



State of Small and Medium Enterprises in the Slovak Republic in 2008

Bratislava, 2009

Introduction

Small and medium-sized enterprises (SMEs) in Slovakia comprise a significant part of the economy, similarly as in all the countries with developed market-economy. Small and medium-sized entrepreneurs are a stabilizing force in the economic system and a sector with the greatest potential for growth. Development of SMEs is one of the conditions for a sound economic development of the country.

SMEs have an irreplaceable task in the conditions of the Slovak Republic, mainly in the area of creating jobs and a balanced regional development. SMEs provide job opportunities for more than two thirds of active workforce and produce more than a half of the gross domestic product (GDP). At the same time small and medium-sized entrepreneurs are sensitive to a greater extent to the quality of the business environment. Therefore it is an important task of the Government to improve the business environment systematically that will consequently be reflected in the improvement of their competitiveness in the domestic and European markets.

In spite of the first signs of the global financial and economic crisis in the Slovak economy by the end of the year, we can consider the year 2008 successful from the perspective of small and medium-sized entrepreneurship. We can consider it successful not only from the perspective of achieving good economic results, but also from the perspective of successful handling of the preparations for euro adoption and the completion of majority of projects aimed at SMEs support financed by the programming period 2004-2006 European funds. Despite these positives, several problematic areas persist within the business environment in which the progress is only slowly achieved. It concerns the problematic law enforcement, complicated and often changing legislative adopted without anyone considering its impact on business environment, high administrative barriers of enterprise, high contribution barrier with impact on labour costs and complicated mechanism of contributions payment, persistent practices of clientelism and corruption and the price rise of production inputs. Although a considerable progress in the above mentioned areas was not achieved in 2008, conditions for gradual improvement of the situation were created by adopting several binding documents containing concrete measures and deadlines.

This report is one of the steps being taken that should contribute to optimizing the environment for small and medium-sized enterprises development in the Slovak Republic. Its purpose is to assess what has been achieved and suggest measures for both maintaining positive trends and, in general, enhancing the business environment.

Presented report about the state of SMEs for 2008 contains in its introductory parts the assessment of changes in the business environment in the past year, analysis of the state and development of SMEs and the proposal of recommendations aimed at SMEs sector development. The following parts deal with an assessment of particular instruments of SMEs support according to particular providers.

The assessment of the state, development and support of small and medium-sized enterprises in the past year, which was submitted to the Government of the Slovak Republic by the Economy Ministry of the Slovak Republic in their Report on the State of the Business Environment in the Slovak Republic for 2008, is incorporated in Government of the Slovak Republic Resolution No. 792 of 17 July 2002. Comprehensive material on the state, development and support of small and medium-sized enterprises in the Slovak Republic in 2008 will be published and also used as a database to inform institutions within the European Union, OECD, EEC UNO and when conceiving comparative analyses and various studies.

2. Development of the Business Environment to the Benefit of SMEs Development in 2008

2.1 General Assessment

The quality of the business environment is determining for long-term development of business activity and sustainable increase in economic efficiency and the standards of the inhabitants. Experience from the past years has shown that a systematic establishment of positive changes in the business environment can distinctively accelerate economic development in the medium-term horizon.

The business sector in 2008 has been developing in the conditions of macroeconomic stability, however, after four years of uninterrupted rise in economic growth and employment this trend changed. The dynamics of the gross domestic product growth in comparison to 2007 has been reduced in constant prices by 4 percentage points to 6.4 %, while from the point of particular quarters real growth gradually slowed down from 9.3% in the first quarter to 2.5% in the fourth quarter of 2008.

The business environment in the year 2008 was characterised by preparations of euro adoption and the coming of the first signs of global economic crisis in the Slovak business sector.

The Slovak koruna (Sk) euro changeover on 1 January 2009 meant a completion of the integration into the European Economic and Monetary Union (EEMU) and it has been the most important integration step for Slovakia since it joined the European Union (EU) in 2004. Preparations for Slovak koruna euro changeover on 1 January 2009 took place in all sectors of society, whereas except financial sector, the business sector had a remarkable importance for a smooth course of euro adoption since it played a significant role in currency changeover.

Positive attitude of the business sector towards euro adoption resulted from expected advantages to which we may mainly include reduction of transaction costs

in international trade, price transparency, predictability and higher credibility in relation to foreign partners. The benefits from euro adoption are not the same for all business entities. In general, benefits are the higher, the more is enterprise involved in EU internal market trade, especially with the Eurozone countries. However, for some groups of business entities, the preparation for meeting all the requirements regarding euro adoption meant significant effort and costs investment which were not necessarily balanced with benefits. Globally, we can evaluate the euro adoption preparations positively, since the vast majority of business entities approached the task responsibly.

The first signs of upcoming economic crisis in the Slovak economy occurred in the last quarter of 2008. Problems in the U.S. financial market were known from autumn 2007, when after the price drop in real estate market several kinds of assets covered by mortgage installments were devaluated and the losses of financial institutions, which had these assets in their portfolios, uncovered gradually. Distrust in financial market resulted in financial crisis which showed especially in falling liquidity of the banks. This grew in many cases into insolvency and the need of cash injections by the state to rescue them from bankruptcy. The problems in financial sector, high debt ratio, especially in the American economy, and the uncertainty in further development led to a significant weakening of the demand globally and the transition of the crisis to the real economy. The symptoms of the crisis spread into the real economy in a majority of economically developed countries with unexpected speed and intensity, especially the drop of the economic activity accompanied by the unemployment growth.

The strong sides of the Slovak economy in the time of economic crisis formation was a liquid banking sector with a relatively quality credit portfolio, minimum engagement of the Slovak financial sector into the "toxic" asset investments, small speculation capital in the Slovak Republic, strong economic growth in the past period, relatively low foreign debt level and expected euro adoption from 1 January 2009. The risk factors were especially the high openness of the Slovak economy where foreign demand is a significant growth accelerator, dominant position of the sectors strongly affected by the crisis (automotive industry, electrotechnical industry),

dominant Western Europe orientation on exports and unfavourable development of exchange rates of the neighbouring countries currencies against the euro.

In the statistical data for the third quarter of 2008 the signs of crisis formation were not reflected. Real GDP continued in growing at 6.6% level. Monthly signs, as for sales and industrial production for the third quarter did not show a slowdown either. Employment in the third quarter reached year-over-year growth by 4.5%. The first signs of the crisis influence on the Slovak economy, especially on industry, were shown by October monthly signs, when the industrial production dropped by 4%. In construction sector, as well as in services, sales growth continued. In the fourth quarter of 2009 the drop in dynamics of GDP growth continued, however, in comparison to the same period of the past year in fixed prices GDP yet recorded growth by 2.5%.

In reactions to the first signs of the global financial and economic crisis which appeared in the Slovak Republic in the fourth quarter of 2008, the Government began to prepare and take actions to overcome its impact. These were initially directed towards securing the stability of the financial sector and were later extended to secure the financing of the business sector, reinforcing the demand and sustaining employment, and restricting negative social consequences of the crisis.

The first set of measures to reduce the impact of financial and economic crisis were adopted by the Government on 6 November 2008. On 17 December 2008, the Government adopted an update on anti-crisis measures following the approval of European Economy Recovery Plan (EERP) by the Presidency of the European Council meeting on 12 December 2008. The main objective of the EERP is to stop the economic recession, while the main pillar is to encourage demand and reinforce trust (allocation of 200 billion EUR which represents 1.5% of GDP to encourage demand) and the second pillar are short-term measures to reinforce long-term competitiveness of Europe. Short-term measures mostly tend to secure prospective investments in energy effectiveness, clean technologies, innovation and infrastructure, and create new SMEs financing possibilities, reduce administrative barrier and support employment.

In relation to SMEs, the measures of the first updated set focused especially on speeding up and simplifying the drawing down EU funds, support new job creation, reducing administrative barrier, extending the scope of points of respective contact to all types of business entities, support applied research and increase resources for the SZRB and EXIMBANK to provide loans and guarantee products for SMEs.

These measures were later amended by adopting the second set of measures focused on the employment and the third set of measures in the first quarter of 2009. Majority of the measures were realized in the course of 2009 and that is why they are not evaluated in this report.

From the point of view of SMEs it is necessary to point out one of the adopted measures which was the creating of the Monitoring Committee to the impacts of the economic crisis on entrepreneurs starting its activity in November 2008. Its role is to monitor the development of the financial and economic crises impact on the business sector and propose concrete measures to minimize negative impacts. The members of the Committee are representatives of the Ministry of Economy, the National Bank of Slovakia, the Statistical Office of the Slovak Republic and associations of small and medium-sized entrepreneurs, trade unions and self-governments.

In 2008 the Committee was discussing possible situation solutions based upon the latest information about the economic situation development in Slovakia and in the world, while the proposals with a potential of enforcement in the conditions of the Slovak Republic were further elaborated and submitted by the Ministry of Economy to government debates and later to newly established Council for Economic Crisis.

The Monitoring Committee to the impacts of economic crisis for entrepreneurs is a platform for a broad discussion about the possibilities of improving the situation in the business sector in the period of upcoming economic crisis. Its establishment contributes to dialogue improvement between the Government and SMEs representatives about the current problems, however, considering its purpose and circumstances under which it was established, its activity is aimed only at short-term measures. It is necessary to submit that we still lack the platform for regular and permanent dialogue between the Government and entrepreneurs, reinforcing the

possibilities of representatives of SMEs associations to actively intervene in creating fair conditions for entrepreneurs. Business organizations have been insisting for a long time on the renewing of activities of the SMEs Government Council which existed in the years 1999-2001 as the Government advisory body. Effective problem solution of the business environment requires a wider and more coordinated approach and that is why such body should be interdepartmental or over departmental character and its expert recommendations should be adopted by all the bodies affecting the business environment.

On the basis of expert views of the organizations representing the business sector (Slovak Chamber of Commerce and Industry (SCCI), Chamber of Trades, Slovak Trade Union, Slovak Trade Entrepreneurs Association of Slovakia, Slovak Union of Producer Cooperatives, Slovak Association of Small Enterprises) as well as entrepreneurs' opinions themselves by means of SCCI surveys, in 2008 we can assume the persistence of the business environment problems in the following areas: the problematic law enforcement characteristic for its long-lasting lawsuits without effectivity for the rightful, complicated and often changing legislative adopted without anyone considering its impact on the business environment, high administrative barrier on entrepreneurship and bureaucratic interventions in the business, ineffectiveness of the public sector, insufficient offer of services by e-government, persistent high contribution burden with impact on labour costs, as well as complicated and administratively demanding mechanism of contribution payment and submitting of related documents, persistent practices of clientelism and corruption and the price rise of production inputs (energy, raw materials), which increase costs of the companies and threaten their competitiveness, insufficient resources for starting entrepreneurs, dysfunctional capital market, insufficient dialogue between the Government and SMEs representatives about the current issues and fragmented SMEs support framework.

From the measures, which were adopted or started to be realized in the course of 2008, we positively evaluate the following:

- euro adoption as a national currency in the Slovak Republic
- simplification of the obligation to ensure working health service for some groups of entrepreneurs (sole traders without employees carrying out risk-free job do not have to ensure working health service)

- introduction of employee bonus for the employees with the lowest salaries
- introduction of the deposit protection with 100% guarantee also for smaller companies
- decision about providing resources for the SZRB and EXIMBANK to improve SMEs' access to finance

As the measures with negative impact on the business environment which were adopted or put in action in 2008 from the point of view of the entrepreneurs are considered the following:

- statutory deduction system adjustments – increase in the maximum assessment base for insurance payment in social insurance from 3 to 4 times the average monthly salary of the economy
- tax system adjustments – introduction of the so called millionaire's tax (gradual reduction of tax threshold from the gross monthly income 47,571 Sk to income 79,952 Sk, when the tax threshold is repealed), increasing the degree of solidarity in the tax system
- introduction of a new mechanism for setting minimum wage (sets only the lower limit for minimum wage raising, the upper limit leaves open), in relation to the use of the minimum wage as reference value for setting contribution base
- lowering of the limit for compulsory VAT payer registration to 35,000 EUR
- measures for tightening price regulation (extending the power of the state to regulate the prices of goods and services, establishment of the Price Council of the Slovak Republic and introduction of criminal liability of natural persons for unlawful price fixing)

A great importance for the future policy-making to support SMEs and improving the business environment in Slovakia and all the EU countries has the adoption of the document *Small Business Act for Europe*, which was presented by the European Commission in June 2008 and which was adopted by the EU Council in December 2008. *Small Business Act for Europe* is based on European Tableer for Small Entrepreneurship and Modern SMEs Policy. In order to implement this document successfully, the European Commission proposed a unique form of political partnership between EU and EU Member States, which respects the principles of subsidiarity and proportionality.

The aim of the initiative Small Business Act for Europe is to improve overall policy approach to the business, permanently incorporate the principle “think small first” into the process of policy-making, from regulation to public services, and to support SMEs growth by providing help in dealing with problems which inhibit them in their development. *Small Business Act for Europe* is based on an assumption that the main mean for reaching favourable SMEs environment is the change in entrepreneurs’ role perception and related risk: the business and related risk willingness should be promoted by political leaders and media and encouraged by authorities. Friendly approach to SMEs should become the main policy based on the belief that rules must respect most of those who will use them: it is the principle “Think Small first”. *Small Business Act for Europe* consists of:

- a set of 10 principles which are necessary to be respected when setting rules for SMEs and improving of legal and administrative environment throughout the EU.

Principles are as follows:

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
 2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
 3. Design rules according to the “Think Small First” principle
 4. Make public administrations responsive to SMEs’ needs
 5. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
 6. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
 7. Help SMEs to benefit more from the opportunities offered by the Single Market
 8. Promote the upgrading of skills in SMEs and all forms of innovation
 9. Enable SMEs to turn environmental challenges into opportunities
 10. Encourage and support SMEs to benefit from the growth of markets
- a set of new legislative proposals which are guided by the “Think Small First” principle“:

- General Block Exemption Regulation on State Aid (GBER) – this new regulation will simplify and harmonise all existing rules for SME state aid and increase investment aid intensities for SMEs,
- Regulation providing for a Statute for a European Private Company - statute SPE established by this regulation will enable the company the establishment and management based on the same uniform principles applied in all EU Member States,
- Directive on reduced VAT rates – will offer the option of applying reduced VAT rates principally for locally supplied services, which are mainly provided by SMEs,
- A legislative proposal to further modernise, simplify and harmonise the existing rules on VAT invoicing to alleviate the burden on businesses,
- An amendment to the Directive 2000/35/EC on late payments with a view to ensuring that SMEs are paid on time for any commercial transaction
- a set of new policy measures which implement these 10 principles according to the needs of SMEs both at Community and at Member State level.

The introduction of mandatory assessment of the impacts of adopted legislative on the business environment is the systematic tool, whose wider application has a potential for ensuring a higher quality of legislative, hinders the adoption of rules with a negative impact on the business environment and increases stability of legislative framework for the business activity. The Government of the Slovak Republic approved *The Proposal for Unified Methodology for Assessment of the Selected Impacts* in May 2008 which contains a binding method for evaluating the impacts of adopted legislative on the business environment and which will have to be applied by all departments at submitting the legislative proposals to the Government. The mentioned methodology is at present in the stage of pilot testing, it should be used in full from the second half of 2009.

The Slovak Government approved *The Modernization Programme Slovakia 21* in June 2008, whose aim was to give impetus for modernizing effort and outline a framework for concrete measures in the areas of science and research, education, labour market and the business environment. Within these areas the particular measures are divided into short-term and medium-term, while short-term measures should have been put into practice or at least prepared legislatively by the end of

2008. Medium-term measures were consequently elaborated into action plans and became part of the National Reform Programme of the Slovak Republic which was submitted to the European Commission in October 2008 after being approved by the Government of the Slovak Republic. From the point of view of SMEs and the business environment the most important measures from among short-term measures were more transparent EU funds provision and creating a system for monitoring legislative process and from among medium-term measures, there was the support of knowledge transfer between the academic and the business sector, building of regional innovation centres (RIC), supporting the development of the business skills and acquiring basic knowledge about the business and economy at secondary level, public procurement reform, including e-procurement, tax and customs administration reform, unifying tax collection, obligation and insurance contributions, complex assessment of administrative barrier and barriers in the business and employment, informatization of public administration, development of points of respective contact for entrepreneurs (PSC) and consistent implementation of e-register services and their interconnection.

The problem of excessive administrative barrier, in connection with tax and insurance agenda connected with hiring employees, is pointed out for a long time as one of the most serious sources of the business administrative barrier. The removing of this problem is one of the goals defined in *The Concept of the Tax and Customs Administration Reform with a View to Unifying the Collection of Taxiss, Customs Duties and Insurance Contributions* which was approved in May 2008 by the Government of the Slovak Republic. In the first stage it aims to unite tax and customs administration and create a new, optimal management system and organization of state revenue collection by means of the newly established Financial Administration of the Slovak Republic. Regarding the participation of insurance contribution agenda, the concept of unifying the collection of taxiss, customs duties and insurance contributions should be elaborated by the end of 2009 which proposes concrete procedure for solving the particular area. Early realization of the reform would mean a considerable progress from the point of view of a relief for SMEs from the amount of administrative barriers.

In the following part there is presented an overview with the most important changes adjusting the legislative framework for the business which were approved and were put in force in 2008.

Income Tax

Taxpayers, who submitted their income tax returns in 2008 for the past year, under new rules introduced by **the Act No. 688/2006 Coll. supplementing Act No. 595/2003 Coll. on Income Tax, as amended, and amending other acts** paid the so called "millionaire's tax". From the beginning of 2007 people with superior earnings started to be taxed by the so called millionaire's tax, whose introduction should increase the degree of solidarity in the society. It is a gradual reduction of tax-free amount of the tax base for the taxpayer which is fixed by 19.2 times of the subsistence minimum amount (for 2007 – it was 95,616 Sk) for those taxpayers who reached the tax base higher than 100 times the subsistence minimum (approximately 47,600 Sk).

Minimum Wage

New Act **No. 663/2007 Coll. on Minimum Wage** effective from 1 February 2008 established a new procedure for adjustment of minimum wage emphasizing the negotiations of employers' and employees' representatives and consequently, if no agreement is reached between the social partners, then it is based on negotiations between social partners and the representatives of the Government of the Slovak Republic. At the same time mechanism for calculating monthly minimum wage was established in case that despite social partners negotiations together and social partners with the representatives of the Government of the Slovak Republic would reach no agreement about the adjustment of the monthly minimum wage.

The agreed or the calculated minimum wage amount will be set annually as before – by the Government regulation but for the period from 1 January to 31 December of the calendar year, which means that the date of its adjustment was moved from October to the beginning of the calendar year.

For the period from 1 February to 31 December 2008 was maintained the minimum wage amount, set by the Government regulation effective from 1 October 2007. Minimum wage of 8,100 Sk was effective for 15 months.

Further amendment to the Act on Minimum Wage of 2008, **the Act No. 354/2008 Coll., amending Act No. 663/2007 Coll. on Minimum Wage**, monitored an increase in the participation of the the Government as an equal member of the tripartite at deciding on the amount of minimum wage. The amendment adjusted the minimum wage determination so that the calculated amount was the lower limit for the Government decision about a concrete minimum wage amount. The Act was amended by a regulation that the Government will decide about the minimum wage by 20 October at the latest, taking into account the standpoints of the social partners, criteria development for minimum wage amount adjustment according to § 6, the development of the net minimum wage share on the net average wage at least for the past two calendar years and regarding job productivity development. At the same time dates for the course of negotiations were adjusted, so that enough time would be left for realizing a proper legislative process for preparing the implementing regulation of the Government of the Slovak Republic by which minimum wage amount for the following calendar year will be established.

The Government with its regulation No. 422/2008 Coll. from 15 October 2008 by which it establishes the minimum wage amount, established the minimum wage amount for 2009 for an employee remunerated by monthly wage to 295,50 EUR (8,900 Sk) per month.

Social Insurance

On 1 January 2008 **the Act No. 555/2007 Coll., amending Act No. 461/2003 Coll. on Social Insurance, as amended, and other acts, as amended** entered into force. Realized changes and the Act amendment on social insurance should contribute to a reform of the system of pension insurance with the aim to reach creating of a fair

pension system which will be sustainable and financed in the changing economic conditions with a greater degree of solidarity.

One such principal change was the increase of the maximum base assessment rates for paying insurance for pension insurance, unemployment insurance and insurance for solidarity reserve funds from 3 times to 4 times of average wage in the economy of the Slovak Republic with preserving the current limits on determination the amount of social insurance benefits. According to MLSAF of the Slovak Republic (Ministry of Labour, Social Affairs and Family) the objective was to reinforce the social solidarity of higher income people to finance Social Insurance Funds. It means that the contributions which are paid after 1 January 2008 from the amount exceeding 3 times the average wage are not taken into account when calculating pension or unemployment benefits.

The Amendment Act from January 2008 re-introduced again the compulsory health insurance for the recipients of pensions, early retirement pensions and full disability pensions who are employed or compulsorily health-insured self-employed people who have the right to receive health insurance benefits.

At the same time the amendment act established that the employees and self-employed people who are the subject to compulsory health insurance, will be the subject to the compulsory retirement insurance at the same time. Self-employed people who have the licence to self-employment are acting subject to compulsory health insurance and retirement insurance, from January 2008 pay the premiums for health insurance, pension insurance and insurance to solidarity reserve fund from the real base assessment rate in the period during which they are employed at the same time. The above mentioned refers to experts, interpreters, translators, private physicians, auditors, tax advisors, solicitors, registered architects and civil engineers, insurance agents, insurance intermediaries and reinsurance intermediaries and the like.

Health Insurance

Following the change of minimum wage which was in force from 1 October 2007 and monthly amounted to 8,100 Sk minimum contribution amount for health insurance changed since 1 January 2008. For the purposes of the Act No. 580/2004 Coll. on Health Insurance amending the Act No. 95/2002 Coll. on Insurance, as amended, and other acts, as amended this minimum wage was used from 1 January to 31 December 2008. At the same time the maximum base assessment changed which was 3 times the average wage of the employee in the economy of the Slovak Republic found out by the Statistical Office of the Slovak Republic in 2006.

In 2008, as well as in the past two years, in principle the deadline for the Annual Reconciliation of 2007 Health Insurance were shifted in 3 month-time based on **the Act No. 594/2007 Coll., amending the Act No. 580/2004 Coll. on Health Insurance, as amended and on the amendment of the Act No. 95/2002 Coll. on Insurance, as amended and on other acts, as amended** which entered into force on 1 January 2008 and established binding deadlines for the Annual Reconciliation of Health Insurance in 2008 for the past year. At the same time it narrowed the range of people who were required to submit Annual Reconciliation of Health Insurance to public health insurance, it concerned only those state insured who had incomes based on the agreements performed outside of employment. The Ministry of Health of the Slovak Republic contributed to simplifying, speeding up and improving the process of filing the Annual Reconciliation of Insurance itself, by putting intelligent e-forms for Annual Reconciliation of 2008 Insurance on its website www.rzzp.sk in 2008 which was possible to fill in and after entering personal data and income, the premium calculation displayed to each user.

Local Taxiss

The Act No. 538/2007 Coll., amending the Act No. 582/2004 Coll. on Local Taxiss and Local Fees for Municipal Waste and Minor Construction Waste, as amended (further "the Act on Local Taxiss") in Part 11 the Act amending the motor vehicle tax and introduced advance tax payments quarterly or monthly effective from January

2008 based on their calculated tax estimate for respective tax period for subsequent settlement in the subsequent tax period.

The tax return on the motor vehicle tax was submitted for the first time following these new rules in 2009. Advance payments system of this local tax was supposed to remove the complicated administration of the taxpayers and tax authorities themselves.

Taxpayer, whose calculated tax estimate exceeds 20,000 Sk but not 250,000 Sk is obliged to pay quarterly advance payments in the respective tax period since January 2008 to the extent of one quarter of the calculated tax. Taxpayer whose calculated tax estimate exceeds 250,000 Sk is obliged to pay monthly advance payments in the respective tax period to the extent of one-twelfth of the calculated tax estimate. Taxpayer whose calculated tax estimate is below 20,000 Sk in the respective tax period at one tax authority, as well as a taxpayer whose tax obligation extends in the course of the respective tax period, do not become obliged to make advance payments. The amount of advance payments is not influenced by the change of motor vehicles in number, vehicle category, extension or termination of exemption in the course of the tax period. Tax authority has the possibility from their own initiative or on request of the taxpayer to estimate the tax advance payments in the respective tax period differently as determined by the general rules.

This amendment removed some of the payers's obligations with respect to changes that occur during a tax period (notification obligation, the filing of tax returns upon change of their registered address to a different jurisdiction) and, subsequently simplifies the administration of the motor vehicle tax which is in the competence of tax authorities. During the tax year the taxpayer does not file the tax return but he is obliged to inform about the extension of tax liability to their tax authority within 30 days. Exception from informing obligation have the employers who use the cars of their employees in shortly repeated periods.

In the second part of the Act on Local Taxes amending immovable property tax the provision changed in the way that the tax on lands, buildings and non-residential premises, the tax administrator levies by tax order every year according to the state

by 1 January of a respective tax period and ordered tax is payable within 15 days of the date when the tax order becomes valid.

Investment Aid

The new Act No. 561/2007 Coll. on Investment Aid, as amended, and other acts, as amended, equalizes domestic and foreign investors, the process of state aid provision became more transparent by maintaining continuity for support of investments according to adopted Rules for the Granting of Individual State Aid to Investors to the greatest degree with respect to new conditions and criteria for granting state aid defined by the EC for the following period 2007-2013. The key principle of transparency rules according to a legal norm forms investment motivation in less advanced regions and in projects with a high value added. Investment aid following the Act is possible to grant to an entrepreneur since January 2008 to support their initial investments and creating new jobs which are directly related to this initial investment. Conditions and limits for granting particular forms of investment aid are differentially regulated in the Act, according to the branch and region, by preserving the principle of higher degree in aiding project with a higher degree of sophistication and added value in less developed regions.

The Act No. 561/2007 Coll. on Investment Aid, as amended, and other acts, as amended, the Act on Employment Services and the Act on Income Tax were amended and came to force since 1 January 2008.

In the Act No. 5/2004 Coll. on Employment Services, as amended, and other acts, as amended, § 54 paragraph 2 letter h shall be added) with active measures on the labour market, investment aid approved by the Government of the Slovak Republic or Commission by form of a grant to create new jobs provided by job centre by means and on conditions established by a specific contract between job centre and recipient of the investment aid. Thus a new active policy tool of labour market has been created to support creating jobs which directly relates to the initial employer investment whose investment aid was approved.

In the Act No. 595/2003 Coll. on Income Tax, as amended, was added a new § 30a, which amends the tax relief conditions for a taxpayer who was issued a resolution approving investment aid containing tax relief. According to this regulation it is possible to provide tax relief only in case that taxpayer fulfils the conditions stated in the Act on Investment Aid at the same time (resolution approving investment aid) and specific conditions and they do not claim other tax relieves.

