



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

**2003**



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MEDIUM ENTERPRISES  
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# 1. Introduction

Development of small and medium enterprises has been declared as one of the priorities of the economic development of our economy. An important factor in this context is the creation of an adequate business environment, and this assumes making the legislation simpler and more transparent, reduction of administrative and tax-related burdens, reinforcement of supporting infrastructure, and improved access to capital.

The policy of SME promotion was directed towards further improvement of the business environment during the last pre-accession year as well, aiming at bringing the environment as close as possible to what exists in the EU, and thus to prepare our SMEs as well as possible for successful operation in this market. Reduction of tax burden on enterprises could positively manifest itself as early as during the first year of our membership in the EU through enhanced inflow of foreign investments to initiate the development of the country's economy. Linked to big investors, also the sector of small and medium enterprises could benefit from this, through subcontracting and provision of services to the dynamically developing firms. The share of small and medium enterprises in the Slovak economy is currently already comparable with those in developed countries: small and medium enterprises account for 99% of all Slovakia's enterprises. There was an increase in all types of small and medium enterprises last year, including natural persons and legal entities, and also their share on employment increased.

Despite the above mentioned positive trends, there are still certain negative aspects of the development of the business environment. Among them, we should mention the burden associated with contributions to funds, poor law enforcement, excessive administrative requirements on doing business, market distortions and distortions concerning property records, numerous superfluous environmental standards, persisting price regulation, existence of legal privileges in business as well as increasing regulatory burden in connection with the approximation of Slovakia's legislation with the EU law.

In its first sections, the present Report contains a brief assessment of the regulatory environment, an analysis of the status quo and of the development of SMEs in the past year, and suggestions for recommendations to speed up SME development in the period to come. Subsequent sections deal with the evaluation of the tools of SME support from the individual sources. In annexes, additional information and charts are provided referred to in the text of the Report. The numerical data presented in Chapter 3 were taken from sources of the Statistical Office of the SR and the National Agency for Development of Small and Medium Enterprises.

In accordance with the methodology applied by the EU, the Report does not address business in primary agricultural production, forestry and fisheries.

The task to evaluate the status quo of the development of small and medium enterprises and its development during the previous year to be presented to the Slovak Government by Ministry of Economy of the Slovak Republic (MoE SR) in

an abbreviated form was imposed by Slovak Government's resolution No. 726 of 13 September 2000. A comprehensive document on the status quo and development of small and medium enterprises and their support in the Slovak Republic in 2003 will be published and also used as a data base for informing European Union institutions, OECD, and UN EC upon compiling comparative analyses and various studies.

## **2. Development of the business environment for the development of SMEs in 2003**

Small and medium enterprises have an important and unique role to play in all market economies. Their development is among the priorities of the Slovak Government who, through MoE SR as well as through other sectors and institutions, was paying it adequate attention in also 2003. The development of the business environment for the development of SMEs in 2003 confirms that gradual improvement of legislative structures in the interest of the elimination of non-market barriers and strengthening of competitiveness of business entities remains one of the principal prerequisites for the raising of the performance of our economy.

Neither in 2003 however, the development of the business environment could have avoided pronounced direct or indirect negative influences by a variety of circumstances. These mainly concerned tax burden and burdening by contributions to funds, poor law enforcement, excessive administrative requirements on doing business, market distortions and distortions concerning property records, numerous new environmental standards and quality and safety standards, persisting price regulation, existence of numerous legal privileges in business, still poorly flexible labour law, poor legal standards, as well as increasing regulatory burden in connection with the approximation of Slovakia's legislation with the EU law.

Operations of business entities in our market have been influenced by government's economic policy, which may either facilitate them or – and this is not rarely the case – make it more difficult. Among the biggest risks of 2003, soaring prices of inputs followed by reduced domestic demand, volatility, oscillations of the exchange rate, significant financial burden on enterprises, increasing of the bottom VAT rate, and increasing excise taxes were named. The economic policy of the government and improved availability of information, as well as the developments in trade and labour legislation were nevertheless perceived positively by the enterprises. Highly appreciated was the standard of infrastructure (transport and telecommunications), while political instability in Slovakia was perceived negatively. The changes in the system of depreciations introduced in 2003 were appreciated.

The legal standards which regulate Slovakia's business environment as well as the legal system in general have been influenced by the EU accession process. The Slovak Republic committed itself to take over the principles of law and the individual legal standards of the EU. They are envisaged to be applied and used within the domestic legal system. The philosophy of the process is good but the way this process is being implemented is not appropriate in all cases; e.g., it is not enough to make a simple translation without exploring impacts on other standards. Also, frequent amendments destabilise the legal system and cause problems, in particular when it comes to small and medium enterprises.

As an example of the excessive administrative requirements, we refer to the steps needed in Slovakia to be taken to start up business, and compare them with other EU

Member States. Any entrepreneur wishing to start up business in the territory of the Slovak Republic in 2003 had to undertake at least 10 different steps to establish a company.

### Procedures needed upon starting business

Country	Number of steps
Slovak Republic	10
Czech Republic	10
Hungary	5
Austria	9
Germany	9
The Netherlands	7
Regional (Central and Eastern Europe) average	10
OECD average	7

Source: World Bank 2003

The figures are the same as the regional average. The least procedures were required in last year in Hungary (5), the OECD average being 7 procedures. After the changes introduced in 2004, Slovakia's enterprises may expect to go through only 8 procedures, which is better than the regional average, but still worse compared to the OECD average.

When it comes to the number of days it takes to establish a company, 98 days are needed in Slovakia compared to 48 days needed in average to establish a company in Central and Eastern European countries, and 30 days needed in average in OECD countries. Following the legislative amendments to be introduced in 2004, it will take 26 to 48 days to establish a company in Slovakia.

### How long it takes to establish a company

Country	Duration
Slovak Republic	98
Czech Republic	88
Hungary	65
Austria	29
Germany	45
The Netherlands	11
Regional (Central and Eastern Europe) average	48
OECD average	30

Source: World Bank

Lengthy resolution of disputes also causes problems to entrepreneurs. Available data of the World Bank suggest that Slovaks had to wait rather long to see their disputes resolved, almost twice as long as the average time for OECD countries.

Wages represent a major portion of corporate costs. The high inflation rates resulted in a reduction of real income in several regions of the Slovak Republic, thus contributing to further interregional differences. The fact that real wages dropped in 2003 will exert a significant pressure upon employers to raise wages and adjust them to inflation in 2004. In 2003, wages grew most in Western Slovakia, where more investors come to invest.

Statistics suggest that costs of wages are smaller for small trade licensees as well as small and medium enterprises compared to large companies. Interesting is the finding that the costs of wages grow more rapidly for large companies (25 %) than for small trade licensees (18 %). However, the costs of wages grow more rapidly for small trade licensees than for small and medium enterprises (12 %). The level of education, a good production potential as well as the relatively low level of costs of wages represented factors in 2003 which acted in a stimulating manner upon the interest of foreign companies in production co operations with Slovak SMEs.

The current situation in the EU Member States with respect to the tax system is such that Member States keep full control of the design and implementation of their respective tax policies. Generally, tax policy was viewed as the basic priority of national sovereignty rather than an issue of competition within the Community. In the EU, there are 15 different tax systems, and a wide variability of rates. So, tax rates in 2001 ranged between 10% and 39 % in Ireland and Belgium, respectively.

The various methods applied by the Member States to calculate tax on earnings differ in several aspects with respect to income earned home and abroad. Differences in the calculation of gross income may, a.o., be due to different accounting systems, different dividends obtained from other companies, different capital profits or losses, or different depreciation systems.

Changes in taxation laws with respect to the business environment are connected with our EU accession. It was tax holidays provided to foreign enterprises which met with the strongest criticism on the part of small and medium enterprises. Such measures whose effectivity and frequently also implementation go beyond a single election term (long-term) pronouncedly influence the business environment.

In 2003, income tax was subject to several rates depending on the amount of income; tax reform started in January 2004 however, and the tax rates were unified at 19%. Also, there were two rates of value added tax in 2003, which were unified to 19%. Excise taxes on some goods will be raised in 2004. Excise taxes had to be markedly raised since mid-2003 due to failure to reach the envisaged tax revenues of the State Budget.

All the above arguments and facts clearly determined the development of the business environment as a whole in the Slovak Republic in 2003. The year 2003 was the last year preceding our EU accession, and that is why it was marked by the introduction of numerous legislative changes which influenced the business environment: the latter will have to be fully harmonised with the EU legislation by the time of the EU accession. Some specific improvements of the business

environment may be pointed at, along with some persisting problems which could not be successfully resolved in 2003.

It may be stated based on statistical data about business entities as well as based on knowledge obtained from the wide business public that a partial improvement of the business environment occurred along with a slight stabilisation of SMEs.

The positive changes which occurred in 2003 include:

- improved accessibility of loans for the business sector, reduced interest rates,
- more efficient time to registration of companies, more expedient registration in Commercial Register, both expected to reduce corruption,
- intensification of the setting up of industrial parks in various regions of Slovakia, which may positively impact upon the growth of economy and employment,
- the option of reducing income tax of natural persons to the level of corporate taxes, i.e. 25 %, although with the condition that the „saved“ funds have to be invested,
- amendment of deductibles to reduce the tax base for natural persons,
- the institute of flat tax rate,
- amendment to the Labour Code (as of the mid-year).

Amendments were made to laws in 2003, e.g. to Income Tax Act (shortening of the depreciation periods, in particular for machines and equipment, from 8 to 6 years) which had a positive impact upon equipment with modern machines and facilities. However, even the shortening of the depreciation time in group 3 from 15 to 12 years or for buildings and structures from 40 to 30 years represents a rather important step for the business sector as it allows more rapid raising of funds to replace long-term assets. Additional positive measures were adopted to be applied since 2004.

Amendments important from the aspect of approaching the international accounting standards were made to the Accounting Act and subsequently to the accounting procedures for enterprises. This approaching is of importance mainly from the viewpoint of the presentation of the accounting unit which will have a certain freedom of choice for 2003 as to the decision on what to consider as long-term fixed assets, with respect to what reserves will be generated, what accounting depreciations to chose, what will be the method used to present e.g. cash flow overviews etc. On the other hand, comments on financial statements disclosing serious facts will have to be rather detailed, with the whole financial statements, including the comments becoming part of the annual report and being filed in the collection of deeds, thus becoming available to business partners as well as competitors.

A positive change, which became effective as part of the Value Added Tax Act was the abolition of the condition that VAT has to be paid before tax payer can claim it at the input.

Despite the above mentioned positive changes, the business environment in general showed only slow improvement, in particular as seen through the eyes of SMEs,

and the problems which could not have been fully resolved may be summarised as follows:

- persisting high burden of contributions to funds upon the business sector (it is the contributions to funds which make Slovakia one of the most burdened economies compared to other EU Member States),
- enforcement of law has not improved, there was no desired amendment to the Rules of Court Procedures, maximum periods were not set for rulings to be issued, etc. Lengthy enforcement of receivables through the courts causes problems of secondary payment inability, accounting, etc.,
- the Property Tax Act (this tax is being now administered by municipalities) allows this tax to be raised up to 20 – 25 times just because an entity is involved in business. In this way, tax acts as punishment for doing business and does not motivate to develop activities, it prevents development, upgrading and renewal of property,
- persisting problems in obtaining information about the options how to get money from EU funds for small and medium enterprises under the umbrella of various ministries; this results in confusion, and information requested by enterprises are received often incomplete,
- an area of inadequate provision of information also concerns the banking sector which offers a number of products aimed at the development of this business sector,
- guarantees for loans remain another huge problem; they exceed the resources of enterprises, and this in spite of the fact that there was a reform of the rules of pledging,
- there also is a disproportionate administrative burden upon small and medium enterprises as they are requested to file huge numbers of reports and statements,
- a holistic concept of the development of small and medium enterprises is lacking, which should be based on the present status of SMEs and would indicate further directions of the development of small and medium enterprises.

The government has not been paying adequate attention to the development of small and medium enterprises, in particular as far as the preparation of SMEs for entering the single European market, competitiveness, improvement of the technological equipment and upgrading are concerned. No adequate conditions were created to raise disposable funds in SMEs to serve this purpose; e.g., access to start up as well as „development“ capital has not improved.

As before, the sector lacks sufficient support (loans, credits, taxes, grace periods, government's participation in business, etc.) and it was rather intricate and complex to raise seed capital. Banks as well as SME supporting institutions started laying increased emphasis on guarantees for business plans and on the quality of the latter. Loans were extended to SMEs at significant interest rates, which was causing financial

problems to SMEs attempting to bring their business into rolling. Some commercial banks gave good examples by extending loans starting at interest rates of 6.9%.

Shortage of funds for pre-accession help grants and the small numbers of approved applications have also a negative influence. The SMEs sector also feels the absence of full and updated information about the opportunities to do business and about the conditions of operating small trade business in EU states applicable in those countries. With respect to information provided to SMEs there is a perceivable shortage of communication with the government during the early stages of the drafting process of legal standards. As a contributing factor, the activities of the Government Council on Small and Medium Enterprises were not resumed, in spite of the recommendations on the part of the business associations.

Several documents were drafted during 2003 concerning the business sector, and they were presented to the government for review; the government reviewed and acknowledged them. They included „Report on the Status of the Business Environment in the Slovak Republic with Suggestions for Improvements“ and „Report on the Implementation of the European Charter of Small Enterprises“. The aim of the „Report on the Status of the Business Environment in the Slovak Republic“ was to identify the present state of the business environment in the Slovak Republic with respect to standards and the programmed goals of the European Union, as well as with that to the requirements and tasks concerning the approximation of Slovak standards in connection with the accession of the Slovak Republic to the European Union.

### **3. SME development and status quo in 2003**

The principal prerequisite for a successful development of SMEs is the existence of an adequate business environment, which creates favourable conditions for business entities and which stimulates business activities. The business environment and changes in the conditions of doing business, be it economical, legislative or administrative, are pronouncedly projected into also quantitative characteristics of the entities doing business. Based on them, prevailing trends may be identified, and they at the same time also represent markers indicating the need of changes to secure the desired growth.

In accordance with the European Union standard, small and medium enterprises are defined by Act of the National Council of the Slovak Republic (NR SR) No. 231/1999 Coll.LL. Categories of small with 0 – 49 employees, and medium with 50 – 249 employees are recognised. Large enterprises are defined as entities with 250 or more employees. Additional criteria concerning turnover and value of assets apply with respect to the categories. The following sub-chapters use numbers of employees as the sole criterion for assigning SMEs into categories. This approach to categorisation allows to compare the status of SMEs in the Slovak Republic to the status of the business sector in the European Union.

Quantitative characteristics of the small and medium enterprises sector, including the development of the numbers of business entities, broken down by branches, regional distribution, employment, production and foreign trade, are analysed in detail in sub-chapters 3.1 – 3.7.

In the framework of the monitoring of the business environment, NADSME continued in also 2003 national surveys using a representative sample of business entities. The surveys are valuable source of information about the qualitative features, and the topics chosen are directly linked with the improvement in competitiveness of the business entities. The surveys were also directed to map the status of the equipment of small and medium enterprises with information and production technologies, preparedness of small and medium enterprises for Slovakia's accession to the European Union, and of innovation activities of small and medium enterprises. A specific survey concerned the business potential in Slovakia; the survey was conducted on a representative sample of Slovakia's population. The conclusions obtained by evaluating the surveys are shown in sub-chapters 3.8 – 3.11.

Sub-chapter 3.12 provides a summary view of the position of SMEs in Slovakia's economy. The relevant sub-chapter 3.13 compares some characteristics of the SME sectors in Slovakia and the European Union.

The evaluation of the sector of small and medium enterprises in this chapter is based on the processing of data from statistical register of organisations and data published by the Statistical Office of SR (SO SR). The analysis of foreign trade data for small and medium enterprises was done based on data provided by MoE SR. Data for EU Member States were obtained from the publication SMEs in Europe – Economic Report Observatory of European SMEs 2003.

The graphical data referred to in this chapter are presented in the annex.

### 3.1 Natural persons

The Statistical Office of SR noticed a growth (compared to 2002) of the numbers of natural persons – entrepreneurs by 10.9%: its register recorded a total of 329,720 natural persons – entrepreneurs as of the end of 2003. This included 306,356 small trade licensees, 13,044 persons doing business in free occupations (charts 1, 2), and 10,320 independently managing farmers. Most small trade licensees were registered in trade (107,581), manufacturing of goods (52,882), building industry (49,226), real estate and leasing (42,401). Compared to December 2002, there were increases in numbers of small trade licensees (by 12.1%) and those doing business in free occupations (by 5.5%). The numbers of independently managing farmers dropped 11.9%.

There were 54,658 persons starting up business in 2003 (by 16,959 more than in 2002), and 17,100 persons who discontinued their business activities (322 less). The biggest movements concerned trade, building industry, manufacturing of goods, real estate and leasing, and agriculture.

The structure of small trade licensees by branches shows relative stability (Chart No. 3). Also in 2003, a reduction could be recorded in the share of internal trade (by 0.6 point) and growth in the sector of building industry (by 0.9 point). Internal trade, manufacturing of goods and building industry remained the most important sectors, with 107,581; 52,882; and 49,226 small trade licensees, respectively (Chart No.4).

Chart No. 18 shows the distribution of small trade licensees by regions. Most small trade licensees did business in the districts Žilina (12,112), Bratislava V (11,092), Nitra (10,369), Bratislava II (9,504), Prešov (8,317). The least numbers of small trade licensees were registered in the districts Medzilaborce (455), Sobrance (672), and Krupina (738).

### 3.2 Legal entities

As of the end of December 2003, the register of organisations of the Statistical Office of SR kept 101,412 legal entities, including 64,420 enterprises and 36,992 non-for-profit institutions. On the year-on-year basis, the total numbers of legal entities increased 8.6%, those of non-for-profit agencies 9.2%, and the numbers of enterprises grew by 8.3%.

Small enterprises accounted for the prevailing majority of the total numbers of the profit-making agencies (94.8%; thereof micro-enterprises with 0 – 9 employees 80.7%). Medium and large enterprises accounted for 4.2% and 0.9% respectively. Small enterprises increased in numbers by 4,940, the numbers of medium and large enterprises dropped by 33 and 7 respectively.

There were 61,102 small private enterprises with up to 49 employees, 2,735 medium private enterprises with between 50 and 249 employees. The development of the numbers of small and medium enterprises is shown in Chart No. 5. Changes which occurred in the individual size categories within 1998 – 2003 are illustrated in

Chart No. 6. A growth by 0.3 point could be seen during the preceding year for micro-enterprises (0 – 9), the share of small enterprises (10 – 49) grew by 0.2 point, those of medium and large enterprises decreased by 0.5 and 0.1 point, respectively.

The structure by branches is shown in Chart No. 7. Most small and medium enterprises operated in trade (25,227), followed by trade services and the monetary sector (14,474), manufacturing of goods (9,109), and building industry (4,934). The structure by regions is shown in Chart No. 18, suggesting a pronounced maximum for the region Bratislava.

### 3.3 Contribution by SMEs to employment

The numbers of earning persons increased by 1.8% on the average in 2003, to reach 2,164.6 thousand persons, thereof the numbers of employees increased to reach 1,947.6 thousand (by 0.3%), those of entrepreneurs without employees increased to reach 148.1 thousand (by 14.5%), those of entrepreneurs with employees increased to reach 60.0 thousand (by 15.8%), and the numbers of assisting household members increased to reach 2.9 thousand (by 45%).

Year on year, employment in the category of small and medium enterprises, including small trade licensees, increased 7.3%, including 13.4% for small trade licensees, 3.3% and 2.6% for small and medium enterprises, respectively. For large enterprises, employment dropped by 9.7%, apparently due to changes that occurred in large enterprises: after the ownership had changed during the previous years, many of them undergo restructuring process. The role played by SMEs in employment is apparent from Chart No. 8. Small and medium enterprises, including small trade licensees, accounted for 59.4% of the employed population in 1997; this share dropped to 57.1% in 1998, increasing to 56%; 57.7%; 59.1%; 62% 1999, 2000, 2001, 2002, respectively, and up to 66% in 2003.

The shares of SMEs on the employment by branches is shown in Chart No. 9.

