



# **Strategic Evaluation of the Operational Programme Competitiveness and Economic Growth**

## **Executive Summary**

This report was prepared as a result of an independent evaluation conducted by

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for

The Ministry of Economy of the Slovak Republic  
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## Basic information about the programme

The Operational Programme Competitiveness and Economic Growth (hereinafter referred to as “OP CaEG”) was approved by the Slovak Government resolution No. 1021 on 6 December 2006. Subsequently, it was approved by the European Commission (hereinafter referred to as “EC”) Decision No. K (2007) 5940 on 28 November 2007.

OP CaEG for the programming period 2007 – 2013 was prepared in compliance with the National Strategic Reference Framework (hereinafter referred to as “NSRF”). The aim of the support under OP CaEG is to maintain and further develop competitive and efficient production potential in manufacture and energy, as well as tourism potential and other selected services in terms of sustainable development, and thus to contribute effectively to improving the economic performance of the Slovak Republic (hereinafter referred to as “SR”) as a whole, and to reducing economic disparities in Slovakia’s regions. The global objective of OP CaEG is to ensure sustainable economic growth and employment.

According to the Slovak Government resolution No. 832/2006, the Ministry of Economy (hereinafter referred to as “MoE”) is the Managing Authority (hereinafter referred to as “MA”) of OP CaEG.

Originally, funds amounting to 772 million euros were allocated from the European Regional Development Fund (hereinafter referred to as “ERDF”) for OP CaEG. In 2010, this amount was increased by 5 million euros due to a reallocation from the Operational Programme Information Society (hereinafter referred to as “OP IS”) into Measure 1.3 of OP CaEG; the amount of funds allocated from the ERDF for the OP CaEG thus totalled 777 million euros.

On 16 May 2012 Governmental resolution No. 191 was adopted at the governmental meeting to draft reallocation of funds within the National Strategic Reference Framework (hereinafter referred to as “NSRF”) for the programming period 2007 – 2013 to finance measures to support solutions of youth unemployment and intensify support for small and medium enterprises (hereinafter referred to as “SMEs”). The proposal for funds reallocation was approved for this purpose from three OPs in total, whereas 225 million euros were reallocated into the OP CaEG from two OPs. Priority axis 1 was increased by 175 million euros and Priority axis 3 by 50 million euros. The revision of the OP CaEG was approved by the EC Decision No. C (2012) 707 on 4 October 2012, under which the amount of funds allocated from ERDF for OP CaEG totalled 968, 25 million euros.

The objective of the evaluation was to provide an independent analysis of the strategic evaluation of OP CaEG to 30 June 2012 in accordance with international evaluation standards. The strategic assessment includes mid-term assessment of relevance and effectiveness of OP CaEG in relation to the fulfilment of goals of OP CaEG and formulation of recommendations for increasing competitiveness, entrepreneurship support, innovation environment, energy efficiency and usage of renewable energy sources (hereinafter referred to as “RES”) via use of analysis and subsequent answers to questions precisely formulated by the submitter.

The Evaluation report of the strategic OP CaEG evaluation (hereinafter referred to as “Evaluation report”) was prepared by IBS SLOVAKIA, s. r. o. located in Prievidza. The evaluation team was composed of the following experts:

Ing. Ján Helbich – team leader

Ing. Tatiana Hubová – evaluator

RNDr. Jozef Puskajler – evaluator

Mgr. Jana Boboková – evaluator

## Conclusions of the strategic evaluation

Based on the analysis of the overall state of OP CaEG implementation to 30 June 2012 and launched calls, the drawing and contracting from the perspective of evaluators has been found satisfactory. MA and Intermediary Body (hereinafter referred to as “IB”) have created good conditions for drawing of financial resources of Non-Payable Grant (hereinafter referred to as “NPG”) allocated for the years 2007-2013 and fulfilment of crucial part of the programme objectives and respective measurable indicators. More detailed information is given in the previous analyses and in the answers to evaluation questions presented below:

### **A. On-going evaluation of OP CaEG relevance**

#### ***1. Is the current status of meeting objectives of OP CaEG sufficient?***

The fulfilment of OP CaEG performance goals is being followed through the system of measurable indicators. Due to the gradual elimination of methodological weaknesses in the monitoring and evaluation of indicators, it can be concluded that most of the measurable indicators’ values achieved to 30 June 2012 were equivalent to the drawn amount of allocated funds. Therefore we assess the achieved OP CaEG goals to 30 June 2012 as satisfactory.

