with 87,117 students, while there has been a significant increase (by 60.3%) in the number of undergraduates since 1990. Typical is a high concentration of students in Bratislava (41.8% of the total number in 1998) and in Košice (16.7%).
- The level of education of the economically active population (EAO) indicates expert potential of labour, important for the economic development of the regions. According to data of 1998 most EAO with university degree were in the Bratislava region (25%), the least in Nitra region (6.9%) followed by the Košice and Trenčín regions (both 8.1% EAO).

Most EAO with primary education or no education lived in the Košice region (14.3%) and Trnava region (13.7%), least in the Bratislava region (7.9%).

- Pupils, who are members of national minorities have a guaranteed right to education in their native language in the scope appropriate to the interest of their national development, or the right to be taught their native language. In the academic year 1998/99 these were Hungarian, Ukrainian, German and Ruthenian languages. In the academic year 1998/99 the network of schools in the SR comprised 396 kindergartens with minority languages as language of instruction with a total 10,633 children, 317 primary schools with minority languages as language of instruction with 44,843 pupils and 67 secondary schools with minority language of instruction and 18,318 students.
- The education process in the minority schools includes also the issue of educating Romany children and pupils. Romany children and pupils in pre-school and school facilities represent a serious problem with regard to their insufficient preparation in terms of language and skills. Reasons are e.g. lack of interest and lack of appropriate educational motivation in Romany communities, low level of education and high rate of unemployment of their parent, differing value orientation due to differences in the way of life.

#### 1. Science and technology

- The research and development in Slovakia is marked by the consequences of the transformation of the Slovak economy. The number of scientific and research organisation is stable as well as the number of staff in these organisations and the amount of expenditure from the state budget for research and development. In the period of 1993-1998 Slovakia had on average 330 scientific and research organisations and facilities, employing on average 24,694 persons, which represents 16,575 FTE. The highest concentration of researches is to be found at universities (37.4%) and facilities of the Slovak Academy of Sciences (12.5%). The average total expenditure for research and development totalled 1.09% of GDP, of which 36.9% were provided by the state budget. The cost of research and development focused mostly on developing technology (62.8%). The workplaces of research and development and the research workers are mostly in Bratislava region (42.7% of workplaces, 43.5% staff).
- Comparison with the EU: Developed EU member states spend approximately 2.5% of their GDP on research and development, while the cost in the SR ranges around 1.0% of GDP. The contribution of the state budgets in the EU member states towards the total cost of research and development amount on average to 38%, in the SR the contribution of the state budget to the total cost of research and development is approximately 37%. IN the most developed EU countries, in terms of economy, more than 60% of total cost of research and development is spent in the business sector, in the SR the level of 60% is achieved. The share of state funds in the funding of research and development in the business sector of the EU member states is approximately 10%, similar to the SR.

#### 1. Third sector

- The third sector is an important factor in involving the citizens into decision-making in issues concerning the development of their region, the support of marginalised groups to cope with the changing social and economic conditions and their integration into society. Since 1990 the number of non-governmental non-profit organisations (NGO) has been growing dynamically. According to data of the Statistical office, a total of 14,227 civic associations, foundations, non-investment funds and non-profit organisations were registered in the SR in June 1999 providing services for the public good.
- Employees of the NGOs have a 0.9% share in the total employment (more than 16,200 FTE employees), after adding voluntary work and employment in the churches, this share increases to 1.4%. The expenditure of the non-profit sector amounted to more than SKK 7.6 billion, which is 1.3% of GDP. After adding voluntary work and expenditure of the churches, the percentage is 1.5% of the GDP. The structure of income of the non-profit sector from the point of view of resources was: 21.9% from the public sector, 23.3% from private donations, 54.9% from contributions and payments. According to the analyses of the social capital of Slovak regions, measured by the capacity to act to obtain financial grants, most active are NGOs in Bratislava, then in Banská Bystrica, Košice and Prešov regions. The lowest activity of the NGOs according to this indicator was recorded in the Nitra and Trnava regions.
- **Comparison with the EU:** The share of employees in the non-profit sector in Slovakia (0.9%) compared with EU countries, where this share amounts 7% of total employment is low. This is due to the differing structure of the activity of the NGOs in Slovakia and in the EU countries, closely related to which is also the differing structure of income in the non-profit sector in Slovakia and in the EU. The highest share of employment in the non-profit sector in the EU is linked to welfare services: as much as 49% against 7.1%

in Slovakia. In the EU countries, this is linked with a 55.6% share of income from public funds (against 21.9% in Slovakia). Slovakia achieves higher parameters in comparison with the EU in the area of environmental protection and advocacy: 9.7% in Slovakia as compared with 3.3% in the EU. Differences in the structure of employment and in the structure of income show the differing functions, which are fulfilled by the third sector in the SR and in the EU. While in the EU non-governmental non-profit organisations are mainly providing services, in Slovakia they enforce social change, provide civil advocacy and community building.

#### 1. Health status and quality of life

- The average life expectancy upon birth in Slovakia is 68.91 years for men and 76.73 years for women (according to data of 1997). The short life expectancy of men is due to higher infant mortality and mainly high mortality of middle-aged men 76% of all deaths are due to cardiovascular and tumour diseases. The standardised mortality due to cardiovascular diseases according to the National Report on Human Development (1998) is 719.36 for men and 462.47 for women; due to tumour diseases for men 312.42 and women 152.51.
- Health issues of the population in Romany settlements are a special area from the point of view of the health status. The profile of morbidity and mortality of this population differs significantly from the majority population and with the high incidence of infectious and parasitic diseases reminds rather of developing countries. A large majority of these settlements, which run the risk to become the focal point of infection also for neighbouring population are located on the territory of Prešov, Košice and Banská Bystrica regions.
- A consequence of the deteriorating economic situation is the lowering quality of life of the inhabitants in regions stricken by high unemployment. There is a link between medium life expectancy their level of education and economic situation. The poorer the inhabitants of the regions and the less educated, the shorter their life expectancy.
- **Comparison with the EU:** In comparison with the EU average, the medium life expectancy in Slovakia is shorter in men and in women by approximately 4-5 years (EU average men: 73.9, women: 80.4 years). The short life expectancy of men is due to higher infant mortality and mainly high mortality of middle-aged men, as compared with the EU. Significantly higher in Slovakia is the male mortality of cardiovascular diseases SR: 719.36, Austria: 464.01).

## 4. Technical infrastructure and the environment

### 1. Transport

- The current unfavourable state in the area of transport is due to changes in the manufacturing sector of the economy, lack of funding for the infrastructure, insufficient focus on the development of more environmentally friendly types of transport, insufficient modernisation and development of mobile means, insufficient coverage of losses incurred by services in public interest (ŽSR, SAD), etc.
- The total length of railways in the SR is 3.7 thousands km. Out of that approximately 17% were proposed for the category regional railways. The main deficiency of the current railway infrastructure is the low level of track speeds. From the total length of tracks only 8.4% are appropriate for the speed 120 km/h and only 17.9 % for the speed 100 km/h.

table 6 - Railroad transport

Country	Length of tracks in total (km)	Length of tracks wide gauge (km)	Length of tracks normal gauge (km)	Length of track narrow gauge (km)	Density of tracks (km/km <sup>2</sup> )
Austria	5,672	-	5,336	336	0.068
Italy	16,014	-	16,014	-	0.053
France	31,852	-	31,688	164	0.058
Germany	40,826	-	40,726	100	0.114
Portugal	2,850	2,576	-	274	0.031
Slovakia	3,673	106	3,515	52	0.074

- **The technical and transport status** of the road network corresponds with the situation, which is given by the available funding. The total length of the road network in the SR is 17.4 thousand km (without local roads). Based on the analysis of the initial state and the achieved level in individual branches of transport, strategic and developmental programmes for transport were defined, from the point of view of the integration trends in Europe, the development of multi-modal corridors and the connections West-East, North-South, the development of the transport market and the environment.

table 7 - Road transport

Country	Area (km <sup>2</sup> )	Motorways (km)	State roads (km)	Density of the road	Degree of motorisation
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				network (w/o local roads) (km/km <sup>2</sup> )	(No. of cars per 1000 inhabitants)
Austria	83,900	1,607	30,200	0.379	469
Italy	301,300	6,439	158,200	0.546	577
France	544,000	8,600	387,000	0.727	478
Germany	357,000	11,300	219,800	0.647	505
Portugal	91,900	710	55,100	0.607	297
EU total	3,236,200	46,633	1,219,700	0.391	454
Slovakia	49,034	370	17,636	0.367	211

