



Report on the State of Small and Medium Enterprises in the Slovak Republic in 2010

Abbreviated English Version

Bratislava, October 2011

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1. Introduction

Small and medium-sized enterprises (SMEs) represent in developed countries a considerable segment of national economy. Within OECD countries SMEs reach more than 95% of all businesses, attract 60 – 70% of working force and get around one half of the produced added value. Monitoring of SME environment and adoption of measures for further development and strengthening of SMEs are therefore one of the key conditions for a sound economic development of the country.

The abbreviated English version of the regular report on the State of Small and Medium Enterprises in 2010 was prepared by the National Agency for Development of Small and Medium Enterprises (NADSME) for working use within international environment. The document represents English translation of the following chapters of the report:

- 3. The development and state of SMEs in 2010;
- 4. Recommendations for further improvement in the business environment and for the development of SMEs;
- Appendix: graphs and tables.

The chapter Development and State of SMEs in 2010 provides information and data on development of SME sector in 2010, including information on business dynamics, gender issues, share on employment, share on foreign trade, regional distribution and the perception of CSR concept within the SME community. Document also contains relevant EU data for easy assessment and comparison. Some key economic and statistical indicators are presented in the form of graphs, maps and tables in the Appendix.

Chapter 4 contains recommendations for further strengthening of the business environment and for development of SMEs. Recommendations provided in the report were identified based on consultation with business associations and on the basis of results of surveys realised within the given year. At the conference “Mobilising SMEs for the Future of Europe”, organized by EC - DG Enterprise and Industry, that was held in Budapest, Hungary on May 24/25, 2011, NADSME has been given the position of SME Envoy. This position is expected to act as an active interface with the SME business community, considering their specific interests and needs in terms of EU programmes and policies, i.a. being responsible also for monitoring the implementation of the Small Business Act (SBA) initiative. In order to allow for easier monitoring the recommendations are structured according to individual principles of SBA.

This abbreviated report is understood as a complement to the main document - the Slovak version of the State of Small and Medium Enterprises in 2010, which can be found at the NADSME website <http://www.nadsme.sk/sk/content/stav-maleho-stredneho-podnikania-za-rok-2010>. The main report contains further detailed information about the SME business environment, especially with regard to support programmes and measures implemented and their results.

3. The development and state of SMEs in 2010

The quality of the business environment is a defining element for the development of the business sector. Changes in the business environment with a delay are also reflected in the quantitative characteristics of the SME sector, which provides in the non-financial economy provide jobs for 72.2 % of the active labour force and contribute 56.1 % of the creation of value added.

In order to improve the business environment for SME development, it is necessary to assess its state and monitor developments. Deeper analysis of the state of the SME sector in chronological context allows identification of the existing trends, expected future developments and enables the preparation of measures to ensure optimal development.

This chapter presents the quantitative characteristics of the SME sector in 2010 in the context of its development over the past few years and compares the available data on the business sector in Slovakia and the EU.

The categorization of enterprises according size used in this chapter is in line with the recommendation of the European Commission No. 2003/361/EC valid from 1 Jan 2005. The category of SMEs consists of enterprises with less than 250 employees, while the category of large enterprises consists of Enterprises with a staff of 250 and more. Within the SME category, there are micro enterprises (0-9 employees), small enterprises (10-49 employees) and Medium enterprises (50-249). In cases where no distinction made for the separate category of micro Enterprises, small enterprises are defined to include all firms with a staff of 0–49. In addition to the number of workers, to the categorization of Enterprises in accordance with the directive can be applied other criteria such as the turnover, asset value and ownership structure. In the following sections, we use the number of employees as the sole criterion for inclusion in the category of SME business. This categorization allows comparison of the SMEs in the Slovak Republic with the state of the business sector in the European Union.

Quantitative characteristics of the sector of small and medium enterprises including the development of business, sectorial breakdown, regional distribution, employment, production and foreign trade are discussed in detail in subsections 3.1 - 3.8.

Information on the dynamics of the development of legal entities and natural persons - entrepreneurs, i.e. the number of newly created and closed-down entities, are reported in section 3.7

An important parts of the business environment research are statistical surveys conducted on a representative sample of businesses. In 2010, NADSME conducted a survey “Perceptions of the concept and practice of CSR by SMEs in Slovakia”, whose main results are presented in subsection 3.9.

Subsection 3.10 summarizes the data describing the position of SMEs in the Slovak economy, the next subsection 3.11 compares some characteristics of the SME sector in Slovakia and the European Union.

The assessment of the state of the sector of small and medium enterprises in this chapter is based on processing data from the statistical register and published data from the Statistical

Office of the Slovak Republic. In order to assess the status of SMEs in employment and foreign trade, separate output was processed by the Statistical Office for the purposes of NADSME. The data source for EU countries is €tat. Graphic data, which is referred to in the following sections are listed in the Annex.

3.1 Natural persons

The register of organizations of the Statistical Office of the Slovak Republic included 410,308 natural persons – entrepreneurs. The number of natural persons - entrepreneurs decreased 0.95 % in the inter-annual comparison. Of the total number of natural persons – entrepreneurs, 384,202 were small trade licensees, 18,378 were operating in free occupations and 7,728 were independent farmers (Graph Nos. 1 and 2). The year of decline was mainly due to a decrease in the number of small trade licensees by 3,674 (0.9 %) and self-employed farmers by 289 (3.6 %). The number of persons doing operating in free occupations increased by 404 (2.2 %).

In 2010 a year on year decline was recorded in the proportion of small trade licences in trade (by 0.7 percentage point) in industry (by 0.3 pp). The proportion of small trade licensees increased in services (by 0.8 pp), and in construction (by 0.2 pp). The proportion of small trade licensees remained unchanged in other sectors (section SK NACE – agriculture, forestry, fishing). Relatively stable sectoral structure of small trade licensees is shown in Graph No. 3. From 2008, the graph used the statistical classification of economic activities SK NACE, which replaced OKEČ the original Statistical classification of economic activities, and which is fully harmonized with the European version of NACE Revision 2.

The most significant sector according to SK NACE are trade with 105,301 small trade licensees, construction with 88,260 small trade licensees, industry with 63,049 small trade licensees and trade services (section SK NACE K to N) with 50,595 small trade licensees. In the sector of transport and information operate 24,871 small trade licensees, in other services (section SK NACE from O to S) 23,820 small trade licensees, in accommodation and food services 15,005 small trade licensees and in agriculture (section SK NACE A) 12,937 (Graph No. 4).

The most significant a year on year decline was recorded in trade (by 3,716), in industry (by 1,611), in accommodation and food services (by 182). The most significant a year on year grow was recorded in trade services (by 1,266), in other services (by 568) and in transport and information (by 428). A year on year changes of numbers of small trade licensees are show in Graf No. 9.

According to the register of organizations of the SOSR the most small trade licensees were operating in Bratislava Region (58 282), in Prešov Region (56,443), in Žilina Region (56,079), in Nitra Region (47,759), in Trenčín Region (43,553), in Trnava Region (42,004), in Banská Bystrica Region (41,156) and in Košice Region (38,926). The development of number of small trade licensees according to regions is show in Map No. 2.

3.2 Gender and Age Composition of Natural Persons - Entrepreneurs

Gender composition of natural persons - entrepreneurs

In the register of organizations maintained by the Statistical Office of the Slovak Republic, at the end of 2010, there were 72.5% men and 27.5% women from the total number of natural persons - entrepreneurs recorded. Within different legal forms reached women – entrepreneurs the largest representation among entrepreneurs operating in free occupations (54.1%). They had a substantially lower representation among small trade licensees (26.3%) and independent farmers (24.8%).

Table No. 3.1: The gender composition of natural persons - entrepreneurs by legal forms (in%)

Gender/legal forms	Small trade licensees	Independent farmers	Free occupations	Total FO – entrepreneurs
male	73,7	75,2	45,9	72,5
female	26,3	24,8	54,1	27,5

Source: Register of organizations of the Statistical Office of the Slovak Republic, processed by NADSME

The highest number of women – entrepreneurs is reached in sector (by SK NACE) of other services (60.2%), trade services (49.3%), trade (38.9%) and accommodation and food services (39.3%). On the other hand, women have the smallest representation in construction (1.8%), agriculture (9.9%), industry (13.5%), transport and information (14.6%). Gender composition of small trade licensees by sector is shown in Graph No. 22.

Women – entrepreneurs were represented in the number above the average in Bratislava Region (32.7%), Košice Region (30.4%) and Banská Bystrica Region (29.1%). In other regions the share of women – entrepreneurs varied from 21.9% (Prešov) to 25.8% (Nitra Region).

To assess the economic activity of men and women operating in different regions Graph No. 27 shows the indicator of the share of active entrepreneurs on the total number of economically active population by gender and region.

Age structure of natural persons - entrepreneurs

In the register of organizations maintained by the Statistical Office of the Slovak Republic was recorded the largest number of natural persons - entrepreneurs in the category of the age group from 30 to 39 (28.6%), followed by the category of 40 to 49 years-old (27.1%), then the category of 50 to 59 years-old (22.2%) and the last was the category of less than 30 years-old (15.2%). In the age group of above 60 were 7 % of active entrepreneurs. Age structure of natural persons - entrepreneurs listed in the Table 3.2 illustrates the age composition of the active entrepreneurs according to the legal forms. Graphic presentation of the age structure is shown in Graph No. 25.

From the perspective of different legal forms is evident a significant percentage of older age categories of entrepreneurs among independent farmers and those operating in free occupations (share of 50 and over reached 66.0% for independent farmers and 48.1% for free

occupations). For small trade licensees, the number reached 27.5%. Still the share of 30 and less years-old reached the highest number among small trade licensees (15.6%), for independent farmers it reached only 3.4% and for free occupations 10.5%.

Table No. 3.2: Age structure of natural persons - entrepreneurs by legal forms (in%)

age/legal entity	Small trade licensees	Independent farmers	Free occupations	Total FO – entrepreneurs
under 30	15,6	3,4	10,5	15,2
30-39	29,4	12,2	20,2	28,6
40-49	27,5	18,3	21,1	27,1
50-59	21,7	25,7	29,9	22,2
60-69	5,0	17,5	15,1	5,7
70-79	0,6	12,4	2,8	1,0
Above 80	0,1	10,4	0,3	0,3

Source: Register of organizations of the Statistical Office of the Slovak Republic, processed by NADSME

Age structure of small trade licensees by gender in the Graph No. 26 illustrates the greater concentration of men in younger age groups 39 and less years-old and conversely greater concentration of women in categories 40 and over.

Quite a significant percentage of active natural persons – entrepreneurs aged 50 and over (29.2%) will require increased attention because of coming retirement age of these entrepreneurs. More than one quarter of existing businesses may be therefore ceasing its activity within next 10 years. From the perspective of legal forms the most significant representation in the category of 50 and over is among independent farmers (66.0%) and free occupations (48.1%).

3.3 Legal Entities

In 2010 in Slovakia, according to data from the Statistical Office of the Slovak Republic, the number of legal entities rose 9.9% in the inter-annual comparison. Of total number of legal entities (197,089) recorded in the register of organisation were 143,001 enterprises and 54,088 non-profit institutions.

In comparison to 2009 the total number of enterprises rose by 15,592 (12.2%) and total number of non-profit institutions by 2,145 (4.1%).

Of total number of legal enterprises micro enterprises (143,001, including enterprises with an unknown number of employees) comprised 91.0%. Small business comprised 6.7 %, medium-size enterprises 1.9% and large enterprises 0.4%. Small and medium enterprises comprised 99.6% of total number of enterprises – legal entities. In the inter-annual comparison the number of small enterprises (including micro-enterprises) grew by 15,868 to 139,693, the number of medium-size enterprises decreased by 201 to 2,724 and the number of large enterprises decreased by 75 to 584.

There were 130,144 micro enterprises with up to 9 employees (including enterprises with unknown number of employees), 9,549 small enterprises with 10-49 employees. There were 2,724 medium-sized enterprises with 50-249 employees. The trend in the number of small and medium-sized enterprises is illustrated in Graph No. 5. Changes in individual-size categories in 2001 - 2010 are shown in Graph No 6.

Over the past year, there has been growth in the share of micro-enterprises (0-9 employees) by 10.2 percentage point, decline in the share of small enterprises (10-49) by 9.7 pp, decline in the share of medium-sized enterprises by 0.4 pp and decline in share of large enterprises by 0.1 pp. The significant year to year decline in the share of small enterprises (10-49) was affected by the change of the size category in more than half small enterprises (registered in 2009) into the category of micro enterprises in 2010. This year to year decline was caused by the late incorporation of the data on employment, which represented the crisis situation in 2009 into the register of organisation of the Slovak Republic Statistical Office within the mass data update.

The most small and medium enterprises were operating (according to classification SK NACE) in trade (44,928), trade services (section SK NACE from K to N, 41,787), industry (14,008), transport and information (11,488) and construction (11,434). In other services (section SK NACE from O to S) were operating 8,706 enterprises, in agriculture 5,047 and in accommodation and food services 5,019. In the inter-annual comparison the number of small and medium enterprises grew in trade services by 6,190, trade by 3,093, construction by 1,711, transport and information by 1,701, other services by 1,193, industry by 997, accommodation and food services by 586 and other sectors (agriculture) by 193. The breakdown by sectors is shown in Graph No. 7. Year to year changes of numerous of SMEs – legal enterprises by sector are shown in Graph No. 9.

The development of number of small and medium enterprises by regions is shown in Map No. 1.

3.4 The employment share of SMEs

According to the Quarterly Statistical Survey, in 2010 on average 2,151.9 thousand persons were working in the national economy of Slovakia. In comparison with 2009 the employment declined by 1.1% (by 24.7 thousand persons).

In terms of the individual quarters, the development of employment was gradually improving and in the end of 2010 have been added more than 10 thousand employed, compared with the end of 2009.

Of total number persons working in the national economy of Slovakia (2,151.9 thousand) 1,763.1 thousand persons were working in the business sector according to the Quarterly Statistical Survey. The employment in the business sector recorded decline on a year to year comparison by 1.3% (22.8 thousands)

In the category of small and medium enterprises including small trade licensees employment year to year declined by 0.5% (in 2009 declined by 5.1%). In the category of small trade licensees employment declined by 2.8% and in the category of medium-size enterprises by 0.7%. In the category of small enterprises employment grew by 4 %. In large enterprises, employment declined by 3.2% (in 2009 declined by 5.7%).

The role SMEs play in employment from 2006 is apparent from the Graph No. 11. Small and medium-sized enterprises, including small trade licensees provided work in 2006 to 71.51% of the employed population, with an increase in 2010 to 72.2% (by 0.7 pp). The year to year growth of the employment share of SMEs in 2010 was due mainly to higher annual decline of employed persons in the category of large enterprises (3.2%) than in the SME category (0.5%).

From the perspective of different size categories and legal forms in 2010, the share of small trade licensees on employment in the business sector were 36.7%, small enterprises 20.5% (micro enterprises 9.5%), medium enterprises 15.1 % and large enterprises 27.8%. In 2010, the share of small and medium enterprises on employment in the business economy was 72.2% and on total employment in the national economy of Slovakia 59.2%.

The share of persons employed in individual regions to total employment according to the Quarterly Statistical Report ranged from 10.3% (Banská Bystrica Region) to 20.3% (Bratislava region).

The decline in total employment in 2010 is naturally also reflected to the negative development in unemployment. According to the Labour Force Survey in 2010 the number of unemployed rose by 64.8 thousand persons, when the total number of unemployed people reached 389 thousand persons.

3.5 Contributions by SMEs to Production in Selected Sectors

In 2010, according to an estimation of the Statistical Office of the Slovak Republic, gross domestic product of 65,905.5 million € was generated at nominal prices and in real terms increased by 4% from 2009 (in 2009 it declined by 4.8 %). At nominal prices, it grew year to year by 4.5%. The gross domestic product growth was mainly due to an increase in foreign demand. The volume of exports of goods and services grew by 16.4% and imports of goods and services by 14.9%. Domestic demand dropped by 2.4%. Of the gross domestic product in 2010, added value created amounted to 60,208.5 million €, a year on year increase of 4.5%.

From total gross domestic product generated in nominal prices, industry had the highest percentage at 23.5%, trade, hotels, restaurants and transportation generated 22.1%, financial intermediation and real estate 17.5%, public administration, education, health and other services 16.5%, construction 8.2%, agriculture and fisheries 3.5% and tax levied on products 8.6%.

The increase in GDP was affected by 7.2% rise of gross production to 150,981.2 million € and intermediate consumption by 9.1% to 90,772.7 million €. The share of intermediate consumption in gross production increased year to year by 1.0 pp and reached 60.0%.

The following subsections present processed indicators documenting the status of SMEs in selected non-financial sectors of the economy.

Industry

Industrial production according to a data the Statistical Office of the Slovak Republic on average increased in 2010 by 18.9% at constant prices (in 2009 it declined by 14.6%). The growth in industrial production was affected mainly the growth in industrial manufacturing by 20.1%, and in electricity and gas by 15.6% and in mining and quarrying by 0.4%. Similarly to industrial production, revenues for sales of goods and services in industry increased year on year compared with 2009 by 19.2% and reached the level of 67,484.1 million €.

Table No. 3.3: The development of revenue in industry according to size categories and legal forms (in million €)

Category of business subjects	2007	2008	2009	2010	Share in 2010, in %	Index 2010/2009 at curr. pr.
Small trade licensees	5 818,3	5 934,1	3 078,8	3 787,8	5,6%	123,0
Micro enter. (0-9)	993,4	999,7	457,6	1 222,0	1,8%	267,1
Small enter. (10-49)	4 204,9	4 538,6	3 684,2	4 123,7	6,1%	111,9
Middle enter. (50-249)	9 762,8	12 520,5	10 396,3	12 207,2	18,1%	117,4
Large enter. (250 and more)	48 386,4	48 974,5	39 830,1	46 143,4	68,4%	115,9
SME	20 779,4	23 992,9	17 616,8	21 340,7	31,6%	121,1
Total	69 165,8	72 967,4	57 447,0	67 484,1	100,0%	117,5

Source: The Statistical Office of the Slovak Republic, processed by NADSME

From the perspective of size categories, small and medium enterprises including small trade licensees generated 31.6 % share of total revenue in industry. Large enterprises generated a decisive share of 68.4% of total revenues in industry. Medium-sized enterprises had 18.1% of revenues, small enterprises 7.9% and small trade licensees 5.6%.