#### ***2. What is the assumption that OP CaEG goals will be fulfilled?***

The current status of the implementation of OP CaEG implies certain risk of non-fulfilment of indicators pursuing the creation of new jobs. Those were on 30 June 2012 by contracting 60, 72 per cent of the total allocation around 49 per cent of the target value. However, they are mainly impact indicators that will be fulfilled after the end of project implementation. There is also the risk of non-fulfilment of the indicators “Number of projects supported” and “Number of projects supported to help SMEs”, whose values to 30 June 2012 have achieved only 39, 11 per cent, respectively 33, 18 per cent of the planned value. Nevertheless, it is conceivable that the correct setting of conditions in the launched calls focused on meeting these measurable indicators and implementation of the projects using repayable form of assistance can accelerate their fulfilment and possibly achieve target values. Other measurable indicators and their corresponding objectives should be met in the current pace of contracting and drawing.

#### ***3. Are the target values of the measurable indicators of OP CaEG achievable?***

The set target values of the measurable indicators are achievable. As problematic seems to be only achieving of measurable indicators focused on the new jobs creation. The current progress of the programme implementation shows that the influence of the interventions on job creation is lower than expected. Under Priority Axis 1, which should generate most of the projected new jobs, it can be attributed to the fact that technological innovation should generally increase the level of automation of production processes, and thus reduce the intensity of human labour. The impact of innovations on job creation is therefore significantly dependent on an increase in the volume of production or services, to which innovations should lead. Overall, however, the correlation between innovations and creation of new jobs is questionable and there is no guarantee that the target values of indicators aimed at creating new jobs will be achieved.

#### ***4. Do the goals and achieved results of OP CaEG meet sufficiently the needs of support of the entrepreneurs with regard to the current economic situation in Slovakia?***

The overall programme setting at the beginning of the programming period was based on macroeconomic factors, which was reflected in the nature of promoted activities aiming at increasing the competitiveness of the business environment and employment. The OP CaEG goals are still highly relevant and the on-going global economic crisis has highlighted their importance. According to several worldwide charts (made by e.g. The World Bank, World Economic Forum, and IMD (International Institute for Management Development with HQ in Switzerland)) Slovakia recorded

relative decline in competitiveness, innovation and quality of the business environment in recent years. Also the current state of the fulfilment of Europe 2020 objective indicators (employment rate, expenses for science and research, share of RES in the gross final consumption and final energy consumption) shows that the focus of OP CaEG adequately covers current issues and shortcomings of the Slovak economy, including the support of the entrepreneurs' needs.

***5. What are the impacts and possibilities of OP CaEG in removing regional disparities within individual regions?***

Implementation of OP CaEG activities has a positive effect on values of the relevant statistical indicators pursuing development in different regions. The regions that use fewer OP CaEG financial resources do not achieve as good results as the regions where there are implemented projects financed from OP CaEG at higher rate. Particularly in the case of three regions (Žilinský, Banskobystrický, and Prešovský), which have the highest number of contracted projects, are the values of the monitored statistical indicators significantly better than in case of Trnava region, which has the least of contracted projects.