- **Comparison with the EU.** When comparing selected indicators of transport with some EU countries we can conclude that the density of road network is comparable with the EU average. On the other hand the degree of motorisation (number of cars per 1000 inhabitants) is significantly lower in the SR than in the EU countries. The density of railroad tracks per km<sup>2</sup> - 0.074 is higher than in many EU countries.
- **From the point of view of international links further development of transport will be influenced by the connections and corridors, which have already been approved at international level (multi-modal corridors of European significance) and which touch or pass through Slovakia.**
  1. Telecommunications
    - The development of the telecommunication infrastructure and telecommunication services is provided evenly on the entire territory of the Slovak Republic.
    - **Comparison with the EU:** The portfolio of telecommunication and information services is growing fast, and in the period of 2002-2003 will be fully compatible with the EU standards from the point of view of the offered services. The comparison of the main telecommunication indicators in 1997 and 1998 between the SR, the V4 countries, the EU and the four least developed EU countries (E4) is indicated in this table.

table 8

Indicator	SK 97	SK 98	CZE	POL	HUN	GRE	POR	SPA	IRL	EU
No. of fixed telephones per 100 inhabitants	25.9	28.6	36.0	21.9	33.2	52.9	42.1	41.3	44.3	56.1
Level of digitalisation in %	50.6	62.0	67.0	62.0	75.7	62.0	100.0	88.8	100.0	95.0
No. of mobile phones per 100 inhabitants.	4.0	9.0	9.8	3.8	10.1	11.4	15.4	16.9	16.6	30.0

1. Energy :

- >From the point of view of natural conditions and the current technological possibilities, the SR is poor in primary energy sources. Domestic resources contribute to the consumption as follows: brown coal approximately 6% and hydro-energy approximately 5%. The natural gas extraction covers approximately 3.8% of the consumption and oil extraction 1.1% of the consumption. The rest of primary energy resources is being imported. >From the point of view of energy consumption, the dominating sector is industry, as for the consumption of all kinds of energy and also typical is the relatively low consumption of the population in comparison with the developed countries. Currently the prices of natural gas and electricity in the SR lowest for the households if compared with the EU countries and our neighbouring countries. Deformed prices of energy do not motivate the consumers to rationally use the energy. The Slovak electrification system has been linked to the western European system UCTE since 1995. The electrification system of the SR has been connected with all neighbour countries with the exception of Austria. Also the Slovak gas system is linked with the European integrated system.
- **Comparison with the EU:** From the international comparison it appears that there are significant differences in the current level of selected indicators and limits of energy efficiency, in the way of regulating and using support mechanisms, or the price policy between SR and EU. Energy consumption per unit of GDP creation is almost 2.5 times higher in the SR than EU average.

1. Environment:

- **Air:**  
**Emissions.** Since 1989 through 1997 the emissions show a declining tendency: sulphur dioxide, from 569 thousand tonnes to 199 thousand tonnes, which is a decrease by 65%, suspended particles from 321 thousand tonnes to 60 thousand tonnes, 81%, nitrogen oxide from 226 thousand tonnes to 123 thousand tonnes, 45%, carbon monoxide shows a decrease in 1989 - 1997 from 491 thousand tonnes to 346 thousand tonnes, 29%. This state was achieved by reducing the manufacturing output in the period of 1989 - 1993, by changing the fuels and using more refined types of fuels, by enhancing the use of better separation technologies, changing the emission factors due to improvements in

**technology of incineration processes and reducing the consumption of solid fuels, reducing the consumption and changing the fuels in the sector of small consumers as well as by considering the effects of the measures taken in the mining and metallurgical industries.**

**Emissions. The monitoring of the local air pollution is carried out in 29 locations of Slovakia. It can be said that as for sulphur dioxide emissions the limits have not been surpassed for several years. Nitrogen oxides are surpassed at monitoring stations in Bratislava, Banská Bystrica, Žilina and Košice if conditions of spread are unfavourable.**

- **Water.**

Water resources. The largest currently known used amounts of underground water are located in the western Slovak region (56%). The sources are in the Danube valley and lower Váh valley. Some 27% of available water is located in Central Slovakia, close to Banská Bystrica, Liptovský Mikuláš, Martin and Považská Bystrica. Available amounts of underground water in Eastern Slovakia are estimated at 17%. Due to the pollution of underground water, some water sources are being taken out of the public supply. On the other hand water resources are registered and documented, which are not used at the moment. The quality and quantity of underground water is being monitored regularly and the results are published in annual reports.

Waste water. Currently the main source of water pollution are the local sources of pollution. Between 1991 and 1993 the production of wastewater has stabilised despite a significant decrease in the economic activities as seen in the GDP creation. Between 1994 and 1997 a decrease in the production of wastewater was recorded from 557 million m<sup>3</sup> to 507 million m<sup>3</sup>, which is a decrease by 8%. In the same period the share of treated wastewater has increased from 88.7% in 1994 to 95.4% in 1997, which is an increase by 6.7%. Since 1990 the pollution of waste water has had a decreasing trend, due to restriction of those operations significantly polluting the environment, an increase in the price of water, technological changes in the operation and installation of new water treatment plants. The number of water treatment plants in 1997 was 296. A special and long-term problem are some water treatment plants, currently in operation, mainly in large cities, which are overcharged hydraulically and substantially and the technology of purification applied there is no longer compatible with the criteria set by legislation.

Drinking water and average water consumption per inhabitant. In the period of 1991 - 1998 we have recorded a steady growth of the number of inhabitants supplied with water from public waterworks from 76.3% to 81.3%, which is an increase by 5%. In the period of 1991 - 1997 there was a decrease in the average water consumption in households from 183.1 l/inhabitant/day to 131.9 l/inhabitant/day, which is a decrease by 28%. The number of inhabitants connected to sewage systems has been growing steadily between 1992 - 1997 from 50.9% to 53.7% which is an increase by 2.9%. In the coming years it is not expected that the number of inhabitants connected to public sewage systems should grow significantly, since almost all larger settlements are already connected to public sewage and the remaining part of the population lives scattered in rural settlements.

- **Waste.** The amount of waste produced in the period of 1992 - 1995 recorded a declining trend from 34 million tonnes per year to 25.7 million tonnes in 1995, which represents a decrease by 24%. Almost all types of waste except for municipal waste recorded a decline. In 1996 a new categorisation of waste was introduced. Therefore the data from the period after 1996 is not comparable with the previous data and it is necessary to adapt it.

Waste management. The order of disposing of the waste from the point of view of their significance in terms of amounts is following: landfills, biological treatment, physical-chemical treatment, incineration and storage. In 1997 there were 540 landfills in the SR out of which only 124 met completely the technical requirements. In 1997 incineration was used to dispose 110 thousand tonnes of waste less than in 1996. This fact is due to the inappropriate technical state of the incineration plants and a tightening of the requirements on emission limits of the incineration plants. In the SR 78 incineration plants are in operation out of which 39 serve to incinerate clinic waste. Municipal waste is incinerated mainly in two plants in Bratislava and Košice. Of the total amount of special and dangerous waste, 54.6% were used in 1997. The largest share in the used waste was held by waste from animal productions, further iron scrap, used paper and glass. Waste rubber and tyres, colour metals, waste textile, plastic and waste oils have a smaller share in the use as secondary resources.

## II. SWOT Analysis

SWOT analysis sums up the basic analytical knowledge of factors which can be utilised for the Slovak Republic's regional development (strengths and opportunities) and factors which must be faced or eliminated (weaknesses and threats) through the proposed regional strategy.

The aggregate SWOT analysis is a comparative synthesis of partial SWOT analyses of NUTS III prepared by the individual regions of the Slovak Republic.

### Strengths

The following can be taken as Slovakia's **strengths** in terms of its regional development strategy:

- Slovakia has an advantageous location in Central Europe and common borders with developed European Union and Visegrad countries, its economy is sufficiently open and liberalised.

- **Its economic potential** is typified by a highly industrialised economy while industry is diverse without clear specialisation, and there are several traditional producers and industrial products able to compete on demanding markets.
- The construction industry has a sufficient structure and capacity, the agrarian sector's basic function has been maintained, non-production functions of forests are supported, science and research have the potential to be an innovative source of development.
- **Tourism's** share in the generation of GDP and foreign exchange is increasing and there are favourable natural and cultural conditions for the development of tourism.
- In the area of **human resources**, social peace has been maintained on the labour market and a sufficient amount of qualified and adaptable labour is available, an active state employment policy is being implemented using the systemic instruments built.
- The healthcare sector has a relatively well equipped and accessible network of establishments with out-patient care adapted to the market economy.
- The standard of education is typified by a high proportion of the population with quality secondary education and an evenly spread network of primary schools and universities.
- The technical and hygienic standard of housing is comparable to that of western European countries and basic instruments for the promotion of flat construction are being introduced.
- There is a dense network of regional cultural establishments, both professional and amateur.
- With regard to the territory's **technical serviceability**, the country is covered by a dense network of A roads and railways, the reconstruction of international rail corridors is underway, a basic motorway network is being created, and municipal public transport systems operate in larger towns. There is an infrastructure for the import of crude oil and gas and transmission and distribution grids for electricity and gas have a sufficient capacity. Sufficient basic water resources for the supply of water are in place and a significant proportion of the population is connected to the public water supply.
- The existence of framework legislation on **the environment** and the adoption of an environmental policy and other national programming documents on the environment contribute to environmental protection. In the area of protecting individual elements of the environment, the reduction of air pollution connected with the entry into force of emission limits, and in the area of landscape protection, the specification and gradual implementation of territorial ecological stability systems, are important. The gradual development of a network of civic associations oriented on the environment is promising.
- From a **regional** point of view, excluding the dominant position of the Bratislava region, a relative balance between regions in sectoral economic structure indicators, population density, age structure and economic activity, and equipment with education and healthcare facilities, electricity grids and lower category transport networks are characteristic.
- In 2 regions there is production potential and favourable conditions for agriculture, in 5 regions for forestry, and three regions have good basic facilities for tourism.