After a significant year to year decline in revenues in 2009, revenue in 2010 recorded year to year grow in all size categories of enterprises. Revenue of small and medium enterprises, including small trade licensees increased on year to year by 21.1% at current prices.

Construction

In 2010, construction output reached the level of 5,534.6 million € and in comparison with 2009 a decrease of 4.4%. The development of construction output was affected mainly by decline of 3.41% in domestic output which was at 5,388.4 million €. The volume of work on new construction, modernization and reconstruction fell by 3.5% and work on repairs and maintenance fell by 2.5%. Construction output abroad strongly fell by 34.8%. The decline in construction output was associated with a decrease in labour productivity by 2.1% to 30,615.8 €.

Table No. 3.4: The development of construction output according to size categories and legal forms (in million €)

Category of business subjects	2007	2008	2009	2010	Share in 2010, in %	Index 2010/2009 at curr. pr.
Small trade licensees	1 758,0	2 111,8	1 927,5	1 869,5	34,0%	97,0
Small enter. (0-49)	1 420,1	1 607,7	1 396,5	1 358,2	24,7%	97,3
Middle enter. (50-249)	1 047,4	1 169,3	1 045,6	1 014,3	18,5%	97,0
Large enter. (250 and more)	1 060,7	1 371,6	1 340,9	1 255,1	22,8%	93,6
SME	4 225,5	4 888,8	4 369,6	4 242,0	77,2%	97,1
Total	5 286,2	6 260,4	5 710,5	5 497,1	100,0%	96,3

Source: The Statistical Office of the Slovak Republic, processed by NADSME

In 2010, of total construction output, small trade licensees generated more than a third (34 %), small enterprises 24.7 %, large enterprises 22.8% and medium-size enterprises 18.5 %. Small and medium enterprises including small trade licensees generated 77.2% share of total construction output. Year to year decrease in construction output came from decrease construction work (at current prices) performed by middle-size enterprises and small trade licensees by 3% and small enterprises by 2.7%. The total construction output performed by small and medium size enterprises, including small trade licensees year to year decreased by 2.7%. The construction output performed by large enterprises year to year decreased by 6.4%

Trade

Revenue in the wholesale trade grew compared to 2009 by 2.6% and their volume was 23,300.3 million €.

Revenue in the retail trade after a year to year decline in 2009 recorded decline even in 2010 by 2.2% and their volume was 17 294.1 million €. Revenue for own performance and merchandise in the motor vehicles sales and maintenance year to year declined by 1.5% and their volume was 3,769.7 million €.

Table No. 3.5: The development of revenue in trade according to size categories and legal forms in mill. € (SK NACE division 46 – Wholesale trade, except of motor vehicles and motorcycles, 47 – Retail trade, except of motor vehicles and motorcycles)

Category of business subjects	2007	2008	2009	2010	Share in 2010, in %	Index 2010/2009 at curr. pr.
Small trade licensees	10 405,2	9 545,4	7 790,2	6 020,5	14,8%	77,3
Small enter. (0-49)	18 544,6	21 999,7	16 307,9	16 918,6	41,7%	103,7
Middle enter. (50-249)	6 113,1	7 612,4	7 331,8	7 960,9	19,6%	108,6
Large enter. (250 and more)	7 371,7	8 566,6	8 714,9	9 694,4	23,9%	111,2
SME	35 062,9	39 157,5	31 429,9	30 900,0	76,1%	98,3
Total	42 434,6	47 724,1	40 144,8	40 594,4	100,0%	101,1

Source: The Statistical Office of the Slovak Republic, processed by NADSME

In 2010, revenue for own performance and merchandise in wholesale trade and retail trade reached the volume 40,594.4 million €. Of total revenue, small trade licensees generated 14.8%, small enterprises 41.7% and middle-size 19.6%. Large enterprises generated share 23.9%. The total revenue of small and medium size enterprises, including small trade

licensees year to year decreased by 1.7% at current prices. Revenue of large enterprises year to year grew by 1.1%.

Transport

In 2010, revenue for goods and services in transport and storage (including postal and courier services) reached 5,793.2 million €, in comparison with 2009 grew by 7.1% at current prices.

Table No. 3.6: The development of revenue in trade according to size categories and legal forms in mill. € (SK NACE division 46 – Wholesale trade, except of motor vehicles and motorcycles, 47 – Retail trade, except of motor vehicles and motorcycles)

Category of business subjects	2007	2008	2009	2010	Share in 2010, in %	Index 2010/2009 at curr. pr.
Small trade licensees	379,4	337,1	286,0	235,4	13,8%	82,3
Small enter. (0-49)	375,3	590,7	480,7	516,0	30,2%	107,3
Middle enter. (50-249)	470,6	499,9	449,8	556,2	32,5%	123,7
Large enter. (250 and more)	337,8	412,1	388,7	402,8	23,6%	103,6
SME	1 225,3	1 427,7	1 216,5	1 307,6	76,4%	107,5
Total	1 563,2	1 839,7	1 605,2	1 710,4	100,0%	106,6

Source: The Statistical Office of the Slovak Republic, processed by NADSME

From the perspective of size categories, of total revenue in road transport, medium-size enterprises generated 32.5%, small enterprises 30.2%, small trade licensees 13.8% and large enterprises 23.6%. In 2010, of total revenue small and medium size enterprises including small trade licensees generated 76.4%. Revenue grew in all size categories except small trade licensees.

Selected market services

In selected market services revenue for goods and services reached 8,585.7 million €, a year on year increase of 5.7%. More than half the total value (56.8%) was accounted for by revenue of real estate, professional and technical activities.

Table No. 3.7: The development of revenue in selected market services according to size categories and legal forms (in million €)

Category of business subjects	2007	2008	2009	2010	Share in 2010, in %	Index 2010/2009 at curr. pr.
Small trade licensees	1 505,1	1 435,9	978,5	1 235,6	14,4%	126,3
Micro enter. (0-9)	1 525,7	1 913,8	2 124,1	2 204,9	25,7%	103,8
Small enter. (10-49)	2 100,9	2 286,9	2 173,6	2 116,7	24,7%	97,4
Middle enter. (50-249)	2 018,3	2 275,7	1 586,3	1 840,3	21,5%	116,0
Large enter. (250 and more)	1 330,4	1 745,3	1 120,7	1 168,2	13,6%	104,2
SME	7 149,9	7 912,3	6 862,5	7 397,5	86,4%	107,8
Total	8 480,3	9 657,6	7 983,2	8 565,7	100,0%	107,3

Source: The Statistical Office of the Slovak Republic, processed by NADSME

Of total revenue was 25.7% from micro enterprises, 24.7% from small enterprises, 21.5% from medium-size enterprises, 14.4% from small trade licensees and 13.6% from large enterprises. The year to year growth was associated with a growth in revenue of small trade licensees by 26.3%, middle-size enterprise by 16.0%, micro enterprises by 3.8%, and large enterprises by 4.2% in current prices. Revenue of small enterprises recorded a year to year decline by 2.6%. In 2010, the total revenue of small and medium-size enterprises including small trade licensees year to year grew by 7.8%.

Contribution by SMEs in selected sectors is shown in Graphs No. 12 and 13.

3.6 Foreign trade

According to preliminary results of the Statistical Office of the Slovak Republic and the National Bank of Slovakia, the total export of goods and services in 2010 reached the value 53.29 billion € and the total import of goods and services 53.96 billion €. During the year 2010, according to the Statistical Office of the Slovak Republic, export of goods reached the value 48,791 million €, year to year growth was 228%. Total imports of goods reached the value 48,653.5 million € and compared with 2009 increased by 25.2%.

The export performance of the economy, expressed as the proportion of GDP represented by exports of goods and services grew in 2010 to 80.9% (by 10.3 pp). Import demand, expressed the proportion of imports of goods and services to GDP grew in 2010 to 81.9% (by 10.9 pp).

In commodity structure the major share of total exports were motor vehicle and trailers (22.2%), computers, electronic and optical equipment (19.9%), basic metals (8.6%), machinery and equipment others n. (7 %) electrical machinery and apparatus (5.7%).

The major share in the commodity structure of the total imports were computers, electronic and optical equipment (18.0), motor vehicles, trailers and semi-trailers (13.4), oil and natural gas (9%), machinery and equipment (6.9%).

The highest positive balance of foreign trade was with Austria, Germany, Czech Republic and Poland. The highest negative balance was seen between the Slovak Republic and the Republic of Korea, the Russian Federation and China.

The structural import and export volume in 2010 by size-category and territorial area is shown in charts 14 and 15. The territorial structure of foreign trade is handled according to the national concept and without estimated data (estimated data on exports in 2010 accounted for 6.8% of the total value of exports and 7.8% of total imports during exit processing). Imports structure by territory is shown according to country of origin of imported goods, for unspecified imports by country of consignment.

As seen from the chart no. 16, the share represented by micro enterprises (0-9 employees) of total 2010 exports amounting to 9.2% or 3.8 billion €, (this category included companies with an unknown number of employees exporting volumes of 0.6 billion €, 1.4% of total exports).

Small enterprises (10-49 employees) accounted for 16.8% of total exports, or in absolute terms 7.0 billion € while medium enterprises (50-249 employees) made up 11.4% of exports or in absolute terms 4.8 billion €. The largest share of 62.6% of total exports was accounted

for by large enterprises, representing 26.1 billion €. SMEs accounted for a total volume of exports of 37.4%, which were 15.6 billion € and an increase of 1.3 pp in comparison with 2009.

The structure of foreign trade by size-category of enterprise shown in Graph No. 16 and 17 is calculated from the data without operations conducted by foreign persons (of total exports this accounted for 8.4% share of total imports and 5.8% share) and without estimated data.

The most significant annual growth in exports was recorded by micro enterprises (0-9 employees) in 2010, by as much as 37.9% in absolute terms by 1.1 billion € compared to 2009. Small enterprises (10-49 employees) increased by 7.8%, in absolute terms by 0.5 billion €, medium enterprises (50-249 employees) by 20.1%, in absolute terms by 0.8 billion € and large enterprises (250 and more) by 24.6%, in absolute terms by 5.1 billion €.

As shown in Graph No. 17, the share of micro enterprises (0-9 employees), of the total import volume in 2010 (without estimated data) was 14.9%, in absolute terms 6.3 billion €, while this category included companies with an unknown number of employees importing a volume of 1.0 billion €, representing 2.3% of total imports without estimated data. Small enterprises (10-49 employees) accounted for 13.9% of the total imports, in absolute terms 5.9 billion € and medium enterprises (50-249 employees) contributed 14.0%, in absolute terms 5.9 billion €. The largest share of 57.2% of total imports was accounted for by large enterprises, representing 24.1 billion €. The SME share of total imports in 2010 was 42.8%, representing 18.1 billion €, an annual decrease of 2.9 pp.

The most significant growth in imports in 2010 was recorded by large enterprises (250+ employees), as much as 30.7%, in absolute terms of 5.7 billion € compared to 2009. Micro enterprises (0-9) increased by 25.5%, in absolute terms by 1.3 billion €, small enterprises (10-49 employees) imported 7.1% more, in absolute terms by 0.4 billion € and medium enterprises (50-249 employees) increased by 16.6%, in absolute terms by 0.8 billion €.

3.7 Dynamics of the development of legal entities and natural persons – entrepreneurs

Since 2007 the Statistical Office of the Slovak Republic has published data on the number of economic subjects births and deaths according to the methodology for business demography, by which births entities are defined as legal entities and natural persons – entrepreneurs who had revenue or employees in the year concerned, and had neither revenues nor employees during the previous two years. Deaths entities are defined as legal entities and natural persons – entrepreneurs who were active in a given year, but had no revenue or employees in the next two years. Legal persons other than enterprises include non-profit institutions.

According to the methodology for business demography, the most recent data generated for births and deaths entities is that published for 2008. During 2008, using this methodology, a total of 57,574 entities (legal entities and natural persons - entrepreneurs) were created. Of total newly-formed entities, 95.5% were in the size-category of 0-4 employees. In comparison with 2009, the total number of newly established economic entities was 7,716 higher. In terms of branch structure, (according the statistical classification of economic activities – SK NACE) in 2008 most new entities originated in trade, construction, manufacturing, and in professional, scientific and technical activities.

Based on €tat data, the percentage of newly-formed entities compared to the total number of active entities according to the methodology for business demography in new enterprises in selected sectors (sections NACE B to N) in Slovakia was 15.5% in 2008. Within each sector, this indicator ranged from 7.3% to 29.2%, with the highest values recorded in real estate activities (29.2%), administrative and support service activities (19.1%) and information and communication (19.1%). Conversely the lowest values were in electricity, gas, steam and air conditioning supply (7.3%), mining and quarrying (10.2%). The percentage of newly-formed entities in selected industries (sections NACE B to N) and EU countries is presented in Graph No. 27.

Tab. No. 3.8: Enterprise births of legal entities and natural persons – entrepreneurs in the SR by size category of workforce and economic activity

Size category	2005	2006	2007	Size category	2008
0 – 4	21 774	47 097	46 473	0 – 4	54 963
5 – 9	1 286	570	1 949	5 – 9	1 465
10 and more	950	358	1 436	10 and more	1 146
Total	24 010	48 025	49 858	Total	57 574
Economic activity (OKEČ)			Economic activity (SK NACE)		
C-E Industry	3 333	10 567	11 130	B-E Industry	10 409
F Construction	3 549	8 338	8 840	F Construction	11 949
G Trade	7 327	15 603	13 995	G Trade	14 429
H Hotels, restaurants	1 263	1 014	1 488	H transport and storage	1 768
I Transfer, posts, telecom.	934	1 434	1 657	I Accom. and food services	1 853
J Financial intermediation	69	1 033	597	J Information and communic.	2 022
K Real estate, renting, commer.	5 483	6 829	7 511	K-L Financial inter., real estate	3 019
M Education	409	480	493	M Professional, scientific and technical services	6 020
N Health care, social assistance	737	1 091	1 037	N Administration and support services	2 178
O Other community, soc. and personal services	906	1 636	3 110	P-S Education, health care, entertainment, other	3 927
Selected sectors together	24 010	48 025	49 858	Selected sectors together	57 574

Source: Statistical office of the Slovak Republic, Slovstat database

The latest figures on the numbers of newly deaths entities are those published for the year 2007, which are interim data, which will then revised by Statistical Office of the Slovak Republic. In 2007, according to the given methodology 64,079 subjects (legal entities and natural persons - entrepreneurs) became defunct. Of the total number of closed enterprises 89.8% entities were in the category of 0-4 employees. In terms of sectorial structure (according the statistical classification of economic activities – SK NACE) most subjects in 2007 had become defunct in the trade, industry, construction, real estate, other business activities sectors and construction.

According to €tat data, the proportion of deaths entities as a percentage of the total number of active entities, according to the business demography methodology in selected sectors (OKEČ categories C to K) in Slovakia was 16.8% in 2007, an increase of 5.6 percentage points compared to 2006. Within each sector, this indicator ranged in terms of value from 10.8% to 19.8%, with the highest values seen in the trade sector (19.8%), hotels and restaurants (19.7%) and financial intermediation (15.5%). Conversely the lowest percentage values were seen in mining and quarrying (10.8 %), the electricity, gas and water sector (11.1%). The

proportion of newly defunct entities according to preliminary results in selected sectors (OKEČ categories C to K) and EU countries is presented in Chart No. 29.

Tab. No. 3.8: Enterprise deaths of legal entities and natural persons – entrepreneurs in the SR by size category of workforce and economic activity

Size category	2002	2003	2004	2005	2006	2007
0 - 4	29 900	25 337	14 705	33 603	39 857	57 557
5 - 9	221	1 086	228	1 136	625	3 868
10 and more	349	1 304	219	1 151	582	2 654
Total	30 470	27 727	15 152	35 890	41 064	64 079
Economic activity (OKEČ)						
C-E Industry	6 090	4 246	2 060	5 213	6 556	10 154
F Construction	5 940	3 180	1 626	5 170	5 712	8 406
G Trade	10 002	12 243	6 397	12 667	15 731	23 054
H Hotels, restaurants	936	1 174	748	1 662	1 688	3 143
I Transfer, posts, telecom.	976	1 076	780	1 487	1 480	2 390
J Financial intermediation	265	292	147	152	417	618
K Real estate, renting, commer.	4 660	3 914	2 427	6 216	6 375	9 570
M Education	348	215	169	482	538	638
N Health care, social assistance	40	210	190	546	646	1 286
O Other community, soc. and personal services	1 213	1 177	608	2 295	1 921	4 820
Selected sectors together	30 470	27 727	15 152	35 890	41 064	64 079

Source: Statistical office of the Slovak Republic, Slovstat database

According to €tat data, of the total number of newly established entities in the selected sectors, 65.2% of entities were active at the end of their first year since entities birth. Of the total number of newly established entities in the selected sectors, 50.5% of entities were active at the end of their four year since entities birth. The proportion of active entities two years after their creation in selected sectors and in EU countries is shown in Chart no. 28.

Tab. No. 3.10: Percentage of active entities in different year since their creation (i.e. survival rate) in selected sectors in Slovakia in 2008 (in %)

Sector (NACE Rev 2)	1 year	2 year	3 year	4 year
Industry	71,5	63,7	60,2	53,9
Construction	72,0	63,5	58,1	53,8
Services	60,4	59,5	53,9	49,2
Selected sectors together	65,2	61,2	55,8	50,5

Source: €tat, Business demography statistics

Newly established entities in selected sectors at the end of their first year since establishment make up 8.5% of the total number of active entities. Entities at the end of the fifth year since their establishment make up only 3% of the total number of active entities.