According to estimates, 578 thousand workers were employed within the category of small trade licensees, 385.9 thousand and 371 thousand persons worked for small and medium enterprises, respectively. Employment by size categories of enterprises and its development within the recent 6 years are shown in Chart No. 10.

The development of employment in the national economy was positively influenced by the growth of the numbers of persons working as financial agents (by 5.5%), building industry (by 4%), public service and defence (by 3.9%), real estate and leasing business (by 3.2%), health sector and social assistance (by 2.7%), hotels and restaurants (by 2.6%), and industry (by 0.5%, due to a 1.2% growth in manufacturing of goods). Employment remained at almost the 2002 level in trade (decrease by 0.1%). After a growth lasting over a year, numbers of employed persons dropped in agriculture (by 3.8%). Reductions continued in transport, posts and telecommunications (by 1.4%), other social services (by 0.5%), and the education sector (by 0.3%).

Chart No.11 shows the shares of the regions on the total numbers of employees.

There was a continuing decreasing tendency of unemployment, which started in 2002. The numbers of the unemployed decreased in 2003 to reach 458.2 thousand (a reduction by 3.7% year-on-year). Of the total numbers of the unemployed, the last job of the majority was in industry (21.1%), other social services (10.1%), building industry (8.2%), and trade (7.8%). The most numerous group by age was that of the 35 to 49-year olds (34.8%), followed by the 15 to 24-year category (26.9%) and the 25 to 34-year category (25.2%).

### **3.4 Contribution of SMEs to production in selected branches**

According to preliminary estimates, gross domestic product was generated in 2003 worth Sk 1,195.8bn. Compared to 2002, there was a real increase by 4.2% (9.1% in current prices). The growth was 0.2 percentage points smaller than in 2002 (gross domestic product increased 4.7% during the fourth quarter). Added value accounted for Sk 1,087.2bn of the gross domestic product generated, with a 5% year-on-year increase

Gross domestic product of Sk 296.3bn was generated in industry, being 13.9% (in current prices) more than in 2002. Industrial entities realised revenues from own performances and goods worth Sk 1,339.1bn, being 11.8% higher than those achieved in 2002. Three branches accounted for almost half of the total volume of the revenues: manufacturing of transport vehicles (17.4% share), generation, production and distribution of electricity, gas and water (16.7%), and manufacturing of metallic products (13.1%). By the volume of revenues, they were followed by the branch of production of food (8.9%), manufacturing of electrical equipment (7.7%), manufacturing of machines (5.5%), production of pulp and paper (4.5%), and production of coke and oil products (4.4%).

Activities of large enterprises accounted for the majority of the revenues (68.1%; enterprises with 1,000 or more employees 47.4%). Medium enterprises contributed 14.3%, small trade licensees 9.9%, and small enterprises 7.8%. Large enterprises witnessed the biggest increment in the volumes of revenues (13.4%), revenues of medium, small enterprises and small trade licensees grew 5.9%; 8%; and 13.7%, respectively.

The building industry's production recorded year-on-year increases for the third year in a row, with gradually increasing rates: it was worth Sk 91.2bn, with new construction, rehabilitation and upgrading contributing Sk 65.8bn, repairs and maintenance Sk 20.5bn, and construction works in other countries Sk 4.4bn. Construction companies realised revenues from own performances and goods worth Sk 137.1bn. The revenues exceeded those in 2002 by 8.5%.

Small trade licensees, small enterprises, medium and large enterprises accounted for 31.3%; 26.8%; 22.4%; and 19.5% of the total volume of building production, respectively. There was a year-on-year increase of building production volume of 14.7%; 11.6%; and 2.5% for large enterprises, small trade licensees and small

enterprises, respectively, with the building production for medium enterprises dropping by 2.7%.

Revenues from own performances and goods worth Sk 130.6bn were realised in sales and maintenance of motor cars, whereof more than three quarters in the sales of motor vehicles (46.1%) and retail sales of fuels (35.4%). The growth of the revenues slowed down for the second year in a row. Compared to 2002, the revenues increased 1.9% (23.5% and 9.9% in 2001 and 2002, respectively). Revenues mainly increased in retail sales of fuels (by 10.1%). The rate was slowed down by a smaller growth of revenues from sales of motor vehicles (by 1.8%), reduced revenues from maintenance and repairs of motor vehicles (by 6.5%), and from sales of parts and accessories for motor vehicles (by 19.2%).

Wholesale achieved revenues from own performances and goods worth Sk 541.8bn. The major contribution was by revenues from wholesale mediation (30.1%). Revenues from other wholesales contributed 19.4%, those from wholesale of household goods 15.6%, wholesale of non-agricultural intermediates 13%, wholesale of foods, beverages and tobacco 12.3%, wholesale of machines 7.8%. The smallest contribution came from revenues from wholesale of agricultural raw materials (1.9%).

The year-on-year reduction of revenues for the third year in a row intensified. Compared to 2002, the revenues were 8.3% lower (by Sk 49bn) and concerned all the core activities. The development rates were influenced by mainly reductions of revenues from other wholesale (by Sk 12.6bn), wholesale of foods, beverages and tobacco (by Sk 10.4bn), from mediation of wholesale (by Sk 9.7bn), and wholesale of agricultural raw materials (by Sk 7.1bn).

Small enterprises accounted for more than a half of the revenues (53.1%). Medium enterprises, small trade licensees and large enterprises contributed 19%; 18.5%; and 9.4%, respectively. The year-on-year reduction of revenues was due to their reduction in small trade licensees (by 18.9%), medium, enterprises (by 7.4%), and small enterprises (by 7.2%). Revenues achieved by large enterprises exceeded the 2002 year level (by 10.9%).

Retail sales achieved revenues from own performances and goods of Sk 323.7bn, whereof a majority (50.1%) came from non-specialised retail sales (hypermarkets and supermarkets). The other specialised sales contributed 23.5%, retail sales except of shops 11.2%, pharmaceuticals and cosmetics contributed 8.4%, foods, beverages and tobacco 6.2%.

Revenues of small trade licensees accounted for the majority of the revenues (44.8%). Large enterprises, small enterprises and medium enterprises contributed 25.7%; 23.7%; and 5.8%, respectively. The development was influenced by mainly reductions of revenues of small trade licensees (by 4.6%), small and medium enterprises (by 13.4% and 19.5% respectively). The revenues of large enterprises increased 7.5%.

There was a continuing decreasing trend of revenues of hotels and restaurants from own performances and goods: compared to 2002, their volume decreased by 9.1% (in current prices) to reach Sk 32.6bn.

Revenues from own performances and goods in the transport and warehousing sector reached Sk 84.5bn, including Sk 30.5bn from land transport, Sk 28.3bn from railroad transport, and Sk 21.8bn from ancillary and non-core activities.

Small trade licensees, large enterprises, medium enterprises and small enterprises accounted for 30.7%; 27.6%; 23.9%; and 17.8% of the total volume of revenues from own performances and goods in other land transport, respectively. The smaller volume of revenues was due to reductions in small enterprises (by 31.6%) and small trade licensees (by 22.1%). Revenues higher than in 2002 were achieved by medium enterprises (by 14.2%) and large enterprises (by 2.7%).

Posts and telecommunications achieved revenues from own performances and goods of Sk 55.8bn, thereof Sk 48.7bn were from telecommunication activities. Compared to 2002, the revenues increased 8.5% (8.7% and 8.5% from mail delivery and telecommunication activities, respectively).

Accommodation facilities made revenues from accommodation of visitors of Sk 5.8bn (3.4 bn from foreign visitors). Compared to 2002, the revenues were 1.5% higher in constant prices (1.7% from foreign visitors). As of the end of December, accommodation services were provided by 2,509 accommodation facilities (thereof 838 hotels and guesthouses). Available were 46.7 thousand rooms with 121.3 thousand beds (109.1 thousand permanent beds). Compared to 2002, there were 111 accommodation facilities more (22 more hotels and guesthouses). The accommodation capacity grew by 1.2 thousand rooms and 3.1 thousand beds (3 thousand permanent beds). Accommodation was provided to 3.4 million visitors (1.4 million from abroad). The numbers of visitors seeking accommodation dropped 2.1% year on year (0.9% for foreign visitors). Net occupancy of permanent beds dropped by 1.8 p.p. to reach 30.1%.

The contributions by SMEs to revenues in selected branches are shown in Chart No. 12.

### **3.5 Contributions by SMEs to exports and imports**

The volume of exports increased 23.2% compared to 2002, and the volume of imports increased 10.5%. Goods were exported and imported from and to the Slovak Republic worth Sk 803,037bn and Sk 826,625bn, respectively. The share of exports on the basic structure of foreign trade turnover increased 2.8 p.p. as compared to 2002, to reach 49.3%. The more rapid growth of exports over imports became reflected in the year-on-year reduction of the foreign trade deficit (by Sk 73bn, to reach Sk 23.6bn).

By territories, the highest red figures concerned trade with Russia (Sk 87.35bn), China (Sk 15.25bn), the Czech Republic (Sk 14.7bn), Japan (Sk 12.7bn). The highest surplus could be achieved in trade with Germany (Sk 37bn), USA (Sk 26.1bn), Austria (Sk 23.5bn). Surplus could be achieved in foreign trade with EU Members

States (Sk 62.3bn) as compared to red figures of trade with Asian countries (Sk 47bn), in particular with China (Sk 15.25bn).

The growth rates were associated with increased exports to EU Member States (by 23.3%), OECD countries (23.4%) and CEFTA countries (9.8%). From among the most important business partners, exports increased to Germany (by 46%), with the share of exports to Germany reaching 30.8%.

Small and medium enterprises made a significant contribution to also foreign trade. Chart No.13 shows the development of exports by size categories of enterprises. The total share of SMEs on exports was 24.1%. Exports by size categories of enterprises and regions are illustrated in Chart No. 15. Chart No. 16 shows the year-on-year development of the volumes of imports by size categories, and Chart No.17 shows the contributions to imports by size categories.

From among all SMEs – legal entities, 16.9% and 28.5% were involved in exports and imports, respectively. The number of exporters and importers decreased as compared to the previous year from 16.1% to 14.7% and from 26.0% to 25.9%, respectively. From among medium enterprises, the numbers of exporters and importers increased year-on-year from 50.9% to 53.1% and from 65.3% to 71.9%, respectively. There were 0.33% exporters and 1.1% importers among small trade licensees.

### **3.6 The dynamics of SME development**

In 2003, business activities were started by 54,658 natural persons (NP), and business activities were discontinued by 17,100 NP. The dynamics of the establishment of new NP in 2003 exceeded the year 2002 by 16,959. There were 322 more discontinuations of business activities by NPs in 2003 compared to 2002. Most changes concerned trade, building industry, manufacturing of goods, real estate, leasing and trade services, agriculture and fisheries.

A total of 1,502 new enterprises – legal entities were established during 2003, and 534 enterprises were dissolved. Compared to 2002, there were more newly established enterprises (by 372) as well as dissolved enterprises (by 149). Most changes occurred in trade, real estate, leasing and trade services, manufacturing of goods, building industry.

**Newly established and dissolved business entities; 2003, by economic activities**

Classification of economic activities by branches	Newly established		Dissolved	
	enterprises	natural persons (entrepreneurs)	enterprises	natural persons (entrepreneurs)
Agriculture, hunting, and forestry	88	2,727	84	1,875
Fisheries, fish culture	3	4	-	5
Production of mineral raw materials	2	1	1	-
Manufacturing of goods	164	7,960	74	2,134
Generation, production and distribution of electricity, gas and water	11	3	8	5
Building industry	112	9,534	30	1,887
Wholesales and retail sales, repairs of motor vehicles, motorcycles and consumer goods	464	18,707	195	6,586
Hotels and restaurants	48	2,079	19	954
Transport, warehousing	56	1,890	21	898
Posts and telecommunications	3	36	1	4
Financial intermediation	20	120	5	145
Real estate, leasing and trade activities	437	8,024	79	2,084
Education	10	658	2	124
Health and social assistance	37	435	1	131
Other social, societal and personal services	47	2,480	14	568
Total	1,502	54,658	534	17,100

**3.7 Regional aspect**

In the industry, pronounced proportions of the revenues from own performances and goods were realised by business entities with the headquarters in Bratislava region (42.3%). The region Košice accounted for 10.9% and the region Žilina for 10.1%. The other regions contributed between 5.4% and 9.4%. The revenues developed at a higher rate in particular in the regions Trnava (by 25.3%), Bratislava (by 18.7%) and Žilina (by 11.3%). Smaller revenues than in the preceding year were achieved in the region Nitra (by 1.8%) and Banská Bystrica (by 1.7%).

In wholesales, entities with the headquarters in region Bratislava accounted for more than a third of the revenues from own performances and goods (35.6%). Significant contributions also came from revenues made in the regions Žilina (12.9%), Trnava (10.5%) and Nitra (10.4%). The smallest contribution came from region Banská Bystrica (4.6%). Revenues smaller than in 2002 (in current prices)

were achieved by six regions, with the most pronounced decreases concerning regions Trenčín (by 33.1%), Nitra (by 13.9%), and Banská Bystrica (by 13.2%). Revenues increased for the regions Trnava (by 31.8%) and Žilina (by 17.4%).

Chart No. 18 shows the contributions by small trade licensees, small and medium enterprises, in per cent, by regions. From the aspect of the economic activities of regions, an important parameter is the ratio of the number of enterprises to the economically active (earning) population. This ratio is shown in Chart No. 19; a high ratio was calculated for mainly the region Bratislava. This corresponds with the overall economic level of the regions, expressed in terms of the production by the individual branches (Chart No. 20).

### **3.8 Innovation activities undertaken by SMEs**

In working together with Institute for Public Opinion Research and Infostat, NADSME conducted a survey towards the end of 2003 focusing on innovation activities undertaken by small and medium enterprises within the recent 3 years. The target entities were small enterprises with 1 to 9 and with 10 to 49 employees and medium enterprises with 50 to 249 employees. The representative sample included 962 enterprises – legal entities.

The major objective of the survey was to obtain comprehensive information about innovation activities undertaken by enterprises. The object of the survey was mainly intensity of innovation activities undertaken by SMEs, broken down to technological innovations of products and services, benefits from innovations introduced, sources to finance innovations, shares of costs of innovations linked to other economic parameters of enterprises, certification of quality management systems, participation in fairs and exhibitions, qualification improvement of the staff, etc.

The most important conclusions arrived at from the survey were the following:

- A majority of the enterprises approached considered flexible response to customers' requirements and high product quality as the most important source of competitiveness.
- 45% of the enterprises approached claimed having implemented entirely new technologies or a substantial improvement of existing technologies.
- Introduction of entirely new products and/or upgrading of a previous product have been confirmed by more than half of the small and medium enterprises surveyed.
- Almost a quarter of those who had introduced a new or substantially upgraded an existing technology and/or introduced a new or innovated a previously manufactured product claimed that they were the first to introduce such innovations either within the sector or in Slovakia in general.
- When it comes to benefits of innovations, the answer most frequently received from entrepreneurs was „raising the turnover“: such an answer was received from almost three quarters of the representatives of the companies approached. Two fifths of the enterprises stated to have saved costs.

- Initiative to innovations in small and medium companies in 2001 to 2003 came from the owners and/or executive managers of the companies in four fifths of the cases. In one fourth of the cases the initiative came from customers or buyers of products or services.
- Specific solutions for innovations in small and medium enterprises were supplied by their own development centres (stated by more than two fifths of the respondents) followed by another company operating in Slovakia, and foreign companies.
- Funds used for the implementation of innovation activities by small and medium enterprises were pronouncedly dominated by own resources. This answer was given by nine in ten respondents. The second most frequently used source of funds to implement innovations appeared bank loans which were used by more than a quarter of the enterprises, and ranking third were so-called non-bank loans.
- Almost a half of the representatives of enterprises claimed that the costs of their company spent on innovations represented less than 10% of their company's turnover within 2001 and 2003.
- Almost three fifths of the small and medium enterprises approached stated a permanent innovative activity to be part of the long-term business strategy of their company.
- A quarter of the company representatives approached stated that their company employs a person who is responsible for the innovation process.
- Representatives of almost a half of the small and medium enterprises visited an exhibition or a fair in Slovakia within the recent three years, and almost one third of them attended an exhibition abroad. Non-participation in technical fairs or exhibitions was declared by more than one third of medium and small enterprises.
- The benefit stemming from participation in fairs and exhibitions stated most frequently (by almost three quarters of small and medium enterprises) was establishment of new contacts. New stimuli for innovations were brought by the participation in fairs and exhibitions to more than two fifths of the enterprises.
- Services most frequently taken advantage of by small and medium enterprises included other trade services which include legal consultancy, accounting, audit, tax services, marketing, utilisation of security services or translation services: their use was claimed by almost half of the small and medium enterprises. A quarter of the small and medium enterprises were using computer services and related activities. The same proportion of the enterprises were not using such services. More than two fifths of the small and medium enterprises approached claimed permanent use of trade services, and more than one third were using such services irregularly, on as-needed basis.

- Enterprises prevailed in Slovakia which were not yet holders of quality system certificates: almost one quarter of small and medium enterprises were holders of such certificates.
- More than one fifth of the companies approached were employing persons who were improving their qualification within 2001 to 2003 at company's expenses, attending courses of a duration of at least four weeks. Research registered such qualification improvement in as few as approximately two fifths of small and medium enterprises which had an officer responsible for the innovation process.

### **3.9 Equipment of SMEs with information and production technologies**

The level of the use of information technologies has a pronounced accelerating impact upon business activities. The use of computers makes production and administrative activities of companies more efficient, and the Internet offers new opportunities for marketing and trading activities, be it among companies or towards the end-consumer.

In working together with Infostat and Institute for Public Opinion Research at the Statistical Office of SR, NADSME conducted a survey entitled Use of Information and Production Technologies by Small and Medium Enterprises. This survey was conducted in mid-2003. The survey brought the following principal findings:

- The actual research showed that the information technology most widespread in the companies surveyed were computers with Internet connectivity. Compared to previous surveys, there was a pronounced increase in the numbers of companies with their computers connected to the external network – Internet (29% in January 2000, 43% in May 2000, 55% in March 2002, and 67% in June 2003).
- The higher the annual turnover of the company in 2002, the higher the availability of company computers connected to the external computer network – the Internet (81% companies with turnover between Sk 10 to 50m; 82% companies with turnover between Sk 50 and 100m; 91% companies with turnover between Sk 100 and 500m; and 100% companies with turnover exceeding Sk 500m).
- Information technologies were used by small and medium enterprises (84%) above all for the purposes of economic agenda processing, electronic mail (63%), e-commerce (45%), for the control of a portion of their operations or production (26%), and for comprehensive control of operations or production (14%).
- The small and medium enterprises which were using information technologies for also e-commerce, gave priority to retrieval of business offers (63%), they were making payments via Internet banking (60%), and promoted their products on their own web page (54%).
- As many as 83% of the small and medium enterprises in Slovakia were using the Internet on a daily basis, 13% two to three times in a week. With respect to the

intensity of the Internet use, the larger the company the more frequently it was using the Internet.

- The most widespread operation systems used by small and medium enterprises included MS WINDOWS 95 and MS WINDOWS 98 (used by 71% of the companies).
- Of the representatives of small and medium enterprises approached, 15% claimed that their company was not using any production technologies upon their business activities.
- More than one quarter of the respondents (29%) stated that there were no barriers in their company to prevent the use of modern production technologies. The respondents attributed the inadequate use of state-of-the-art production technologies to mainly shortage of funds for their purchase (46%) as well as to economic disadvantages of their use by the company (14%).
- Respondents from companies lacking funds to purchase state-of-the-art production technologies attributed this condition to shortage of own funds enabling the purchase (78%), inadequateness of bank loans due to extensive guarantees on loans (29%), and to non-affordability of bank loans due to high interest rates (15%) as being the main reasons.
- Representatives of the companies approached naming economic disadvantages of the use of modern production technologies as the main reason for not using them specified that the sales of their company were not sufficient for products and services which use progressive technologies (39%), and/or that the price level of the goods would perceptibly increase were such technologies introduced (52%).