## Weaknesses

The following can be taken as Slovakia's **weaknesses** in terms of its regional development strategy:

- **Economic performance** is comparatively low. Generation of GDP, except in Bratislava, is far below the EU average. Labour productivity and wage and price levels are also low, while there is a great difference when comparing the currency's exchange rate with purchase power parity.
- **The national economy is suffering from a permanent lack of domestic capital and low investment into productive sectors in recent years.**
- The economic environment is typified by an imperfect legal framework, unfinished and not always effective privatisation and insufficient adaptation of the micro-economy to the conditions of the world market.
- The national economy is stagnating and showing crisis features.
- As for **economic potential**, an ineffective structure and low competitiveness of products as a result of obsolete technology and low innovative activity, including lack of quality labour force, continue to exist in industry.
- A large number of key industrial and agricultural businesses are in a critical situation, are undercapitalised, in permanent insolvency and debt, and often on the verge of bankruptcy.
- Small and medium-sized enterprises do not hold the necessary market share and their development is not promoted with sufficient efficiency.
- As a result of low demand, construction capacity is fading.
- The national economy continues to be energy intensive, which is reflected in the pressure on new sources, while the focus on energy saving and development of alternative sources is not sufficient.
- Science and research are insufficiently supported from business and state resources, they suffer from unfavourable technical conditions and a decrease in qualified personnel. Company research is in a deep depression.

- The occurrence of socially pathological phenomena, especially among Romany communities, is increasing and the problematic groups of the population are growing in size.
- **Human potential.** The overall unemployment rate is increasing and the proportion of long-term unemployed is growing, while there is a decreasing availability of new jobs and a low volume of funding for active employment policy which does not correspond with real needs and the active employment policy project prepared.
- The expenditure on education as a proportion of GDP is below the level in comparable developed countries, which results in a low proportion of university educated citizens, permanently unsatisfied demand for study, low standard of equipment of schools and drainage of qualified teachers. The education system is insufficiently linked with the needs of the labour market.
- The healthcare sector has neither specified healthcare standards nor a declared healthcare policy and many establishments are in a difficult economic situation. Social care establishments are unevenly distributed when compared to needs, have an insufficient capacity and lack modern forms of social care.
- The maintenance and restoration of flats are insufficient and the growth in the number of new flats is low.
- With regard to the territory's technical serviceability, the motorway network is insufficiently linked to the superior European network, the motorway network is distributed unevenly and some regions are not linked. Accessibility of peripheral parts of regions in terms of transport is not sufficient, the technical standard of rail transport is low, road systems in towns are obsolete and defective, the proportion of passenger transport and rail freight transport has considerably decreased, neglect of the transport network has increased.
- Monopoly practices are applied in the distribution of energy, the pricing model in energy distribution and water supply is distorted and there are high water losses and frequent failures of the obsolete systems.
- A number of weak points can be identified in the area of **the environment**, which namely include a high concentration of industrial emissions in air and increasing emissions from transport in the majority of large towns, poor drainage and treatment of waste water and the related pollution of water flows, decreasing biodiversity and stability of the ecosystem, and significant disruption of forests reflected, *inter alia*, in the reduced capacity of the environment to retain water, which results in the risk of floods. Waste storage continues to prevail over recycling or prevention of its generation, together with the use of non-renewable sources of energy and preference of "end" technology, etc., primarily as a result of the absence or low efficiency of suitable economic and normative instruments.
- The shortcomings in legislation on **tourism** in the area of consumer protection and standards and shortcomings in municipal infrastructure and hygiene decrease interest in tourism.
- From a **regional point of view**, there is a balance between regions (except Bratislava) in low GDP per capita (below 75% of the EU average), low share of small and medium-sized enterprises, insufficient standard of waste water treatment, low technical and transport quality of the road network and decreasing accessibility of the peripheral parts of regions.
- Substantial **regional disparities** involve the existence of regions especially economically and socially afflicted by the recession in their key industrial sectors and branches, such as the Prešov and Košice regions, except their centres, and the existence of economically underdeveloped regions (some border, sub-mountainous and mountainous areas) such as Horehronie, Spiš, Kysuce, Orava, Rimavská Sobota, and Upper Zemplín.

## Opportunities

The following facts in particular can be taken as the Slovak Republic's **opportunities** in terms of its regional development strategy:

- **At the level of the national economy: The utilisation of EU assistance programmes can bring about the development of industry and agriculture, but also forestry and infrastructure, and the related acceleration of the process of restructuring industry and agriculture.**
- **Following integration into the EU, access to large sales opportunities on the single European market will open up.**
- **With regard to aspects of the national economy, the geographical closeness to developed EU countries can help the inflow of capital, the latest technology and know-how, and the utilisation of labour.**
- **In the area of economic potential: The expected systemic promotion of exports and the government's increased involvement in industrial and agricultural policy, the promotion of small and medium-sized enterprises and the promotion of construction, especially flat construction, will contribute to the development of the economy.**
- **The system of initiatives for the promotion of direct investment in the Slovak Republic that has been adopted will help the needed inflow of more foreign capital into industry and bring positive production effects and job creation.**

- **Participation in the Fifth Framework Programme on Science and Technology and the introduction of indirect instruments for the promotion of research in line with EU principles will increase the economy's innovative base.**
- **The energy sector expects a higher degree and use of primary energies (e.g. through combined production of heat and energy) through an improvement in market conditions and creation of competition in production and distribution.**
- **Improved legislation, consumer protection, the certification of service quality standards and development of modern and unconventional forms of tourism, rural tourism, spas and museums, and the development of cross-border co-operation will help tourism.**
- **In the area of human potential, reinforcement of active employment policy and programmes for youth, long-term unemployed and the disabled, development of vocational training and lifelong learning to respond to the demands of the European labour market, optimisation of the network and structure of schools at the regional level and wider access to university education will be of importance.**
- **Increased involvement from the state and municipalities in dealing with the housing situation is expected, with a balanced participation of private and public funds and respect for social aspects of housing.**
- **Rationalisation and optimisation of the network of in-patient and out-patient healthcare standards and the introduction of efficiency control will help to improve the standard of healthcare.**
- **The territory's technical serviceability will be improved through the opening of trans-European transport corridors and their activating effect, the harmonisation of transport market conditions, the improvement of public transport and the introduction of a system of preference for public transport.**
- **The standard of regions will also be improved through the introduction of modern water supply technology and more intensive maintenance and replacement of all types of technical networks and communications.**
- **The improvement of the environment will depend on the effective application of EU environmental legislation, simplification of state administration, utilisation of the stimulation function of economic instruments and principles for the application of environmental practices in particular. Appropriate public participation in decision-making in the area of the environment and financial support will also bring opportunities.**
- **Regional development will promote the creation of new jobs, particularly in the area of small and medium-sized enterprises. Opportunities will also arise from the acquisition of development impulses from the functioning of new regions at the second self-administration level and their capitals as development centres, the activating effect of the opening of international transport corridors and direct cross-border co-operation in local industry, agriculture and tourism, the development of untraditional forms of tourism, and access to EU structural funds in all regions.**

## Threats

The most serious anticipated **threats to regional development** in the Slovak Republic can be characterised as follows:

- **At the level of the national economy**, the pressure of world markets with developed products and high productivity on the less developed Slovak market, with possible rapid destruction of domestic capacities.
- Continuing economic recession, especially in industry, continuing stagnation in innovation and investment activities, slow labour productivity growth and unfinished privatisation.
- Sharp increases in costs as a result of the impacts of EU agricultural policy and the harmonisation of tax, social and environmental policies.
- Foreseeable exhaustion of domestic fuel resources and enduring dependence on resources imported from politically unstable territories.
- In the area of **economic potential**, continuing tendency towards directing foreign investment into areas with lower unemployment.
- Further decline in economic activity in less developed and structurally afflicted regions.
- Continuing reduced investment activity, regions' lack of readiness to create conditions for foreign investors, continuing stagnation in development and innovation activity and insufficient support for science and research.
- Lack of resources for the support of non-production functions of agriculture and forestry and subsequent devastation of extensive landscape units, growing instability of forest ecosystems as a result of emissions and failures to follow the forest management replanting regimes.
- In the area of **tourism**, regions' continuing shortcomings in the standard of services related to tourism.
- Insufficient support for marketing activities in tourism at both the national and regional levels.
- In the area of **human potential**, wider disruption of social peace and growing occurrence of socially pathological phenomena, primarily in the Romany community.