Tab. No. 3.11: Percentage of active entities after each year since their creation (i.e. survival rate) in selected sectors in Slovakia in 2008 (in %)

Sector (NACE Rev 2)	1 year	2 year	3 year	4 year
Industry	71,5	63,7	60,2	53,9
Construction	72,0	63,5	58,1	53,8
Services	60,4	59,5	53,9	49,2
Selected sectors together	65,2	61,2	55,8	50,5

Source: Štat, Business demography statistics

3.8 Regional Aspects

By territorial division at the end of December 2010, the largest number of small and medium enterprises - legal entities was registered in the Bratislava region (49 420). In other regions the numbers ranged from 11,781 (Trenčín region) to 14,744 (Košice region). There was a year to year increase in the number of small medium enterprises – legal entities in all regions, most markedly in the region of Nitra (o 15.7%), Bratislava (15.3%). The lowest increase was in the Trenčín region (6.9%).

The most natural persons - entrepreneurs were operating in the Bratislava (62,549) and Prešov (59,808) regions, with the least in Košice region (42,705). The number of natural persons - entrepreneurs decreased in all regions, except Banská Bystrica region where was recorded growth by 0.1%. The highest loss of natural persons was seen in Trnava region (2.1%).

The development of number of natural persons - entrepreneurs and SMEs in various regions of the SR is shown in map No. 1 and 2. From the point of view of assessing a region's economic activity, the number of active enterprises as the proportion of the number of the economically active population has a greater ability to explain. This comparison is shown in Map No. 3 and 4. This indicator reaches emphatically the highest values in the Bratislava region, the disproportion is more pronounced for enterprises - legal entities.

Tab. No. 3.12: Number of natural persons enterprises in various regions of the SR in 2010

Region of the SR	Natural persons - entrepreneurs			Enterprises			SME	Total
	Small trade licensees	Free occupations	Independent farmers	Small (0-49)	Midle (50-249)	Large (250 and more)		
Bratislava	58 282	3 782	485	48 744	676	180	111 969	112 149
Trnava	42 004	1 593	896	12 862	274	61	57 629	57 690
Trenčín	43 553	1 770	281	11 473	308	73	57 385	57 458
Nitra	47 759	2 333	1 545	13 949	352	51	65 938	65 989
Žilina	56 079	1 852	1 008	13 057	333	61	72 329	72 390
Banská Bystrica	41 156	2 060	1 357	12 268	257	48	57 098	57 146
Prešov	56 443	2 355	1 010	12 857	263	58	72 928	72 986
Košice	38 926	2 633	1 146	14 483	261	52	57 449	57 501
Total	384 202	18 378	7 728	139 693	2 724	584	552 725	553 309

Source: The Statistical Office of the Slovak Republic, processed by NADSME

3.9 Perceptions of the concept and practice of corporate social responsibility among Slovak SMEs

National Agency for Development of Small and Medium Enterprises in cooperation with the Focus Agency and Pontis Foundation conducted a survey between representatives of small and medium-sized enterprises evaluating perceptions of the concept and practice of corporate social responsible business.

The survey was realized within the project "Responsible SMEs in Slovakia" and was conducted by telephone interview in period from September 30 to October 8, 2010 on representative sample of 1001 SMEs with size of enterprises (legal entities) with 10-249 employees, which were randomly selected from a business database.

The goal of the survey was to examine the level of awareness of corporate social responsible business among Slovak SMEs.

Intermediate targets of the survey were to find out:

- level of awareness of the CSR concept
- what is explanation of CSR concept among Slovak enterprises
- the main CSR activities have already been realized in the economic, social and environmental area
- the plans of the other activities in the CSR area in the future
- the interest in CSR concept for SMEs
- profits from CSR implementation
- describe the factors that determine the successful implementation of CSR
- the main obstacles of CSR implementation in SMEs

The following section lists the main findings from the survey:

Base on the survey result less than one tenth of participants in survey (9%) exactly understand meaning of CSR concept, less than one third (29%) approximately know meaning of CSR concept, 14 % of survey participants have heard or read about CSR but don't know meaning of that., 48 % of survey participants have not never heard or read about CSR concept.

More than one fifth of survey respondents (21%) image behind the CSR concept ethical behaviour on the market, honesty, 19% responsibility with respect on employees, 18% responsibility in general.

Slovak SMEs consider the most important activities and principles of CSR according to the survey results quality of products and services (43%), law enforcement (41%), provision of employment and salaries for employees (40%), honest communication with costumers (38%), ethical and transparent doing business (36%).

The most frequented motive of doing business in responsible way is to keep pace with concurrency (52%). The second most common motive is to effort to obtain and maintain employees (47%).

Improvement of company image and reputation was identified as a major benefit of responsible business to almost half (48%) participants of this research. Improvement of

economic result was considered as a benefit to 44% participants, raising of employee's loyalty and satisfactory to 41%.

The raising costs, insufficient state support and lack of qualified work force were identified as an obstacle for doing business in responsible way to one half of participants in research.

3.10 Position of SMEs in the economy of Slovakia – summary.

In 2010, according to an estimation of the Statistical Office of the Slovak Republic, gross domestic product of 65,905.5 million € was generated at nominal prices and in real terms increased by 4% from 2009 (in 2009 it has declined by 4.8 %). At nominal prices, it grew year to year by 4.5%. The gross domestic product growth was mainly due to an increase in foreign demand. The volume of exports of goods and services grew by 16.4% and imports of goods and services by 14.9%. Domestic demand dropped by 2.4%.

The increase in GDP was affected by 7.2% rise of gross production to 150,981.2 million € and intermediate consumption by 9.1% to 90,772.7 million €. The share of intermediate consumption in gross production year to year increased by 1.0 pp and reached 60.0%.

According to preliminary data of the Statistical office of the Slovak Republic the contribution of small and medium enterprises to basic economic indicators did not significantly change. The share of small and medium enterprises (legal persons - non-financial corporations) in the non-financial corporate sector in the gross production year to year declined by 0.3 percentage points to 42.8%, the share of value added increased by 1.3 percentage points to 56.1% and profit before tax fell by 3.7 percentage points to 53.4%.

The share of SMEs in gross production in the non-financial corporate business sector reached 42.8%. The share in gross production by small enterprises reached 22.5 % (decline by 0.4 pp), by medium-sized enterprises 20.4 % (rise by 0.2 pp) and by large enterprises 57.2 % (rise by 0.3 pp) (See Graph No. 18). At nominal prices the gross production year to year grew in SMEs-legal entities in the non-financial corporate sector by 11.9% (of which small enterprises grew by 10.3% and middle-size enterprises by 13.8%) and reached the value 44,140 mill. €. The gross production in large enterprises in the non-financial corporate sector grew by 13.2% to 58 900 mill. €.

In 2010, the share of SMEs in the creation of value added in the non-financial corporate sector reached 56.1%. Small enterprises contributed 34.3 % to creating added value (rise by 0.8 pp), medium-sized enterprises 21.8 % (rise by 0.5 pp) and large enterprises 43.9 % (decline by 1.3 pp) (See Graph No. 19). In current prices the added value year to year grew in SMEs-legal entities in the non-financial corporate sector by 11.6% (of which in small enterprises by 11.5% and medium-size enterprises by 11.8%) and reached the value 17,403 mill. €. The value added in large enterprises in the non-financial corporate sector year to year grew by 5.8 % to 13,638 mill. €.

The contribution of SMEs to profit before-tax reached 53.4%. Contribution to profit before-tax reached in small enterprises 37.2 % (decline by 7.3 p.p.), in medium-sized enterprises 16.2 % (increase by 3.7 p.p.) and in large enterprises 46.6 % (increase by 3.7 p.p.) (Graph No. 20). Year to year rise of profit in SMEs-legal entities in the non-financial corporate sector reached 22.0 % and reached the value 4,589 mill. €. The profit before-tax in large enterprises

in the non-financial corporate sector year to year grew by 41.6 % to 4,001 mill. €. According to the methodology of the Statistical Office of the Slovak Republic, non-financial corporations are regarded as profit-oriented enterprises registered in the business register in all areas of activity, except financial activities. This also includes non-profit organizations that cover more than 50% of their expenses with their own revenues.

According to the Quarterly Statistical Survey, in 2010 on average 2,151.9 thousand persons were working in the national economy of Slovakia. In comparison with 2009 the employment declined by 1.1% (by 24.7 thousand persons).

The employment in the business sector recorded decline on a year to year comparison by 1.3% (22.8 thousands. In the category of small and medium enterprises including small trade licensees employment declined by 0.5% year to year (in 2009 declined by 5.1%). In the category of small trade licensees employment declined by 2.8% and in the category of medium-size enterprises by 0.7%. In the category of small enterprises employment grew by 4 %. In large enterprises, employment declined by 3.2% (in 2009 declined by 5.7%).

From the perspective of different size categories and legal forms in 2010, the share of small trade licensees on employment in the business sector were 36.7%, small enterprises 20.5% (micro enterprises 9.5%), medium enterprises 15.1 % and large enterprises 27.8%. In 2010, the share of small and medium enterprises on employment in the business economy was 72.2%.

According to preliminary results of the Statistical Office of the Slovak Republic and the National Bank of Slovakia, the total export of goods and services in 2010 reached the value 53.29 billion € and the total import of goods and services 53.96 billion €. During the year 2010, according to the Statistical Office of the Slovak Republic, export of goods reached the value 48,791 million €, year to year growth was 228%. Total imports of goods reached the value 48,653.5 million € and compared with 2009 increased by 25.2%.

SMEs accounted for a total volume of exports of 37.4%, which were 15.6 billion € and an increase of 1.3 pp in comparison with 2009. The SME share of total imports in 2010 was 42.8%, representing 18.1 billion €, an annual decrease of 2.9 pp.

3.11 Comparison with available EU sources

The structure of the business sector in Slovakia is largely similar to the structure of the other EU Member States. To compare the structure of the business sector and its share in employment in the Slovak Republic and countries of the EU-27 in terms of size structure data published by €tat and the Statistical Office of the Slovak Republic has been used. These data show some differences, which needs to be taken into account during mutual comparison.

Data for the EU - 27 is compiled using €tat methoddogy for Structural Business Statistics and covers the non-financial corporate sector of the economy. In the data for the EU-27 in the case of Slovakia, unlike for other countries, only data for legal entities doing business is included. The statistics also show that of the total number of nearly 21 million enterprises in the non-financial corporate economy in the EU, 99.8% are SMEs (with a strong representation of micro enterprises 92%) and they provide 66.7% of employment.

The number of enterprises in the Slovak Republic (enterprises – legal entities and natural persons – entrepreneurs) in the table below covers the national economy of Slovakia and source of this data is the Business register of the Statistical Office of the Slovak Republic (SOSR). In the case of employment presented data express on average number of persons working in business economy according to the results of Quarterly Statistical Survey of SOSR. According to data presented are SMEs in Slovakia from the total number of Enterprises in selected sectors of the non-financial business economy, 99.9% share (micro representation is 97.2%) and participate in employment 72.2%.

Tab. No. 3.13: Size structure of enterprises in SR and EU

		Size of business					SME	Total
		micro	small	medium	large			
		(0-9)	(10-49)	(50-249)	(250+)			
EU - 27 (2008)	number of enterprises in the nonfinancial business economy (000 s)	19 313	1 408	228	45	20 949	20 994	
	<i>share in number of enterprises</i>	92,0%	6,7%	1,1%	0,2%	99,8%	100,0%	
	number of employees in the non-financial business economy (000 s)	39 325	27 856	23 410	45 185	90 591	135 776	
	<i>share in employment</i>	29,0%	20,5%	17,2%	33,3%	66,7%	100,0%	
Slovakia (2010)	number of enterprises	538 038	11 881	2 806	584	552 725	553 309	
	<i>share in number of enterprises</i>	97,2%	2,1%	0,5%	0,1%	99,9%	100,0%	
	number of employees in business economy	772 976	229 160	271 693	489 304	1 273 830	1 763 133	
	<i>share of employment</i>	43,8%	13,0%	15,4%	27,8%	72,2%	100,0%	

Resource: Slovak Data: National Statistical Institute of the SR, calculation NADSME, EU27 data: €tat, Structural Business Statistics

4. Recommendations for further improvement in the business environment and for the development of SMEs

The role played by small and medium enterprises in the Slovak economy is constantly strengthened like in other EU countries. A favourable business environment is a prerequisite for its long-term competitiveness and economic growth in a market economy. Development in the sector of small and medium enterprises is particularly sensitive to the quality of business environment, although is involved to a great degree in the creation of GDP and with an irreplaceable role in the field of employment.

Creation of quality business environment requires a coordinated approach by all authorities, because almost every authority affects the business environment through their regulatory activities. Creating favourable conditions conducive to SME development should become part of the policies of all ministries and other state administration bodies and local authorities.

The business environment in Slovakia still has problems in certain areas, such as problematic enforcement of legal rights, high administrative burden for business, public sector inefficiency, a poor range of e-government service, high social and similar insurance costs and an administratively demanding mechanism for paying those sums, continuing practices of cronyism and corruption. The process of addressing these shortcomings is progressing very slowly or even not at all.

A common feature of those problem areas in the business environment is their complexity and dependence on multiple functions of government. For this reason, any further improvement in these areas requires a systematic approach, interdepartmental coordination and active cooperation of the entrepreneurs themselves.

Some guidance for improving the business environment is the Small Business Act for Europe (SBA) initiative, whose objective is to permanently embed the attitude of "think small first" in the process of policy making from regulation to public service, and to support the growth of SMEs by providing assistance in coping with problems which hamper their development. In Slovakia, it is essential that this attitude and the 10 principles set out in SBA are embraced by all authorities with a significant impact on the business environment, i.e. also by non-economic authorities.

Following the adoption of SBA, in the near future the Government of the Slovak Republic should prepare a new concept for the promotion and development of small and Medium enterprises that would ensure the application of the principles of the SBA in the development of legislative, policy and strategic materials by different authorities and re-define the objectives of developing the SME sector, the framework for the use of support mechanisms for SMEs and their institutional arrangements.

Recommendations broken down according to SBA principles:

1) Entrepreneurship - Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

- Change the education system on system that encourages young people to take more responsibility for themselves and economic self-realization.*
- Support the development of business thinking, business culture and business skills in all levels of the school system.
- Increase investment in education through special programmes for SMEs.
- Improved coordination between the educational and training system of secondary vocational schools and the needs of SMEs and create cooperation by linking practise and education institutions to reduce structural shortages in the labour market.*
- Create a motivational system for investments into education; provide a higher level of support to schools whose graduates are in demand in the labour market.
- Significantly change the education system and approach to partnership between the private sector, public administration, educational institutions and research and development institutes.
- The foundation for changing the philosophy from an employee to an employer society must be created in the school system, to prepare high school and university graduates to be ready for self-employment.
- Recommend autonomous region and local municipalities to include in their policies measures of European Charter for Small Enterprises and the Small Business Act.
- Adopt National strategy to promote corporate social responsible business in Slovakia, respectively the alternative framework for stimulation corporate responsibility at the national level.
- Increase awareness on corporate social responsible business among Slovak SMEs.

2) Allowing second chance - Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

- Ensure compliance obligations for placement of financial statements in the register of documents in line with Law 431/2002, § 21 on Accounting and thus allow other businesses to check the solvency of the entrepreneur (recommended by AZZZ SR).
- Ensure that the application of the creditor's law enforcement in the court and execution proceedings will be operational and with no further delays (recommended by AZZZ SR).

- Ensure that the courts have to notify the facts of its own motion in which was to commit a crime in bankruptcy dispute and restructuring cases.
- Ensure sufficient application aspect of maximum efficiency in the bankruptcy proceedings.
- Realise the analysis of the bankruptcy system solutions in Slovakia and to propose measures which will lead to an acceleration procedure associated with the closing of a business.

3) Design rules according to the “Think Small First” principle

- Improve the financial implementing legislations through the involving the business community in order to reflect the practical needs in the area of accounting.
- Amend all payroll-tax laws and other regulations in principle on only one date in the year, always at 1 January.*
- Extend period between the validity of legislation and its coming into force.*
- Develop templates forms for reporting requirements, where it has not been done yet.**
- Change the legislation that all taxes and deductions were paid to the tax office and the tax office would split them to the social insurance office and health insurance office.
- Establish a uniform information system for tax administration, sending all applications, deregistration and employees reports in order to avoid duplication of these obligations.**
- Strengthen the option to modify contractual relations toward the limits of the provisions of the Labour Code (provision of holiday, working time, overtimes).*
- Establish a reason for employee’s notice as an employee of causing damage to the employer in the range more than four times the average monthly income of an employee in the SR.
- In order to eliminate the inconsistent interpretation of legislation ensure that the responsible department (the creator of legal norm) is required to provide an authoritative interpretation of the wording of the law (recommended by SAMP).
- We suggest a voluntary payment of contributions to old age pension insurance for freelancers, self-employed farmers and the liberal professions receiving a pension.**
- Perform a legislative amendment relating to safety and health at work (BOZP) and related regulations to the one act, in order to simplify the orientation of employers in this field.
- Unify deadlines for submission all statistical statements and reports (summary statement, Intrastat declaration) on the last day of the month following the reference period (recommended by SAMP).

