



**STATE OF SMALL AND MEDIUM  
ENTERPRISES IN THE  
SLOVAK REPUBLIC**

**2002**



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# 1. Introduction

The development of small and medium enterprises (SMEs) represents a significant factor of economic development since, as in all the developed countries, it makes up the most extensive portion of the economy of our country. The signing of the EU accession agreement opened up the final stage of preparations for the accession to the EU. The SME support policy for the periods to come shall have to be adjusted to this fact, and it should be directed to make the business environment of our country as close as possible to the business environment prevailing in the EU and to make our SMEs to be prepared for entering the new competitive environment.

The share of small and medium enterprises in Slovakia's economy is currently comparable with those in developed countries: SMEs account for 99% of all Slovakia's enterprises. There was a further growth of employment provided by these enterprises in 2002: towards the end of 2002, they employed (together with small trade licensees) 62% of the total average numbers of the workforce in Slovakia. Also, a continuing trend towards gradual improvement of SME growth dynamics could be observed in 2002, thus substantially positively affecting (reducing) the tax burden upon businesses.

In its introductory sections, this booklet presents a concise assessment of the regulatory environment and an analysis of the status and development of SMEs over time. Subsequent sections address SME support tools coming from the various sources. The final chapter presents measures suggested to help SME development during the period to come. Additional information and diagrams can be found in the annexes referred to in the text of the publication.

The numerical data shown in Chapter 3 have been taken from documents of the Statistical Office of the Slovak Republic and the Agency for Development of Small and Medium Enterprises (NADSME).

In accordance with the methodology used in the EU, this booklet does not pay attention to business in primary agricultural production, forestry and fisheries.

This booklet will be used as a data base to provide European Union institutions, OECD, and UNEC with information needed to draft comparative analyses and various studies.

## **2. Development of the business environment for SME development in 2002**

In 2002, both the government and the National Council of the Slovak Republic continued taking positive measures to improve the business environment, to follow the dynamics started in 1998. Key steps were undertaken with respect to macro-economic stabilisation and continuing facilitation of the legislative framework.

Influx of foreign direct investments (FDI) represents the key factor of the improvement of the business environment in economies in transition since differences in their volumes become an important indicator of competitiveness and transparency of the economies of several countries. The positive effect of FDIs does not only reside in imports of equipment and new technologies but also in the application of a standard business ethics and new managerial methods. Linked with local subcontractors, they at the same time improve the export potential of the domestic economy. On the other hand, FDIs may cause significant numbers of domestic companies on the domestic market to disappear; this concerns companies whose low productivity due to lack of financial and qualified human capital prevents adjustment to new competitive conditions, and this negatively influences also the labour market.

Elimination of administrative barriers (such as facilitation of the system of levies, making the time needed to register companies shorter, changes of the Commercial Register and making it available on the Internet); positive changes of the Income Tax Act for legal entities (reduction of the tax rate to 25%, abolition of the limit for fuels that can be included in cost accounting, etc.) played an important role in the improvement of the business environment. The law brought a number of positive changes in this respect to be applied as of 1 January 2003; the tax reform suggested for 2004 - 2006 envisages an entirely new structure of the taxation system.

Also, the new Accountancy Act and the new procedures of bookkeeping for businesses brought in significant changes. Its main aim was to bring Slovakia's accounting-related legislation closer to standards needed for international reporting (so-called IFRS) and EU directives. The most significant amendments concern the new rules of accounting for deferred taxes, valuation of long-term tangible assets, changes in equity and accounting for unrealised exchange rate differences, as well as the option of making an interval other than the calendar year the basis of financial statements. Also, the long-criticised provision concerning VAT subtraction at the input after its payment only was abolished.

An important milestone in the regulation of the business environment in 2002 was the amendment to Commercial Code, which introduced into the Slovak legal system, in accordance with the EU directives, standard elements of corporate governance, such as specification and reinforcement of the principal rights of qualified shareholders minority, the liability of due diligence on the part of statutory body members, establishment of collection of deeds, restriction of the numbers of so-called "one-man bands" for limited liability companies.

Thus, numerous and important changes occurred with respect to the legislative framework regulating the conditions of doing business in 2002. The dynamics and the complexity of these changes however could have been coordinated even better with SME representatives who have criticised the too frequent and mainly too partial changes because of their overall intransparency and complexity.

A total of 275 legislative amendments were adopted last year, concerning business environment both directly and indirectly. This was the highest number in the history, the amendments nevertheless failed to bring about the expected improvement in some areas. Problems persist and they more or less hinder a more dynamic development of SMEs. These mainly include:

1. Significant administrative complexity for SMEs (non-uniformity of various forms for various institutions serving approximately the same purpose, payments to various funds rather than to a single center, etc.).
2. Discriminatory tax on income of natural persons, which make up as many as 84 % of the SMEs (progressive income tax), compared to legal entities (tax on income of legal entities). Moreover, SMEs are discriminated against in many cases compared to foreign enterprises also when it comes to foreign investments support (tax holidays, etc.).
3. Significant burden represented by levies: apart from labour-related costs, i.e. wages, the levels of levies are rather high and have to be paid in addition to taxes. For SMEs, costs of wages have a higher share on the overall cost structure than it is the case for large enterprises. This negatively affects the significant tax-related gap (i.e. the difference between total costs of labour spent by employer per employee monthly and the net monthly income of employee), which amounts to more than 50% in Slovakia.
4. Complex, uneasy to overview and frequently changing legislation which intensifies the standard disadvantage of SMEs, which is the high administrative complexity. This shows in particular in micro-enterprises and small trade licensees, where it represents one of the basic barriers to starting business.
5. Legal uncertainty and problems of law enforcement, in particular if connected with high corruption rates; moreover, what prevails in Slovakia are the preceding cases of differentiated approach or interpretation of law depending on the volume/size of the case.
6. Shortage of funds to start business, and the associated inadequate state support for starting businesses, undeveloped venture capital market, limited capacity to provide guarantees.
7. Non-functioning capital market which rather negatively affects the development of enterprises since capital financing represents one of its traditional tools. In the presence of a non-functioning capital market and the restricted approach of SMEs to resources, SMEs have to exclusively rely on financing of their development from cumulated own resources. This option however remains limited in the conditions

of our country because of the above mentioned significant levies- and tax-related burden. In addition, the non-functioning capital market negatively influences also the application of the especially effective tools of SME development, the venture capital.

8. The system and the framework of SME support are currently rather fragmented (apart from Ministry of Economy of the Slovak Republic, SMEs receive support from various other ministries which have SME support programmes), and are split among large numbers of small programmes. The various ministries but inadequately coordinate their activities, and this results in mixing up SME support policy with regional development or identifying it with the latter, with rural development policy, labour market strategy, etc. Also inadequately coordinated are activities of the various support agencies, which makes the utilisation of public funds to support SMEs appear inefficient and intransparent, and also causes information noise among the support beneficiaries, the enterprises.

Pursuant to decree of the Statistical Office of the Slovak Republic, the long-awaited census of small and medium enterprises was conducted in 2002; the final results will become available not earlier than in the 3rd quarter of 2003. Interim results however have already confirmed a certain stabilisation of small and medium enterprises as well as marked interregional differences that prevail with respect to SMEs activities. As a result of the census, also exact numbers of business entities could be obtained, and enterprises and/or small trade licensees which are no more active were deregistered. For more detailed information, see the Annexes section.

The status of the business environment and the SME sector in 2002 confirms that the gradual, and mainly synchronised improvements of the legislation and the administrative structures in the interest of the elimination of non-market barriers and strengthening of competitiveness of the business entities remain among the basic prerequisites for the improvement of the performance of Slovakia's economy.

## **3. The Status and development of SMEs in 2002**

Business environment and changes in the conditions of doing business, be it economic, legislative or administrative, markedly show also in quantitative parameters of the business entities. These parameters may be used to judge upon the prevailing trends, and they represent an indicator of the need of changes to provide for the desirable growth.

Act of the National Council of the Slovak Republic No.231/1999 Coll.LL. on state aid defines small and medium enterprises in accordance with the European Union standard, and enterprises are classified into small with 0 - 49, medium with 50 - 249, and large with 250 or more employees. Some additional criteria apply, accounting for turnover and balance close. In this evaluation, the size of the enterprise remains the sole criterion to classify SMEs. This classification enables comparisons of SMEs in the Slovak Republic with the status of the business sector in the European Union. Data for EU Member States were taken from the booklet The European Observatory for SMEs - Highlights from the 2002 Survey.

The evaluation of the status of small and medium enterprises presented in this chapter is based on register data published by the Statistical Office of the Slovak Republic. The register was updated in 2002 based on the SME census. Consequently, some changes as compared to the preceding year may be due to more reliable data obtained in 2002. The analysis of exports by small and medium enterprises was drafted based on data obtained from Ministry of Economy of the Slovak Republic.

For graphical data, see the Annexes.

### **3.1 Natural persons**

As of the end of 2002, Statistical Office of the Slovak Republic registered 298,776 natural persons - entrepreneurs, representing a decrease by 4.7 thous. (1.6%) compared to 2001. This included 274,630 small trade licensees, 12,379 persons doing business in unregulated occupations, and 11,767 independent farmers (Diagrams No. 1, 2). Most small trade licensees were doing business in trade (97,907), manufacturing of goods (48,471), building industry (41,775), real estate, leasing and commercial services (37,329). As compared to the end of December 2001, the total numbers of natural persons dropped 1.6%, with small trade licensees decreasing 1.8% in numbers. Numbers of persons doing business in unregulated occupations increased 1.6% as did numbers of independent farmers (0.4%).

In 2002, there were 37,699 persons starting businesses (4,112 more than in 2001), and 17,422 ceasing to do business (6 996 less than in 2001). The most pronounced changes concerned trade, building industry, manufacturing of goods, real estate and leasing, and agriculture.

There were no marked changes occurring in the structure of small trade licensees by sectors (Diagram No. 3). There was a drop by 2.4 points in internal trade, and by 0.1

point in manufacturing of goods; an increase by 1 point was recorded for building industry. The most important sectors include internal trade (97,907 small trade licensees), manufacturing of goods (48,471), and building industry (41,775) (Diagram No. 4).

The distribution of small trade licensees by regions is presented in Diagram No. 18. Most small trade licensees were doing business in the districts of Žilina (11,113), Bratislava V (9,994), Bratislava II (8,337), Prešov (7,729), and Bratislava IV (7,235). The smallest numbers of small trade licensees were recorded for the districts of Medzilaborce (399), Sobrance (558), and Poltár (617).

## 3.2 Legal entities

As of the end of December 2002, there were 93,451 legal entities registered with the registers of the Statistical Office of the Slovak Republic's agencies, including 59,520 enterprises and 33,931 non-for-profit institutions. There was an 0.4% year-on-year increase in the numbers of legal entities, with the numbers of non-for-profit institutions growing 12.3% and enterprises decreasing by 5.3%.

The major part of the total numbers of profit-making organisations were small enterprises (94.4%, including micro-enterprises with 0 - 9 employees 80.4%). Medium and large enterprises accounted for 4.7% and 1.0% respectively. The numbers of small and medium enterprises decreased by 3,290 and 57 respectively, with the numbers of large enterprises remaining unchanged.

There were 56,162 small private enterprises with up to 49 employees, 2,768 medium-sized private enterprises with 50 to 249 employees. The development of the numbers of small and medium enterprises is illustrated in Diagram No. 5. Changes in the various size categories of enterprises occurring within 1997 - 2002 are summarised in Diagram No. 6. The numbers of micro-enterprises (0 - 9) witnessed a drop by 0.5 points last year, whereas the share of small enterprises (10 - 49) grew 1.3 point, and those of medium and large enterprises grew 0.2 and 0.1 point respectively.

Comparing the above figures with the 19 EU and EFTA Member States, there are a total of 20,455 000 enterprises in these countries, including 19 million (93%) micro-enterprises (0 - 9) and 1.2 million (6%) small enterprises (10 - 49). Almost one quarter of the SMEs are small trade licensees, in particular in micro-enterprises. There are as few as 170,000 small enterprises (50 -249), i.e. 1%, and 40,000 large enterprises, i.e. 0.2%. Women make up 22% of all entrepreneurs.

The structure by sectors is shown in Diagram No. 7. Most small and medium enterprises were doing business in trade (23,405), commercial services and financial sector (12,900), manufacturing of goods (8,633) and building industry (4,591). The distribution by regions is shown in Diagram No. 18, with a marked maximum in the region of Bratislava.

## 3.3 Share of SMEs on employment

Employment on the labour market was growing for the second year in a row. The number of employed persons grew 0.2% in 2002 compared to 2001, to reach 2,127

thous. persons. There was an increase in numbers of entrepreneurs employing no people (to 129.4 thous, by 8.8%). The numbers of employees remained efficiently unchanged (1,940.9, drop by 0.1%). The numbers of entrepreneurs with employees dropped to 54.8 thous. (by 8%), and the numbers of assisting persons - household members dropped to 2 thous. (by 25.9%).

There was a favourable turn in employment in agriculture, with employment growing 0.7% after a decade of reduction. A growth trend was also recorded for building industry (by 1.6%), financial sector and insurance industry (by 1.8%), trade (by 1.2%), real estate and leasing (by 0.6%), and industry, public service and defense (by 0.2% each). The sectors of transport, posts and telecommunications continued recording reductions (by 1.2%) as did the education sector (by 0.3%), hotels and restaurants (by 2.1%) and other public services (by 3.6%). The numbers of employees in health sector and social care remained almost unchanged.

A year-on-year reduction in the numbers of the unemployed was recorded in 2002: there were 486.9 thous. unemployed persons (a reduction by 4.2%), representing the first decrease of this parameter in five years. After the last year's decrease of growth dynamics of unemployment, average unemployment rates dropped compared to 2000 from 19.2% to 18.5% in 2001.

Numbers of the unemployed with their last job in other public, social and personal services increased (by 8.9 thous.) and public service, the growth of these unemployment rates was however exceeded by the growth of unemployment in industry (11 thous.), building industry (by 7.7 thous.) and trade (by 5.6 thous.). The contributions of SMEs towards unemployment by sectors are illustrated in Diagram No. 8.

With respect to the category of small trade licensees, there were approximately 510 thousand employees (25.4%), with 373.4 thous. and 362 thous. being employed by small and medium enterprises respectively (18.6% and 18.0%, respectively). Diagram No. 9 illustrates employment by size categories of enterprises and its development within the previous 6 years.

For the sake of comparison, the 19 EU and EFTA Member States show the following shares of enterprises on employment: micro-enterprises 34%, small enterprises 19%, and medium enterprises 13% (SMEs in total 66%), and large enterprises 34%.

On the year-on-year basis, there was an increase in employment in the category of small enterprises of 5.2%, the corresponding figure for medium enterprises was 1.9%, making up a 4.96% increase for all SMEs overall, including small trade licensees. The role played by SMEs with respect to employment is evident from Diagram No. 10. SMEs (small trade licensees included) provided employment to 59.4% of the earning population in 1997, the figure dropping to 57.1% in 1998, to 56% in 1999, and increasing to 77.7%, 59.1% and 62% in 2000, 2001 and 2002, respectively.

Diagram No. 11 shows the contributions by the regions towards the overall numbers of employees.

### 3.4 Contributions by SMEs towards production by selected sectors

A gross domestic product amounting to Sk 1,073.6bn was generated in 2002. This represented an increase by 4.4% compared to 2001 (8.5% in current prices). The growth rate was 1.1 p.p. higher than in 2001. The gross domestic product generated produced added value of Sk 966.8bn, representing a year-on-year increase by 4.3%. According to estimates, the private sector accounted for 88.9% of the total gross domestic product.

A total gross domestic product of Sk 278.1bn was generated in industry, being 4% more than in 2001. Added value in electricity generation and electricity, gas and water production and distribution increased (by 33.4%) as did that in manufacturing of goods (by 2.6%), and it dropped in mineral raw materials production (by 13.9%).

Industrial entities realised revenues from own performances and goods amounting to Sk 1,150bn, representing a year-on-year increase of 4%, thereof 4.4% for industrial production and 2.5% for electricity generation and distribution and gas and water production and distribution. Revenues from mineral raw materials production dropped by 9%. Revenues from electricity generation and distribution and gas and water production and distribution (16.5%), production of metals and manufacturing of metallic products (13.9%), production of foods and drinks and tobacco processing (10.7%) and manufacturing of transport vehicles (11.8%) made up more than 50% of the revenues in industry in total. The contributions by other sectors ranged within the 0.3% - 7.8% interval.

The key volume of revenues came from large enterprises (66.6%). Medium and small enterprises and small trade licensees contributed 15.2%, 8.2% and 9.9% respectively. The highest growth rates were recorded for the revenues of medium enterprises (7.5%), followed by large enterprises (4.4%) and small trade licensees (1.9%). Revenues of small enterprises failed to reach the 2001 level (being 3% less).

Building production recorded a year-on-year growth for the second year in row. It grew 4.1% as compared to 2001. Higher volumes of building production could be achieved in the presence of a higher productivity of labour (by 2.5%) and higher headcounts in construction companies (by 1.6%).

Small trade licensees realised 29.7% of the total production of construction entities, followed by small and medium enterprises and large enterprises (27.7%, 24.5% and 18.1% respectively). The year-on-year development of building production was mainly due to a growth on the part of small trade licensees (by 11.5%) and medium enterprises (by 9.5%). Also higher was production by small enterprises (by 6.7%). Production by large construction enterprises dropped 13.8% (including a drop by 23.7% in companies with 500 or more employees).

Sales and maintenance of motor vehicles realised revenues from own performances and goods amounting to Sk 122.2bn, thereof more than three quarters from sales of motor vehicles (46%) and from retail sales of fuels (32.9%). Compared to 2001, the

volume of revenues was 9.9% larger. The most pronounced increments were recorded for maintenance of motor vehicles (22.5%). Revenues from retail sales of fuels increased 10.4%, from sales of parts for motor vehicles increased by 5.9%, and from sales of motor vehicles by 4.2%.

Wholesales achieved revenues from own performances and goods amounting to Sk 590.8bn. More than three quarters of those revenues came from revenues from business mediation (29.2%) and other wholesales (19.9%). The smallest contribution came from wholesales of agricultural raw materials (3%) and machinery (7.8%). Of the total revenues from own performances, small enterprises, small trade licensees, medium-size enterprises and large enterprises contributed 52.4%, 20.9%, 18.9% and 7.8%, respectively. The year-on-year drop of revenues was affected by smaller revenues made by small trade licensees (by 18.5%) and medium-size enterprises (by 13.8%). Higher revenues than in 2001 were achieved by large enterprises (by 12.5%) and small enterprises (by 4.8%).

Retail sales achieved revenues from own performances and goods of Sk 328bn, non-specialised retail sales (hypermarkets and supermarkets) accounting for a significant portion thereof (55.5%). Other specialised retail sales, with the exception of shops contributed 8%, pharmaceutical and cosmetic goods 7.3% and food 6.6%. Small trade licensees accounted for the largest portion of the revenues (44.5%). Small, large and medium-sized enterprises contributed 26%, 22.7% and 6.8%, respectively. Revenues of large enterprises recorded a year-on-year increase by 18.2% (with a marked growth for enterprises with 500 or more employees (by 42.1%) and a pronounced drop for enterprises with 250 - 499 employees (by 33%)). Also, medium-sized and small enterprises recorded higher revenues (by 14.6% and 5.1%, respectively), whereas revenues of small trade licensees dropped by 0.3%.