### Information technologies used by small and medium enterprises, by company size (data in %)

PC utilisation	Employees headcounts		
	0-9	10-49	50-249
PC with no network connectivity	44.7	35.7	32.6
PC connected to local area network	25.5	41.7	47.4
PC with Internet connectivity	61.4	73.9	77.9
Internet services without PC Internet connectivity	13.3	16.3	15.8

## 3.10 Position of SMEs on EU accession

In working together with Institute of Information Technologies and Statistics and Institute for Public Opinion Surveys at the Statistical Office of SR, NADSME conducted in October 2003 a survey focusing on preparedness of small and medium

enterprises for Slovakia's accession to the European Union. The survey brought the following principal information:

- Representatives of the companies surveyed expected from EU accession more opportunities for co-operation with EU companies. Moreover, benefits of integration with the EU mentioned by the respondents included above all expansion and improvements of purchasing conditions, equal legislative environment for all partners, and development of co-operation relationships with partner companies. Also, proportions of companies had significantly increased which were expecting from our joining the EU facilitated access to funds as an advantage of the EU membership.
- As the major disadvantage of the EU integration mentioned by representatives of the companies surveyed was growing competition in the domestic market as well as drain of qualified labour and raised requirements on the quality of production.
- In comparing the position of the own company with that of similar companies in EU Member States, the opinion was more frequent that the positions „are equal“, and this may be considered as a positive finding, with respect to all the criteria studied.
- After the EU accession, the entrepreneurs intended above all to seek for business partners in the EU Member States and to use agents in EU countries. Approximately one fifth of the companies surveyed did not consider expanding their business activities after Slovakia's joining the EU.
- The respondents meant that success of Slovakia's enterprises in the environment of the EU single market requires adaptation of the legislative conditions. Making private and state institutions equal was a relatively frequent request (33%).
- Concerning administrative conditions, entrepreneurs requested better information to be provided by the government. With respect to economic and financial conditions, the representatives approached claimed that facilitation of the access to bank loans should be provided for in the first place.
- The survey confirmed that the companies gradually go over in their business to payments in Euro (this is the case for as many as half of them, with additional 29% intending to use it; the prevailing majority of companies which use Euro were experiencing no problems with this approach).

### **3.11 Survey of business activity potential**

In working together with Infostat and the company GfK Slovakia, NADSME conducted towards the end of 2003 a survey focusing on business activity potential. The target group of the survey was the population of the Slovak Republic aged 18 – 64 years, there were 2,000 respondents in the survey sample.

The aim of the survey was to obtain a set of characteristics determining the attitudes of the population towards doing business. The object of the survey was the interest of the population in doing business; reasons due to which individuals would/

would not engage in business; their method chosen to do business; the sector in which to do business; willingness to lend money to another person to enable him/her to start business; and utilisation of computers and the Internet in households. Respondents who currently were engaged in business were asked for reasons which had led them to start business, the sector, sources of funds upon starting up the business, legal form of the business. As this already was the second survey on the same topics at an interval of one year, also shifts in opinions presented could be evaluated.

- Interest to start up independent business was claimed in the survey by almost 11% of the respondents, 3% claimed strong interest in doing business, and additional 8% respondents were considering such a possibility; 10% of the respondents stated to already being engaged in business.
- Almost 80% of the respondents were not considering starting independent business, 19% of the respondents claimed that they were not considering this possibility rather than yes, and 61% clearly ruled out such a possibility. The most frequently named barriers to the interest in doing business included shortage of funds (34%), satisfaction with the current job (14%), lack of experiences (10%), high age (9%), or lack of time (8%).
- The main stimulus for starting business is increasing of income. This reason was named by almost two thirds (62%) of the respondents, 14% of the respondents stated that independent business would be the only opportunity for them to find a job; 13% of the respondents were motivated by the opportunity to be one's own boss, and 8% saw in business an opportunity to pursue their ideas.
- Almost one half (47%) of the respondents who claimed interest in starting up business stated that they had not undertaken any specific steps in this respect, 16% of those respondents had already filed an application for a small trade license or started the administrative process. Additional 16% of the respondents were spending attempts to raise funds needed for their business, 15% were working on their business plans, and 22% were collecting information on how to do business, attending trainings, etc.
- Almost three quarter (71%) of the respondents who planned to engage in business stated that business would be their core working activity, and 27% planned to do business apart from their core jobs. Compared to the preceding year's survey, the proportions of respondents who considered doing business as the core working activity increased by 9 points.
- More than four fifths (84%) of the respondents who planned to start up business considered starting business based on small trade license, 8% were considering establishing a limited liability company, and 2% planned to establish a shareholding company.
- Most frequently, potential entrepreneurs intended to do business in the sector of trade, the interest in this sector increased 5 points year-on-year. The sector of services as the sector of their business was chosen by 18% of the potential entrepreneurs (year-on-year increase of the interest by 11 points), the sector of

the building industry attracted 16% of the potential entrepreneurs (year-on-year reduction by 2 points), manufacturing of goods was the target for 12% of the potential entrepreneurs (year-on-year reduction by 7 points), agriculture for 12% of the respondents (year-on-year reduction by 2 points), the sector of restaurants and hotel services was chosen by 11% of the potential entrepreneurs (year-on-year increase by 2 points).

- The potential entrepreneurs planned to fund their businesses by a combination of a variety of financial sources. Almost a half (49%) of them were planning to use their own savings, 43% intended to raise a bank loan. Other options were mentioned less often: 13% were considering loans from relatives or friends, 11% planned to use savings of other household members, 3% intended to use money from heritage or wins, and other sources would be used by 9% of the respondents. Compared to the preceding year's survey, there was an increase by 3 points in the proportions of potential entrepreneurs who were intending to use their own savings, and an increase by 5 points in the proportions of the respondents intending to use a bank loan and other resources, each.
- Among the existing entrepreneurs, 71% had been doing business for longer than 3.5 years and 29% for shorter than 3.5 years. Compared to the previous survey, the proportions of those doing business for longer than 3.5 years slightly increased (by 3 points), which – on the other hand – means that the proportions of those doing business for less than 3.5 years decreased.
- The two most frequent reasons for starting up business among the current entrepreneurs were increased income (35%) and no other job opportunity (33%). The feeling of being independent, the need to be one's own boss motivated 18% of the current entrepreneurs, and the opportunity to follow one's interests was motivating for 16% of the entrepreneurs.
- As many as two thirds of the current entrepreneurs started up businesses based on their own savings, 15% took advantage of informal loans from relatives or friends, and 8% started with using savings of other household members. Approximately 9% used bank loans, 6% started without any capital at all, 3% took advantage of government subsidies, and 2% used funds from heritage or wins. Compared to the preceding survey, the proportions of those who mentioned informal loans from relatives or friends increased by 2 points, and the proportions of those who used savings made by other household members dropped 3 points.
- As many as 47% of the entrepreneurs approached were not employing any persons. Approximately one third (39%) were employing between 1 and 5 employees, 7% were employing 6 – 10 employees, and 8% were employing 11 or more employees. On a year-on-year basis, there was a decrease by 8 points of the proportions of those who claimed to employ no persons, and the proportions of those employing 1 – 5 and 11 or more employees increased 10 and 3 points, respectively.

- More than a half (59%) of all the respondents claimed readiness to lend money to relatives or friends intending to start up business. One quarter (27%) claimed to certainly be willing to lend money for such a purpose, and one third (33%) would rather be ready to lend money. On the contrary, only one third (37%) of the respondents claimed that they would not lend any money. Compared to the preceding survey, the proportions of respondents who claimed to certainly lend money dropped by 5 points.
- Most frequently, the respondents declared themselves ready to lend smaller amounts of money: 43% were ready to lend amounts up to Sk 30,000, 33% claimed readiness to lend amounts between Sk 31,000 and 100,000. Readiness to lend more than Sk 100,000 was shown by 9% of the respondents, 14% of the respondents could not name the amount they would be ready to lend.
- As many as one quarter (24%) of the respondents stated to have already lent money to relatives or friends in the past who had intended to start up business. Similarly as mentioned above, the amounts were most frequently (82%) up to Sk 100,000, 46% of the respondents had lent amounts up to Sk 30,000, and 36% amounts between Sk 31,000 and 100,000. Eleven per cent of the respondents had lent amounts exceeding Sk 100,000 in the past.

### **3.12 Position of SMEs in Slovakia's economy – summary**

According to preliminary estimates, gross domestic product was generated in 2003 worth Sk 1,195.8bn. Compared to 2002, it grew in real terms by 4.2% (9.1% in current prices). This increment was 0.2 p.p. smaller than in 2002 (in the 4th quarter, gross domestic product grew 4.7%). On the utilisation side, the growth of the gross domestic product was exclusively the result of a higher foreign demand (by 22.6%). After three years of growth, domestic demand dropped compared to the preceding year (by 2.3%). Of its components, generation of gross fixed capital was decreasing for the second year in a row (by 1.2%), also smaller was end-consumption by households (by 0.6%). The end-consumption by public service increased by 2.9%.

Added value accounted for Sk 1,087.2bn of the gross domestic product generated, increasing year-on-year by 5%. The share of intermediate consumption on total gross production decreased by 0.2 percentage points to reach 61.9%.

Some contradictory tendencies were appearing in the recent year in key economic parameters with respect to small trade licensees and medium and small enterprises. The partial improvement of conditions for doing business and economic revitalization contributed to the growth of employment in SMEs, whereas their contribution to gross production, added value and profitability decreased.

The contributions to gross production by small and medium enterprises decreased (by 0.8 p.p. and 1.5 p.p. respectively) and increased for large enterprises (by 2.3 p.p.) (Chart No. 21). Similarly, with respect to added value the contributions by both small

and medium enterprises decreased (by 3.1 p.p. and 0.8 p.p., respectively) whereas they increased for large enterprises (by 3.9 p.p.) (Chart No. 22). The share of pre-tax profits showed a more pronounced decrease for small and medium enterprises, with a decrease compared to the preceding year even in absolute figures, which contrasted with a pronounced increase of profitability for large enterprises (Chart No. 24).

The labour market showed an enhanced growth of demand for labour. As compared to 2002, employment in the national economy increased (as suggested by sample survey of workforce) by 1.8% to reach 2,164.6 thousand persons. The growth rates of the overall employment in the economy exceeded those witnessed in the preceding two years, in spite of the fact that employment in large enterprises (showing a decreasing trend since 1999) experienced a pronounced drop. The creation of new jobs is thus being shifted towards the sector of small and medium enterprises. In 2003, small and medium enterprises were employing 1.336 thousand people, being the highest figure in the history, and accounting for 66% of the employment (Chart No.23). The growth of employment in the SME sector was also influencing the development of unemployment which has been showing a decreasing tendency since 2002.

With respect to foreign trade, exports of goods showed marked increases throughout the year. This became reflected in also the volume of the passive trade balance which was the smallest since 1995. Export performance of the economy (measured as the share of exports of products and services on GDP) grew to reach 78% (by 6.2 p.p.). Import ratio (measured as the share of imports of products and services on GDP) increased more slightly to reach 79.5% (by 0.6 p.p.), due to which it moved relatively closer to the export performance of the economy. The overall contribution to exports by SMEs reached 24.1%. Although exports by SMEs increased 12.4% in absolute terms, the total contribution to exports by SMEs dropped again (it has been showing a continuous decrease since 1998); this is due to the fact that the growth of exports by SMEs in absolute terms got abolished by the high dynamics of exports by large companies.

### **3.13 Comparison with disposable EU resources**

The year 2003 was the last year of preparations for Slovakia's accession to the European Union. After 14 years since the commencement of the transformation of the economy from centrally planned to market economy, the situation in the business sector in Slovakia is gradually approaching that in the EU in many aspects. This is best evidenced by the table below which compares the structure of business entities and employment in Slovakia with those in Europe by size.

2003 data		Company size					Total
		micro(0-9)	small(10-49)	medium (50-249)	large (250+)	SMEs	
EU-19	numbers of enterprises (in ,000)	17, 820	1,260	180	40	19,260	19,300
	share on total numbers of enterprises	92.3%	6.5%	0.9%	0.2%	99.8%	100.0%
	numbers of employees (in ,000)	55,040	24,280	18,100	42,300	97,420	139,720
	share on employment	39.4%	17.4%	13.0%	30.3%	69.7%	100.0%
Slovakia	numbers of enterprises (in ,000)	353,597	13,722	2,871	586	370,190	370,776
	share on total numbers of enterprises	95.4%	3.7%	0.8%	0.2%	99.8%	100.0%
	numbers of employees (in ,000)	628,125	323,833	383,059	689,975	1,335,017	2,024,992
	share on employment	31.0%	16.0%	18.9%	34.1%	65.9%	100.0%

*Note: EU-19 includes EU Member States and Iceland, Norway, Switzerland and Liechtenstein. The comparison was made using the method used by the EU (which does not distinguish between the various legal forms, and both legal entities and natural persons are considered to be enterprises). With respect to small trade licensees, employment has been based on estimates.*

## **4. Recommendations to further improve the business environment**

### **4.1 In respect of legislative and administrative barriers**

Experiences from the past as well as the analysis of the business environment suggest that the legislative process directed to improve the standard of the business environment is not straight-forward. In dealing with problems, the needs and interests of the business public should be taken into account, along with harmonisation of the societal interests and international commitments. This issue has to be perceived in a dynamic equilibrium, while accepting the participation of business entities from the very beginning of the drafting of new standards and amendment to existing legal standards. In this context, it might be appropriate to re-start Slovak Government Council on SMEs whose activities were discontinued after 1.5 year of operation, and to take care of mainly SMEs' representation on it.

Although relatively many significant measures were taken during the preceding year to improve the business environment, this issue still must be attached permanent attention to, and measures have to be taken in the area of legislation to contribute to further improvements of the business environment.

The main tasks include:

- the institute of summary approval proceedings at the NR SR should only be applied in exceptional cases, thus guaranteeing a good quality drafting and review of laws,
- providing for accessibility of advisory services through support programmes financed from State Budget,
- draft laws should be simple, easy to read and concise as far as possible,
- interpretation of legal standards adopted by implementing authorities should be unequivocal, and reasoning for the interpretation of the legal standards should be provided,
- laws should be adopted in a comprehensive manner, and wherever any section of a law is amended, all the related and connected laws should be treated as well; this is frequently ignored,
- without any exception, laws should be presented together with the calculation of the economic impact, and this not only with respect to State Budget but also to the business sector as a whole,
- the significant burden represented by contributions to funds should be reduced, i.e. the overall costs of employers on labour should be reduced,
- enforceability of law should be improved through expedient amendment to Rules of Civil Court Procedure, including setting deadlines for courts acting on matters,

- to continue aggressive fighting corruption,
- to undertake a reform of the social and health system. Act on Social Insurance and Act on Health Insurance have to be expediently amended. This not only concerns issues of the calculation base and the rates, but also simplification of the system of payments to funds; moreover, self-employed persons should be given the same rights as enjoyed by employees,
- with respect to the Act on Accounting, keeping of records should be simplified, in particular for small trade licensees and self-employed persons,
- Act on Local Fees should be repealed and/or increasing of financial burden upon SMEs by municipalities as a result of the application of the law should be prevented,
- Property Tax Act should be amended so as to eliminate discrimination against business entities with respect to this tax, and further increases of property tax by municipalities should be prevented,
- some measures adopted as part of the Income Tax Act should be re-assessed, in particular concerning expenditures (deductibles), e.g. costs of using one's own motor vehicle for business purposes, compensation for daily allowances upon foreign business trips of self-employed persons, etc.,
- companies which do not meet the equity criteria set by law and companies failing to meet their financial liabilities should be eliminated from business by adopting corresponding legal standards,
- to provide for adherence to the provisions of Commercial Code, in particular those concerning deposition of data in the Collection of Deeds and publishing in Commercial Bulletin, to protect small and medium enterprises in commercial relationships,
- to standardise the system of concessions and incentives to be provided to investors regardless of whether domestic or foreign, in particular under the tax laws, Act on State Aid, and Act on Investment Incentives.

## **4.2 In respect of access to capital and support programmes**

Access to capital represents one of the most significant barriers to SME development. It should however be mentioned that the situation improved in this respect in 2003, even if it still is not satisfactory and there is much space for improvement.

The following will mainly be needed in the period to come:

- to establish favourable conditions for private entities which provide seed, operating or development capital via advantageous long-term and low-interest loans from venture capital funds from State Budget and/or via direct capital inputs of the government into venture capital funds,

- to motivate to a greater extent small and medium enterprises to invest into their own business activities or into venture capital. The poor capital investment activities of small and medium enterprises are due to the fact that they direct the prevailing majority of their funds to consumption,
- to establish adequate conditions to introduce business ethics, i.e. to adhere to the basic principles of societal responsibility of small and medium enterprises, such as voluntary principle, transparency, balanced approach to the three components (economic, environmental and societal). In Slovakia, business ethics is not reaching the average level of the other countries (of the EU-15),
- through promoting exports, extend insurance with state's support against commercial and political risks (with respect to export credits),
- to abolish income tax concessions provided to enterprises doing business under less favourable conditions (such as employing persons with health disabilities) and to develop programmes and systems for them to further favour such enterprises,
- to establish support funds from privatisation yields to support private business, in particular of the small and medium sector, thus to pursue the principle of funds being returned to where they were generated,
- to principally re-orient social aid provided to citizens who started doing business because of the need, under a certain economic pressure, from unemployment benefits to active assistance during the early stages of doing business, through establishing a support fund which will raise resources from the Fund of Unemployment Benefits Contributions,
- support of activities directed towards promotion of products and services of business entities in the domestic market.

### **4.3 Information and education/training**

The following will mainly be needed to be done in the period to come:

- raising the level of information of the Slovak public on support activities of the Slovak Government, in particular with respect to structural funds and the drawing of the remaining pre-accession funds,
- taking care of the support of training of SMEs and their employees from public funds,
- making the process of information transfer from state activities (legislation, investments, foreign assistance, foreign business activities) to private business, in particular small and medium enterprises, more effective, through establishing a system of mandatory free of charge provision of such information to private business sector, to information centres of business associations, and providing for their availability on web pages of the relevant state agencies,
- harmonising the training and education system of secondary vocational establishments for apprentices and secondary vocational schools with the needs of SMEs,

- making information campaign about the importance of e-commerce for small and medium enterprises more intensive, to help them raising the sales of their products and expanding exports to foreign markets, and providing for its development also through training and consultancies,
- bringing model projects enabling drawing of funds from support programmes closer to business people, through the network of the existing advisory centres, and pointing to most frequent errors so as to enable entrepreneurs to avoid them upon presenting their projects to draw funds from EU sources,
- in connection with Slovakia's joining the EU, implementing regular forms of training in issues of how to do business in the wide market of the EU, for both entrepreneurs starting their business and those with established businesses, to enable them development in areas where they still lag behind.

## **4.4 In respect of employment**

The following will mainly be needed to be done in the period to come:

- gradually improving communication between public education system and the employers sector for increasing employment in less developed regions; maintaining public transport above the threshold of public service,
- supporting self-employment, also through consultation services and training financed from State Budget Programmes,
- reducing differences between men and women with respect to occupational and work integration,
- placing more emphasis upon development of programmes and pilot projects to support employment of high-risk groups of labour market participants,
- raising the level of safety at work,
- supporting maintenance and further development of job opportunities with the emphasis being laid on grants,
- improving flexibility of the inflexible labour market and more efficiently dealing with so-called black labour,
- more pronouncedly orienting the system of active labour market policy towards supporting generation of job opportunities at SMEs.

## **5. Government support of SMEs**

### **5.1 Ministry of Economy of the Slovak Republic (MoE SR)**

In 2003, MoE SR, being in charge and the co-ordinator of support activities in respect of SMEs development, focused its attention in particular upon improving the competitiveness of small and medium enterprises, in connection with the forthcoming Slovakia's joining the European Union. The priorities of the support included innovation of the production base of business entities, acquisition of certificates of quality management systems; in the tourist business, they included above all support of investments into tourism-related activities, services and facilities and development of improved tourism packages. Also, aid was flowing to the area of counselling to and training of SMEs.

Although loan sub-programmes were not covered by funds in 2003 (e.g. Loans-based Support Programme, Micro-loans Programme, and Seed Capital Programme), they were implemented using revolving funds (resources accumulated in the programmes mentioned). The majority of the funds was flowing to grant sub-programmes launched by MoE SR. The programmes were implemented via the National Agency for Development of Small and Medium Enterprises and Slovak Guarantee and Development Bank.