- Failure to deal with the social impacts of the population's continuing ageing, reduction in the population of rural and border areas, and city centres.
- Growing unemployment rate and increasing regional differences in unemployment and job opportunities leading to crisis situations in some micro-regions.
- Insufficient resources for the support of flat construction and slow deregulation of rent prices leading to further deterioration of the condition of flats and curtailing of the housing market.
- In the area of the **territory's technical serviceability**, lack of funds for the development of transport infrastructure decisive for connection to European transport networks (motorways, railway corridors) and their ineffective use.
- Discouragement of investors' interest in regions with low standard of infrastructure, or exclusion of the Slovak Republic's territory from international transit as a result of poor rail and road networks.
- Degradation of the road network by insufficient maintenance, reduction of public transport in some areas to below the level of a public service, recession in rail transport, insufficient replacement of the public transport fleet and an overall decline in the transport accessibility of some areas.
- In the area of the **environment**, the volume of finance necessary for preparation for accession to the EU (meeting its standards).
- Postponement of environmental protection measures during the period of economic stagnation.
- Lack of support for energy saving and use of renewable sources of energy creating a need for the construction of new energy sources.
- Underestimation of the public's role in addressing environmental issues.
- Further growth in road transport with negative impacts on the environment and the population.
- In the area of **regional development**, threats are above all imposed by external influences and conditions, particularly the continuing economic stagnation resulting in growing unemployment and decreased job opportunities, which could cause a socio-economic collapse in some, already extremely afflicted regions and micro-regions.
- Further threats are imposed by the impacts of delaying the necessary restructuring of agriculture and industry, the impacts of low support for small and medium-sized enterprises, insufficient development of the transport infrastructure, (loss of foreign investors' interest, decline and depopulation of peripheral and inaccessible areas) and insufficient restoration of heritage sites (decreased interest in tourism).

### III. Characteristics of Territorial Statistical Units under NUTS

For the needs of the SWOT analysis and the creation of regional management and monitoring committees, they are understood to be the basic planning regions - NUTS regions.

Specification of the planning units for regional policy and the use of assistance from the EU pre-structural and structural funds must be decided at the level of the Government of the Slovak Republic.

According to its territorial and administrative division, the Slovak Republic has 8 regions, 79 districts and 2878 municipalities. The territorial systemisation of the Slovak Republic according to Nomenclature des Unites Territoriale Statistique (NUTS), following a preliminary agreement between EUROSTAT and the Statistical Office of the Slovak Republic on the basis of Measure of the Statistical Office of the Slovak Republic No. 75 of 4 March 1998 is as follows:

*Table No. 9 - NUTS II according to the preliminary agreement between the Statistical Office of the Slovak Republic and EUROSTAT*

	number	
NUTS I	1	The Slovak Republic
NUTS II	4	Bratislava region, Western Slovakia, Central Slovakia, Eastern Slovakia
NUTS III	8	Bratislava region, Trnava region, Trenčín region, Nitra region, Banská Bystrica region, Žilina region, Košice region, Prešov region
NUTS IV	79	<b>districts:</b> Prešov, Bardejov, Humenné, Kežmarok, Levoca, Medzilaborce, Poprad, Sabinov, Snina, Stará Lubovna, Stropkov, Svidník, Vranov nad Topľou, Košice I, Košice II, Košice III, Košice IV, Košice - okolie, Gelnica, Michalovce, Banská Bystrica, Banská Štiavnica, Brezno, Detva, Krupina, Lucenec, Poltár, Revúca, Rimavská Sobota, Veľký Krtíš, Zvolen, Žarnovica, Žiar nad Hronom, Žilina, Bytča, Cadca, Dolný Kubín, Kysucké Nové Mesto, Liptovský Mikuláš, Martin, Námestovo, Ružomberok, Turčianske

		Teplice, Tvrdošín, Trenčín, Bánovce n. Bebravou, Ilava, Myjava, Nové Mesto n. Váhom, Partizánske, Považská Bystrica, Prievidza, Púchov, Trnava, Dunajská Streda, Galanta, Hlohovec, Piešťany, Senica, Skalica, Nitra, Komárno, Levice, Nové Zámky, Šala, Topolčany, Zlaté Moravce
NUTS V	2 878	Municipalities

Council Regulation (EC) 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, Chapter 2 – Geographical Legibility for the Priority Objectives, stipulates: The regions covered by Objective 1 shall be regions corresponding to NUTS level II whose per capita GDP, measured by the purchasing power parities, was according to figures for the last three years available on 26 March 1999 less than 75 per cent of the Community average.

#### Regional profiles

Socio-economic profiles of regions and NUTS II characterise individual territorial units within the Slovak Republic, compare them and specify their individual features and differences, which define the overall regional links within the Slovak Republic (for 1998).

### **Profile of a NUTS II region: THE BRATISLAVA REGION**

#### **Bratislava region - NUTS III**

table no. 10

Area (1998): 2053 km <sup>2</sup>	Added value in millions of SKK (1998): 229 779
Population (as of 31.12.1998): 617 599	Added value in SKK per capita (1998): 317 618
Population density (inhabitants/km <sup>2</sup> ) (1998): 300.8	Average monthly salary in SKK (1998): 13 022
Economically active university educated population in % (1998): 25	Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 86
Average rate of registered unemployed in % (1998): 4,44	Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 36

**Location characteristics of the territory: The Bratislava region has a specific position among the regions of the Slovak Republic, above all due to the capital of the Slovak Republic and its related administrative functions, its location on an important European northwest–southeast transport link, as well as the close proximity of an EU Member State.**

### **Profile of a NUTS II region: WESTERN SLOVAKIA**

#### **Trnava region - NUTS III**

table no. 11

Area (1998): 4148 km <sup>2</sup>	Added value in millions of SKK (1998): 61 946
Population (as of 31.12.1998): 550 652	Added value in SKK per capita (1998): 112 621
Population density (inhabitants/km <sup>2</sup> ) (1998): 132.8	Average monthly salary in SKK (1998): 9 502
Economically active university educated population in % (1998): 8.6	Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 60
Average rate of registered unemployed in % (1998): 11.37	Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 12

The Trnava region consists of a number of nodal systems where the relations between the cores and the regional capital lack intensity and the border regions barely communicate among themselves, however, a gravitation towards Bratislava can be seen.

#### **Trenčín region - NUTS III**

table no. 12

Area (1998): 4 501 km <sup>2</sup>	Added value in millions of SKK (1998): 60 239
Population (as of 31.12.1998): 609 739	Added value in SKK per capita (1998): 98 747
Population density (inhabitants/km <sup>2</sup> ) (1998): 135.5	Average monthly salary in SKK (1998): 9 150
Economically active university educated population in % (1998): 8.1	Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 49
Average rate of registered unemployed in % (1998): 9.02	Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 13

The Trenčín region is composed of two regions, separated and heterogeneous to a certain extent. The core of the region consists of the central *Považie* area running north-south, its second part is the upper Nitra area.

#### **Nitra region - NUTS III**

table no. 13

Area (1998): 6 343 km <sup>2</sup>	Added value in millions of SKK (1998): 61 571
Population (as of 31.12.1998): 716 560	Added value in SKK per capita (1998): 85 888
Population density (inhabitants/km <sup>2</sup> ) (1998): 113.0	Average monthly salary in SKK (1998): 8 891

<i>Economically active university educated population in % (1998): 6.9</i>	<i>Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 55</i>
<i>Average rate of registered unemployed in % (1998): 15.69</i>	<i>Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 11</i>

### **Profile of a NUTS II region – CENTRAL SLOVAKIA**

#### **Žilina region – NUTS III**

table no. 14

<i>Area (1998): 6 788 km<sup>2</sup></i>	<i>Added value in millions of SKK (1998): 61 244</i>
<i>Population (as of 31.12.1998): 691 201</i>	<i>Added value in SKK per capita (1998): 88 720</i>
<i>Population density (inhabitants/km<sup>2</sup>) (1998): 101.8</i>	<i>Average monthly salary in SKK (1998): 9 010</i>
<i>Economically active university educated population in % (1998): 9.8</i>	<i>Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 54</i>
<i>Average rate of registered unemployed in % (1998): 11.91</i>	<i>Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 13</i>

The Žilina region holds a significant position within Slovakia due to its favourable demographic potential, strategic location, especially with respect to the Czech Republic and Poland, and high potential for the development of tourism.

#### **Banská Bystrica region – NUTS III**

table no. 15

<i>Area (1998): 9 455 km<sup>2</sup></i>	<i>Added value in millions of SKK (1998): 75 979</i>
<i>Population (as of 31.12.1998): 663 492</i>	<i>Added value in SKK per capita (1998): 114 491</i>
<i>Population density (inhabitants/km<sup>2</sup>) (1998): 70.2</i>	<i>Average monthly salary in SKK (1998): 9 342</i>
<i>Economically active university educated population in % (1998): 9.6</i>	<i>Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 50</i>
<i>Average rate of registered unemployed in % (1998): 16.72</i>	<i>Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 15</i>

The Banská Bystrica region is characterised by polycentrism, which reflects the natural conditions of this region. This results in poor links between the region's southern and eastern centres and the capital.