- Reduce the administrative burden of human resources agenda.*
- Remove disproportionate penalties from state, municipal, and other public administrative bodies against SMEs for single infringements, particularly non-financial. Not applicable for SMEs that providing a specific activity (the handling of explosives, poisons). In these cases, care must be taken to fully comply with relevant regulations and safety measures for these activities.*
- Establish the coordination of the processes between different public authorities during the inspection of businesses.
- In the field of commercial law actively promote the use of alternative methods of dispute settlement and increase awareness of enterprises in this area.
- Reduce administrative difficulty, shorten and simplify the procedures to get and use support for SMEs. Exclude changes of rules from the publishing of requests for tenders through to the completion of projects.
- Prepare a medium-term strategy of development and support of SMEs. The strategy should follow the guidelines defined in EC Document Small Business Act for Europe.

4) Make public administrations responsive to SME needs

- Reduce share capital of Joint stock companies halved and in Limited liability companies on symbolic 1 euro.**
- Apply a court charge for registration of changes in the amount of 66 euro for the first registration; it would be possible to consider the complete elimination of charges for start-ups.**
- Develop standardized forms for small and medium enterprises, where the company is founded by a sole partner or a share-holder.**
- Consolidate the functions of commercial and business register in a single institution.
- Simplify the using of electronic signature.**
- Improve procedures and processes for making land-use planning documents in order to avoid long periods in the land planning and construction procedures.*
- In the relevant law to determine precisely and define different categories of buildings, which do not need planning permission or notification and build an information system that would link all the involved authorities in a given territory and the procedure (thus the authorities can be identified already in the land procedure).
- Simplify the performing registrations, changes and removals from business register via the internet.**

- Clearly solve the financial penalties for the unauthorized construction and the removal of the unauthorized construction through legislation.
- Strict compliance of industrial and residential zones in issuing construction permissions.
- In the development of legislative standards to apply the principle that public authorities, public institutions (social insurance, etc.) will not require documents, decisions and so on, in administrative or in other proceedings which are issued by a other body of state, public authorities or public institution (social insurance, etc.).
- Reduce the administrative burden on doing business, to accelerate and simplify the process of setting up new businesses and freelancers, eliminate duplication of documents for submission to the government authorities, to accelerate the introduction of internet communication, simplify and reduce the scope of required reporting, etc (recommended by SOPK).**
- Develop interconnectivity among databases of state and public administration to remove several repetitive requests for information, documents and data on enterprises. Accelerate the introduction of e-government services to make processes in all areas more efficient, where government interacts with enterprises.
- Create conditions to stimulate the widespread use of electronic signature by enterprises.**

5) Adapt public policy tools to SME needs: facilitate SME participation in public procurement and better use State Aid possibilities for SMEs

- Increase the transparency of public procurement at central level even at regional - municipalities' level (recommended by SOPK).
- Training of public authorities in order to improve the quality of public procurement, not only in terms of formality, but also of efficiency (recommended by PAS).
- Establish a personal responsibility for mistakes of public procurement and for breach of finance conditions (recommended by PAS).
- Establish rules of transparency in the system of public procurement at all level of public authorities (recommended by SOPK).
- Eliminate practices of corrupt and cronyism (recommended by SOPK).

6) Facilitate SME access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.

- Improve the dissemination of the information relating to the financial support of SMEs and more significantly to present existing support programmes on local, national and European level.

- Analyze the impact of existing support programmes and adjust their conditions to the needs of SMEs.*
- Strengthen and better link the existing financial support programmes (guarantee and loan programmes of Slovak Guarantee and Development Bank and NARMSP) with the JEREMIE initiative in order to ease the access to start-up funds for new entrepreneurs, regularly to evaluate the need to add resources to such programmes.
- More significantly to link support for start-ups and small enterprises through providing grants and micro loans with the provision of education and counselling services.
- For further development of SMEs to increase utilisation financial resources from structural funds through review of the application conditions, ensure pre-financing of projects and ongoing reimbursement of related invoices.
- Support start-ups with contributions for self-employment activity not dependent on the entrepreneur having been on the unemployed lists and having remained on them for a certain time.
- Improve the financial situation of SMEs by support potential investors to invest or borrow funds to start-ups and enterprises through the tax relief that would be applicable to investors of 2.5% of the loan amount.
- Consider the setting up a support scheme for the reimbursement of claims of small and medium enterprises, which have toward state institutions as other entities with state participation.
- Improve availability of data demonstrating the use of credit for SMEs. By the National Bank of Slovakia is recommended to collect and publish data on the credit statistics specifically for the SME sector (as recommended by the EC no. 2003/361/EC).

7, 10) Help SMEs to benefit more from the opportunities offered by the Single Market, Encourage and support SMEs to benefit from the growth of markets

- Increase awareness on opportunities offered to the entrepreneurs by the Single Market and continue to stimulate SMEs to internationalize its activities.
- Improve support for counselling and education to include opportunities of doing business in EU markets and those of third countries, increase a level of the management of exporting SMEs.
- Extend the support of the export activities in commodities as well as in territorial structure, with accent to markets that expect high grow.
- Support of the export and import activities of SMEs to eliminate the typical weak points of SMEs such as insufficient experience with foreign-market transaction, insufficient knowledge of the market and adequate regulations, finding business partners, export financing and so on.

- In case of support which is oriented on acquisition activity to allow utilisation financial resources for business associations and unions, so they can provide organisational services for SMEs at fairs, especially joint exhibitions so that they are able to use the resources more efficiently and comprehensively (recommended by Coop Produkt Slovensko).
- Increase the competitiveness of Slovak enterprises on foreign markets through support oriented on the reduction of domestic energy and resource intensity of production.
- More significantly to utilise the experiences of large enterprises with foreign-trade activities to strengthen the internationalization of SMEs.

8) Promote the upgrading of skills in SMEs and all forms of innovation

- Improve access to quality education for all segments of the population at all education level and in different stages of life (recommended by AZZZ SR).
- Increase awareness of businesses on the importance of innovation activity for SMEs.
- Systematic support to regional municipalities and regional structures that have been established in previous period to promote innovation (e.g. technology incubators) in order to support innovative ideas, sharing a good practises and development lifelong education as a part of building a knowledge-based economy and society.
- Apply more effective tools for the sustained increase of innovation activities of the business sector (recommended by AZZZ SR).
- Introduce into practice tools to support closer cooperation between private sector and education/research institutions with utilisation of good practises from EU.
- Support the establishment of cluster organisations, what will bring increasing of innovative capacity of business members of the cluster organizations and will stimulate the development of the SME sector.
- Use innovative tools of financial assistance for support the expansion and innovative activity of enterprises with growing potential.
- Revise the priority of the state science and technology policy and determine the optimal number of priority directions of research and development in line with expected economic growth (recommended by AZZZ SR).
- Revise the system of support applied research and development from EU structural funds and to ensure similar conditions for use of these resources by the organisations from all sectors of science and technology, including those organisations that doing business in the area of research and development (recommended by AZZZ SR).
- Concentrate the state financial resources into areas of research and development, where it is possible to achieve internationally acceptable and real results. Real results to verify with the intentions on regular basis.

9) Enable SMEs to turn environmental challenges into opportunities.

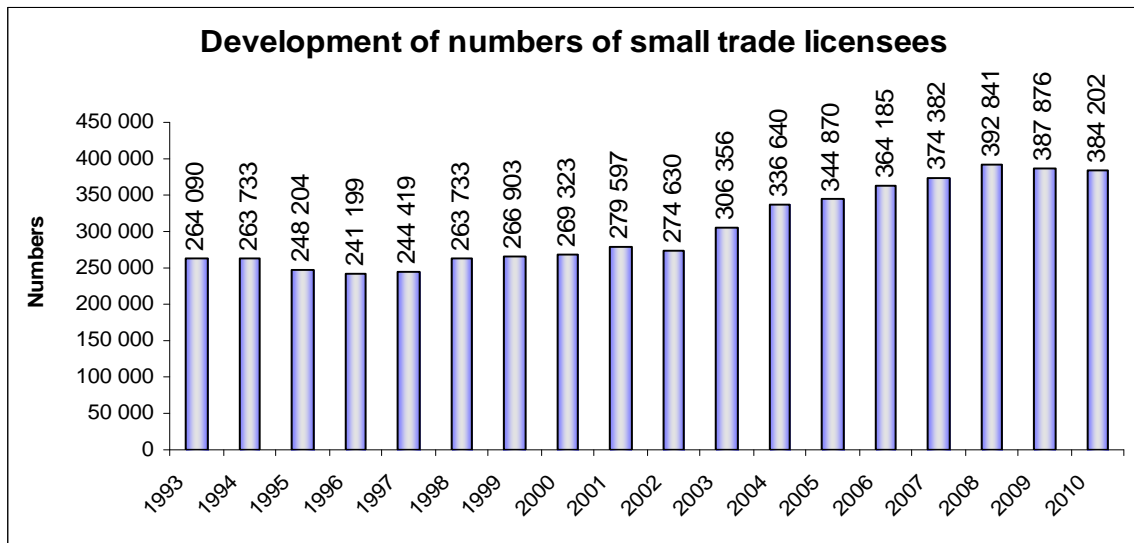
- Improve information support of businesses in the area of environmental protection and environmental management.
- Increase awareness of the green business as a business with high value added.
- Development of learning programmes at all levels, even in the area of lifelong education with a focus on ecology.
- Increase the measure of stability of the development environmental strategies across the political spectrum, even in the wider social context.
- Improve the infrastructure for the introduction of eco-innovations in Slovakia.
- Support of the introduction of environmental management system in the SMEs, as a tool for decreasing of the negative environmental influences.
- Improve the promotion of need to realize of energy savings and promote the reduction of energy intensity of production in the SME sector.
- Streamline Operational Programme Environment – extend the programme to other sectors in line with EU initiatives – e.g. with a Lead Market Initiative.
- Provide consulting to small and medium enterprises in the area of environmental legislation.
- Increase support for organic products and clear production.
- Increase awareness of the implementation the Europe 2020 strategy with focus on environment and responsible business in the conditions of the Slovak Republic.

* *Recommendation mentioned also in the Report on the State of the Business Environment in Slovakia 2010, adopted by the Government on March 2, 2011*

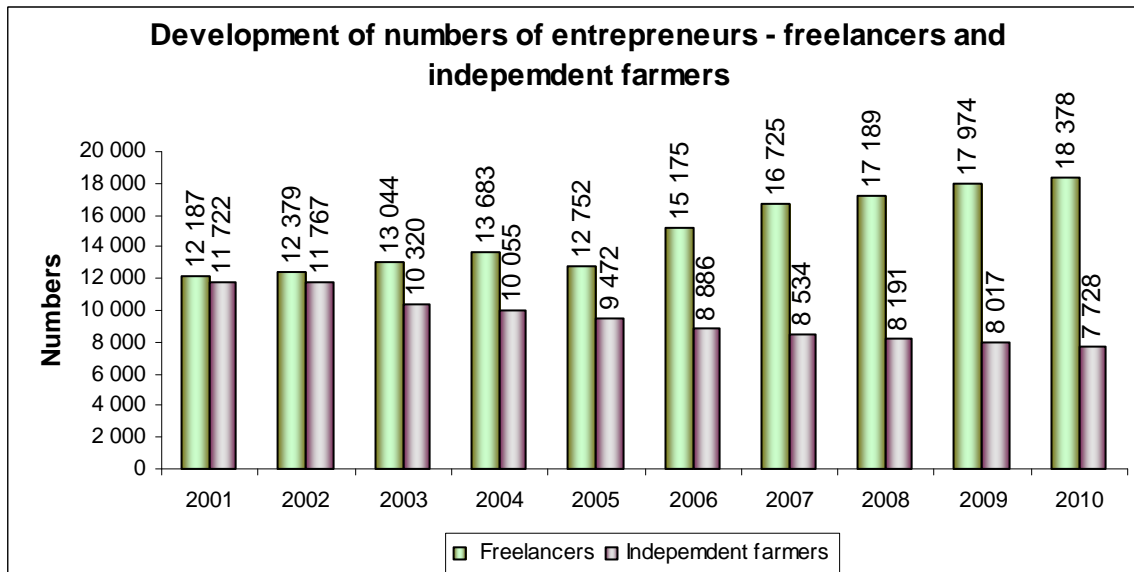
** *Recommendation included in the Singapore Initiative adopted by the Government on July 6, 2011*