Following Notice of Ministry of Foreign Affairs of the Slovak Republic No. 186/2002 Coll.LL. of 18 April 2002 on the adoption of the Association Council Resolution No. 6/2001 between the SR and the EU, by which implementation rules for the application of the provisions on state aid, MoE SR amended the existing sub-programmes to make them de minimis aid schemes, in accordance with Commission Regulation (EC) No. 69/2001. The adaptation process of the support programmes as mentioned above was finalised in 2003. Applicants from among SMEs could present their projects under the amended schemes of de minimis aid during the second half of 2003. Sub-programmes not subject to the State Aid Act, i.e. aid beneficiaries being institutions supporting SME development and aid of commercial nature were implemented without any changes during the year.

The above process of support programmes adaptation and the subsequent notification of the sub-programmes by State Aid Authority will enable their implementation also after EU accession.

Based on Slovak Government's Resolution No. 133/2003, MoE SR became Managing Authority for Sectoral Operation Programme Industry and Services (hereinafter SOP PS). After Slovakia's accession to the EU, SOP PS will be the vehicle enabling drawing of funds from the European Regional Development Fund. The individual SOP PS measures intended for the private sector will be implemented either through state aid schemes which represent the principal frame for projects, or as individual projects. In this connection, the majority of MoE SR activities in

2003 were focusing on development and preparation of state aid schemes under Priority 1 – Raising competitiveness of industry and services by taking advantage of the domestic growth potential, and Priority 2 – Development of tourism. In this context, MoE SR developed 5 schemes of state aid focusing on the development of new and existing SMEs, support of innovations and applied research, support of energy savings, development of international co-operation, and support of activities of tourist business, and 3 schemes for individual projects focusing on construction and rehabilitation of tourist infrastructure and promotion of tourism.

Permanent tasks of the Ministry include efficiency evaluation of the use and discharge of funds for individual sub-programmes focusing on SME support during the year. According to the evaluation results, conditions of provision of aid and allocation of State Budget funds to specific sub-programmes are adapted for the subsequent period. Upon formulating state aid policy for SMEs, Ministry staff take advantage of new knowledge acquired during events and in connection with activities organised by the EU, OECD, UNEC, UNIDO, UNDP, etc..

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

Along with the network of regional advisory and information centres (RAIC), business innovation centres (BIC) and first contact points, National Agency for Development of Small and Medium Enterprises (NADSME) represents the principal institutional tool of development and support of SMEs, which co-ordinates activities to support small and medium enterprises on international, national and local levels.

Also during the preceding year, this network was supplemented by setting up incubators, in particular at RAICs and BICs. The tasks of the incubators is to support starting as well as existing SMEs in their development, by providing them with appropriate space, technical infrastructure, comprehensive and educational services. In addition to that, technological incubators also create adequate conditions for the utilisation of the outputs of research and development, patents, industrial and utility designs, in close links with scientific and technical institutions and the prepared financial support in the form of venture capital.

Upon taking care of its activities, NADSME closely co-operated with organisations of entrepreneurs focusing on supporting development of business in Slovakia: Association of Slovak Entrepreneurs, Slovak Union of Crafts, Slovak Association of Small Enterprises, Slovak Chamber of Small Trade Licensees. Also, it co-operated with the Slovak Chamber of Commerce and Industry upon the implementation of the Industry Development Grant Scheme.

Although its SMEs-related activities were based in 2003 on the priorities of the National Programme for the Adoption of the Acquis Communautaire (NPAA), there was a certain shift in the focus of NADSME's activities during the reference year. NADSME was preparing itself for taking over the role of the implementing agency for structural funds (SF) starting in 2004. In preparing itself for this role, it was managing

three grant schemes serving as pilot projects for SF. NPAA priorities for 2003 were cascaded down into individual activities whose implementation is described in detail in the following chapters.

A significant role in the pre-accession process was played by the Euro info centres (EIC) in Bratislava and Prešov in also 2003. They organised a series of seminars to explain issues of our EU accession.

The implementation of the individual activities in 2003 was based on disposable State Budget resources for 2001, 2002, 2003, and the PHARE – COP 2000 programme.

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

In the framework of active labour market policy tools pursuant to NR SR Act No. 387/1996 Coll.LL. On Employment, as amended from time, only grants were provided in 2003, amounting to approximately Sk 1.738bn, via Centre of Labour, Social Affairs and Family which replaced National Labour Office.

Being successor to National Labour Office (NÚP), Centre of Labour, Social Affairs and Family provided data on revenues and expenditures of the basic and guarantee NÚP fund for 2003. It at the same time provided data on the implementation of the active labour market policy in 2003 (in summary), which were as follows (in Sk ,000):

Revenues in total	11,193,682
thereof:	
contributions to unemployment insurance	10,085,648
earmarked subsidies from State Budget	30,451
Expenditures in total	7,928,800
thereof:	
Passive labour market policy	5,120,883
Active labour market policy	2,807,917
thereof:	
commitments under agreements made prior to 31 Dec. 1996	1,731
under agreements made prior to 31 Dec. 2002	1,068,600
active measures taken between 1 Jan. and 31 Dec. 2003	1,737,586

## Numbers and amounts of contributions to active labour market policy pursuant to NR SR Act No. 387/1996 Coll.LL. On Employment, as amended from time to time; 2003

Tools of active labour market policy	Nos. of registered / placed RUs (persons)	Funds discharged (in Sk ,000)
Re-training of RUs § 82	24,711	193,074
Re-training of employees § 84	329	1,051
Compensations of travel expenditures § 86	530	2,343
Agreed job positions for self-employment § 88	8,055	409,253
Agreed job positions at employers § 89	7,974	67,628
Agreed job positions for school graduates and/or minors § 90	1,225	12,243
Agreed job positions for school graduates for specified period of time § 90a	52	1,058
In job training for fresh graduates § 90b	2,820	12,735
Agreed jobs of public benefit § 91	13,378	388,913
Agreed jobs of public benefit for the long-term unemployed § 91a	1,764	36,444
Agreed special jobs § 92	1,769	60,649
Agreed job positions for specified period of time § 93	1,965	-
Grants to employers for workshop equipment and protected working places § 107	1,922	303,279
Grants to persons with HDs for operating or performing self-employment activities § 108	164	-
Grants to employers for operation of protected workshops and protected working places § 110	3,455	-
Grants to maintain jobs § 94	-	3,489
Other expenditures on active labour market policy under the responsibility of the Boards §§ 9 and 79	-	245,243
Other expenditures in persons with HDs	-	184
Expenditures on active labour market policy in 2003, in total	-	1,737,586

Source: MPSVR SR, Centre of Labour, Social Affairs and Family

Explanations: RU -registered unemployed, HD – health disability, SE – self-employed, ALMP – active labour market policy

Grants are only provided to business projects of employment pursuant to section 95 of the above act; no such projects were implemented in 2003.

## 5.4 Ministry of Construction and Regional Development of the Slovak Republic (MCRD SR)

A single programme was implemented at Ministry of Construction and Regional Development of the Slovak Republic in 2003, focusing on the development of

small enterprises. The “de minimis” aid programme to develop districts with high unemployment rates was approved by Slovak Government’s Resolution No. 201/2003 of 19 March 2003. It basically concerns subsidies for acquisition of fixed assets provided to small enterprises (up to 50 employees) doing business pursuant to Commercial Code. As a prerequisite for the subsidy, at least three new jobs have to be created in the year of the filing of the application.

Overall, 508 applicants applied for de minimis aid in 2003, from selected districts (with the average unemployment rates in 2001 and 2002 exceeding 21 %). Thereof, de minimis aid was approved to 114 applicants, and it amounted in total to Sk 98.857m.

It was planned to create 639 new job positions in 2003. According to the employment contracts presented, 470 new job positions could be created. This figure does not correspond to the planned new jobs as 2 applicants did not sign the contract, 3 withdrew from the contract, some beneficiaries of de minimis aid asked for an exception from the time period within which the funds could be used (the discharge of the de minimis aid was extended to them through 30 June 2004), and this also caused a delay in the creation of jobs; and some beneficiaries asked for reductions of the jobs to be newly created, and this also shifted some jobs to be created to 2004.

## 5.5 Ministry of Agriculture of the Slovak Republic (MoA SR)

In 2003, support was provided under the budgetary programme 052 – Agriculture and production of food to entities doing business in agricultural production and food industry. The support was provided pursuant to Decree of MoA SR No. 148/2/2003-100 of 21 January 2003.

### Numbers of applicants for support under the above programme

Small and medium enterprises, total	4,121 applicants, thereof 77 food industry
Small enterprises	3,605 applicants, thereof 52 food industry
Medium enterprises	516 applicants, thereof 25 food industry

### Numbers and amounts of coverage of a portion of interest on loans

Small enterprises	402
Amount of coverage provided	Sk 111,780,143
Medium enterprises	277
Amount of coverage provided	Sk 215,204,003
Nos of jobs created and/or maintained	not monitored

Entities doing business in agricultural production could also obtain guarantees on loans extended by commercial banks, via Slovak Guarantee and Development Bank (SRZB). Based on a contract between MoA SR and SZRB, the following guarantees on loans were provided in 2003:

## Number and amount of guarantees provided

Numbers of agricultural business entities	141
Guarantees provided from the guarantee fund via SZRB	Sk 487.1m

Note: Small and medium enterprises are defined by Act No. 231/1999 Coll.LL. On State Aid which however was not applicable to agriculture in 2003. Data on small and medium enterprises in agriculture will be presented in the 2004 Report on Agriculture and Food Industry in the Slovak Republic, to be presented by MoA SR to the Slovak Government for approval in July 2004.

## 5.6 Slovak Guarantee and Development Bank, Inc., (Slovenská záručná a rozvojová banka, a.s.)

The Slovak Guarantee and Development Bank (SZRB) is a shareholding company with a 100% stake of the government, specific activities focusing on supporting the financing of small and medium enterprises; their definition is legally compatible with that used in the European Union. The bank takes care of the financing of the small and medium enterprises sector on principles fully comparable and compatible with the relevant European Union legislation.

The importance of SZRB's position within the system of SME support resides in the provision of combined bank supports. The support programmes of small and medium enterprises are implemented by SZRB through providing guarantees on and grants for business activities as well as through multi-sectoral support, e.g. development of towns, municipalities and regions, agricultural production, construction of housing, tourist business, energy savings, utilisation of timber mass, etc. Also, support of newly starting small and medium enterprises and the very small businesses of small trade licensees who mostly are not the target group of commercial banks, play an integral role in the bank's activities.

The coverage of government-approved SZRB programmes is taken care of through transfers from State Budget as well as from own revenues. An important role in the provision of funds to the bank is also played by mutual credit lines with co-operating foreign banks, such as credit lines from Kreditanstalt für Wiederaufbau (KfW), European Bank for Reconstruction and Development (EBRD), and from the European Investment Bank (EIB). The EIB credit line is intended to co-finance projects of water companies which can acquire resources from ISPA fund, Cohesion Fund and structural funds. Towards the end of 2003, SZRB obtained sovereign guarantee on a bank loan from Nordic Investment Bank (NIB). The yields of this credit line are used to finance projects of improvement of the quality of life of citizens, construction of infrastructure, implementation of energy projects, supplies of drinking waters, sewage projects, construction of waste water treatment plants, as well as support of investments of Nordic countries and other projects (structural funds and Cohesion Fund).

The Slovak Guarantee and Development Bank was the first bank to provide guarantees and development support in Central and Eastern European countries, which entered into a contract to support projects of financing of infrastructure of municipalities and construction of housing for low-income layers of the population, with European Bank for Reconstruction and Development (EBRD), without any explicit sovereign guarantees.

Co-financing of these projects is also provided for from State Budget. As of the end of 2003, SZRB worked together with 14 commercial banks and 2 construction savings banks based on co-operation agreements. The Slovak Guarantee and Development Bank has 5 guarantee, 7 grant, 4 indirect and 10 direct loan programmes in its portfolio.

## a) Guarantee programmes

The objective of these programmes is provision of bank guarantees by the Slovak Guarantee and Development Bank, Inc., on financial loans of enterprises which do not have sufficient collaterals available.

### Guarantee programmes of the SZRB

Guarantee programmes	
1.	General conditions of Slovak Guarantee and Development Bank, Inc., for the provision of bank guarantees on financial loans
2.	State assistance programme of the development of the construction of housing through bank guarantees on loans
3.	Support programme of seasonal agricultural works through bank guarantees
4.	Support programme of small and medium agricultural entities through bank guarantees on financial loans and one-time grants
5.	Support programme of purchase of new agricultural and food technique and technology through bank guarantees on loans

There were 270 guarantees provided in 2003, in a total amount of Sk 1,079,839 thousand. Data on guarantees provided are shown in Tables 1 and 2. As of 31 December, 2003, there were 148 classified loans. The amount of the outstanding principal was Sk 200,914 thousand. The guarantees provided in 2003 contributed to the establishment of 427 new jobs. Cumulatively, the above programmes helped establishing a total of 12,030 new jobs.

## b) Grant programmes

Grants are being extended by SZRB, a.s., under the government-launched development programmes 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 burden upon entrepreneurs;

alternatively, grants may be used to cover a portion of eligible costs, i.e. costs spent on the investment part of projects.

### Grant programmes of SZRB

Grant programmes		note
1.	Support programme of tourism development in the Slovak Republic No. 6	currently live programme
2.	Support scheme of energy savings and utilisation of renewable sources of energy	currently live programme
3.	Support scheme of the development of the processing and utilisation of timber raw material (de minimis aid scheme)	currently live programme
4.	Grant programme ŠTART 2000	currently live programme
5.	State grant support scheme of competitiveness – scheme A (de minimis aid scheme)	currently live programme
6.	Support programme of the development of combined transport in the Slovak Republic	currently not applicable, under redesign
7.	Support programme of gradual phasing out of the consumption of substances which damage the ozone layer	currently not applicable

The last two grant programmes (Nos. 6 and 7, Support programme of the development of combined transport in the Slovak Republic and Support programme of the gradual phasing out of the consumption of substances which damage the ozone layer) were not operating as of 31 December 2003, only criteria of live programmes are referred to.

A total of 311 grants amount to Sk 189,849 thousand were committed in 2003 under grant programmes. Data on grants to be provided via and committed by SZRB are shown in Tables 6, 7 and 8. The implementation of the grant programmes in 2003 contributed to the establishment of 956 new jobs. Cumulatively, the above programmes helped establishing a total of 7,780 new jobs.

### c) Loan programmes

The Slovak Guarantee and Development Bank has been implementing loan products for SMEs under four indirect loan programmes and ten direct loan programmes.

## Loan programmes of the SZRB

Loan programmes	
Indirect loans	
1.	Loan programme PODPORA („Support“) to support the development of small and medium enterprises
2.	Loan programme ROZVOJ II SMEs, to support small and medium enterprises, financed from the credit line of Kreditanstalt für Wiederaufbau
3.	Loan programme ROZVOJ II SMEs-EU, to support small and medium enterprises with EU support, financed from the credit line of Kreditanstalt für Wiederaufbau
4.	Loan programme ROZVOJ II-apartments, to support the development of the construction of housing, financed from the credit line of Kreditanstalt für Wiederaufbau
Direct loans	
1.	Programme of direct loans to clients
2.	Programme of the financing of municipal infrastructure and construction of housing for low-income individuals, through loans from Council of Europe Bank of Development (variant A)
3.	Programme of the financing of municipal infrastructure and construction of housing for low-income individuals, with subsidy from Ministry of Construction and Regional Development of the Slovak Republic, to cover a portion of the interest via credit line from Council of Europe Bank for Development (variant B)
4.	Loan programme ROZVOJ II-apartments („development“), to support the development of the construction of housing, financed from the credit line of Kreditanstalt für Wiederaufbau
5.	Business conditions of Slovak Guarantee and Development Bank, Inc., to provide direct loans for the purchase of new and repassed agricultural machinery and technologies
6.	Business conditions of Slovak Guarantee and Development Bank, Inc., to provide direct loans for the purchase of new and repassed food machinery and technologies
7.	Business conditions of Slovak Guarantee and Development Bank, Inc., for the provision of direct loans for the purchase of property from bankruptees
8.	Business conditions of Slovak Guarantee and Development Bank, Inc., for the provision of direct loans for the establishing of harvest and purchase of feeds
9.	Business conditions of Slovak Guarantee and Development Bank, Inc., for the provision of direct loans for the rehabilitation of premises of agricultural production
10.	Loan programme „Financing of environmental projects from EIB funds“

In 2003, a total of 259 loans amounting to Sk 2,437,871 thousand were provided under the loan programmes. Data about the loans as well as an overview of classified loans are presented in the Annex 2 in Tables 3, 4 and 5. Overall, there are 102 classified loans as of 31 December 2003, and the amount of the outstanding principal was Sk 381,218 thousand. By implementing the loan programmes during 2003, the bank made a contribution to the establishment of 1,365 new jobs. Cumulatively, the loan programmes have contributed to the establishment of 5,344 new jobs.

## 5.7 SARIO

The Slovak Investments and Trade Development Agency (SARIO) is a non-for-profit contributory agency dealing above all with the looking for foreign investors to

do business in the Slovak Republic, with preparation of land for investors, preparation of source documents for the construction of industrial parks, and at the same time, with assistance to small and medium enterprises.

### 2003 – support programmes for small and medium enterprises

Entities supported, meeting the definition of a small or medium enterprise	43
Amount of support provided to those SMEs in total (grants from State Grant Competitiveness Support Scheme – de minimis).	Sk 16,692,208.49

## 5.8 EXIMBANK

Eximbank of the Slovak Republic was established by Act No. 80/1997 Coll.LL. On Export-Import Bank of the Slovak Republic, as amended by Act No. 336/1998 Coll.LL. and Act No 214/2000 Coll.LL. The sole owner of Eximbank SR since its foundation (the Bank commenced its operation on 22 July 1997) has been the government. The major objective of the institution is to support maximum volumes of exports of sophisticated production, in particular to EU Member States and OECD countries, while taking care of return on funds through minimizing the risks of insurance, credit, guarantee and financial operations (for Table 9, see the Annex 2). Upon achieving its main objective – promotion of exports – Eximbank SR operates in two main areas, i.e. financing and insurance of export credits.

### Activities of the Eximbank in the SME sector

SME DEPARTMENT – EXIMBANK SR		
	Funds provided between 1 Jan. 2003 – 31 Dec. 2003	Funds provided as of 31 Dec. 2003
Guarantees	47,142,579	43,862,161
Direct promising notes	85,413,000	45,413,000
<b>Total</b>	<b>132,555,579</b>	<b>89,275,161</b>
Number of transactions		
Guarantees	7	-
Direct promising notes	10	-
<b>Total</b>	<b>17</b>	<b>-</b>

## **6. Evaluation of support sub-programmes exclusively financed from State Budget and run by NADSME**

### **6.1 Support Scheme of Purchase of Innovative Technologies and Setting Up of Quality Management Systems**

In 2003, 218 grants were made under the Quality Programme, including 113 for counselling and training (C&T) and 105 for certification process (C) to 122 entrepreneurs and small trade licensees. A total of 176 grants were paid out (93 C&T + 83 C) to 101 clients, amounting to Sk 10.5m in total.

Under the Technology Transfer Programme, 47 applications were reviewed in 2003. The Grant Commission decided to award grants to 20 projects, amounting to Sk 13,160,000 in total. There were 26 grants paid out, amounting to Sk 17,981,218 in total. A total of 49 grants, amounting to Sk 36,450,780 have been paid out between 2000 and the end of 2003.

A new programme was established as of 11 August 2003, through merging the programmes Implementation Programme of Quality Management Systems – Quality and Technology Transfer; the original programmes make up two independent sub-programmes under a common name which copies the name of this chapter.

The graphical data are presented in the Annex (Charts No. 25-33)

### **6.2 Support Scheme of Counselling and Training for Small and Medium Enterprises**

The scheme was run, also in 2003, via the institutional network of 13 regional advisory and information centres and 5 business and innovation centres.

The above mentioned centres provided 905 informative consultations, amounting to 1,053 consultancy hours about programmes and projects of SME support run under NADSME as well as outside of it, and 1,978 technical consultations, totalling 5,856 consultancy hours, from all areas needed to develop business activities.