There was a tendency towards dropping revenues from own performances and goods for hotels and restaurants: as compared to 2001, the volume of revenues decreased 14% (in constant prices) to reach Sk 32.8bn.

For the sector of transport and warehousing, revenues from own performances and goods recorded a year-on-year increase by 1.5% (in current prices) to reach Sk 87.5bn. Due to payments for services of the transport infrastructure (introduced since January 2002), there was a year-on-year increase of 43.3% in revenues for rail transport.

Of the total volume of revenues from own performances and goods for road transport, small trade licensees accounted for 34.8%, large, small and medium-sized enterprises 23.7%, 23% and 18.5%, respectively. The lower level of revenues compared to 2001 was associated with decreases for small enterprises (by 14.4%), small trade licensees (by 11.1%) and large enterprises (by 4.8%). Medium-sized enterprises could achieve revenues higher by 35.1%.

The year-on-year increase in revenues from own performances and goods for posts and telecommunications was substantially slower than it was the case in the preceding two years. As compared with 2001, the volumes increased by 3.2% in current

prices to reach Sk 51.4bn. The development dynamics were influenced by the growing prices of telecommunication and radiocommunication activities (by 8%) and the reduction of mail and delivery activities (by 20.8%).

Accommodation facilities achieved revenues from accommodation services to tourists amounting to Sk 5.7bn (59.5% from foreign visitors). As of the end of December, there were 2,398 accommodation facilities providing accommodation services, including 816 hotels and pensions. Available were 45.5 thous. rooms with 118.2 thous. beds. A total of 3.4 million visitors were accommodated (40.6% from abroad).

As compared with 2001, the revenues made by accommodation facilities were 9.6% higher (in current prices; revenues from foreign visitors increased 11.2%). The numbers of visitors seeking accommodation increased 8% (14% for foreign visitors).

The contribution of SMEs on revenues for selected sectors is illustrated in Diagram No.12.

### **3.5 Contributions of SMEs towards exports and imports**

The year-on-year growth rates of both exports and imports were smaller in 2002 than in the preceding years. As compared to 2001, the volumes of exports increased by 6.5% (the smallest growth rate in the recent four years), and the volumes of imports grew 4.7% (the smallest growth rate in the recent two years).

Goods worth Sk 651.3bn were exported from the Slovak Republic, imports were worth Sk 747.9bn. The share of exports on the basic structure of the foreign trade turnover grew 0.4 p.p. to reach 46.5%. An excess growth of exports over imports also showed in the year-on-year decrease of the foreign trade deficit (by Sk 6.1bn, to reach Sk 96.6bn).

From the aspect of the destinations, the highest passive balance concerned trade activities with Russia (Sk 87.35bn), followed by the Czech Republic (Sk 14.3bn), China (Sk 13.8bn), Spain

(Sk 12.9bn), Japan (Sk 6.6bn), Turkey (Sk 7.3bn). The highest active balance could be achieved in trade with France (Sk 18.6bn), Austria (Sk 18.3bn), Hungary (Sk 15.1bn), and Poland (Sk 10.6bn). An active foreign trade balance could be achieved with the EU Member States (Sk 17.8bn) as compared with a passive balance with America (Sk 9.7bn) and non-EU European countries (Sk 49.7bn), mainly due to imports from Russia.

The growth rates were connected with increased exports to EU Member States (by 7.7%), the OECD and CEFTA countries (6.5% and 0.4%, respectively). Among the most important trade partners, exports to Germany increased 2.2%.

Small and medium-sized enterprises made a significant contribution towards foreign trade as well. Diagram No. 13 illustrates the development of exports by size categories of enterprises. Overall, SMEs participated 26.9% on exports (Diagram No. 14). SMEs were proportionally represented in exports to the most significant destinations

(Diagram No. 15), with the volumes growing for all the categories in recent years. Diagram No. 16 shows the year-on-year development of imports, and Diagram No. 17 illustrates the contributions by the various size categories of enterprises to imports.

Of the total numbers of SMEs - legal entities, 17.9% and 28.0% respectively do export and import. There was an increase in the numbers of small enterprises who were exporters (from 12.7% to 16.1% on the year-on-year basis), with the numbers of importers growing from 20.4% to 26.0%. From among medium-sized enterprises, the proportions of exporters increased from 50.7% to 50.9% on the year-on-year basis, and the proportions of importers grew from 61.9% to 65.3%. There were 0.3% and 1.0% of exporters and importers among small trade licensees, respectively.

For the sake of comparison, there were less than 20% of SMEs in the 19 EU and EFTA countries involved in exports, the percentages growing in dependence on the company size.

### **3.6 SME development dynamics**

A total of 37,699 persons started business in 2002, and 17,422 terminated business activities. The dynamics of newly established natural persons exceeded the 2001 values by 4,112, whereas there were 6,726 enterprises less in 2002 than in 2001 which terminated their activities. The most pronounced changes concerned the sector of retail sales, manufacturing of goods, building industry, real estate, leasing and commercial services, agriculture and fisheries.

There were 1,130 new legal entities established during 2002, and 385 discontinued their activities (the difference does not correspond to the overall growth shown in Diagram No. 6, since the survey method changed in the meantime and there was a time shift as well). Compared to 2001, there were 282 less companies established and 75 less dissolved. The most pronounced changes concerned the sectors retail sales, real estate, leasing and commercial services, manufacturing of goods, building industry.

| Sector   | Newly established |        | Dissolved |        |
|--|-------------------|--------|-----------|--------|
|  | LE                | NP     | LE        | NP     |
| Agriculture  | 86                | 1,873  | 14        | 1,251  |
| Mineral raw materials production                                       | -                 | 1      | -         | -      |
| Manufacturing of goods   | 189               | 5,747  | 64        | 2,404  |
| Electricity, gas and water production and distribution                 | 11                | 1      | 3         | 6      |
| Building industry  | 75                | 6,241  | 26        | 2,173  |
| Wholesales, retail sales, repairs                                      | 358               | 13,524 | 143       | 7,318  |
| Hotels and restaurants   | 33                | 1,487  | 12        | 917    |
| Transport, warehousing   | 67                | 1,094  | 34        | 661    |
| Posts and telecommunications   | 6                 | 18     | 1         | 11     |
| Financial and insurance business                                       | 11                | 91     | 8         | 24     |
| Real estate, leasing and commercial services, research and development | 243               | 5,160  | 62        | 1,;87  |
| Public service, defense, mandatory social security                     | -                 | -      | 1         | -      |
| Education  | 7                 | 416    | 1         | 105    |
| Health care and social care  | 13                | 439    | 1         | 136    |
| Other public, social and personal services                             | 31                | 1,607  | 15        | 529    |
| Total  | 1,130             | 37,699 | 385       | 17,422 |

### 3.7 Regional aspect

Out of the revenues from own performances and goods in industry, a significant portion was realised by business entities based in the Region of Bratislava (39.3%). More than ten per cent were contributed by Regions of Košice (12%) and Žilina (10.2%), with the remaining regions contributing between 5.6% and 9.8%.

Out of the total production volume by construction companies, one quarter went to the account of business entities based in the Region of Bratislava (25.5%), the other regions contributing between 7.8% (Region Banská Bystrica) and 15.5% (Region Žilina).

Diagram No. 18 shows the percentages contributed by small trade licensees, and small and medium enterprises by regions. From the viewpoint of regional economic activities, the ratio of the numbers of enterprises to the economically active population is of interest. This comparison is presented in Diagram No. 19, suggesting a pronounced high ratio for mainly the Region of Bratislava. This matches with the overall economic standard of the regions, expressed in terms of production by the individual sectors, as illustrated by Diagram No. 20.

### 3.8 How well are SMEs and households equipped with information technologies

The standard of the use of information technologies markedly accelerates business activities. The use of computers makes production and administrative activities of the companies more efficient, and the Internet offers new opportunities for marketing and commercial activities, both between companies and towards the end consumer.

At the end of 2002, NADSME in working together with Infostat and GfK-Slovakia, conducted a survey of the rates of computer and Internet users among small trade licensees and households, on a representative sample of 2000 individuals aged 18 to 65 years:

- ❖ Of the respondents, 36% claimed to have a computer at their homes, and additional 35% claimed to use computers at other places. Altogether, 51% of the respondents claimed to have the opportunity to use computers, 19% of them use computers both at their homes and at other places. More users who use computers at home are people with higher level of education; this is estimated at 63% for university educated individuals and at 43% for secondary school graduates with high school leaving diploma. When seen from the regional aspect, there was a significant difference between the Region of Bratislava and the remaining territory of Slovakia. Within the Region of Bratislava, 54% of the respondents claimed to use computers at home; the differences between the other regions were insignificant, with an average of 33%.
- ❖ The question about the use of the Internet at home was replied affirmatively by 8.9% respondents. The proportions were higher for university educated individuals (19.8%) and those living in the Region of Bratislava. Most home users of the Internet came from the category student and self-employed (20.8%). The proportions were also higher for people from agglomerations with a population exceeding 100 thousand (18%) compared to the category 5 - 100 thousand (10%), and these numbers were in turn higher than those for municipalities with a population of less than 5 thousand.
- ❖ In the category small trade licensee, 63.9% of the respondents claimed to use computers, with Internet connectivity in 31.6% of them. Internet access at other places was claimed by 27% of small trade licensees.

In working with Infostat and ÚVVM ŠÚ SR, NADSME organised a survey in early 2002 concerning availability of information technologies. The survey was conducted on a representative sample of SMEs - legal entities.

- ❖ The survey suggested that the most widespread information technology (among the companies surveyed) were computers connected to the Internet (54.8%). Overall, 92.39% of SMEs use PCs.
- ❖ Information technologies are used by small and medium-sized enterprises mainly (in 88%) to process economic agenda (such as wages, bookkeeping, warehousing management), less for the purposes of electronic mail (46%), electronic com-

merce (38%), management of a portion of the operations or production (28%) or comprehensive management of operations or production (12%).

- ❖ Small and medium-sized enterprises which use information technologies for also electronic commerce purposes, predominantly focus on looking for commercial offers (66%), make payments via bank and electronic software (55%), or advertise their products on the own web page (48%).

The situation concerning the use of information technologies by SMEs in the 19 EU and EFTA countries is as follows.

### Use of separate and network-connected PCs (data in %)

|                                 | Numbers of employees |         |          |       |
|---------------------------------|----------------------|---------|----------|-------|
|                                 | 0 - 9                | 10 - 49 | 50 - 249 | Total |
| No PC                           | 15                   | 5       | 1        | 14    |
| Separate PCs not networked      | 35                   | 21      | 5        | 33    |
| Only networked PCs              | 17                   | 21      | 18       | 17    |
| Both separate and networked PCs | 34                   | 53      | 76       | 35    |

With the exception of Portugal with 43% and France with 45%, more than 69% of the SMEs had access to the Internet in 2002.

## 3.9 Preparedness of SMEs for EU accession

In working together with Infostat and Polling Institute at the Statistical Office, NADSME ran a project entitled Preparedness of Small and Medium Enterprises for EU Accession. The same project had also been run in November 2000, using the same method, and this allowed the comparison of how conditions with respect to the parameters studied had changed within one and half year.

- ❖ A significant portion of SME representatives approached (38%) believe that EU accession won't bring any change for their enterprises, and 31% expect EU accession to provide them with more opportunities for cooperation with EU companies. Looking for a trade partner from the EU represents a priority interest of as many as 34% of entrepreneurs.
- ❖ Compared to 2000, less entrepreneurs expect easier access to financial resources (21% compared to 32%), the expectation of improved purchasing conditions after the accession remained however at the same level (33%).
- ❖ As many as 47% of the respondents considered pointed competition on the domestic market as the major disadvantage of the accession, whereas 29% of enterprises expect qualified labour to become drained.
- ❖ Almost 70% entrepreneurs are currently convinced that what has to be adjusted to the EU conditions with respect to economic and financial conditions is mainly accessibility of bank loans. The same requirement ranked first also in November 2000, but at that time it was voiced by as many as 80% of the respondents.

- ❖ Currently 44% of Slovakia's SMEs use the common currency EUR to make payments to EU Member States, representing an increase by 11 p.p. compared to 2000.

### **3.10 Innovation activities**

In connection with Slovakia's accession to the European Union and in the interest of the maintaining of their competitiveness, small and medium enterprises undertake activities directed towards innovation of technologies, products or services provided to customers.

- ❖ More than half (54%) of the respondents from among small and medium-sized enterprises approached under the above mentioned survey claimed to have innovated services for their customers within 2000 - 2002, 47% of the companies either introduced completely new technologies or substantially improved existing technologies.
- ❖ Compared to the national average, entirely new technologies were implemented within 2000 - 2002 by mostly medium-sized enterprises (with 50 - 249 employees; 21%), from the sectors of agriculture and manufacturing of goods (20% each), and mainly those based in the Regions of Žilina (19%) and Nitra (17%).
- ❖ Statements to have implemented no technological innovations in their companies were expressed predominantly by enterprises with up to 9 employees (43%), in the sectors of transport, posts and telecommunications (57%) and construction activities (43%). From regional aspect, most such companies were coming from regions of Trnava (46%), Košice (41%) and Nitra (40%).
- ❖ More than half of the entrepreneurs (51%) stated that permanent innovation activities represents a component of the long-term business strategy of their company. The most frequent reply to the question of what were the benefits derived from innovations introduced, if any, was "turnover growth" (71%).
- ❖ Specific solutions for innovations were most frequently provided by own development centers (52%) or by another company doing business in Slovakia.
- ❖ Among the financial resources used for the implementation of innovation activities, it is own financial resources that greatly predominate (90%). The use of own funds is typical of all size categories of enterprises; this is most pronounced with respect to enterprises in the building industry sector (94%). Bank loans as a source of funding of innovations were most frequently taken advantage of by enterprises with 50 to 249 employees. A majority of the enterprises stated that the costs of innovations made up less than 10% of the overall company's turnover.

### **3.11 Position of SMEs within Slovakia's economy** – summary

The growth rate of gross domestic product increased from 3.9% in the first quarter to 5.4% in the fourth quarter. The volume of the gross domestic product generated in

2002 has been preliminarily estimated at Sk 1,073.6bn. Compared with 2001, there was a real increase by 4.4% (8.5% in current prices), being 1.1 p.p. higher than in 2001.

On the consumption side, it was a more intensive foreign demand combined with enhanced domestic demand that contributed most to the development of the gross domestic products (5.9% and 4.7%, respectively).

Interim analyses suggest that the passive balance of the foreign trade in goods and services decreased by Sk 7.2bn (in current prices) as compared to 2001, and reached Sk 76.5bn.

Export performance of the economy (measured in terms of the contribution of exports of goods and services to GDP) decreased to 72.8% (by 1.2 p.p.). Imports-related intensity decreased to 79.9% (by 2.6 p.p.).

The numbers of employees remained almost unchanged (1,940.9 thous.) dropping by 0.1%. Numbers of enterprises with employees dropped to reach 51.8 thous. (by 8%), and the numbers of assistants - entrepreneur's household members dropped to 2 thous. (by 25.9%).

Added value included in the gross domestic product made up Sk 966.8bn, representing a year-on-year increase by 4.3%. Own consumption increased 0.2 p.p., and accounted for 62.1% of the overall gross production.

The shares of small and medium-sized enterprises on gross production decreased (by 0.1% and 0.2%, respectively), and it increased for large enterprises (Diagram No. 21), with all categories of enterprises showing an absolute growth of gross production.

With respect to added value, the contributions by small as well as medium-sized enterprises increased (Diagram No. 22). Small and medium-sized enterprises witnessed a growth in absolute figures, large enterprises on the other hand recorded the first drop since 1998.

Employment by large enterprises markedly decreased, whereas that by medium-sized enterprises, small trade licensees and small enterprises increased (Diagram No. 23).

Earnings before taxes show a growth for small and medium-sized enterprises as compared to the preceding year, whereas they decreased for large companies (Diagram No. 24).

The key economic parameters showed a slight increase for small trade licensees, small and medium-sized enterprises; in the view of the necessary restructuring of the economy and dealing with the problem of unemployment, conditions should be established for higher growth rates. To a significant extent, this concerns legislative and administrative adjustments which are made rather slowly compared to what is being needed, or which entirely ignore the needs.

## **4. State support to SMEs**

### **4.1 Ministry of Economy of the Slovak Republic**

Support provided by Ministry of Economy of the Slovak Republic (hereinafter the “Ministry”), being in charge of the implementation and coordination of support activities in the small and medium enterprises sector, was in 2002 focused on competitiveness improvement of small and medium enterprises in connection with the forthcoming accession of the Slovak Republic to the European Union. Support priorities included improvement of the production base, acquisition of certificates of quality management, and counselling and training of the managements of SMEs.

The majority of State Budget funds were channelled to financial loan-like subprogrammes, such as Loan Support Programme, Micro-loans Programme, and Seed Capital Company. Funds were at the same time provided to subsidies-based subprogrammes, specifically to the Technology Transfer Subprogramme, Implementation of Quality Management Systems, Subcontracting, Start 2000 for SMEs starting their business, and counselling and education for SMEs and the target group of potential entrepreneurs.

As a new element in the group of subprogrammes run in 2002, a subprogramme was directed towards establishment and running of business and technological incubators with contributions from seed venture capital. The establishment of 5 - 6 incubators is envisaged under the subprogramme by the end of 2004, thus providing the required business support infrastructure.

Adequate resources enabling the financing of the above mentioned subprogrammes (loans, subsidies, counselling, training and institutional) were provided by the Ministry.

The programmes were run through the National Agency for Development of Small and Medium Enterprises (NADSME) and the Slovak Guarantees and Development Bank, Inc. (SZRB).

In response to Communication by Ministry of Foreign Affairs of the Slovak Republic No. 186/2002 Coll.LL. of 18 April 2002 on the adoption of the Resolution of the EU-Slovak Republic’s Association Council No. 6/2001, by which implementation rules for the implementation of provisions on state aid are adopted, the Ministry amended existing subprogrammes to de minimis aid schemes in accordance with Commission Regulation (EC) No. 69/2001 or to state aid schemes in accordance with Commission Regulation (EC) No. 70/2001. At the same time, subprogrammes which do not fall under the state aid act remained in place, e.g. concerning beneficiaries - institutions supporting development of SMEs or if aid is provided under commercial conditions, interest rates on the loan extended not dropping below the reference rates (9.76% for 2002) announced annually by State Aid Office (SAO).

Notification of subprogrammes to which State Aid Act applies mostly consisted in amending portions of existing subprogrammes to de minimis aid schemes. At the

same time, several related programmes were merged into a single scheme since the objective was to optimize the numbers of subprogrammes.

SAO registered three aid schemes in 2002 which concerned support to competitiveness improvement, tourism and subcontracting. The remaining aid schemes scheduled will be presented to SAO for registration during the first half-year of 2003. Notification of the subprogramme will enable their running also after Slovakia's accession to the EU.

During the year, the Ministry evaluates effectivity and discharge of the funds under the various subprogrammes of SME support, and uses the results to make adjustments to conditions and allocation of funds from State Budget to specific subprogrammes for the subsequent period of time. Upon formulating state aid to SMEs, Ministry officials make use of knowledge obtained during their participation at activities and events organised by the EU, OECD, EEC, UNIDO, UNDP etc.