APPENDIX

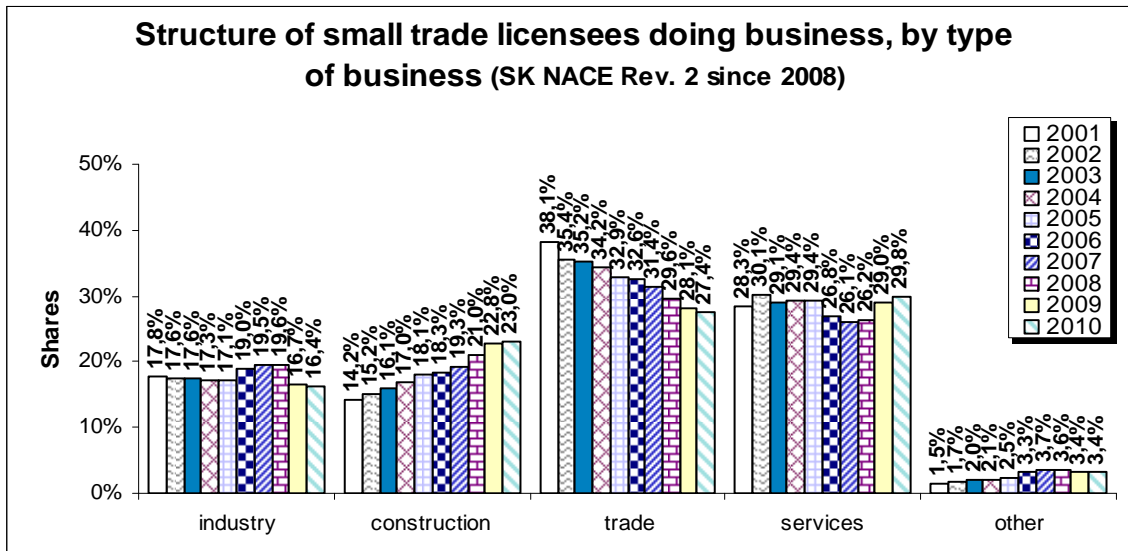
Appendix A: Charts



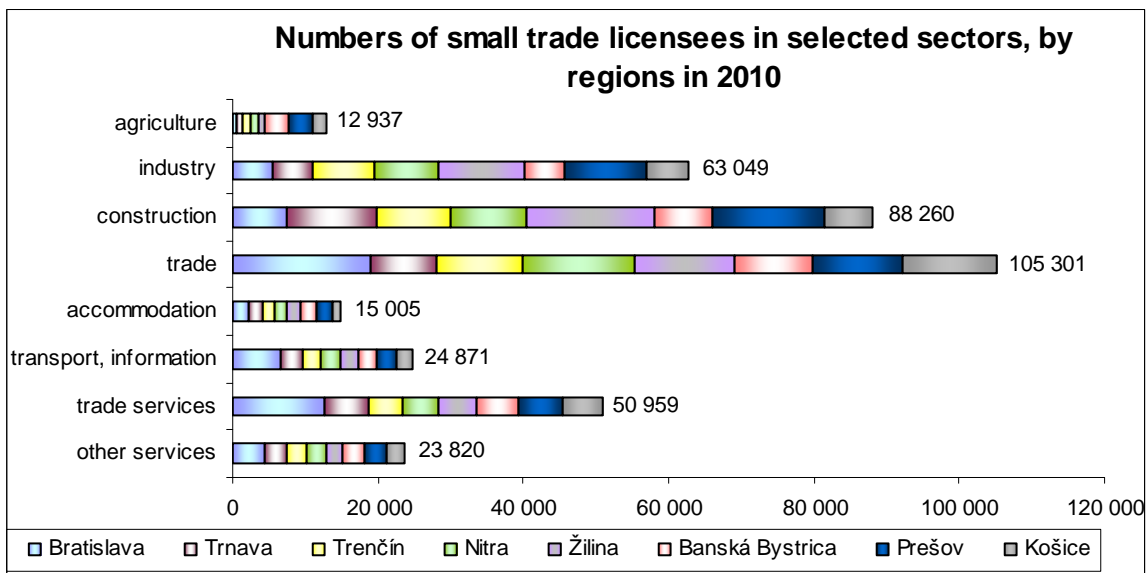
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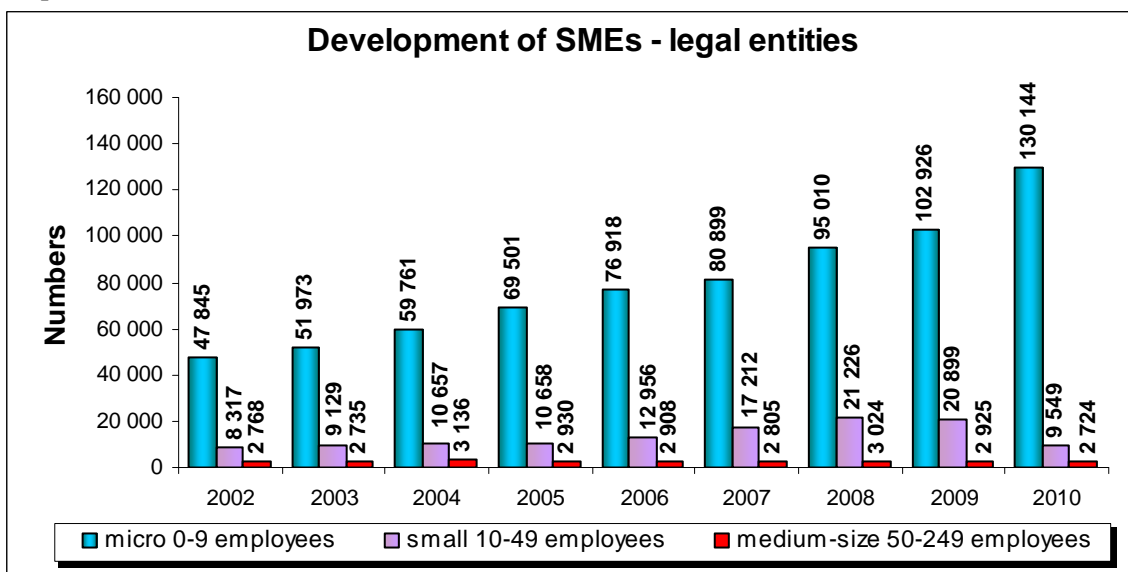
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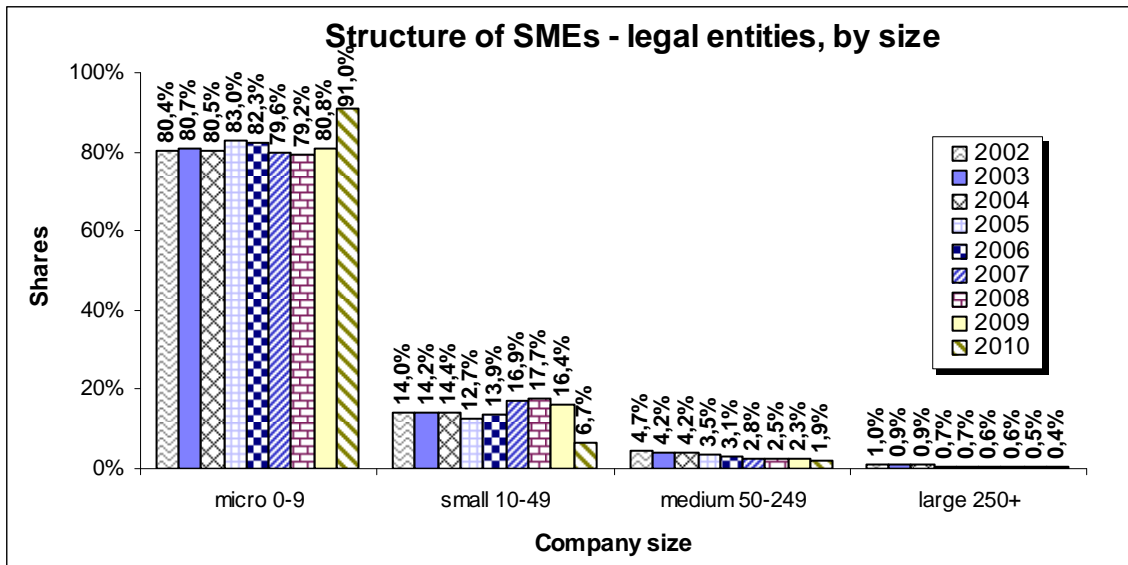
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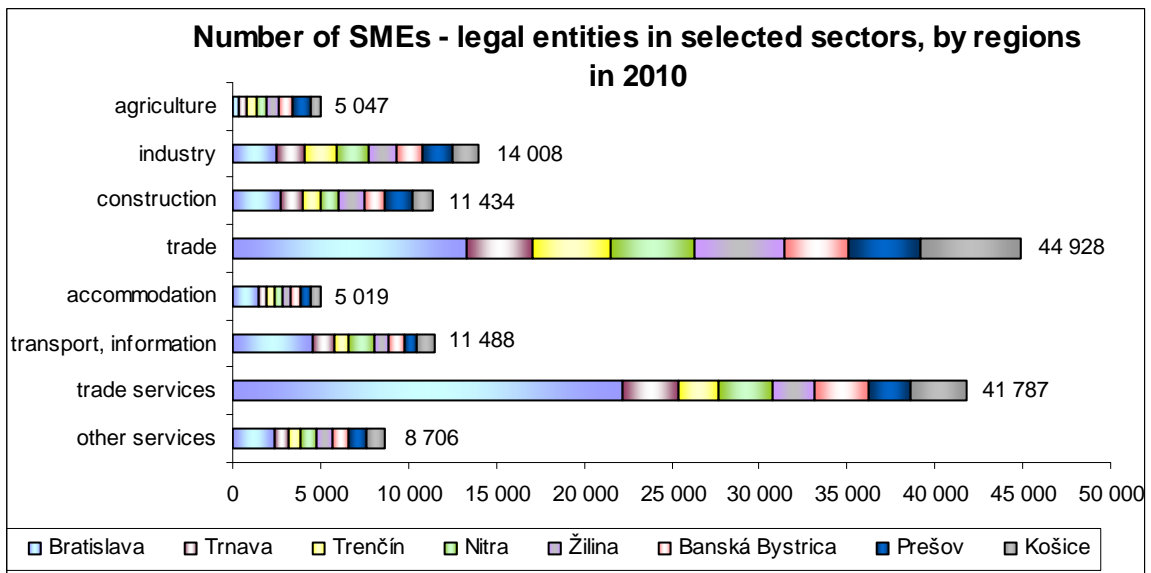
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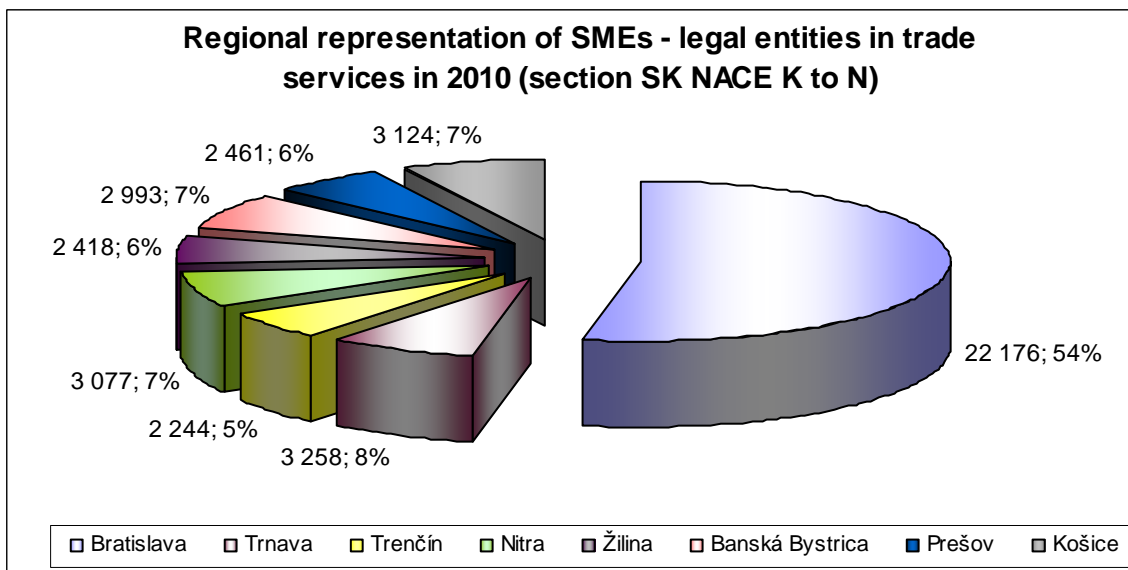
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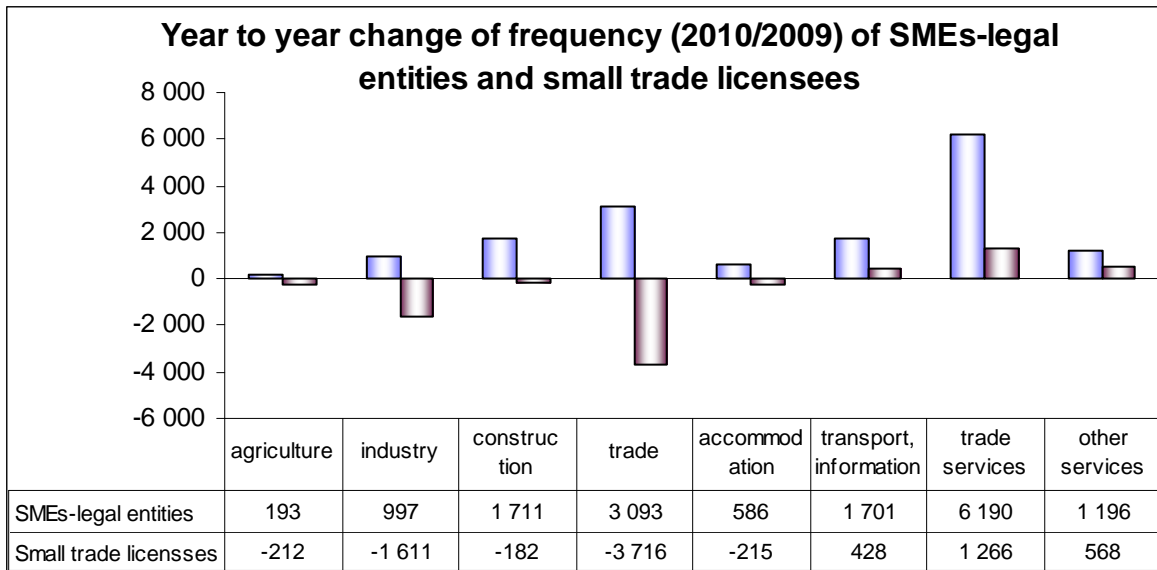
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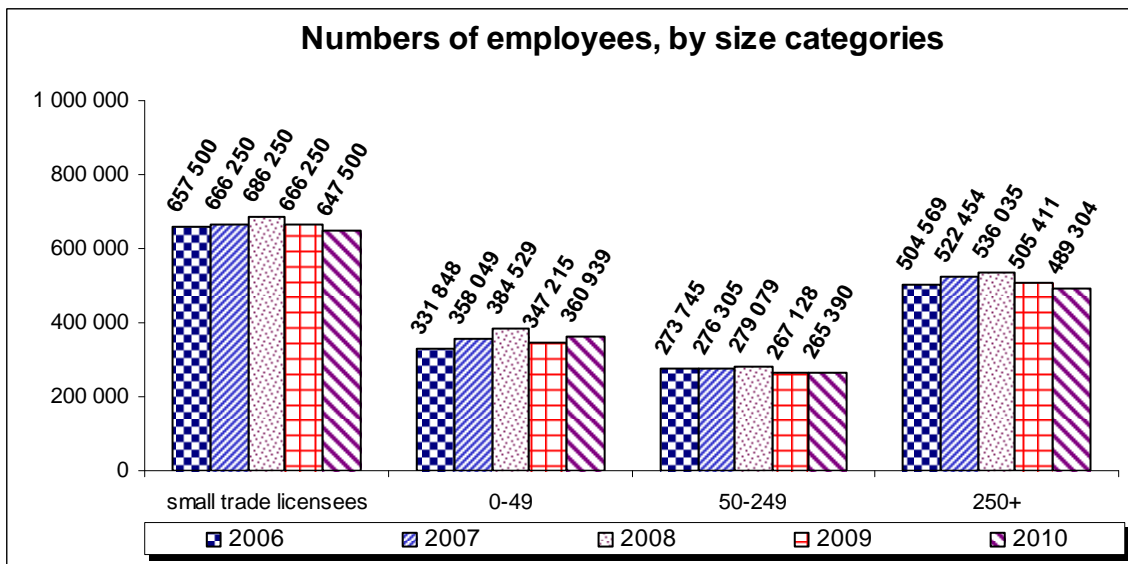
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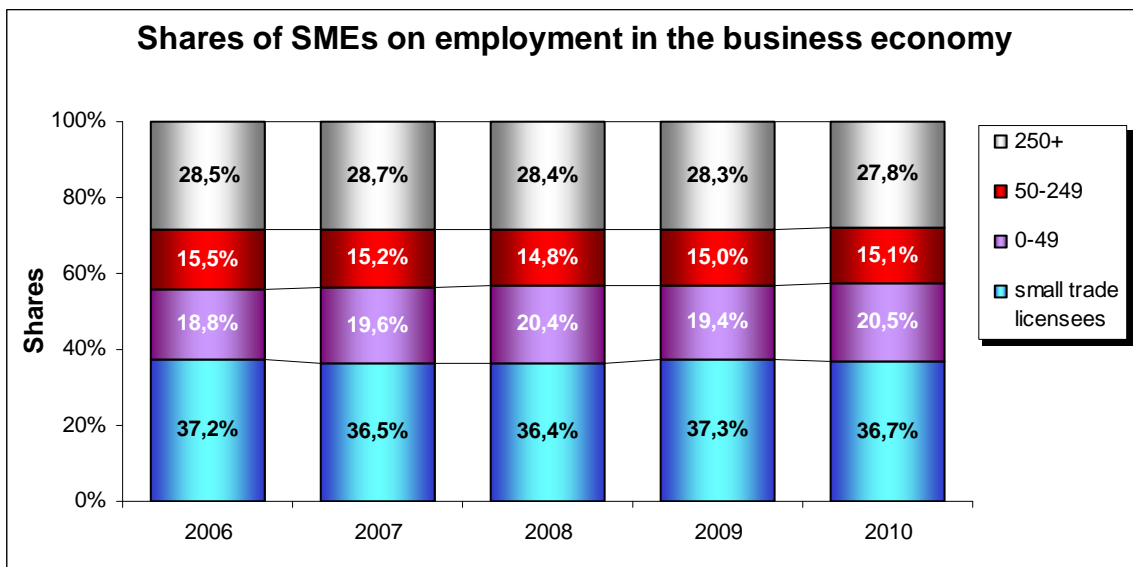
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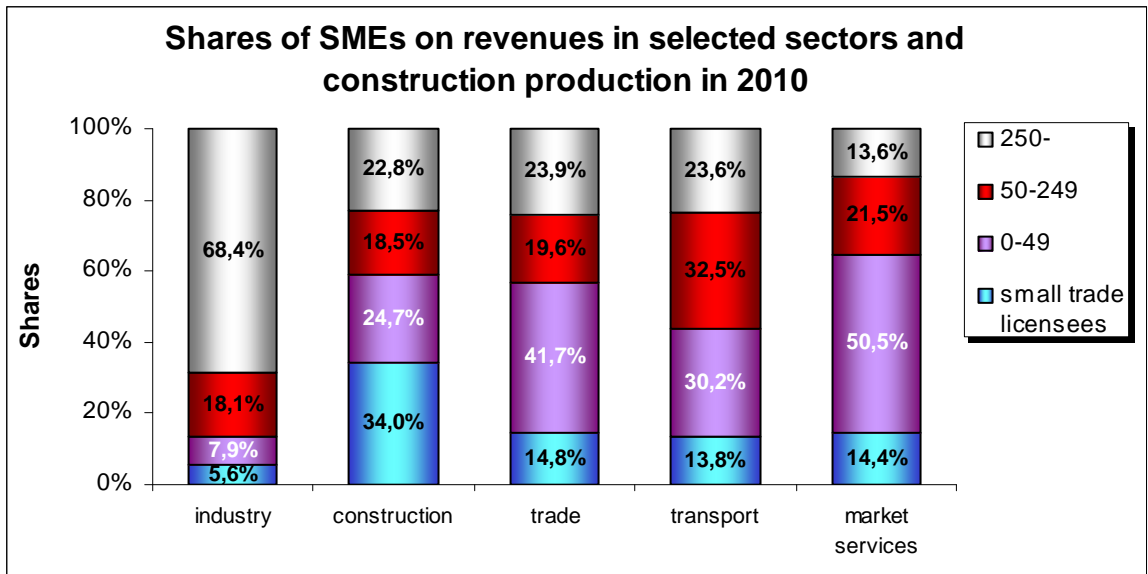
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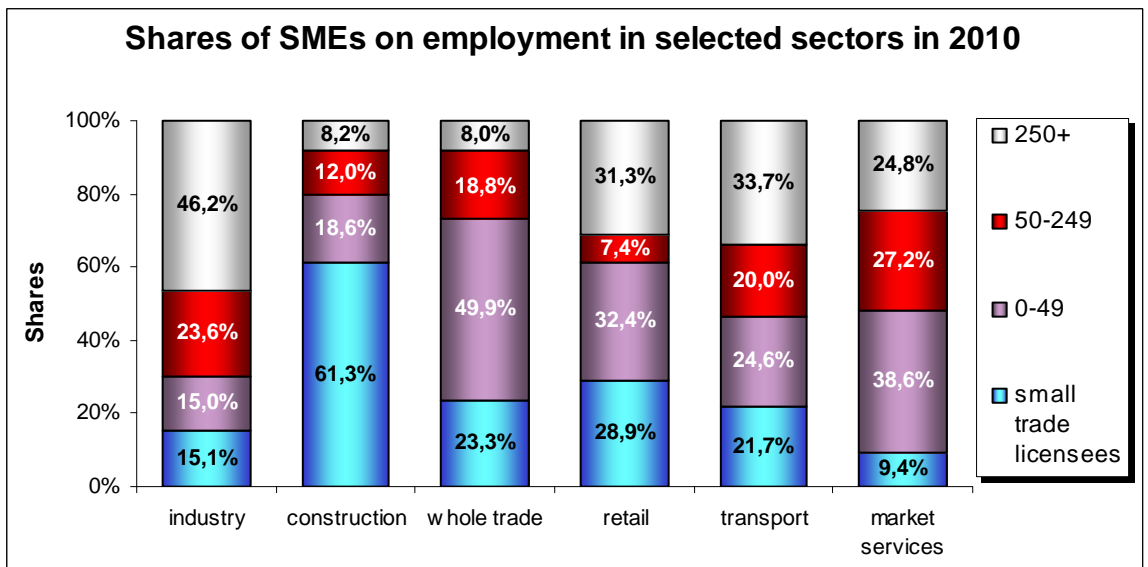
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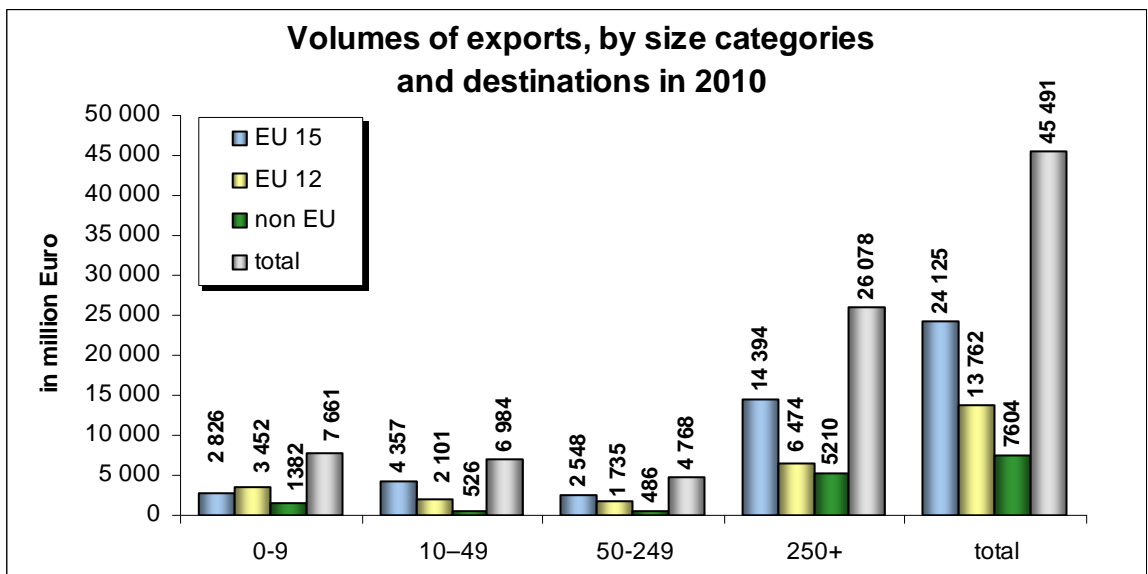
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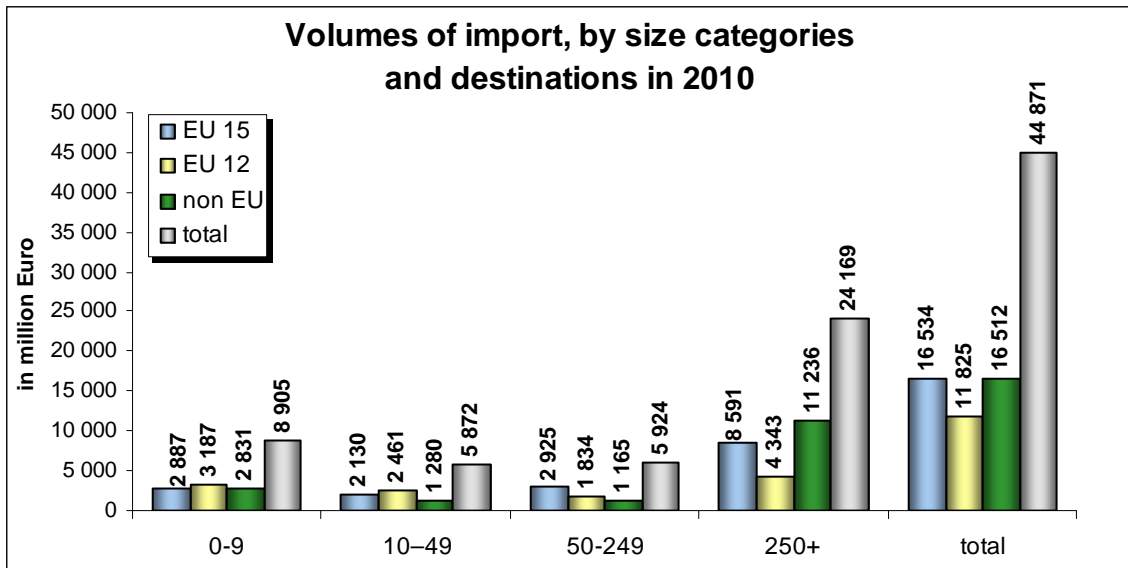