For the purposes and raising loans, either under financial support schemes or commercial sources, RAICs/BICs developed 317 business plans and reviewed 115 business plans.

A new programme design was announced on 11 August 2003, which amended the conditions of the provision of counselling services. The aid was changed to a direct one for training, i.e. SMEs can now receive grants directly.

This helped establishing 781 new jobs and maintaining 2,047 jobs. The above services were financed from State Budget, and totalled Sk 3,440 thousand.

## **6.3 Counselling and Training Programme for Selected Groups of Individuals Interested in Doing Business**

In 2003, the institutional network of RAICs/BICs was running support programmes for selected groups of persons interested in doing business and starting entrepreneurs (VS) via providing subsidized counselling and training services.

The centres provided 2,946 informative consultations amounting to 1,473 hours in areas needed to start up and to develop business, and 4,261 technical consultations totalling 7,194 hours from all areas needed to start up and to develop business activities.

For the purposes of raising loans, either under financial support schemes or from commercial sources, RAICs/BICs developed 471 business plans and drafted opinions on 8 business plans. According to preliminary results, this helped to establish 668 new enterprises and 1,043 new jobs.

Funds of the programme were spent to finance the organisation of 85 training courses totalling 3,120 hours, for 1,149 participants. The training courses were organised on topics such as preparation for doing business, business plan, basics of doing business, course for starting entrepreneurs, how to establish a company, minimum for entrepreneurs, using computer technologies in doing business, computer – your helper, basics of working with computers, working with PC – Word, working with PC – Excel, computer technology for beginners. These services were financed from State Budget funds and required approx. Sk 9,525 thousand.

## **6.4 Subcontracting Exchange of Slovakia**

### **a) Programme Subcontracting**

The standard of education, the good production potential, as well as the relatively low level of costs of wages represented factors in 2003 which stimulated interest of foreign companies in mediation of production cooperation with Slovak SMEs.

During 2003, Subcontracting Exchange of Slovakia mediated and processed 210 requests from foreign companies, most frequently from France, Germany, Scandinavian countries and Benelux, and partly also from Spain and Switzerland.

SES experts made 22 direct visits of Slovak SMEs, including 8 visits under the participation of representatives of foreign companies seeking co-operation partners from Slovakia. At the same time, 5 missions of Slovak SMEs abroad were organised (2 in Germany and France each, and 1 in Brazil).

The interest in cooperation with Slovak SMEs has been focusing over prolonged periods of time on mechanical engineering (machined and stamped metallic components, metallurgy, production of plastic parts, manufacturing of tools for metallic and plastic parts, etc.).

SES witnessed an increased interest in co-operation with Slovak SMEs which are able to develop industrial softwares. There were occasional requirements in the fields of building industry, woodworking and chemical industries.

The most successful missions organised by Subcontracting Exchange of Slovakia included technical mediation visits of Slovak SMEs by foreign entities (JIPÉ, BOLLIGERD & MABILLARD, POMAGALSKI, 2MI, INFODEC, MICHAUD, ASTS, TRANE).

Also important were SES' activities in assisting the establishment of operations of foreign companies in Slovakia and/or establishment of joint ventures (JV), such as with the French companies JIPÉ, AUTOFRIGOR, DANA, or the German company BRÜCKNER, and other.

## **b) Italian-Slovak project**

Co-operation was successfully established in 2003 between NADSME and the Italian association SIMEST. Under this co-operation, feasibility studies were conducted which resulted in the establishment of 7 joint ventures. The Italian party at the same time drafted an investment manual for Italian investors in Slovakia.

## **c) Presentations of Slovak SMEs at subcontracting fairs abroad**

In 2003, SES took care of the participation of Slovak SMEs in 5 international subcontracting fairs, including Hanover Messe (4 SMEs), Alliance Lyon (3 SMEs) and MIDESE Paris (5 SMEs) in a common stand of NADSME and in separate stands – Z 2003 in Leipzig and INTERLIFT in Augsburg (Germany).

## **d) Cross border co-operation**

Subcontracting Exchange of Slovakia made a significant contribution towards the development of cross border co-operation, mainly with the Austrian associations ECO-PLUS, Gemeinsam – SPOLU, C-B-N, and ACVR.

## **6.5 EIC**

In the European Union as well as in other countries with which the EU has close relationships, the European Commission established a network of Euro Info Centres (EIC), whose task is to provide mainly entrepreneurs with information about the legislative environment of the EU and to facilitate their access to the single market and support programmes. Also, EIC provide the European Commission with the feedback on the needs of entrepreneurs and on the efficiency of the support programmes. There are two EICs operating in Slovakia, one in Bratislava at the National Agency for Development of Small and Medium Enterprises, and one in Prešov, at the Regional Advisory and Information Centre.

Activities of RAICs and BICs: Counselling and Training for selected groups of individuals interested in doing business in 2003														
Nos.	Cons. info A*	Cons. hrs A*	Cons. prof. A	Prof. hrs A	Developed for NA		Review Nos.	BP Nos.	Developed apart from NA	Review Nos.	Train. cours.	Participants	New enterpr.	New jobs
					BP Nos.	Review Nos.								
RPP	331	165.5	1,102	1,349	0	0	53	0	12	179	43	115		
RMT	293	146.5	295	372	0	0	53	0	5	84	72	72		
RNR	194	97	195	436	0	0	30	0	0	0	68	141		
RZV	49	24.5	149	199	0	7	0	0	0	0	19	23		
RLC	187	93.5	288	663	1	0	8	0	7	71	52	60		
RPX	136	68	136	253.5	41	0	0	0	4	72	50	55		
RPO	203	101.5	214	282.5	6	0	4	0	5	43	3	4		
RTN	369	184.5	439	716.5	0	0	15	0	4	64	59	103		
RTV	90	45	139	554	0	0	30	0	0	0	5	7		
RKE	306	153	255	373	0	0	24	0	12	141	51	132		
RKN	175	87.5	187	601	0	0	2	0	22	0	22	27		
RDS	99	49.5	99	111.5	0	0	83	0	0	0	58	56		
BPD	215	107.5	224	432.5	0	0	76	0	1	12	184	169		
BKE	0	0	0	0	0	0	0	0	0	0	0	0		
BBB	172	86	89	244	0	0	1	0	0	0	15	45		
BSN	84	42	137	163	0	0	16	0	16	234	50	19		
RBA	43	21.5	313	443	22	0	6	0	8	77	9	15		
BBA	0	0	0	0	0	0	0	0	0	0	0	0		
Total	2,946	1,473	4,261	7,194	70	7	401	1	85	1,149	668	1,043		

Nos.	Cons. info	2,946	Hrs.	Cons. info	1,473
	Cons. prof.	4,261		Cons. prof.	7,194
	Total	7,207		Total	8,667

Train. cours.	85	BP total	1,149
Participants	85	Review total	471

RPO	RAIC Prešov	RPX	RAIC Považská Bystrica	RKN	RAIC Komárno	BBA	BIC Bratislava
RMT	RAIC Martin	RPP	RAIC Poprad	RDS	RAIC Dunajská Streda	RBA	RAIC Bratislava
RNR	RAIC Nitra	RTN	RAIC Trenčín	BPD	BIC Prievidza	BSV	BIC Spišská Nová Ves
RZV	RAIC Zvolen	RTV	RAIC Trebišov	BKE	BIC Košice		
RLC	RAIC Lučenec	RKE	RAIC Košice	BBB	BIC Banská Bystrica		

Group A : selected groups of individuals interested in doing business  
Cons. info A: numbers of general consultations for group A  
Info hrs A: hours of general consultations for group A  
Cons. prof. A: numbers of professional consultations for group A  
Prof. hrs A: hours of professional consultations for group A  
BP (top NA) Nos.: business plans developed for NADSME  
Review (rev. NA) Nos.: numbers of business plans reviewed for NADSME  
BP (top 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

Activities of RAICs and BICs: Counselling and Training for SMEs in 2003												
	Cons. info B*	Cons. hrs B*	Cons. prof. B	Prof. hrs B	Developed for NA		Developed apart from NA		Train. cours.	Participants	New jobs	Maintain jobs
					BP Nos.	Review Nos.	BP Nos.	Review Nos.				
RPP	108	80	300	748.5	3	11	0	0	0	0	52	71
RMT	73	110.5	175	1,460	0	6	41	0	4	53	145	172
RNR	47	82.5	43	168	8	0	10	0	0	0	30	19
RZV	44	96	39	192	7	39	2	0	2	28	110	84
RLC	47	78.5	66	221.5	4	0	8	1	0	0	29	196
RPX	54	74.5	81	237.5	25	2	1	22	3	0	131	251
RPO	61	44.5	85	270	1	2	6	0	0	0	35	25
RTN	80	141.5	127	606.5	4	0	0	1	0	0	32	87
RTV	21	43	110	543	10	14	40	1	1	19	7	8
RKE	95	111	39	123	6	11	13	0	0	0	44	191
RKN	59	51	76	203.5	7	3	6	0	0	0	35	445
RDS	98	122	160	297	6	1	8	0	0	0	48	407
BPD	2	1	10	20.5	2	0	2	0	0	0	23	1
BKE	0	0	0	0	0	0	0	0	0	0	0	0
BBB	5	2.5	9	38.5	0	0	3	1	0	0	0	0
BSN	2	1	12	22.5	1	0	5	0	1	12	35	32
RBA	109	13.5	641	664	82	0	6	0	4	32	25	58
BBA	0	0	5	40	0	0	0	0	0	0	0	0
Total	905	1,083	1,978	5,856	166	89	151	26	15	144	781	2,047

RPO RAIC Prešov  
 RMT RAIC Marín  
 RNR RAIC Nitra  
 RZV RAIC Zvolen  
 RLC RAIC Litenec

RPX RAIC Považská Bystrica  
 RPP RAIC Poprad  
 RTN RAIC Trenčín  
 RTV RAIC Trebišov  
 RKE RAIC Košice

RKN RAIC Komárno  
 RDS RAIC Dunajská Streda  
 BPD BIC Prievidza  
 BKE BIC Košice  
 BBB BIC Banská Bystrica

BBB BIC Banská Bystrica  
 BBA BIC Bratislava  
 BSN BIC Spišská Nová Ves

Group B - existing businesses  
 Cons. info B: numbers of general consultations for group B  
 Info hrs B: hours of general consultations for group B  
 Cons. prof. B: numbers of professional consultations for group B  
 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

RPX RAIC Považská Bystrica  
 RPP RAIC Poprad  
 RTN RAIC Trenčín  
 RTV RAIC Trebišov  
 RKE RAIC Košice

RKN RAIC Komárno  
 RDS RAIC Dunajská Streda  
 BPD BIC Prievidza  
 BKE BIC Košice  
 BBB BIC Banská Bystrica

BBB BIC Banská Bystrica  
 BBA BIC Bratislava  
 BSN BIC Spišská Nová Ves

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 jobs: numbers of newly created job opportunities  
 Maint. jobs: numbers of jobs maintained

Euro Info Centres assist entrepreneurs in looking for co-operation partners using Business Partners Database Search, its own correspondence network (so-called VANS – Value Added Networks Services), and by organizing participation of Slovak entrepreneurs in international contracting events.

Every year, about 700 offers for co-operation from foreign companies get translated and published in various periodicals and on the web pages of the Euro info centres. In 2003, Slovak enterprises seeking foreign partners, requested 237 contacts. Services of the Database of Co-operation Partners provided by the Bratislava EIC were used by 35 Slovak entrepreneurs. Thirteen Slovak companies asked information about internal market and foreign partners via the VANS network. Foreign companies requested 122 contacts to Slovak companies.

Making the business public familiar with the impacts upon doing business of Slovakia's EU accession was the topics of 11 information workshops and trainings organised in various regions of Slovakia. The Bratislava-based EIC, in working together with representatives of the National Agency for Development of Small and Medium Enterprises, Regional Advisory and Information Centres (RAIC) and the Slovak Chamber of Commerce and Industry (SCCI) approached 381 enterprises.

In a close co-operation with partners from Hungary and the Embassy of Hungary in Slovakia, EIC Bratislava organised a successful conference „Hungarian and Slovak SMEs on the doorstep of the EU“ which was held in Bratislava in December 2003 for Slovak and Hungarian enterprises. The conference connected with two days of bilateral meetings of enterprises was attended by 210 companies.

In 2003, EIC Bratislava started preparations for the participation of Slovak companies at contracting events to be held in early 2004 in Germany and Austria.

Through the network of 200 Euro Info Centres from 26 countries, the European Commission launched a campaign aimed at informing small and medium enterprises about the opportunities of their operation in the enlarged EU. Both Slovak Euro info Centres contributed a joint project to the campaign. Between May 2003 and Slovakia's accession to the EU, Slovak enterprises could get information at seminars organised by Euro Info Centres on interesting topics connected with the enlargement of the Union. Information concerning conditions of doing business after Slovakia's accession to the Union are also published on the joint national web page [www.eic-slovakia.sk](http://www.eic-slovakia.sk), established by Slovak EICs in April 2003 in the framework of the campaign. Apart from information on Slovakia, the English version of the national web site of Slovak EICs also brings offers of Slovak companies for cooperation. As the result of the co-operation between EIC Bratislava and EIC Prešov under the European Commission's campaign to EU enlargement, a guide will be published entitled Guide of Trade.

The electronic magazine EIC-zine brings every day updated information from the EU relevant for Slovak small and medium enterprises. Reader's attention is focusing on mainly tourism, EU programmes, information technologies and innovations. So far, 963 articles have been published by EIC-zine on 23 different topics.

Interested parties may get and/or look up business-related technical information in EIC library. Book titles can be looked up in the database available on the Internet page of EIC Bratislava at [www.eic.sk](http://www.eic.sk).

## **7. Evaluation of NADSME-run support sub-programmes financed from PHARE funds and State Budget**

### **7.1 CEPAC Slovakia**

In 2003, the Association CEPAC Slovakia was taking care of the Comprehensive Programme of Training and Counselling (KVPP) for the unemployed. In addition to implementing training courses and counselling for interested parties from among registered unemployed, the association also took care of the organisation of technical workshops for lecturers and advisors involved in KVPP. The structure of the contents of the training course was based on expertise and experiences of the French association CEPAC Soissons, Picardie. KVPP was focusing on issues of establishing micro-enterprises and small enterprises, and it consisted of 4 stages: selection of appropriate registered unemployed, training, guidance and monitoring.

Activities of the association CEPAC were financed from NÚP sources. The following activities were implemented in 2003:

- technical consultations and counselling for the unemployed: overall, 38 courses were organised for 570 persons completing KVVP, 1,588 hours of consultation talks were provided, and 482 enterprises were newly established in 2003,
- training courses for lecturers participating in the KVVP programme: 8 workshops were organised for 92 attendees,
- CEPAC took care of the organisation of the participation in 1 exhibition – MODDOM, on 22- 27 October 2003, at which 6 enterprises established by programme attendees were presented,
- a manual was drafted for the lecturers concerning management.

### **7.2 SME support via the network of incubators**

The aim of the programme is to set up or rehabilitate at least 5 – 6 incubators within 2001 – 2005, and to provide for the operation of 12 – 13 incubators overall, including those to be set up under PHARE programme. Their mission will be to provide starting enterprises with adequate conditions for starting up their operations, during approximately three years. Apart from business premises, also office infrastructure, administrative services and technical counselling will be provided. The incubators will either be directly owned by RAICs/BICs or will be founded as associations of legal entities. They will be not-profit-making agencies. The purpose of the programme is to financially support the setting up of a network of incubators for starting enterprises, and of specialised (technological) incubators, to provide for their start up, to implement the method research-based spin-off, and to provide project carriers with financial support through venture start-up capital.

The construction of five incubators started in 2003, financed from PHARE funds, State Budget funds, and from beneficiaries' own resources. Overall, EUR 1,272,067 (about Sk 55.9m) were spent from PHARE funds 2000 Financial Memorandum on the construction of business incubators in Prešov, stage I in Košice, Rožňava and Spišská Nová Ves.

The funds allocated for the sub-programme SME support through the network of incubators and the research-based spin-off method were used to support 4 projects in 2003, business incubators in Prešov and Spišská Nová Ves as co-financing of PHARE projects. The costs of rehabilitation of the Technological incubator in Bratislava and of stage II of the construction of the incubator in Košice were covered exclusively from the funds of this subprogramme.

Also, funds were allocated from State Budget to technical equipment of the incubators through co-financing of the PHARE projects mentioned (about Sk 13.2m).

The NADSME Board approved in 2003 the financing of incubators in Prievidza, Žilina and of stage II of the construction of the scientific and technological incubator in Košice under the sub-programme SME support through the network of incubators; also, the agreement on the provision of the funds was signed. The Board also approved in 2003 the provision of funds to finance operating costs of four business incubators. Financial agreements for the construction of approved incubators as well as for the financing of the operating costs will be signed in 2004.

Incubator	Sources of funds (Sk)				Costs in total (Sk)
	State Budget		PHARE	Other	
	construction	technical equipment			
Bratislava	6.0	-	-	-	6.0
Rožňava	-	3.0	16.5	<sup>1</sup> 10.3	29.8
Košice	-	2.9	10.7	<sup>2</sup> 2.2	15.8
Prešov	13.7	4.5	14.5	<sup>3</sup> 8.1	40.8
Spišská Nová Ves	2.2	2.8	14.3	<sup>4</sup> 5.1	24.4
Total	21.9	13.2	56.0	25.7	116.8

<sup>1</sup> Contribution in kind, project documentation, construction supervision and clerk of works, extra works covered from sources of RAIC Rožňava and/or the town Rožňava

<sup>2</sup> Contribution in kind, project documentation, construction supervision and clerk of works, extra works covered from sources of KVTI Košice

<sup>3</sup> Contribution in kind, project documentation, construction supervision and clerk of works, from sources of RAIC Prešov

<sup>4</sup> Contribution in kind, project documentation, construction supervision and clerk of works, covered from sources of Spišská Nová Ves

## 7.3 First Contact Points

The First Contact Points (FCPs) localised in Eastern Slovakia have been part of our institutional network since 2002. Their aim is to provide business entities and parties interested in doing business with the first contact and with information about the business environment, opportunities for doing business and support thereof in Slovakia's regions.

During the year, the FCPs organised 1,509 hours of information services for 1,484 small and medium enterprises and parties interested in doing business; 4,176 hours of consultations and advisory services for 1,083 clients; 68 workshops and training courses for 740 attendants; developed 167 business plans; and co-operated in 140 projects. Apart from these activities, the FCPs also co-operated tightly with towns and villages in their respective regions on regional development, were co-organising exhibitions and fairs within the regions, and participated in the publishing of materials focusing on promotion of the regions.

## 7.4 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. The Support Loan Programme is intended to small and medium enterprises with up to 250 employees, which do business in the fields of production, crafts, services and inbound tourism. Enterprises which meet the programme criteria may apply for loans of max. Sk 10m, with a tenure of 8 years.

Upon launching the Support Loan Programme in 1994, the government committed itself to provide funds from State Budget of Sk 200m to establish a revolving loan fund. Also, the Commission of the European Union allocated the same amount and for the same purpose under the PHARE Programme. The funds were transferred to Agency for Development of Small and Medium Enterprises chosen to be the coordinator and implementator of the programme. One third of the funds was contributed by three and later on four Slovak banks each, including Slovenská sporiteľňa, a.s., Tatra banka, a.s., UniBanka, a.s. and Istrobanka, a.s. In this way, funds were allocated for the Support Loan Programme in 1994, 1995 and 1998, thus establishing a fund of Sk 1.8bn enabling further provision of loans also from repaid money. In late 1998, also Ludová banka, a.s. became involved in the Programme implementation. Additional resources were allocated to the fund from 2000 State Budget in late 2001, thus increasing the overall volume of the funds to reach Sk 2.4bn, and Všeobecná úverová banka, a.s. became the sixth bank to be involved in programme.

Since the launching of the programme in 1994 until 31 December 2003, a total of 1,180 loans had been provided amounting to Sk 3,887.314m in total, thereof 21 loans in 2003 totalling Sk 99.797m. Of the loans, 777 (Sk 1,880.555m) had been repaid by 31 December 2003.