## **4.2 National Agency for Development of Small and Medium Enterprises**

The National Agency for Development of Small and Medium Enterprises (NADSME) with the network of regional counselling and information centres (RAICs) and business innovation centres (BICs) represents the principal institutional tool of support and development of SMEs, which co-ordinates activities of support of small and medium enterprises at international, national and local level. Seen from the regional aspect however, this network is not yet comprehensive. In 2002, NADSME added to it first contact points in the high-priority region of Slovakia - East (Brezno, Poltár, Veľký Krtíš, Bardejov, Medzilaborce, Michalovce, Sabinov, Snina and Levoča).

The setting up of the network of incubators financed from the State Budget and the PHARE Programme continued also last year. The role of incubators is to support SMEs starting business as well as existing SMEs in their development through providing them with adequate facilities, technical infrastructure, comprehensive educational services and, with respect to technological incubators, also with the scheduled financial aid (venture capital).

In taking care of its activities, NADSME co-operates closely with institutions oriented towards support of SMEs development in Slovakia. Co-operation with the Slovak Chamber of Trade and Industry was based on a co-operation agreement in the areas of legislation and some international activities.

In 2002, NADSME's activities were fully based on priorities of the National Programme for the Adoption of the Acquis Communautaire (NPAA) with respect to SMEs. The priorities for 2002 were cascaded down into activities of their implementation. Moreover, NADSME also implemented some other activities at its own initiative. These included, e.g. technical assistances directed towards counselling and training activities, development of medium-term policy for the period of 2002 - 2005, and

towards simplification of the process of payments into funds, the grant programme to support SMEs associations, counselling and training grant scheme for SMEs, grant scheme for training of special groups of individuals interested in doing business, building of incubators, and continuing the application of the spin-off method.

An important role in the pre-accession process during 2002 was also played by Euro Info Centers (EIC) in Bratislava and Prešov, which are part of the European Commission's information centers network.

Implementation of the various activities in 2001 was based on disposable resources of the State Budget for 2000, 2001, 2002, and of the PHARE - COP 99 and COP 2000 Programmes.

### **4.3 Ministry of Finances of the Slovak Republic**

Pursuant to the competencies laid down in Act No. 575/2001 Coll.LL., as amended from time to time, Ministry of Finances of the Slovak Republic is the drafter and, via tax offices, also implementator of tax regulations. Under this competency, its supporting function is rather important also in relation to development of SMEs. This is shown in mainly the opportunities to grant some tax concessions, tax exemptions or special taxation approaches. Such tax concessions mainly included:

- ❖ tax concessions and exemptions with respect to income tax pursuant to Act No. 366/1999 Coll.LL. as amended from time to time,
- ❖ special taxation approach pursuant to Act No. 366/1999 Coll.LL. as amended from time to time,
- ❖ exemption from payment of taxes on income pursuant to Slovak Government's Ordinance No. 192/1998 Coll.LL.

We were informed by the Tax Directorate of the Slovak Republic that, by the time of the drafting of this booklet, the 2002 data about these concessions have not been comprehensively processed.

### **4.4 Ministry of Labour, Social Affairs and Family of the Slovak Republic (MPSVR SR)**

The labour market policy which MPSVR SR is in charge of to develop via executive bodies of the National Labour Office (including regional and district Labour Offices) has been applying several tools of economic and social policy. These tools are financed from the budget of the National Labour Office, and the resources are spent on pro-active and reactive labour market policy. Some of these tools also take advantage of grants from the State Budget. From the perspective of the support of small and medium enterprises, the most important are the tools of the pro-active labour market policy which have been witnessing a pronouncedly decreasing tendency in recent years. The tendency started gradually changing as late as in 2000; this however was due to the fact that funds were allocated from the State Budget on works of public benefit to address the problem of unemployment. The development

since 1996 (at that time, the funds were intended for pro-active employment policy) is documented by the following shares of funds spent overall on labour market policy and/or employment policy:

| Parameter  | 1996  | 1997  | 1998  | 1999 | 2000  | 2001  | 2002    |
|--|-------|-------|-------|------|-------|-------|---------|
| Expenditures on pro-active labour market policy, in Sk m             | 4,290 | 3,099 | 2,289 | 474  | 1,570 | 2,235 | 3,482.6 |
| % of expenditures on labour market policy realised by Labour Offices | 58.3  | 43.7  | 29.4  | 6.1  | 20.3  | 31.8  | 40.1    |

The decreasing trend with respect to the shares of pro-active policy funds is documented by the absolute amounts spent on reactive and pro-active labour market policy in recent years. The shares show a more pronounced increase but in 2002:

**in Sk m**

| Year | Reactive policy | Pro-active policy | Total expenditures |
|------|-----------------|-------------------|--------------------|
| 1997 | 3,989           | 3,099             | 7,088              |
| 1998 | 5,485           | 2,289             | 7,774              |
| 1999 | 7,766           | 474               | 7,766              |
| 2000 | 6,182           | 1,570             | 7,752              |
| 2001 | 4,789           | 2,235             | 7,024              |
| 2002 | 5,213           | 3,482             | 8,695              |

This was due to mainly an absolute increase in numbers of the unemployed as well as to an absolute increase of unemployment benefits.

Also pronounced was the decrease of the volume of funds spent on agreed job positions compared to expenditures on socially purposeful jobs based on previously applicable registration prior to 2000. There was a turn in 2001, with a increasing trend thereafter which also continued in 2002:

#### **Expenditures on socially purposeful jobs (SPJ) and/or agreed job positions**

| SPJ/agreed jobs      | 1995      | 1996      | 1997      | 1998    | 1999    | 2000   | 2001    | 2002      |
|----------------------|-----------|-----------|-----------|---------|---------|--------|---------|-----------|
| No. of jobs          | 46,866    | 25,685    | 18,775    | 22,793  | 3,613   | 1,133  | 7,950   | 29,275    |
| Granta, in Sk thous. | 2,698,649 | 2,256,913 | 1,072,750 | 926,979 | 133,082 | 32,690 | 231,100 | 1,362,319 |

It is evident from the above overview that after 2000, expenditures on agreed job positions no more made the most significant part of the funds spent on pro-active labour market policy: in 1999, they accounted for 28.1% of the overall volume of expenditures on pro-active labour market policy, while making up as little as 2.1% in 2000. Thus, 2001 was a turn in this respect, with the share being as little as 10.3%, increasing to as many as 39.1% in 2002.

Taken from the aspect of the volume of the funds spent, the most important tool ranking second were grants on agreed job positions of public benefit: 22.2% were used for this purpose in 1999, whereas this figure was as high as 81.1% of the total volume of expenditures on pro-active labour market policy in 2000. A turn occurred in 2001 with respect to also this parameter: the expenditures made up as little as 67.7%, further dropping to 29.7% in 2002. The development of this parameter was as follows:

#### **Expenditures on agreed job positions of public benefit (PBJ)**

| <b>PBJ</b>           | <b>1995</b> | <b>1996</b> | <b>1997</b> | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| No. of jobs          | 44,342      | 35,856      | 29,305      | 34,214      | 8,630       | 67,653      | 42,407      | 40,445      |
| Grants, in Sk thous. | 788,993     | 1,332,013   | 740,200     | 674,309     | 105,332     | 1,273,540   | 1,513,182   | 1,036,104   |

Pro-active policy of the labour market also uses additional tools which, directly or indirectly, contribute to the support and development of SMEs. These mainly include expenditures on re-training, expenditures to maintain jobs, expenditures on employment of individuals with impaired ability to work, expenditures on development of projects to enhance employment, as well as expenditures on business projects of employment.

## **4.5 Ministry of Transport, Posts and Telecommunications of the Slovak Republic (MDPT SR)**

In working with SZRB, a.s., MDPT SR implements the Support Programme of Combined Transport Development, with guarantees for loans and/or grants to cover a portion of the interest on loans, or subsidies can be extended to enterprises to support them.

There were no applicants for support to small and medium enterprises from the combined transport sector in 2002 since the programme was suspended because of its updating. Three projects were selected from the preceding period to receive guarantees; these however were not extended because of violation of contractual conditions.

With respect to subsidies as a form of support, contracts were signed in 2002 to grant Sk 12,427 thous.; this amount will be paid as soon as the conditions laid down in the corresponding contracts are met.

## **4.6 Ministry of Construction and Regional Development of the Slovak Republic**

The Ministry manages two state programmes of SME support, namely State Aid Programme to Develop Districts with High Unemployment Rates, and Housing

Support Programme. The following Table summarises the outcome of the Programmes in 2002:

| Principal characteristics          | State aid programme to develop districts with high unemployment rates | Housing Support Programme |
|------------------------------------|---|---------------------------|
| Numbers of grant applicants        | 488   | 248                       |
| thereof SMEs                       | 217   | 195                       |
| Numbers of grants awarded          | 130   | 195                       |
| Amount of grants awarded (in Sk m) | 95  | 110                       |

## 4.7 Ministry of Agriculture of the Slovak Republic

In 2002, Ministry of Agriculture of the Slovak Republic provided several types of support to SMEs. The Table below gives an overview of the individual programmes.

(in Sk thousand)

| Programme   | Number of applica-tions | Coverage of portion of interest | Guarantees | CreditsLoans | Subsidies | Nos. of jobs created |
|---|-------------------------|---------------------------------|------------|--------------|-----------|----------------------|
| Support of purchases from bankrupt entities   | 13                      | 10,791                          | x          | x            | x         | x                    |
| Support of purchases of technology and machinery  | 1,945                   | 949,229                         | x          | x            | x         | x                    |
| Support of obtaining guarantees and raising credits   | x                       | x                               | 490,000    | 130,000      | x         | x                    |
| Support of purchases of assets from bankrupt entities, purchases of machinery and technologies and rehabilitation of premises | 150                     | 27,217                          | x          | 230,000      | x         | 360                  |
| Development of agrotourism, rural areas and diversification of earning activities   | 44                      | 39,000                          | x          | x            | x         | 127                  |
| Reconstruction and planting of vineyards  | x                       | x                               | x          | x            | 251,000   | x                    |
| Purchase of warehousing technologies  | x                       | x                               | x          | x            | 112,000   | x                    |
| Investments into rural development, livestock and services  | x                       | x                               | x          | x            | 374,000   | x                    |
| Purchases of packaging and warehousing technologies   | x                       | x                               | x          | x            | 52,000    | x                    |
| Support of biological farming   | 34                      | x                               | x          | x            | 13,999    | x                    |

## **4.8 Bank institutions and funds**

### **4.8.1 Slovak Guarantees and Development Bank, Inc.**

In 2002, SZRB supported business entities through 11 guarantee, 8 grant, 4 indirect loans and 7 direct loans programmes, and worked together with 14 commercial banks and 2 construction savings banks based on cooperation agreements.

#### **a) Guarantee programmes**

According to the new guarantee mechanism of SZRB in place since 2000, bank guarantees may be provided to cover a maximum of 65% of eligible costs, provided that state aid is extended to small and medium enterprises within the district pursuant to § 6 par. 1 of Act No. 231/1999 Coll.LL. on State Aid. Act No. 434/2001 Coll.LL. took effect on 1 November 2001, which amended and supplemented Act No. 231/1999 Coll.LL. This amendment to the law excluded costs of acquisition of transport equipment and transport vehicles, with the exception of railroad vehicles, from eligible expenditures. State aid provider has to take care of not exceeding the maximum limit of state aid provided to SMEs which is set with the account being taken of the per capita GDP generated in the region. The maximum amount of the credit provided by borrowing financial institutions is Sk 100m. The maximum guarantee coverage is Sk 65m, and the tenure of guarantees is 10 years.

Guarantees may be granted under one of the following guarantee programmes:

1. Support Programme for Small and Medium Enterprises through Bank Guarantees for Financial Loans
2. Support Programme for Small and Medium Enterprises through Counter-guarantees for Foreign Loans
3. Support Programme for Small and Medium Enterprises through Bank Guarantees for “Pre-mortgage Loans“
4. Housing Development Support Programme through Bank Guarantees for Loans
5. Support Programme to Secure Seasonal Agricultural Works through Guarantees
6. Support Programme for Small and Medium Agricultural Holdings through Bank Guarantees for Financial Loans and One-time Grants
7. Combined Transport Development in the Slovak Republic Support Programme
8. Support Programme for Small and Medium Agricultural Holdings through Bank Guarantees for Loans Earmarked for Purchases of Agrochemicals and Fertilisers
9. Support Programmes for Agricultural Holdings through Bank Guarantees for Transactions Involving Bills of Exchange
10. Support Programme of Purchases of New Agricultural and Food Machinery and Technology through Bank Guarantees for Loans

11. Support Programme of Purchases of Immovable Property, Including Related Movable Property, from Bankrupt Entities Mediated by Bankruptcy Trustee, Executor and/or Liquidator through Bank Guarantees for Loans

**Guarantee Programmes as of 31 Dec. 2002 - in Sk thous.**

| Region          | Guarantees provided - cummulative |           |
|-----------------|-----------------------------------|-----------|
|                 | Numbers                           | Amounts   |
| Bratislava      | 337                               | 1,519,151 |
| Trnava          | 452                               | 1,534,744 |
| Trenčín         | 226                               | 713,732   |
| Nitra           | 712                               | 2,090,221 |
| Žilina          | 162                               | 631,117   |
| Banská Bystrica | 327                               | 1,118,898 |
| Prešov          | 445                               | 1,246,871 |
| Košice          | 275                               | 961,187   |
| Total           | 2,936                             | 9,815,922 |

| Sector        | Guarantees provided - cummulative |           |
|---------------|-----------------------------------|-----------|
|               | Numbers                           | Amounts   |
| Manufacturing | 313                               | 2,735,671 |
| Trade         | 190                               | 1,116,413 |
| Services      | 82                                | 454,686   |
| Tourism       | 72                                | 361,452   |
| Agriculture   | 2,199                             | 4,538,491 |
| Other         | 80                                | 609,208   |
| Total         | 2,936                             | 9,815,922 |

## b) Grant programmes

SZRB awards financial grants under government-announced development programmes run in cooperation with Ministry of Economy of the Slovak Republic, Ministry of Agriculture of the Slovak Republic, Ministry of Transport, Posts and Telecommunications of the Slovak Republic, and Ministry of Environment of the Slovak Republic, thus helping reduce the interest-related burden upon the enterprises; alternatively, grants may be used to reduce a portion of eligible costs, i.e. expenditures spent on the investment portion of projects.

During 2002, grants were awarded by SZRB under the following grant programmes:

1. Support Programme No.5 for Tourism in the Slovak Republic
2. Combined Transport in the Slovak Republic Support Programme

3. Vehicle Renewal Programme for Slovak Coach Transport
4. Support Programme for Gradual Elimination of Ozone Layer Damaging Substances
5. Support Programme for Energy Saving and Utilisation of Alternative Energy Sources
6. Grant Programme START 2000
7. Product Exports Support Programme (running through 3 Oct. 2002)
8. State Grant Scheme of Competitiveness Support - Scheme A (de minimis aid scheme) (running through 3 Oct. 2002)
9. Support Programme for Processing and Utilisation of Timber Raw Materials (running through 16 Dec. 2002)
10. Support Scheme for Development of Processing and Utilisation of Timber Raw Materials (de minimis aid scheme) (running since 16 Dec. 2002)

### Grant Programmes as of 31 Dec. 2002 - in Sk ,000

| Region          | Grant promises - cummulatively |           |
|-----------------|--------------------------------|-----------|
|                 | Numbers                        | Amounts   |
| Bratislava      | 130                            | 127,037   |
| Trnava          | 95                             | 84,566    |
| Trenčín         | 77                             | 83,769    |
| Nitra           | 124                            | 147,701   |
| Žilina          | 193                            | 182,402   |
| Banská Bystrica | 203                            | 230,749   |
| Prešov          | 181                            | 161,938   |
| Košice          | 139                            | 172,644   |
| Total           | 1,142                          | 1,190,805 |

| Sector        | Grant promises - cummulatively |           |
|---------------|--------------------------------|-----------|
|               | Numbers                        | Amounts   |
| Manufacturing | 135                            | 314,984   |
| Trade         | 17                             | 14,607    |
| Services      | 23                             | 12,852    |
| Tourism       | 618                            | 524,021   |
| Agriculture   | 230                            | 154,516   |
| Other         | 119                            | 169,825   |
| Total         | 1,142                          | 1,190,805 |

## c) Loan Programmes

The Slovak Guarantees and Development Bank realises its loan products for SMEs under four indirect loan programmes and seven direct loan programmes.

### Indirect loans

1. Loan programme PODPORA (SUPPORT), to support small and medium enterprises
2. Loan programme ROZVOJ II MSP (DEVELOPMENT II SMEs), to support small and medium enterprises, financed from Kreditanstalt für Wiederaufbau credit line
3. Loan programme ROZVOJ II MSP-EÚ (DEVELOPMENT II SMEs-EU), to support small and medium enterprises with EU support, financed from Kreditanstalt für Wiederaufbau credit line
4. Loan programme ROZVOJ II-byty (DEVELOPMENT II -housing), to support development of construction of housing, financed from Kreditanstalt für Wiederaufbau credit line

### Direct loans

1. Direct loans to small enterprises programme
2. Financing programme of municipal infrastructure and construction of housing for low-income population through loan from Council of Europe's Bank for Development (Variant A)
3. Financing programme of municipal infrastructure and construction of housing for low-income population, with subsidies from Ministry of Construction and Regional Development of the Slovak Republic to cover a portion of interests through loan from Council of Europe's Bank for Development (Variant B)
4. Loan programme ROZVOJ II-byty (DEVELOPMENT II - housing), to support development of construction of housing, financed from Kreditanstalt für Wiederaufbau credit line
5. Business conditions of Slovenská záručná a rozvojová banka, a.s. for granting of direct loans to finance investment support in agriculture and food industry focusing on purchases of new agricultural and food machinery and technologies (hereinafter "Business Conditions")
6. Business conditions of Slovenská záručná a rozvojová banka, a.s. for granting of direct loans to finance investment support in agriculture focusing on purchases of immovable property including related movable property from bankrupts mediated by bankruptcy trustee, executor or liquidator (hereinafter "SZRB Business Conditions")
7. Business conditions of Slovenská záručná a rozvojová banka, a.s. for the loan programme "Financing of environmental projects from EIB sources" (direct loans)

**Loan Programmes as of 31 Dec. 2002 - in Sk ,000**

| Region          | Loans accepted - cumulatively |           |
|-----------------|-------------------------------|-----------|
|                 | Numbers                       | Amounts   |
| Bratislava      | 77                            | 552,334   |
| Trnava          | 46                            | 284,649   |
| Trenčín         | 56                            | 283,821   |
| Nitra           | 74                            | 398,412   |
| Žilina          | 66                            | 246,608   |
| Banská Bystrica | 129                           | 387,017   |
| Prešov          | 86                            | 402,050   |
| Košice          | 76                            | 268,181   |
| Total           | 610                           | 2,823,072 |

| Sector        | Loans accepted - cumulatively |           |
|---------------|-------------------------------|-----------|
|               | Numbers                       | Amounts   |
| Manufacturing | 228                           | 1,048,308 |
| Trade         | 120                           | 575,775   |
| Services      | 46                            | 139,007   |
| Tourism       | 103                           | 317,292   |
| Agriculture   | 34                            | 86,359    |
| Other         | 79                            | 656,330   |
| Total         | 610                           | 2,823,072 |

**4.8.2 Foreign Trade Promotion Fund**

Foreign Trade Promotion Fund (FPZO) was established by Act of the National Council of the Slovak Republic No. 379/1996 Coll.LL. as a non-state special purpose fund. Based on comments and practical experiences, it was amended by Act of the National Council of the Slovak Republic No. 162/1998 Coll.LL.