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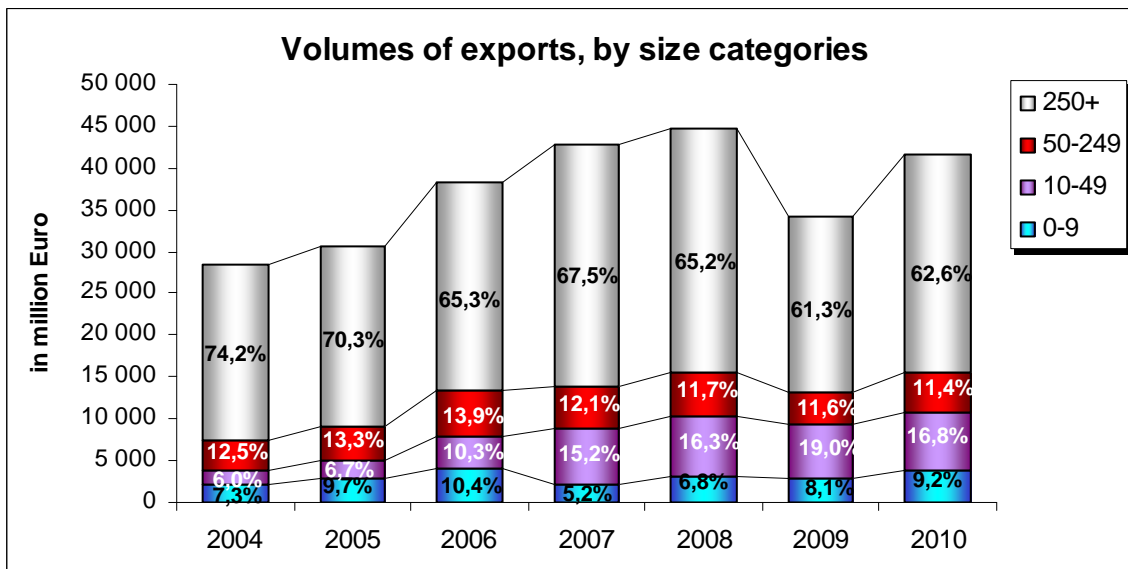
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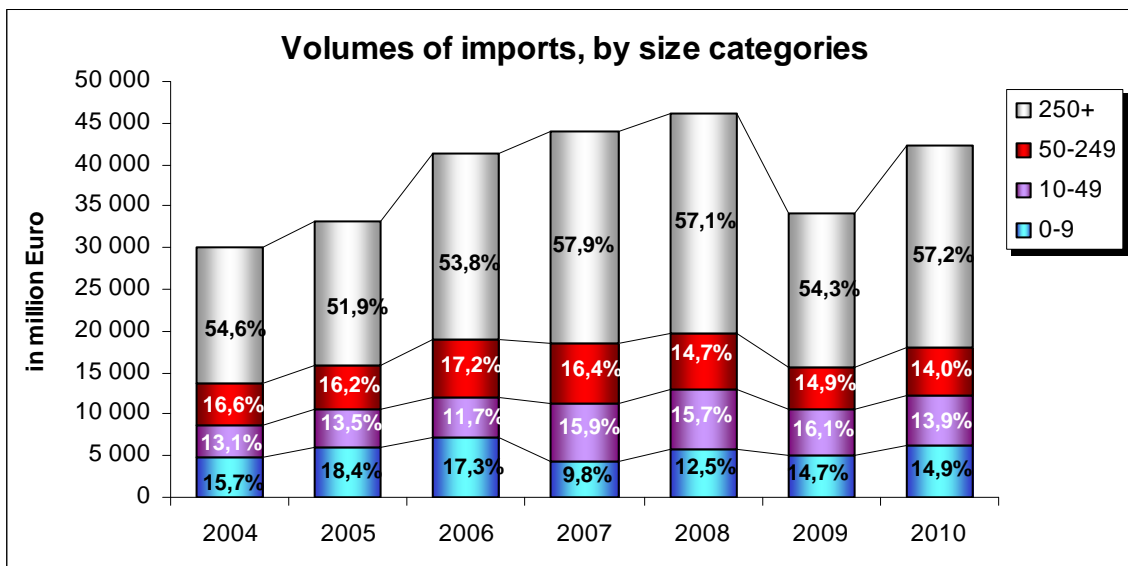
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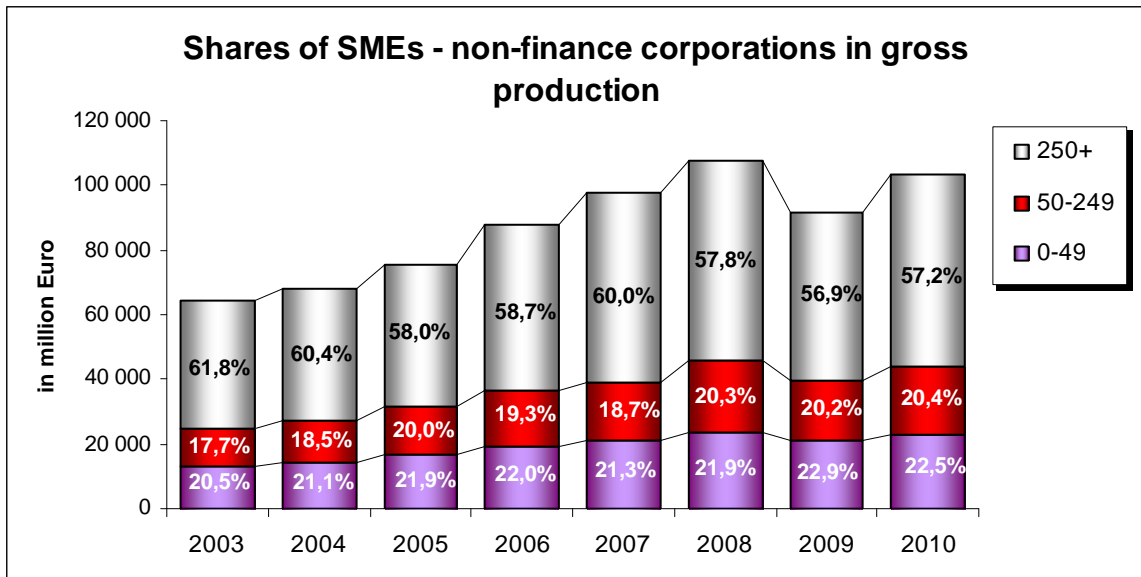
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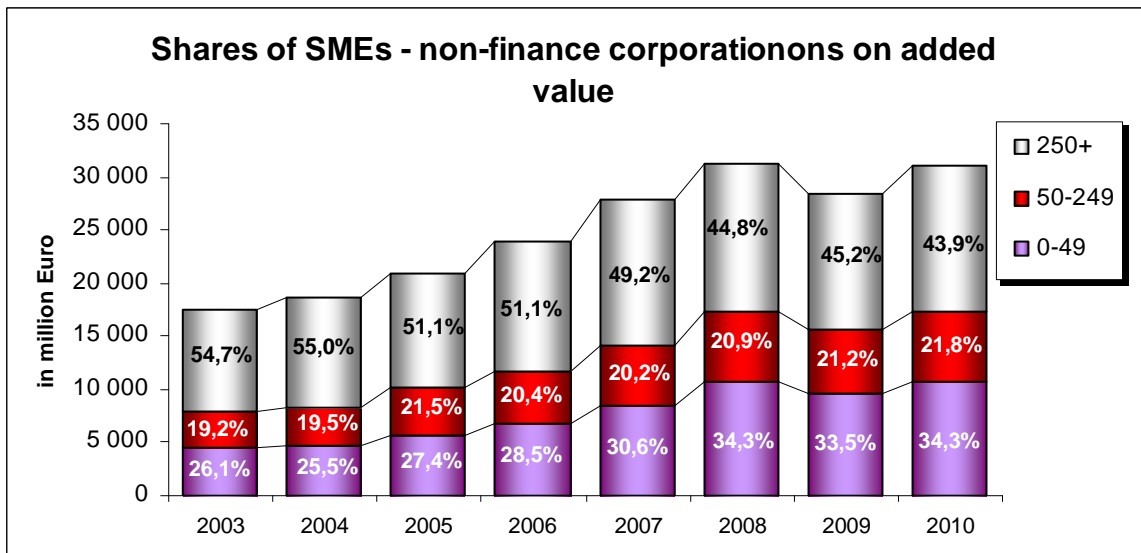
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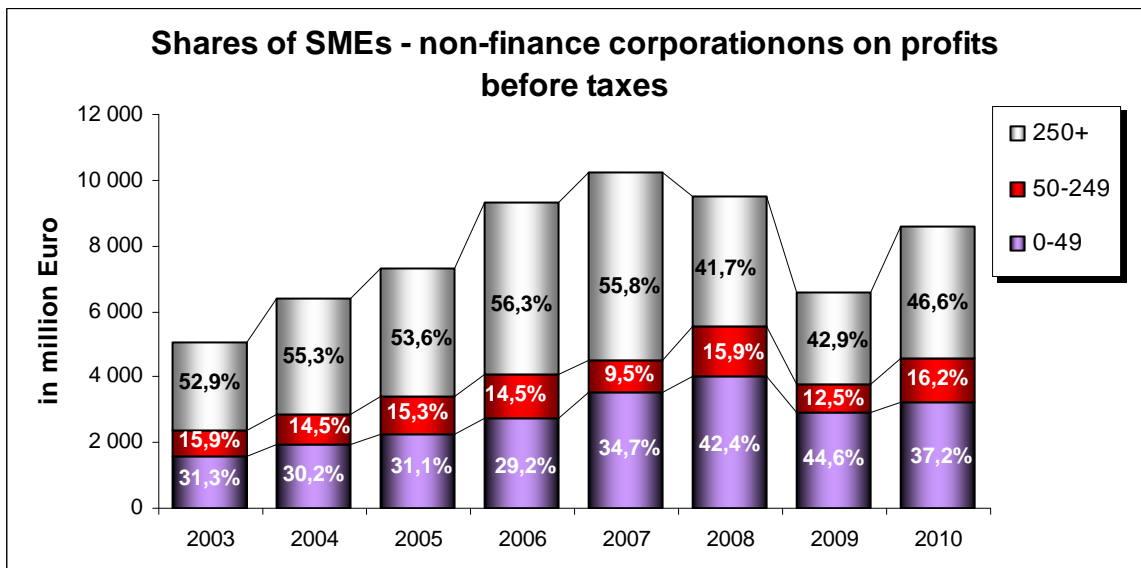
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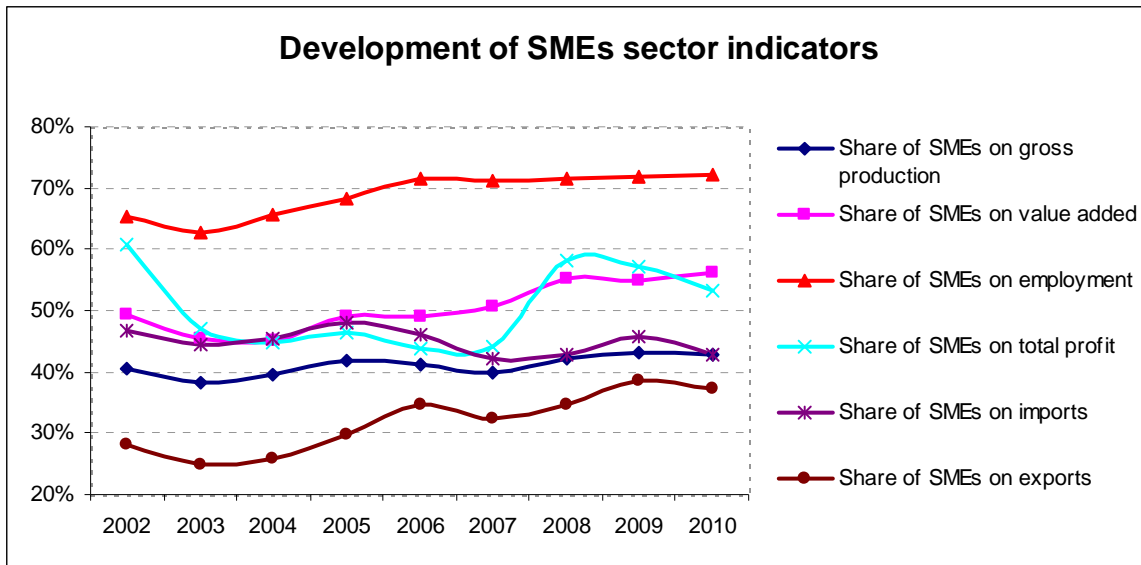
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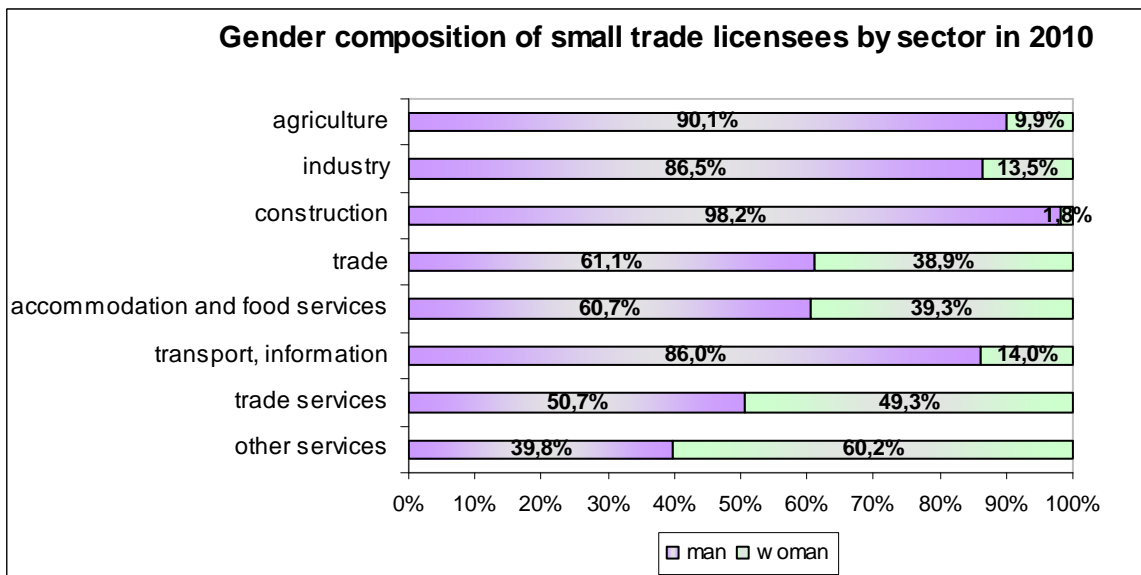
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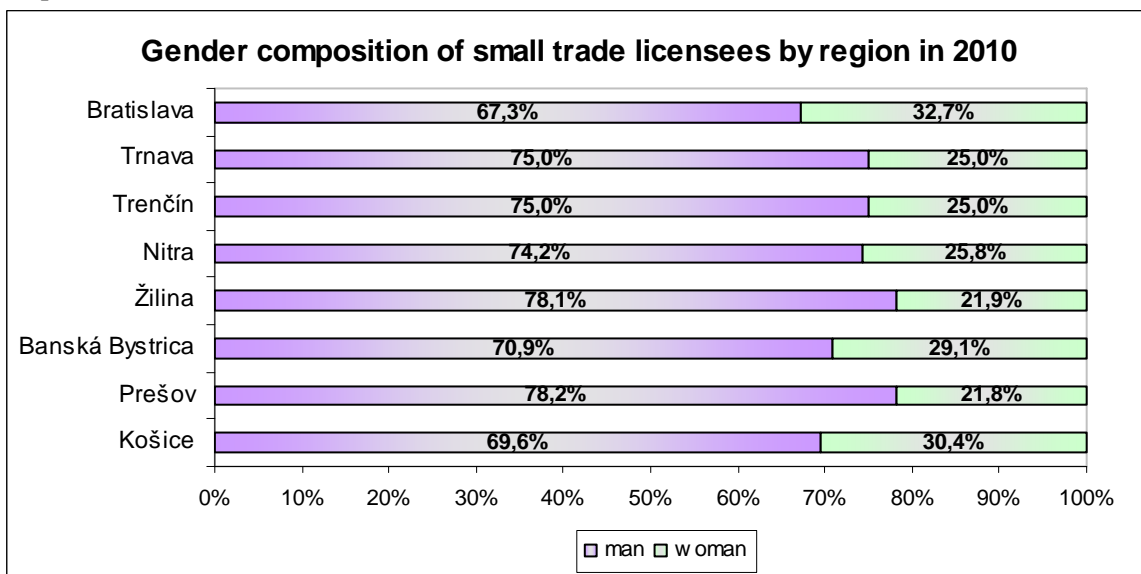
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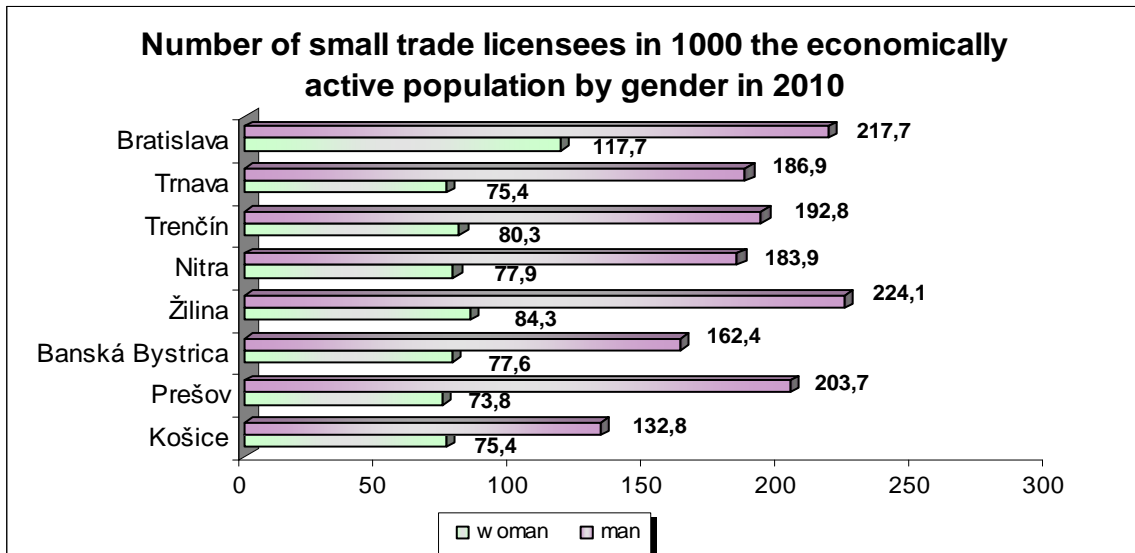
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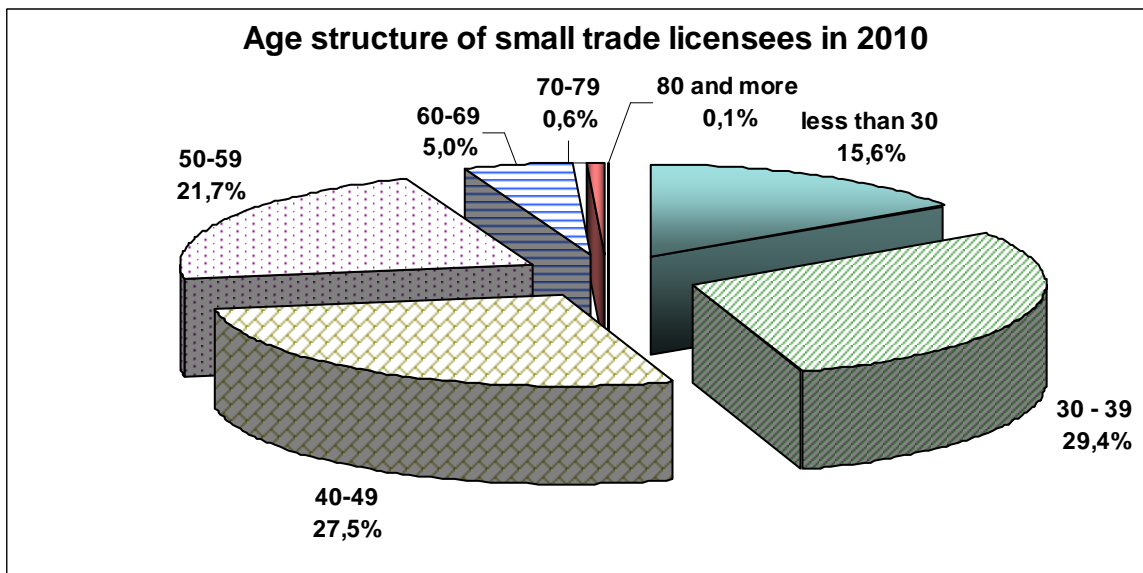
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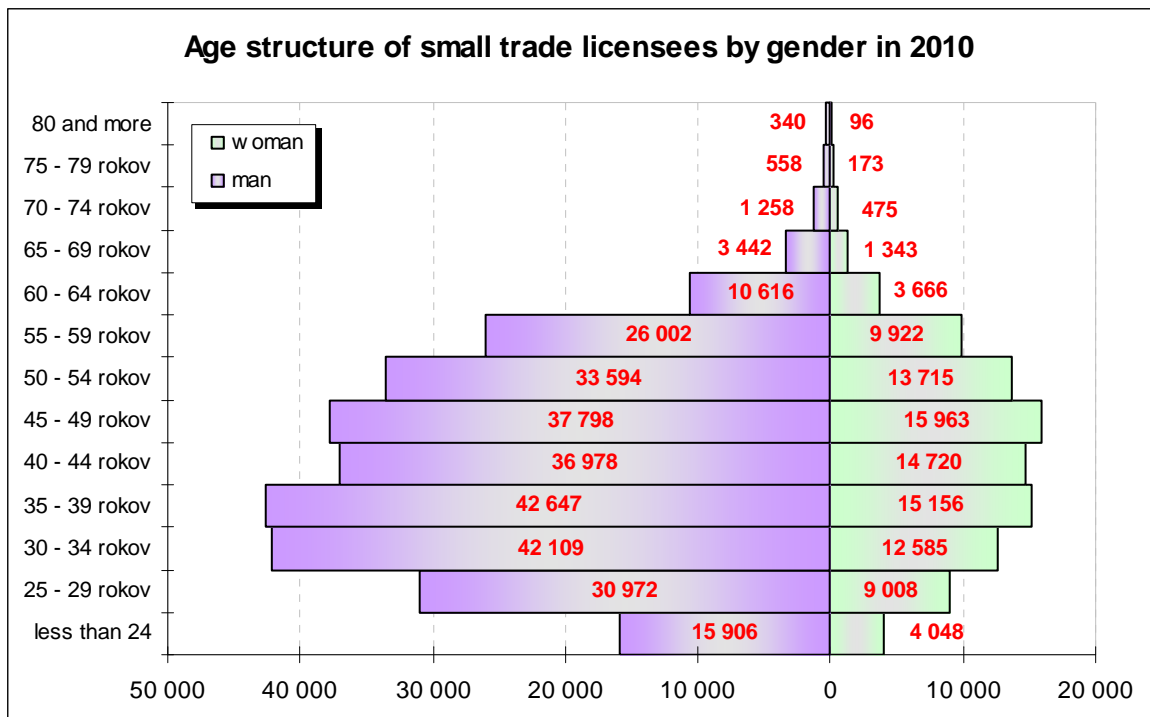
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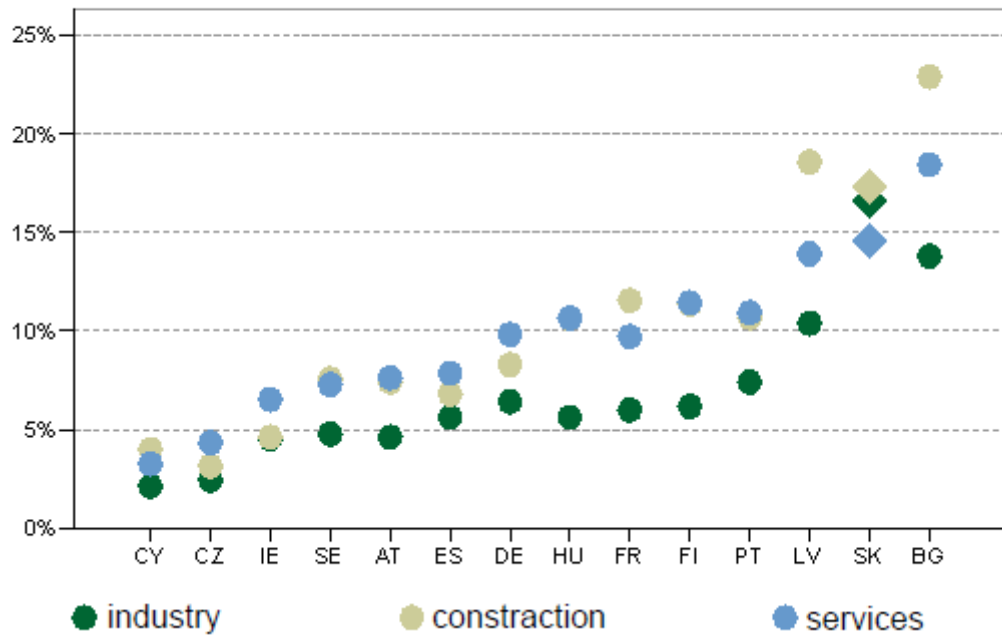