The graphical data are presented in the Annex (Chart No.34)

**Principal information about the Support Loan Programme (as of 31 Dec.,2003)**

Support Loan Programme	UniBanka, a.s.	Slovenská sporiteľňa, a.s.	Istro-banka, a.s.	Tatra banka a.s.	Ludová banka, a.s.	VÚB, a.s	Total
Nos. of loans	387	389	126	176	93	9	1,180
Total amount of the loans (in Sk m)	1,352.686	1,104.623	451.878	675.015	259.611	43.5	3,887.314
Average loan (in Sk m)	3.495	2.840	3.586	3.835	2.792	4.833	3.294

**Overview of loans granted under the SLP, by sectors (as of 31 Dec. 2003)**

Support Loan Programme	Loans in total as of 31 Dec. 2003	Amount of loans in total as of 31 Dec. 2003 (in Sk m)
Food production	186	637.317
Textile production	77	209.500
Woodworking industry	138	419.891
Metals, plastic materials	222	782.017
Glass, stonemasonry	25	65.484
Building industry	106	358.429
Energy sector	22	75.554
Printing industry	17	57.664
Chemical and pharmaceutical industries	27	100.864
Tourism	107	370.169
Services	253	810.430
<b>Total</b>	<b>1,180</b>	<b>3,887.314</b>

### Overview of repaid loans under SLP, by districts (cumulatively as of 31 December 2003 and for 2003)

District-Region	Loans provided as of 31 Dec.2003	Amount of loans provided (in Sk) as of 31 Dec.2003
Region Banská Bystrica	167	557,225,000
Banská Bystrica	37	151,240,000
Banská Štiavnica	3	4,700,000
Brezno	8	19,820,000
Detva	7	25,193,000
Krupina	3	3,800,000
Lučenec	40	128,901,000
Poltár	1	7,000,000
Revúca	4	13,800,000
Rimavská Sobota	7	13,000,000
Veľký Krtíš	3	14,000,000
Zvolen	40	135,831,000
Žarnovica	0	0
Žiar nad Hronom	14	39,940,000
Region Bratislava	148	521,430,690
Bratislava I – V	115	406,880,690
Malacky	12	44,100,000
Pezinok	15	51,150,000
Senec	6	19,300,000
Region Košice	140	398,351,310
Košice I – IV, okolie	56	181,600,000
Gelnica	1	1,500,000
Michalovce	7	24,900,000
Rožňava	20	40,203,310
Sobrance	1	4,000,000
Spišská Nová Ves	39	113,968,000
Trebišov	16	32,180,000
Region Nitra	148	503,596,000
Nitra	44	152,470,000
Komárno	21	57,207,000
Levice	22	92,409,000
Nové Zámky	32	105,900,000
Šaľa	6	29,500,000
Topoľčany	22	61,110,000

<b>District-Region</b>	<b>Loans provided as of 31 Dec.2003</b>	<b>Amount of loans provided (in Sk) as of 31 Dec.2003</b>
Zlaté Moravce	1	5,000,000
<b>Region Prešov</b>	<b>154</b>	<b>542,268,870</b>
Prešov	54	211,478,000
Bardejov	15	61,100,000
Humenné	5	17,500,000
Kežmarok	5	18,000,000
Poprad	50	165,149,870
Sabinov	2	5,400,000
Snina	2	10,000,000
Stará Ľubovňa	9	22,016,000
Stropkov	2	10,000,000
Svidník	2	3,900,000
Vranov nad Topľou	8	17,725,000
<b>Region Trenčín</b>	<b>157</b>	<b>524,705,863</b>
Trenčín	38	123,380,000
Bánovce n.Bebravou	2	10,000,000
Ilava	2	8,900,000
Myjava	9	17,970,000
Nové Mesto n.Váhom	11	40,638,336
Partizánske	4	13,900,000
Považská Bystrica	17	52,250,000
Prievidza	67	238,667,527
Púchov	7	19,000,000
<b>Trnavský kraj</b>	<b>93</b>	<b>313,614,000</b>
Trnava	28	89,310,000
Dunajská Streda	30	117,659,000
Galanta	12	39,300,000
Hlohovec	1	2,400,000
Piešťany	6	18,595,000
Senica	12	35,550,000
Skalica	4	10,800,000
<b>Region Žilina</b>	<b>173</b>	<b>526,122,611</b>
Žilina	53	156,779,000
Bytča	4	7,800,000
Čadca	7	15,620,000
Dolný Kubín	15	47,550,000

District-Region	Loans provided as of 31 Dec.2003	Amount of loans provided (in Sk) as of 31 Dec.2003
Kysucké Nové Mesto	4	10,500,000
Liptovský Mikuláš	23	78,631,000
Martin	51	167,811,970
Námestovo	4	12,200,000
Ružomberok	9	20,030,641
Turčianske Teplice	1	5,000,000
Tvrdošín	2	4,200,000
Total	1,180	3,887,314,344

## 7.5 Micro-loans Programme

National Agency for Development of Small and Medium Enterprises started the implementation in 1997 of the pilot project of Micro-loans Programme via three Regional Advisory and Information Centres in Považská Bystrica, Zvolen and Prešov. The main objective was to deal with the issue of the access of small enterprises within regions to small loans. The programme is intended for small enterprises with up to 20 employees. Currently, the programme is being run by fifteen centres covering the whole territory of the Slovak Republic.

Micro-loans may be used on acquisition of movable and immovable fixed assets, rehabilitation of operation premises or purchase of the necessary inventory, raw materials or goods. The minimum and maximum amount of the micro-loans is Sk 50,000 and Sk 800,000 respectively provided that it is used to invest into production, crafts or services, including purchase of materials for production, and the interest rate is 9%, with tenure between 6 months and 4 years. If used for purchase of goods, the maximum amount is Sk 400,000, the interest rate is 12%, and the tenure is up to 1 year. A grace period may be granted for instalments of the principal of a maximum of 6 months.

Applications were received during 2003 for micro-loans from 381 parties, 305 micro-loans were provided totalling Sk 134,373,602. Overall, since the launching of the Micro-loans Programme 834 micro-loans have been provided, totalling Sk 317,301,492. The average amount of a micro-loan is Sk 380,457. Of the loans provided, 281 have been repaid in full since the launching of the programme. Another important factor with respect to the implementation of the Micro-loans Programme has been its impact upon employment in regions. Overall, 1,342 and 1,566 jobs could be created and maintained, respectively, since the launching of the programme.

The graphical data are presented in the Annex (Charts No. 35,36)

### Overview of micro-loans provided in 2003, by centres, and cumulative figures since the launching of the Micro-loans Programme

Centre	Numbers of applications for micro-loans received in 2003	Numbers of micro-loans provided in 2003	Amount of micro-loans provided in 2003, in Sk	Numbers of micro-loans provided in total	Amount of micro-loans provided in total in Sk
RAIC Dunajská Streda	18	15	6,056,342	34	12,551,218
RAIC Komárno	26	21	10,380,000	63	26,945,000
RAIC Martin	23	19	7,040,000	49	19,697,000
RAIC Nitra	23	22	10,388,684	41	17,136,684
RAIC Považská Bystrica	40	23	8,114,317	146	39,613,688
RAIC Prešov	46	45	17,745,000	100	35,597,000
BIC Prievidza	26	30	12,800,000	73	31,700,000
BIC Spišská Nová Ves	16	13	5,995,000	33	14,395,000
RAIC Trenčín	20	18	9,097,819	38	19,007,652
RAIC Trebišov	26	20	8,785,000	50	19,575,000
RAIC Zvolen	49	34	15,010,000	115	38,361,810
Seed Capital Company	37	24	13,265,000	71	33,025,000
RAIC Lučenec	14	12	4,657,910	12	4,657,910
RAIC Poprad	7	5	2,762,066	5	2,762,066
RAIC Košice	10	4	2,276,464	4	2,276,464
<b>Total</b>	<b>381</b>	<b>305</b>	<b>134,373,602</b>	<b>834</b>	<b>317,301,492</b>

### Overview of micro-loans provided in 2003, by sectors and cumulative figures since the launching of the Micro-loans Programme

Sector	Micro-loans provided in 2003	Amount of micro-loans provided in 2003, in Sk	Micro-loans provided, in total	Amount of micro-loans provided in total, in Sk
Agriculture	33	17,308,718	82	35,698,769
Manufacturing	112	54,653,953	293	124,723,109
Trade	46	16,800,235	147	47,770,906
Services	91	36,070,696	233	82,050,535
Tourism	13	5,660,000	47	16,911,248
Other	10	3,880,000	32	10,146,925
<b>Total</b>	<b>305</b>	<b>134,373,602</b>	<b>834</b>	<b>317,301,492</b>

## 7.6 Seed Capital Company

The main characteristic of the Seed Capital Company (SCC), which was established by National Agency for Development of Small and Medium Enterprises in 1994, are investments into equity of companies. The Company manages Seed Capital Fund used to invest 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, through financial investments, the establishment and development of new enterprises and to develop activities of existing enterprises. Preference is given to mainly investments into projects concerning manufacturing of goods, production services and inbound tourism.

Investment Committee met 5 times in 2003. The other activities of the fund were focusing on monitoring of 26 companies from SCC portfolio. Overall, Sk 32.1m were invested in 2003, including Sk 8.8m into equity of companies and Sk 23.3m as loans.

As of 31 Dec. 2003, Investment Committee met 33 times in total, reviewed 71 investment proposals, approved 56 of them, 12 proposals were approved conditionally, and 3 were rejected. Actually, 65 investments into 28 companies have been implemented so far. The amount invested into the companies in Seed Capital Company, s.r.o.'s portfolio totalled Sk 148.89m. Sk 82.16m were invested into equity of companies, and Sk 66.73m were provided in loans.

As of 31 December 2003, SCC had committed Sk 28.15m to 5 companies.

## 7.7 PHARE – FM 2002

### 7.7.1 IDGS – FM 2002

The objective if the Industry Development Grant Scheme (4.6 MEUR) under FM 2002 is to improve the competitiveness of the Slovak industry in international markets, as well as to help develop and increase added value of the Slovak industry through innovation of the production and of technological processes. It also will subsequently impact on increasing capacity of the central and the regional structures in the framework of the preparation for the management of structural and cohesion funds of the EU in the future.

The aim of Component 1 of the grant scheme is to finance projects and to develop a number of innovated products, as well as to make production processes more efficient to increase added value, productivity, and to reduce total costs. Component 2 defines the necessary need to extend control and technological capacities of industrial enterprises.

The time schedule of works suggests that the Slovak Government at its session on 8 January 2003 approved Financial Memorandum of the National PHARE Programme 2002, which also included both IDGS and TDGS. Terms of Reference for IDGS were drafted during February to August 2003. On 2 September 2003, two dailies with national circulation (Pravda, Hospodárske noviny) published calls for submission

of projects, thus launching IDGS. A series of workshops were staged throughout the national territory between 17 Sept. – 3 Oct. 2003. They were attended by representatives of RAICs, BICs and Regional Chambers of Commerce and Industry. The objective was to provide them with the principal information concerning IDGS. The deadline for submission of applications for both IFGS components was 3 Nov. 2003, and more than 300 projects – grant applications were obtained. The Projects received for both IDGS components were assessed for administrative eligibility between 11 – 29 November 2003.

### **7.7.2 TDGS – FM 2002**

The Tourism Development Grant Scheme under Financial Memorandum 2002 (TDGS 2002) focuses upon improvement of quality and standard of tourism in the Slovak Republic, improvement of competitiveness of small and medium enterprises in the area of tourism, and support of tourist products of non-for-profit organisations, towns, municipalities and local governments. Call for the 2002 Grant Scheme for Tourism Development was published on 2 Sept. 2003, the deadline for submission of projects for TDGS 2002 was 3 Nov. 2003, about 900 submissions were received. External reviewers started assessment for administrative eligibility on 25 Nov. 2003.

### **7.7.3 INTEG – FM 2002**

The INTEG grant scheme is being implemented from PHARE programme Cross-border Co-operation Slovakia – Austria under Financial Memorandum 2002. The priority of the project is support of innovative and technological transfer through establishing technological incubators and initiating Cross-border economic co-operation with Austria.

Documentation for Call for Submission of Project Proposals was drafted between January and August 2003, „Contract Forecast“ was published by Official Journal and Europeaid (17 July 2003) as part of technical assistance. Call for submission of project proposals was published on 8 August 2003 in the dailies Hospodárske noviny and Pravda. An informative meeting for parties interested in submitting project proposals was organised on 22 Sept. 2003. The deadline for submission of project proposals was set at 28 Nov. 2003 (16:00). Selection Commission whose task was to evaluate project proposals met on 1 – 15 Dec. 2003 and recommended to award one grant amounting to EUR 1,437,359.

## **7.8 NADSME – PHARE programmes implementing agency**

### **7.8.1 NADSME as the implementing agency of PHARE programme**

Being PHARE programme management unit, NADSME has been running PHARE programmes with respect to suggestions of new measures to support and/or

develop SMEs. NADSME has been acting as the implementing agency of support programmes of small and medium enterprises since 2001, and as the implementing agency of structural funds since 2003.

NADSME continued its activities to the benefit of small and medium enterprises also in 2003, focusing on financial support programmes, training and counselling, and policy and development of small and medium enterprises. Also in 2003, NADSME was taking care of the tasks under the National Programme for the Adoption of the Acquis Communautaire (NPAA) in the field of SMEs.

Overall, EUR 2,462 thousand were spent from PHARE resources on programmes implemented in 2003, corresponding to Sk 101,379 thousand (exchange rate at 31 Dec. 2003).

As of 31 Dec. 2003, NADSME had implemented PHARE programmes under Financial Memoranda of assistance to SMEs worth EUR 44,901 thousand in total, i.e. equivalent to Sk 1,870,019 thousand (exchange rate at 31 Dec. 2003).

### Discharge of funds from 2003 PHARE programmes

	EUR	Sk
Facilitating access to capital	1,010,000	41,581,700
Seed Capital Company	1,000,000	41,170,000
Technical assistance for financial programmes	10,000	411,700
Competitiveness improvement of SMEs	1,452,463	59,797,900
Rehabilitation of technological incubators:		
- Rožňava	356,250	14,666,812
- Spišská Nová Ves	308,750	12,711,237
- Prešov	312,660	12,872,212
- Košice	230,803	9,502,159
Technical assistance FCP, PI	25,000	1,029,250
Technical assistance IDGS	100,000	4,117,000
Technical assistance TDGS	119,000	4,899,230
Programmes in total (I. – II.)	2,462,463	101,379,600

## 7.8.2 EDIS

NADSME being the implementing agency, has been running preparations for EDIS, decentralisation of control by implementing body in candidate countries, since 2001. As part of the decentralisation of control (i.e. the role of the Delegation of the European Commission will be taken over by candidate country's authorities), implementing agencies have to meet the following minimum criteria of the decentralisation of control:

1. existence of a well specified control system of funds with full internal rules of procedures, clear-cut institutional and personal responsibilities,
2. respecting the principle of power separation so as to avoid the risk of conflicts of interests with respect to procurement and payments,

3. adequate staffing must be available, with appropriate control abilities and experiences, language proficiencies, fully trained in Community programmes implementations.

To meet the above criteria, the team of NADSME officers drafted an EDIS manual and currently are about to implement procedures laid down in the manual. The manual was verified by an independent auditor company and was completed by audit recommendations. NADSME and the other implementing agencies are now awaiting the final decision to be made by the European Commission concerning the preparedness for the decentralisation of control and further implementation of pre-accession aid projects.

## 8. Support from other sources

### 8.1 PSO

#### **Bilateral Slovak – Dutch project „Improving SME Business Environment in Slovakia“**

The project is financed by the Dutch Government. Its aims to raise the administrative capacities of Slovak institutions with respect to the improvement of the business environment. The main partners of the project on the Slovak side are NADSME and MoE SR. The project implementation has been scheduled for 2003 – 2004. The Dutch party is represented by the research and consulting agency ECORYS.

The project focuses on the achievement of two major objectives:

- Strengthening of activities and capacities of NADSME in the area of identification, definition, collection, processing and analysis of data on SMEs and on the business environment, and their analysis for the purposes of policy making to improve business environment.
- Strengthening of activities of MoE SR with respect to policy making relevant to SME development and improvement of business environment based on data and analyses conducted by NADSME.

The project is being developed by three task forces:

- Gathering, processing and statistical analysis of SME and business environment data.
- Qualitative analysis and monitoring of business environment.
- Analysis of information for policy making to make the business environment more efficient.

As part of the project, a comparative study of the situation in this respect in Slovakia and selected EU Member States as well as in the EU as such was conducted in 2003. Task Force 1 at the same time suggested the structure of the database of business entities, methods of data processing and analysis. The partners and the main sources of data for this part of the projects are Statistical Office of the Slovak Republic and DataCentrum. The database and the software for data processing and analysis were developed in-house by NADSME.

Partners and sources of information for qualitative analysis of the business environment are representatives of associations of enterprises, the academic sector and banks. The aim is to collect relevant information concerning acute problems of the business environment and to seek potential outcomes. The knowledge acquired will be summarised in „White Papers“ whose structure for the period to come has been agreed upon; information are now being gathered and analyses are running.

Task Force 3, which focuses on the drafting of source documents for policy making, in working closely with NADSME, MoE SR and Dutch experts, made

analysis of the status of the preparations for drawing structural funds in the sector of industry and services, effects of Slovakia's joining the EU, access of SMEs to funds, and administrative barriers to the establishment of companies. Those will serve as pilot studies for further systematic development of source analyses for policy making in respect of the business environment.

## **8.2 ESTER**

### **Project of the 6<sup>th</sup> Framework Programme ESTER „Setting up of Seed and Venture Capital Funds for Small East-European Countries According to YOZMA Model and Technological Incubators Programme“**

The main partner is Pavia University (Italy). The objective is to take advantage of Israeli partners' experiences to draft a proposal for the setting up of venture capital funds in Central and Eastern European countries, specifically in Slovakia, Estonia and Latvia, countries corresponding to the situation in Israel by their size; Israel was able to successfully set up venture capital market within the recent decade. Slovakia is represented on the project by National Agency for Development of Small and Medium Enterprises and by Business and Innovation Centre BIC Bratislava. The project is scheduled for 2002 – 2005. Experiences acquired by the partners will be transformed under the project to the conditions of the Central and Eastern European countries. During stage 1 of the project, an inventory of the situation in this respect will be made taking into account the needs of enterprises, the legislative framework, as well as the existing tools to stimulate prospective investors.

So far, an inventory of existing forms of access of companies to capital has been made, and offers of financial products were compared to the actual needs of companies and the degree of their potential meeting. The target group for venture capital are companies with a potential for rapid growth. This mainly includes companies with high innovative activities and a large proportion of the utilisation of state-of-the-art scientific and technological knowledge. This was the area the previous studies developed by NADSME were focusing upon, which statistically surveyed a representative sample of companies for their innovative activities and opportunities to access financial and capital resources. BIC Bratislava mapped the activities and plans of commercial financial institutions in this respect.

## 9. Conclusion

The present document on the status of small and medium enterprises provides a comprehensive picture of the development, forms of support of this sector, as well as of the development of the business environment in 2003, including existing problems and suggestions for their resolution.

The year 2003 was the last year preceding out accession to the EU, and this enhanced the importance of the tasks arising from the need to harmonise the business environment with that in the EU. Consequently, the year 2003 introduced additional changes in this area whose consequences are expected to become gradually positively reflected in the development of SMEs. They mainly concerned facilitated access to loans, reduction of interest rates, reduction of the tax burden, shortened time needed to register companies as well as some amendments to Commercial Register expected to result in reductions in corruption.

There was also a positive trend during the last year in key parameters such as employment, gross domestic product and volume of added value; there was also an increase in the numbers of small and medium enterprises both natural persons and legal entities. Proportions of large enterprises kept decreasing and those of small enterprises and small trade licensees kept increasing in 2003. Increases were evident with respect to mainly small companies, and this gradually brings us closer to the structure of SMEs in the EU. On the other hand, contributions by SMEs to gross production and added value decreased, due to higher rates of the growth of those parameters for large enterprises.