### **Profile of a NUTS II region – EASTERN SLOVAKIA**

#### **Prešov region – NUTS III**

table no. 16

<i>Area (1998): 8 993 km<sup>2</sup></i>	<i>Added value in millions of SKK (1998): 52 239</i>
<i>Population (as of 31.12.1998): 480 875</i>	<i>Added value in SKK per capita (1998): 67 046</i>
<i>Population density (inhabitants/km<sup>2</sup>) (1998): 86.6</i>	<i>Average monthly salary in SKK (1998): 8 338</i>
<i>Economically active university educated population in % (1998): 9.2</i>	<i>Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 44</i>
<i>Average rate of registered unemployed in % (1998): 19.26</i>	<i>Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 12</i>

From the regional point of view, the Prešov region is divided into three parts, whereby both peripheral nodal systems have their own specific system of regional ties and barely communicate with each other, while the capital of the region constitutes a natural centre for the central part of the region.

#### **Košice region – NUTS III**

table no. 17

<i>Area (1998): 6 753 km<sup>2</sup></i>	<i>Added value in millions of SKK (1998): 78 492</i>
<i>Population (as of 31.12.1998): 763 264</i>	<i>Added value in SKK per capita (1998): 102 967</i>
<i>Population density (inhabitants/km<sup>2</sup>) (1998): 113</i>	<i>Average monthly salary in SKK (1998): 10 158</i>
<i>Economically active university educated population in % (1998): 8.1</i>	<i>Entrepreneurial activity – Physical persons/1,000 inhabitants (1998): 47</i>
<i>Average rate of registered unemployed in % (1998): 18.88</i>	<i>Entrepreneurial activity – legal persons/1,000 inhabitants (1998): 15</i>

The Košice region holds a special position among the regions of the Slovak Republic - the capital of the region, Košice, is the second most significant core in Slovakia, a certain counterbalance to Bratislava and the centre of the eastern part of Slovakia.

## **IV. National Development Strategy of the Slovak Republic**

### **4.1 Strategic vision until 2012**

- By the conclusion of this strategy, i.e. around 2012, the Slovak Republic intends to be an equal, economically efficient member of the European Union with parameters approaching the Union average in

all the basic criteria (GDP per capita, employment, social security) and a way and quality of life corresponding with our tradition and the Slovak Republic's position in Europe.

- Failure to meet this vision, under the conditions of free movement of production factors within the EU, would result in a swift increase of interregional disparities and undesired migration flows, whose negative impacts would not only be noticed by the Slovak Republic but also EU countries.
- The basic level of the Slovak Republic's regional development strategy is administrative regions (NUTS 3). The basic philosophy, approaches and principles upon which the Slovak Republic's regional development strategy is based are derived from this.

#### **4.2. Specification of strategic goals for 2000-2002**

The strategy is governed by the following principles:

- **subsidiarity**
- **creation of equal opportunities for access to all external accelerators of regional development - information, instruments, resources and support.**
- **transparency**
- **extending co-operation between sectors (branches) and regions on the basis of partnership**

**The Integrated Plan's strategy is to improve the population's quality of life and the society's social cohesion, mainly to create conditions for Slovakia's economic development and reinforce growth in income and job creation.**

This objective is reflected in three strategic goals:

1. **increasing the Slovak Republic's GDP to a level close to that of EU states' GDP per capita (this is a criterion for the goal), reducing regional disparities and improving the quality of the environment**
2. **reinforcement of social cohesion and social capital**
3. **introduction and stabilisation of well-functioning institutional and regional organisation of the Slovak Republic**

**These long-term strategic goals set until 2012 will be fulfilled for the 2000-2002 period through the IP and the Public Administration Reform Concept.**

**The implementation of the 3 strategic goals is further divided into four strategic priorities, within which 27 priorities/measures for the Slovak Republic's regional development have been defined.**

#### **4.3 Specification of the priorities, measures and service links**

1. **Strategic priorities - determining the basic areas for sustainable socio-economic development.**
2. **Priorities - define the basic goals within strategic priorities.**
3. **Measures - specify priorities in more detail.**
4. **Service links are links between strategic priorities and clients.**

Specification of the **4 strategic priorities** is based on the principles for the use of resources from structural funds (Phare 2000), which will be made possible via service links.

Strategic priorities cover problems and subsequently priorities determine goals, which have a cross-sectional country-wide nature or are reflected in all or the majority of NUTS III regions and will be thoroughly elaborated in the ROP (Regional Operational Plans). We are building upon the fact that every NUTS III region will have its own Regional Operational Programme, which will, besides (strategic) priorities common to all or the majority of NUTS III regions, include priorities whose effects are limited to regions.

**Priorities define basic goals, which need to be achieved in individual critical areas for socio-economic development through specified strategic priorities.**

The objective of individual priorities is to express the sectoral and regional dimension to a maximum possible extent. All relevant institutions under whose competence the problems fall will take part in the implementation of measures and achievement of individual goals.

Strategic priority 1: Support for the development of a productive economy and strengthening of its competitiveness

Strategic priority 2: Human resources and social support mechanisms

Strategic priority 3: Regional integrity and sustainable development

Strategic priority 4: Development of agriculture and rural areas

- **Strategic priority 1: Support for the development of a productive economy and strengthening of its competitiveness**

**Achieving major economic restructuring and necessary working skills and knowledge. Support and diversification of the production capacity of regions of Slovakia in order to increase the competitiveness of enterprises. Securing soft and hard instruments for the effective support of small and medium-sized enterprises. Securing the full utilisation of Slovakia's existing knowledge base through involvement in international co-operation. Attracting foreign investment. Securing an effective mechanism for the presentation of strategic economic zones in regions. Support tourist marketing and tourist development. Developing culture centres and leisure centres of European importance. Improving Slovakia's image through promotion activities and by presenting Slovakia's strengths.**

**Priorities/ measures**

- a. *Creation of favourable conditions for investment into economic activities and increasing their effectiveness*
- b. *Support for the development of small and medium-sized enterprises*
- c. *Support for tourism and spas*
- d. *Support for science, research and development as an important factor for a growth in the effectiveness and competitiveness of production in regions*
- e. *Development of trade and industrial co-operation*
- f. *Development of technical economic advice for enterprises in regions*
- g. *Development of municipal energy production, energy saving and economical use of energy*

- **Strategic priority 2: Human resources and social support mechanisms**

**Increasing the qualification of the labour force in Slovakia in line with the changing needs of the labour market according to the highest European standards. Levelling the pace of economic and social development by securing a better living standard simultaneously with economic growth. Increasing the population's level of education and its ability to cope with changes on the labour market. Improving the health of the population and social cohesion.**

**Priorities/measures**

- a. *Addressing unemployment and flexibility of human resources*
- b. *Development of civil initiatives in municipalities and regions and the participation of citizens in territorial decision-making*
- c. *Modernisation of public administration*
- d. *Development of life-long learning*
- e. *Social and cultural development of communities in municipalities and regions*
- f. *Higher social cohesion through support for the development of the human resources of marginalised groups*
- g. *Improving the health of the population and social cohesion of society.*

- **Strategic priority 3: Regional integrity and sustainable development**

**Improving the environment in selected areas affected by industrial devastation. Enforcement of the concept for sustainable development. Improving air and water quality. Creating conditions for the development of points of entry by rail, road, water and air, development of strategic multinational transport and transit corridors going through Slovakia, improvement of internal transport links, creation of the space and opportunity to develop telematic services.**

**Priorities/measures**

- a. *Modernisation and development of transport services and infrastructure*
- b. *Development of the technical infrastructure of towns, districts and regions, development of infrastructure for the sustainable development of towns, districts and regions (bicycle lanes, telehouses, ecological stability frameworks)*
- c. *Achieve the air quality specified by emission limits, with a focus on transport and small sources of pollution and local furnaces*
- d. *Reduce exceeding of critical loads and depositing of pollutants*
- e. *Dispose of hazardous waste using suitable methods and suitable facilities*
- f. *Complete the network of graded waste facilities serving to separate recyclable waste*
- g. *Continue the removal of old unmanaged landfills and other environmental burdens*
- h. *With regard to water ecosystems, achieve a good standard of surface and ground water*
- i. *Achieve a balance between the consumption and renewal of water resources*

- **Strategic priority 4: Development of agriculture and rural areas**

**Rural environment (forestry, agriculture and rural development, rural tourism)**

**Support for communities in rural areas and promotion of the principles of sustainable economic development in these areas, improvement of their environmental assets. Improving the environment in selected areas affected by industrial devastation. Improving water quality. Ecologisation of forestry with an emphasis on non-production capacities of forests.**

**Priorities/measures**

- a. *Development of multi-functional agriculture*
- b. *Sustainable rural development, training, education, and advice for rural areas*
- c. *Strengthening the competitiveness of agriculture and rural areas*
- d. *Ecologisation of forestry with an emphasis on non-production capacities of forests*

Agriculture and rural development, as well as large infrastructure projects in the area of transport and the environment, will be covered by assistance from SAPARD (agriculture and rural development) and ISPA (transport and the environment).