Social Fund

According to the Act No. **591/2007 Coll., amending the Act of the National Council of the Slovak Republic No. 152/1994 Coll. on Social Fund** amending the Act No. 286/1992 Coll. on Income Tax, as amended, from 1 January 2008 the forming of the fund is bound to a day agreed for a pay day for the employees in the way, that the transfer of financial means to a particular analytic fund account or to the account in a bank or in a branch of a foreign bank must be realized within 5 days after the day agreed for a pay day, at the latest by the end of the calendar month. At the same time deadline was shifted in one month forward until which the employer reconciles the fund's means for the past calendar month (to the latest by 31 January, originally by the end of February)

Consumption Tax

Since 1 July 2008 by the Act No. **609/2007 Coll. on Consumption Tax on Electricity, Coal and Natural Gas amending** the Act No. 98/2004 Coll. on Consumption Tax on Mineral Oil, as amended (further "the Act 609/2007 Coll.") tax was imposed on electricity and coal which were not the subject to taxation till then in the Slovak Republic. At the same time as we read in the Act in Article 2 the regulation of the Act No. 98/2004 Coll. on Consumption Tax on Mineral Oil was amended and in connection with the transfer on natural gas as the tax subject from the quoted Act as the tax subject to a new Act No. 609/2007 Coll.

Tax debtor, the person who pays tax is a legal or natural person who supplied electricity, coal or natural gas for final consumption, or a person who consumed electricity, coal or natural gas. Tax debtor is obliged to ask customs office in writing for tax debtor registration the latest by the date of the first tax obligation.

Registration obligation does not relate to natural person who is the final electricity, coal and natural gas consumer in the household, which means that they buy electricity, coal or natural gas for their own household consumption.

Registration obligation also does not relate to legal or natural person who produces or consumes electricity, if their total installed capacity of the equipment for electricity production does not exceed 5MW and in case of the electricity is produced from the evidently taxed mineral oil, coal or natural gas.

Eligible consumer is a legal or natural person eligible to use electricity, coal or natural gas tax-free for this purpose and who must ask for registration and issuing of permission for electricity consumption, coal or natural gas freed from tax.

Value Added Tax Act

Books, brochures, leaflets, and the similar printed products are taxed **under the Act No. 593/2007 Coll. amending the Act No. 222/2004 Coll., on Value Added Tax**, as amended from the beginning of 2008 by 10% tax rate from Value Added Tax (VAT). This step should revive book market which after establishing of the basic 19% VAT became inaccessible for certain groups of people. The range of goods spread from January 2008 being taxed by the state at a reduced tax rate by 10%.

VAT rate in Slovakia was unified to 19% since the agreement of Slovakia entering the EU was put in force (on 1 May 2004), however, since 1 January 2007 a reduced tax rate was introduced again for medications and selected medical goods.

Occupational Health Service

To reduce costs for the employers who employ less than 19 employees and do not perform any risk jobs (jobs in the categories 1 and 2) the Act on Occupational Safety and Health Protection was amended and put in force since 1 May 2008 by **the Act No. 140/2008 Coll., amending the Act No. 124/2006 Coll., on Occupational Safety and Health Protection**, as amended, and other acts, as amended, amending the Act No. 309/2007 Coll. and the Act No. 355/2007 Coll. on the Protection, Support and Development of Public Health, as amended and on the amendment of some Acts with new regulations. The tasks of the occupational health service relating to work environment supervision can be performed only by a doctor alone (with a specialization on occupational medicine or preventive occupational medicine and toxicology or health services at work or public health) or by an assistant alone (with a University degree in public health or higher education in specialization diploma assistant of hygiene and epidemiology) with a specialization occupational health and with whom the employer signed a contract or has similar working relationship.

It means that such an employer does not have to have contract with a team of the occupational health service, but only with a doctor or an assistant who have the intended specialization. Unlike employers, legal person – entrepreneur who does not employ other natural persons (self-employed person, or sole trader who does not employ other natural persons) according to the Act No. 124/2006 Coll., they do not have to ensure occupational health service at all.

Electronic Cash Registers

Due to the current use of such cash registers which do not contain technical means to prevent illegal manipulation with the cash register by entrepreneurs and adjustments to already recorded takings in the register, the Ministry of Finance of the Slovak Republic came to elaboration of a new **Act No. 289/2008 Coll., on the Use of Electronic Cash Registers amending the Act of the National Council of the Slovak Republic No. 511/1992 Coll. on Tax and Fees Administration, and on amendments in the System of Territorial Revenue Authorities, in wording of later regulations.**

It was put in force on 1 September 2008, except several regulations which were put in force on 1 March 2009. To this date was cancelled the Regulation of the Ministry of Finance of the Slovak Republic No. 55/1994 Coll. on the manner of keeping a register of takings by an electronic cash register as later amended. This Act amends the record of takings by a cash register based on the new technical principles and assumes a significant limiting of the possibility of cuts in takings. At the same time the Act amends conditions for the activity of service organizations which can perform repairs and maintenance of the cash registers only in the case, when they are registered in the service organization register run by the local tax authorities and Central Tax Directorate of the Slovak Republic.

According to this new Act, employer can use only such cash register to which was issued a certificate and it has a cash register assigned tax code. The cash register is marked with a seal and meets the technical requirements established by the special regulations which at the same time ensure that the data about recorded takings would not be able to change, or such manipulation would be detectable.

Provision of the Act No. 289/2008 Coll. relate to an employer who sells goods or provides a service listed in Appendix No.1 of the cited Act while the range of services in comparison to the legislative in force till 28 February 2009 remains essentially preserved. It means that by the force of the Act No. 289/2008 Coll. from 1 March 2009 are subject to electronic cash register in principle those services which did not subject to it before the cited Act according to the Regulation No. 55/1994 Coll. on the manner of keeping a register of takings by an electronic cash register as later amended was put in force.

In accordance with the transitional provision of the Act No. 289/2008 Coll. the employer who has the obligation to use an electronic cash register for recording their takings can use it according to the Regulation No. 55/1994 Coll., the latest by 31 December 2010.

The mode of the Regulation No. 55/1994 Coll. concerns all the entrepreneurs who had used electronic cash registers before 1 March 2009 as well as those who have used it so far, or will start using it after 1 March 2009, at the latest by 31 December

2010. Entrepreneurs can choose from 1 March 2009 to 31 December 2010 if they proceed according to the Regulation No. 55/1994 Coll., or by the Act No. 289/2008 Coll. The entrepreneurs will have the obligation to use electronic cash register which meets the technical requirements and parameters according to the Act No. 289/2008 Coll. from 1 January 2011.

On 1 October 2008 was put in force the Regulation of the Ministry of Finance of the Slovak Republic under No. **371/2008 Coll., amending the Regulation of the Ministry of Finance of the Slovak Republic No. 55/1994 Coll. on the Manner of Keeping a Register of Takings by an Electronic Cash Register** as later amended.

The amendment of the Regulation introduced new wording of § 1 paragraph 2, according to which a subject can use only such type of a cash register which has an issued declaration by its manufacturer, representative or importer in accordance with the technical regulations and a certificate issued by accredited person about meeting the requirements of this Regulation.

Introduction of the Euro currency

Measures and procedures related to the preparation for introducing and to the introduction of Euro in the Slovak Republic as the only legal money, single currency and monetary unit according to legally binding instruments of the European Communities were regulated by the Act No. **659/2007 Coll. on the Introduction of the Euro in the Slovak Republic, as amended, and other acts, as amended**. The Act was put in force on 1 January 2008, although the key provisions of this Act were really applied since the determination of conversion rate in July 2008 and mainly since the date of the introduction of Euro currency in the Slovak Republic, or they were put in force since the date of Euro introduction in the Slovak Republic on 1 January.

The aim of the so called General Act was to secure organized and continuous process while changing the legal money and monetary unit in the Slovak Republic because of the changeover of the Slovak currency to Euro, prevent inflation rise due to Euro changeover, secure at Euro changeover protection of economic interests of

the citizens and consumers, preserve continuity of the existing legal relationships and reach price neutrality at the changeover and currency conversions, prices and other financial and assets from the Slovak currency to Euro, as well as enable natural and legal persons gradually prepare and adapt to the assessment of the fair income value, expenditures, prices, payments and living costs in Euro based on the dual display of the prices, payments and other values.

The changeover of the Slovak currency to Euro has brought about certain obligations not only for entrepreneurs and public power authorities and other subjects, but also for all the citizens. Legal persons and entrepreneurs had to prepare from 2008 and carry out measures, rules and procedures by which they had to ensure continuous and uninterrupted changeover to Euro while performing their duties and gradually prepare and adapt to assessment of the fair income value, expenditures, prices, payments and living costs in Euros based on the dual display of the prices, payments and other values.

Among the most important responsibilities determined by the General Act on the Introduction of the Euro and which the entrepreneurs had to perform, mainly belonged the following:

- To secure exact comparability of financial data kept by 2008 in Slovak koruna and since 2009 in Euro, all the values had to be converted using the official conversion rate. Part of the conversion of all assets and commitments to Euro was the conversion of capital, shares and stocks. On the date of conversion rate determination in July 2008 a legal person who had contributions to capital or capital denominated in Slovak currency, could make a decision about changing the nominal value of deposits in capital and capital from Slovak currency to Euro. To perform the actual changeover, conversion and rounding the nominal values of the capital of legal persons and nominal values of deposits in capital (capital shares) of legal persons – companies and cooperatives, including the nominal value of shares, in the case of stock company, from the Slovak currency to Euro the entrepreneurs had the obligation to perform it in accordance with applicable provisions of the General Act on Euro and Regulation of the Ministry of Justice on rules and procedures for the changeover of the nominal value of deposits to capital and registered capital from

koruna to euro within one year after the date of introduction of the euro at the latest, that is by 31 December 2009.

- In effort to lighten register courts, as well as the entrepreneurs from excessive administrative barrier, the Act from 6 November 2008 No. **477/2008 Coll. regulating and amending the acts within The Ministry of Justice of the Slovak Republic and within the Civil law in connection with the Introduction of Euro Currency in the Slovak Republic** in the Article 11 was amended the Act in the Act No. 530/2003 Coll. on the Commercial Register as amended and on the amendment of other Acts. According to a new amended provision § 12a the obligation to perform conversion of the nominal value of the deposits in capital can be met by a person registered with the Commercial Register by expressing a written consent without reservation to the method of calculation which was carried out and said in a statement from the register of a commercial court. This new provision established a new alternative which does not replace existing possibilities for changeover, it only adds a new option which is from the existing possibilities administratively the easiest for both entrepreneurs as well as register courts. Just a mere consent of the entrepreneur and non-binding data in euro became binding. After such approval it is not necessary to deliver the resolution and the entrepreneur will find a binding data on the Internet on the Commercial Register website.

- A month after the date of the conversion rate determination, on 8 August 2008 and by the end of 2009, the business sector was obliged to display the prices of the goods and services, payments and other values dual – at the same time in koruna and euro. It was necessary to prepare information systems for this purpose in order to be able to display the necessary information and consequently being able to work in the euro environment from 1 January 2009.

- Traders who employ 5 or less employees, however, do not have to dual display the prices on each product. It is enough, if they list the prices in koruna and euro in the price list which they will place on a visible and well accessible place in the store. This resulted from the Regulation of the Ministry of Economy of the Slovak Republic No. 97/2008 Coll. on Particulars of Dual Display of Prices in the Area of Consumer Protection which was put in force on 27 March 2008.

- The obligation of dual display of the total final amount on the cash register receipt applies to all subjects. The cash register receipt does not have to display exchange rate by the Act No. 659/2007 Coll. on the Introduction of the Euro Currency in the Slovak Republic, as amended, and other acts, as amended, however, it has to be displayed in the place for dual display.

- By the date which directly preceded the date of the introduction of the euro currency (that is by 31 December 2008) all accounting entities who were not obliged to compile the proper annual financial statements were obliged to compile interim financial statements, including inventory. This provision was part of the **Act No. 465/2008 Coll., as amended, and other acts, as amended, in the scope of the Ministry of Finance of the Slovak Republic in connection with the Introduction of the Euro Currency in the Slovak Republic** by which was amended in Article 1 the Act No. **431/2002 Coll. on Accounting, as amended**, which was elaborated subsequently on the Act No. 659/2007 Coll. on the Introduction of the Euro Currency in the Slovak Republic, as amended, and on the amendments of other Acts.

- A thorough preparation was necessary for euroconversion. The first steps had to be done by the traders well before the start of the dual circulation period by frontloading of a sufficient amount of euronotes and euro coins. Frontloading was important in order to be able to secure their activity from the very first day of the validity of the new currency. It required monitoring of the cash flow volumes in Slovak koruna at the turn of the years and preparing a strategy of frontloading by euro cash for the first days in January 2009.

- In the period of the so called dual cash circulation, that is from 1 January 2009 to 16 January 2009 when it was possible to pay by both currencies – Slovak koruna and Euro – mainly traders had to be prepared to receive payments in two parallel currencies. However, in the period of dual circulation they were allowed to give back the change exclusively in the euro.

- One of the basic principles applied at the changeover preparation and changeover from the Slovak currency to Euro was that every business entity had to bear costs

and expenditures related to the introduction of the eurocurrency. The introduction of the euro currency was not allowed to be the reason for price rise, including unit prices and fees not even for one-time charges which were spent on the successful introduction of euro in the Slovak Republic.

Prices

On 1 November 2008 the amendment of the Act on Prices came into force, the Act No. **382/2008 Coll. amending the Act of the National Council of the Slovak Republic No. 18/1996 Coll. on Prices, as amended**, and which amends the Act No. 608/2003 Coll. on State Administration for Urban Planning, Construction Order and Housing as amended the Act No. 50/1976 Coll. on Urban Planning and Construction Order (Construction Act), as amended, which reacts to the risks of potential unwarranted price increase and goods in the market, particularly in connection with the introduction of euro currency on 1 January 2009. The amendment enabled in justifiable case to proceed to the price regulation by pricing authorities, some state authorities will be able to determine prices directly. However, a detailed analysis must precede such decision and assessment of the causes of the price increase. According to the views of both the consumers as well as the entrepreneurs under threat of such act, most of the traders increased the prices of their products and services before the date of the introduction of euro currency in the Slovak Republic.

The Deposit Protection

Natural persons, the business associations as well as smaller companies deposits in banks are protected by the state in full without any participation of depositors.

It emerged from the Act No. **421/2008 Coll. amending the Act of the National Council of the Slovak Republic No. 118/1996 Coll. on the Protection of Bank Deposit**, as amended, and other acts, as amended, which the Parliament adopted as a reaction to a negative development in the world financial markets as a result of the world financial crisis.

By 24 October 2008 when the Act was promulgated and came into force at the same time, deposits in the bank were protected up to 90%, but maximum up to the amount equal to the conversion of 20,000 EUR in Slovak koruna (602,520 Sk) with 10% participation of the depositor.

Further there are listed the most important legislative changes which were approved in 2008 but came into force in 2009.

VAT

An important legislative change which particularly affected small businesses and which could bring a new obligation to their business activity, was carried out by the **Act No. 465/2008 Coll., as amended, and other acts, as amended in the scope of the Ministry of Finance of the Slovak Republic in connection with the Introduction of the Euro Currency in the Slovak Republic**, in the Article 3 amending the Act No. 222/2004 Coll. on the Value Added Tax, as amended. By this amendment on the Value Added Tax a turnover was established from 1 January 2009 for the registration of taxable persons according to the Article 287 by Council Directive 2006/112/EC on the common system of value added tax up to 35,000 EUR (1,054,410 Sk) (turnover valid through 31 December 2008 was 49,790.88 EUR – 1,500,000 Sk). Taxable person who had turnovers before 1 January 2009 and did not reach a turnover of 49,790.88 EUR (1,500,000 Sk) by the end of December 2008, for the assessment of the registration requirement according to the turnover achieved by 31 January or later, counted in the turnover 35,000 EUR (1,054,410 Sk) also the turnover which was achieved in the calendar months of 2008.

After half a year of applying of this reduced limit by indirect amendment of the Act on Value Added Tax, the turnover increased to a taxpayer registration to such extent, that it was preserved the turnover valid through 31 December 2008, that is 49,790 EUR (1,499,973.54 Sk).

Increasing the VAT registration threshold should create more favourable conditions for small and medium-sized entrepreneurs to overcome the crisis by

lowering the administrative barrier and by more favourable conditions for better implementation of by them delivered goods and services to the market. At the same time it enabled the registration cancellation for those entities, which have already registered after 1 January 2009 according to their new turnover.

Reporting Obligation under the Foreign Exchange Act

On 16 December 2008 the National Bank of Slovakia approved **the Decree of NBS No. 634/2008 Coll. on Reporting under the Foreign Exchange Act** from January 2009, by which from 2009 reporting obligation of the residents – entrepreneurs and the branch of foreigners inland about opening an account and balance abroad has been cancelled. The value of foreign assets and liabilities at which extended a reporting obligation has risen from 20,000,000 Sk (663,878.38 EUR) and more up to 700,000 EUR (21,088,200 Sk) and more.

2.2 Research on Entrepreneurs Attitudes to the Actions of the Government, Higher Territorial Unites (HTU) and Cities to promote the Business in Slovakia

National Agency for Development of Small and Medium-sized Enterprises in cooperation with the MVK Agency held a representative study of attitudes of entrepreneurs to the steps being taken by the Government, HTU and cities to promote the business in Slovakia. Area phase of the survey was conducted in December 2008 by external collaborators of MVK Agency – interviewers, using standardized interview technique. A representative sample was created by stratified sampling from the Register of Organizations of the Slovak Republic Statistical Office. In processing the survey results were used 363 cast questionnaires.

The goal of the survey was to examine the mood of entrepreneurs according to arrangements of the Government, HTU and cities to promote the business in Slovakia. Intermediate targets of the survey were to

- Identify entrepreneurs satisfaction with the overall business conditions in Slovakia;
- Identify obstacles to the business development;
- Map the views of entrepreneurs on individual institutions affecting the business conditions;
- Identify preferred measures to promote the business and job creation;
- Describe the factors causing negative views on the business in public opinion;
- Examine the anticipated impact of the economic crisis on the business sector;
- Assess the expected development of economic indicators of companies in the coming years.

Satisfaction with the overall business conditions in Slovakia

- Satisfaction with current business conditions in Slovakia said nearly two fifths (38.6%) of the contacted businesses. Dissatisfied is more than one quarter (28.6%), the rest expressed their assessment in the middle range (happy/unhappy about half and half).
- More than one third (34.2%) of respondents in the survey expressed satisfaction

with how the business conditions changed in the SR over the last 3 years. The development led to overall dissatisfaction for virtually identical large group of entrepreneurs (34.1%) vice versa.

Obstacles to the functioning and growth of the business

- Issues around the ownership of the land settlement identified as an obstacle to their business less than one fifth (18.2%) of participants in research. Conversely, no or only a slight obstacle is it seen by more than three fifths (62.5%) of respondents.
- Similarly to the land issues, infrastructure was considered as a serious obstacle to their business by less respondents than those to whom it is causing problems: more than three fifths (62.2%) of respondents do not see it as an obstacle compared with less than one third (30.3%).
- Lack of quality workforce is a barrier in the business for almost one half (44.4%) survey participants. The slightly more participants (53.4%) were those whom lack of skilled workers does not cause more serious problems.
- The business funding options is experienced as a problem for almost three fifths (59.2%) of respondents. For the remaining nearly two fifths (39.9%) contacted businesses obtaining funds is only moderate or even no obstacle.
- Asked whether the tax burden represents a significant obstacle in the business, almost three quarters (71.9%) participants in research responded positively, while others (28.1%) it do not consider as serious problem.
- Levy burdens pose a serious or even critical obstacle for more than four fifths (81.3%) of interviewed entrepreneurs. Relatively less problematic is it for less than one fifth (18.2%) of respondents, and this ratio places it in the first place among the current barriers to the business.
- Miscellaneous fees associated with the business were identified as a major obstacle to more than two thirds (68.0%) of recipients of this research. Almost one third (31.2%) of them does not consider charges as a serious obstacle.
- Instability and ambiguity of the laws were comparatively to charges included by respondents to the most serious in the category of the business barriers: two thirds (67.5%) of them consider frequent changes in laws and their "rubber" interpretation as a crucial, respectively serious obstacle. Opposite experience declared less than one third (29.8%) of respondents.

- Unpredictability factor induced by the Government policy is according the assessment of respondents' answers placed between the middle respectively minor factors. It is felt as a significant obstacle by two fifths (42.1%) of participants in research, while less serious or completely non-problematic is for more than one half (53.7%) of respondents.
- The same category of severity as political turbulence in the research was given by recipients to inflation factor. The ratio of those who are considering inflation a serious problem, and those who manage it without major problems, it is 1:1 (48.2% to 48.2%).
- Respondents included the conversion rate to the least important barrier, also because of the impact of the upcoming transition to the single European currency - the euro. It seriously hindered to less than one third (30.0%) of participants in research, while for more than three fifths (62.5%) of them it did not cause a significant barrier to their business activities.
- Judicial delays and law enforcement is a serious and decisive obstacle for more than one half (55.9%) of respondents, while less than one third (32.2%) is hampered only slightly or not at all.
- Bribery is a serious or critical barrier to almost three fifths (59.5%) of respondents in the survey, while one third (32.3%) of them it does not consider as such – it impedes them only slightly or not at all.
- Mafia practices, blackmail and other manifestations of organized crime are categorized as moderately important – even so, it displeases lives of more than two fifths (43.3%) of respondents. Only slightly fewer (39.1%) respondents successfully avoid this inconvenience, respectively do not designate it as a significant problem of their business.
- Restricting access to markets and other activities are perceived as a major obstacle to their business by two fifths to one half (44.9%) of respondents. Around the same (44.1%) is the proportion of those who experience limiting competition slightly or not at all.

Innovation policy, creating the conditions and support for innovation

- In responses prevails dissatisfaction with innovative policies and creating an environment and support for the innovations. It was expressed by more than one half (53.8%) of participants in research. Satisfaction in this area was declared by

more than one third (36.9%) of respondents.

The contribution of institutions to create favourable conditions for the business

- Nearly one half (49.8%) of respondents expressed the belief that the Government creates favourable conditions for businesses. Only slightly fewer (46.3%) respondents disagree.
- Attitudes to the contribution of the National Council on creating favourable conditions for the business nearly replicate the assessment of the Government: the share of positive assessment (47.1%) is almost the same as the proportion of opposite views (48.2%).
- More than one half (52.4%) of the entire survey sample believed that police have a positive contribution to the sector of the economy. Reverse rating given more than one quarter (27.0%) of respondents.
- Only slightly more than one fifth (22.6%) of research participants took the view that the courts have a positive impact on the business environment, while the opposite opinion declared more than three fifths (60.6%) of respondents.
- Regional and district offices as local government institutions were acknowledged by almost one half (49.1%) of interviewed as beneficial in terms of creating conditions for the business. Fewer (44.7%) had worse experiences and expressed their negative assessment of the local government.
- The role of institutions of higher territorial units to create conditions for the business deems almost the same proportion of respondents as a positive (44.0%) as are represented in the sample receiving a negative assessment (45.2%).
- Nearly three fifths (57.6%) of recipients expressed the belief of the positive impact of municipal and local authorities on the business environment. There is of course also the opposite assessment represented by more than one third (36.3%) of respondents.
- Nearly one half (49.0%) of them identified the Office for Network Industries, Telecommunications Authority and other regulators as independent entities that have a positive impact on the business terms. There is therefore a significant majority comparing with those who take the opposite view and in the sample create more than one third (36.3%) of respondents.
- Approximately one half (49.6%) of the entire sample considered professional associations as beneficial, the opposite view is just under one quarter (23.4%) of

respondents.

- Over one half (51.5%) respondents feels satisfied about influencing the business conditions from the European Union, while dissatisfied is a part of recipients just under one quarter (22.8%).

Pressure from institutions to unnecessary personal visits of entrepreneurs

- Research participants include tax authorities in the Trinity institutions, most forcing entrepreneurs to visit them too often because of unnecessary bureaucracy. This negative experience with tax authorities have expressed nearly three fifths (56.2%) of respondents.
- Nearly one quarter (24.2%) of respondents considered the enforcement of personal visits by customs administration as unnecessary.
- Social Insurance Agency has the worst reputation for research participants in terms of enforcement of unnecessary personal visits. It is based on the negative experience of more than three fifths (62.8%) of respondents.
- Health insurance institutions complete the trio of institutions with which the respondents experienced the worst in terms of enforcement visits. It reflects almost three fifths (56.7%) of participants in research.
- Visits to the Registry of the courts are not among the regular duties of entrepreneurs, therefore only one sixth (16.8%) of them identified them as bureaucratic enforcement of personal visits.
- Regional and district offices on the basis of research are among those institutions, which require relatively less personal visits to businesses. Negative experiences in this direction have only one fifth (21.5%) of respondents.
- Unnecessary visits required by offices of higher territorial units, are among the rare. In the sample had negative experiences with them has only more than one sixth of them.
- Local government also belong to non-enforcement institutions according to frequency of unnecessary personal visits to businesses, but considered among local and regional operators, respondents face with them relatively frequently. Bad experience declared more than one quarter (28.9%) of the sample.
- Personal visits to the Statistical Office are non-typical forms of communication with the entrepreneurs. Nevertheless, almost one quarter (23.7%) of the sample examined that they are disproportionately often required.

- The largest uncertainties were in the assessment of institutions providing subsidies. More than one quarter (28.7%) of respondents could not consider whether unnecessary visits are enforced or not. Almost the same proportion (26.7%) believes they are.

Pressure of institutions to entrepreneurs through excessive reporting

- As in the enforcement of unnecessary personal visits, also from the perspective of "paper" bureaucracy, the tax authorities are between the first three of sinners complicating entrepreneur's life through excessive reporting. The frequency, scope and complexity of required reports are deemed as inadequate by almost two thirds (66.4%) of respondents.
- Customs bureaucracy is somewhat more common than those enforced personal visits, but this institution still does not belong among the most criticized players. Criticism by the research questionnaire was expressed by more than one quarter (28.7%) of respondents.
- Social Insurance is at the forefront also in terms of requiring excessively frequent, large and opaque statements. It was decided by almost seven tenths (69.4%) of research sample.
- Health insurance companies also maintain their position in the negative "stage winners" among the institutions that force entrepreneurs to fill frequent, extensive and opaque statements. It is expressed by opinion of more than two thirds (68.9%) of respondents, and this figure is again higher than the health insurance companies gained by participants in 'personal' (personal visit) bureaucracy research.
- "Paper" red tape attributed by research participants to the registry court, did not exceed one fifth (19.8%) and is lowest among all surveyed institutions in the reporting area.
- Almost one quarter (24.0%) respondents declared position that the regional and district offices require unnecessary large or opaque paper documents.
- Offices of higher territorial units are in the research included in the category of relative least frequent applicants of inappropriate statements due to the fact that their activities in this direction irritate "only" one fifth (21.5%) of respondents.
- Also the local authorities in urban/local level require filling various statements that deem to entrepreneurs inappropriate. According to the number of respondents who expressed such experience (29.5%), the local government authorities are in the

middle part of the 'paper' bureaucracy enforcers.