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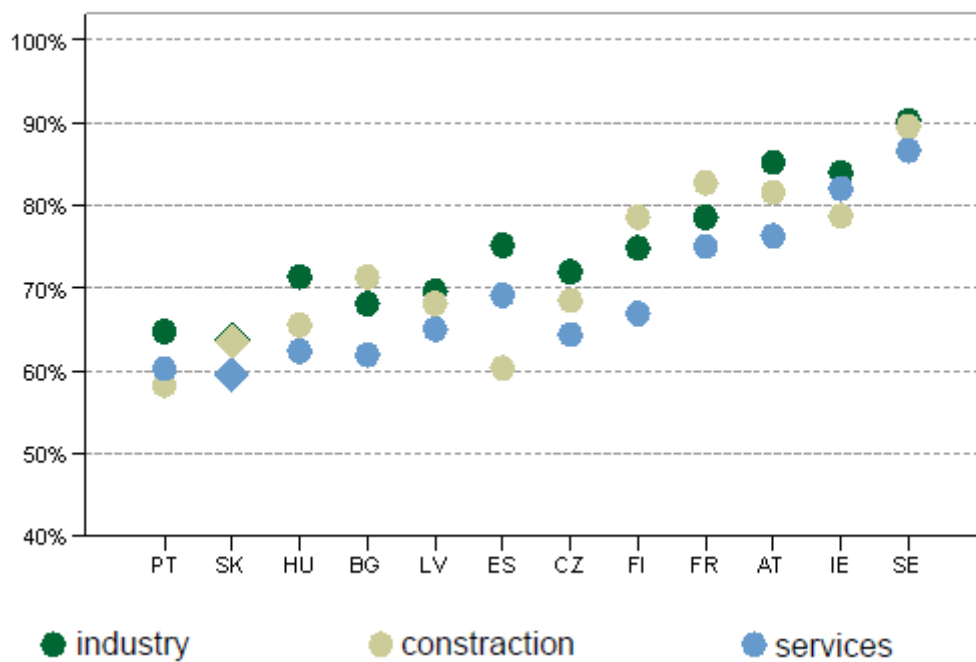
Graph No .26

Birth rate of legal entities and natural persons - entrepreneurs in selected sectors and countries in 2008 (according to NACE Rev. 2)



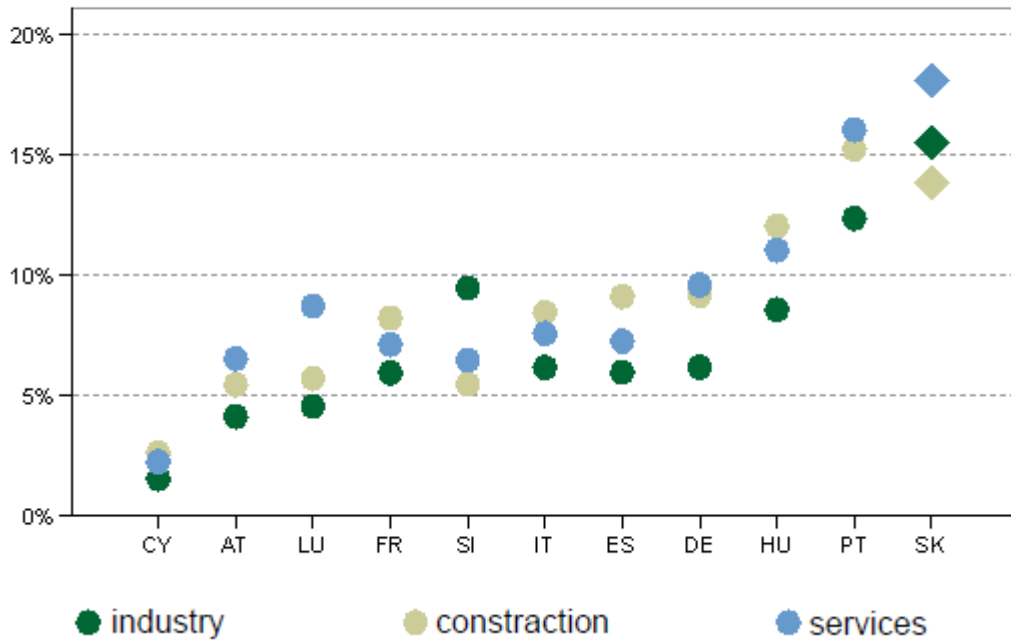
Graph No .27

Two years survival rate of legal entities and natural persons - entrepreneurs in selected sectors and countries in 2008