- **Service links**

The dominant aspect of regional development in the Slovak Republic is the formation of necessary service links in the interest of securing the dynamic development of regions.

**Service link 1:** By the conclusion of the strategy, **the institutional framework for regional development** will have undergone a major change favourable for regional development - the creation of a regional level of public administration. The implementation of the administrative division of regions and its proper functioning will be ensured through the necessary activities - programmes and measures at the level of the national economy in the area of supporting regional institutions, information and preparation of personnel.

**Service link 2: The funds for reinforcing regional development** will on one hand be acquired through the rational allocation of public budgetary and extra-budgetary resources and on the other by securing conditions for access to finance from EU funds, both before and following the Slovak Republic's accession to the EU. The comprehensively promoted inflow of foreign private capital for direct investment into structurally afflicted and poorly developed regions will be a further important source of funding for regional development.

#### **4.4 Position of selected regions in view of the strategic priorities and development goals**

*Strategic goal A): Increasing the Slovak Republic's GDP to a level close to that of EU states' GDP per capita, reducing regional disparities and improving the quality of the environment*

As a result of the transformation of the Slovak economy to a standard market economy and due to differing starting positions, the development has had varying dynamics in individual regions since 1990. The level of economic development in individual regions and their performance with regard to the defined strategic goals of the National Development Strategy can be assessed according to selected indicators, particularly characterising volume of production and services provided, the amount of budgetary revenues generated by economic processes, employment, standard of the corporate sphere, state of infrastructure, etc. The graphic and map appendices show selected social and economic indicators of regional differentiation within Slovakia and differences between Slovakia and the EU. *Especially maps .....*

**Strategic priority 1: Support for the development of a productive economy and strengthening of its competitiveness.**

- **Gross domestic product: On the basis of regional accounts, the Statistical Office, in co-operation with Eurostat, calculated GDP per capita expressed in purchasing power parity (PPP) in regions (NUTS III). It expresses production generated in a region by all economic units. The calculation of the PPP eliminated exchange rate differences so that the final figures can be compared to the EU.**

Slovakia as a whole recorded a GDP per capita of EUR 8 800 in PPP terms, which represents 46% of the EU average. Compared to other member countries, it is closest to Portugal (70.5%) and Greece (67.5%). Among candidate countries, Slovakia runs fourth behind Slovenia (13 000), the Czech Republic (12 000) and Hungary (8 900).

- **The economic performance of a region is usually connected with its share in the creation of GDP and the number of unemployed. From the point of view of Slovakia's economic performance, the Bratislava region has a unique position. Its economic strength is a result of the joint effect of extensive and intensive factors\* of economic performance, where the region's production has a dominant position in all sectors of the national economy except agriculture. More than 33% of GDP is created in the region and more than 60% of investment into the Slovak Republic is placed there. Among the other regions of Slovakia, the Trnava and Banská Bystrica regions have the highest economic performance. This is a result of the joint effect of extensive and intensive factors of economic performance, where with a medium, relatively high share of production, they have the largest share of added value among all the regions of Slovakia. In these regions, but particularly the Trnava region, the effect of intensive factors of economic performance related to the share of added value has grown the most dynamically in the recent period in the framework of economic activities carried out in the territories of regions. The Trenčín and Košice regions have medium economic performance (39-44% of the EU). It is a result of the joint effect of extensive and intensive factors of economic performance, where with medium and very high levels of production there is not a sufficiently high, i.e. there is a very low share of added value. This particularly concerns the Košice region, where the performance of tax generating processes is the lowest of all the regions of Slovakia. The Prešov (29%), Nitra and Žilina (36%) regions have the lowest economic performance. In the case of the Prešov region this is a result of the joint effect of extensive and intensive factors of economic performance where not even a high share of added value is enough to balance out the extremely low share of production linked with the region's high undercapitalisation, which has not recorded any considerable improvement in the recent period.**

*\* A growth in the share of extensive factors is expressed by a growth in the use of existing capacities and services or extensive development of production capacities in regions. A growth in the share of intensive factors represents a growth in the performance of tax generating processes. It is a sign of the effectiveness of structural changes in regions or it expresses the development of new production and service capacities with a high added value.*

In the case of the Nitra and Žilina regions, the given situation is a result of the joint effect of extensive and intensive factors of economic performance, where while there is a relatively high volume of production, there is a low share of added value. **Despite the fact that the effect of intensive factors of economic performance has grown slightly in the recent period in both regions, the share of added value related to economic activities in these regions has remained low.**

Production of goods in **industry** per capita, in thousands of SKK

table no. 18, source: P. Kárász: Possibilities for the development of regions of Slovakia, Bratislava, September 1999

Region	1997	1998
Bratislava	244.4	319.5
Trnava	87.3	86.7
Trencín	102.8	102.2
Nitra	71.5	75.5
Žilina	90.7	85.9
Banská Bystrica	88.2	84.6
Prešov	56.0	58.9
Košice	118.2	114.9
Total	105.4	113.3

**Construction per inhabitant in regions in thousands of SKK**

table no. 19, source: P. Kárász: Possibilities for the development of regions of Slovakia, Bratislava, September 1999

Region	1997	1998
Bratislava	38.0	38.0
Trnava	10.5	11.3
Trencín	9.5	10.8
Nitra	8.2	8.3
Žilina	15.6	16.7
Banská Bystrica	7.6	8.5
Prešov	8.9	9.2
Košice	118.2	13.4
Total	13.6	14.2

**Sales, turnover and market service per capita**

table no. 20, source: P. Kárász: Possibilities for the development of regions of Slovakia, Bratislava, September 1999

Region	Retail sales in 1998, in thousands of SKK	Wholesale sales in 1998, in thousands of SKK	Sales and services in 1998, in thousands of SKK
Bratislava	181.2	331.8	90.4
Trnava	61.9	35.7	12.1
Trencín	48.7	51.5	10.4
Nitra	56.0	32.5	11.7
Žilina	56.7	55.4	11.7
Banská Bystrica	85.5	46.6	12.3
Prešov	35.8	19.4	6.9
Košice	51.6	131.5	17.4
Total	70.3	86.1	20.8

**Regions' share in Slovak exports**

table no. 21, source: P. Kárász: Possibilities for the development of regions of Slovakia, Bratislava, September 1999

Region	1997 in billions of SKK	1998 in billions of SKK (current
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	(current prices)	prices)
Bratislava	131.1	174.5
Trnava	15.3	10.3
Trencín	25.4	31.6
Nitra	17.9	20.6
Žilina	27.0	27.8
Banská Bystrica	31.4	30.9
Prešov	19.1	21.7
Košice	56.8	60.5
Total	324.0	377.8

**New entrepreneurial activities**, (see map no. 11) in particular small and medium-sized enterprises, are being founded/started over the whole country as a part of the ongoing process of economic transformation, other monitored indicators, such as the number of businesses established in 1998 and entrepreneurial activity in 1998, confirm the visibly exceptional position of the Bratislava region. In another two regions, *Central and Western Slovakia*, these activities are close to the Slovak average. The *Prešov, Košice* and *Trencín* regions are falling behind substantially.

**Cross-border influence.** >From the standpoint of economic development, there are different conditions in western and eastern areas of the Slovak Republic as a result of geographical factors – on one side the proximity of a country with a highly developed economy (Austria) and on the other side countries with transition economies (the Czech Republic, Poland, Hungary) and then Ukraine. At this transition stage, east-east cross-border economic co-operation helps the development of enterprises much less than east-west relations, above all because of the implicit transfer of technology, knowledge, investment, business opportunities and cross-border mobility of labour.