**B. Evaluation of the effectiveness and flexibility of OP CaEG management in response to the fulfilment of objectives of the operational programme**

***6. What factors of management have influenced or might influence the achievement OP CaEG goals?***

Audit compliance and system audits to obtain assurance of the effectiveness of the management and control system of OP CaEG stated correct setup and operation of the system. Deficiencies identified in the system audits had only a marginal effect on the functioning of key elements, while the evaluation reports of the auditors on OP CaEG improve every year. The non-fulfilment of administration capacities (hereinafter referred to as "AC") and their turnover can be considered to be the most serious problem. The overall AC state ensuring the implementation from 2007 to 2009 was increasing, which logically reflected in a gradual increase in implementation demands. From 2009 to 2011, however, the actual number of AC declined, which is from the evaluators' view a risk factor, since the evaluation of projects of the shortened programming period 2004 - 2006 began along with the growing volume of projects implemented within OP CaEG and the preparations for the new programming period 2014 – 2020 began as well. The average fulfilment of planned amounts of AC reached only 85, 77 per cent in the period from 2007 to 30 June 2012. The second most important aspect is the turnover of AC, which reached 13, 98 per cent in average a year in the same period. The reallocation of 225 million euros, which was carried out on the basis of the Slovak Government Resolution No. 191 from 16 May 2012, is also an important factor in management that may affect the achievement of OP CaEG objectives. Such a significant increase in allocated resources requires an increased effort of MA, IB, and the Planning Unit (hereinafter referred to as "PU") and also stresses the need to pay particular attention to the state of AC.

***7. Which obstacles (administrative, organisational) accelerate, respectively slow down the implementation of OP CaEG?***

Organisational changes can be identified as the most serious obstacles that affected the implementation of OP CaEG. The most demanding task was the merger of IB (relevant departments of the National Agency for Development of Small and Medium Enterprises (hereinafter referred to as "NADSME") and the Slovak Investment and Trade Development Agency (hereinafter referred to as "SARIO") that had competences of IB were incorporated into the Slovak Innovation and Energy Agency (hereinafter referred to as "SIEA") in 2011.) The personnel responsible for the implementation changed employers without continuity in their job positions, thus making the management and implementation of activities more complicated. By merging the IB it was necessary to unify the understanding and the access to particular processes and adapt to a different institutional culture as well. Overall, however, the organisational changes on the IB level can be evaluated as well managed. The effects of greater centralisation and coordination of programme management are likely to become visible during the last

three years of the current programming period. The independence of the Slovak Tourist Board (hereinafter referred to as “SACR”) as IB, which is a governmental agency under the authority of the Ministry of Transport, Construction and Regional Development, remains a question for the future.

### C. Evaluation of functionality of complementarity of interventions and synergy effect of various operational programmes related to OP CaEG under the Convergence objective

#### 8. What is the functionality of the interconnection of the complementarity of the interventions of programmes related to OP CaEG under the Convergence objective?

The table bellow provides an overview of complementarity of OP CaEG with other OPs and the resulting synergies. We can state an existence of logical links and dividing lines between OP and satisfactory setting of the system with regard to achieving synergies:

Table No. 1: Complementarity and synergy

OP	Complementarity		Synergy
	Relevant OP	OP CaEG	
<b>OP EaSI</b>	Support in the area of employment services (quality and availability of labour force)	Technical support (innovation processes in industry and services)	Support for businesses, Employment growth, Growth of competitiveness, Ensuring sustainable economic growth
<b>OP Environment</b>	Change of fuel basis of energy sources with an emphasis on low emission / RES, Waste recovery and technological transfer in given field	Building new RES, Introducing progressive technologies in energy sector, Environmentally friendly and cost-efficient production technologies	Increasing energy efficiency, Reduction of greenhouse gas emissions, Waste recovery, Ensuring sustainable economic growth
<b>OP RaD</b>	Providing inputs to innovation processes in companies	Application of scientific and research knowledge in the business sector	Growth of competitiveness, Building regional innovation centres
<b>OP IS</b>	Inclusion of ICT into public sector and households	Inclusion of ICT into businesses	Growth of competitiveness, Inclusion of ICT into processes in economy
<b>OP Health</b>	Business sector support from the view of medical services	Business sector support except medical services	Promoting entrepreneurship, Job creation, Growth of competitiveness
<b>OP Education</b>	Preparation of human resources for the needs of knowledge society	Utilisation of human resources in knowledge economy	Job creation, Growth of competitiveness
<b>Regional Operational Programme</b>	Support of the public sector in tourism business, Restoration of public lighting in the central zone of the village/town as one of the project activities	Support of the private sector in tourism business Restoring public lighting in village/town as a separate project	Tourism support, Settlement support, Increasing energy efficiency, promotion of entrepreneurship, job creation, Growth of competitiveness