The Fund can be mainly used to:

- ❖ pay grants for participation in international fairs and exhibitions,
- ❖ cover costs of promotion abroad,
- ❖ financial support of commercial missions and delegations of various unions and associations,
- ❖ organise domestic international seminars and conferences,
- ❖ cover the costs of domestic organisers and participants of training programmes,
- ❖ cover the costs of certification of goods to be exported by domestic exporters.

In 2002, funds were provided to small and medium enterprises in a total amount of Sk 7.8m. No funds from State Budget were however allocated to FPZO activities

in 2002. Funds could be raised only occasionally from business entities, and they were allocated according to the criteria and decisions taken by the FPZO Managing Board.

### **4.8.3 Foundation INTEGRA**

Foundation INTEGRA is a non-for-profit non-governmental organisation whose mission is to help people develop independent socio-economic activities, with one of the target groups being small enterprises. In 2002, the Foundation mainly ran the programme “Micro-fund for Women” whose main activities included training of the principal entrepreneurial skills, assistance with the drafting of business plans, and granting of micro-loans. The target group are disadvantaged women (unemployed, after maternal leave, widows or lonely mothers, etc.). A total of 89 training sessions were run under the programme with 233 participants, and 36 loans were granted, in a total amount of Sk 2.8m.

## **5. Evaluation of support subprogrammes financed from State Budget only and run by NADSME**

### **5.1 Programme Quality – Quality control systems implementation programme**

A total of 138 applications from 79 companies were dealt with under this state support programme in 2002, including 66 grant applications for counselling and training (C&T) and 72 for certification process (C). Classified by the type of activities, 28 grants were paid to construction companies, 26 to companies manufacturing goods, 11 to service companies, 7 to information system enterprises, 6 to counselling agencies, and 1 to an agricultural secondary production company.

A total of 311 applications have been reviewed since the launching of the programme (in 1999) until 31 Dec. 2002 (including 153 for C&T and 158 for C) from 178 companies. Selection Commission awarded 275 grants (including 135 for C&T and 140 for C) to 158 companies. A total of 261 grants were paid (thereof 129 for C&T and 132 for C) to 150 companies, in a total volume of Sk 15,275,236.

For the graphical presentation, see Annexes.

Diagram No. 25 illustrates the ranking of the regions by the volume of funds received in 2002. Diagram No. 26 (cumulated data) evaluates the status since the launching of the project in 3rd quarter of 1999 until 31 Dec. 2002.

Diagram No. 27 shows the numbers of companies which received grants since 2002, by regions. Diagram No. 28 (cumulated data) evaluates the development since the launching of the project in 3rd quarter of 1999 until 31 Dec. 2002.

Diagram No. 29 quantifies the companies by the type of their business in 2002. Diagram No. 30 (cumulated data) evaluates the structure of the companies since the project launching in 3rd quarter of 1999 until 31 Dec. 2002.

Diagram No. 31 shows the increasing volumes of the funds allocated from the State Budget: there were Sk 3m allocated in the 1999 State Budget, gradually increasing to Sk 5m, Sk 10 and Sk 17m in State Budgets of 2000, 2001 and 2002, respectively.

Diagram No. 32 monitors the growing volumes of funds discharged in 1999, 2000, 2001 and 2002.

### **5.2 Technology transfer**

Flexibility of small and medium enterprises enables relatively quick innovations to be introduced, which is one of the preconditions for competitiveness of the whole Slovakia's economy. Introduction into and utilisation of the most progressive technologies by small and medium enterprises are being supported by awarding grants from the state programme Technology Transfer. The objective of the programme is

to improve competitiveness of small and medium enterprises, their modernisation, raising of productivity of labour, and facilitation of finding their way in international co-operation.

A total of 59 projects were received under the Technology Transfer programme in 2002. The Grant Commission awarded 29 grants expected to improve the standard of production, but also to facilitate penetration of world markets to successful technologies developed by Slovak enterprises. A total of 12 grants were paid in 2002, totalling Sk 10,449,562.

A total of 23 grants, totalling Sk 18,469,562 have been paid since the launching of the programme through 31 December, 2002.

### **5.3 Programme of counselling for SMEs**

SME support through the provision of discounted counselling services was supported in 2002 by the institutional network of 13 regional counselling and information centres and 5 business innovation centres.

The above mentioned centres provided their customers (entrepreneurs) with:

- ❖ 378 informative consultations, making up 189 consultancy hours in total about support programmes for SMEs run under NADSME and outside of it,
- ❖ 2,397 professional consultations, in a total volume of 4,965.5 consultancy hours concerning all areas needed for the development of business activities.

RAICs/BICs developed 208 business plans (3,991 hours) and reviewed 90 business plans (710 hours) for purposes of raising loans, be it under financial support schemes or from commercial sources.

According to preliminary results, they thus contributed to the creation of 977 new jobs and helped maintain 2,056 jobs.

### **5.4 Training programme for SMEs**

The organisation of 15 training courses was financially supported from the programme until 31 Dec. 2002, for 169 small and medium entrepreneurs. The training courses concerned the following topics: financial and other support programmes, options to raise funds under SAPARD, E-business, electronic office. The services were financed from State Budget sources, and made up about Sk 448,000 in total. Sk 890,000 are envisaged to be allocated for the programme in 2003.

### **5.5 Counselling and training programme for selected groups of individuals interested in doing business**

In 2002, support of SMEs through the provision of subsidised counselling and training services was provided through the institutional network of 12 regional counselling and information centres and 5 business and innovation centres. The services were subsidised from State Budget sources in the volume of approx. Sk 4,502 thous. Sk 9,160 thous. will be allocated to the programme in 2003.

| Activities of Regional Advisory and Information Centres (RAIC) and Business and Innovation Centres (BIC): Counselling for SMEs in 2002 |              |              |               |                |            |                |               |                   |               |              |            |              |
|--|--------------|--------------|---------------|----------------|------------|----------------|---------------|-------------------|---------------|--------------|------------|--------------|
|  | Cons. Info B | Info hrs B   | Cons. prof. B | Prof. hrs B    | BP NA Nos. | Review NA Nos. | BP other Nos. | Review other Nos. | Train. cours. | Participants | New jobs   | Maint. jobs  |
| RPP  | 2            | 1            | 218           | 716.0          | 0          | 4              | 0             | 0                 | 0             | 0            | 14         | 78           |
| RMT  | 7            | 3.5          | 8             | 14.5           | 1          | 3              | 9             | 2                 | 0             | 0            | 21         | 37           |
| RNR  | 6            | 3            | 20            | 81             | 7          | 2              | 0             | 0                 | 0             | 0            | 7          | 7            |
| RZV  | 77           | 38.5         | 92            | 396            | 3          | 32             | 0             | 0                 | 0             | 0            | 146        | 308          |
| RLC  | 2            | 1            | 3             | 12.5           | 0          | 0              | 0             | 1                 | 0             | 0            | 0          | 87           |
| RPX  | 0            | 0            | 18            | 70             | 12         | 4              | 0             | 0                 | 0             | 0            | 13         | 48           |
| RPO  | 66           | 33           | 95            | 185.5          | 6          | 11             | 6             | 0                 | 2             | 53           | 383        | 528          |
| RTN  | 5            | 2.5          | 48            | 317.5          | 7          | 0              | 0             | 0                 | 0             | 0            | 14         | 188          |
| RTV  | 0            | 0            | 43            | 153.5          | 8          | 8              | 36            | 2                 | 0             | 0            | 57         | 18           |
| RKE  | 0            | 0            | 15            | 64.5           | 0          | 0              | 17            | 0                 | 0             | 0            | 198        | 182          |
| RKN  | 63           | 31.5         | 85            | 305.5          | 3          | 7              | 12            | 0                 | 0             | 0            | 27         | 63           |
| RDS  | 110          | 55           | 167           | 368            | 17         | 1              | 26            | 0                 | 0             | 0            | 7          | 25           |
| BPD  | 12           | 6            | 1,042         | 527            | 9          | 7              | 1             | 0                 | 1             | 12           | 25         | 50           |
| BKE  | 5            | 2.5          | 156           | 430.5          | 0          | 0              | 0             | 0                 | 0             | 0            | 0          | 0            |
| BBB  | 0            | 0            | 122           | 71.5           | 6          | 0              | 0             | 0                 | 0             | 0            | 7          | 113          |
| BSN  | 10           | 5            | 27            | 42             | 4          | 7              | 6             | 0                 | 0             | 0            | 58         | 240          |
| RBA  | 13           | 6.5          | 211           | 422.5          | 0          | 0              | 11            | 0                 | 12            | 104          | 0          | 0            |
| BBA  | 0            | 0            | 27            | 144            | 0          | 0              | 0             | 0                 | 0             | 0            | 0          | 84           |
| <b>Total</b>   | <b>378</b>   | <b>189.0</b> | <b>2,397</b>  | <b>4,965.5</b> | <b>83</b>  | <b>86</b>      | <b>125</b>    | <b>4</b>          | <b>15</b>     | <b>169</b>   | <b>977</b> | <b>2,056</b> |

RPP RAIC Prešov  
 RMT RAIC Martin  
 RNR RAIC Nitra  
 RZV RAIC Zvolen  
 RLC RAIC Lucenec  
 RPX RAIC Považská Bystrica  
 RPO RAIC Poprad  
 RTN RAIC Trenčín  
 RKN RAIC Komárno  
 RZV RAIC Zvolen  
 RKN RAIC Komárno  
 RDS RAIC Dunajská Streda  
 BPD BIC Prievidza  
 BKE BIC Košice  
 BBB BIC Banská Bystrica  
 BBA BIC Bratislava  
 RBA RAIC Bratislava

Group A: selected groups of individuals interested in doing business  
 Group B: exiting businesses  
 NA: NADSME  
 Cons. info A: numbers of general consultations for group A  
 Cons. info B: numbers of general consultations for group B  
 Info hrs A: hours of general consultations for group A  
 Info hrs B: hours of general consultations for group B  
 Cons. prof. A: numbers of professional consultations for group A  
 Cons. prof. B: numbers of professional consultations for group B  
 Prof. hrs A: hours of professional consultations for group A  
 Prof. hrs B: hours of professional consultations for group B  
 BP (bp NA) Nos.: business plans developed for NADSME  
 Review (rev. NA) Nos.: numbers of business plans reviewed for NADSME  
 BP (bp other) Nos.: business plans developed apart from NADSME  
 Review (rev. other) Nos.: numbers of business plans reviewed apart from NADSME  
 Train. cours.: training courses  
 Participants: numbers of participants at training courses  
 New entrpr.: numbers of newly established enterprises  
 Maint. jobs: numbers of jobs maintained

| Activities of RAICs and BICs: Counselling and Training for selected groups of individuals interested doing business in 2002 |               |               |                |              |                  |             |             |                         |             |               |              |              |          |
|---|---------------|---------------|----------------|--------------|------------------|-------------|-------------|-------------------------|-------------|---------------|--------------|--------------|----------|
|   | Cons. info A* | Cons hrs A*   | Cons. prof. A  | Prof. hrs A  | Developed for NA |             | Review Nos. | Developed apart from NA |             | Train. cours. | Participants | New enterpr. | New jobs |
|   |               |               |                |              | BP Nos.          | Review Nos. |             | BP Nos.                 | Review Nos. |               |              |              |          |
| RPP   | 69            | 34.5          | 345            | 408          | 0                | 0           | 0           | 2                       | 0           | 6             | 106          | 23           | 23       |
| RMT   | 325           | 162.5         | 334            | 647.5        | 1                | 0           | 16          | 1                       | 0           | 0             | 0            | 400          | 420      |
| RNR   | 151           | 75.5          | 151            | 374.5        | 0                | 0           | 14          | 0                       | 0           | 0             | 0            | 42           | 49       |
| RZV   | 77            | 38.5          | 127            | 342.5        | 0                | 0           | 4           | 0                       | 0           | 0             | 0            | 17           | 37       |
| RLC   | 102           | 51            | 109            | 359.5        | 0                | 0           | 5           | 0                       | 1           | 10            | 0            | 0            | 0        |
| RPX   | 0             | 0             | 0              | 0            | 0                | 0           | 0           | 0                       | 0           | 0             | 0            | 0            | 0        |
| RPO   | 109           | 54.5          | 137            | 282          | 1                | 0           | 1           | 0                       | 0           | 0             | 0            | 2            | 2        |
| RTN   | 39            | 19.5          | 69             | 156          | 3                | 0           | 0           | 0                       | 0           | 0             | 0            | 0            | 0        |
| RTV   | 34            | 17            | 45             | 152          | 0                | 0           | 40          | 0                       | 0           | 0             | 0            | 9            | 60       |
| RKE   | 124           | 62            | 146            | 368.5        | 0                | 0           | 23          | 0                       | 2           | 17            | 24           | 24           | 26       |
| RKN   | 127           | 63.5          | 160            | 554          | 0                | 0           | 2           | 0                       | 0           | 0             | 3            | 3            | 31       |
| RDS   | 75            | 37.5          | 75             | 123          | 0                | 0           | 0           | 0                       | 0           | 0             | 0            | 10           | 10       |
| BPD   | 92            | 46            | 117            | 265.5        | 0                | 0           | 0           | 0                       | 3           | 39            | 14           | 14           | 14       |
| BKE   | 28            | 14            | 170            | 698.5        | 0                | 0           | 0           | 0                       | 0           | 0             | 0            | 14           | 132      |
| BBB   | 0             | 0             | 39             | 155          | 4                | 0           | 0           | 0                       | 0           | 0             | 0            | 28           | 196      |
| BSN   | 85            | 42.5          | 172            | 252          | 0                | 0           | 7           | 0                       | 0           | 0             | 0            | 20           | 20       |
| RBA   | 8             | 4             | 138            | 270.5        | 0                | 0           | 5           | 0                       | 5           | 44            | 0            | 0            | 0        |
| BBB   | 0             | 0             | 1              | 1.5          | 0                | 0           | 0           | 0                       | 0           | 0             | 0            | 1            | 4        |
| <b>Total</b>  | <b>1,445</b>  | <b>722.50</b> | <b>2,335.0</b> | <b>5,411</b> | <b>9</b>         | <b>0</b>    | <b>115</b>  | <b>0</b>                | <b>17</b>   | <b>216</b>    | <b>607</b>   | <b>1,024</b> |          |

RDS RAIC Dumajská Streda  
 BPD BIC Previdza  
 BKE BIC Košice  
 BBB BIC Banská Bystrica  
 BBA BIC Bratislava  
 RBA RAIC Bratislava

Prof. hrs B: hours of professional consultations for group B

BP (bp NA) Nos.: business plans developed for NADSME

Review (rev. NA) Nos.: numbers of business plans reviewed for NADSME

BP (bp other) Nos.: business plans developed apart from NADSME

Review (rev. other) Nos.: numbers of business plans reviewed apart from NADSME

Train. cours.: training courses

Participants: numbers of participants at training courses

New enterpr.: numbers of newly established enterprises

New jobs: numbers of newly created job opportunities

Maint. jobs: numbers of jobs maintained

RPX RAIC Považská Bystrica  
 RPO RAIC Poprad  
 RTN RAIC Trenčín  
 RKN RAIC Komárno  
 RKN RAIC Komárno  
 RKN RAIC Komárno

Group A: selected groups of individuals interested in doing business

Group B: exiting businesses

NA: NADSME

Cons. info A: numbers of general consultations for group A

Cons. info B: numbers of general consultations for group B

Info hrs A: hours of general consultations for group A

Info hrs B: hours of general consultations for group B

Cons. prof. A: numbers of professional consultations for group A

Cons. prof. B: numbers of professional consultations for group B

Prof. hrs A: hours of professional consultations for group A

The above mentioned centres provided:

- ❖ 1,445 informative consultations totalling 722.5 hours of consultations in areas related to starting and developing businesses,
- ❖ 2,335 professional consultations totalling 5,411 hours of consultations in all areas related to the starting and developing of entrepreneurial activities.

For the purposes of raising loans, be it under financial support schemes or from commercial sources, RAICs/BICs :

- ❖ drafted 124 business plans requiring 2,167.5 hours of work,
- ❖ reviewed 5 business plans, requiring 44 hours of work.

According to the preliminary results, they thus helped establishing 607 new enterprises and creating 1,024 new jobs.

Organisation of 17 training courses, i.e. 570 hours in total for 216 participants was financed under this programme. The topics of the training courses included: principles of doing business, preparation for doing business, basics for entrepreneurs, electronic office - working with computers, basics of computing technologies, drafting of business plans, working with computers.

## 5.6 Subcontracting Exchange of Slovakia

Under the Subcontracting programme, the participation of Slovak SMEs in three international subcontracting exhibitions in the joint NADSME stand was organised in 2002, namely at:

- ❖ ESEF Utrecht (The Netherlands)
- ❖ SWISSTECH Basel (Switzerland)
- ❖ MIDEST Paris (France)

The participants attended the above mentioned exhibitions with the financial support from NADSME; 75 % of the costs were covered (50 % under the Subcontracting programme, and 25% under the de minimis scheme). All the above exhibitions were also of importance for Subcontracting Exchange of Slovakia (SES) because they prompted a significant increase in requests for co-operation with Slovakia's SMEs from abroad. A total of 128 requests were received by SES during 2002. All requests were processed and transferred to Slovak SMEs with the corresponding production and technological profiles. As part of SES activities, also missions were organised and representatives of foreign companies were accompanied upon their visits and negotiations with Slovak SMEs. SES staff organised 9 missions aimed at developing co-operations, at selecting production premises for foreign entities, and at establishing joint ventures.

The main goals of the Subcontracting Exchange of Slovakia include:

- ❖ soliciting, processing and mediation of requests made by foreign companies to cooperate with Slovak SMEs,

- ❖ provision of financial aid upon the presentation of Slovak SMEs at international subcontracting exhibitions in separate stands or jointly with NADSME,
- ❖ organisation of contracting conferences, workshops and exchanges aimed at establishing co-operation relations between maincontractors from abroad and subcontractors from Slovakia,
- ❖ mediation and organisation of missions of representatives of foreign companies to seek partners for co-operation with corresponding technological and production profiles,
- ❖ looking for appropriate production halls and buildings based on specifications by foreign sponsors,
- ❖ technical counselling and assistance upon the establishment of joint ventures of foreign entities and Slovak SMEs.

A substantial portion of the joint project “Development Programme of Italian-Slovak SMEs, 2001 - 2002” could be completed during 2002. As the result of the joint project,

- ❖ 17 Italian-Slovak joint ventures could be established,
- ❖ 18 financial grants were provided aimed at developing international co-operation between Italian and Slovak SMEs,
- ❖ training courses could be prepared for representatives of Slovak institutions and SMEs,
- ❖ a manual could be drafted for Italian investors in Slovakia,
- ❖ an analysis was conducted of financial effects of the activities of Italian entities in the environment of Slovakia.