#### **Strategic priority 3: Regional integrity and sustainable development**

- **Infrastructure - substantially neglected in the past, has an increasingly unfavourable impact on the distribution of economic activities, especially in connection with transport. First, transport links important for promoting growth in urban areas and facilitating the country's internal mobility are missing. Northern and eastern Slovakia continue to be insufficiently linked to trans-European transport corridors and the capital city, which plays an important role in the lack of interest from investors, especially foreign. At present, projects for the construction of motorways, high speed roads and transit railway corridors which have close links with Bratislava are given priority.**
- **Considerable territorial differentiation in the quality of the environment in individual regions continues to exist as a result of past industrial activity and as a result of the development of road transport in Bratislava. The environment in industrial micro-regions such as Košice and its surroundings, Central Spiš, Upper Nitra and Bratislava is the worst affected.**

**On the basis of an analysis taking into account the amounts and nature of discharged waste water (according to organic pollution - BSK<sub>5</sub>) and the nature of the recipient with regard to its rate of flow and economic use, the following order of urgency for dealing with these sources of pollution has been set up: public sewerage systems in Košice, Nitra, Banská Bystrica, Svidník, Trencín, Humenné, Michalovce, Topolčany, Rožnava, Liptovský Mikuláš, Cadca, Banská Štiavnica, Zvolen and other sources. Industrial sources include: NCHZ Nováky, Bukóza Vranov, PCHZ Žilina, SH Senica nad Myjavou, Chemko Strážske, SLZ Hnúšťa and JCP Štúrovo.**

#### **Strategic priority 4: Development of agriculture and rural areas**

- With regard to the sectoral structure of production, agriculture has an important position mainly in the *Trnava and Nitra regions*. The position of agriculture in the remaining regions is much less significant and its importance lies in other effects of its influence on regional development. Among these, primarily its effects on landscape, ecology and rural development play an important role.
- The nature of the relationship between the growth in wages and **labour productivity** is regionally differentiated and besides labour productivity it depends on specific regional traits. The economic performance of a region can constantly grow only if labour productivity in its territory is growing and this growth is higher than the growth in wages. Labour productivity growth higher than the growth in wages was recorded in the Bratislava, Žilina, Banská Bystrica and Prešov regions. On the other hand, a growth in wages higher than in labour productivity can be found in the Trnava, Trencín, Nitra and Košice regions.

#### **Strategic goal 2: Reinforcement of social cohesion and social capital**

#### **Strategic priority 2: Human resources and social support mechanisms**

- **Unemployment: In the EU, the second most frequently used indicator for the assessment of a region's standard is its unemployment rate. A typical trait of the Slovak economy in the transition period is a high rate of registered unemployment and low job creation. In 1999 the unemployment rate rose steeply in Slovakia, reaching 18.31% as of 31.7.1999. In this indicator, the Slovak Republic**

considerably exceeds the EU average (10%). Only Spain recorded a higher unemployment rate than Slovakia. Unemployment figures at the NUTS III level, i.e. individual administrative regions, range from 7.2% in the Bratislava region to 21.3% in the Košice region. The group of regions exceeding the Slovak average include the Košice, Banská Bystrica and Prešov regions. Figures almost identical to the Slovak average were recorded in the Nitra and Žilina regions. It needs to be emphasised that differences in unemployment rates within regions, i.e. between districts, are substantial. **Extraordinary unemployment figures** were recorded, for instance, in some districts of eastern and south-eastern Slovakia - Rimavská Sobota, Revúca, Trebišov, Rožnava and Spišská Nová Ves, Gelnica, Stropkov, Sabinov, and Sobrance (more than 30%).

- The **average monthly wage** in Slovakia amounts to SKK 10 212. In this indicator, the Bratislava region is again confirmed as exceptional and over-average compared to Slovakia's average. The difference compared to the Slovak average is SKK 2 810. Comparison between individual regions of Slovakia underlines that the Nitra and Prešov regions are below the Slovak average. The difference in the average monthly wage between the Prešov and Bratislava regions is significant (SKK 4 684).
- A slowdown in the natural increase and ageing of the population is characteristic of the **demographic development in Slovakia**. Increases in the economically active population are reflected in a growth in unemployment, or absorbed by the grey economy or work abroad. The result is a growing tension between job opportunities and job demand. **The smallest difference** between job opportunities and demand is in the Bratislava and Trenčín regions. The result of a high or low tension between available jobs and demand for labour is a high or low unemployment rate, which is mainly influenced by a failure to deal with systemic problems and restructuring, insufficient interlinkage between the education (including lifelong) system and the labour market, unsuitable differences between benefits and wages, low mobility of the workforce, insufficient resources for active unemployment policy, and unclear ownership rights in businesses.

Long-term unemployment and regional differences in unemployment are considerable. The situation of the Romany minority is particularly unfavourable, resulting from a wide spectrum of causes and having an increasingly unfavourable impact on the integrated development of individual regions.

- From the point of view of **income**, the Prešov and Žilina regions have populations in the greatest need of extra-regional finance. The Bratislava and Trnava regions are the most financially independent. (see map in the annex)
- The Bratislava (14.3%), Košice (13.8%), Nitra (13.3%) and Prešov (13.0%) regions have the greatest share in the **total spending** of Slovakia's population on goods and services. While in the case of the Bratislava region it is a result of its population's income, in the case of the remaining three regions it is a result of the size of their population.
- **The average life expectancy of men and women is a strong indicator of the quality of health** and life of the populations of Slovakia's regions. As in many countries, in Slovakia there is an important link between the life expectancy of both sexes and their level of education (educated men and women live significantly longer than those less educated) and the environment in which they live (the urban population lives longer than the rural population). The unexplained phenomenon of the shorter life of inhabitants of Slovakia's southern border area, which has yet to be explained by epidemiologists, distorts the general picture. In Slovakia at the beginning of the nineties, men in the highly urbanised original districts of Bratislava - mesto, Trenčín, Liptovský Mikuláš, Topolcany, Prievidza, and Martin lived the longest. For women, the following districts had the **longest life expectancy**: Prievidza, Trenčín, Liptovský Mikuláš, Topolcany, Bardejov, Bratislava – mesto. On the other hand, **the shortest life expectancy** was in the districts of Veľký Krtíš, Cadca, Trebišov, Lucenec, Levice, Komárno, Rimavská Sobota, and Spišská Nová Ves for men and Košice – vidiek, Rimavská Sobota, Komárno, Trebišov, Levice, Rožnava, Bratislava – vidiek and Veľký Krtíš for women. The difference in the life expectancy for men between the districts with the longest (Bratislava – mesto) and shortest (Veľký Krtíš) life expectancy was as much as 5.58 years. For women this difference between the districts of Prievidza and Košice – vidiek was 2.99 years. None of the districts with the **longest life expectancy** for both men and women, with the exception of Bardejov, were located in the Prešov, Košice or Banská Bystrica regions. Of the districts with the shortest life expectancy for men and women, seven were located in the Košice and Prešov regions, a further three were in the Nitra region, and one was in the Žilina region.
- The level of citizens' participation in the administration of public affairs and social and cultural life is low, which also has an effect on the lack of interest in the measures and priorities of regional policy and low level of their acceptance by the population. There is an unfavourable situation in the sustainability of the otherwise developed third sector, which is of great importance from the regional policy point of view (mainly in the area of interactive regional planning, assistance to marginalised groups, etc.). The greatest problem of the sector's development is its dependence on external sources of financing.

table no. 22 – Basic indicators for Slovakia's regions

Territory	area	population	unemployment rate	GDP
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	(thousands of km <sup>2</sup> ) 1998	31.12. 1998	(%) 1. 1.Q.1999	(millions of SKK) 1997	PPP/per capita 1997	% of the EU 1997
<b>Bratislava</b>	<b>2 053</b>	<b>617 599</b>	<b>7.23</b>	<b>169 415</b>	<b>19 900</b>	<b>105</b>
Bratislava region	2 053	617 599	7.23	169 415	19 900	105
<b>Slovakia – north-west</b>	<b>11 289</b>	<b>1 300 940</b>	<b>12.86</b>	<b>129 525</b>	*	*
Žilina region	6 788	691 201	15.12	65 515	6 900	36
Trencín region	4 501	609 739	10.60	64 010	7 600	40
<b>Slovakia – south-west</b>	<b>10 491</b>	<b>1 267 212</b>	<b>13.70</b>	<b>136 772</b>	*	*
Trnava region	4 148	550 652	12.35	63 265	8 400	44
Nitra region	6 343	716 560	15.05	73 507	7 400	39
<b>Slovakia – east</b>	<b>25 201</b>	<b>2 207 631</b>	<b>20.24</b>	<b>218 181</b>	*	*
Banská Bystrica region	9 455	663 492	20.18	72 641	7 900	42
Prešov region	8 993	780 875	19.24	58 211	5 500	29
Košice region	6 753	763 264	21.29	87 329	8 300	44

#### 4.5 Priority region

Through Resolution No. 923 of 27 October 1999, the Government of the Slovak Republic approved the priority regions for the implementation of the Integrated Plan for Regional and Social Development and for the use of assistance from Phare 2000:

- **Slovakia - east**, comprising of the Prešov, Košice and Banská Bystrica regions,
- **Slovakia - north-west**, comprising of the Žilina and Trencín regions,
- **Slovakia - east-west**, comprising of the Nitra and Trnava regions,

while within regions, the least advanced districts will be given priority, with an emphasis on the Slovakia - east region (table no. 21a, map no. 27).