- Statistical Office is according to entrepreneurs included only in the middle category of subjects with excessive bureaucratic requirements for businesses.
- To the bureaucratic practices of subsidies providers and administrators is critical more than one quarter (27.0%) of survey participants.

Time intensity of tracking the changes in legislative affecting the business

- Most of the entrepreneurs (30.6%) spend watching changes in laws and solving problems with the interpretation of regulations 5 to 10% of their time working hours. Less than 5% of their time working hours are spent by above 26.4% of entrepreneurs.

State regulation and interventions as the business barriers

- Control of (some) prices is among those of them, in which the proportion of dissatisfied respondents is relatively (compared to most others) higher and took the portion of one third (33.9%) of respondents.
- Regulatory intervention into a state of employment relationships impede to (37.2%) contacted entrepreneurs.
- Regulating the business via binding technical requirements on product quality is among the moderate factors: it hinders to one quarter (25.1%) of participants in research.
- State-requested requirements on the businesses that are focused to the needs of consumers create barriers for one quarter (25.4%) of interviewed.
- The binding state regulations for the business, which tends to protect the environment, cause serious critical barriers to the business for more than one quarter (28.4%) of respondents.
- Control of competition from the state falls under the category of research findings in relatively least significant barriers to the business. It poses critical barriers to business for 28.4%.
- Among all considered forms of state intervention in business participants included regulating of foreign trade as the least problem, which constitutes a barrier for only 14.0% of the sample.

Administrative barriers and regulation as a barrier to the business

- Barriers and regulation by the registration and the change of registration of company do not cause a problem or cause only slight problem to four fifths (80.7%) of sample examined. Opposite experience was expressed through the questionnaire by 15.2% of respondents.
- Among the less serious administrative obstacles to the business regulatory procedures are included the licensing procedures. It's (almost) no obstacle for the three fifths (61.4%) of the sample, while as serious difficulty is it seen by less than one quarter (23.1%) of surveyed entrepreneurs.
- Customs procedures do not interfere in the business (51.7%) of respondents, compared with the critics (18.5%).
- Administrative Agenda, which must be carried out by entrepreneurs employing people, is causing the most problems of all the assessed administrative-regulatory barriers. As a serious and even critical obstacle to their business it was identified by 43.5% of respondents.
- Clarifying the settlement of land ownership is not an issue of one quarter (24.5%) of the examined sample. Procedures associated with this issue cause a serious obstacle in the business for one fifth (19.6%) of respondents, others (55.9%) have no problems with it.
- For one half (50.7%) of respondents, the administration connected with building does not constitute (almost) any problems, while 3/10 (29.2%) of respondents seriously mind bureaucracy in this area.
- one third (33.6%) of participants in the research include the regulation and administration of access to subsidies between serious obstacles in the business, while it is relatively non-problematic to 41.3%.

Preferred measures for the business development and support jobs creation

- Contributions to the newly created jobs are considered as helpful in terms of the business development by nine tenths (91.4%) of respondents contacted in the research.
- Reducing administrative barrier is considered useful in terms of the business development virtually by all (96.4%) respondents consulted in research.
- Investment incentives for large investors were not considered as clearly taken steps to promote entrepreneurship according the research result. They are approved by three fifths (59.8%) of respondents and as ineffective are assessed by two fifths

(39.4%) of the sample examined.

- Measures to facilitate employment through the weakening of the legislative focusing on employee-protection, met with the least support of research participants. Less than one half (47.9%) are supporters, and also about one half (51.3%) of respondents rejects them.
- Stabilization of the regulatory environment (less change of laws) is deemed useful for the development of the business by practically all (97.6%) respondents in the research.
- Support workforce mobility is deemed useful for the development of the business by nine tenths (90.9%) of respondents contacted in the research.
- The introduction of lower VAT rates on selected goods and services is deemed useful for the development of the business by almost nine tenths (86.8%) of respondents contacted in the research.
- Improving Law Enforcement is considered useful in terms of the business development virtually by all (95.5%) respondents included in the research.
- Measures for combating corruption more effectively are considered useful in terms of the business development virtually by all (97.0%) respondents consulted by the research.
- Removal of clientelism and introduce fairness in public procurement is deemed useful for the development of the business practically by all (96.4%) respondents selected for this research.
- Reduction of contributions rates even at the cost of enlargement of the basis of assessment increased by e.g. profit share is considered useful in terms of the business development for more than four fifths (84.8%) of respondents involved in the research.

The business and law enforcement

- Nearly three fifths (58.9%) respondents expressed the belief that the business can be also operated so as to never violate any law. The opposite view has two fifths (39.1%) of participants in research.
- Of respondents who expressed the view that it is difficult or impossible to operate business in the SR in order to prevent violations of laws, over half (51.2%) attributed the reason to such frequent changes of state laws that can not be effectively followed.

The frequency of problems in recruiting people

- Excessive sick leave has identified one fifth (20.4%) of respondents as a problem which they are often encountered with, when employing people.
- The reluctance of employees to work for operational needs beyond normal working hours are often confronted by almost 3/10 (28.3%) of surveyed sample of entrepreneurs.
- To exorbitant wage expectations of their employees is often faced one half (50.1%) of respondents in the research. Roughly the same large group in the sample (47.1%) were employers to which inappropriate wage expectations of workers are irrelevant problems with low prevalence.
- Get people with the necessary qualifications usually caused a problem for almost one half (45.7%) of employers of the research sample, while for more than one half(51.5%) it is not a frequent issue.
- Confirming of the severity of the problems arising from the adaptation of education to labor market needs is the finding that more than one half (51.5%) of respondents of the research is often faced with the graduates unprepared for the experience.
- Unconformity of employees to work demands signal as a problem statement of two fifths (40.5%) of participants in research.
- The issue of non-independence of workers belongs to moderate brakes of the business in the light of the employment of people. It caused problems to two fifths (41.3%) of respondents, however, would not do to more than one half (55.9%) others.
- Lack of workers language preparation is a problem to meet by almost one half (48.5%) of employers and an equal proportion (48.3%) of respondents did not observe it.
- Nearly three quarters (72.5%) of recipients of the survey sample indicated that they rarely suffer from lack of staff with adequate computer literacy.
- The research showed that the least acute problem associated with the employment of people is abuse of legal protection. It must be managed in their business activities more often by 15.7% of respondents, while for four fifths (81.3%) of others it does not mean any load.

Charges and their attributes as a barrier to the business

- The actual amount of contributions rates was identified as a serious obstacle for almost three quarters (73.6%) of respondents.
- Not only the amount of contributions, but also the administration and bureaucracy associated with them, irritates the majority of entrepreneurs. Among participants in research, three quarters (74.1%) expressed that the contribution paperwork and reporting is a serious obstacle to their business.
- Almost four fifths (79.1%) of respondents identified frequent changes accompanying rules for contributions, as a serious obstacle to the business development. Only one fifth (20.4%) of others manage the monitoring of incoming changes without serious complications.
- Existing options to handle with the agenda associated with contributions electronically, do not seem sufficient for more than two fifths (43.2%) of respondents and represent an obstacle for doing business. Conversely, less than one half (48.2%) of respondents has no major problems.
- Reluctance and arrogant approach of officials in the institutions where their contributions are directed, is considered a serious problem for more than one half (53.7%) of respondents.
- In addition to the frequency of changes in the rules of contributions, which represent a serious obstacle identified by most of the respondents, the research participants also complain about the late and confusing information about the changes. This seriously hampers to almost two thirds (65.9%) of respondents.
- Frequent changes in rules of contributions, late and contradictory information about them, causes stress of involved employers. They fear of the risk of retrospective levying charges or a penalty for something they did not know or were not properly informed. Almost four fifths (78.5%) of respondents identifies it as a serious obstacle.
- More than three quarters (76.6%) participants in the research said that the need for insurers to report information that might automatically get from the tax office impedes them seriously. More reserved in this respect was only about one fifth (21.5%) of the sample.

Factors causing negative views on the business in public opinion

- Nearly three quarters (72.5%) of contacted admits the possibility that the cause of the negative public opinion about the entrepreneurs is the actual behavior of many entrepreneurs. About one quarter (27.0%) of participants in research had opposite opinion.
- More than nine tenths (91.4%) of survey sample sees the explanation of the negative views of public about the entrepreneurships in the fact that some (not all, respectively not many) businesses are actually trying only for quick profits and are using employees inappropriately.
- A significant proportion of respondents, nearly four fifths (78.0%) believe that behind the negative public sentiment lies still remaining socialist thinking.
- Not inconsiderable part, almost three quarters (72.1%) of the sample, blames the politicians who feed the public on a negative image of entrepreneurs. Such an explanation was not accurate for about one quarter (27.3%) of participants in research.
- For a bad image in the eyes of the public that sees as the motives of the business entrepreneurs greed and recklessness, make responsible three fifths (62.6%) of respondents media.
- Absolute majority - more than nine tenths (91.4%) respondents agrees with the notion that people (the public) tend to select and prioritize especially negative information, which then generalize.

Global financial and economic crisis and its manifestations

- At the time of area data collection for this research only about one fifth (21.2%) of respondents said that their company has already felt the impacts of significant global financial and economic crisis. two fifths (41.6%) of respondents did not feel the impacts at all and one third (35.5%) felt it only marginally.
- Views on the expected duration of the global financial and economic crisis were among entrepreneurs significantly different. If we do not consider the group of those who did not dare to tip (they were 22.0%), we might consider as a mean value - median of 12 months.
- More than two fifths (43.5%) of respondents said their companies did not do or prepared (by the time of research), any measures designed to prevent impact of the crisis. From the specific measures already adopted or prepared by other companies,

most often mentioned were reductions, respectively investment restriction. Thus wants to face the onslaught of crisis 28.1% of studied businesses. Virtually the same proportion (27.5%) represent in anti-crisis measures in the sample a rationalization, reduction of production costs.

The expected development of economic indicators of companies

- Under the impression of upcoming crises the researched participants assessed expected economic indicators of development of their businesses. The most pessimistic forecasts are concentrated in the area of sales. The fall in this area is expected by nearly three fifths (57.2%) of respondents, while with the increase (mostly only mild) calculates one sixth (16.6%) of researched businesses.
- The estimates of the development of exports are also dominated by pessimists, expecting decrease over optimists, in proportion 4:1.
- More than one half (51.6%) of respondents expect a decline in profit in 2009, there is only about one sixth (17.6%) of optimists. With the stagnation of profit calculated one quarter (25.1%) of survey participants.
- With the reduction in the volume of investment count two fifths (40.5%) companies, one fifth (19.6%) has a (slightly) optimistic outlook.
- Despite the crisis, companies want to retain their core employees and the expected decrease in one third (33.4%) of subjects is much lower than the reduction in turnover and profit. Moreover, the stagnation of employment is expected by more than one third (37.7%) of firms.
- Respondents predicted the predominance of average nominal wage growth over the decline. Approximately one fifth (20.4%) of companies expected moderate growth in nominal wages, with the decline counted 16.2% of subjects from the sample.
- Participants in the research suggest that by 2011 the situation in relation to the economic crisis stabilizes. This was also reflected in the fact that the proportion of subjects expecting cumulative sales growth over the next 3 years is approximately the same as the proportion of long-term pessimists (35.8% to 36.9%).
- In the area of export development respondents also expect stabilization of the situation over the next 3 years.
- Growth in cumulative profit for the years 2009-2011 is expected by more than one third (35.3%) of subjects studied, the decrease is a threat to less than one third

(32.0%) of respondents.

- The investment is expected to increase over the next 3 years by significantly more firms (cca 3/10 to 29.7%) than the proportion of those estimating their decline (24.7%).
- Stabilization is estimated also in developments of the number of employees over the next 3 years - less than one fifth (19.1%) expected growth, about one fifth (21.2%) expected decrease.
- Up to 2011 counts with higher wages nearly two fifths (37.5%) of respondents, while one tenth (10.2%) remains also in this term pessimistic.

3. SME Development and Status in 2008

The quality of the business environment is a defining element in enterprise development. Changes in the business environment with a definite time interval are reflected in the quantitative characteristics of the business sector. An analysis of the state of the SME sector within the context of time allows existing trends to be identified, future trends to be anticipated and measures for guaranteeing optimal development to be prepared. In this chapter, we present quantitative characteristics of the SME sector in 2008 within the context of trends in the last several years, the main findings from surveys made of small and medium-sized enterprises and a comparison of data obtained on the business sector in Slovakia and the EU.

The categorization of enterprises by size used in this chapter is in accordance with the European Commission Recommendation No. 2003/361/EC, in force since 1 January 2005. The SME category is composed of businesses employing less than 250 employees, while enterprises with 250 employees or more are considered large. Among SMEs, a differentiation is made between micro-enterprises (0-9 employees), small enterprises (10-49 employees) and medium-sized enterprises (50-249 employees). In cases where micro-enterprises are not separately broken out, all enterprises with 0-49 employees are classified as small enterprises. In addition to the number of employees, there are also other criteria related to the level of turnover, value of assets and ownership structure that are valid when categorizing an enterprise according to the above directive. In the following subchapters, the number of employees is considered as only one criterion for categorizing a business as a SME. This categorization allows the state of SMEs in the Slovak Republic to be compared with those in the business sector within the European Union.

Quantitative characteristics of the small and medium-sized enterprise sector, including trends in the number of businesses, classification by industry, regional distribution, the employment rate, production and foreign trade, are analysed in subchapters 3.1 - 3.7.

Data on the dynamics of development of SMEs, i.e. numbers of established and cancelled businesses are not included in the report for the year 2008 because the actual data from the Statistical Office and Eurostat were not published until the processing of the report in 2008.

In 2008, NADSME implemented more surveys in the small and medium-sized enterprise sector. In subchapter 3.8 the results of a survey launched in December 2008 are discussed assessing public views on entrepreneurship. Results of a survey assessing the attitudes of entrepreneurs to those public institutions to promote entrepreneurship in Slovakia are described in chapter 2.

Subchapter 3.9 summarizes data that characterize the situation of SMEs in Slovakia's economy, then subchapter 3.10 compares some characteristics of the SMEs sector in Slovakia to that within the European Union.

The assessment of the small and medium-sized enterprise sector in this chapter originates from the data processed in the statistical register of organizations and data published by the Statistical Office of the Slovak Republic. The source for information about EU Member States is Eurostat.

Graphs referred to in the following subchapters are presented in the appendix.

3.1 Natural Persons

In 2008 in Slovakia, according to data from the Slovak Republic Statistical Office, the number of natural persons - entrepreneurs rose 4.6% in the inter-annual comparison, a total of 418,221 natural persons – entrepreneurs were in its register at the end of 2008. Of the total number of natural persons – entrepreneurs, 392,841 were small trade licencees, 17,189 were operating in free occupations and 8,191 were independent farmers (Graph Nos. 1 and 2). Most small trade licencees were doing business in trade (116,274), construction (82,489), manufacturing (76,883) and real estate and leasing (49,307). The number of small trade licencees rose by 4.9% from December 2007 and the number operating in free occupations by 2.8%. As in 2007 the number of self-employed farmers declined by 4.0%.

Relatively stable sectoral structure of small trade licencees is shown in Graph No. 3. In 2008, a decrease in the number of small trade licencees in trade (by 1.8 pp) was recorded. The biggest increase was recorded in construction (by 1.7 pp), in industrial manufacturing and other industries (by 0.1 pp). The most significant sectors were internal trade with 116,274 small trade licencees, services with 94,820 small trade licencees and construction with 82,489 small trade licencees (Graph No. 4).

In the period from 2000 to 2008, there was a noticeably decline in the share of small trade licencees operating in trade, (by 8.8 pp), services (by 3.0 pp), a moderate growth in the share of small trade licencees operating in industries (by 1.6 pp) and a significant growth in the share of small trade licencees operating in construction (by 7.2 pp). Compared to 2000, the number of small trade licencees operating in construction increased by 122.1%, the number small trade licencees operating in industries by 59.0% and the number small trade licencees operating in services by 29.6%. The number of small trade licencees operating in trade increased by only 12.4%.

The distribution of small trade licencees by regions is shown in Graph No. 19. Most small trade licencees were operating in Žilina (14,454), Nitra (12,680), Bratislava (12,375), Prešov (11,099), Dunajská Streda (10,994). The smallest number of small trade licencees was in Medzilaborce (636), Sobrance (851) and Poltár (1,089).

3.2 Gender and Age Composition of Natural Persons - Entrepreneurs

Gender composition of natural persons - entrepreneurs

In the register maintained by the Statistical Office of the Slovak Republic, at the end of 2008, there were 72.4% men and 27.6% women from the total number of natural persons - entrepreneurs recorded. Within different legal forms reached women – entrepreneurs the largest representation among entrepreneurs operating in free occupations (54.8%). They had a substantially lower representation among small trade licencees (26.5%) and independent farmers (24.5%).

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

Gender/legal forms	Small trade licences	Independent farmers	Free occupations	Total FO – entrepreneurs
male	73,5	75,5	45,2	72,4
female	26,5	24,5	54,8	27,6

Gender composition of small trade licences by sector is shown in Graph No. 25. The highest number of women – entrepreneurs is reached in sector of other public services (67.4%), other business services and research (44.3%), commerce (39.7%) and hotels and restaurants (39.6%). On the other hand, women have the smallest representation in construction (2.1%), transport, post and telecommunications (8.6%) and manufacturing (14.0%).

The regional breakdown of men and women entrepreneurs of Slovakia is shown in Graph No. 26. Women – entrepreneurs were represented in the number above the average in Bratislava Region (32.7%), Košice Region (31.1%) and Banská Bystrica Region (29.3%). In other regions the share of women – entrepreneurs varied from 21.9% (Prešov) to 25.8% (Nitra Region).

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

Age structure of natural persons - entrepreneurs

Age structure of natural persons - entrepreneurs listed in the Table 3.2 illustrates the age composition of the active entrepreneurs according to the legal forms. In the register of organizations maintained by the Statistical Office of the Slovak Republic was recorded the largest number of natural persons - entrepreneurs in the category of the age group from 30 to 39 (28.6%), followed by the category of 40 to 49 years-old (27.6%), then the category of 50 to 59 years-old (21.1%) and the last was the category of less than 30 years-old (16.9%). In the age group of above 60 were 5.9% of active entrepreneurs. Graphic presentation of the age structure is shown in Graph No. 28.

From the perspective of different legal forms is evident a significant percentage of older age categories of entrepreneurs among independent farmers and those operating in free occupations (share of 50 and over reached 63.3% for independent farmers and 48.5% for free occupations). For small trade licencees, the number reached 29.1%. Still the share of 30 and less years-old reached the highest number among small trade licencees (17.5%), for independent farmers it reached only 4.2% and for free occupations 9.5%.

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

age/legal entity	Small trade licencees	Independent farmers	Free occupations	Total FO – entrepreneurs
under 30	17,5	4,2	9,5	16,9
30-39	29,4	13,2	19,2	28,6
40-49	28,0	19,4	22,8	27,6
50-59	20,5	25,9	32,4	21,1
60-69	4,0	16,1	13,5	4,7
70-79	0,5	12,4	2,4	0,9
Above 80	0,1	8,9	0,2	0,3

Age structure of natural persons - entrepreneurs by gender in the Table No. 29 illustrates the greater concentration of men in younger age groups 39 and less years-old and conversely greater concentration of women in categories 40 and over.

Quite a significant percentage of active natural persons – entrepreneurs aged 50 and over (27.0%) will require increased attention because of coming retirement age of these entrepreneurs. More than one quarter of existing businesses may be therefore ceasing its activity within next 10 years. From the perspective of legal forms the most significant representation in the category of 50 and over is among independent farmers (63.3%) and free occupations (48.5%).

3.3 Legal Entities

In the register of Statistical Office of the Slovak Republic, at the end of December 2008, were 169,960 legal entities recorded, of which 119,933 were enterprises and 50,027 non-profit institutions. Year to year comparison showed a 13.5% increased in

the total number of legal entities, with a 3.8% rise in the number of non-profit institutions and 18.1% rise in the number of enterprises.

Small businesses dominated with 96.9% of the total number of profit-oriented organizations (of which micro-enterprises with 0-9 employees counted for 79.2%). Medium-sized enterprises comprised 2.5% of the total and large enterprises 0.6%. The number of small enterprises grew by 18,125, the number of medium-sized enterprises grew by 219 and the number of large enterprises grew by 15.

There were 116,236 small private enterprises with up to 49 employees (including enterprises with unknown number of employees). There were 3,024 medium-sized private enterprises with 50-249 employees. The trend in the number of small and medium-sized enterprises is illustrated in Graph No. 5. Changes in individual-size categories in 2000 - 2008 are shown in Graph No 6. Over the past year, there has been decline in the share of micro-enterprises (0-9employees) by 0.4 percentage point, increase in the share of small enterprises (10-49) by 0.8 pp, decline in the share of medium-sized enterprises by 0.3 pp and approximately the same share of large enterprises has been reached as in 2007.

The breakdown by sectors is shown in Graph No. 7. Most small and medium-sized enterprises were operating in trade (40,584), commercial services and the financial sector (35,034), industry (13,346) and construction (8,771). The regional breakdown is illustrated in Graph No. 19 and shows a distinct peak (32.7%) in Bratislava Region.

3.4 Contributions by SMEs to Employment

On average during 2008, 2,433.8 thousand people were working in the national economy of Slovakia according to the Labor Force Survey, of which 2,094.2 thousand were employees, 254.3 thousand were entrepreneurs without employees, 77.9 thousand were entrepreneurs with employees and 3 thousand assisting family members.

Year to year comparisons showed an increase by 0.8 pp to 3.2% in the dynamics of employment growth. The rise in the number of employed persons by 76.5 thousand was caused especially by employees with the share of 50.6 thousand (2.5%), entrepreneurs without employees by 26.4 thousand (11.6%) and entrepreneurs with employees by 4.4 thousand (6%). The number of assisting family members also increased by 36.4% (their share was 0.1% of the total number of employed persons).

In the category of small and medium-sized businesses, including small trade licencees employment jumped year to year by 3.0%, of which employment of small trade licencees increased by 3.0%, small enterprises by 5.6% and medium-sized enterprises remained at a similar level as in 2007. Employment in large enterprises recorded an increase by 1.5%.

The role SMEs play in employment is apparent from the Graph No. 10. Small and medium-sized enterprises, including small trade licencees provided work in 2001 to 59.1% of the employed population, with an increase in 2002 to 62.0%, rising in 2003 to 66%, in 2004 to 69.5%, in 2005 to 70.8%, in 2006 to 70.9%, with reduction in 2007 to 69.5% and rising again in 2008 to 69.8%. Of the total number of persons employed in 2008, 56.3% worked in services, 28.9% in industry, 10.5% in construction and 4% in agriculture and fisheries. From 2007, the share of persons increased in construction (by 0.4 pp), in services (by 0.3 pp), fell in industry (by 0.4 pp) and in agriculture and fisheries (by 0.2 pp).

The share of persons employed in individual regions to total employment (Graph No. 11) according to the quarterly statistical report ranged from 10.0% (Banská Bystrica Region) to 19.6% (Bratislava region). The number of working persons rose most in Žilina (by 5.8%), Nitra (by 5.7%), Bratislava (by 3.2%), Košice (by 2.6%), Trnava (by 2.5%) and Trenčín (by 2.1%) regions. On the other hand the number of employed persons decreased in Banská Bystrica (by 1.8%) and Prešov (by 0.6%) regions.

In the course of the year 2008, there was also a positive development in the unemployment rate, characterized by declining trend in the unemployment rate. On average in 2008, compared with 2007, the number of unemployed persons fell by 34,4 thousand persons (by 11.8%) to 257,5 thousand persons (in 2007 there was a decrease by 17.4%). The average annual rate of unemployment according to the Labor Force Survey fell by 1.4 pp to 9.6%.

3.5 Contributions by SMEs to Production in Selected Sectors

In 2008, according to a revised estimate, gross domestic product of 2,028.4 billion Sk (67.3 billion EUR) was generated at nominal prices and in real terms increased by 6.4% from 2007 (by 4.0 pp lower increase than in 2007). At nominal prices, it grew year to year by 9.5%. Compared to 2007, economic growth at nominal prices slowed down by 2.2 pp. Reduction economic growth was a result of the decrease of foreign demand by 3.2% (by 10.6 pp) and a similar growth rate (6.4%) of domestic demand as in 2007. In terms of development by individual quarters, there was a gradual deceleration of high pace of growth from 9.3% in 1st quarter to 2.5% in the 4th quarter. Of gross domestic product generated, added value of 1,839 billion Sk (61 billion EUR) was produced for a year to year increase of 7.2%.

From total gross domestic product generated in nominal prices, industry had the highest percentage at 25.5%, trade, hotels, restaurants and transportation generated 23.7%, financial intermediation and real estate 16.1%, public administration, education, health and other services 14.4%, construction 7.9%, agriculture and fisheries 3.1% and tax levied on products 9.3%.

The increase in GDP was affected by 6% rise of gross production to 4,692.8 billion Sk (155.8 billion EUR) and intermediate consumption by 5.3% to 2,853.8 billion Sk (94.7 billion EUR). The share of intermediate consumption in gross production decreased year to year by 0.1 pp and reached 60.8%.

Growth in real gross domestic product was associated, in particular, with an increase of value added in trade, hotels, restaurants and transportation (by 17%), construction (by 14%) in financial intermediation and real estate (by 10.5%), public administration, education, health and other services (by 6.7%) and agriculture and fisheries (by 6.6%). Value added in industry did not reach the amount of 2007 (fall by 3.7%). Development was also influenced by decrease of tax on products lowered by 0.6% through subsidies on products.

Based on estimates, the private sector generated 93.0% of gross domestic product (0.4 pp higher than in 2007).

Year to year increase in industrial production slowed down significantly in 2008 (by 10.7 pp) to 2%, in the 4th quarter of 2008 there was even a decrease in industrial production by 7.6%. The of growth was softened, in particular, by slowdown in the dynamics of industrial production to 2.5% (by 12.6 pp) and decrease in mining and quarrying by 19.9%. In the production of electricity, gas and water production increased by 2.1%.

Year to year growth in revenue from own performance and merchandise in industry also decreased considerably (by 12 percentage points) to 3.6%, particularly through decline in the 4th quarter by 11.9%. Total revenue reached 2,198.2 billion Sk (73 billion EUR). Of total revenue from industry, large enterprises generated a decisive share of 67.1% of total revenues in industry (enterprises with 1000 or more employees created 49.2%). Medium-sized enterprises had 17.2% of revenues, small trade licencees 8.1% and of small enterprises 7.6%. Medium-sized enterprises reached the highest increased in revenues by 21.2%, small enterprises by 2.3% and large enterprises by 0.7% (in enterprises with 1000 and more employees they fell by 0.7%). Small trade licencees had decreased revenues by 0.2%.

In construction, product value at 189.9 billion Sk was generated (6.3 billion EUR) with acceleration in the pace of growth to 12.1% from 2007. Development of construction production was mainly related to the rise of growth in construction work on repair and maintenance by 27.6%, in new construction, modernization and reconstruction by 8.2%, in construction work abroad by 34.1% (at 4.2% share of the total). Growth in construction production was related to the growth of employment by 9.1% and labor productivity growth by 2.7%.