Source: IBS SLOVAKIA, s.r.o.

#### 9. Is it necessary to take measures to achieve synergies?

A significant synergy effect with regard to job creation is produced by combining innovation processes in industry and services on one hand and by promoting quality and availability of labour force on the other is generated as a result of close cooperation between the MoE and Ministry of Labour, Social Affairs and Family as MA for OP Education and Social Inclusion (hereinafter referred to as “OP EaSI”) in support of integrated projects financed jointly by the ERDF and European Social Fund (hereinafter referred to as “SF”). MoE as a central state administration body for energy sector and energy efficiency participated in the preparation of all OPs which undertake improvement energy efficiency efforts in SR, i.e. OP CaEG, OP Environment, OP Health, OP Research and Development

(hereinafter referred to as “OP RaD”), OP Bratislava Self-Governing Region, Regional Operational Programme and Rural Development Programme, which creates a good basis for synergy effects between individual OP’s measures. The system can be thus considered to be set-up satisfactorily.

Given the close link between innovations on one hand and research and development on the other, a closer structural link between OP CaEG and OP RaD would be desirable, with an emphasis on the needs of the private sector. Priority Axis 2 of OP RaD “Support for research and development” aspires among others the creation of „new innovative (high-tech) small and medium enterprises“. Due to the disproportionality between the sub-field-position of this area within Priority Axis 2 in OP RaD on one hand, and the importance of its content for achieving the objectives of the National Reforms Programme (hereinafter referred to as “NRP”) on the other, it may be worth considering to move the area of RaD regarding enterprises under MoE SR (also having in mind the competencies of MoE), which would also promote coherence and internal logic of measures.

#### **D. Evaluation of the growth of competitiveness of regions in Slovakia in relation to the objectives of the strategy Europe 2020 and the National Reforms Programme**

##### ***10. How does OP CaEG contribute to the fulfilment of objectives of the strategy Europe 2020 and of the National Reforms Programme?***

The strategy Europe 2020 (hereinafter referred to as “Strategy”) presents the ambition to achieve intelligent, sustainable and inclusive growth of the EU, which the national states reflect in their NRPs. The NRP of SR reflects the Strategy’s goals, and by defining areas of support it determines priorities and direction of OP development. The internal logic and the structure of OP CaEG contribute to the fulfilment of both the objectives of the Strategy and NRP for the following reasons: NRP and OP CaEG pursue the same main goals, which is sustainable growth, employment and competitiveness. OP CaEG reflects all the main thematic fields of NRP, i.e. development of technical, transport and social infrastructure, human resources, science and research with emphasis on environmental sustainability and energy efficiency. Innovations and technological transfer and support for innovation activities in enterprises contribute to intelligent growth and, an increase in energy efficiency and introduction of advanced technologies in the energy sector are prerequisites for its sustainability. In order to fulfil the principle of inclusion (except for MRK), the attention is drawn to job creation that meets the priority of equal opportunities for all regardless of gender and ethnical affiliation. Consequently, the contribution of OP CaEG to the fulfilment of the main objectives of NRP and the Strategy is significant.