## **6. Evaluation of support subprogrammes financed from State Budget resources and PHARE, run by NADSME**

### **6.1 CEPAC Slovakia**

Co-operation with the association CEPAC Slovakia continued in also 2002; it was running the Comprehensive Programme of Training and Counselling for the Unemployed (KVPP). Apart from the realisation of the training and counselling for parties interested in doing business from among the registered unemployed, the association also took care of the organisation of professional seminars for lecturers and counsellors involved in the KVPP. The contents of the training course were based on the knowledge and experiences of the French association CEPAC Soissons, Picardie. KVPP was oriented towards issues concerning establishment of micro-enterprises and small enterprises, and consists of 4 stages: selection of appropriate registered unemployed, training, guidance and monitoring.

Activities of the CEPAC association were financed from National Labour Office funds and PHARE funds. The following activities were organised in 2002:

- ❖ professional counselling and advise to the unemployed - a total of 36 courses were organised for 561 KVPP attendees, and 4,212 hours of counselling were provided. There were 413 newly established enterprises,
- ❖ training courses for trainers who participate in the KVPP programme - a total of 16 courses were organised for 219 participants in total,
- ❖ participation in 1 exhibition was organised through CEPAC - at MODDOM Bratislava, at which 8 enterprises founded by programme attendees presented themselves,
- ❖ 2 manuals for trainers were drafted, on tax laws and psychology,
- ❖ “boîte”, a training aid was developed; it concerns a modular system designed by French partners to be used as a pre-selection tool and as an aid for psychology courses under the KVPP programme.

### **6.2 Business incubators**

Business incubators represent a significant component of the SMEs support infrastructure world-wide. This system of support is not yet sufficiently developed in Slovakia since a well equipped and functional network of incubators is not available, which would offer business people adequate spaces and technical infrastructure, comprehensive services and seed capital. The activities of business incubators reside in the support of starting SMEs upon launching their activities, and of existing SMEs in their further development through establishing adequate conditions for business and through providing of comprehensive counselling and training services. For high-

-tech companies, also special premises are available, such as laboratories or spaces for testing.

Business incubators were opened and commissioned in Martin and Banská Bystrica in autumn 2002 at a festive occasion. The corresponding projects were implemented with financial assistance from the PHARE Programme. The Martin-based incubator was co-financed by the Dutch government.

Public tenders were opened in 2002 to select contractors of buildings of additional business incubators to be located at Spišská Nová Ves, Rožňava, and of technological incubators for Košice, Prešov and Bratislava.

### **6.3 First Contact Centres**

Easy access to the necessary counselling and information services is one of the principal needs when it comes to the establishment of new and development of existing enterprises. The Agency is represented with its institutional network of RPICs/BICs in almost all the regions of Slovakia. Even if the network of the existing centres is distributed equally as to the geographical aspect, a closer contact with clients was missing in the region of Eastern Slovakia where high unemployment rates are recorded. This prompted the Agency to establish 9 First Contact Centres in selected district towns (Bardejov, Brezno, Levoča, Medzilaborce, Michalovce, Poltár, Sabinov, Snina, and Veľký Krtíš) which would mediate first contact with the business environment to parties interested in doing business, and would provide them with information about the opportunities to do business and to receive support within the region.

The staff of the Centres was trained during autumn 2002, and in January 2003, the Centres started activities oriented towards regional development and development of small and medium enterprises aimed at supporting business in their regions.

### **6.4 Support Loan Programme**

The main objective of the Support Loan Programme is to enable small and medium enterprises access to investment and operating capital through medium-term loans under more advantageous conditions. The Support Loan Programme is intended for small and medium enterprises employing up to 250 people, who do business in the area of manufacturing, crafts, services and inbound tourism. Enterprises meeting the programme criteria may apply for loans up to Sk 10m with a tenure of 8 years.

The following commercial banks were involved in the programme in 2002: Slovenská sporiteľňa, a.s., Tatra banka, a.s., UniBanka, a.s., Istrobanka, a.s., Ľudová banka, a.s., and Všeobecná úverová banka, a.s..

Since the launching of the programme in 1994 until 31 Dec. 2002, a total of 1,159 loans have been granted in a total volume of Sk 3,787.517m, thereof 49 loans (Sk 166.493m in total) in 2002. As of 31 Dec. 2002, 591 loans (Sk 1,767.868m) were repaid.

Another important factor with respect to the Support Loan Programme and its implementation has been its impact upon employment. By 31 Dec. 2002, there have been

39,551 jobs maintained and/or created, including 1,368 jobs based on loans granted in 2002.

Diagram No. 33 provides information about loans by sectors of business activities.

**Principal information about the Support Loan Programme (as of 31 Dec. 2002)**

| Support Loan Programme            | Uni Banka, a.s. | Slovenská sporiteľňa, a.s. | Istrobanka, a.s. | Tatra banka a.s. | Eudová banka, a.s. | VÚB, a.s. | Total     |
|-----------------------------------|-----------------|----------------------------|------------------|------------------|--------------------|-----------|-----------|
| Nos. of loans                     | 378             | 388                        | 124              | 174              | 91                 | 4         | 1,159     |
| Total amount of loans (in Sk m)   | 1,317.166       | 1,094.623                  | 445.802          | 668.615          | 247.811            | 13.5      | 3,787.517 |
| Average amount of loans (in Sk m) | 3.48            | 2.82                       | 3.60             | 3.84             | 2.72               | 3.38      | 3.27      |

**Overview of loans granted under the SLP, by sectors (as of 31 Dec. 2002)**

| Sector                               | Total amount of loans (in Sk m) | Numbers of loans granted, in total |
|--------------------------------------|---------------------------------|------------------------------------|
| Production of food                   | 628.113                         | 184                                |
| Textile production                   | 7,207.776                       | 77                                 |
| Woodworking industry                 | 405.05                          | 135                                |
| Metals, plastic materials            | 763.53                          | 217                                |
| Glass, stonemasonry                  | 66.26                           | 25                                 |
| Building industry                    | 358.64                          | 105                                |
| Energy sector                        | 69.33                           | 22                                 |
| Printing industry                    | 58.44                           | 17                                 |
| Chemical and pharmaceutical industry | 101.64                          | 27                                 |
| Tourism                              | 360.945                         | 106                                |
| Services                             | 767.793                         | 244                                |
| <b>Total</b>                         | <b>3,787.517</b>                | <b>1,159</b>                       |

**Overview of loans granted under the SLP in 2002, by districts**

| District - region           | Nos.of loans granted by 31 Dec. 2002 | Amount of loans granted by 31 Dec. 2002 (in Sk) | Nos. of loans granted in 2002 | Amount of loans granted in 2002 (in Sk) |
|-----------------------------|--------------------------------------|---|-------------------------------|---|
| Region Banská Bystrica      | 163                                  | 532 225 000                                     | 7                             | 21 660 000                              |
| Banská Bystrica             | 36                                   | 141 240 000                                     | 1                             | 5 000 000                               |
| Banska Štiavnica            | 3                                    | 4 700 000                                       | 0                             | 0                                       |
| Brezno                      | 8                                    | 19 820 000                                      | 0                             | 0                                       |
| Detva                       | 7                                    | 25 193 000                                      | 1                             | 2 500 000                               |
| Krupina                     | 3                                    | 3 800 000                                       | 0                             | 0                                       |
| Lučenec                     | 40                                   | 128 901 000                                     | 1                             | 2 820 000                               |
| Poltár                      | 0                                    | 0   | 0                             | 0                                       |
| Revúca                      | 4                                    | 13 800 000                                      | 0                             | 0                                       |
| Rimavská Sobota             | 7                                    | 13 000 000                                      | 0                             | 0                                       |
| Veľký Krtíš                 | 3                                    | 14 000 000                                      | 0                             | 0                                       |
| Zvolen                      | 39                                   | 132 831 000                                     | 2                             | 5 500 000                               |
| Žarnovica                   | 0                                    | 0   | 0                             | 0                                       |
| Žiar nad Hronom             | 11                                   | 29 100 000                                      | 0                             | 0                                       |
| Kremnica                    | 1                                    | 840 000   | 1                             | 840 000                                 |
| Kremnická Bane              | 1                                    | 5 000 000                                       | 1                             | 5 000 000                               |
| Region Bratislava           | 143                                  | 501 730 690                                     | 3                             | 9 600 000                               |
| Bratislava I - V            | 112                                  | 393 680 690                                     | 3                             | 9 600 000                               |
| Malacky                     | 10                                   | 37 600 000                                      | 0                             | 0                                       |
| Pezinok                     | 15                                   | 51 150 000                                      | 0                             | 0                                       |
| Senec                       | 6                                    | 19 300 000                                      | 0                             | 0                                       |
| Region Košice               | 138                                  | 389 801 310                                     | 6                             | 21 268 000                              |
| Košice I - IV, surroundings | 55                                   | 180 050 000                                     | 2                             | 8 050 000                               |
| Gelnica                     | 1                                    | 1 500 000                                       | 0                             | 0                                       |
| Michalovce                  | 7                                    | 24 900 000                                      | 1                             | 2 900 000                               |
| Rožňava                     | 20                                   | 40 203 310                                      | 0                             | 0                                       |
| Sobrance                    | 1                                    | 4 000 000                                       | 0                             | 0                                       |
| Spišská Nová Ves            | 38                                   | 106 968 000                                     | 2                             | 6 318 000                               |
| Trebišov                    | 15                                   | 28 180 000                                      | 0                             | 0                                       |
| Sečovce                     | 1                                    | 4 000 000                                       | 1                             | 4 000 000                               |
| Region Nitra                | 146                                  | 488 596 000                                     | 6                             | 20 800 000                              |
| Nitra                       | 44                                   | 152 470 000                                     | 1                             | 800 000                                 |
| Komárno                     | 20                                   | 52 207 000                                      | 0                             | 0                                       |
| Levice                      | 22                                   | 92 409 000                                      | 0                             | 0                                       |

| District - region    | Nos.of loans granted by 31 Dec. 2002 | Amount of loans granted by 31 Dec. 2002 (in Sk) | Nos. of loans granted in 2002 | Amount of loans granted in 2002 (in Sk) |
|----------------------|--------------------------------------|---|-------------------------------|---|
| Nové Zámky           | 32                                   | 105 900 000                                     | 5                             | 20 000 000                              |
| Šaľa                 | 5                                    | 19 500 000                                      | 0                             | 0                                       |
| Topoľčany            | 22                                   | 61 110 000                                      | 0                             | 0                                       |
| Zlaté Moravce        | 1                                    | 5 000 000                                       | 0                             | 0                                       |
| Region Prešov        | 151                                  | 528 192 000                                     | 6                             | 20 500 000                              |
| Prešov               | 51                                   | 204 478 000                                     | 0                             | 0                                       |
| Bardejov             | 15                                   | 61 100 000                                      | 2                             | 8 000 000                               |
| Humenné              | 5                                    | 17 500 000                                      | 0                             | 0                                       |
| Kežmarok             | 5                                    | 18 000 000                                      | 0                             | 0                                       |
| Levoča               | 2                                    | 5 000 000                                       | 1                             | 3 000 000                               |
| Medzilaborce         | 0                                    | 0   | 0                             | 0                                       |
| Poprad               | 48                                   | 153 073 000                                     | 2                             | 7 000 000                               |
| Sabinov              | 2                                    | 5 400 000                                       | 0                             | 0                                       |
| Snina                | 2                                    | 10 000 000                                      | 0                             | 0                                       |
| Stará Ľubovňa        | 9                                    | 22 016 000                                      | 0                             | 0                                       |
| Stropkov             | 2                                    | 10 000 000                                      | 0                             | 0                                       |
| Stročín              | 1                                    | 2 500 000                                       | 1                             | 2 500 000                               |
| Svidník              | 1                                    | 1 400 000                                       | 0                             | 0                                       |
| Vranov nad Topľou    | 8                                    | 17 725 000                                      | 0                             | 0                                       |
| Trenčiansky kraj     | 153                                  | 511 235 863                                     | 10                            | 38 000 000                              |
| Trenčín              | 37                                   | 113 880 000                                     | 3                             | 13 000 000                              |
| Bojnice              | 1                                    | 5 000 000                                       | 1                             | 5 000 000                               |
| Bánovce nad Bebravou | 2                                    | 10 000 000                                      | 0                             | 0                                       |
| Ilava                | 2                                    | 8 900 000                                       | 0                             | 0                                       |
| Myjava               | 8                                    | 17 500 000                                      | 0                             | 0                                       |
| Nové M. nad Váhom    | 11                                   | 40 638 336                                      | 0                             | 0                                       |
| Partizánske          | 4                                    | 13 900 000                                      | 1                             | 3 000 000                               |
| Považská Bystrica    | 17                                   | 52 250 000                                      | 0                             | 0                                       |
| Prievidza            | 64                                   | 230 167 527                                     | 5                             | 17 000 000                              |
| Púchov               | 7                                    | 19 000 000                                      | 0                             | 0                                       |
| Trnavský kraj        | 93                                   | 313 614 000                                     | 4                             | 10 350 000                              |
| Trnava               | 28                                   | 89 310 000                                      | 2                             | 1 850 000                               |
| Dunajská Streda      | 30                                   | 117 659 000                                     | 0                             | 0                                       |
| Galanta              | 12                                   | 39 300 000                                      | 0                             | 0                                       |
| Hlohovec             | 1                                    | 2 400 000                                       | 0                             | 0                                       |

| District - region  | Nos.of loans granted by 31 Dec. 2002 | Amount of loans granted by 31 Dec. 2002 (in Sk) | Nos. of loans granted in 2002 | Amount of loans granted in 2002 (in Sk) |
|--------------------|--------------------------------------|---|-------------------------------|---|
| Piešťany           | 5                                    | 13 595 000                                      | 0                             | 0                                       |
| Senica             | 12                                   | 35 550 000                                      | 0                             | 0                                       |
| Skalica            | 4                                    | 10 800 000                                      | 1                             | 3 500 000                               |
| Moravany nad Váhom | 1                                    | 5 000 000                                       | 1                             | 5 000 000                               |
| Region Žilina      | 172                                  | 522 122 611                                     | 7                             | 24 315 000                              |
| Žilina             | 52                                   | 152 779 000                                     | 5                             | 16 315 000                              |
| Bytča              | 4                                    | 7 800 000                                       | 0                             | 0                                       |
| Čadca              | 7                                    | 15 620 000                                      | 0                             | 0                                       |
| Dolný Kubín        | 15                                   | 47 550 000                                      | 0                             | 0                                       |
| Kysucké Nové Mesto | 4                                    | 10 500 000                                      | 0                             | 0                                       |
| Liptovský Mikuláš  | 23                                   | 78 631 000                                      | 1                             | 5 000 000                               |
| Martin             | 51                                   | 167 811 970                                     | 1                             | 3 000 000                               |
| Námestovo          | 4                                    | 12 200 000                                      | 0                             | 0                                       |
| Ružomberok         | 9                                    | 20 030 641                                      | 0                             | 0                                       |
| Turčianske Teplice | 1                                    | 5 000 000                                       | 0                             | 0                                       |
| Tvrdošín           | 2                                    | 4 200 000                                       | 0                             | 0                                       |
| Total              | 1 159                                | 3 787 517 474                                   | 49                            | 166 493 000                             |

## 6.5 Micro-loans Programme

The main aim of the Micro-loans Programme is to address the issue of the access by small enterprises to small loans. The Programme is intended for small enterprises employing up to 20 people. The interest in micro-loans on the part of the enterprises exceeded all expectations, and 3 additional centres were established in 2002 to implement the Programme; as a result, by the end of 2002 there were fifteen centres covering the whole territory of the Slovak Republic and implementing the Programme.

Micro-loans may be used to cover the costs of purchases of movable and immovable capital property, rehabilitation of premises or purchases of the necessary stock and raw materials. The maximum amount of micro-loans can be Sk 800,000, and the payback period is up to 3 years.

There were 368 applicants for micro-loans in 2002, a total of 244 loans were granted, amounting to Sk 95,092,338 in total. Since the launching of the Programme, a total of 529 micro-loans have been granted amounting to Sk 182,927,890. The average amount of micro-loans was Sk 345,799.

Another important factor of the Micro-loans Programme has been its impact upon the employment in the regions. Altogether, 820 jobs could be created and 875 maintained since the launching of the Programme.

**Overview of micro-loans granted in 2002, by centers**

| Center                       | Nos. of micro-loans granted in 2002 | Amount of micro-loans granted in 2002, in Sk |
|------------------------------|-------------------------------------|--|
| RAIC Dunajská Streda         | 19                                  | 6,494,876                                    |
| RAIC Komárno                 | 21                                  | 8,380,000                                    |
| RAIC Martin                  | 23                                  | 9,807,000                                    |
| RAIC Nitra                   | 19                                  | 6,748,000                                    |
| RAIC Považská Bystrica       | 28                                  | 7,872,529                                    |
| RAIC Prešov                  | 10                                  | 4,540,000                                    |
| RAIC Prievidza               | 43                                  | 18,900,000                                   |
| BIC Spišská Nová Ves         | 7                                   | 3,150,000                                    |
| RAIC Trenčín                 | 20                                  | 9,909,833                                    |
| RAIC Trebišov                | 14                                  | 4,600,000                                    |
| RAIC Zvolen                  | 20                                  | 6,030,100                                    |
| Seed Capital Company, s.r.o. | 20                                  | 8,660,000                                    |
| Total                        | 244                                 | 95,092,338                                   |

**Overview of micro-loans granted since the launching of the Micro-loans Programme, by centers**

| Center                       | Nos. of micro-loans granted, in total | Amount of micro-loans granted in the SR, in total |
|------------------------------|---------------------------------------|---|
| RAIC Dunajská Streda         | 19                                    | 6,494,876   |
| RAIC Komárno                 | 42                                    | 16,565,000  |
| RAIC Martin                  | 30                                    | 12,657,000  |
| RAIC Nitra                   | 19                                    | 6,748,000   |
| RAIC Považská Bystrica       | 123                                   | 31,499,371  |
| RAIC Prešov                  | 55                                    | 17,852,000  |
| RAIC Prievidza               | 43                                    | 18,900,000  |
| BIC Spišská Nová Ves         | 20                                    | 8,400,000   |
| RAIC Trenčín                 | 20                                    | 9,909,833   |
| RAIC Trebišov                | 30                                    | 10,790,000  |
| RAIC Zvolen                  | 81                                    | 23,351,810  |
| Seed Capital Company, s.r.o. | 47                                    | 19,760,000  |
| Total                        | 529                                   | 182,927,890                                       |

**Overview of micro-loans granted in 2002, by sectors**

| Sector        | Nos. of micro-loans granted in 2002 | Amount of micro-loans granted in 2002, in Sk |
|---------------|-------------------------------------|--|
| Agriculture   | 31                                  | 12,342,757                                   |
| Manufacturing | 93                                  | 40,551,933                                   |
| Trade         | 34                                  | 9,808,269                                    |
| Services      | 61                                  | 23,273,131                                   |
| Tourism       | 16                                  | 5,526,248                                    |
| Other         | 9                                   | 3,590,000                                    |
| Total         | 244                                 | 95,092,338                                   |

**Overview of micro-loans granted since the launching of the Micro-loans Programme, by sectors**

| Sector        | Nos. of micro-loans granted in 2002 | Amount of micro-loans granted in 2002, in Sk |
|---------------|-------------------------------------|--|
| Agriculture   | 49                                  | 18,390,051                                   |
| Manufacturing | 181                                 | 70,069,156                                   |
| Trade         | 101                                 | 30,970,671                                   |
| Services      | 142                                 | 45,979,839                                   |
| Tourism       | 34                                  | 11,251,248                                   |
| Other         | 22                                  | 6,266,925                                    |
| Total         | 529                                 | 182,927,890                                  |

**6.6 Seed Capital Company**

The main characteristic of the Seed Capital Company (SCC) established in 1994 by NADSME is that it invests into the equity of companies. The Company manages a start-up capital fund which is used to make investments amounting up to Sk 5m into small and medium enterprises in Slovakia. The Programme is financed from PHARE Programme funds. The objective of the Company is to enable the establishment and development of new enterprises and to develop activities of existing enterprises. Preference is given upon investing to mainly projects concerning manufacturing of goods, production services and inbound tourism.