Of total product from construction firms, small trade licencees were responsible for more than a third (33.7%), small enterprises 25.7%, large enterprises 21.9% and medium-sized enterprises 18.7%. The increase in output came from increased construction work performed by large enterprises by 22.7%, small trade licencees by 13.7%, small enterprises by 7.1% and medium-sized enterprises by 5.8%.

Revenue from own performance and merchandise in retail trade exceed the 2007 level by 6.8% and reached 504.4 billion Sk (16.7 billion EUR). Of total revenue from own performance and merchandise, small trade licencees generated 33%, small enterprises 30.3%, large enterprises 29.2% and medium-sized enterprises 7.5%. The development was related to sales growth in medium-sized enterprises by 19.8%, small enterprises by 18%, large enterprises by 8.7%, and small trade licencees fell by 5.3%.

In motor vehicles sales and maintenance year to year growth in revenue from own performance and merchandise significantly slackened by 22.8 pp to 1.4%, which represents the lowest increase since 2001. Total volume reached 227.9 billion Sk (7.6 billion EUR) of which motor vehicles sales were responsible for more than a half (52.4%) and retail fuel sales for almost a third of revenues (32.2%).

After a two-year growth revenue from own performances and merchandise in hotels and restaurants, declined again year to year (by 1.7%) and reached 44.6 billion Sk (1.5 billion EUR).

In tourist accommodation facilities, 8.5 billion Sk (0.3 billion EUR) of revenue was generated from accommodating visitors, of which 56.5% came from foreign visitors.

From 2007, total revenue growth accelerated by 1.2 pp and at nominal prices reached 10.8%. Increase in sales from foreign fell by 3.7% (3.8 pp) from 2007.

In transport and storage, revenue from own performance and merchandise reached 186.7 billion Sk (6.2 billion EUR) with an accelerated year to year rise in nominal prices of 11.7% (by 5.3 pp). In non-core and ancillary transport activities were generated 33%, while in other surface transport were generated 29.7% of total revenues in transport and storage.

By size of the business, small enterprises generated 32.1% of total revenues from own performance and merchandise, medium-sized enterprises 27.2%, large enterprises 22.4% and small trade licencees 18.3%. Sales generated by small enterprises increased by 57.4% in large enterprises by 22%, medium-sized enterprises by 6.2% in small trade licencees they fell by 11.2%.

In post and telecommunications, revenues from own performance and merchandise rose in nominal prices, compared to 2007, by 5.1% to 82.7 billion Sk (2.7 billion EUR). Revenue growth was related to an increase in sales and delivery of postal services by 13% in telecommunications activities by 3.7%.

In real estate and leasing, revenues from own performance and merchandise reached 290.9 billion Sk (9.7 billion EUR) with year to year growth rate of 11.9%. Almost half of the total value (47.6%) was generated in other commercial services. The highest growth prevailed in other commercial services, computer and related activities and recreational, cultural and sporting activities.

The total turnover was 43.5% resulting from the activities of small enterprises, 23.5% medium-sized, 18.1% of large enterprises 14.9% freelance. Development revenue growth was related to sales in large enterprises (about 33.7%), small businesses (about 13.1%) and medium-sized enterprises by 10.1% and a decrease in self-employed by 6.8%.

SMEs percentages of sales revenue from selected sectors is shown in Graph No. 12.

3.6 Foreign Trade

Total trade deficit of goods and services reached in nominal prices 49.4 billion Sk (1.6 billion EUR) in 2008, according to preliminary results, particularly through influence of passive foreign trade deficit in goods 34.3 billion Sk (1.1 billion EUR) and passive deficit of exports and imports of services 15.1 billion Sk (0.5 billion EUR). In 2008, the Slovak Republic exported goods at value totaling 1,492.6 billion Sk (49.5 billion EUR). Total imports of goods reached 1,514.1 billion Sk (50.3 billion EUR). Compared to 2007, total exports were higher by 5.1% (by 10.1 pp) and total imports by 5% (by 5.2 pp).

Export performance of economy expressed in exports of goods and services to GDP fell in 2008 in nominal prices to 82.6% (by 3.9 pp). Import intensity expressed by share of imports of goods and services to GDP fell in 2008 to 85% (by 2.5 pp).

The structure of goods in total exports accounted for a significant part motor vehicle, using a semi-vesy (22.5%), radio, television and communication equipment and apparatus (15.5%), basic metals (10.3%), machinery and equipment Others n. (8%), electrical machinery and apparatus (5.8%). Determining the structure of the share of goods in total imports were motor vehicles, trailers and semitrailers (14.5%), radio, television and communication equipment and apparatus (12%), oil and gas, service activities incidental to oil and gas extraction, excluding surveying (9.3%), machinery and equipment Others n. (8.2%), chemicals, chemical products and chemical fibers (8%), basic metals (6.8%), electrical machinery and apparatus (5.4%).

The Slovak Republic had the largest trade deficit with the Russian Federation 107.9 billion Sk (3.6 billion EUR), the Republic of Korea 85.5 billion Sk (2.8 billion EUR), the People's Republic of China 73 billion Sk (2.4 billion EUR), Taiwan 19.8 billion Sk (0.7 billion EUR), Japan 18.7 billion Sk (0.6 billion EUR) and Malaysia 5.3 billion Sk (0.2 billion EUR). It had the largest trade surpluses with the United Kingdom 49.8 billion Sk (1.7 billion EUR), Austria 41.3 billion Sk (1.4 billion EUR), France 41

billion Sk (1.4 billion EUR), Poland 40 billion Sk (1.3 billion EUR), Italy 31.4 billion Sk (1.0 billion EUR), The Netherlands 26.7 billion Sk (0.9 billion EUR), and the Czech Republic 23.8 billion Sk (0.8 billion EUR).

Within the main economic groups, the Slovak Republic exported more to the EU countries by 3.3% (comprising 85.2% of total exports) and the OECD countries by 2.3% (an 86.2% of total export). In terms of countries, the Slovak Republic increased its exports to the Czech Republic by 10.3%, France by 5%, Poland by 11.6%, Hungary by 12.9%, Austria by 3.8%, the United Kingdom by 3.9% and the Russian Federation by 75.3%. There were fewer goods exported mainly to Germany by 1.3%, Italy by 3.3%, the Netherlands by 10.3% and Spain by 20.2%.

Imports from EU countries grew by 2.2% (comprising 67.1% of total imports) and from OECD countries by 2.6% (a 68.3% of total imports into the Slovak Republic). In particular, there were more imports, compared to one year ago, from Germany, by 4.1%, the Czech Republic by 3.4%, the Russian Federation by 21.1%, the Republic of Korea by 21.4%, the People's Republic of China 15.3% and France by 6.1%. Imports from Hungary decreased by 2.9%, from Poland by 4.2%, Italy by 2.4% and Austria by 2.4%.

From a territorial point of view, there was a trade deficit with countries outside the EU 270.6 billion Sk (9.0 billion EUR). A trade surplus was achieved with EU15 countries 151.6 billion Sk (5.0 billion EUR) and new EU Member States EU12 105.6 billion Sk (3.5 billion EUR). The volume of exports and imports in 2008, by size and region is shown in Graphs Nos. 13 and 14. Imports structure by territory is shown according to country of origin of imported goods, for unspecified imports by country of consignment.

As shown in Graph No.15, micro-enterprises (0-9 employees) constituted 6.8% of total exports (92.3 billion Sk (3.1 billion EUR)) in 2008. This category also includes enterprises with an unknown number of employees, having an export volume of 15.5 billion Sk (0.5 billion EUR), which constituted 1.1% of total export volume. Small enterprises (10-49 employees) contributed 16.3% (220.0 billion Sk (7.3 billion EUR)) of total exports and medium-sized (50-249 employees) 11.7% 157.0 billion Sk (5.2

billion EUR). The highest percentage of total exports volume, 65.2% was comprised of large enterprises which was 877.9 billion Sk (29.1 billion EUR). SMEs contributed to 34.8% of total export volume (469.3 billion Sk (15.6 billion EUR)), which was 2.4 pp more than in 2007. Structure of foreign trade according to size category is calculated from the data without the activities carried out by foreign persons without summarization of data.

Export trends in 2002 - 2008 to the size of the enterprise are shown in Graph No. 16. The most dynamic rise in exports in 2008, up 36.7% (24.8 billion Sk (0.8 billion EUR) from 2007, was recorded by micro-enterprises (0-9 employees and enterprises with an unknown number of employees). Small enterprises (10-49 employees) represented 12.3% (24.1 billion Sk (0.8 billion EUR)) of growth, large enterprises (250+ employees) recorded 0.6% (5.5 billion Sk (0.2 billion EUR)) growth and medium-sized enterprises (50-249 employees) 0.5% (0.7 billion Sk (0.02 billion EUR)).

As shown in Graph No. 17, the share of micro-enterprises (0-9 employees) in total 2008 import volume was 12.5% (173.4 billion Sk (5.8 billion EUR)), including enterprises with an unknown number of employees at 1.5% (21.8 billion Sk (0.7 billion EUR)) of total imports. Small enterprises (10-49 employees) contributed 15.7%, 218.0 billion Sk (7.2 billion) to total imports and medium-sized enterprises (50-249 employees) contributed 14.7% (204.6 billion Sk (6.8 billion EUR)). The largest percentage 57.1% of total imports was generated by large enterprises, which represented 794.6 billion Sk (26.4 billion EUR). SMEs comprised 42.9% of total imports (596.0 billion Sk (19.8 billion EUR)), which was an increase by 0.8 pp from 2007.

Import trends in 2002 - 2008 according to size categories are shown in Graph No. 18. The most dynamic rise of imports in 2008, 33.8% (43.8 billion Sk (1.5 billion EUR) was recorded from 2007 by micro-enterprises (0-9 employees and enterprises with an unknown number of employees). Small enterprises (10-49 employees) represented a 3.7% 7.7 billion Sk (0.3 billion EUR) rise. Growth in large enterprises (250 + employees) was 3.6%, 27.9 billion Sk (0.9 billion EUR). Medium-sized enterprises recorded a decrease by 5.7% 12.3 billion Sk (0.4 billion EUR).

In 2002-2008, year to year export volume rose on average by 12.2%, while SME exports grew each year on average of 14.7%. Until 2003, the percentage of total exports generated by large enterprises had continually risen (at an average by 3 pp annually), in 2004 it decreased by 0.8 pp, in 2005 by 3.9 pp and then by 4.9 pp in 2006. In 2007, the share of total exports generated by large enterprises increased by 2.2 pp to 67.5%, but in 2008 there was a decrease in the share of large enterprises by 2.4 pp. The SME share in exports was influenced by the increase in exports of micro-enterprises (of 36.7%), small enterprises (of 12.3%), medium-sized enterprises (by 0.5%) and large enterprises (of 0.6%) to increase by 2.4 pp to a level of 34.8%.

In 2002 - 2008, the average year to year rise of imports was 10.2%, while among SMEs the average increase was 9.5%. In 2008, SMEs total imports recorded an increase by 7.1%, to which micro-enterprises contribute to the greatest extent by 33.8%. The percentage of imports generated by SMEs had not significantly changed until 2005 and had been moving at a level of around 45% then in 2005 an increase was observed at 48.1%. In 2006 there was a decline in the percentage of imports generated by SMEs by 1.9 pp and in 2007 by 4.1 pp to a level of 42.1%. In 2008, the SME share on total imports rose again by 0.8 pp to a level of 42.9%.

3.7 Regional Aspects

The percentage of small trade licencees and small and medium-sized enterprises, broken down by regions of the Slovak Republic is shown in Graph No. 19. In terms of considering a region's economic activity, the ratio of active enterprises to the labour force is a better predictor. This comparison is shown in Graph No. 20. The above ratio achieves the distinctly highest values in the Bratislava Region, where the disproportion is more striking for legal entities. The total economic level of regions expressed by production in individual economic sectors is shown in Graph No. 21.

Broken down by regions, the highest number of enterprises as of the end of December 2008 was in Bratislava Region (39,236). In other regions, the number ranged

from 10,805 (Banská Bystrica Region) to 12,952 (Košice Region). The number of enterprise enterprises grew year to year in all regions, more markedly in Nitra Region (by 23.2%) the least in Banská Bystrica Region (11.9%).

Most natural persons - entrepreneurs were operating in Bratislava (63,573) and Prešov regions (61,168), the least in Košice Region (43,744). With the exception of Košice Region, year to year growth in the other regions was faster than in 2007. The relatively highest increase in the number of businesses was recorded in Prešov Region (by 9.7%) and the smallest rise was in Bratislava Region (by 0.7%).

In terms of regional segments, the most distinctive portion of sales revenue was earned by businesses whose registered office is in Bratislava Region, 32.9%. Percentage in other regions ranged from 4.2% (Prešov Region) to 15.1% (Trnava Region). Except in Bratislava and Trnava, sales volume was higher in all regions than in 2007. Sales revenue increased the most in Nitra (about 37.4%) and Žilina (28.5%) regions.

More than a quarter of the product of construction companies was the result of businesses whose registered office is in Bratislava Region (25.3%) followed by Žilina (16.1%), Košice (11.8%), Limerick (11.6%) and Trenčín (10.4%) regions. Construction grew in all regions with the highest relative increase in Prešov (24.3%) and Bratislava (17.6%) regions.

In wholesale, businesses with their registered office in Bratislava Region (39.5%) had the highest percentage of total sales in volume. Share of other regions varied between 5.4% (Prešov) and 10.2% (Nitra Region). Sales revenue at nominal prices rose in 2007 in Nitra, Banská Bystrica, Bratislava and Košice regions. Sales revenues declined in Prešov, Trenčín, Trnava and Žilina regions compared to 2007.

In retail by regions, the highest percentage of sales revenue was earned in Bratislava Region (36.4%). Other regions contributed from 7% (Košice Region) to 11.2% (Trnava Region). Except of Žilina, Banská Bystrica and Prešov regions (decrease in revenues), the other regions increased sales from 2007.

In sales and maintenance of motor vehicles in 2008, the highest percentage of revenue was earned by businesses whose registered office is in Bratislava Region (61.4%). Other regions contributed from 4.1% (Trnava Region) to 6.6% (Banská Bystrica Region). The highest year to year increase in sales was in Prešov (83.3%) and Žilina (56.7%) regions, while revenue decreased almost by half in Košice Region, and decreased in Trnava and Trenčín regions.

In transport and storage, 64.5% of sales revenue from own performance and merchandise (save from travel agencies) was earned by businesses whose registered office is in Bratislava Region. Other regions contributed a range from 4.1% (Košice Region) to 7.3% (Nitra Region). In all regions there was a year to year increase in revenues, with the highest year to year increase in Bratislava Region (35.2%).

Among real estate operators, more than half of total revenues were earned by businesses whose registered office is in Bratislava Region (54.9%). Percentages in other regions ranged from 4.7% (Prešov Region) to 8.6% (Košice Region). Sales revenue exceeded 2007 levels in all regions, but mostly in Nitra and Žilina regions.

3.8 Public Opinion Survey on Entrepreneurship

National Agency for Development of Small and Medium-sized Enterprises in cooperation with the MVK Agency held a public opinion survey on entrepreneurship through a standardized interview technique. The survey was conducted in December 2008. A representative sample was created by stratified sampling of respondents aged over 18 years to ensure variability of survey in terms of basic social characteristics - gender, education, age and regional affiliation. In processing the survey results were used 1020 cast questionnaires.

The main objective of the survey was to map the Slovak public opinion on selected issues and to identify the attitude of Slovak citizens in relation to entrepreneurship. Intermediate targets of survey were to assess overall conditions for entrepreneurship in Slovakia, to identify potential sources of financing start-ups and

the reasons for interest to start a business, to identify the main barriers of the business and to examine the views and intentions of people who are interested in entrepreneurship. In case of self-employed persons, research focused on their situation and their intentions for further business development. The most important findings of the survey were:

- Current business conditions evaluates one third (34.8%) of a representative sample of the adult population of the Slovak Republic (rather or very) good. The fact that the conditions for entrepreneurship are now with us (rather or very) bad believe more than two fifths (42.2%) participants in research.
- Roughly one tenth (11.1%) of respondents have registered an improvement in overall conditions for doing the business for the last two-three years to improve overall conditions for business in Slovakia. Worsening conditions in the business over the past two-three years, noted the one quarter (25.4%) of participants in research. More than one quarter (27.1%) of respondents believe that conditions for business over the last two-three years have remained unchanged.
- More than one quarter (27.2%) of research participants representing the adult population declared their willingness to lend their savings or someone close to the start of a business. Fear and caution on loans for start-ups is characterized by almost two thirds (65.4%) samples examined. The absolute majority of respondents are willing to lend to relatives or friends to start the business, is a maximum loan amount of 100,000 Sk.
- Participants of research understandably dominate people without any business experience, who accounted for more than three quarters (77.2%) of respondents. Less than one quarter (22.9%) of respondents have tried the business. Roughly one sixth (15.7%) samples were active entrepreneurs and other 7.2% have a business ceased.
- Within one year, plans to start a business, about 1/17 (5.7%) of respondents who currently have another source of revenue. Among the adepts are business men, people younger and younger middle age (within 40 years), graduates, staff-managers and professionals with a university degree, people with middle and higher incomes, but also the unemployed and the inhabitants of the largest cities.
- As the most common reason why not prepared to consider a business respondents reported a total lack of interest in entrepreneurship. Thus, the express two fifths (40.3%) of respondents who run a business in the near future to not even consider.

More than one third (34.5%) of respondents have no interest in doing the business because of their age or health problems. The same proportion (34.6%) in the group with no interest in doing the business is respondents who lack the necessary expertise and finance.

- More than one quarter (28.6%) among all respondents, who over the next 12 months will start a business, wants to start his business in (other) business services - management, leasing, accounting, IT, translation, marketing, advertising etc. Approximately 1/8 (12.2%) of entrepreneurs are considering tourism. Roughly one tenth (10.2%) wants to develop its business activities in education.
- More than three quarters (75.5%) of candidates intending to commence business as sole proprietors. The possibility of a business through a limited company attracts about 1/8 (12.2%) of candidates in the sample examined. Entrepreneurship as a major work activity you want to choose Less than one quarter are interested in doing the business. Overlapping of work with the business wants to apply more than one fifth (22.4%) candidates.
- Nearly two thirds (65.3%) of entrepreneurs planning to start your business (and) with their own savings. The financial assistance of members of their own households relies more than one quarter (28.6%) of potential entrepreneurs. The informal loan wishes to their relatives or acquaintances ask one fifth (20.4%) respondents with an interest in the business.
- For nearly two thirds (65.3%) start-ups, which we identified in the research sample, is among the main motives for their decisions to give the path of higher income expectations. Get encourages independence for the business almost three fifths (57.1%) respondents. Start a business as an opportunity to exercise their interests and ideas motivates more than one half (55.1%) of respondents.
- Interested in doing the business, which have declared their intention to research, are in various stages of preparing its beginning. Point Zero - without any concrete steps have been taken, is one quarter (24.5%) of potential entrepreneurs. Nearly two fifths (38.8%) candidates to seek information on the business conditions. In preparation for further advanced business almost 3/10 (28.6%) candidates who have already developed a business plan.
- In a representative sample of the research we have identified 15.7% of respondents who currently do the business. Roughly one third (35.0%) of them

"working for themselves" less than three and a half years, the remaining two thirds (65.0%) among entrepreneurs for a long time.

- The largest group of entrepreneurs in the research sample performs its activities in the area of trade (22.5%). The relatively strong representation to the construction (18.1%), and (other), the business services (16.3%). Two-digit numeric value of the share of entrepreneurs in the sample, we found even in industry and manufacturing (12.5%). Other industries are much less represented.
- More than four fifths (81.9%) self-employed persons in the sample are small trade licencees. Shareholders in companies with limited liability were 13.1%, the remaining business in companies with different legal form.
- More than three quarters (76.9%) was added among beginning entrepreneurs in the business of their own funds. Savings of other members of his own home when you start to help more than two fifths (41.3%) respondents. Without the help of bank credit to cannot deal less than one third (31.9%) of entrepreneurs from the research sample. Informal loans from relatives or acquaintances took a 16.9% audience.
- Just three fifths (60.0%) of active business survey sample identified the effect of independence as a major impetus to start a business. Only the latter is more than one half (52.5%) of respondents expressed that their motive was to increase business revenue. Entrepreneurship as a necessity (not other option is to employ) suplovalo other motives more than two fifths (41.9%) respondents.
- Given the dominant legal form of the business where the current operators in the sample is dominated by self-employed is expected that most of them (43.8%) have no employees, and the second largest proportion (13.8%) employs only one worker.
- The development and growth of firms whose owners or shareholders of the respondents of the research sample, which showed a rise in the number of employees expected in the next five years, only about one sixth (16.3%) respondents. Nearly two thirds (66.3%) expected in the coming years, no change in the number of employees, while 3.1% is likely to reduce the number of workers.

3.9 Position of SMEs in the Slovak Economy - Summary

In 2008, according to refined estimates, gross domestic product at nominal prices amounted to 2,028.4 billion Sk (67.3 billion EUR) and compared to 2007 it actually grew by 6.4%. At nominal prices it grew year to year by 9.5 %. Compared to 2007, economic growth decelerated at nominal prices by 2.2 pp.

Of gross domestic product created, added value accounted to 1,839 billion Sk (61 billion EUR) with a year to year rise of 7.2% (by 3.2 pp less growth than in 2007). The private sector generated, based on estimates, 93.0% of gross domestic product (a 0.4 pp higher share than in 2007).

Decreased dynamics of economy was related particularly to decrease growth of foreign demand to 3.2 % (by 10.6 pp) while the growth rate of domestic demand (6.4 %) was similar to 2007. All important sectors contributed to year to year growth of domestic demand. Domestic demand was mainly influenced by higher investment demand. Gross fixed capital formation grew by 6.8 %. Final consumption expenditure of households grew by 6.1%, final consumption expenditure by public administration by 4.3% and final consumption expenditure by non-profit institutions serving to households by 1.4%.

Gross domestic product growth was influenced by the rise of gross production by 6% to 4,692.8 billion Sk (155.8 billion EUR) and of intermediate consumption by 5.3 % to 2,853.8 billion Sk (94.7 billion EUR) The share of intermediate consumption in gross production decreased by 0.1 pp year to year and reached 60.8%.

Contribution of small and medium-sized enterprises to basic economic indicators did not significantly change, with the exception of contribution to profit, where after a growth of 0.5 pp last year was recorded an intense growth of SMEs' contribution to profit in 2008 (by 14.0 pp), with simultaneous growth of contribution to gross production (by 2.2 pp) and added value (by 4.5 pp).

The share in gross production by small enterprises reached 21.9 % (rise by 0.6 pp), by medium-sized enterprises 20.3 % (rise by 1.5 pp) and by large enterprises 57.8 % (decline by 2.2 pp) (See Graph No. 22). At nominal prices the gross production grew in SMEs by 16.3% and in large enterprises by 6.4 %, which represents acceleration of growth dynamics in SMEs by 9.0 pp compared to 2007 and deceleration of dynamics in large enterprises by 6.9 pp.

Small enterprises contributed 34.3 % to creating added value (rise by 3.7 pp), medium-sized enterprises 20.9 % (rise by 0.7 pp) and large enterprises 44.8 % (decline by 4.5 pp) (See Graph No. 23). In current prices the added value grew in SMEs (by 22.5%) and in large enterprises (by 2.4 %).

Contribution to profit before-tax reached in small enterprises 42.4 % (increase by 7.6 p.p.), in medium-sized enterprises 15.9 % (increase by 6.4 p.p.) and in large enterprises 41.7 % (decrease by 14.0 p.p.) (Table No. 24). Year to year rise of revenue in SMEs reached 22.0 % whereas in large enterprises it fell in 2008 by 30.7%. Contribution of SMEs to profit before tax, gross production and added value is calculated per SMEs – legal entities (Graph Nos. 22, 23, 24).

Employment for the eighth consecutive year maintained growth pattern in 2008, while unemployment trended downward significantly. In 2008, an average 2,433.8 thousand people were employed in national economy (based on a sample survey of labour force). 2,094.2 thousand were employees, 254.3 thousand business owners without employees, 77.9 thousand business owners with employees and 3 thousand business owners assisted by household members. Compared with 2007, growth in employment accelerated by 0.8 pp to 3.2 %. Total number of employees working in national economy was mainly supported by an 11.6 % increase in the number of business owners without employees and 6 % increase in the number of business owners with employees and 2.5% increase in the number of employees. The number of business owners assisted by household members increased by 36.4% (they created 0.1 % of the total number of employees).

The growth trend of employment in small and medium-sized enterprises (including small trade licencees) continued for the ninth consecutive year, and the share of

SMEs in total employment reached 69.8 % during 2008 (increase by 0.3 pp) (Graph No. 10). The growth of employment in SMEs was followed for the third consecutive year by the growth of employment in large enterprises. Since 2000 the number of employees in large enterprises has declined by 148.4 thousand (17.8 %), while in the SME sector the number of employees has risen by 451.5 thousand (39.6 %).

Foreign business activity in goods and services created according to preliminary results (in nominal prices) passive balance 49.4 billion Sk (1.6 billion EUR). In this volume, passive balance of foreign business of goods amounting 34.3 billion Sk (1.1 billion EUR) and passive balance of import and export of services amounting 15.1 billion Sk (0.5 billion EUR) were reflected.

The export performance of the economy measured by the percentage of goods and services exported at nominal prices to GDP decreased in 2008 to 82.6 % (by 3.9 pp). The import share expressed by the percentage of import of goods and services to GDP decreased in 2008 to 85 % (by 2.5 pp).

3.10 Comparison with Available EU Sources

The structure of the business sector in the Slovak Republic is quite similar to the structure of the other EU Member States. A comparison of the business sector and its share in the employment within the Slovak Republic to the EU27 countries, in terms of size, can be made according to the data presented in the following table. The stated data shows that from the total number of more than 20 million businesses in EU countries SMEs create 99.8 % (with significant representation of micro-enterprises 91.8 %) and they participate in the total employment with 67.4 %. In the Slovak Republic SMEs create 99.9 % of the total number of businesses (micro-enterprises create 93.5 %) and take part in the total employment with 69.8 %. The comparison is made according to the methodology used in EU countries, which does not distinguish between legal forms of businesses; all profit-making legal entities and natural persons doing business are considered enterprises.