Despite these favourable trends in the development of small and medium enterprises, there were still numerous problems in 2003 which impacted upon business activities. They mainly concerned the significant burden by contributions to funds, poor law enforcement, excessive administrative requirements connected with doing business, market distortions and problems with property records, persisting price regulation and existence of legal privileges. When compared with the business environment of other OECD countries, some aspects suggest that Slovakia still lags behind the OECD average. Since these are key moments that influence the development of business (how many steps have to be undertaken to start up business, how long does it take to establish a company, lengthy resolution of disputes), more attention will have to be paid to their solution during the first years of our EU membership. Also, there are many problems SMEs have to face because of the lack of a holistic medium-term concept of the support of SMEs development, which would guide further direction of the development in this respect.

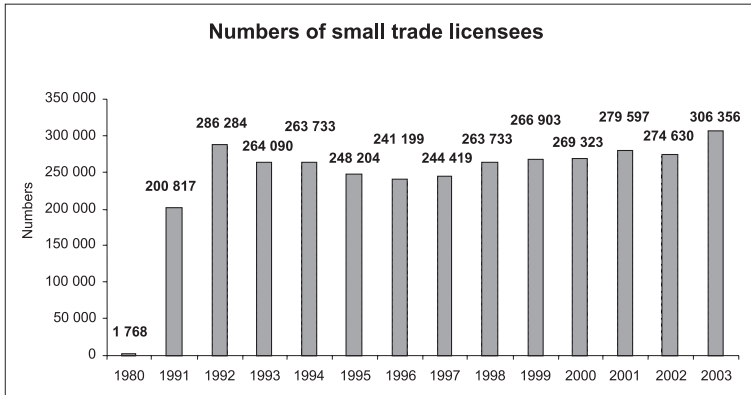
The need of an adequate participation of SME representatives in the initial stages of the drafting of legislative measures represents an important aspect of the improvement of the business environment; this has been the underlying reason of the so frequently criticised frequent changes in the legislation, which are particularly sensitively perceived by small enterprises which do not have sufficient staff available to monitor the developments.

Basing on the level of the business environment achieved, the present Report also contains a set of suggestions for further improvements whose implementation would make a contribution to a further enhancement of the dynamics of SME development in Slovakia.

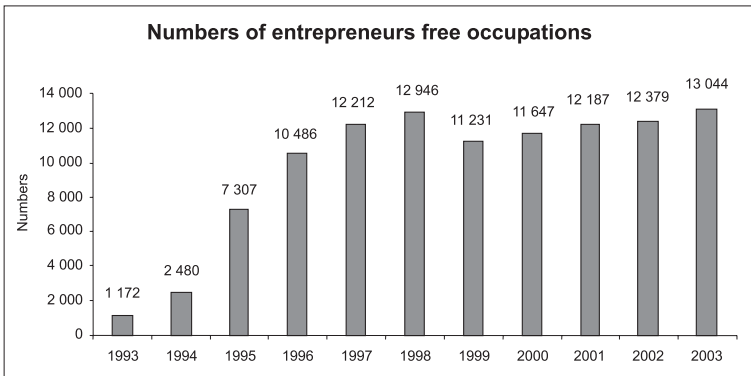


# **Annexes 1**

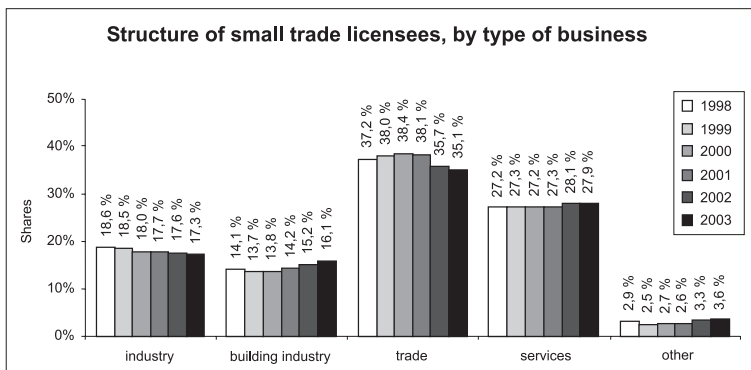
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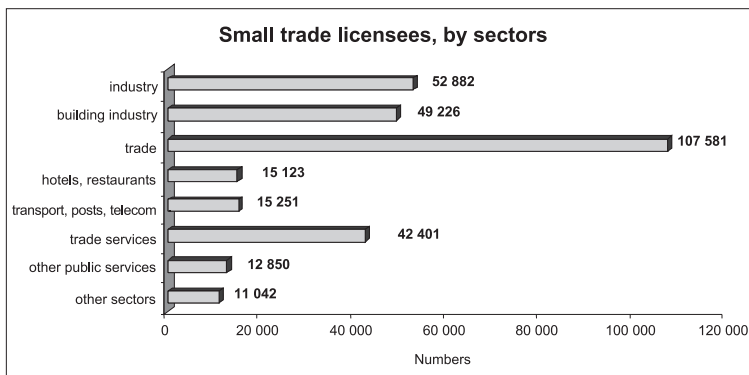
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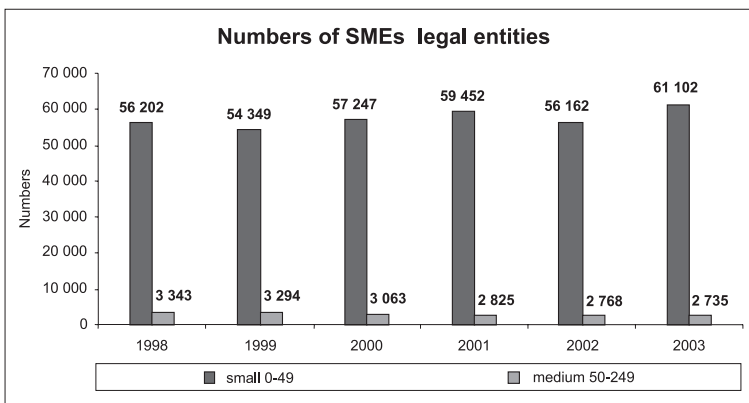
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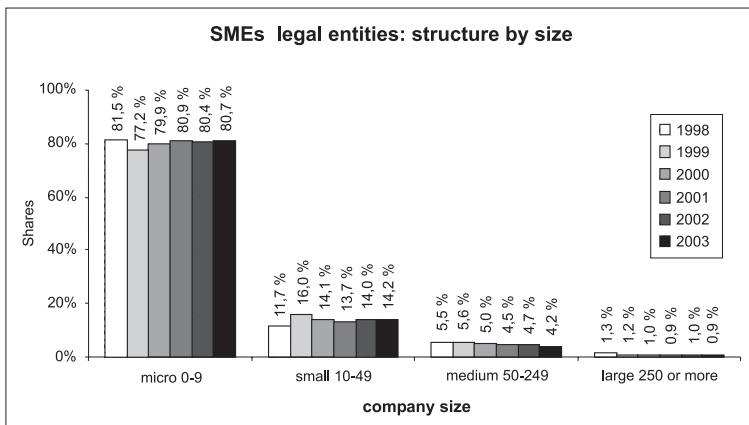
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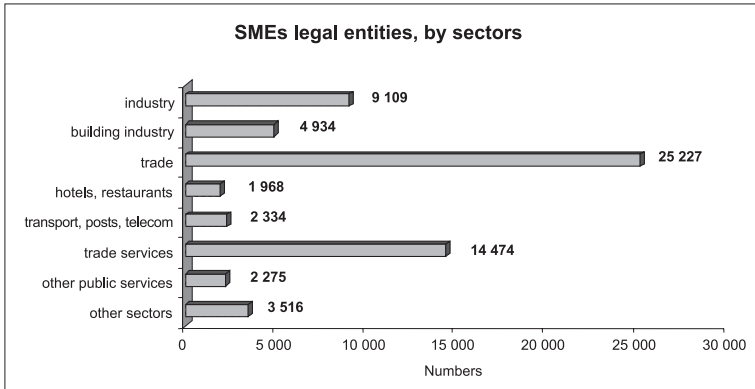
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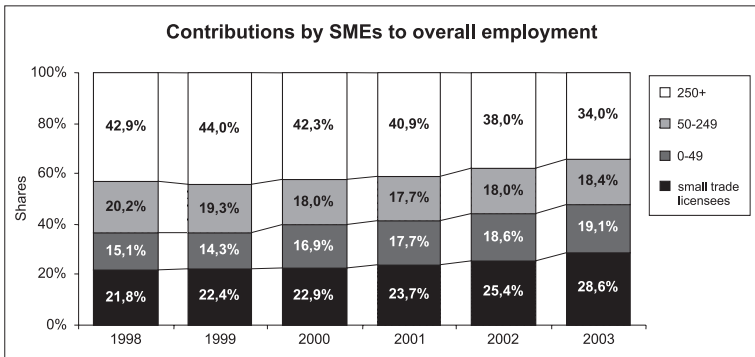
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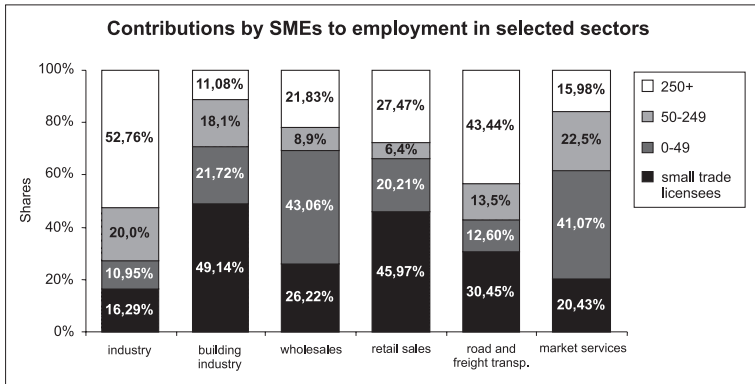
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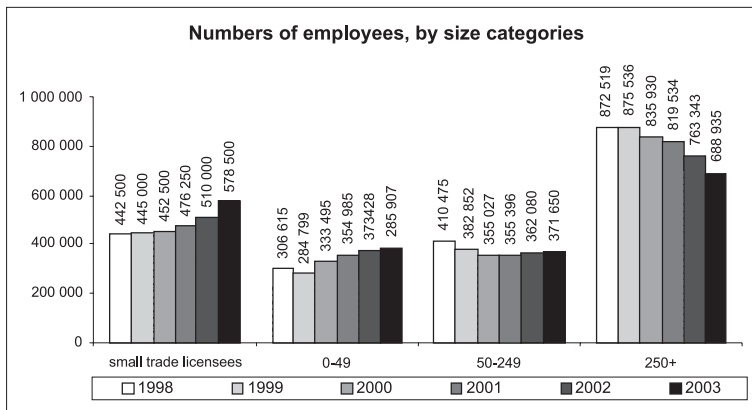
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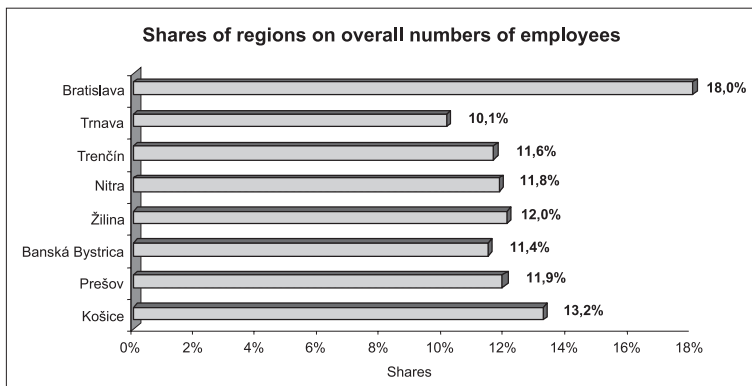
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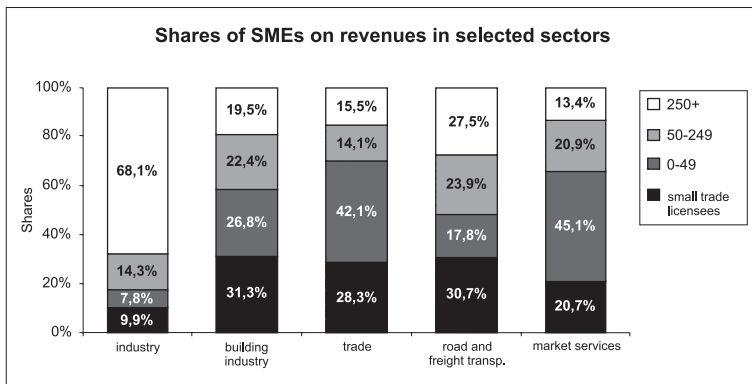
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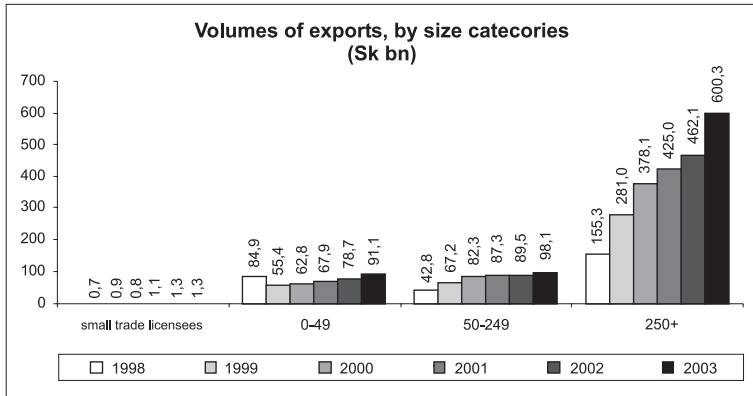
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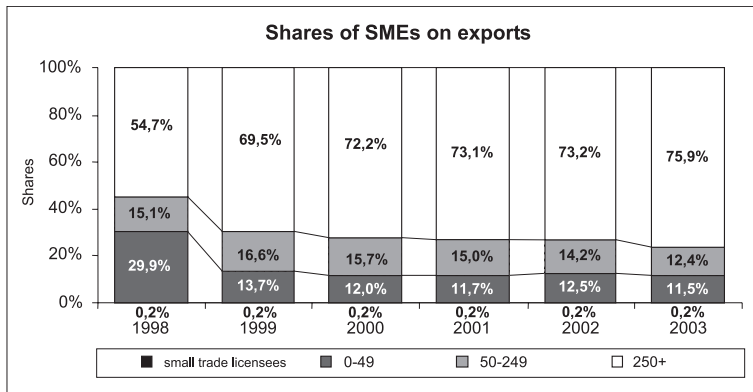
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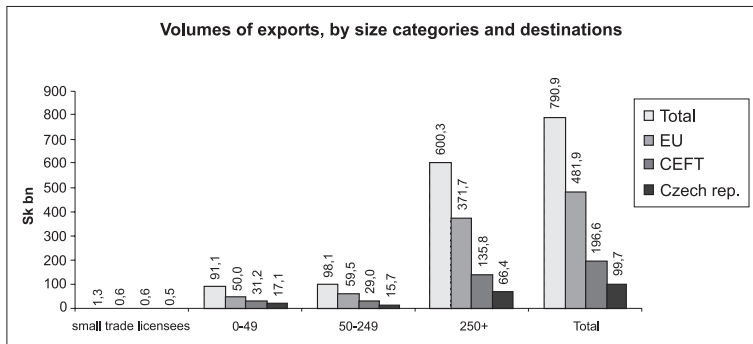
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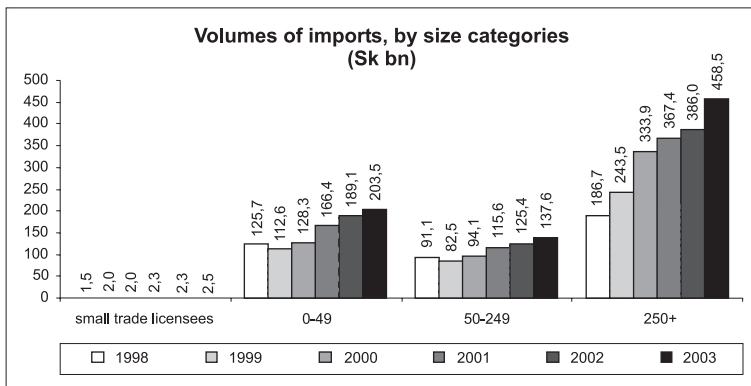
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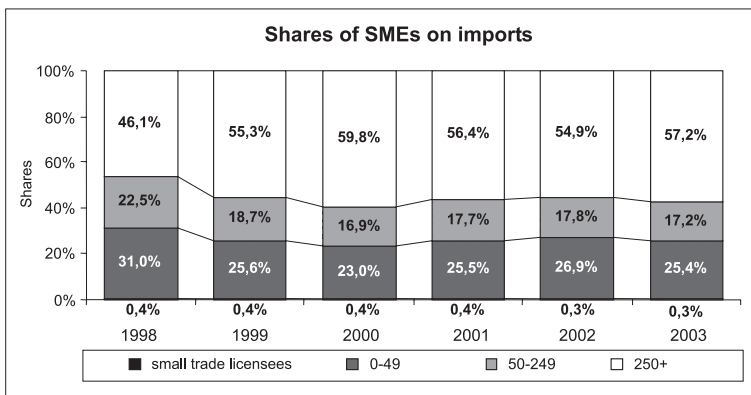
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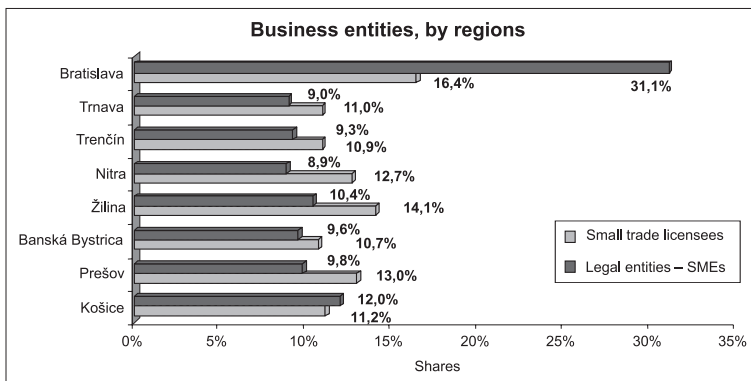
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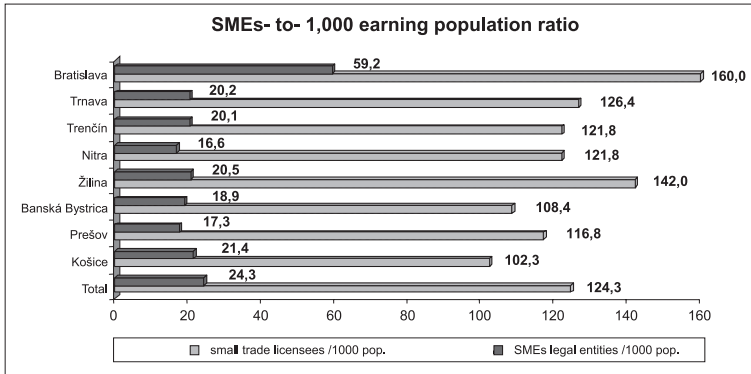
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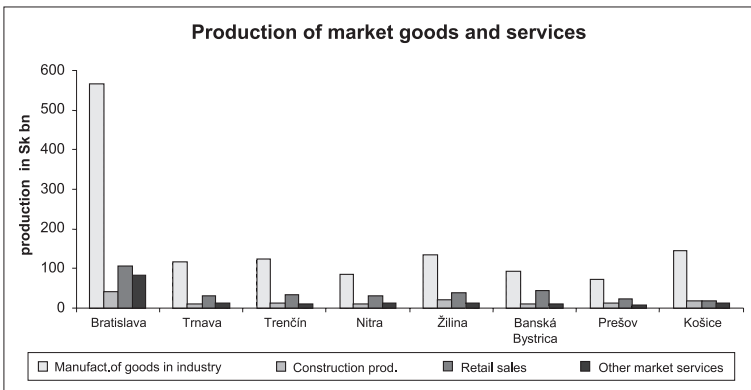
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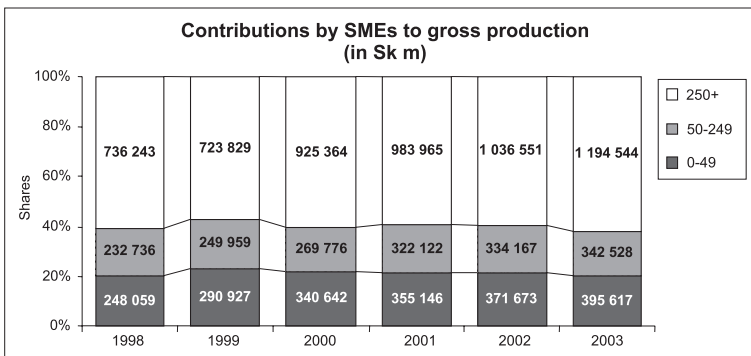
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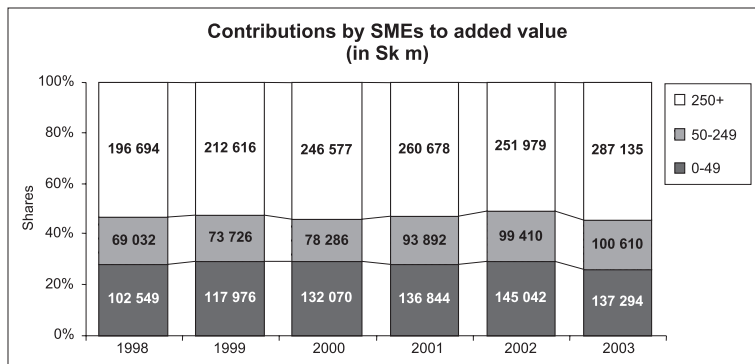
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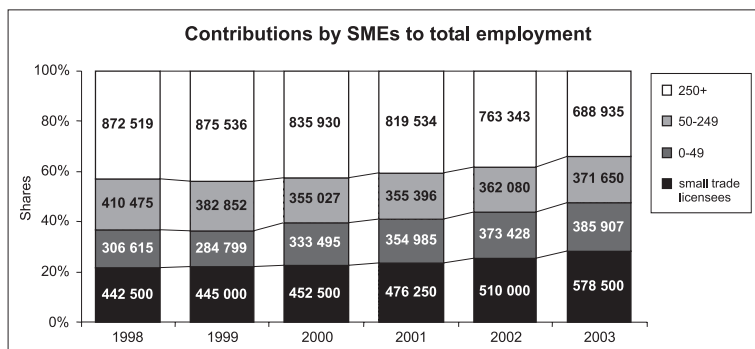
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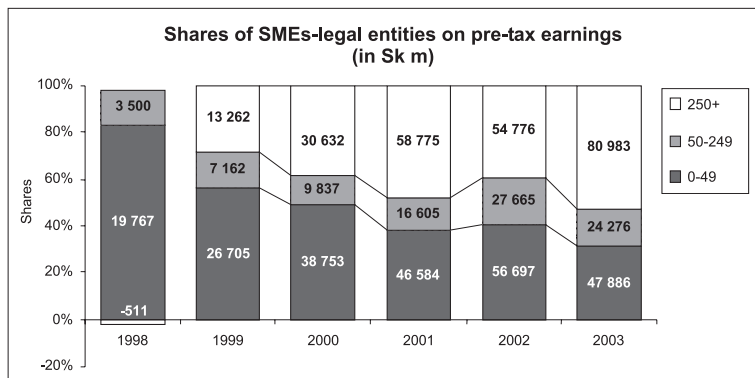
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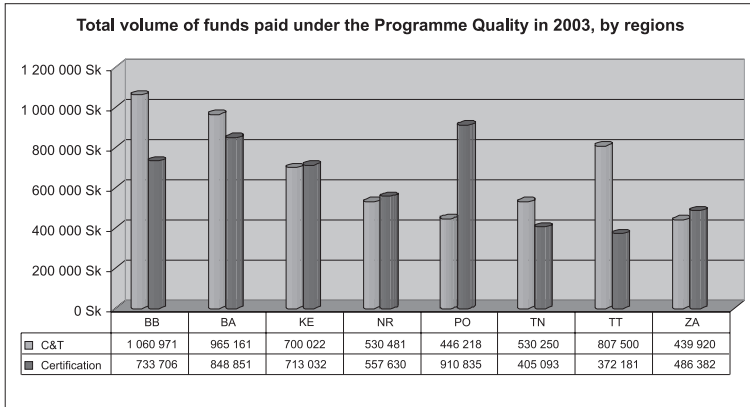
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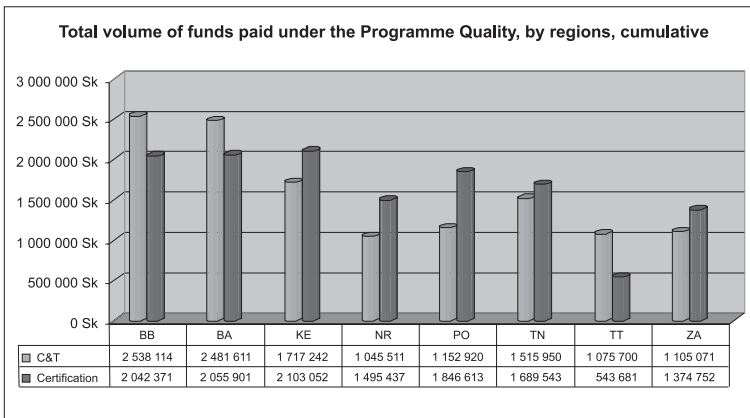
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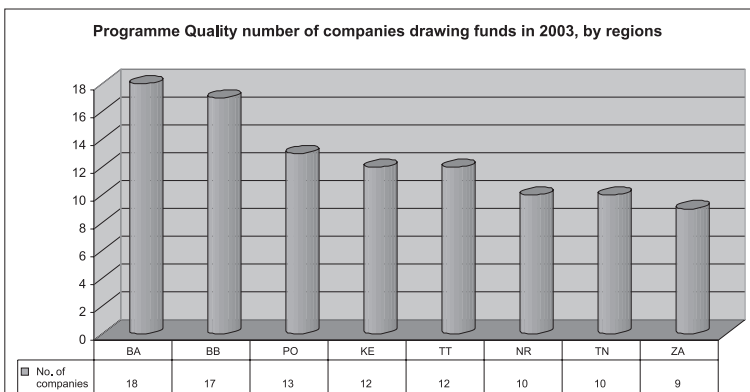
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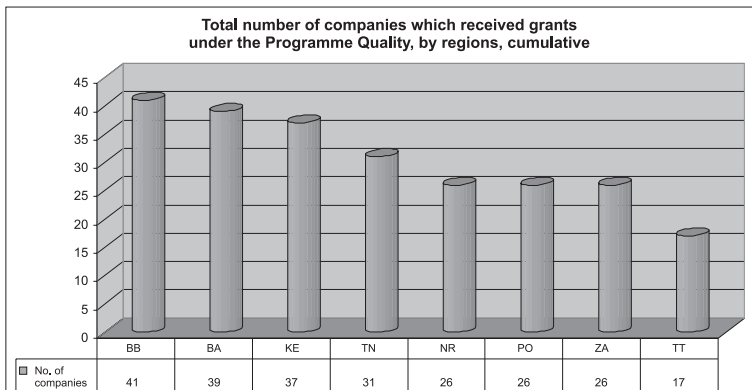
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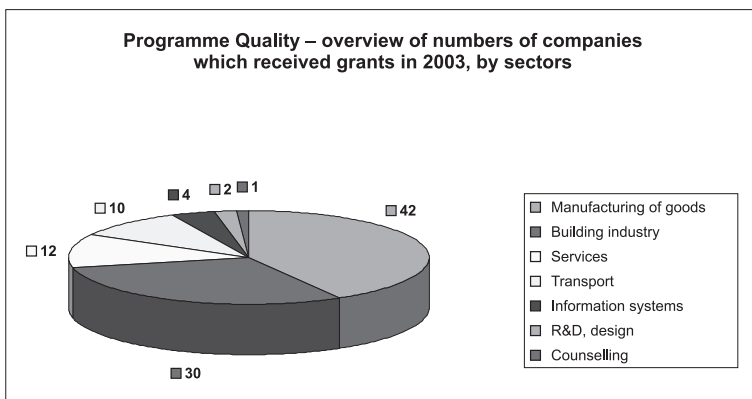
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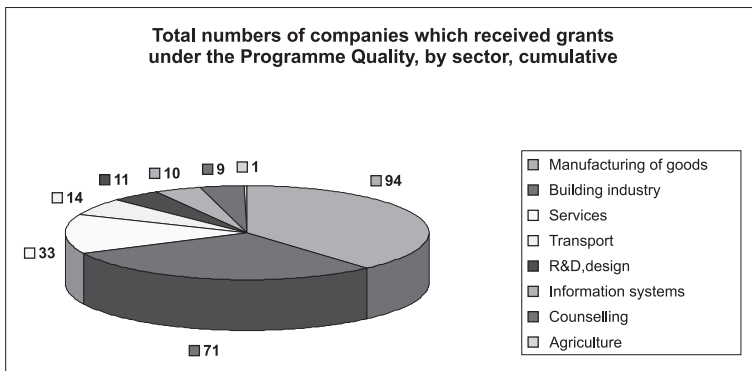
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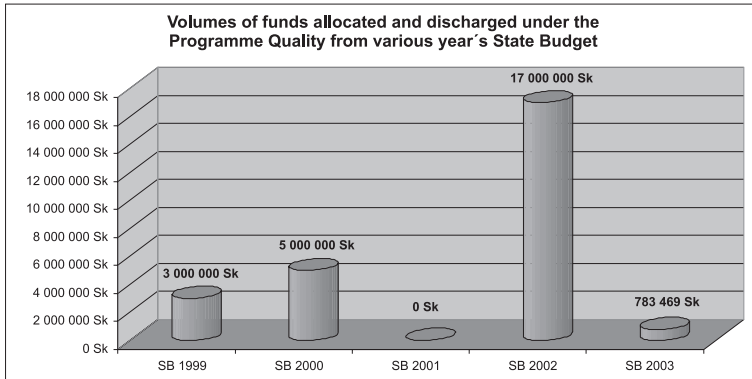
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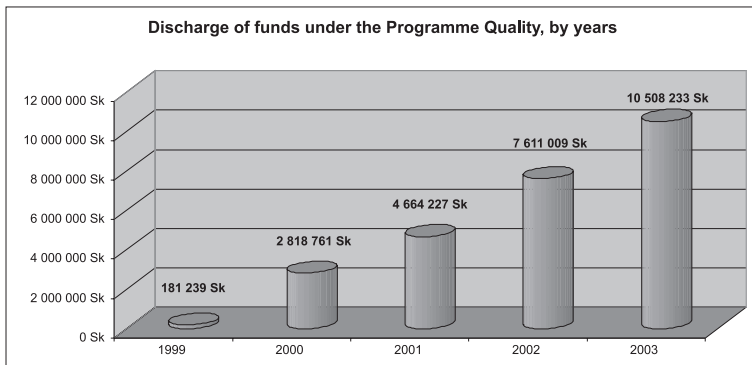
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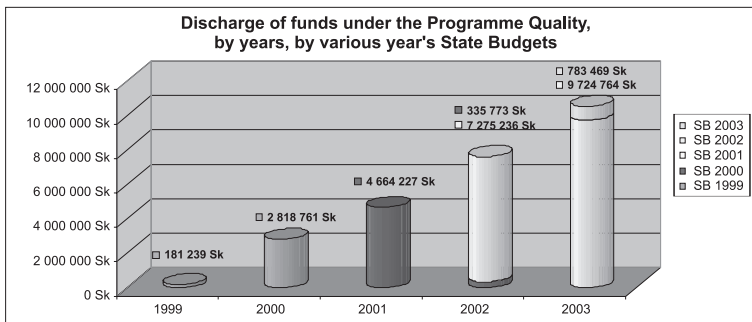
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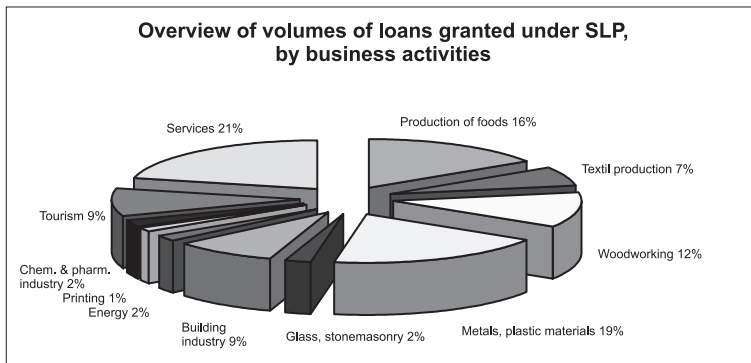
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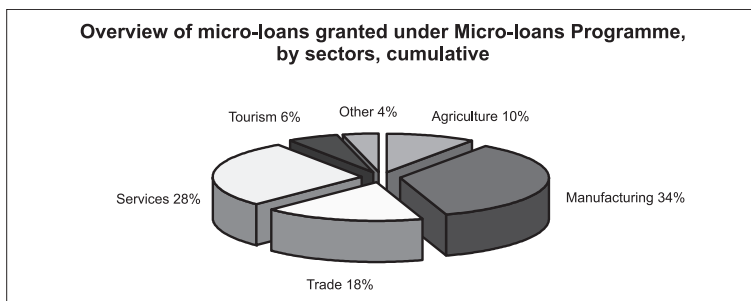
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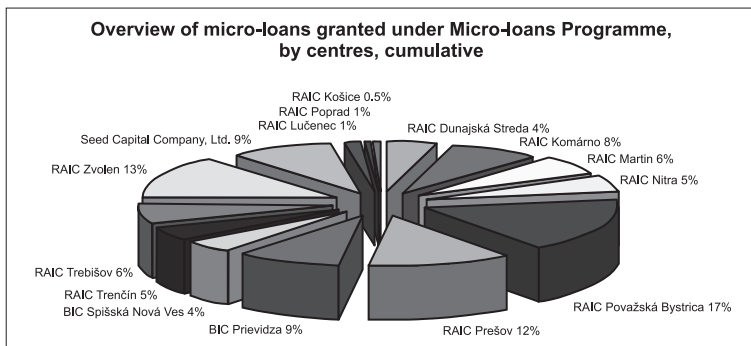
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# **Annexes 2**