Investment Board met 4 times in 2002. The other activities of the fund were oriented towards monitoring of 43 companies included in the Company's portfolio. A total of Sk 25.5m were invested into the equity of various companies in 2002, and additional Sk 9.1m were provided in loans.

Altogether, Investment Board has met 28 times by 31 Dec. 2002, reviewed 56 suggestions for investments, approved 44 of them, additional 10 were given conditional approval, and 2 were rejected. A total of 51 investments were actually made into 24 companies, total investments made into Seed Capital Company, Ltd.'s portfolio

companies amounted to Sk 116.79m. Sk 73.36m were invested into the equity of the companies, and Sk 43.43m were provided as loans.

SCC established Regional Seed Capital Fund in Banská Bystrica in 2002, and the regional office was opened. Funds from State Budget were allocated for the operation of the Regional Fund, amounting to Sk 9.6m. The Fund will start operations in 2003, offering investments amounting to Sk 2 - 3m per case. The Fund shall focus upon projects coming from regions of Central and Eastern Slovakia (Banská Bystrica, Žilina, Prešov, Košice).

### Overview of investments made in 2002, by regions

| Region          | Nos. of investments made | Amount of investments made, in Sk m |
|-----------------|--------------------------|-------------------------------------|
| Banská Bystrica | 2                        | 1.5                                 |
| Bratislava      | 1                        | 1.5                                 |
| Košice          | 0                        | 0                                   |
| Nitra           | 0                        | 0                                   |
| Prešov          | 5                        | 16.8                                |
| Trenčín         | 3                        | 3.2                                 |
| Trnava          | 0                        | 0                                   |
| Žilina          | 1                        | 2.5                                 |

### Overview of investments made by 31 Dec.2002 in total, by regions

| Region          | Nos. of investments made by 31 Dec. 2002 | Amount of investments made by 31 Dec. 2002, in Sk m |
|-----------------|--|---|
| Banská Bystrica | 6  | 15  |
| Bratislava      | 8  | 10.85   |
| Košice          | 4  | 6.94  |
| Nitra           | 3  | 3.6   |
| Prešov          | 7  | 22.8  |
| Trenčín         | 4  | 6.6   |
| Trnava          | 11                                       | 34.9  |
| Žilina          | 8  | 16.1  |

## 6.7 Euro Info Centre

To provide SMEs with information and to improve their chances on the European market, the European Commission established a network of 263 Euro Info Centers in various European countries. Two centers operate in Slovakia (EIC Bratislava and EIC Prešov); their task is to provide Slovak business people with updated and relevant information about the European Union. The scope of their work ranges from legislation-related issues up to searching for partners for commercial relations and co-operation.

About 700 offers from VANS and BRE system were translated and published in 2002. Slovak companies requested 253 contacts from EIC Bratislava. Slovak business people could present their offers for co-operation through both the above mentioned systems, 45 companies having taken advantage of this opportunity. Foreign companies requested 76 contacts to Slovak companies.

The center started, in 2002, publishing the electronic magazine EIC-zine for SMEs, which brings daily news from Europe focusing on the business environment of Slovakia. Under the heading Information Technologies, the magazine also deals with the development of e-commerce and its support from the European Union.

In 2002, the Bratislava-based EIC took care of the participation of 30 Slovak companies in 5 co-operation events abroad. The events were organised in Germany - Magdeburg (IBEX ENTEC 2002), Dortmund (Euro Partner NRW), Sweden - Sättra Brunn (Interprise Woodworking), Croatia - Split (Adriatic Sea Partenariat), and the Czech Republic - Brno (Kontakt-Kontrakt). Both Slovak centres worked together to organise some of the events. With respect to the event Kontakt-Kontrakt, the center co-operated with Slovak Chamber of Commerce and Industry Bratislava.

## **7. NADSME - the implementing agency of PHARE programmes**

### **7.1 NADSME as the PHARE Programme Managing Unit**

Being PHARE Project Managing Unit, NADSME implements PHARE programmes in connection with the new measures to support and/or develop SMEs. NADSME has been operating as the implementing agency of support programmes of small and medium enterprises, and keeps developing strategies for the implementation of structural funds.

NADSME continued its activities to the benefit of small and medium enterprises also in 2002. It was focusing on financial support programmes, training and counselling, and policy and development of small and medium enterprises. Also in 2002, NADSME was taking care of the tasks under the National Programme for the Adoption of the Acquis Communautaire (NPAA) with respect to SMEs. In the context of the National Programme, the individual programmes were split among four priorities.

The total volume of funds from PHARE spent on the programmes implemented in 2002 amounted to EUR 12,061,000, representing Sk 503.214m (based on the exchange rate applicable on 31 Dec. 2002).

Thus, as of 31 Dec. 2002, NADSME has implemented PHARE programmes through financial memorandums on assistance to SMEs worth EUR 42,439 thous., i.e. Sk 1,770,640 thous. (based on the exchange rate applicable on 31 Dec. 2002).

**Discharge of funds from PHARE Programme**

|  | EUR               | Sk                 |
|--|-------------------|--------------------|
| Facilitated access to capital                              | 9,462,996         | 394,815,137        |
| Support Loan Programme                                     | 4,800,000         | 200,265,600        |
| Micro-loans Programme                                      | 3,450,000         | 143,940,900        |
| Seed Capital Company                                       | 1,150,000         | 47,980,300         |
| Technical assistance for financial support for SMEs        | 23,156            | 966,132            |
| Technical assistance to RSCF                               | 39,840            | 662,204            |
| <b>Strengthening of the SME sector position</b>            | <b>1,098,631</b>  | <b>45,837,113</b>  |
| Counselling and training for SMEs - grants                 | 548,311           | 22,876,630         |
| Technical assistance for counselling and training          | 257,899           | 10,760,068         |
| Training programme for the young people and women - grants | 25,296            | 1,055,404          |
| Public relations campaign - workshops                      | 27,500            | 1,147,355          |
| Public relations campaign - printing materials             | 28,605            | 1,193,479          |
| Organising Courses and Conferences for RAICs/BICs          | 14,500            | 604,969            |
| SME support - grants                                       | 73,520            | 3,067,401          |
| Technical equipment of FCP                                 | 0                 | 0                  |
| Technical assistance for FCP                               | 123,000           | 5,131,806          |
| <b>Improvement of SMEs' competitiveness</b>                | <b>1,499,486</b>  | <b>62,561,567</b>  |
| Technical assistance for SME support policy                | 334,000           | 13,935,148         |
| 2nd International Conference of SMEs                       | 14,840            | 619,154            |
| Construction of BI in Martin                               | 500,000           | 20,861,000         |
| Construction of BI in Banská Bystrica                      | 484,427           | 20,211,271         |
| Technical assistance for construction of BI                | 51,520            | 2,149,517          |
| CEPAC  | 68,358            | 2,852,037          |
| Spin off   | 46,341            | 1,933,439          |
| <b>Programmes total (I - III)</b>                          | <b>12,061,113</b> | <b>503,213,757</b> |

Legend:

RSCF - Regional Seed Capital Fund

BI - Business Incubator

**7.2 Spin-off**

Aiming at helping to restructure Slovakia's industrial plants, NADSME took care of specialised conselling under the Spin-off Project, financed from PHARE programme funds.

The spin-off method concentrates on splitting small and medium enterprises from large state-owned as well as privatised, mostly industrial companies, but also from municipalities and other entities. By spinning-off, such centers become independent legal entities, thus acquiring the opportunity to do business also outside of direct commercial co-operation with the parent company. As a result, employment can be

maintained, costs of the parent company kept low, and the spun-off firms may extend their activities.

A database of more than 140 companies was set up in 2002, which were approached and offered participation in the project. Four training cycles were organised during 2002 for 36 project carriers. A total of 20 business plans were developed, 12 new spun off companies were established, and 8 additional will be established during the subsequent year. A total of 185 jobs could be maintained in the spun-off companies.

### **7.3 Grant schemes under the PHARE Programme**

During 2001, NADSME called for presentation of projects for three grant schemes, namely Counselling and Training Programme for SMEs, Training Programme for Young People and Women, and Support Programme for Associations / Organisations of Small and Medium Entrepreneurs.

A total of 18 projects were implemented under the first grant scheme, and EUR 655,215.83 were spent. As suggested by the final results, subsidised informative and professional training was provided to 7,907 clients from SMEs and selected groups of people interested in business under the schemes, amounting to 30,609 hours, 211 training courses were organised for 2,842 participants. Care was provided to 29 incubator companies. Also undertaken were numerous specific activities under the various projects, such as: technological audits, drafting of expert manuals, designing of web information pages for SMEs and selected groups of people interested in business, information days in the regions, etc.

Three projects were implemented under grant scheme 2, and EUR 25,296 were spent in total. Five training courses were organised under the grant scheme for 76 participants, 15 clients from among young people and women interested in doing business were provided with subsidised informative and professional counselling (amounting to 224 hours), 26 business plans were developed. Moreover, a number of specific activities were undertaken under the programme, including production of the video document Examples of Business Activities Undertaken in Rural Areas, production of teaching materials and of a manual for those interested in doing business, etc.

The third grant scheme was aimed at supporting institutions associating small and medium enterprises and focusing on improvement of the strategy, structure and managing abilities of such associations, unions and guilds of SMEs, on extending their membership base, improvement of their infrastructure, strengthening of their internal and external capacities and supporting their interests.

A total of 15 associations were supported under this grant scheme, and EUR 400,000 were spent.

## **8. Support from other sources**

### **8.1 TRANSFORM Programme**

During the third, final stage of the Transform Programme, which was running between October 2001 and February 2003, a total of 11 inquiries from companies were processed, i.e. 11 counselling plans. Seven contracts on counselling were made, 5 of them have been completed.

Three seminars were organised for RAIC/BIC staff on controlling, establishing of commercial contacts and on basics of corporate counselling (30 counsellors were trained).

German experts developed a marketing concept for the RAIC/BIC centers network, including strategy recommendations and projects for successful development of centers. Implementation of the marketing concept was partially started. In working together with RAICs/BICs, German experts developed a time schedule for the implementation of development projects.

### **8.2 SIMEST Programme**

Cooperation initiated by Italian Ministry of Foreign Trade peaked at the end of 2002. The project entitled "Development Programme for Italian-Slovak SMEs, 2001 - 2002" was implemented by SIMEST S.p.A. (Società Italiana per le Imprese all'Estero) on the Italian part and by NADSME on Slovakia's part. One hundred and thirty-four Slovak SMEs were identified during the individual stages of the project implementation, which met the criteria for the establishment of Italian-Slovak joint ventures (JV) and/or for international industrial co-operation.

During the subsequent stage, NADSME undertook a closer specification and selected, together with the Italian partner, appropriate Slovak SMEs (25 in number). Representatives of the Italian entities involved and NADSME officials visited selected Slovak SMEs and negotiated with them. Slovak SMEs developed studies aimed at analysing their own conditions for the implementation of the investment goals (feasibility studies), based on which preliminary agreements on JV were drafted. Overall, 17 Italian-Slovak joint ventures were established and financial support was provided by the Italian party to 18 projects of international co-operation between Italian and Slovak SMEs.

### **8.3 Foreign credit lines from EIB and JBIC**

The financing of small and medium enterprises in Slovakia has been supported since 1993, the year of its establishment, by also the National Bank of Slovakia through special foreign credit lines. Within 1993 - 1997, NBS signed two agreements with European Investment Bank (loans AGL and AGL II) and three agreements with EXIM Bank of Japan, (TSL, TSL II and TSL III). The proceeds of these loans were intended to support private business in Slovakia. Specific projects were financed by selected commercial banks based on agency agreements made with the NBS.

The financing under the AGL and AGL II credit lines from European Investment Bank was terminated. The loan from Japan Bank for International Cooperation (originally Export-Import Bank of Japan) was granted in three credit lines of the Two Step Loan (TSL I, TSL II, TSL III). Only revolving funds were drawn in 2002, and 36 projects (Sk 393,221,088) were financed under the TSL III line. No funds were drawn under TSL I and TSL II lines.

Since the launching until 31 Dec. 2002, a total of 1,122 projects have been financed under the above programmes from initial funds and revolving, amounting to Sk 15.814bn.

## **9. Suggested measures aiming at SMEs development in 2004**

### **9.1 With respect to access to capital and support programmes**

Access to capital represents one of the most significant barriers to the development of SMEs. It should however be admitted that the situation in this respect improved in 2002, even if we cannot be satisfied with what has been achieved. There is a lot also in this respect to be improved.

The following are the main actions to be undertaken during the next period:

1. Favourable conditions should be established for private entities, providing seed, operating or development capital through tax concessions on venture capital funds and long-term soft loans from venture capital funds from the State Budget, and/or through direct capital participation of the state in venture capital funds.
2. The system of pro-active support of the labour market should be more pronouncedly oriented towards support of establishing new job opportunities with SMEs.
3. Adequate conditions should be established for capital market operation in Slovakia.
4. Interministerial co-ordination council should be established for SME support programmes reporting to Ministry of Economy of the Slovak Republic.
5. Aiming at promoting exports, insurance of export credits should be extended to cover commercial and political risks.
6. Information campaign concerning the importance of electronic commerce for small and medium enterprises upon increasing the sales of their products and extending exports on international markets should be intensified.
7. Development of electronic commerce is to be promoted through improved competence of SMEs in this respect through training and counselling.
8. Impacts and efficiency of support programmes should be evaluated, in particular with respect to those representing direct financial support extended to businesses.

### **9.2 With respect to legislative and administrative barriers**

Although relatively many important measures were taken during the past year to improve the quality of the business environment, this issue should be paid permanent attention to, and legislative measures should be taken which can be expected to make a contribution towards the improvement of the business environment.

The major continuous tasks in this respect include the following:

1. The institute of the short-cut approval procedure by the National Council of the Slovak Republic should be taken advantage of but in exceptional cases, thus guaranteeing that laws be drafted and reviewed in due quality.
2. Draft laws should be simple, easy to read and concise as far as possible.
3. A uniform interpretation of any legal standard adopted, by state bodies and authorities should be guaranteed.
4. The tax-related burden upon natural persons - entrepreneurs should be further reduced.
5. The significant levies-related burden should be reduced, i.e. total costs of employers on labour should be reduced.
6. Flexibility of the inflexible labour market should be improved, and more effective solution should be found to deal with the problem of the so-called black labour.
7. Improved enforceability of law through expedient amendment to the Rules of Civil Court Procedure, including specification of the time within which the courts shall be liable to act in the matter.
8. Continuation of aggressive fighting of corruption and reform of the civil service to guarantee entrepreneurs a corresponding and adequate position in the society.
9. Reform of the social and health system should be undertaken to make them targeted.
10. The provisions of the Accountancy Law on keeping of records should be simplified, in particular with respect to small trade licensees, self-employed persons, including links to flat-rate taxes.
11. The system of training and education provided by secondary vocational establishments for apprentices and secondary vocational schools should be harmonised with the needs of SMEs.
12. Legislative standards should grant self-employed persons - small trade licensees the same rights as employees.

## 10. Conclusion

This booklet entitled “2002 Status of Small and Medium Enterprises” presents the comprehensive picture of the development, methods of support of this sector, as well as on the development of the business environment during 2002, including the existing problems and suggestions for their resolution.

The year 2002 was the last but one year preceding our accession to the EU; this even more emphasises the topicality of the tasks and responsibilities connected with the accession process. A certain continuing improvement of the SMEs growth dynamics could be observed in also 2002, and this was of a great importance during the pre-accession period.

For the second year in a row, the labour market showed growing employment rates. On the average, the numbers of employed persons increased 0.2% compared to 2001. Also, agriculture showed a favourable turn with respect to employment: after ten years of reduction, employment grew 0.7% in this year. Also, unemployment rates showed a year-on-year reduction by 4.2%, which was the first instance in five years of this parameter showing a drop.

Compared to 2001, gross domestic product increased 4.4% (8.5% in current prices), the volume of added value recorded a year-on-year growth by 4.3%. The private sector is estimated to have generated 88.9% of the gross domestic product. The shares of small and medium enterprises on gross production dropped, whereas their shares on added value increased.

When it comes to SMEs numbers, there was some decrease compared with 2001. This decrease however was the result of the census undertaken by Statistical Office of the Slovak Republic in 2002, which precised the numbers of SMEs of all categories. The numbers of natural persons dropped 1.6%, those of small trade licensees decreased by 1.8%. On the other hand however, the numbers of persons doing business in unregulated professions increased 1.6% and those of independent farmers 0.4%. Numbers of legal entities recorded a year-on-year increase by 0.4%, the numbers of non-for-profit institutions grew 12.3% and those of enterprises dropped by 5.3%, with the prevailing majority of all the profit-making institutions being small enterprises (94.4%), including micro-enterprises with 0 – 9 employees (80.4%).

This suggests that the growth potential, in particular for small trade licensees and small enterprises, has been exhausted under the current business environment, and no further growth can be expected in this area unless a change in this environment is introduced. The scheduled legislative amendments concerning SMEs should therefore be oriented towards reduction of the significant administrative burden associated with the establishment and operation of small trade licensees, elimination of the discriminatory income tax, which represents a direct disfavouing of SMEs compared to large enterprises, and the still significant levies-related burden, which - in the view of the high costs of labour and thus of wages - projects in the high level of levies in addition to high taxes. It is rather important to deal with this problem, since it is this key component (with respect to SMEs) that shows the greatest difference between Slovakia

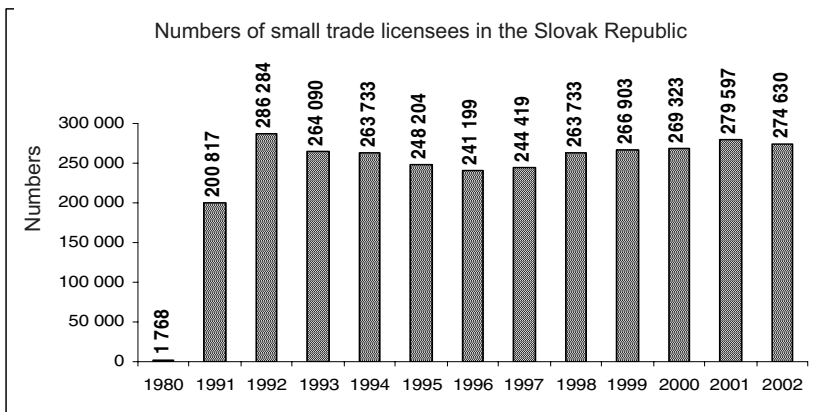
and the EU Member States. In EU and EFTA countries, micro-enterprises account for 93% of all SMEs, the corresponding figure for Slovakia is as small as 81.3%.