Table No. 3.3: Structure by size of enterprises

		Size of the enterprise				SME	Total
		micro	small	medium	large		
		(0-9)	(10-49)	(50-249)	(250+)		
EU - 27 (2006)	number of enterprises(th.)	18 510	1 387	220	42	20 117	20 159
	share in number of enterprises	91,8%	6,9%	1,1%	0,2%	99,8%	100,0%
	number of employees (ths.)	38 473	26 927	22 037	42 330	87 437	129 767
	share in employment	29,6%	20,8%	17,0%	32,6%	67,4%	100,0%
Slovakia (2008)	number of enterprises(th.)	479 593	29 406	3 100	675	512 099	512 774
	share in number of enterprises	93,5%	5,7%	0,6%	0,1%	99,9%	100,0%
	number of employees (ths.)	697 987	489 197	404 545	688 253	1 591 729	2 279 982
	share in employment	30,6%	21,5%	17,7%	30,2%	69,8%	100,0%

*Resource: the SR data: National Statistical Institute of the SR, calculation NADSME,
EU27 data: epp.eurostat.ec.europa.eu*

4. Recommendations for Further Improvement of the Business Environment and Development of SMEs

A favourable business environment is a basic precondition for long-term competitiveness and growth of market economy. The development in the sector of small and medium-sized enterprises is very sensitive to the quality of the business environment, whereby small and medium-sized enterprises in Slovakia significantly participate in creation of national product and have an irreplaceable role in the area of employment.

As shown in preceding chapters, in the business environment of Slovakia problems in some areas persist, whereby the progress in their solving is very slow or even stagnates. Especially important shortcomings are problematic enforcement of rights, frequent changing of legislation adopted often without analysing its impact on the business environment, high administration barriers, inefficiency of public administration services, insufficient offer of e-government services, high payment obligations and complicated administrative mechanism of contribution payments, persisting bribery and corruption.

Common attribute of the above mentioned problematic areas in the business environment is their complexity and connections to several functions of public administration. Because of this any other improvements in these areas demand systematic approach, cross-department coordination as well as active cooperation of the very entrepreneurs. Regarding the goal to improve the conditions for enterprises it is encouraging that in 2008 were adopted several documents reflecting to these problems and stating the ways of their solving. Among such documents belong especially *Modernization Programme Slovakia 21*, *Concept of the Reform of the Tax and Customs Administration*, and *Unification of Tax, Customs and Insurance Contribution Collection* and *Suggestion of Unified Methodology in Assessment of Chosen Influences*, which follows *Agenda of Better Regulation in the Slovak Republic*, adopted by Government in 2007.

Mentioned materials represent an important improvement because they identify several problematic areas of the business environment and state measures for their solving together with deadlines of their fulfilment. Deadlines for implementation of these measures included in these documents are in many cases quite far-back and the measures do not cover sufficiently all problematic areas of the business environment.

The beginning of economic crisis in Slovakia brings an impulse to intensify searching for solutions in the most painful places of the business sector. In further period it is necessary that adopted measures will not concentrate only on short-term solutions of critical situation but also continue in systematic improvement of the business environment which has the potential to re-start the growth of economy and create competition advantage for our enterprises after the end of the crisis.

A guideline to improve the business environment is the initiative *Small Business Act for Europe (SBA)*, launched by European Commission in June 2008 adopted by EU Council in December 2008, to irreversibly anchor the "Think Small first" principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development. In the SR conditions it is necessary that the stated principle and 10 principles stated in SBA are adopted by all departments having an important influence on the business environment i.e. also non-economic sectors.

Following the adoption of the SBA the Government of the SR should prepare and approve in the near future a new concept of support and development of small and medium-sized enterprises, which would ensure application of the SBA principles in formation of legislative, conceptual as well as strategic materials by respective departments and newly define the aims of the SMEs' sector development, the framework for utilisation of supporting tools for SMEs and their institutional security.

According to the statements from preceding chapters we suggest regarding the interest to improve the business environment and improvement of conditions for sustainable development of SMEs to adopt following measures.

4.1 In the area of legislative and administrative barriers

- Stabilize legislative for SMEs' activities; reduce changes of laws to minimum. In order to eliminate ambiguous regulations, responsible department (setting legislative norms) shall provide bounding explication of the law.
- To improve legal framework for entrepreneurship and increase its stability shall be used all available means of better regulation policy in legislative process („Better regulation“), as defined by OECD or European Commission. Include in procedures for drafting legal regulations two elements that have been particularly absent: consultations with the affected parties in the early stage of drafting legislation (business representatives, regulatory administrators etc.) and assessing the impact of proposed regulations on the business environment using a unified and bounding methodology. To assess the impact, a system has to be created that will guarantee the quality of this process and ensure methodological support by individual Ministries when the analysis are conducted. State administration employees participating in preparation of regulations should be able to assess objectively the impact of regulations on the business environment and implement methods to eliminate unjustified barriers for the business sector.
- Determine a sufficient length of time between approval of regulations and the date they become effective and pass legislation affecting the SME sector so that it only takes effect once on a single date in the year (e.g. on 1st January), eventually twice at the beginning and in the half of the year.
- Submit as simple and exact drafts of laws as possible. Introduce the obligation for the submitter to proceed together with the draft law also simple and easily understandable explications of rules and duties resulting from it.
- Establish an obligation of the relevant ministries to assess the real impact of the legislation after certain period of their adoption, identification, and in case of negative impact on the business environment make the necessary adjustments.

- Analyse the administrative burden on the business sector that results from existing legal regulations. Based on the above analysis, identify any possibilities to lower administrative burden and proceed with its systematic reduction.
- Eliminate inappropriate penalties from state, self-governing, public and other executive bodies against SMEs for failure to fulfill the duties especially non-monetary ones. In case of minor failures adopt the principle of obligation to inform before sanctioning. Control bodies shall implement this obligation especially to prevent repression on small enterprises i.e. through education activities for the target group ensure higher level of obeying the regulations. Implement coordination of procedure of several control bodies against controlled subject in order to avoid multiple controls of the same matters by several control bodies.
- Continue to create conditions for fair solution of law-suits without unnecessary hold-outs in order to improve the quality and efficiency of judicatory system, increase enforcement of rights through modification of civil court rules through more effective rules of procedure including appointed terms for the court to act in given matter. Slow enforcement of rights may lead to fast spread out of secondary payment inability and threaten also vital enterprises.
- Actively support using of alternative methods to solve law-suits in the area of commercial law and increase information of enterprises in the given area.
- Extend competences of the single points of contact for business entities running their businesses based on other than trade licence and enable entrepreneurs to accomplish at single points of contact administrative procedures executed by commercial courts. Continue in simplification of administrative procedures at the starting of business. Shorten the time needed for administrative set up of a business according to EU demands (3 work days maximum). Continually widen the agenda of single points of contact and include the most frequent approval and licence procedures.
- Simplify administrative procedure in contribution payment through common collection of contribution and tax and their reconciliation; simplify the calculation of

contribution through unification of assessment base for social contribution, health insurance and other payments.

- Cancel the institute of contribution reconciliation to health insurance and replace it by a system, where health insurance companies will obtain all data needed for reconciliation from taxation offices and Social insurance companies, or use unified tax-contribution statement.
- Remove application of VAT inflow deduction ratio in settlement for exempted entities, enable application of VAT inflow deduction for VAT payer, simplify VAT reporting.
- Enable small trade licencees drawing retirement pension to claim tax-free minimum from the assessment base.
- In the area of legal reform of procurement it is necessary to look for possibilities to strengthen the position of creditors and accelerate and increase efficiency of procurement procedures, determine the base for calculation of reward for assignee of procurement though it is not excessively decreased in order to satisfy the creditors.
- Through the informatization of state and public administration eliminate repeating demands on information, documents and data of entrepreneurs. Through accelerated implementation of e-government services increase efficiency of all procedures in all areas of interaction between public administration and businesses.
- Create incentives for wider utilization of electronic signatures for businesses.
- Prepare and adopt measures to eliminate barriers of larger involvement of SMEs in the public procurement of goods and services, especially limit the possibilities of exclusion from public tenders or their misuse for formal competitions in state and self-governing administration. It is necessary to spread out the system of electronic

public procurement which would later entirely replace the classical process of public procurement when public administrative purchase goods.

- Adopt obligation for public procurers to publish all public procurements as subliminal orders on one central webpage which would simplify the access of small and medium-sized enterprises to public procurement orders.

4.2 In the area of access to capital and support programmes

- Prepare mid-term strategy of development and support of SMEs, which would redefine the aims of development of the SME sector, framework for utilization of support tools for SMEs, their institutional support and coordination as well as modification of the legal framework of the business environment in order to eliminate the barriers in development of SMEs in Slovakia. The strategy should follow the guidelines defined in the document of the EC *Small Business Act for Europe*.
- Facilitate the access to start funds for starting entrepreneurs through increasing the number of favourable loans or guarantees, as the banking system considers such clients still as in risk. Considered is especially strengthening of guarantee programmes SZRB and micro loan programme NADSME, whereas in future it will be necessary to evaluate regularly the need to complete resources to such programmes.
- In order to increase the survival rate of starting entrepreneurs it is necessary to link support for starting and small enterprises through providing grants and micro loans with providing of education and counselling services.
- Support starting enterprises through contributions for self-employment activity not bound to the condition to enter the evidence of unemployed and remain in it.
- Improve the access to risk capital for starting innovative businesses through establishment of system based on involvement of private and public resources keeping the trade principles. Consider possibility of tax advantages for persons

who invest into funds of risk capital or directly into starting innovative companies. Carry out programmes to improve readiness of SMEs to use risk capital („investment readiness“programmes).

- Identify and eliminate legislative barriers in the area of capital market development and ensure its functioning.
- Improve conditions for startup small and medium-sized enterprises to find suitable premises for doing business in business incubators or industrial parks. Further support for incubators building should be focused on establishment of incubators oriented to support innovative enterprises in the areas with high added value connected to universities or research and development centres.
- Move the focus of support companies in incubator care from providing of premises and connected services in favourable conditions towards specialized counselling and obtaining of finance so that they can grow as soon as possible and successfully achieve good position at the market.
- Systematically support establishment and development of clusters to strengthen the links of SMEs to industry leaders, their involvement in networks and connection to research and development and innovation centres in perspective sectors (machine engineering, automotive industry, electrotechnic industry, and information technologies) in order to increase their competitiveness.
- To enable SMEs´ success at the single EU market and international markets it is necessary to devote higher attention to support of export activities of SMEs. Specific support programmes should be developed to eliminate typical weak aspects of SMEs in international market such as insufficient experiences with foreign-market transactions, insufficient knowledge of market and adequate regulations, finding a business partner, export financing etc.
- Ensure wider access to counselling services for SMEs through support programmes. Supported counselling services should focus on general counselling for starting businesses and persons interested in entrepreneurship as well as

specialized counselling in the increase of competitiveness of SMEs in the areas of efficient management of small enterprises, innovative management, foreign trade etc.

- At present mostly used form of support of foreign trade for SMEs focused on acquisition activity (participation at fairs, preparation of presentation materials) it is inflexible and administratively demanding because of the time limited calls. It is necessary to adjust the conditions for associations and unions which can provide services in organization and SMEs at fairs especially in common expositions so that they are able to use the resources more efficiently and complexly.
- Lower administrative barrier, shorten and simplify procedures in obtaining and use of support for SMEs, which are inappropriately long and administratively demanding especially in programmes financed from the structural funds. Facilitate financing of projects through advance payments for SMEs. Exclude changes of rules publishing calls and completion of projects.

4.3 In the area of education, advice and informations

- Education system which is at present focused especially on preparation of employees should be redirected to education encouraging young people to take larger responsibility for them and others connected with the career of entrepreneur.
- Support development of the business thinking, the business culture and the business skills in all levels of schooling, where it is necessary to combine formal approach (reforming of existing teaching curriculum) as well as informal approach embodied in close contact with business in practise (so-called student micro-firms).
- Education and training of future small trade licencees should create a system of lifelong education. Create in the school system the foundation for changing the philosophy of from an employee to employer society, educate high school and

universities graduates to be prepared for self-employment by increasing knowledge in the area of business economics, law and in the area of information science and communications.

- Improve coordination between secondary vocational school educational and training system and needs of SMEs and create cooperation between practise and education institutions to lower structural shortcomings on the labour market.
- Create motivation system for investments into education, support schools whose graduates are demanded on the labour market.
- Implement providing of economical and legal minimum at all degrees and all kinds of schools and definitely increase the quality of language preparation in order to improve quality of education system and adapt the content of education to long-term needs of the labour market.
- Increase investment to education through special programmes for SMEs and their counsellors in support structures and organizations representing the interests of SMEs.
- In order to build up the network of the Single points of contact (SPC) which enable a person interested in entrepreneurship to carry out all administrative procedures to start a business, widen their function to provide advice for starting enterprises.
- Support more counselling and education on opportunitie of doing business on EU markets and third countries market.
- Increase transparency of the business environment by constructing an on-line version of Commercial Register, which would enable free of charge on-line access to electronic versions of documents saved in the register of deeds.
- Ensure permanent dialogue between the Government and enterprises related to the business environment. To intensify the dialogue between the Government and small enterprises we suggest renewing the Council of Government for SMEs.

4.4 In the area of employment

- Take steps to reduce administrative burden related to employing staff (hiring employees, the system of making contributions to funds) and adopt measures to decrease total labour costs by reducing contributions to funds based on complex and objective analysis of needs and possibilities of further reduction of contribution barrier in the SR.
- Introduce deductions in contribution payments which reduce the total labour costs of low income groups of employees and promote their employability.
- System of active policy on the labour market orientate more towards the promotion of creation of employment opportunities in small and medium-sized enterprises which show high absorbance capacity.
- In order to increase employability of long-term unemployed persons we suggest implementing a support system for employers in which the state would participate for certain period on contribution payments of entrepreneur employing such a person. The period of support should take into account necessary requalification of employed person or acquisition of regular working skills.
- Cancel the limit of overtime work in the case of voluntary agreement between employee and employer.
- Amend Labour Code in definition of flagrant violation of work discipline
- Cancel compulsory extension of binding of collective agreements of higher degree to enterprises that settled collective agreements between employers and employees and are not members of organization which concluded the mentioned collective agreement of higher degree.
- Support self-employment through counselling services and education financed from programmes of the state budget for persons interested in entrepreneurship.

- Change social support to a person starting a business because of need, under certain economic pressure, from unemployment benefits to active support in starting a business.
- Pay attention to development programmes and pilot projects of supporting employment of groups in risk at the labour market.
- For starting enterprises and micro entrepreneurs, which do not employ any employees means creation of first employee position important increase of administrative barrier, therefore many enterprises without employees do not even consider employing somebody. As there is significant potential to create job in such enterprises we suggest to concentrate all administrative procedures of employment of a workforce to one place which shall also provide complete information about the responsibilities of employer (similar to SPC for starting an enterprise).

5. Government support of SMEs

5. 1 Ministry of Economy of the Slovak Republic

The Ministry of Economy of the Slovak Republic (MoE SR) is a central body of state administration of the Slovak Republic for industry, power engineering, heat and gas manufacture, exploitation and treatment of solid fuels, **support of small and medium-sized businesses, policy related to creation of the business environment and support of the business environment, domestic trade, foreign trade, tourist trade and consumer protection**, protection and the use of mineral resources inclusive chief supervision of protection and the use of mineral deposits, chief supervision of health and safety protection at work and safety running in mining, hallmarking and precious stones testing inspection of a ban on development, manufacture, storage, the use and trade with chemical weapons and precursors required for manufacturing them, coordination and methodical guiding of fulfilment of duties in economic mobilization, privatization of state property and for administration of state property in the business environment.

In the year 2008 was from the budget chapter of Ministry of Economy of the SR provided **government aid in the form of grants and non-repayable financial contribution in total amount of 2 570.87 million Sk (85.34 million EUR)**, which represents 163.14 million Sk (5.42 million EUR) from the resources of the Union representing 6.34 % and 2 407.73 million Sk (79.92 million EUR) from national resources, from which:

- According to the grant schemes
- from the Sectoral Operational Programme Industry and Services was provided state aid in total amount of 302.99 million Sk (10.06 million EUR),
- for Slovak coal industry in total amount of 109.8 million Sk (3.64 million EUR),
- for large enterprises in total amount of 653.72 million Sk (21.70 million EUR),
- for the support of local development No. 1621/2007-1000 in total amount of 192.49 million Sk (6.39 million EUR)
- individual state aid in total amount of 1 311.87 million Sk (43.55 million EUR)

According to the grant schemes was provided 1 258.50 million Sk (41.77 million EUR) in total, which represents 48.95% from the whole state aid provided by the department of Ministry of Economy of the SR.

The MoE SR functions as the Managing Authority for the Sectoral Operational Programme Industry and Services (hereinafter SOP IS) in the programming period 2004 – 2006 and in programming period 2007 – 2013 Managing Authority for Operational Programme Competitiveness and Economical Growth, which are implemented by implementation agencies under management of the Ministry of Economy of the Slovak Republic: NADSME, SARIO, SEA and SACR. Within the **Sectoral Operational Programme Industry and Services** was provided state aid as non-repayable contribution according to following grant schemes:

- *Grant scheme to support of small and medium-sized enterprises*
- *Grant scheme to support industrial research and pre-competition development*
- *Grant scheme to support energy saving and use of renewable energy sources*
- *Grant scheme to support of international cooperation*
- *Grant scheme to support of business activities in tourism*

More than two thirds of provided state aid was used by small and medium-sized enterprises. State aid for SMEs was provided to increase competitiveness of SMEs for the purchase of new innovation technologies, building and reconstruction of tourism facilities, participation on expositions and fairs etc. depending on the grant scheme.

Within the direct state aid provided from SOP IS in total amount of 302,99 million SKK (10.06 million EUR) the share of European regional development fund created 53.85 %, 163.142 million Sk (5.42 million EUR).

In comparison to 2007 the volume of provided paid state aid lowered by 78.95 %, which is caused by termination of programme period 2004 – 2006, within Sectoral operational programme Industry and Services and by the fact that within the Operational Programme Competitiveness and Economic Growth were not paid any funds.

Within the measure **1.1 Supporting development of new and existing enterprises** and services were completed 5 projects in 2008 in the total amount of provided state aid of 73,558,542.25 Sk (2,441,696.28 EUR). Through the implementation of the projects were purchased of new technologies in order to modernize small and medium-sized enterprises particularly their production and sales based on the transfer of technologies and implementation of quality management systems, increase in work productivity of small and medium-sized enterprises, develop cooperation between small and medium-sized enterprises and large enterprises and develop subcontracting relations.

Within the measure **1.3 Supporting business, innovations and applied research** were completed 6 projects in 2008 in total amount 39,816,299.19 Sk (1,321,659.01 EUR) of provided state aid.

Within the measure **1.4 Support of energy saving and utilizing renewable energy sources** were completed 6 projects in 2008 in total amount 214,659,223.1 Sk (7,125,380.84 EUR) of provided state aid. Implemented projects were focused on energy saving and utilizing renewable energy sources in order to lower energetic demands of production and technology processes in respective area of economy and increase utilizing regionally available energy sources.

Within the measure **2.2 Supporting entrepreneurship in tourism** were completed 6 projects in 2008 in total amount 290,877,851.9 Sk (9,655,279.67 EUR) of provided state aid. Through the implementation of the projects were created new jobs , built and reconstructed accommodation and catering facilities and new boards.

The aim of support within **Operational Programme Competitiveness and Economic Development** OP CED is to maintain and develop competitiveness and efficient potential of industrial production, energy, as well as potential of tourism and other selected services in conditions of sustainable growth and hereby efficiently contribute to increase of economic performance of Slovakia as a whole entity and decrease differences in economy of regions of the SR. Attention is focused on the support of activities with positive impact on employment and innovative development. Within OP CED in 2007 – 2013 state aid in the form of non-repayable financial

contribution will be provided according to following grant schemes:

- *Grant scheme to support implementation of innovative and advanced technologies in industry and services;*
- *Grant scheme to support innovation through projects of industrial research and experimental development;*
- *Grant scheme to increase energetic efficiency in both production and consumption and implementation of progressive technologies in energetic through direct aid;*
- *Grant scheme to support entrepreneur activities in tourism into integrated products of tourism with the whole year utilization*

For all above mentioned schemes was in the year 2008 made at least one call for proposals for non-repayable financial contribution, whereas their drawings from the state aid is planned only for the years 2009 – 2015.

5.1.1 SLOVAK INVESTMENT AND TRADE DEVELOPMENT AGENCY

Slovak Investment and Trade Agency (SARIO) is a non-profit organization of ME SR financed from the state budget funds. Strategic goal of SARIO is to increase the standard of life Slovak citizens through increasing of employment and decreasing of regional differences. Within the investment and trade support it promotes advantages of Slovak business and investment environment, attracts investors for important investments, organizes activities to support foreign trade, provides counselling. Among its other activities belongs participation at general and specialized expositions and fairs, trade missions in foreign countries, receiving of foreign missions, export training programmes, providing of counselling services home and abroad, processing of marketing studies.

In the area of investment support in Slovakia SARIO provides investment services and up-to-date information about the business environment for domestic and foreign investors, provides choice of most appropriate locations and real estate for implementation of investment aims. In the year 2008 SARIO assisted in successful

realization of 34 investment projects, whereby it ensured investment flow in overall planned sum of 538,100,000 EUR and creation of 4,624 new jobs .

In the area of support of foreign trade in 2008 SARIO focused on growing, perspective and for Slovakia strategic territories and within its pro-export projects supported Slovak companies in identification and use of trade opportunities, institutional support for their business fortification of trade-political relations in cooperation with trade-economy departments of the Ministry of Economy of SR. These are following projects: renovation of Iraq and training of Iraqi specialists on usage of Slovak machinery, environmental and water management technology; renovation of Lebanon and institutional support for the penetration of Slovak power engineering companies into the Lebanese market; organizing meetings and negotiations between delegations and representatives from the Ministry of Development of Libyan Arab Jamahiriya in order to monitor opportunities for supply of civil mechanics, materials and technology from Slovakia; making use of the opportunities for subcontractors' networking and delivery of technology into the Balkans countries by Slovak firms; reconstruction of the earthquake-afflicted regions of the Sichuan province in China and winning local contracts for Slovak firms; support of the penetration of Slovak IT companies into the Latin America markets as a part of the project HispanoIT.

Within **Sectoral operational programme Industry and Services 2004 – 2006** SARIO fulfils the task of implementation body under managing authority; it is responsible for implementation of measures 1.2. Support for building and reconstruction of infrastructure (part industrial parks) and 1.5 Development of foreign cooperation and image of the SR (measure aimed for SMEs).

Within the measure 1.2. Support for building and reconstruction of infrastructure (part industrial parks) were paid-off to final recipient in 2008 within the 1st call 5 applications of payment in total amount 85,174,914.45 Sk (2,827,289.2 million EUR), 6 requests for payment in total amount of 80,628,827.70 Sk (2,676,386.77 million EUR) were paid-off in 2008 within the 2nd call, 35 requests for payment in total amount of 389,004,921.46 Sk (12,912,597.80 million EUR) were paid-off in 2008 within the 3rd

call and within the 4th call were paid-off 12 applications of payment in total amount of 166,830,816.84 SKK (5,537,768.60 million EUR).

Within the measure 1.5 Development of foreign cooperation and image of the SR provided SARIO in 2008 financial support for 14 **small and medium-sized enterprises in total amount of 23,971,408.53 Sk (795,704.99 EUR).**

Within implementation of **Operational programme Competitiveness and Economic Growth 2007 – 2013** provided SARIO in 2008 as implementing body under managing authority activities within new calls:

- Call code KaHR-113DM – 0801, Priority axis - 1 Innovation and competitiveness growth, Measure 1.1 Innovation and technology transfers, **Sub-measure 1.1.3 Support of Slovak manufacturers' participation in fairs, expositions and trade missions**, Scheme for support of international cooperation (scheme of aid de minimis). Call was announced on the 12th March 2008, allocated amount for the call was 250,000,000 Sk (8,298,480 EUR). 41 applications were received for non-repayable financial contribution in total amount of 249,659,024.99 Sk (8,287,161 EUR) and total demanded amount of non-repayable financial contribution of 112,959,148.08 Sk (3,749,557 EUR). Approved were 28 application for non-repayable financial contribution in total amount of 66,680,924.60 Sk (2,213,401 EUR). Considering the amount of allocation for the mentioned call and value of submitted and approved applications for non-repayable financial contribution, projects were not stored in project reservoir.

- Call code KaHR-12VS- 0801, Priority axis - 1 Innovation and competitiveness growth, **Measure 1.2 Support of common services for entreprenEURs** . Call was announced on the 12th May 2008, allocated amount for the call was 1,400,000,000 Sk (46,471,486 EUR) Submitted were 9 applications for non-repayable financial contribution in total amount of 2,007,180,557.50 Sk (66,626,188.60 EUR) and total demanded amount of non-repayable financial contribution of 1,897,042,164.38 Sk (62,970,263.71 EUR). Approved were 5 application for non-repayable financial contribution in total amount of

1,115,900,466.36 Sk (37,041,109.60 EUR). Considering the amount of allocation for the mentioned call and value of submitted and approved applications for non-repayable financial contribution, projects were not stored in project reservoir.

5.1.2 SLOVAK INNOVATION AND ENERGY AGENCY

The Slovak Energy Agency (SEA) is a non-profit organization established by the Ministry of Economy of the Slovak Republic focusing mainly on the area of energy, rational use of energy sources and innovations. SEA fulfils the tasks of Intermediary body under Managing authority (MoE SR) within implementation of Sectoral operational programme Industry and Services and also Operational programme Competitiveness and Economic Growth.

Within Operational programme **Competitiveness and economic growth** were in 2008 announced two calls:

- Call code KaHR111SP – 0801; Priority axis – Innovation and growth of competitiveness, **Measure 1.1 Innovation and technology transfers**, Grant scheme to support introduction of innovative and advanced technologies in industry and services. Call was announced on 31st March 2008, allocated amount for the call was 1,500,000,000 Sk (49,790,878 EUR). Within the deadline were received 308 applications for non-repayable financial contributions in the total amount of 16,820,100,879.13 Sk (558,325,064.04 EUR) and total demanded amount of 7,566,293,610.71 Sk (251,154,936.29 EUR). Approved were 56 applications in total amount of 2,086,863,040.41 Sk (69,271,162.46 EUR). 32 applications in total amount of 1,418,712,655.60 Sk (47,092,632.8 EUR) entered the process of Contract of granting non-repayable financial contribution. Remaining 24 applications were stored in project reservoir, in total amount of 668,150,384.81 Sk (22,178,529.67 EUR).
- Call code KaHR - 21DM – 0801; Priority axis - 2 Energetic, **Measure 2.1 Increasing of energetic efficiency in production as well as consumption and implementation of progressive technologies in energetic**, Scheme to support

sustainable growth (scheme of aid de minimis). Call was announced on 12th March 2008, allocated amount for the call was 700,000,000 Sk (23,235,743.21 EUR). Received were 36 applications for non-repayable financial contributions in the total amount of expenses 314,815,913.33 Sk (10,449,973.89 EUR) and in total amount of non-repayable financial contributions of NFC 132,249,318.82 Sk (4,389,873.16 EUR). Within assessment succeeded 11 applications. Selection committee approved applications in total amount of 41,145,971.225 Sk (1,365,796.03 EUR). No project reservoir was created because of low number of evaluated projects for the financial contributions allocated within the call.