**Table 1**  
**Overview of guarantees provided under SZRB guarantee programmes, by regions**

Region	Guarantees provided - cumulative 1991 - 2003		Guarantees provided in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Bratislava	353	1,602,459	16	83,308
Trnava	501	1,755,700	49	220,956
Trenčín	240	805,147	14	91,415
Nitra	781	2,312,068	69	221,847
Žilina	184	777,052	22	145,934
Banská Bystrica	382	1,288,095	55	169,196
Prešov	471	1,311,575	26	64,705
Košice	294	1,043,664	19	82,478
Total	3,206	10,895,760	270	1 079,839

**Table 2**  
**Overview of guarantees provided under SZRB guarantee programmes, by sectors**

Sector	Guarantees provided - cumulative 1991 - 2003		Guarantees provided in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Manufacturing	337	3,037,312	24	301,641
Trade	199	1,183,398	9	66,984
Services	168	574,312	86	119,626
Tourism	79	395,826	7	34,374
Agriculture	2,340	5,025,605	141	487,114
Other	83	679,307	3	70,100
Total	3,206	10,859,760	270	1,079,839

**Table 3**  
**Overview of loans accepted by SZRB, by regions**

Region	Loans accepted - cumulative 1997 - 2003		Loans accepted in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Bratislava	109	1,066,396	32	514,063
Trnava	81	517,775	35	233,126
Trenčín	83	489,986	27	206,165
Nitra	101	573,219	27	174,807
Žilina	99	495,799	33	249,191
Banská Bystrica	174	929,608	45	542,590
Prešov	119	709,638	33	307,588
Košice	103	478,522	27	210,341
Total	869	5,260,943	259	2,437,871

**Table 4**  
**Overview of loans accepted by SZRB, by sectors**

Sector	Loans accepted - cumulative 1997 - 2003		Loans accepted in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Manufacturing	303	2,090,950	75	1,042,641
Trade	159	840,591	39	264,816
Services	63	333,160	17	194,153
Tourism	140	480,042	37	162,750
Agriculture	91	385,848	57	299,489
Other	113	1,130,352	34	474,022
Total	869	5,260,943	259	2,437,871

**Table 5**  
**Overview of classified loans provided by SZRB, as of December 31, 2003 (in ,000 Sk)**

Classified loans	Numbers	Amount	Amount of unpaid principal
Thereof: provided loans	102	828,632	381,218
Thereof: provided guarantees	148	200,914	200,914
Total	250	1,029,546	582,132

**Table 6**  
**Overview of financial grants for SMEs under grant programmes provided by SZRB**

Programme		Tourism	Combined transport	SAD	OZON	Alternative energy sources	ŠTART	EXPORT	DREVO	Others	Total
Applications for financial grants received	Y	249	0	0	0	4	5	0	25	133	416
	C	1,291	5	47	13	19	36	11	52	682	2,156
Financial grants committed	Y	145	0	0	0	4	0	0	18	144	311
	C	836	3	44	9	14	19	0	23	505	1,453
Amount of financial grants committed, 000 Sk	Y	60,432	0	0	0	7,980	0	0	16,313	105,124	189,849
	C	663,266	43,218	53,542	3,405	31,976	17,866	0	24,855	542,526	1,380,654
Amount of financial grants paid, 000 Sk	Y	60,119	0	0	0	7,052	415	0	15,858	128,463	211,907
	C	649,837	30,784	46,286	3,062	21,583	17,508	0	20,340	511,608	1,301,008

Y - year 2003

C - cumulative - since the launching of the programme

**Table 7**  
**Overview of grants committed, provided by SZRB, by regions**

Region	Grants committed - cumulative 1991 - 2003		Grants committed in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Bratislava	155	146,485	25	19,448
Trnava	142	115,603	47	31,037
Trenčín	99	97,844	22	14,075
Nitra	196	193,671	72	45,970
Žilina	229	206,115	36	23,713
Banská Bystrica	244	254,084	41	23,335
Prešov	231	184,598	50	22,660
Košice	157	182,254	18	9,611
Total	1,453	1,380,654	311	189,849

**Table 8**  
**Overview of grants committed, provided by SZRB, by sectors**

Sector	Grants committed - cumulative 1991 - 2003		Grants committed in 2003	
	Numbers	Amount in ,000 Sk	Numbers	Amount in ,000 Sk
Manufacturing	162	347,121	27	32,137
Trade	21	17,481	4	2,874
Services	25	14,008	2	1,156
Tourism	742	576,200	124	52,179
Agriculture	364	245,460	134	90,944
Other	139	180,384	20	10,559
Total	1,453	1,380,654	311	189,849

**Table 9**  
**EXIMBANK - structure of export support**

<b>Support of export, by sectors</b>			
Light industry	39%	12,000,000	9,7%
Electrical engineering	1%	29,771,270	24,1%
Wood processing industry	2%	0	0,0%
Other industries	7%	1,111,111	0,9%
Metallurgical industry	7%	0	0,0%
Chemical industry	18%	8,333,333	6,8%
Food processing industry		3,000,000	2,4%
Building industry	11%	68,815,712	55,8%
Machine industry	16%	274,487	0,2%
<b>Total</b>	<b>100%</b>	<b>123,305,913</b>	<b>100%</b>
<b>Support of export, by regions</b>			
European Union	52%	21,565,503	17,5%
CEFTA	32%	5,861,111	4,8%
OECD		0	0,0%
Former CIS countries	6%	73,689,479	59,8%
South-East Asia	6%	0	0,0%
Others	2%	274,487	0,2%
EFTA	0%	0	0,0%
Far and Middle East	4%	21,915,333	17,8%
<b>Total</b>	<b>101%</b>	<b>123,305,913</b>	<b>100,0%</b>
<b>Support of export, by SITC</b>			
Chemicals		0	0,0%
Beverages and tobacco		0	0,0%
Oils and fats		0	0,0%
Other		8,333,333	6,8%
Foodstuffs		4,111,111	3,3%
Industrial products		68,815,712	55,8%
Machinery and equipment		30,045,757	24,4%
Market products		12,000,000	9,7%
<b>Total</b>		<b>123,305,913</b>	<b>100,0%</b>





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