As an important aspect of the improvement of the business environment, also SMEs representatives should be adequately involved in the initial stages of the drafting of legislative measures; inadequate participation of these people is also at the basis of the frequently criticised frequent changes in legislation, which are particularly sensitively perceived by small enterprises which lack appropriate staff to monitor them.

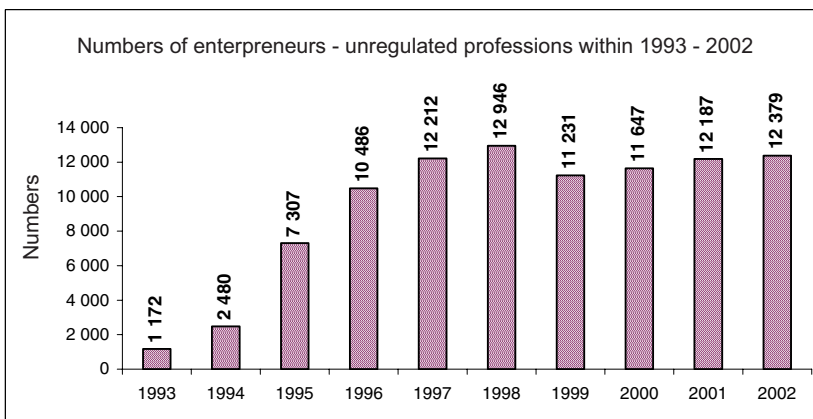
In the view of the above facts, this booklet also presents a set of suggestions to improve the business environment; their implementation can be expected to make a contribution towards a further enhancement of the dynamics of SMEs development in Slovakia.



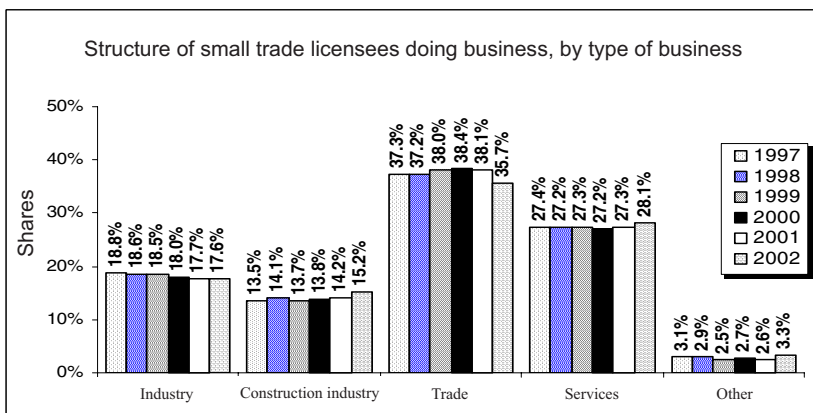
# **Annexes**



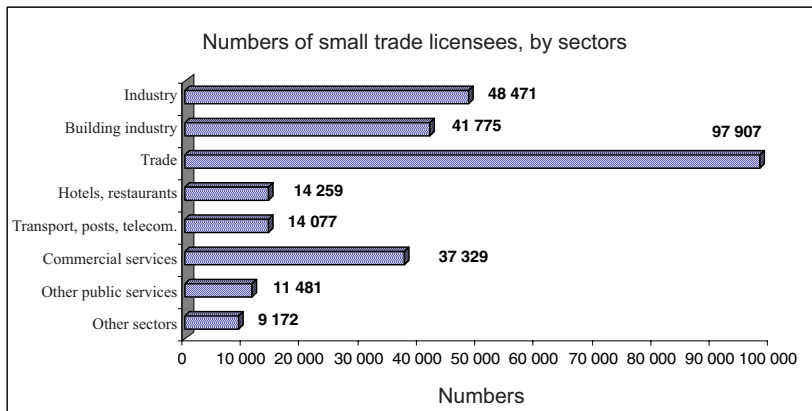
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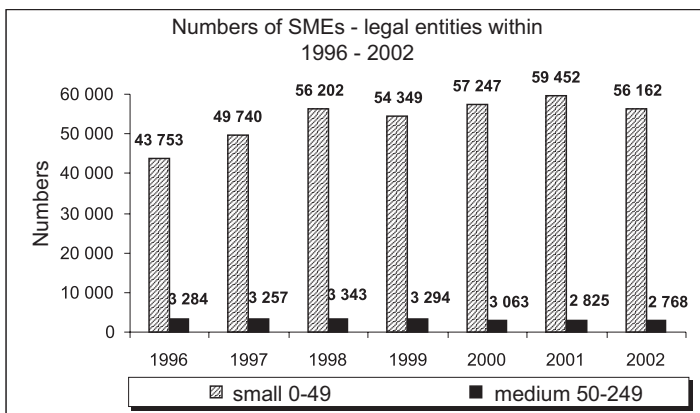
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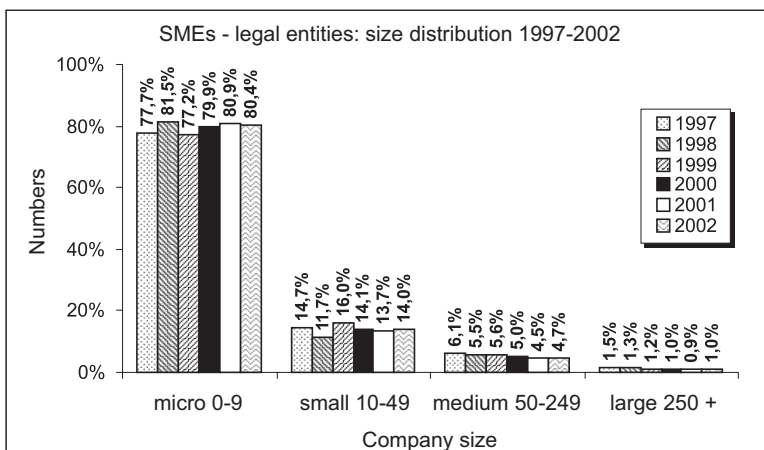
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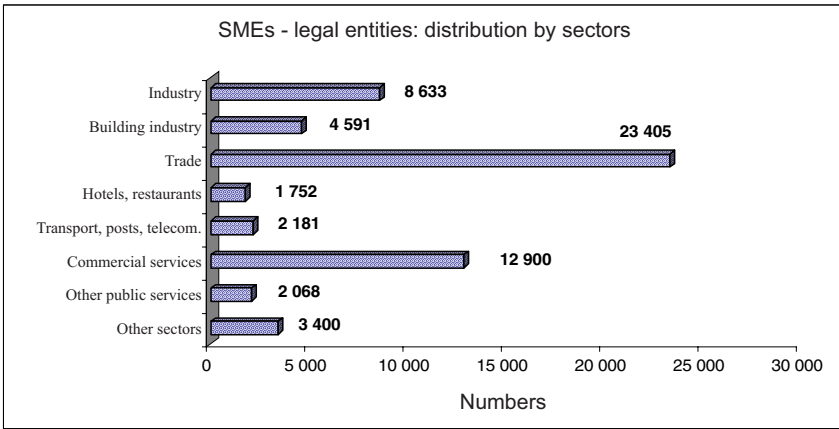
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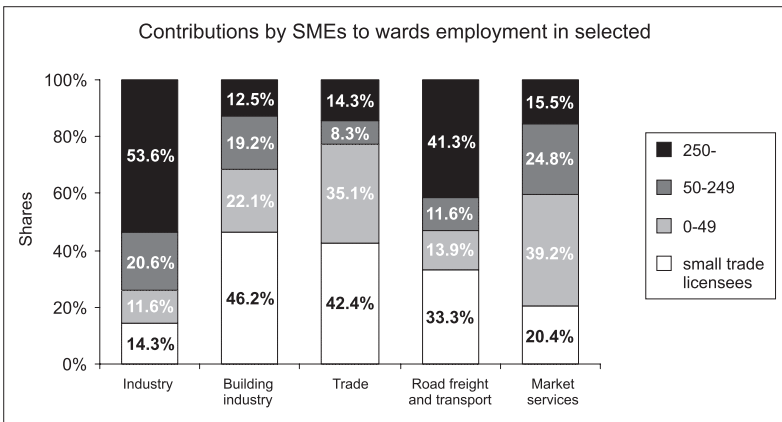
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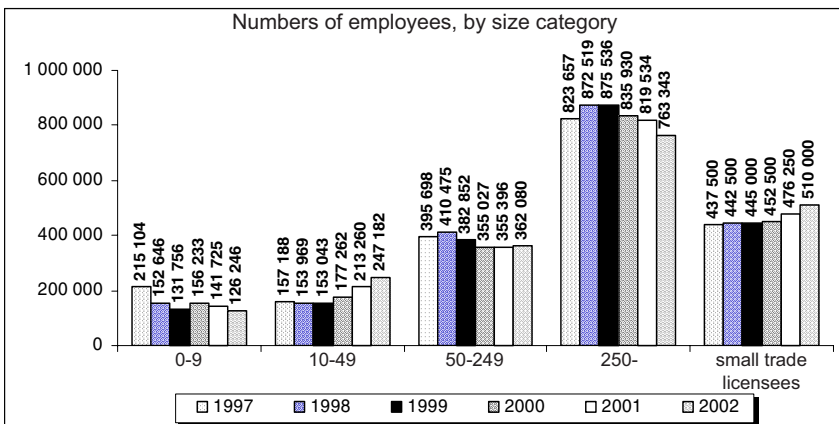
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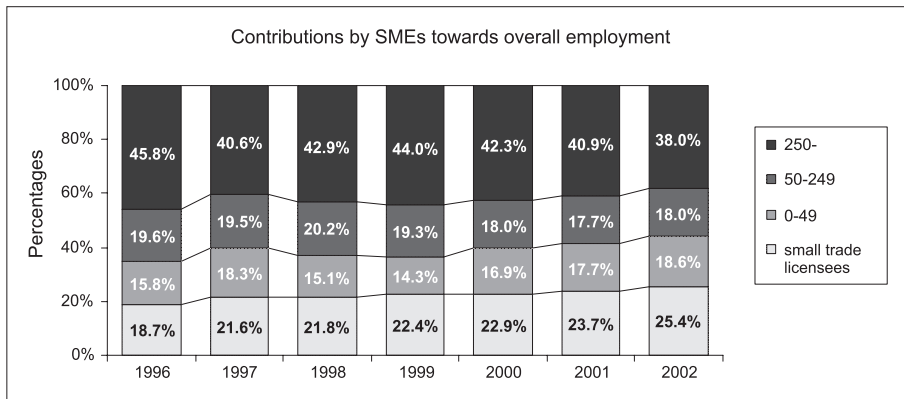
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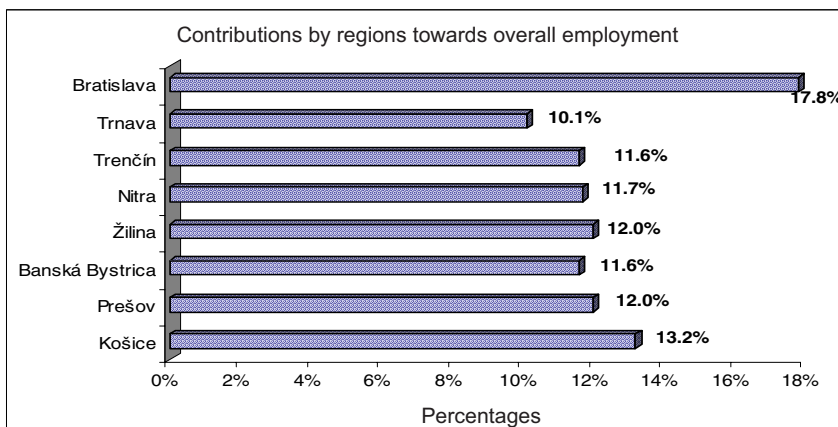
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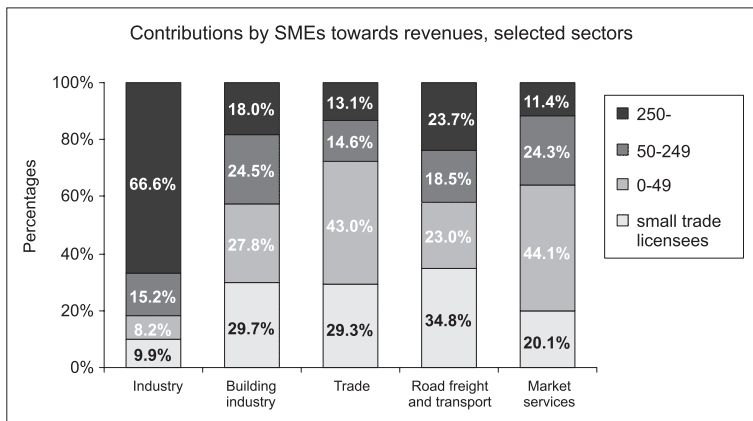
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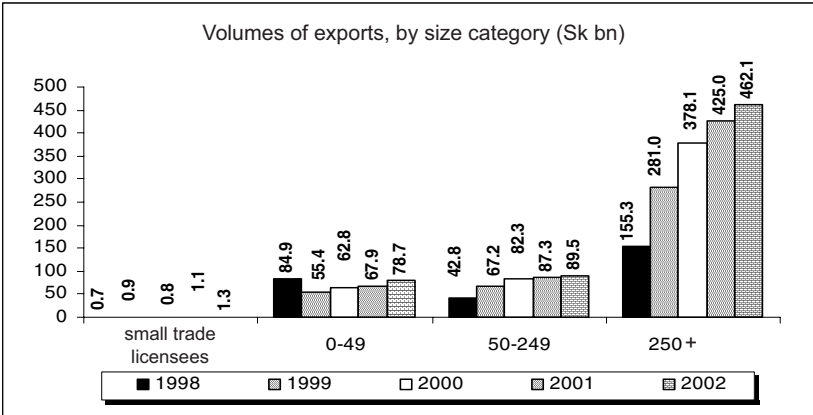
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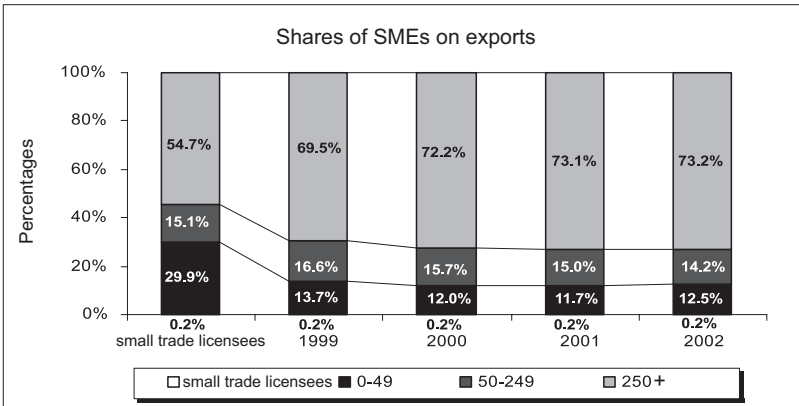
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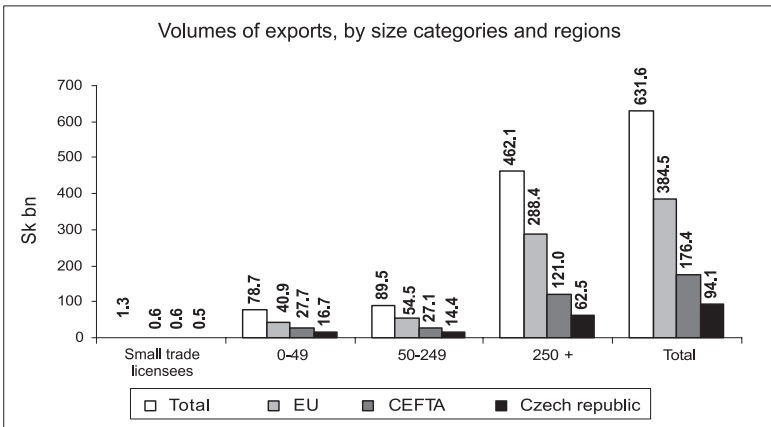
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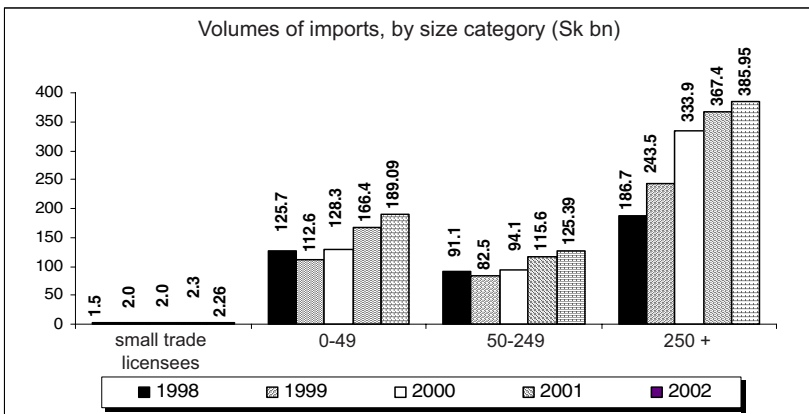
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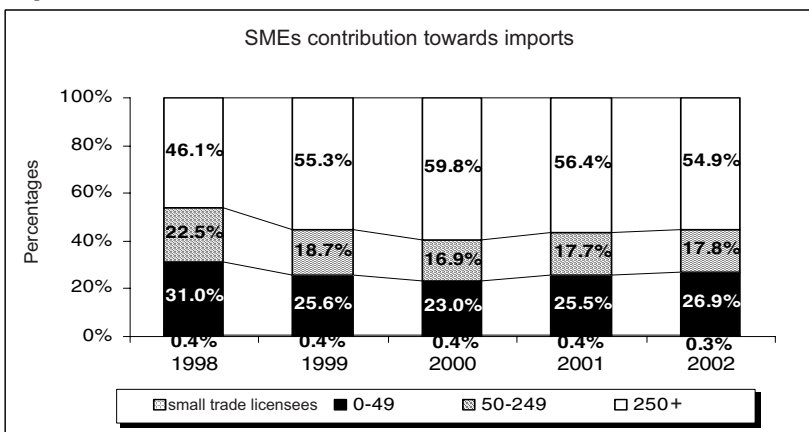
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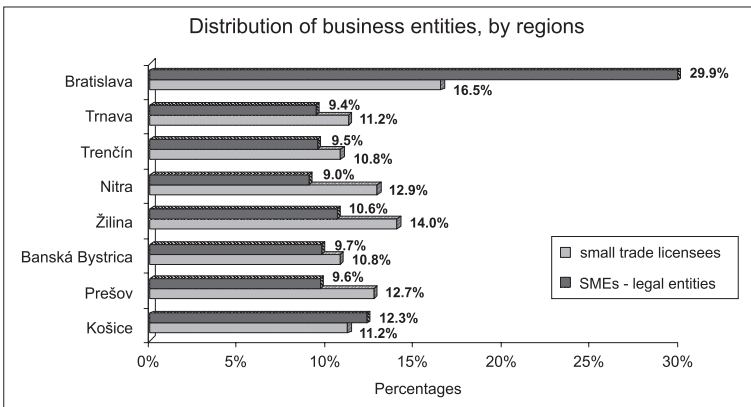
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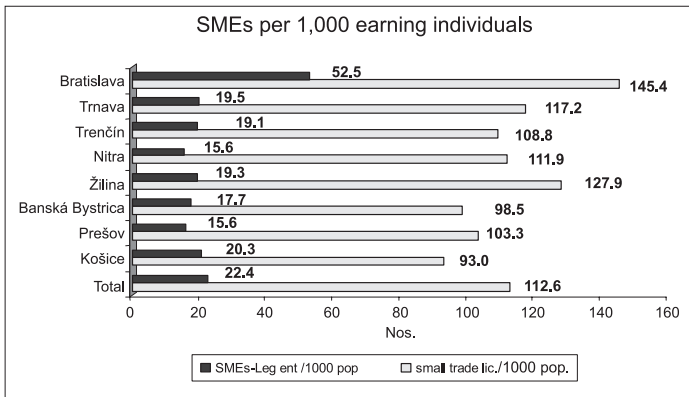
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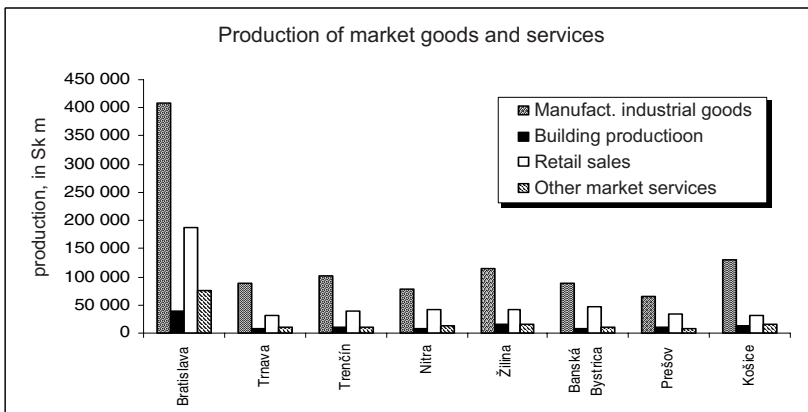
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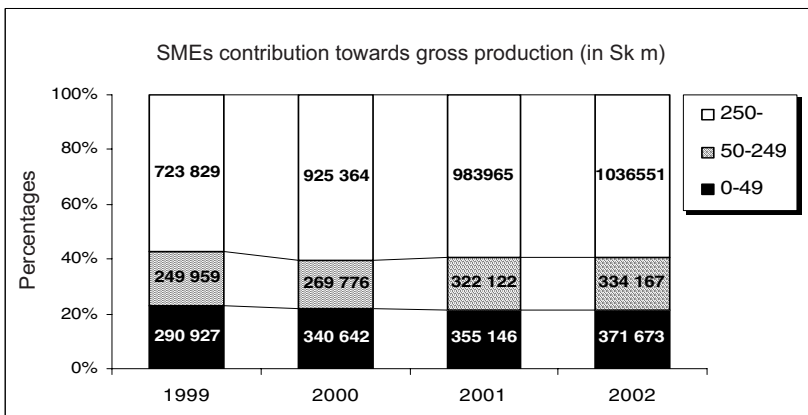
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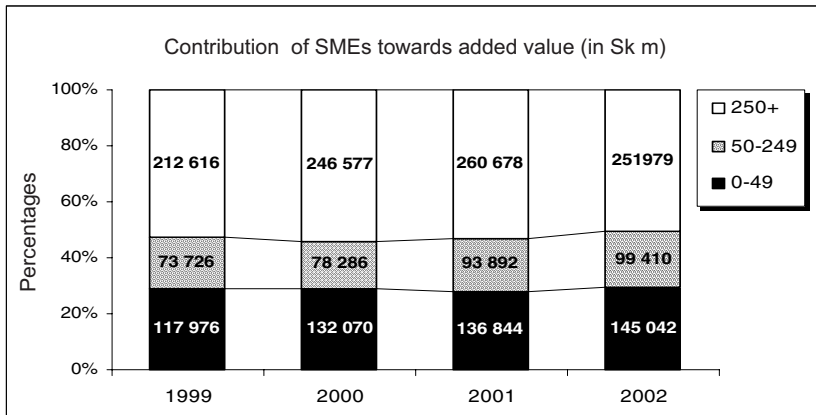
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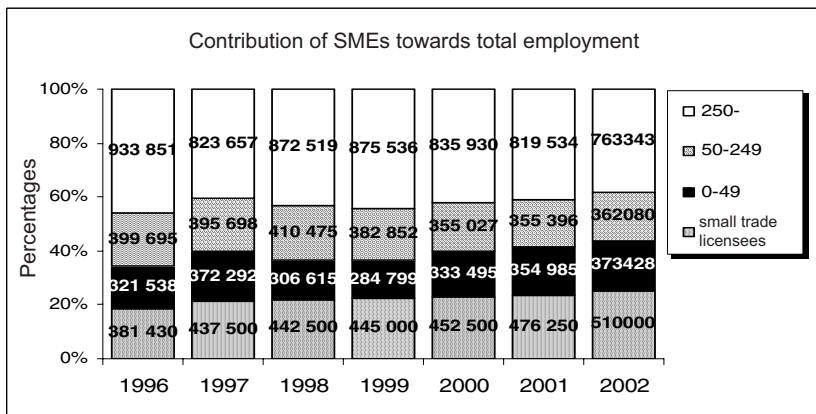
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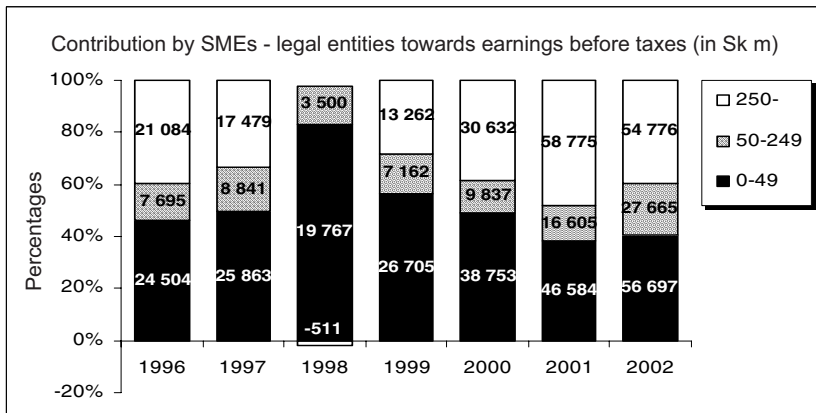
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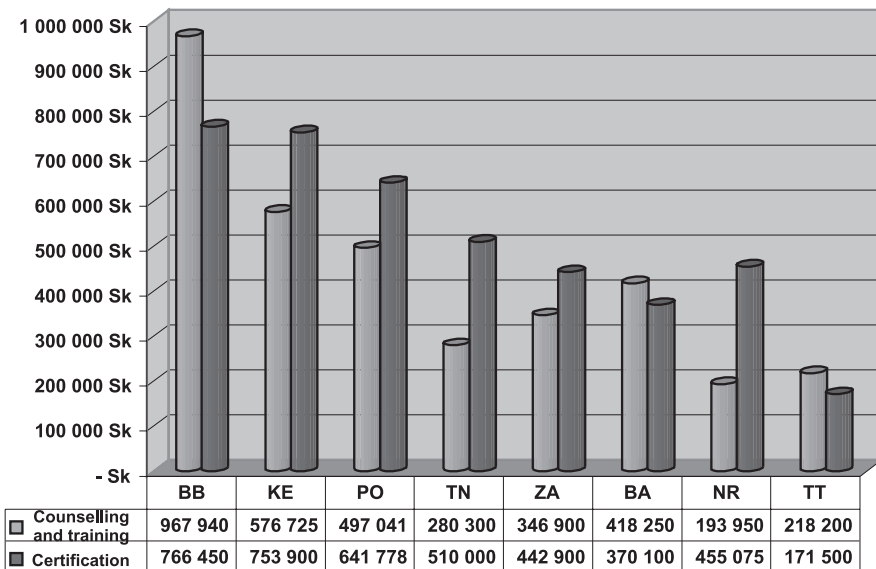