5.1.3 SLOVAK TOURIST BOARD

The Slovak Tourist Board (Slovenská agentúra pre cestovný ruch, SACR) is a state grant funded organization that specializes in the marketing and state promotion of tourism in the Slovak Republic. It carries out marketing activities for tourism at the state level, provides information on opportunities for tourism in Slovakia, promotes Slovakia as a tourist destination, contributes to the creation of a positive image of Slovakia abroad and supports the sale of tourism products of the Slovak Republic. SACR is entitled to act as an official representative abroad and create separate offices in Slovakia and abroad.

It also carries out the function of an Intermediary Body under the Managing Authority for the Sectoral operational programme Industry and Services 2004 – 2006 and Operational programme Competitiveness and economic growth 2007 – 2013.

Within **Sectoral operational programme Industry and Services, Measure 2.2 Support for business activities in tourism** were by 31st December 2008 signed 43 Contracts providing non-repayable financial contributions in amount 1,337,777,831.66 Sk (44,406,088.82 EUR), where from in 2008 were signed two contracts providing non-repayable financial contribution within Measure 2.2.

Until 31.12.2008 were implemented 2 projects in the amount of 108,000,000.00 Sk (3,584,943.24 EUR), representing about 8.07 % of all contracted means within the Measure 2.2. Until 31.12.2008 were completed 41 projects in the amount of 229,777,831.66 Sk (40,821,145.58 EUR), representing 91.93 % of all projects of the Measure 2.2. Surplus for drawing of contracted financial resources for the Measure 2.2 represents the amount 80,183,055.19 Sk (2,661,589.83 EUR). Within the Measure 2.2 were drawn 94 % of total contracted contributions until 31.12.2008.

Within **Operational programme Competitiveness and economic growth, priority 3 – Tourism, Measure 3.1 Supporting business activities in tourism** were by 31.12.2008 announced 3 calls for applications for non-repayable financial contribution:

- Call code KaHR-31SP-0801, duration of the call 14.04.2008 – 18.07.2008, allocated amount for the call 2,500,000,000.00 Sk (82,984,797.19 EUR);
- Call code KaHR-31DM-0801, duration of the call 09.06.2008 – 12.09.2008, allocated amount for the call 500,000,000.00 Sk (16,596,959.44 EUR);
- Call code KaHR-31SP-0802, duration of the call 16.09.2008 – 13.02.2009, allocated amount for the call 1,000,000,000.00 Sk (33,193,918.87 EUR).

Within two calls, closed by 31.12.2008 was the amount of demanded non-repayable financial contribution within these calls (218 proposed applications for non-repayable financial contribution) 11,561,353,945.74 Sk (383,766,644.95 EUR). Approved were in total 48 applications in total amount of approved contribution 2,636,094.046 Sk (87,502,301.867 EUR) and further 6 applications were approved into so-called reservoir in the amount of approved contribution 649,369,932.34 Sk (21,555,132.853 EUR). In 2008 were not signed any contracts providing non-repayable financial contribution.

5.1.4 INNOVATION FUND n. f. (non-investment fund)

Inovačný fond (Innovation Fund, non-investment fund), is an independent, non-profit, non-governmental legal entity which works in the territory of the Slovak Republic. It was established by the Ministry of Economy of the SR pursuant law No. 147/1997 Code of Laws about non-investment funds. **Innovation fund aims at supporting sustainable development of moral values in the area of science, research**

and development and hereby to accelerate innovative growth in the SR. It supports access to internal and foreign science, technical, economic and financial information, supporting protection of internal intellectual property and know-how of Slovak entities and development of subsidiary tools of technical policy.

Innovation fund is a non-investment fund which works on the principle of revolving (recoverable) financing. Since its establishment it supported implementation of 15 projects in the area of machine, electrotechnical, chemical industry. To ensure backflow of provided financial support Innovation fund claims during contract acquiring of stand-by rights on the propriety of applicant for financial support.

Innovation fund n. f. supported in 2008 five projects in the form of returnable financial support, for which it provided the amount of 18,989,000 Sk (630,319 EUR).

Supported were projects of following applicants:

- **EVPÚ a. s., Nová Dubnica**, project „Research and development of technological complex components of gasification of municipal waste (contract 1/2006) 3rd tranche in the amount of 3,920,000 Sk (130,120 EUR),
- **Vývoj Martin a. s.**, for project implementation „Innovation of technological processes“ (contract 1/2007) 2nd tranche in the amount of 4,969,000 Sk (164,941 EUR),
- **EVPÚ – ZVS a. s.**, Dubnica nad Váhom, for project implementation „Building up technological basement for higher level of production of 3D flexible frames and components of sophisticated products of power electronics and power engineering“(contract 2/2007) 2nd tranche 1,700,000 Sk (56,430 EUR),
- **EVPÚ – ZVS a. s.**, Dubnica nad Váhom, for project implementation „ Building up technological basement for higher level of production of stereometric Al workpieces, frames and manipulator carriers and stabilized platforms for sophisticated application of control and visualization optoelectric stations“. (contract 1/2008) 1st tranche 3,400,000 Sk (112,859 EUR),
- **PRVÁ ZVÁRAČSKÁ a. s., Bratislava**, for project implementation „Innovation of automated cathode ray welding complex for industrial applications“. (contract 2/2008) 1st tranche 5,000,000 Sk (165,970 EUR).

5.2 Ministry of Finance of the Slovak Republic

Ministry of Finance of the Slovak Republic (MF SR) is a central body of state administration of the Slovak Republic in the area of finance, taxiss and duties, customs activities, finance control and internal audits. It oversees:

a) development and implementation of the finance, customs and prices (in accordance with policy including budgeting the total deficit of the public budget, adoption and implementation of the state budget, administration of the financial assets and liabilities of the Slovak Republic, capital market, insurance activities, the policy on taxiss and duties, and financial and economic implementations with regard to the activities of entrepreneurs

b) execution of the state administration in the areas of banking; building savings, excluding providing a state bonus related to building saving activities; additional old age pension insurance; foreign exchange administration and foreign exchange controls; unified accounting and accounting reporting; gambling activities; in matters of the administration of state properties; in public and non- entrepreneurial areas of activities; and in matters relating to state aid.

c) execution of state surveillance in relation to: the execution of social insurance; the activities of additional old age pension insurance agencies; meeting the conditions for the provision of the state bonus in relation to building savings; meeting the conditions for the provision of the state bonus with regard to real estate credits; the activities of the Export – Import Bank of the Slovak Republic; and the economy of the Social Insurance Agency.

Support for SMEs from the MF SR is implemented through activities carried out by the Slovak Guarantee and Development Bank (SZRB) and the Export-Import Bank of the Republic (EXIMBANKA).

5.2.1 SLOVAK GUARANTEE AND DEVELOPMENT BANK

The Slovak Guarantee and development Bank (Slovenská záručná a rozvojová banka, a. s. hereinafter SZRB) is a specific bank focused mainly on development of

small and medium-sized enterprises in Slovakia. Except small and medium-sized enterprises it also supports towns and villages or owners of apartment houses.

Main aim of SZRB is to supporting small and medium-sized enterprises, which are not the target group for commercial banks. To its fulfilment the bank uses except of its loan products also partnership cooperation with commercial banks and other institutes supporting this section.

The majority owner and only shareholder of SZRB is the Slovak Republic represented by the Ministry of Finance of the SR. The bank is therefore focused on trade policy follows the Programme Declaration of the Government of the SR for support of small and medium-sized enterprises and at present also measures of the Government to overcome the impacts of the global financial crisis.

SZRB in the year 2008 focused on the support of development and stabilization of the business:

- **through providing of bank guarantees for loans** – especially to those entrepreneurs who have not sufficient security for loan, or are more at risk for commercial banks, but these are interested to finance it under certain circumstances. The basic principle of providing security for loans consists in spread out of the risk between SZRB, the client and partnership subject.
- **through providing of direct loans** – especially to small and medium-sized enterprises, but also to towns and villages or legal entities established following particular regulations (e.g. flat owners associations).

5.2.1.1. Guarantee programmes

Portfolio of guarantee programmes by 31.12.2008 consisted of following programmes:

1. Fast bank guarantees

SZRB provides guarantees for loans from commercial banks for small and medium-sized enterprises up to 55 % from of loan capital. Through fast bank

guarantee the bank covers wide range of loan products either for the business activity or covering investment aims of entrepreneur.

2. Bank guarantee for financial loans

Except of the above mentioned guarantees the bank provides also other types of guarantee products for loans of small and medium-sized enterprises in commercial banks and special guarantees for Housing and Non-residential premises Owners' Associations represented by the custodians and for towns and villages for building up of municipality rental houses.

In 2008 registered SZRB increased interest in bank loans. The bank approved 963 loans in the amount of 2,849 million Sk (94.6 million EUR), representing volume increase in comparison to 2007 by 9.3 %. 1,007 loans were provided in amount of 3,001 million Sk (99.6 million EUR), representing volume increase in comparison to the year 2007 by 24.3 %. Total portfolio of loans achieved the amount of 6,324 million Sk (209.9 million EUR). More detailed division of provided loans is shown in Appendix No. 5A.

5.2.1.2. Loan programmes

By 31.12.2008 portfolio of mentioned programmes consisted of following programmes:

1. Direct loans

SZRB supports financing of investment and the business running needs of small and medium-sized enterprises, finances development of regions towns and municipalities.

2. Loans for farmers

The bank helps entities applying for direct payments overcome temporary lack of financial means and provides long-term loan for starting agricultural producers to buy agricultural land which they are usually renting.

3. Reconstruction fund

SZRB finances projects focused on reconstruction of apartment houses, especially repairs, modernization and reconstruction of common premises, equipment and facilities of housing estates.

4. Micro-loans

The bank supports the growth of small enterprises, helps women – entrepreneurs in development of their own business activities, facilitates access of young entrepreneurs to loan resources and provides basic capital to university graduates for development of their entrepreneur activity either during their studies or after graduation.

5. Loans to support environmental and other projects

From the resources of Nordic investment bank (NIB) SZRB co-finances projects for infrastructure building, implementation of energetic projects, potable water delivery, building of sewerage and sewerage plants.

6. Loans financed with the support of EU, Kreditanstalt für Wiederaufbau and Development Bank of European Council

SZRB improves access to long-term financing of projects for small and medium-sized enterprises, private farmers and starting producers who run their businesses in the countryside of Slovakia. Also it finances long-term investments dealing with construction, amelioration or renovation of municipal infrastructure – repairs of local roads, house of culture, playground, public lighting etc.

In the year 2008 bank registered increased capital of loans. SZRB approved 538 loans in the amount of 3,417 million Sk (113.4 million EUR), representing capital increase in comparison to 2007 by 75.2 %. The capital of 517 provided loans rose to 2,922 million Sk (96.9 million EUR). Overall portfolio of loans achieved the amount of 7,784.5 million Sk with 1,862 loans. More detailed division of provided loans is shown in Appendix No. 5A.

5.2.2 EXPORT-IMPORT BANK OF THE SLOVAK REPUBLIC

The Export-Import Bank of the Slovak Republic (Eximbanka) a specialized state agency, which was established in order to support export of Slovak products and services to foreign markets, under act 80/1997 Coll. and further regulations. Its main

goal is to increase competitiveness of Slovak exporters and support mutual trade exchange of the Slovak Republic with foreign countries in accordance with state and international trade policy and in accordance with international obligations binding it.

EXIMBANKA SR in accord with pro-export policy of Slovak government concentrates on widening the support of export activities in the area of small, medium-sized and large enterprises in order to lower high dependence of export ability of Slovak economy on relatively small number of companies.

Characteristic feature of Slovak export policy is high concentration of international market towards EU countries. Document approved by the Government of the SR „Pro-export policy of the SR for years 2007 – 2013“ in the area of territorial orientation of export defines except of prior orientation towards traditional markets of EU to diversify export activities also to the markets with the potential of high growth. EXIMBANKA SR will from the point of view of territory put larger stress on the support of export to countries outside of European trade space and hereby it adapts its portfolio of products.

From the total amount of supported export of EXIMBANKA SR, which touched 116,8 mld. Sk, **the quota of support to export for the sector of small and medium-sized enterprises represented the capital of 12,045 million Sk (399 million EUR)**, which represents an increase by 22% in year to year comparison of export support of SMEs sector. At this capital contributed the support of bank products with capital 8,116 million Sk, representing 67.4 % share in total support, insurance products supported export in capital 3,928 million Sk, 32.6 %. More detailed data about the support of SMEs' export by EXIMBANKA SR are shown in Appendix No. 5B.

5.3 Ministry of Labour, Social Affairs and Family of the Slovak Republic

Ministry of Labour, Social Affairs and Family of the Slovak Republic (MLSAF SR) is a central body of state administration of the Slovak Republic for the area of legal labour relations, employment, collective negotiation, salaries and other rewards for labour, social insurance, social legal protection of children and young, care for family and other issues of social policy.

Support of SMEs is a part of activities of Central Bureau of social affairs and family and is above carried out through tools of active politics on the labour market.

5.3.1 CENTRAL OFFICE OF LABOUR, SOCIAL AFFAIRS AND FAMILY

Active Labour Market Policy (hereinafter ALMP) is an important factor, which helps to integrate job seekers on the labour market. Tools of ALMP pursuant the law of employment services were provided by the Central Bureau of Labour, Social Affairs and Family (LSAR) and offices of LSAR.

Active Labour Market Policy (ALMP) was in the year 2008 implemented especially through Active Labour Market Measures (ALMM) under act No. 5/2004 Coll. about employment services and about changes and regulations of some acts under later regulations. On the 1st May 2008 came into force amendment of the law about employment services (act No. 139/2008 Coll., which changes and amends Law of employment services), which evaluated existing ALMM and implemented into practise new active measures with more specified targets to support keeping employment especially by long-term unemployed citizens with low qualification, young, old, citizens with health disabilities and employees with low salaries.

The aim of the amendment of law of employment services was to support increase of employment especially by disadvantaged groups of applicants, their entrance and persistence on the labour market as well as to support motivation of employers to create jobs and employ these groups of job seekers.

In the year 2008 were following tools of active measures on the labour provided to job seekers, employees and employers with the aim of placement on the labour market pursuant Act No. 5/2004 Coll. on Employment Services and Changes and amendment of some laws (further „Act on Employment Services“):

- *§ 32 Intermediation of employment*
- § 42 Information and consulting services
- § 43 Professional consulting services
- § 46 Education and preparation for the labour market of applicants for employment and person interested in employment
- § 47 Education and preparation of employee for the labour market
- *§ 48b Providing of contribution during education and preparation for the labour market and during preparation of employment of physically disabled person*
- § 49 Contributions for self-employment
- *§ 49a Contribution for training of disadvantaged job seeker*
- § 50 Contribution to support employer of disadvantaged job seeker
- *§ 50a Contribution to support keeping of employment for low salaries employees*
- *§ 50c Contribution to support creation and keeping of jobs in social enterprise*
- § 51 Contribution for vocational training
- *§ 51a Contribution to support employment of graduates of education and preparation for the labour market*
- § 52 Contribution for activation work in the form of smaller services for municipalities
- *§ 52a Contribution for activation work in the form of voluntary service*
- *§ 53 Contribution for commuting*
- *§ 53a Contribution for moving for employment*
- *§ 53b Contribution for transport expenses to work*
- § 54 Projects and programmes
- *§ 55a Contribution for employment of physically disabled person*

- § 56 Contribution for establishment of protected workshop or protected workplace
- *§ 56a Contribution to keep employed physically disabled*
- § 57 Contribution to physically disabled citizen to run own business or for self-employment
- *§ 57a Contribution for repair or technical improvement of propriety of protected workshop or protected workplace*
- § 59 Contribution for work assistant
- § 60 Contribution to payment of running a protected workshop or protected workplace and payment of transport expenses of employees

Notice: Tools in italics are new, active since 2008.

Realization of the selected instruments of the active labour market measures in 2008 is proposed in the following Table:

Table No. 5.1: Instruments of active labour market measures

Instrument ALMM	Year 2008		
	Number of created /hired jobs (JV), or number of hired people, or number of supported JV	Agreed amount of financial means (in Sk)	Average agreed amount of financial means for one created/hired vacancy, or one recruited person, or one JV (in Sk)
§ 32	3,207	981,126	306
§ 43	658	250,398	1,680
§ 46	12,143	112,232,814	9,243
§ 47	13,863	256,103,231	18,474
§ 48b	1,693	12,081,323	7,136
§ 49	12,096	1,009,706,613	83,474
§ 49a	65	1,006,663	15,487
§ 50	1,016	75,399,375	74,212
§ 50a	820	89,310,548	108,915

§ 51	13,435	145,078,209	10,799
§ 52	166,630	836,547,909	5,020
§ 52a	16,599	396,963,543	23,915
§ 53	12,311	43,995,377	3,574
§ 53a	6	82,133	13,689
§ 54	8,227	128,369,282	15,603
§ 56	739	157,912,358	213,684
§ 56a	189	3,133,323	16,578
§ 57	337	74,458,260	220,944
§ 59	159	25,853,456	162,600
§ 60	6,592	356,773,946	54,122
Total	270,785	3,726,239,887	13,761

In 2008 labour, social affairs and family offices (offices LSAF) supported 270,785 jobs by means of the instruments of labour market active policy realized under the Act on employment services or job seekers (JS) in the agreed amount of Sk 3,726,239,887 (123,688,504.51 EUR). The average agreed amount for one jobs was up to Sk 13,761 (456.78 EUR).

The active policy of the labour market under the Act on employment services is realized mostly through national and pilot projects. The greatest aid beneficiary from the European social fund which realizes state policy in the area of employment in connection to the Act on employment services and state policy in the area of social affairs and family is the Central Office of Labour, Social Affairs and Family in the Slovak Republic (COLSAF).

The greatest part in financing particular instruments of ALMM in 2008 had the **contribution on self-employment (§ 49)** up to Sk 1,009,706 (EUR 33,516). Created and recruited were 12,096 jobs (hereinafter JV), which is in 2,058 JV more than in 2007. According to this instrument, contribution on reimbursement of documented expenses connected with self-employment is provided.

Within the structure of disadvantaged job seekers, this instrument is mostly used by the long-term unemployed, who have problems to join the labour market (in average cca. 35% from the disadvantaged job seekers (DJS)).

Drawing of **the contribution for a citizen with disabilities to run a business or be self-employed (§ 57)** in 2008 was used by 337 JS, who had agreed amount of financial means up to Sk 74,458 (2,472 EUR). The contribution for a citizen with disabilities is provided to start the business or self-employment.

The second most used instrument of active labour market measures is from the point of view of agreed amount of financial means and the first from the point of created JV was **the contribution for the activation activity by smaller municipal services for community (§ 52)**.

In 2008 there were 166,630 jobs eekers included for the activation activity by smaller municipal services for community, which was in 90,669 less than in 2007. The agreed amount of financial means in 2008 presented Sk 836,548 (27,768 EUR), that is in Sk 91,720 (3,045 EUR) less than a year ago. The group which used most the possibilities of activation activity within disadvantaged JS were the long-term unemployed.

Demand-oriented projects and global grants in the area of workers adaptability and entrepreneurship and the business support and the inter-departmental cooperation projects within the programme period 2007 – 2013 have been financed by means of Operational programme Employment and Social Inclusion. Its realization was carried out by the Ministry of Labour, Social Affairs and Family, which performs the tasks of Management Authority and two intermediary authorities – Social Implementation Agency and Social Development Fund. In 2008 the Social Implementation Agency announced two calls for support and sustence of employment:

The Call DOP-SIA-2008/3.1.5/01, Priority Axis 3: Support of unemployment, social inclusion and capacity building in Bratislava Autonomous Region (BAR), Measure 3.1: Support of Employment Growth and Employment Improvement with a Special

Consideration on Educated Society, Framework Activity 5: Support of Entrepreneurship, Entrepreneurs, Business Association and Region Adaptability, proposed on 30 June 2008. The call was aimed at the employment support, social inclusion and capacity building in Bratislava Autonomous Region. Under the aid the scheme de minimis for eligible applications for non-repayable financial contributions were considered applications aimed at the sustenance and employment development at socially disadvantaged populations (SDP), micro enterprises (up to 10 employees and with a turnover up to 2 million euros) and small enterprises (up to 50 employees with a turnover up to 10 million euros).

Eligible territory was Bratislava Autonomous Region (districts Malacky, Malacky, Pezinok, Senec and all the city parts of the capital city of the Slovak Republic, Bratislava). 14 projects were supported together in the total amount SKK 35,813 (1,188,776.60 EUR).

The Call DOP - SIA - 2008/1.2.1/01, Priority Axis 1: Support of unemployment, Measure 1.2: Support Creating and Sustenance of Vacancies by means of Increasing Workers' Adaptability, Entrepreneurship and Business Support, Framework Activity 1: Support Entrepreneurship Adaptability, Entrepreneurs, Business Association and Region Adaptability, proposed on 30 June 2008.

The Call was aimed at adaptability support, which was mainly focused on education development for employment support and sustenance support, vocational training and employees' support regarding introduction of new technologies and entrepreneurship restructuring. The Call deals with sustenance support, self-employment development and employment growth in micro- and small enterprises, as well as further training support of the employees and reinforcing the role of the employer. 78 projects were supported together in the total amount of SKK 247,736 (8,223 330 EUR).

5.4 The Ministry of Construction and Regional Development of the Slovak Republic

The Ministry of Construction and Regional Development in the Slovak Republic (MCRD SR) is a central authority of the state administration of the Slovak Republic for public work, regional development, building production and building products, building regulations and terrestrial planning, except ecological aspects, support and realization of housing policy, providing state premium to building societies.

The Ministry of Construction and Regional Development in the Slovak Republic as Management Authority for **Operational Programme Bratislava Region** announced 2 calls in 2008:

- *The Call within the Measure 2.1. – Innovation and Technological transfers*
- *The Call within the Measure 2.2. – Computerization of Society*

Within the above mentioned 2 calls supported from Operational Programme Bratislava Region, 28 applications were received for a non-repayable financial contribution for small and medium-sized enterprises.

Under Single Programming Document NUTS II Bratislava Aim 2 to support the small and medium-sized enterprise were no calls for proposals announced in 2008 by the Ministry of Construction and Regional Development in the Slovak Republic as a Management Authority for the Single Programming Document NUTS II Bratislava Region Aim 2, however there were provided non-repayable financial contributions within the following schemes:

- *Scheme for Small and Medium-sized Enterprise Support JPD 2, XS 4/2005 (Measure 1.1)*
- *Scheme for Tourism Development Support (Measure 1.3)*

In 2008 within Single Programming Document NUTS II Bratislava Aim 2, within **Scheme 16** projects were approved, 8 projects were cancelled due to the withdrawal by the applicant. Within **the Scheme for Development of Entrepreneurial Activities and Services in Tourism** 4 projects were approved in 2008, 3 projects were cancelled

due to the withdrawal of the applicant. The total amount of provided non-repayable financial contributions within the above schemes reached SKK 22,03 million (0,73 million EUR). Within the Scheme for Small and Medium-sized Enterprise Support is a benefit for Bratislava Region, the assumed new jobs increase created by means of approved projects in the number of 69 and within the Scheme for Tourism Development Support is for Bratislava Region assumed new jobs increase in 21 created by means of approved project.

5.5 The Ministry of Agriculture of the Slovak Republic

The Ministry of Agriculture in the Slovak Republic (MA SR) is the central authority of state administration of the Slovak Republic and implements state administration and state expert supervision in the department of Agriculture, it manages, directs and controls state administration realized by the State Veterinary and Food Administration in the SR, the Breeding Control of the SR, Central Control and Testing Institute in Agriculture, National Forestry Centre, Technical and Testing Institute of Agriculture SKTC-106 Rovinka, Agricultural Paying Agency and authorities of specialized state administration in their scope.

In 2008, the Department of the Ministry of Agriculture of the Slovak Republic provided state aid based on the Act No. 543/2007 Coll. from 25 October 2007 on the Competencies of the State Administration Authorities in the Provision of Support in Agriculture and the Development of Rural Areas. (further called just “the Act No. 543/2007”). Legal basis for granting state aid was in the Slovak Governmental Decree No. 369/2007 Coll. on Certain Agricultural Support Measures as amended in the Slovak Governmental Decree No.159/2008 Coll. (further only “the Slovak Governmental Decree”). Except this, state aid was also provided under the Act No. 231/1999 Coll., on State Aid as amended by later regulations and schemes for state and minimum aid, which were elaborated in conformity with Commission Regulation (EC) No 1857/2006, Commission Regulation (EC) No 1535/2007, Commission Regulation (EC) No 1998/2006 a Commission Regulation (EC) No 875/2007.

The beneficiary of state and minimum aid were in 2008 enterprises acting in agricultural primary production, in the sector of fisheries and forestry, and enterprises which are active in the area of agricultural product processing as seen in the Appendix I Treaty establishing the European Community.

State aid in the department of Agriculture of the Slovak Republic is provided by means of the Agricultural Paying Agency.

5.5.1 THE AGRICULTURAL PAYING AGENCY (APA)

The roles of the paying agency for 2008 were set by the Act No. 543/2007 Coll. on 25 October 2007 on the Competencies of the State Administration Authorities in the Provision of Support in Agriculture and the Development of Rural Areas. The Act amends the scope of the Ministry of Agriculture in the Slovak Republic as managing authority and the scope of the Agricultural Paying Agency as executive authority by granting grants from EU funds as well as the conditions for granting subsidies from the means of state budget for Agriculture, Development of Rural Areas and Fisheries.

Pursuant to the aforementioned Act and related EU and the Slovak Republic legislative in force in 2008, the paying agency secured administrative work in providing support in agriculture, food and forestry industry, fisheries and by rural areas development from the means of EU funds and state budget and subsidies for agriculture, rural development and fisheries. At the same time it participated in programming document preparation and their implementation on the conditions of the Slovak Republic.

On the basis of the Slovak government Decree No. 369/2007 Coll. as amended and the MA rescript No. 1438/2007-100 were in 2008 from the point of view of small and medium-sized enterprises provided subsidies whose overview is given in Appendixes No. 5C and 5D.

In the course of the year 2008, the APA proceeded in funding approved projects from the **Sectoral Operational Programme Agriculture and Rural Development 2004 – 2006**

and the **Rural Development Plan 2004 – 2006**. More detailed data are listed in the Appendixes No. 5E and 5F.

In the new programming period 2007 – 2013, APA fulfils the role of an intermediary under the managing authority for the **Rural Development Programme** and for the **Operational Fisheries Programme**.

The main emphasis in the Rural Development Programme of the Slovak Republic 2007 – 2013 is put not only on investment in agricultural primary production and processing industry, but also on support of the environment and disadvantaged areas. The programme further solves increasing the economic value of forests, education, land consolidation, diversification of agriculture and other activities and support on development of villages.

The programme covers the whole territory of the SR and the strategy for the rural development is built on four axes:

- to improve the competitiveness of agriculture and forestry
- to improve the environment and landscape
- the quality of life in rural areas and diversification of rural economy
- LEADER – improvement of the administration, management and mobilization of development potential in rural areas

In the course of the year 2008, 8 calls for proposals were announced together for 14 measures of the RDP 2007 - 2013. By 31 December 2008, 4,601 projects were submitted from which 741 projects were approved in the total amount of public expenditures Sk 10,301,430 (341,945 EUR), which represents almost 26% of contracts available for project action limits (with the exception of technical assistance). By the end of 2008, 18 payments were already realized in the amount of Sk 400,874 (13,307 EUR) from the public expenditures.