This means the Košice and Prešov regions (with the exception of the Košice and Prešov districts) plus selected districts according to the table.

table no. 23 – Specification of priority regions

region	Number of territorial units	Territorial units
Slovakia - east	3 regions 37 districts	<b>regions: Prešov, Košice, Banská Bystrica</b> <b>districts: Banská Bystrica, Banská Štiavnica, Brezno, Detva, Krupina, Lucenec, Poltár, Revúca, Rimavská Sobota, Veľký Krtíš, Zvolen, Žarnovica, Žiar nad Hronom, Prešov, Bardejov, Humenné, Kežmarok, Levoca, Medzilaborce, Poprad, Sabinov, Snina, Stará Lubovna, Stropkov, Svidník, Vranov nad Topľou, Košice I, Košice II, Košice III, Košice IV, Košice - okolie, Gelnica, Michalovce, Rožnava, Sobrance, Spišská Nová Ves, Trebišov</b>
Slovakia - north-west	2 regions 20 districts	<b>regions: Trencín, Žilina</b> <b>districts: Trencín, Bánovce n. Bebravou, Ilava, Myjava, Nové Mesto n. Váhom, Partizánske, Považská Bystrica, Prievidza, Púchov, Žilina, Bytca, Cadca, Dolný Kubín, Kysucké Nové Mesto, Liptovský Mikuláš, Martin, Námestovo, Ružomberok, Turčianske Teplice, Tvrdošín</b>
Slovakia - east-west	2 regions 14 districts	<b>regions: Trnava, Nitra</b> <b>districts: Trnava, Dunajská Streda, Galanta, Hlohovec, Piešťany, Senica, Skalica, Nitra, Komárno, Levice, Nové Zámky, Šala, Topolčany, Zlaté Moravce</b>

## V. Compliance with the Accession Partnership, NPAA, EU Prestructural Programmes and Organisational Frameworks

### 5.1 Relationship between the National Development Strategy, Accession Partnership and the National Programme for the Adoption of the Acquis

- The National Development Strategy defines 3 strategic goals.
- The strategic goals are:

1. **increasing the Slovak Republic's GDP to a level close to that of EU states' GDP per capita (this is a criterion for the goal), reducing regional disparities and improving the quality of the environment**
2. **reinforcement of social cohesion and social capital**
3. **introduction and stabilisation of well-functioning institutional and regional organisation of the Slovak Republic**

- The National Development Strategy (further referred to as the NDS) is in accordance with the medium-term priorities of the Accession Partnership in the area of economic and social cohesion: "prepare a national policy for the area of economic and social cohesion with the aim of mitigating the difference in GDP per capita compared with the EU; prepare for the implementation of regional development programmes and Community initiatives; improve administrative structures and exact the distribution of responsibility for regional policy issues".
- The NDS is related to the National Programme for the Adoption of the Acquis (further referred to as the NPAA), chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.5 Economic and social cohesion, section 3.5.2 Regional policy and cohesion, and the general goal of the regional policy is to prevent further decline in regions, secure their balanced economic development and eliminate the key differences between individual regions in social, economic, cultural and infrastructural conditions.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.5 Economic and social cohesion, section 3.5.1 Employment and social policy - medium-term priorities under Employment, namely implementation of retraining programmes with the aim of securing links with labour market demand and training of registered unemployed and the employed, as well as support for the preparation and implementation of regional and local job creation schemes.
- The NDS is in line with the NPAA, chapter 2 Economic Criteria, subchapter 2.2 Measures to fulfil the Copenhagen criteria, the section on functioning market economy, including structural reforms, and the section on ability to cope with competitive pressure and market forces.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.4 Sectoral policies, section 3.4.1 Industrial policy, namely restructuring of industry aimed at the critical situation in individual sectors and enterprises, increase in exports, decrease in energy consumption, increase in labour productivity and the share of added value, support for the creation of an environment favourable for entrepreneurial initiative and support for direct foreign investment, support for small and medium-sized enterprises and support for regional development.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.4 Sectoral policies, section 3.4.2 Agriculture - Structural policy, namely the fulfilment of the basic measures of the structural, agro-environmental and rural development policies defined within the Rural Development Plan in the following areas: modernising some food-processing installations and testing and diagnostics facilities, restructuring the agro-food sector to improve its competitiveness, developing the environmental aspects of agriculture and biodiversity and human resource development.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.4 Sectoral policies, section 3.4.5 Transport, namely the connection of the Slovak transport network to the European network at an equivalent qualitative standard.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.4 Sectoral policies, section 3.4.6 Small and medium enterprises, namely the reinforcement of SME position and stimulation of their growth, increasing their competitive capacity and acceleration of internationalisation and penetration of new markets.
- The NDS is in line with the NPAA, chapter 3 Ability to Assume the Obligations of Membership, subchapter 3.6 Quality of life and the environment, the section on the environment, by the implementation of technical measures concerning the related EC/EU directives on water, waste, air and nature protection.

## **5.2 Organisational and institutional framework for the preparation and implementation of the IP**

The mechanism for decision-making and co-ordination for the preparation and implementation of the IP is made up of two interconnected units – **the National Programming and Monitoring Committee and regional management and monitoring committees**. Within this organisational framework, the principles of decentralisation, partnership, programming and co-ordination will be applied.

- ***National Programming and Monitoring Committee (NPMC)***

The National Programming and Monitoring Committee (NPMC) is designed for the overall co-ordination of the preparation and monitoring of all activities necessary for the implementation of the system of economic and social cohesion policy and co-ordination of EU programmes for the support of preparation for the use of Structural Funds. The NPMC's obligations include the co-ordination of activities related to economic and social cohesion policy, co-ordination and monitoring of the preparation and implementation of EU programmes supporting structural measures – Phare 2000, SAPARD, ISPA, CAP. Also preparation of informative reports, carrying out assessments and others, as prescribed by the NPMC's statute.

The members of the NPMC are representatives of relevant ministries, economic and social partners and an EC representative.

The NPMC co-ordinates the operation of Regional Management and Monitoring Committees.

- **Regional Management and Monitoring Committees (RMMC)**

Regional Management and Monitoring Committees are designed for the overall management, monitoring and implementation of activities resulting from the process of preparation and implementation of the IP, of which ROPs form a part, in Slovakia's regions. They represent regions' interests.

Regional Management and Monitoring Committees have been set up for every region, i.e. for Bratislava, Slovakia – north-west, Slovakia - south-west and Slovakia – east (6.3.2, table no. 21).

RMMC's obligations particularly include the overall preparation, processing and implementation of ROPs, and the preparation of informative and assessment reports during the implementation of ROPs.

The members of RMMCs include representatives of regions, districts, municipalities, ministries responsible for the implementation of SAPARD and ISPA programmes, regional development agencies, universities, the economic sphere, the third sector, etc.

### 5.3 Assessment of the IP's and ROP's Environmental Impact

- **Strategic Environmental Assessment (SEA)**

The preparation of regional development plans in EU countries is governed by Council Regulation No. 1260/1999 laying down general conditions on the Structural Funds for the period 2000 to 2006. Article 41 of the Regulation requires that individual countries not only submit their regional development plans, but also an *ex ante evaluation* analysing their potential impacts on the environment. The general requirements for evaluation pursuant to Article 41 are further elaborated in: the Guidelines "Structural Funds Planning and Programming Documents for 2000-2006" (DG XVI, 1999), which requires that countries fully incorporate the results of strategic environmental assessment in their regional development plans, and the Handbook on Environmental Assessment of Regional Development Plans and EU Structural Funds Programmes (DG XI, 1998), which contains general guidelines (both procedural and methodological) for the strategic environmental assessment of regional development plans in EU Member States. In the Slovak Republic, in line with § 35 of Environmental Impact Assessment Act 127/1994 Coll., assessments must currently be made for major development concepts in the energy sector, mining, industry, agriculture, forestry and water management, waste management and tourism, and for the territorial planning documentation for large areas and residential zones of selected towns, particularly centres of urban heritage areas, spa towns and very polluted localities, with regard to potential impacts on the environment and, if necessary, a proposal of measures to eliminate or reduce any unfavourable impacts.

The strategic environmental assessment of individual regional operational programmes and the IP will be carried out in this context.

- **Environmental Impact Assessment (EIA)**

Environmental impact assessment (EIA) for activities financed from Phare 2000 pursuant to EU requirements presupposes the application of EIA for all projects financed from Phare 2000 (similarly, for projects financed from ISPA and SAPARD) where EU legislation so requires. When carrying out EIA, EU requirements for EIA contained in Directive of 27 June 1985 and Directive 97/11/EC of 3 March 1997 amending Directive 85/337/EEC and provisions of Environmental Impact Assessment Act 127/1994 Coll. valid in the Slovak Republic will be met. Projects that will form appendices to regional operational programmes will contain EIA.

## Appendices

**Strategic priorities - determining the basic areas for sustainable socio-economic development.**

**Priorities -define the basic goals within strategic priorities.**

**Measures - specify priorities in more detail.**

**Service links are links between strategic priorities and clients.**

**Graphs**

**Tables**

**Maps**

**Explanatory notes**

*National level – National Development Strategy*

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*Regional level – regional operational programmes*

**priorities** - specified by RMMC within the IP's priority areas, set in ROPs

**measures** - methods for the implementation of goals in priority areas and priorities (**their specifications**) set in ROPs

**projects**

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