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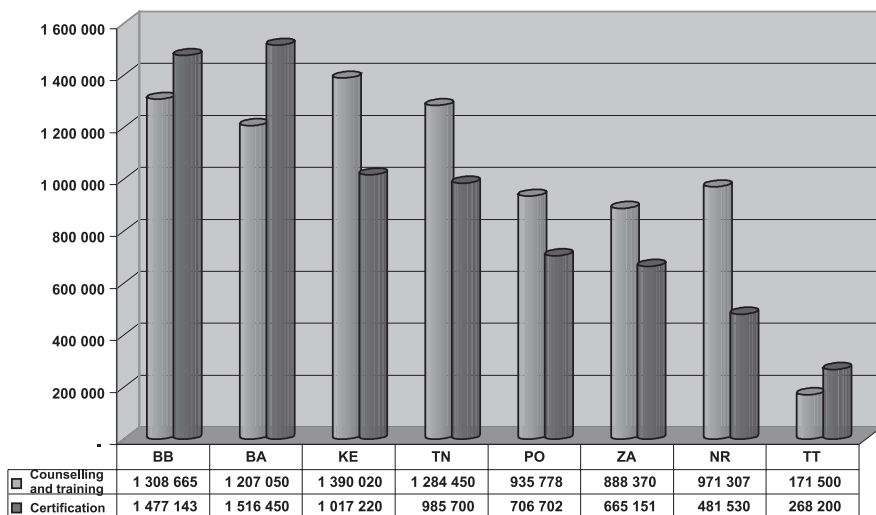
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Total volume of funds paid under the Programme Quality, by regions (Diagram 1 cum.)



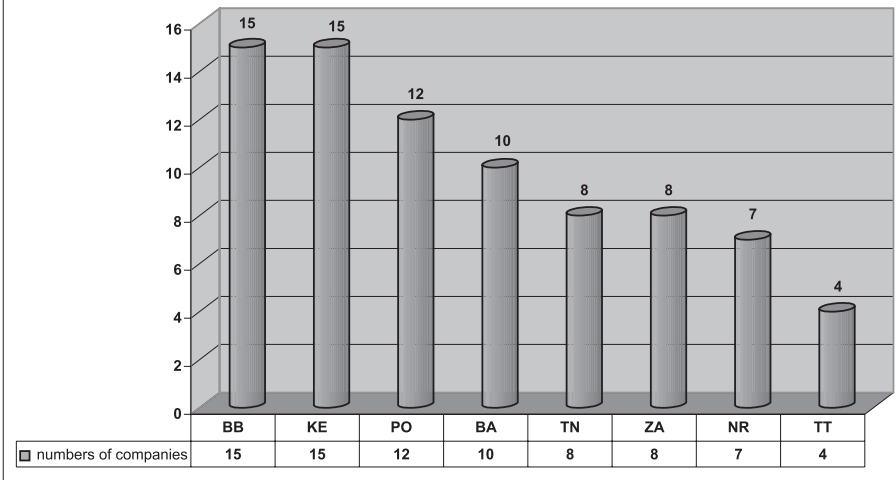
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Total volume of funds paid under the programme Quality, by regions (Diagram 1 cum.)



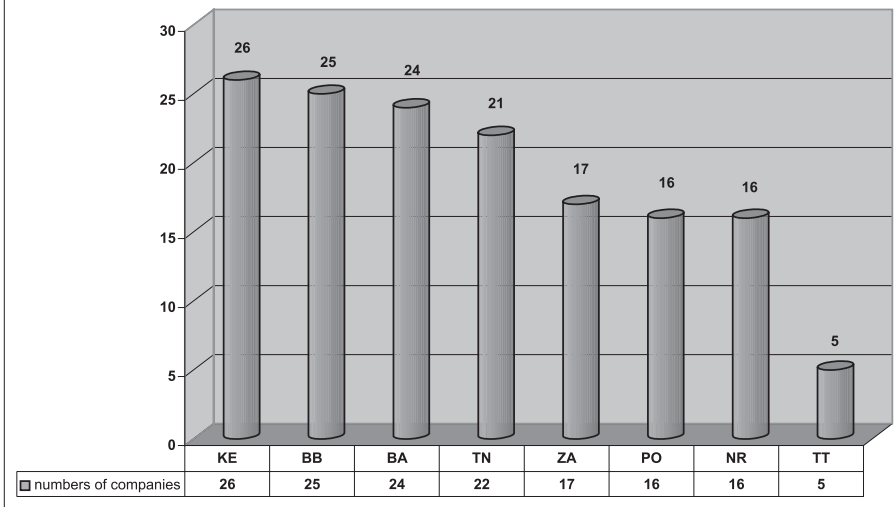
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Programme Quality - 2002 - numbers of companies drawing funds in 2002, by regions (Diagram 2)



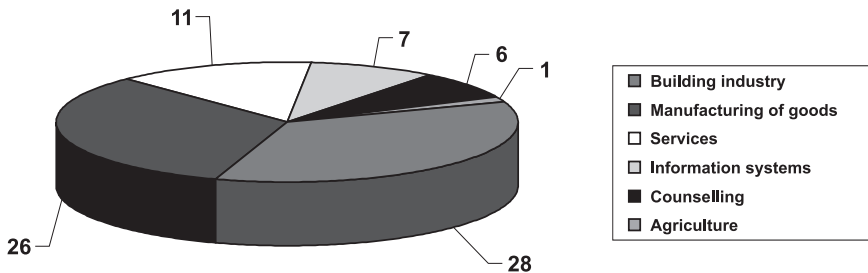
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Total numbers of companies which received grants under the programme Quality, by regions (Diagram 2 cum)



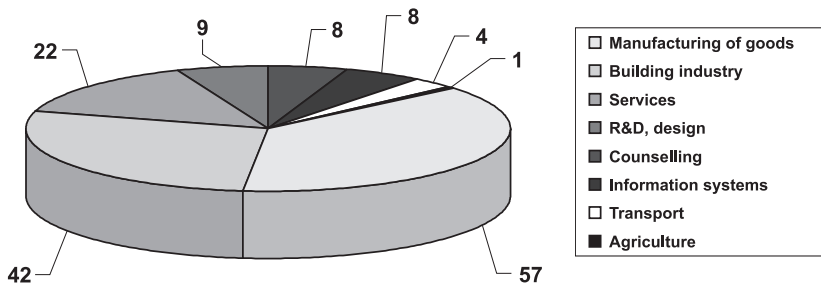
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Programme Quality - 2002 - overview of the numbers of companies which received grants, by sectors (Diagram 3)

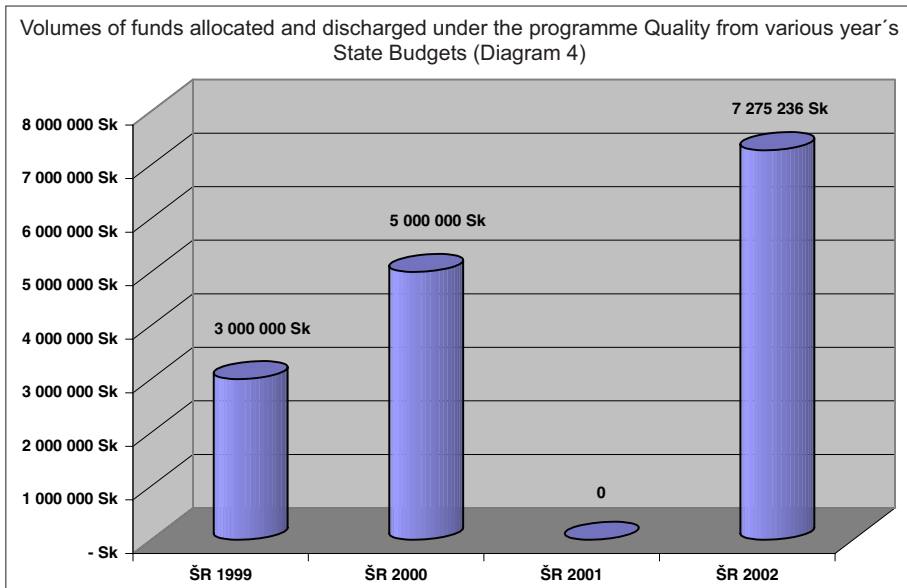


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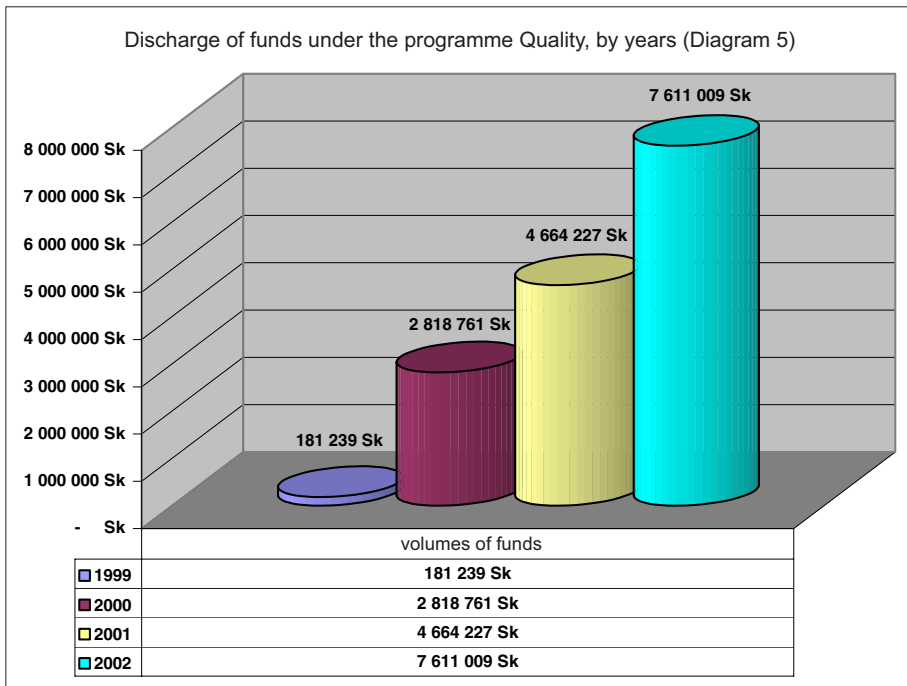
Total numbers of companies which received grants under the programme Quality, by sectors (Diagram 3 cum)



Graphics 30

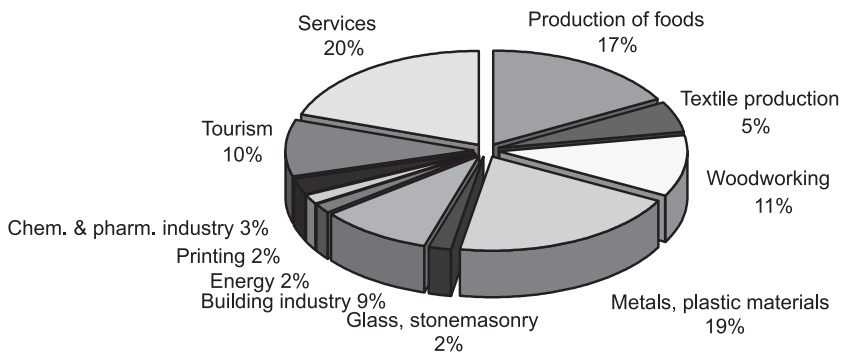


Graphics 31



Graphics 32

### Overview of volumes of loans granted under LSP, by business activity



Graphics 33





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