#### **E. Proposal for recommendations and strategic objectives for the next programming period 2014 – 2020 pursuing effective progress in achieving the strategy Europe 2020 objectives (under the maximisation of qualitative effects from the resources allocated into the operational programme).**

A key problem which complicates the preparation of OP focused on research and innovations is lack of coordination of the national scientific, technology, and innovation policy and associated fragmentation of different types of support. Furthermore, dividing lines between research and innovations are not clearly drawn. In terms of content, it is necessary to focus interventions on an increase in private investments volume into research, development and innovations in the years 2014 – 2020 and on commercialisation and application of public research institutions’ results in cooperation with the industrial sector. However, OP CaEG is from the perspective of evaluators a successful programme, to a large extent suitable for a follow-up programme in the new programming period 2014 – 2020. It is important to continue to support micro, small and medium enterprises with emphasis on competitiveness growth via innovations, research and development. For selected types of interventions it is suitable to continue supporting large enterprises as well. It is also important to continue in introducing RES and in improving energy efficiency in all sectors.

## Recommendations

- 1) Contracting and drawing of OP CaEG is considered satisfactory with regard to the advanced implementation period and we suggest continuing in the trend. It is important in the highest possible extent to comply with the deadlines in the appraisal process. We recommend to better focus new calls on job creation, in order to fulfil the measurable indicators of employment.
- 2) Due to the economic crisis and high unemployment it is necessary to constantly adjust OP CaEG to the current economy needs, i.e. to support projects focused on development of SMEs that will create new jobs.
- 3) It is necessary to stop the downward trend in the number of employees at MA for OP CaEG and IB and to stabilise the employees on particular posts in order to reach the maximum amount the planned state of AC. From the view of efficiency management, it would be appropriate to complete the organisational changes by incorporating IB SACR into SIEA, thus creating the only IB for the whole OP.
- 4) Strategic advice for the field of research and innovations in Slovakia is to build a system of coordination of national science, technology and innovation policy and related various types of support. It is necessary to clearly define the dividing lines between research and innovations.
- 5) It is necessary to determine as soon as possible the final structure of the OP for the programming period 2014 – 2020 and to make a binding decision about their MA. At the same time it is necessary to immediately declare public procurement for ex-ante evaluators for all OPs, in order to realise ex-ante evaluations in parallel with their preparation.
- 6) We recommend that Moe SR was MA for the area of support for entrepreneurship, innovation, energy sector and the associated employment also in the programming period 2014 – 2020. Those are thematic objectives that build on the successful implementation of the OP CaEG 2007 – 2013 and the Sectoral Operational Programme 2004 – 2006, and therefore any change of the MA would be counterproductive.
- 7) For future interventions we recommend along core indicators and measurable indicators of HP to set on the lower programme levels (especially at the level of priority axes and measures) also other measurable indicators which will focus on monitoring of the implementation of specific objectives.
- 8) It is necessary to clearly specify the means of monitoring and achieving the target value of the measurable indicator „Energy savings obtained by implementation of the projects supported“, as the energy savings expressed in TJ/year achieve each year different value.
- 9) In the field of energy it is recommended to focus future interventions mainly on increasing of energy efficiency in all sectors – public administration, commercial and residual sector. This is connected to further support of RES.
- 10) In the tourism sector we recommend to focus support in the programming period 2014 – 2020 mainly on the field of promotion and presentation of the Slovak Republic and its regions, respectively its tourist centres abroad. The support should be provided also to the regional tourism associations.
- 11) In the selected and justified areas we recommend also in the future to allow NGs also for large enterprises. However, it is necessary to specify in advance the transparent support of large enterprises and possibly limit the amounts of the total allocation which can be obtained. Anyway, crucial part of the resources allocated for the private sector should be designated for SMEs.

- 12) Given the short time that remains until the end of the programming period 2007 -2013, and the associated risk of non-absorption of allocated funds, we recommend to use also other contracting and drawing mechanisms (such as national projects, forms of repayable assistance) which are better able to absorb allocated resources than ad hoc calls for proposals.