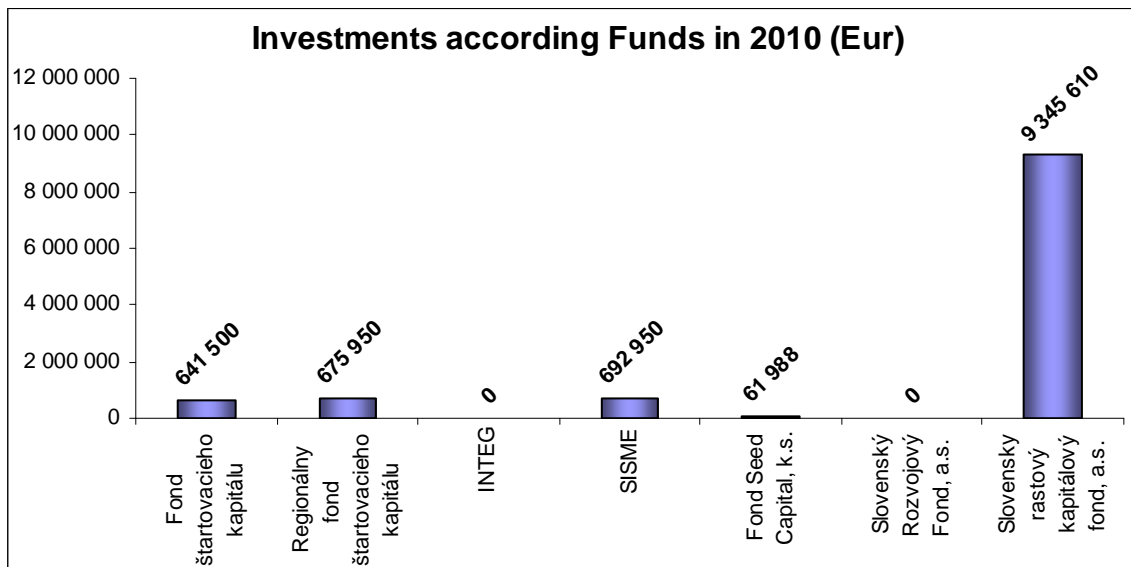


Graph No .28

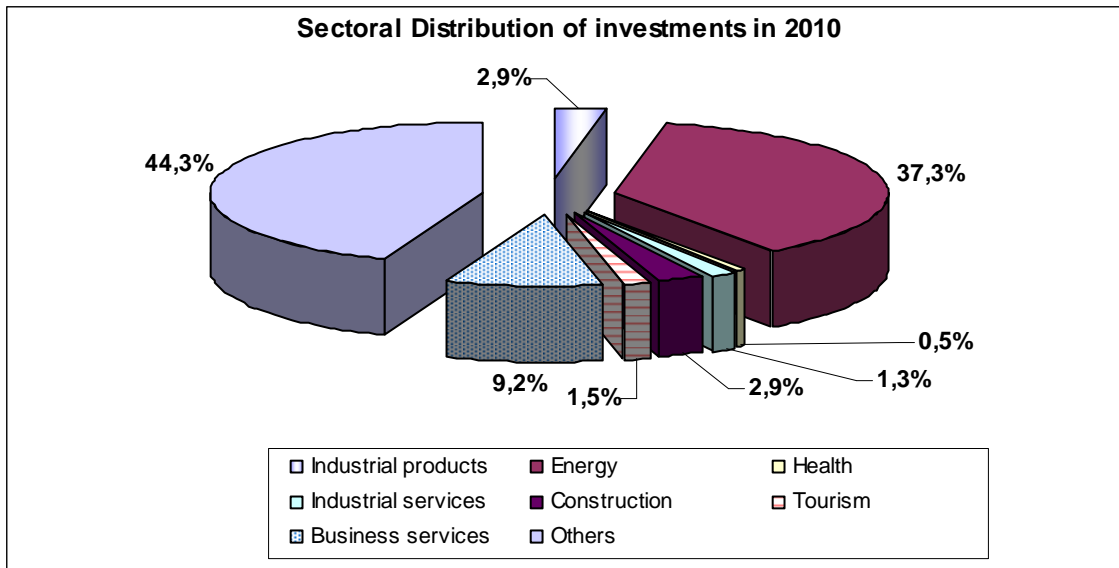
Death rate of legal entities and natural persons - entrepreneurs in selected sectors and countries in 2007 (according to NACE Rev. 2)



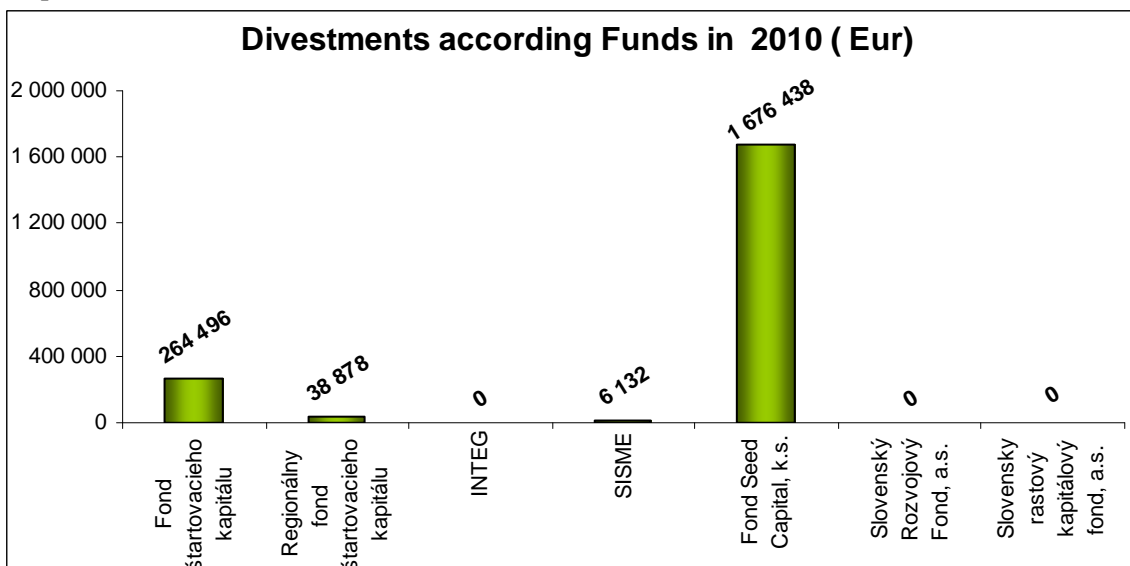
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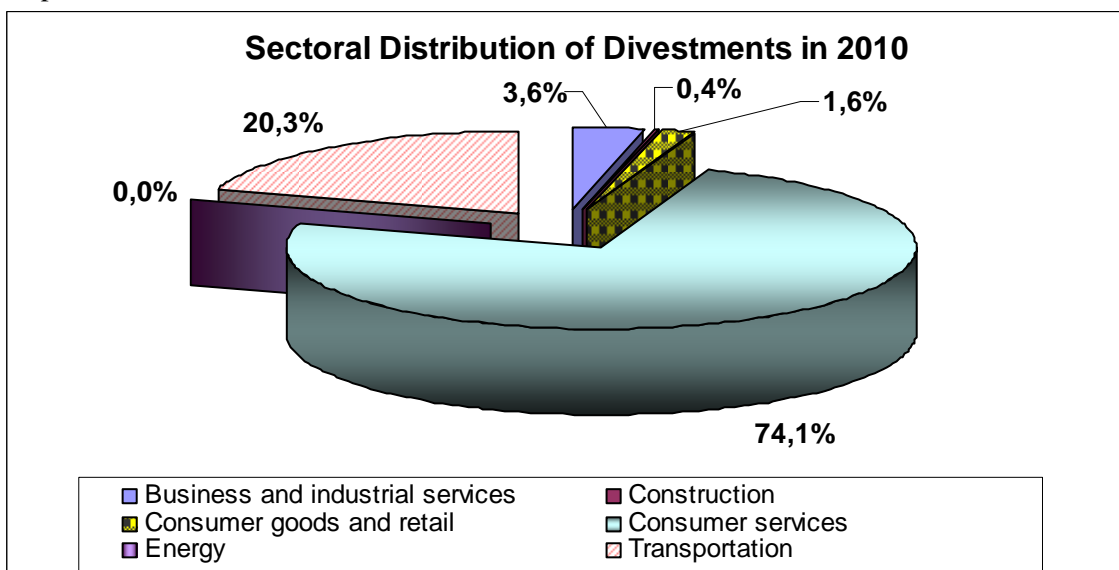
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Graph No .31

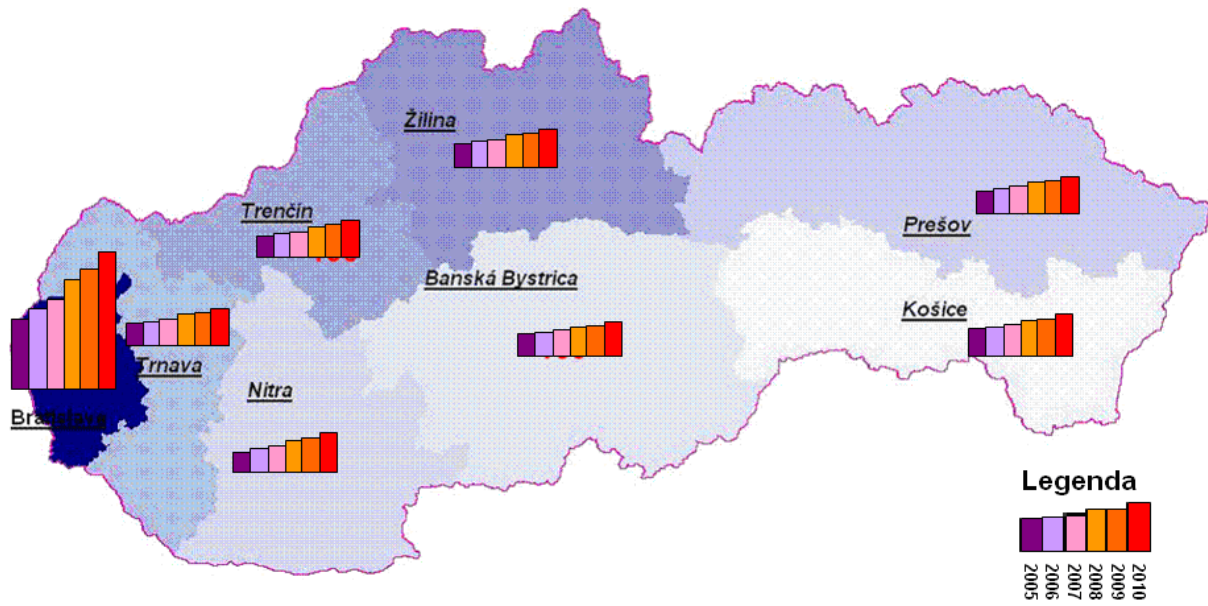


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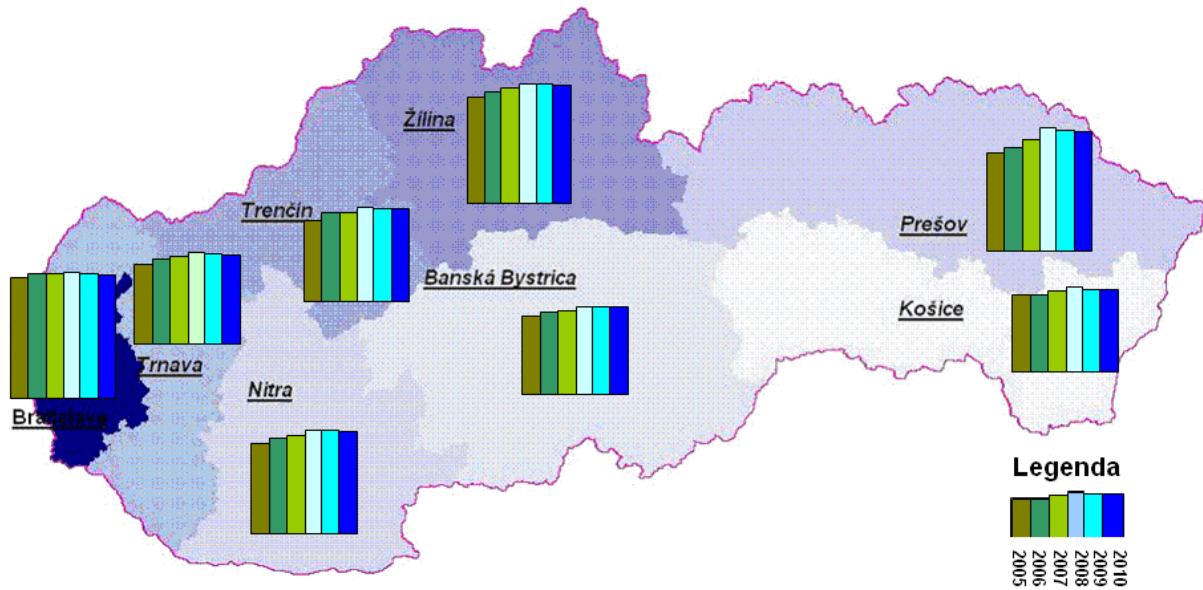
Graph No .33

Development of SMEs - legal entities by regions in 2005-2010



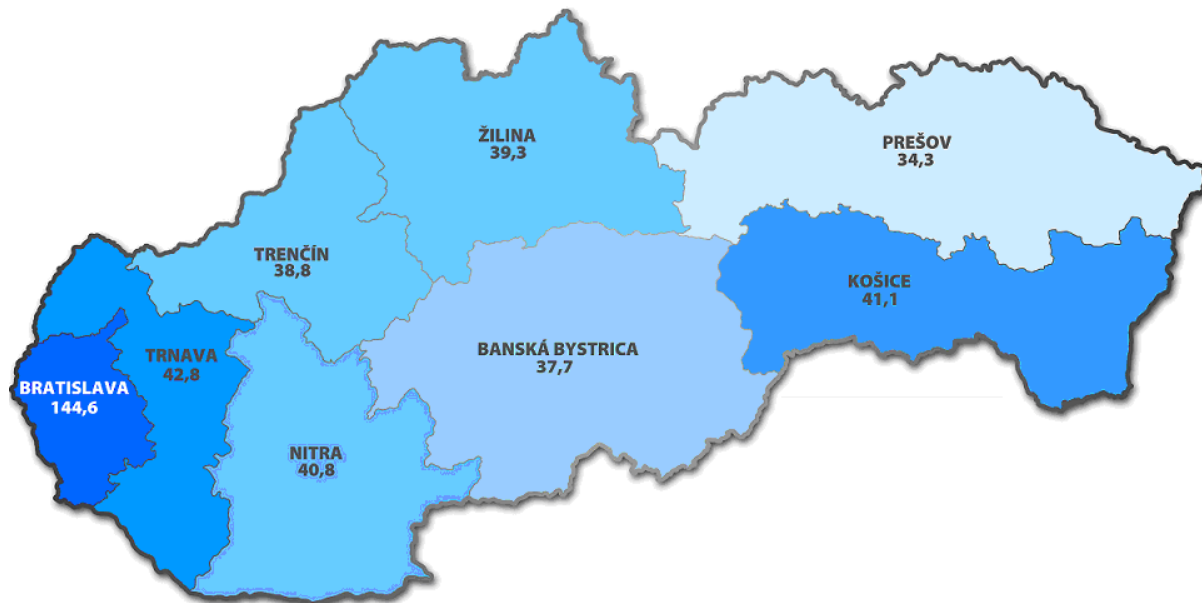
Map No.1

Development of small trade licensees by regions in 2005-2010



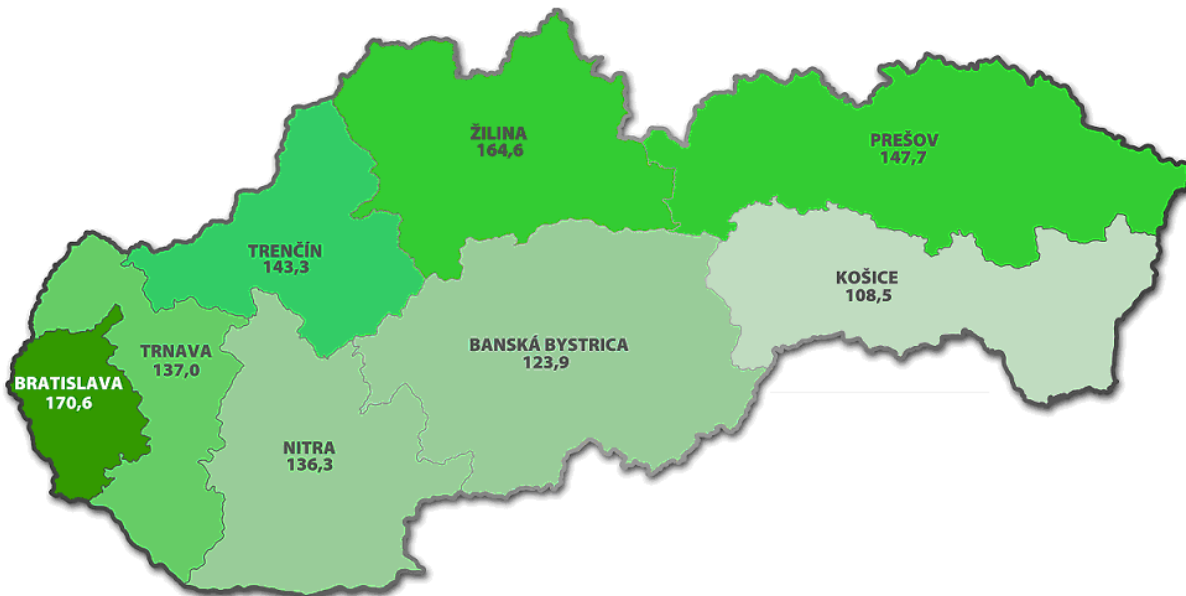
Map No.2

SMEs - legal entities per 1,000 economically active population in 2010



Map No.3

Small trade licenses per 1,000 economically active population in 2010



Map No.4

Appendix B: Tables

Table no. 1: Numbers of SMEs - legal entities, by sectors and regions

SK NACE sectors	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice
agriculture, forestry and fishing	292	468	553	641	615	807	1 032	638
industry	2 543	1 612	1 801	1 761	1 644	1 465	1 708	1 456
construction	2 750	1 261	964	1 101	1 441	1 192	1 494	1 224
trade	13 281	3 828	4 375	4 839	5 071	3 697	4 134	5 663
accommodation and food service	1 431	549	387	461	506	550	598	531
transport, information	4 564	1 282	763	1 471	802	921	673	1 001
trade services	22 176	3 258	2 244	3 077	2 418	2 993	2 461	3 124
other services	2 341	838	677	949	894	897	1 019	1 089

Source: Register of organisation of the Statistical office of the Slovak Republic, processed by NARMSP

Table no. 2: Numbers of small trade licensees, by sectors and regions

SK NACE sectors	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice
agriculture, forestry and fishing	574	680	1 282	969	923	3 209	3 395	1 789
industry	5 385	5 654	8 541	8 692	11 996	5 349	11 250	6 006
construction	7 366	12 353	10 302	10 443	17 583	7 966	15 360	6 564
trade	18 920	9 242	11 730	15 473	13 615	10 948	12 172	12 975
accommodation and food service	2 070	2 054	1 609	1 610	2 148	2 019	2 251	1 210
transport, information	6 743	3 010	2 272	2 818	2 419	2 607	2 743	2 215
trade services	12 779	5 835	4 825	5 043	4 960	5 988	6 100	5 303
other services	4 353	3 042	2 819	2 661	2 359	2 855	3 042	2 639

Source: Register of organisation of the Statistical office of the Slovak Republic, processed by NARMSP