The data for the Rural Development Programme 2007 – 2013 measures, within which the entrepreneurship category is pursued in 2008 are listed in the Appendix No. 5G.

The overall objective of the Operational Programme Fisheries of the Slovak Republic 2007 – 2013 is based on the National Strategic Fisheries Plan 2007 – 2013 approved by the Slovak government resolution No. 933 on 8 November 2006. The project was approved with the objective to solve strong and weak points in accordance with the principles of sustainable development of the Common Fisheries Policy. It complements the Rural Development Strategy, agricultural, food and forestry sectors described in the National Strategic Plan for Rural Development for the Programming period 2007 – 2013 and developed in the Rural Development Programme of the SR for the year 2007 – 2013 co-financed by European Agricultural Fund for Rural Development.

Among the main objectives of the OP Fisheries of the SR 2007 – 2013 belong:

- modernization, innovation and restructuring of aquaculture;
- to increase the competitiveness of the entrepreneurship processing fishery products and aquaculture with an emphasis on promoting the processing of domestic production;
- market development in the fisheries sector

OFP covers the whole territory of Slovakia and a call for proposal was announced by 31 December 2008 in two measures. 32 projects were submitted together and by 2008 to none of them was awarded a contract.

5.6 The Ministry of the Environment of the Slovak Republic

The Ministry of Environment of the Slovak Republic (MEn SR) is the central authority of state administration of the Slovak Republic for the creation and protection of the environment, including wildlife and landscape conservation, water management, flood protection, protection of water quality and quantity, and their rational exploitation, fisheries, protection of air, ozone layer and climate system of the Earth, environmental aspects of land planning, waste management, environmental impact assessment, providing a unified information system on environment and broad-monitoring, geological research and exploration, conservation and regulation of trade in endangered species of wild fauna and flora, genetically modified organisms.

Promoting Small and Medium-sized Enterprises is within the chapter of The Ministry of Environment of the Slovak Republic realized only by means of projects financed from the EU means and co-financed from the state budget. The Ministry of Environment is an intermediary body for Priority No. 2 – Environmental Infrastructure of the Operational Programme Basic Infrastructure in the programming period 2004 – 2006 and the managing authority of the Operational Programme Environment in the programming period 2007 - 2013.

From the budget means in the chapter of the Ministry of Environment SR, no subsidies are provided to support small and medium-sized enterprise.

Table No. 5.2: Disbursements in 2008 under the Operational Programme Basic Infrastructure 2004 – 2006

Company size category	Volume in thousands of Sk	Volume in thousands of EUR	%
Small and Medium-sized Enterprise	148 582	4 932	65,2%
Large Enterprise	79 444	2 637	34,8%
Total	228 026	7 569	100,0%

The figures represent the total amount (EU funds and state budget) allocated in 2008 under the state aid schemes (state aid scheme for improving and developing waste management infrastructure), state aid scheme for improving and development air protection infrastructure for the programming period 2004 – 2006.

Table No. 5.3: Approved projects in 2008 under the Operational Programme Environment 2007 – 2013

Company size category	Volume in thousands of SKK	Volume in thousands of EURO	%
Small Enterprise	133 303	4 425	7,0%
Medium-sized Enterprise	1 210 901	40 195	63,3%
Large Enterprise	568 488	18 870	29,7%
Total	1 912 692	63 490	100,0%

In 2008, there was no spending of grants. Projects are approved under the State aid schemes (state aid scheme for improving and developing infrastructure for the protection of air, state aid scheme for improving and developing infrastructure of waste management for the programming period 2007 – 2013) as well as outside state aid schemes.

The Ministry of Environment of the Slovak Republic administers the state dedicated fund – the Environmental Fund, which also provides support for small and medium-sized enterprises. In 2008, the Environmental Fund provided the following support in the form of loans and grants:

Table No. 5.4: Support provided by Environmental Fund in 2008

Type of support provided	Number of supports in different types	Funding of the different types of support in SKK	Funding of the different types of support in EUR
Loan	7	131 901 681	4 378 334
Grant	11	14 251 580	473 066
Total	18	146 153 261	4 851 399

5.7 The Ministry of Education of the Slovak Republic

The Ministry of Education of the Slovak Republic (MEd SR) is the central authority of the state administration of the Slovak Republic for primary schools, secondary schools, universities and colleges, school facilities, life-long learning, science and technology, state care for youth and sport. For the mediation of financial support it has established two agencies, namely:

The Ministry carries out state support for research and development by means of programmes announced by the Agency promoting Research and Development. Support resources from the Structural Funds (Operational Programme Education and Operational Programme Research and Development) are provided by the Agency of the Ministry of Education of the Slovak Republic (MEd SR) for the Structural Funds of the EU. In 2008 the Agency only prepared calls for the public sector, calls for small and medium-sized enterprises focused on knowledge and

technology transfer from research and development into practice will be announced during 2009.

5.7.1 Agency for Promotion of Research and Development (APVV)

The main objective of the agency is **to promote top basic and applied research and development in all areas of science and technology** conducted by the public sector, sector of universities, business and non-profit agencies within the programmes of the agency. Support of the research and development is carried out through research and development projects, chosen by the agency authorities in an open tender announced by the agency. Research and development projects are submitted by residential legal or natural persons. The basic starting point for promoting research and development is the quality of project proposals. Another objective of the agency is to stimulate participation of research and development entities in Slovakia in international and European programmes and initiatives, as well as to promote bilateral and multilateral co-operation in the areas of science and technology.

The recipients of the grants are: the organizations of the sector of universities, research and development state sector, research and development the business sector, non-profit research and development sector and natural persons research and development under the Trade Act. The assessment and funding for projects starting in 2008 is as follows:

General Call 2007 (RD2007) – target group are the natural person project submitters in the areas of basic and applied research and development. The support of research and development is a “bottom-up system” – it deals with open calls for projects where they can apply on a project basis for funding research and development teams in any area. Within the call RD 2007 743 applications were submitted and the total amount of funds amounted to 4,841,000,000 Sk (160,691,761 EUR). Funding for selected successful projects started in 2008. **In 2008, agency within R&D 2007 closed contracts for funding with 31 businesses.** The amount of contracted funds for the duration of the project was for basic research projects

16,847,000 Sk (559,218 EUR) and for 29 applied research projects 345,004,000 Sk (11,452,035 EUR).

The Programme of the Agency "Promoting Research and Development in Small and Medium-Sized Enterprises" (DSME 2007) – the programme aims at stimulating innovation in SMEs by promoting their own research and development or transfer of such solutions from R&D organizations. Within the call DSME 2007 103 applications were received (42 technical feasibility studies, 61 research and development projects) and the total amount of funds reached 255,000,000 Sk (8,464,449 EUR). **APR&D provided in the first year solutions to technical feasibility studies and research and development projects, that is in 2008 the total amount for 63 projects 95,609,000 Sk (3,173,637 EUR)**, of which for the part of the technical feasibility studies for 29 projects was granted 83,421,000 Sk (2,769,070 EUR) and for the part RD projects for 34 projects was granted 12,188,000 Sk (404,567 EUR).

The Programme "Support for Project Preparation of the 7th Framework Programme for Research and Development for the years 2007 – 2013" (PP7FP) – the main objective of PP7RP of the programme is to encourage the participation of Slovak entities in FP7, in particular by promoting the active participation of the Slovak RD top expert staff in the coordination of FP7 research projects. Following that programme PP7RP agency launched in 2008, the second call for applications for registration and reimbursement of expenses for project preparation 7th Framework Programme of the European Union - PP7RP 2008 (on 1 March 2008 – 31 December 2008). Within the call PP7RP 2008 97 applications were received and the total amount of funds for the applications received by 15 September 2008 was 7,947,425 Sk (263,806 EUR). Overall, in 2008 43 claims were paid (within the requests received by 15 September 2008) in the amount of support 5,014,000 Sk (166,434 EUR), of which 16 applications from the business sector in the amount of support 2,463,000 Sk (81,757 EUR).

Providing of financial support from public funds to business entities (state aid) enables to promote the most efficient process of research assessment, linking research to the market and from it the resulting economic and social development of the country. It contributes to improving the competitiveness of enterprises, increasing

their production and quality of products and services, creating new jobs and so on. The Agency annually monitors the implementing benefits for each natural person project through annual reports and even 3 years after completion of the project.

Overall, in 2008 there was the state aid granted to 73 businesses and the amount of state aid was 201,190,916 Sk (6,678,315 EUR). The share of Community funds was 0%. State aid granted under aid schemes is 97.8% of the total state aid. In 2008, one case of natural person aid for a large enterprise continued with up to 4,395,000 Sk (146,000 EUR).

State aid granted to SMEs constitute 93.67% of the total aid granted in 2008 by the Agency. According to the regional division, the aid was granted to 31 companies from the region of Bratislava, 5 companies from Banská Bystrica, 6 companies from Košice, Trenčín and Žilina Region, 7 companies from Prešov, 8 companies from Nitra and 4 companies from Trnava.

State aid schemes provided by the Western Slovakia, Central Slovakia, East Slovakia is 52.77% of the total aid provided through the scheme, the aid schemes provided by the Embassy of the region is 47.23% of the total aid provided through the schemes.

6. Evaluation of Support Programmes Implemented by NADSME

6.1 NADSME as an implementing agency for structural funds

National agency for development of small and medium-sized enterprises implements duties of intermediating body under managing authority for Sectoral operational programme Industry and services (SOP IS) and for Operational programme Competitiveness and economical growth (OP CEG) based on Authorization of delegation of powers from managing authority (MOE SR) to intermediating authority and cares for the process of call, assessment, implementation, financial management, monitoring and control of application for non-repayable financial contributions (NFC) within these operational programmes.

Within SOP IS has NADSME responsibility for implementation of:

- **two calls within Measure 1.1 (Support of development of new and existing enterprises and services):**
 - Call for proposals on projects SOP IS – 2004 – 1.1, call code 1111010-041 (scheme of national aid)
 - Call for proposals on projects SOP IS – 2006 – 1.1, call code 1111015-061 (scheme of aid de minimis)
- **two calls within Measure 1.2 (Support of building and reconstruction of infrastructure):**
 - Call for proposals on projects SOP IS – 2004 – 1.2, call code 1111021
 - Call for proposal of national project, call code 1111027-051

Within OP CEG has NADSME responsibility for implementation of two calls within Measure 1.1 (Innovation and technological transfers), namely:

- Call for proposals on non-repayable financial contribution, call code KaHR-111DM-0801 within Sub-measure 1.1.1 Support in implementation of innovation and technological transfers) (scheme of aid de minimis)
- Joint call for proposals on non-repayable financial contribution, call code DOP2008-SIP001 within sub-measure 1.1.2 Support of creation of jobs through the development of entrepreneurship (scheme of aid de minimis)

6.1.1 Sectoral operational programme Industry and services – Measure 1.1

6.1.1.1. Measure 1.1 „Support of development of new and existing enterprises and services “ Call SOP IS – 2004 – 1.1 from 15. 6. 2004, call code 1111010-041 (grant scheme)

As to the fact that there were not published any new calls in the year 2008, implementation of the Measure 1.1 call SOP IS-2004-1.1 in the year 2008 focused especially on following areas:

- receiving of Requests of payment and processing declarations of attestation to Requests of payment,
- monitoring of projects depending on effectuation of contracts on provision of non-repayable financial contribution,
- monitoring of projects after completion of their implementation,
- addressing the projects from the reservoir of projects and following signature of contracts on provision of non-repayable financial contribution.

During the year 2008 was within the scheme of state aid signed one contract on provision of non-repayable financial contribution, which came into force the same year. During the year 2008 there was not any discharge of a contract on provision of non-repayable financial contribution. By 31.12.2008 implemented all support beneficiaries all contracted activities and handed out Final Request of payment together with Report on completion of project implementation. By 31.12.2008 were signed all in all 50 contracts on provision of non-repayable financial contribution in total amount of 1,139,573,488 Sk.

In 2008 NADSME received from applicants for support 10 Requests of payment in the amount of non-repayable financial contribution of 89,784, 297.16 Sk. From this number were by 31. 12. 2008 approved and paid 6 Applications for non-repayable financial contributions in the amount of 53,028,374.06 Sk and 4 Applications for non-repayable financial contributions in the amount of 36,755,923.10 Sk were in the process of approval.

Real drawings of non-repayable financial contribution from EU resources (ERDF) and state budget (SB) of the SR for the year 2008 represented 53,028,374.06 Sk (6 applications) divided into ERDF (28,553,739.86 Sk) and SB (24,474,634.20 Sk).

6.1.1.2 Measure 1.1 „Support of development of new and existing enterprises and services“ Call SOP IS – 2006 – 1.1, from 16.08.2006, call code 1111015-061 (scheme of aid de minimis)

For the Measure 1.1 was published call for project proposals within the Scheme de minimis on 16th August 2006. Stated deadline for submitting the projects was on

20th October 2006. Implementation of Measure 1.1 of the call SOP IS-2006-1.1 in the year 2008 focused especially on addressing the projects from the reservoir of projects and following signature of Contracts on provision of non-repayable financial contribution (NFC).

Addressing the applicants for provision of NFC from the reservoir of projects was carried out pursuing:

- continual release of financial resources which became available when a successful applicant of this call decided not to accept the conditions for signature of Contract on provision of NFC, or when NADSME did not accept signing of the Contract on provision of NFC because all conditions have not been fulfilled,
- avoiding of contract on provision of NFC, both from the side of NADSME or support beneficiary,
- reallocation of undrawn financial resources from Measure 1.1 „Support of development of new and existing enterprises and services“, call SOP IS-2004-1.1 from 15th June 2004,
- reallocation of financial resources from Measure 1.3 Support of innovation and applied research and 1.4 Support of energy savings and use of renewable energy sources according to Managing Authority letter to SOP IS (MOE SR) from 30. 04. 2008.

By 31.12.2008 were signed in total 197 Contracts on provision of NFC in the amount of 499,832,990.45 Sk. During the year 2008 were signed within the scheme of aid de minimis 110 Contracts on provision of NFC. 4 contracts were signed within originally by assessment committee approved projects, 14 projects were contracted within projects approved by evaluation committee from the reservoir of projects and 92 projects were contracted also from the reservoir of projects based on reallocation of financial resources from 30.4.2008. One Contract on provision of NFC was not effected until the end of the year 2008, i.e. by 31.12. 2008 it was cancelled because of failure to fulfil conditions of the contract in process of avoiding of contract from the side of SO/RO.

During the year 2008 were avoided both from the side of provision beneficiary or SO/RO in total 14 Contracts on provision of NFC. By 31.12.2008 implemented 196

contribution beneficiaries all contracted activities and published Final Request on payment together with the Report on project completion.

During the year 2008 NADSME received 190 Requests on payment from beneficiaries of aid in the amount of NFC 456,926,595.87 Sk. From this number were by 31.12.2008 approved 114 Requests on payment in the amount of NFC 276,020,170.26 Sk, 75 Requests on payment in the amount of NFC 177,631,121.94 Sk were in the process of approval and 1 Request on payment in the amount of NFC 3,275,304.09 Sk was denied because of breaking the law No. 25/2006 Coll. on public procurement and change and amendment of some laws according to later resolutions.

From the total number of 114 approved Requests on payment NFC in the amount of 276,020,170.26 Sk were paid 77 Requests on payment NFC in the amount of 187,403,911.47 Sk.

Real drawings of non-repayable financial contribution from EU resources (ERDF) and state budget (SB) of the SR for the year 2008 represented 187,403,911.47 Sk (77 requests) divided into ERDF (100,909,798.14 Sk) and SB (86,494,113.33 Sk).

During the year 2008 were carried out within the Measure 1.1 together 167 audits on project implementations on place, from which 36 monitoring on place after completion of project implementation and 131 audits on place on Requests on payment.

6.1.2 Sectoral operational programme Industry and Services – Measure 1.2

6.1.2.1 Measure 1.2 „Support of building and reconstruction of infrastructure“ Call SOP IS – 2004 – 1.2 from 7.4. 2004, call code 1111021

Implementation of Measure 1.2 in the year 2008 focused especially on monitoring of projects of public sector, to which were approved NFC, after completion of project

implementation during 5 years through monitoring of preservation of aim and character of implemented project (sustainability of the project).

During the year 2008 NADSME implemented within Measure 1.2 six projects, in which the amount of contracted NFC was 146,385,347.05 Sk. In the year 2008 there were no signatures of Applications on provision of NFC, as all six contracts were signed in 2005.

By 31.12.2008 all 6 projects contracted within the Measure 1.2 SOP IS were completed. One project was completed in 2006 and other five projects were completed during the year 2007. During the year 2008 were not avoided (neither from the side of final beneficiaries nor from the side of NADSME) any contracts on provision of NFC.

As the last project within the Measure 1.2 was completed on 29.10.2007, no Requests on payment were obtained from final beneficiaries in NADSME in 2008. However, one request on payment was paid in the amount of non-repayable financial contribution of 3,015,982.55 Sk divided to ERDF (2,381,038.85 Sk) and SB (634,943.70 Sk), which was received in 2007.

As all implemented projects within Measure 1.2 were successfully completed already within the years 2006 and 2007, these were in 2008 monitored from the point of sustainability of projects after implementation of project during 5 years in projects of public sector by means of List of indicators. During 2008 were carried out 3 audits on place of project implementation – monitoring after completion of project implementation.

6.1.2.2 Measure 1.2 „Support of building and reconstruction of infrastructure“ Call SOP IS – 2004 – 1.2, call code 1111027-051

Within the Measure 1.2 SOP IS „Support of building and reconstruction of infrastructure“ is implemented national project: *Establishment of network with information connection of scientific, academic and specialized libraries including their modernization*. The aim of their project was modernization and connection of

scientific, academic and technical libraries to the business practice (eligible activities include scientific, academic and technical libraries).

Final beneficiary of aid was Slovak National Library in Martin, with which NADSME signed a contract on provision of NFC on 24.4.2007. Consequently the final aid beneficiary signed Contracts on cooperation with: SAV Bratislava, Slovak chemical library at STU Bratislava, University of Cyril and Metod in Trnava, Slovak University of Agriculture, Trenčianska university in Trenčín, University Library in Žilín, Science Library Banská Bystrica, Science Library Prešov, Science Library Košice and Technical University in Zvolen.

The amount of contracted NFC by 31.12.2008 was 189,925,202.17 Sk. During the years 2007 and 2008 was carried out implementation of the project and the project was completed on 29.01.2009.

During implementation was found an irregularity stemming from the fact that project partners – Central Library of Slovak Academy of Sciences and Slovak Technical University in Bratislava are based in Bratislava Region and their costs were classified as ineligible as SOP IS does not include organizations from Bratislava Region. Because of the above stated were financial resources from these projects returned. At the end of monitored period was paid 180,296,125.99 Sk based on published Requests on payment in the form of refunding and accounting of advanced payments.

6.1.3 Operational programme Competitiveness and Economic Growth

6.1.3.1 Sub-measure 1.1.1 „Support of implementation of innovations and technological transfers“, Call KaHR-111DM-0801 from 14th July 2008 (scheme of aid de minimis)

The aim of aid is the support of projects focused on increase of competitiveness of existing enterprises through implementation of innovative and

advanced technologies, creation of environment to increase innovation potential of enterprises in industry and services, development of ecological productions as well as the need of preparation of sustainable development in industry. The aid is aimed to projects in the area of implementation of innovative and advanced technologies in industry and services oriented towards and of following activities:

- tangible and intangible investments for the purchase of innovative and advanced technologies, machines, instruments and equipment,
- tangible and intangible investments for the purchase of technologies for efficient use of natural resources in order to lower negative influence on environment.

Implementation of Sub-measure 1.1.1 OP CEG – Call code 111DM – 0801, focused in the year 2008 especially on these following areas:

- publishing of call 111DM-0801 by Managing Authority for Operational programme Competitiveness and economic growth in cooperation with NADSME,
- receiving of applications for non-repayable financial contribution,
- registration and formal control Applications for NFC including clarification of applications (filling in missing requirements),
- tossing and allocation of projects to external and internal evaluators.

Call was published on 14th July 2008. Deadline of this call for proposals of applications for NFC was 17th October 2008. To NADSME were delivered 206 projects. Final number of applications which proceeded to the formal control was 205. Formal control was completed on 11.12.2008. After completion of formal correctness were included to professional assessment 101 application for provision of NFC, where 104 applications did not meet the conditions formal control. **Total amount of demanded NFC reached the amount 26,995,367.42 EUR (813,262,439.04 Sk).**

6.1.3.2 Sub-measure 1.1.2 „Supporting creation of jobs through the business development“, Call DOP2008-SIP001 from 28. 08. 2008 (scheme of aid de minimis)

In the case of this Sub-measure there is interdepartmental cooperation where:

- provider of aid for activities within European Regional Development Fund (further „ERDF“) is the Ministry of economy of the Slovak Republic as Managing Authority for Operational programme Competitiveness and economic growth and

Administrator of the scheme and intermediating body under Managing authority for Operational programme Competitiveness and economic growth is NADSME

- provider of aid for activities within European Social Fund (further „ESF“) is the Ministry of labour, social affairs and family of the Slovak Republic as Managing Authority for Operational programme Employment and social inclusion and Administrator of the scheme and intermediating body under Managing Authority for Operational programme Employment and social inclusion is Social Implementation Agency (further SIA)

To administrate the call was eligible Social Implementation Agency. All data stated in this chapter are allocated exclusively for OP CEG.

The aim to provide the aid in the form of support of respective eligible projects is to increase the level of support to starting entrepreneurs, increase of creation of jobs and increase of adaptability of employees.

The aid is aimed to projects focused on one of the following activities:

- building, widening or reconstruction of the business facilities for industrial production, manufacture production and activities supporting the development of services,
- tangible and intangible investments, i.e. purchase of technologies, machines, instruments, equipment or other intangibles properties of investment of non-investment character aimed for industrial production and services,

in combination with activities:

- creation of jobs , or self-employment,
- training of employees, sole traders according to the needs of the jobs ,
- advice and support services needed to start a business.

Implementation of Sub-measure 1.1.2 in the year 2008 focused especially on following areas:

- announcement of the call DOP2008-SIP001 by Managing authority for Operational Programme Competitiveness and economic growth in cooperation with NADSME and Managing authority for Operational programme Employment and Social inclusion in cooperation with SIA,

- admitting of applications for non-repayable financial contribution,
- initiation of the process of registration and control of formal correctness of admitted applications for NFC, which was completed at the beginning of 2009.

Call was published on 28th August 2008. Deadline of the call for proposals for applications for NFC was to 28th November 2008. Social implementation agency received 220 applications for non-repayable contribution. 3 applications for non-repayable financial contribution were obtained after deadline, and were sent back to applicants with confirmation of non-acceptance of applications for NFC. **The total amount of demanded NFC reached the amount of 16,515,079.25 EUR (497,533,277.49 Sk).**

6.2 Programme of education, trainings and consulting for selected groups of persons interested in entrepreneurship

The support of persons interested in entrepreneurship was implemented by NADSME in the year 2008 in the form of provision of subsidized consulting and education services and through institution network of 14 Regional, consulting and information centres (RAIC) and Business innovation centres (BIC), 7 Centres of first contact (CFC).

The mentioned centres provided 1,211 information consultations in total volume of 605.5 hours on the areas needed to start and develop an enterprise and 1 925 professional consultations in total volume of 6 324,5 hours from all areas needed to start and develop the business activities. In order to support small and medium-sized enterprises in obtaining credits or resources from support programmes RAIC, BIC and CFC they prepared 484 business plans. From the programme was paid organization of 33 trainings in total number of 1 145 hours for 607 participants. Trainings were organized on topic „Entrepreneurship principles“ and „ABC of using computer“.

Mentioned services were financed from the sources of state budget in the amount of 4,699,274.10 Sk (155,987.32 EUR). Through their services the centres helped to create 897 new enterprises and 887 new jobs .

Table 6.1: Granted consulting and education for persons interested in entrepreneurship within the Programme of education, training and consulting for selected groups of persons interested in entrepreneurship implemented by RAIC/BIC/CFC network in 2008 financed from the state budget

Centre	Information consulting		Professional consulting		Business plans and reviews	Trainings	
	number	hours	number	hours	number	hours	particip.
BIC Prievidza	93	46,5	142	469	67	11	329
BIC Spišská Nová Ves	66	33	159	531,5	47	4	45
CFC Bardejov	16	8	13	39	0	0	0
CFC Brezno	3	1,5	11	88	3	0	0
CFC Levoča	37	18,5	71	146,5	5	0	0
CFC Medzilaborce	2	1	12	74	2	0	0
CFC Michalovce	16	8	16	48	0	0	0
CFC Poltár	49	24,5	78	114	26	0	0
CFC Veľký Krtíš	112	56	139	388	24	0	0
RAIC Dunajská Streda	24	12	212	733	119	0	0
RAIC Komárno	70	35	78	240,5	4	0	0
RAIC Košice	79	39,5	82	321	11	2	29
RAIC Lučenec	191	95,5	241	677,5	15	4	72
RAIC Nitra	114	57	140	530	34	0	0
RAIC Poprad	40	20	80	116,5	0	8	89
RAIC Považská Bystrica	79	39,5	123	420	58	1	19
RAIC Prešov	7	3,5	14	19	0	3	24
RAIC Rožňava	12	6	13	34	10	0	0
RAIC Trebišov	21	10,5	72	369	23	0	0
RAIC Trenčín	110	55	139	616	36	0	0
RAIC Zvolen	70	35	90	350	0	0	0
Total	1211	605,5	1925	6324,5	484	33	607

6.3 Support of SMEs through incubator care

The business and technology incubators make an important part of support infrastructure for starting small and medium-sized enterprises. Their role is to provide support to starting companies in one place and to create for them appropriate start conditions for running their business in the minimum period of three years.

The basis of provided services is rent of premises for lower prices than are commercial prices on the market and administrative support of company (e.g. provision of conference and presentation rooms, Selected services of secretary, technical infrastructure etc.). Except of the business premises provide incubators to their clients according to their needs also education services and consulting (e.g. creation of business plans, consulting in the area of obtaining resources for entrepreneurship, working out marketing strategy, contacts mediation etc.). The scope and form of support differs in various incubators according to their type and orientation.

Establishing the network of incubators in Slovakia started in the year 2002. By 2008 were in different regions of Slovakia with the support of the state budget, pre-accession programmes Phare and structural funds established 16 incubators and 1 training (virtual) incubator. To establish this international network with the capacity of nearly **20.7 ths. m²** were through programmes implemented by NADSME, invested in total **603.92 million Sk (20.05 million EUR)** (including financial and non-financial contributions of beneficiaries and their partners)¹. An important factor of investments into establishing the network of incubators is the influence on unemployment in regions.

¹ Incubator Malacky was established from the funds of pre-accession programme Phare cross-border cooperation chapter MVaRR SR. The amount of investment is not included here.

Picture: 6.1 Network of incubators in Slovakia



Apart from establishing of incubators the state budget supported also co-financing of their operating through the programme „*Support of SMEs through the network of incubators and implementation of the research-based spin-off method.*“ The aim of the programme was to increase the sustainability of SMEs, increase their competitiveness, support application of results of research and development into practice, sustainability of employment and support of creation of new jobs in the regions of the SR. In the years 2004, 2005, 2007 and 2008 was spent 23,837,437 million Sk (791,258 million EUR) to support incubators through the partial payment of their operation expenses.

Table No. 6.2: Amounts and structure of financial support of incubators in the years 2002 - 2008

Support type	Support resource	Expenses in million SKK	Expenses in million EUR
Establishing of incubators	State budget	138,97	4,61
	PHARE	208,45	6,92
	Own resources	143,07	4,75
	Structural funds	113,43	3,77
	Total	603,92	20,05
Incubator activity *	State budget	23,84	0,79
Total		627,76	20,84

* Financial resources were provided in y. 2004, 2005, 2007 and 2008

Support from the state budget in the year 2008

From the state budget for the year 2008 were from the programme „*Support of SMEs through the network of incubators and implementation of the research-based spin-off method*“ supported 5 incubators in total amount of 2,137,463.68 Sk (70,950.79 EUR). Remaining incubators did not receive financial contribution, because in the monitored areas they showed positive economic results, or their activity was more than five years whereby expired justification of their claim to receive financial contribution. From the provided resources the incubators partially covered their operating expenses and the loss which was caused by providing lower rent prices than the commercial ones on the market and by providing supplementary services for tenants.

Table No. 6.3: Overview on the amounts of financial resources spent to partial support of operating expenses of incubators in 2008

Incubator	Town	Contribution Sk	Contribution EUR
Business incubator	Handlová	522 818,50	17 354,39
Incubator	Moldava nad Bodvou	231 985,92	7 700,52
Technological incubator	Prievidza	361 269,15	11 991,94
Technological incubator INOVATECH	Sládkovičovo	484 237,85	16 073,75
Technological incubator VTP	Žilina	537 152,26	17 830,19
Total of state budget		2 137 463,68	70 950,79

Business incubator in Handlová achieved by the end of the year 91% occupancy. During monitored period 6 companies left the incubator, but even though the number of jobs in companies increased from 50 to 53. Incubator during the year 2008 carried out trainings for selected entrepreneurs in Handlová valley region, provided consulting on introduction of euro, created business plans and provided more than 100 hours of free consultations to incubator companies.

Business incubator Moldava nad Bodvou had in monitored period 67% occupancy, whereby during the year 2008 only one company left the incubator. Number of jobs increased in companies compared to preceding period from 16 to 20.

Incubator implemented following activities: consultations and trainings for entrepreneurs, publishing of information brochures, work on projects.

Technological incubator Prievidza recorded by 31.12.2008 88% occupancy. In given period entered 9 companies and the number of jobs increased from 117 to 150. Incubator organized trainings, consulting for starting enterprises, incubator enterprises and enterprises in long-term care, consulting for entrepreneurs to introduction of euro and work on various projects.

Technological incubator INOVATECH Sládkovičovo by 31.12.2008 increased its occupancy to 85%, number of jobs decreased from 60 to 52. Incubator in monitored period dealt with adoption and implementation of measures proposed according to results of controls and improvement of services. Changes involved especially termination of contracts with commercial companies, filling the vacancies by starting entrepreneurs and improvement of quality of services for incubated enterprises.

Technological incubator VTP Žilina achieved high occupancy - 99%. The number of jobs increased from 100 to 123. Incubator in monitored period dealt with preparation of the project of construction of the new building, project activities of cooperation with foreign Technological incubators, education of incubator management in order to improve the quality of provided services to entrepreneurs and especially to incubated enterprises.

An important indicator of fulfilment of incubator aims as well as national programme is the number of incubated enterprises. Until 31.12.2008 the 5 mentioned incubators placed in their business premises in total 110 enterprises, which created 398 job vacancies.

Activities of incubators in the year 2008

By 31.12.2008 were in all 16 business and technology incubators placed 274 companies which created together 1 182 job vacancies. Another 37 jobs was created in management and administration of incubators. Average occupancy in incubators achieved 81%. High occupancy of incubators shows interest of starting entrepreneurs in their services and justification of investment into their establishment.

Table No. 6.4: Occupancy of incubators by 31.12.2008

Technology / Business incubator	Capacity of incubator in m2	Occupancy in m2	Occupancy in %	incubated entrepreneurships	Number of jobs in enterprise	Number of jobs in incubator managemnet
Business incubator and technology centre Banská Bystrica	1068,57	906,04	84,79%	18	33	1
Incubator Bratislava	197,1	114,08	57,88%	4	10	1
University technology incubator STU Bratislava	866	649	75,00%	16	55	3
Business incubator Gelnica	3742,83	3646,43	97,42%	4	170	1
Business incubator Handlová *	882,03	801,4	90,86%	13	53	3
Košický science-technology incubator Košice	1686	1106	65,60%	14	87	1
Incubator Malacky	2447,16	1906,66	77,91%	39	127	5
Martinsko - flámske entrepreneurship and incubator centre Martin	1075,18	1031,38	95,93%	15	91	0
Town incubator Martin	561,16	518	92,31%	11	27	0
Business incubator Moldava nad Bodvou *	735	490,15	66,69%	12	20	3
Technology incubator centre Prešov	897,5	897,5	100,00%	21	121	5
Technology incubator Prievidza *	1080	954	88,33%	32	150	3
Business incubator 2 nd generation (virtual) Rimavská Sobota **	63	0	0,00%	0	0	0
Business incubator Rožňava	2684	2684	100,00%	14	52	3
Technology incubator INOVATECH Sládkovičovo *	1158,5	987,17	85,21%	18	52	5
Business incubator Spišská Nová Ves	740	719	97,16%	8	11	1
Technology incubator Žilina *	810	800	98,77%	35	123	2
SPOLU	20 694,03	18 210,81	80,82%	274	1 182	37

* Incubator received financial contribution from the state budget to cofinance the operating expenses.

** Training incubator does not provide premises for rent.

6.4 Micro-loan programme

In 1997, NADSME began implementing a pilot project, Micro-loan programme, through three Regional Advisory and Information Centres (RAIC) in Považská Bystrica, Zvolen and Prešov. Its chief objective was to solve the problem of access by small enterprises in the regions to small loans. In the years 2008 the programme was implemented in 15 regional centres covering the entire territory of the Slovak Republic. The programme is designated for small enterprises employing up to 50 employees.

Micro-loan programme is implemented in line with the resolution of the Slovak Government No. 701/2002. The programme does not fall under Act No. 231/1999 Coll on State Aid, as amended, and other acts, as amended (Act No. 203/2004 Coll, which amends Act No. 231/1999).

Micro-loans may be used to acquire movable and immovable fixed assets, reconstruct operating premises or purchase necessary stocks, raw materials or merchandise. The minimum amount of a micro-loan is 50,000 Sk (1,659.70 EUR) and the maximum amount is 1,500,000 Sk (49,790.88 EUR). The interest rate is set according to the basic rate of NBS, which changed several times in 2008, whereby it changed the rate of Micro-loan programme. Valid interest rate for the Micro-loan programme was 6.25 % p.a. at the beginning of 2008 and at the end of 2008 it decreased to 5.00 % p.a., the last change was made on 10.12.2008. The period to maturity was from 6 months to four years. Within the programme it is possible to extend time of principal pay-off up to 6 months maximum.

Table No. 6.5: Review of provided Micro-loans according to regional centres

Centrum	Year 2008			Cumulative by 31.12.2008		
	n.	Amount in Sk	Amount in EUR	n.	Amount in Sk	Amount in EUR
Fond fondov s.r.o. Bratislava	7	3 280 000,0	108 876,05	128	31 144 800,0	2 172 857,33
RAIC Dunajská Streda	6	3 250 000,0	107 880,24	62	58 737 037,6	1 033 817,97
RAIC Komárno	13	9 360 000,0	310 695,08	117	38 626 820,0	1 949 712,46
RAIC Košice	4	3 700 000,0	122 817,50	40	39 148 000,0	931 067,05
RAIC Lučenec	10	8 950 000,0	297 085,57	83	64 823 588,0	1 541 051,75
RAIC Martin	9	8 567 458,6	284 387,53	83	91 777 000,0	1 282 175,55
RAIC Nitra	4	2 200 000,0	73 026,62	124	101 738 000,0	1 299 475,54
RAIC Poprad	5	6 000 000,0	199 163,51	14	39 272 514,0	445 828,62
RAIC Považská Bystrica	7	3 461 264,6	114 892,94	179	47 073 562,0	2 151 748,91
RAIC Prešov	16	15 800 000,0	524 463,92	190	43 536 347,0	3 046 438,29
BIC Prievidza	21	16 370 000,0	543 384,45	189	62 321 710,0	1 541 051,75
BIC Spišská Nová Ves	11	4 699 010,3	155 978,57	96	65 459 500,0	1 282 175,55
RAIC Trebišov	8	5 058 148,0	167 899,75	91	46 425 725,0	1 299 475,54
RAIC Trenčín	4	4 600 000,0	152 692,03	74	13 431 033,0	445 828,62
RAIC Zvolen *	5	2 500 000,0	82 984,80	159	28 049 326,0	2 151 748,91
Total	130	97 795 881,5	3 246 228,56	1 629	771 564 962,6	3 046 438,29

*/ Approving of application and provision of micro-loans was stopped in RAIC Zvolen in June 2008.

In 2008, 157 interested persons from small and medium-sized enterprises submitted applications for a micro-loan. In total 130 micro-loans were provided totalling 97,795,881.50 Sk (3,246,228.56 EUR). The average micro-loan amount was

752,276 Sk (24,970.99 EUR) in 2008. Since the start of implementation, 1,629 micro-loans amounting to 771,564,962.60 Sk (25,611,264.78 EUR) have been extended within the Micro-loan programme. The most micro-loans, up to 419 were provided to enterprises from production sectors, 373 micro-loans were provided to service sector and 330 micro-loans to the business sector.

Another important factor in implementation of micro-loans is its impact on employment in regions. In 2008, 278 new jobs were created through the support of entrepreneurship plans in all regions of Slovakia. 2,531 jobs were created and further 3,832 jobs were kept since the beginning of micro-loans provision in 1997.

Table No. 6.6: Selected indicators of implementation and results of Micro-loan programme

Indicator	2008			Cumulative		
	n.	Sk	EUR	n.	Sk	EUR
Number of processed applications	157	-	-	2 016	-	-
Number of provided micro-loans	130	97 795 881,50	25 611 264,78	1 629	771 564 962,60	25 611 264,78
Average amount of micro-loan	-	752 276,00	15 722,08	-	473 643,30	15 722,08
New created jobs	278	-	-	2 531	-	-
Kept job vacancies	617	-	-	3 832	-	-

6.5 Venture Capital Funds, Fund of Funds Company, s.r.o.

The Fund of Funds Company, s.r.o. (until April 2006 Seed Capital Company, s.r.o.), was founded in December 1994 by the National Agency for Development of Small and Medium sized enterprises for the purpose of implementing one of its financial support programmes – venture capital investment. The company has dedicated itself since its origin to finding young, innovative firms with medium-term prospective growth and investing in such firms to make accelerated development and attainment of firm goals possible. The company used revenues earned from its operations to develop for further its activities and invest in new projects. Services provided by the company include: investments into share capital, follow-up financing,

guaranteed and non-guaranteed loans, subordinate and convertible loans, financial analysis and forecasting, arranging of syndicate financing, capitalization, firm mergers and marketing advice.

Since 1995, the company has made significant progress in the volume of funds administered, the size of its portfolio of administrated projects and the number of financially supported firms, as well as the number of administered funds. Fund of Funds Company, s.r.o. has been a charter member since 1995 of the Slovak Venture Capital Association (SLOVCA) and the member of European Venture Capital Association (EVCA). It has been a member since 2000 of the Association of Microfinance Institutions of Slovakia (AMIS). Until 2006 Fund of Funds Company, s.r.o. administered 5 venture capital funds (Start-up Capital Fund, Regional Startup Capital Fund, Development Fund for SMEs and funds INTEG and SISME).

In 2006, Administration Board of NADSME approved creation of two new funds based on the Venture Capital Programme: Seed Capital Fund, k.s. and Slovak Development Fund, a.s. and raised means in Start-up Capital Fund. Slovak growth Capital Fund, a.s. was founded in 2008.

The **Start-up capital fund** had been established in 1994 and invests its funds to the development of small and medium-sized enterprises for the entire Slovakia. The following are considered suitable in relation to investments: industrial manufacturing, production services, innovative enterprises, active tourism. Investments may be invested in three development stages of enterprise life cycle - seed, start-up and early stage development in form of equity or in combination of equity and loan. The maximum level of investments is 20 million Sk (663,878 EUR), where the specific amount, as well as other conditions of cooperation, depends on individual assessment of projects submitted.

The **Regional Startup Capital Fund (RSCF)** was established in 2003 and its funds are designated for the development of SMEs in Banská Bystrica, Žilina, Prešov and Košice regions. The following are considered suitable in relation to investments made within the RSCF: industrial manufacturing, production services, innovative enterprises, active tourism. Investments from the fund can be used to co-finance

companies in three development stages of enterprise life cycle - seed, start-up and early stage development in form of equity or in combination of equity and loan. The maximum level of investments is 5 million Sk (165,970 EUR), where the specific amount, as well as other conditions of cooperation, depends on individual assessment of projects submitted.

Funds **INTEG** and **SISME** were established from PHARE programme funds (Financing Memorandum 2002 and 2003) and they began their activity at the end of 2005. Fund INTEG was established as a support tool for incubator establishment programme and it is aimed to support innovative projects of enterprises included to technological incubators InQb STU Bratislava or InovaTech Sládkovičovo. The maximum level of investments is 4 million Sk (132,775 EUR) and it is aimed for enterprises in seed or start-up stage of life cycle. Investment from SISME fund is aimed for innovative projects from the area of industry manufacturing, production and trade services, and new technologies from the entire territory of the Slovak Republic. The maximum level of investments is 5 million Sk (165,970 EUR), for enterprises in seed or start-up stage of life cycle. Investments of the funds are invested in form of equity or in combination of equity and loan.

The **Seed Capital Fund, k.s.**, was established in July 2006 mainly to implement investments to newly established companies and to speed up the development of innovative small and medium-sized enterprises. This fund has own legal personality and enables financing of projects in the entire Slovak Republic. Approved volume of financial investment in one company is from 200 thousand Sk to 10 million Sk (6,639 – 331,939 EUR) for starting or innovative projects. Starting nominal value of this fund is 404.04 million Sk (13,411,671 EUR) and consists of contribution of NADSME in the amount of 400 million Sk (13,277,568 EUR) and contribution of fund manager in the amount of 4,04 million Sk (134,103 EUR).

The **Slovak Development Fund, a.s.**, began its activity in summer 2006. Fund was established with planned contribution of private investors in total amount of 500 million Sk (16,596,959 EUR), whereby through investment of public revolving resources in the amount of 500 million Sk (16,596,959 EUR) it achieves nominal value of 1 billion Sk (33,193,919 EUR). The fund focuses on projects of enterprises in

start-up and development stage. The maximum level of investments in a calendar year cannot exceed 50.0 million Sk (1,659,696 EUR).

The **Slovak Growth Capital Fund, a.s.** was established by NADSME through the Fund of Funds Company, s.r.o. within the Venture Capital Programme. Another shareholder of the fund is Wood and Company Financial Services AG. The start-up capital value was 202 million Sk (26,705,172 EUR) and its nominal target value is 1,200 million Sk (39,832,703 EUR), which will be reached through continuous raising of equity. The maximum level of investments in a calendar year shall not exceed 100 million Sk (3,319,392 EUR). In 2008, the fund did not implement any new investments.

All in all, during 2008, all funds held a total of 21 investment committee meetings at which were approved 31 investment proposals in the amount of 371,9 million Sk (12,344,818 EUR). Of these, 23 investments were implemented (financial facilities were provided) in the amount of 240.7 million Sk (7,989,776 EUR), 64.7% of the approved investments volume. The total amount of divestments (sold shares) reached 19.6 million Sk (650,601 EUR).

During the active existence of venture capital funds 91 meetings of committees have been held, which approved 186 investment proposals in the volume of 1,136.8 million Sk (37,734,847 EUR). Of these, 155 investments were implemented in the amount of 753.5 million Sk (25,011,618 EUR), 66.28%. Total amount of divestments reached 140,837 thousand Sk (4,674, 932 EUR) in the 23 exits and ended debt services of provided loans. The amount of partial divestments reached 23,144 thousand Sk (768,240 EUR) in 12 partial divestments. Total amount of divestments hereby reached 163,981 thousand Sk (5,443,172 EUR) and from the volume of implemented investments they represent 21.76 %.

The results of venture capital funds activities by 31.12.2008 in the structure of approved investments for each fund are shown in the following Table.

Table No. 6.7: Number and amount of approved investments for each fund

Name of fund	2008			Cumulatively since establishment of funds		
	Number of investments	Amount of investments in ths. Sk	Amount of investments in EUR	Number of investments	Amount of investments in ths. Sk	Amount of investments in EUR
Start-up capital fund	4	55 600	1 845 582	118	378 985	12 579 997
Regional start-up capital fund	1	5 000	165 970	27	83 015	2 755 593
Fund INTEG	0	0	0	0	0	0
Fund SISME	0	0	0	2	10 000	331 939
Fond Seed Capital, k.s.	23	207 300	6 881 099	26	234 800	7 793 932
Slovak Development Fund, a.s.	3	104 000	3 452 168	13	430 000	14 273 385
Slovak Growth capital fund, a.s.	0	0	0	0	0	0
Total of funds	31	371 900	12 344 818	186	1 136 800	37 734 847

6.6 Enterprise Europe Network

Enterprise Europe Network

Small and medium-sized enterprises need help in order to penetrate new markets especially in the stage when they first attempt to sell their products or services abroad. One of the priorities of NADSME is therefore to help SMEs with internationalization and penetration to new markets, whether to common European market or markets outside of the EU countries. NADSME enables and facilitates participation of Slovak enterprises on specialized and sector cooperation events. The aim is not only presentation, but also active help in looking for new partners.

Directorate General of the European Commission for Enterprises and Industry came with new initiative and in February 2008, it officially started the activity of international counselling network for enterprises called **Enterprise Europe Network**. The network unites the most important actors in the area of support of small and medium-sized enterprises. In this network it cooperates with nearly 600 organizations with about 3,000 experienced professionals who provide their services to more than 40 countries of the world. The aim of Enterprise Europe Network is to provide to small and medium-sized enterprises complex and easily available information in the area of the business, innovation and research. The new network Enterprise Europe Network is based on experiences from preceding networks of Euro Info Centres and Innovation Relay Centres (Euro Info Centres established in 1987, and Innovation Relay Centres in 1995)

In Slovakia following partners work within the network of Enterprise Europe Network based on the common project called BISS Slovakia (The business and Innovation Support Services in Slovakia) besides NADSME: BIC Bratislava, s.r.o. (The business Innovation Centre), RAIC Prešov (Regional and Counselling Information Centre), SOPK (Slovak Chamber of Commerce), BIC Group, s.r.o., I-Europa, s.r.o.

NADSME as a member of the Enterprise Europe Network provided to enterprises various types of services which may be included in three following categories:

1. Information, advice and services to promote cooperation and the internationalization of SMEs

- informing and raising awareness of policies, legislative and European Union initiatives focused mainly on small and medium-sized enterprises,
- providing information and counselling about opportunities for enterprises provided by single European market of goods and services,
- increase participation of SMEs on creation of EU policy,
- obtaining feedback from enterprises for European Commission through online consulting and panel discussions,
- support of development of cross-border activities and cooperation of SMEs

2. Promoting innovation and services in technology and know-how transfer

- dissemination of information on the possibilities for innovation in the EU,
- promotion of international technology-oriented cooperation,
- transfer of technologies and know-how,
- analysis of the technological situation of enterprises,
- organization of partner events in selected technology sectors,
- exploitation of research and development results,
- increase the innovation capacity of SMEs, including creating links to appropriate national and European funding schemes.

3. Services to promote SMEs participation in the EU Seventh Framework Programme for research, development and demonstration activities (FP7)

In cooperation with the national contact points for FP7 (NCP) Enterprise Europe Network provides:

- information and awareness on FP7,
- identification of research-development needs and finding appropriate partners,
- increasing the participation of Slovak companies (especially SMEs), universities and research institutes in European research programmes,
- support project preparation and implementation of FP7.

Information and advice

NADSME continued also in 2008 to organize information seminars and trainings in order to acquaint the public with the issue of doing business in the EU. NADSME organized in cooperation with its partners 22 events of this kind in different regions of Slovakia. 969 entrepreneurs took part in these events.

Information about the business, events, activities, calls and database of articles and information letters were published by the Service Department for SMEs also in the form of a webpage www.enterprise-europe-network.sk. Together with partners of the network Enterprise Europe Network were sent 21 information letters (Newsletter). In 2008 were published more than 1 500 articles and 166 communications about actually announced tenders and calls for proposals of projects. The search for information concerning the internal market in 2008 used 352 companies.

Database for the business cooperation

NADSME helped entrepreneurs to find cooperation partners (production, the business and project) through Europe-wide database and communication system - The Business Cooperation Database – BCD, internal correspondence network, as well as through organization of participation of Slovak entrepreneurs at international cooperation fairs. In 2008, 553 offers of cooperation from foreign companies were translated to Slovak and further 764 were in English, all of which were published in various periodicals, as well as on the website of the Enterprise Europe Network. Slovak entrepreneurs seeking foreign partners required 280 contacts; Business Cooperation Databases (BCD) department provided by services department for SMEs used 17 Slovak companies. Foreign companies requested 362 contacts to Slovak companies.

Cooperation events for small and medium-sized enterprises across Europe

NADSME organized the participation of Slovak entrepreneurs on several sector focused cooperative events for small and medium-sized enterprises across Europe. At the events, mostly conducted as a part of fairs and exhibitions, bilateral meetings of potential partners took place following pre-prepared schedule. NADSME was mainly involved in projects aimed at preparation of cooperation events for the businesses of the engineering industry and related industries, from the energy sector, environmental protection and waste management in the border areas of the EU. NADSME continued also in 2008 in the project PAVE PRINCESS, in which in March 2008 in Wels, Austria in an event focused on renewable energy attended 6 Slovak companies. In April, in Danish Viborg at a meeting of entrepreneurs in the area of bioenergy (biomass to generate bio-energy) took part 2 Slovak companies. In May, ELMIA RECYCLING event focused on waste management, recycling and bioenergy was held in Jönköping, Sweden, where one Slovak company participated. Further cooperation events continued within the Global Cluster project in 2008, - cooperation event aimed at agricultural sector, food and wine was held in Berlin in January 2008. Two Slovak companies took part in it; whereas 17 companies participated in a similar cooperative event focused on engineering sector in Nitra. Overall in 2008, NADSME

helped Slovak companies to participate in 428 business meetings with foreign partners.

Improving SMEs participation in EU policy-making

One of the main tasks of the Enterprise Europe Network is to inform the European Commission about the problems of entrepreneurs in applying European Community legislative and policy in practice. Department of Services for SMEs acted as a point of contact where enterprises could report their problem or perception regarding especially the laws of the business environment in the EU. Getting feedback from businesses for the European Commission also took place through on-line consultations and panel discussions. Consultation was provided for 9 enterprises to address problems associated with improper application of EC law.

6.7 Programme Information campaign for small and medium-sized enterprises to the introduction of a common currency - the euro in Slovakia

In connection with introduction of euro currency in Slovakia NADSME implemented programme Information campaign for small and medium-sized enterprises to the introduction of a common currency - the euro in Slovakia in 2008. The programme was to assess the state of readiness of SMEs in the introduction of euro and enhance SMEs' awareness on the process of introducing the euro, thus helping them to cope with the introduction of common currency in the SMEs sector without loss of competitiveness in Slovakia and abroad.

The main activities of the Information campaigns were focused in particular on:

- Expert advisory capacity building at regional level (training advisers).
- Information seminars for entrepreneurs.
- Continuous access to information for the business sector through communication channels established for this purpose.

In order to determine the current state of SMEs readiness in the introduction of euro and identify problem areas on which information campaign should be focused realized NADSME at the beginning of the year a representative survey of SMEs. The processed results of the survey showed that 18% of entrepreneurs see an advantage or opportunity for the business in adoption of euro. Nearly half of companies considered that the introduction of euro has in fact no substantial effect on their activities and less than a third felt that the cost of the introduction of euro does not adequately offset by benefits. The level of knowledge about the introduction of euro was considered by more than 53% of entrepreneurs to be sufficient, or rather sufficient. The biggest objection to the level of information had small entrepreneurs employing up to 10 employees. Entrepreneurs expected major problems in accounting and management of information systems, cash counting during the dual circulation, security of dual display of prices in the accounts in preparation for the introduction of euro.

Beginning of information campaign was aimed to build a consulting capacity at the regional level through trainings of representatives of the institutional network for SMEs support (ie. RAIC, BIC, CFC a PI), Slovak Union of Crafts and the Slovak Chamber of Crafts, whose role in further parts of campaign was, except of individual counselling, providing of information on the introduction of euro at seminars and workshops for entrepreneurs organized by local consulting institutions.

In the next phase of the information campaigns seminars for entrepreneurs were organized in two rounds in 18 Slovak cities. The first round of workshops took place in the period from 9.6.2008 to 19.6.2008 and the second round in the period from 6.10.2008 to 16.10.2008. All cities have been carefully selected to evenly cover the entire territory of Slovakia. **378 representatives of SMEs participated in the first round of the seminar in June, 868 representatives of SMEs participated in the October round.** The increased interest of SMEs in trainings was seen after the statement of the conversion rate, when the entrepreneurs became fully aware of the urgency of the need to start preparations for the changeover. Seminar participants were provided with information materials on various problem areas related to the introduction of the euro currency.

In order to promote organized events and ensure the participation of the widest range of the business on seminars NADSME implemented supporting media campaign in newspapers and on radio stations, whereby it also took the opportunity of promotion through partner organizations. 52 000 pieces of information sheets were circulated and also information channels of partner organizations RAIC/BIC/CFC and promotion via their own websites were used.

Within the programme of information campaign NADSME prepared two expert publications. First tool was creation of „Euro calendar“, second was a brochure „Changeover to euro – what not to forget“, which was a summary of all basic duties of enterprises in connection with the changeover.

At the end of the year NADSME carried out in cooperation with the Ministry of Economy, National Bank of Slovakia and the Ministry of Finance further representative survey aimed to assess the current state of readiness of SMEs in the euro changeover and evaluate the activities of public institutions to ensure preparation of the business sector, approximately one month before the introduction of euro. The survey showed that since April 2008 when the previous survey was conducted, there has been significant progress in preparing the business sector for the euro. Much more positively was also assessed the level of information about the introduction of euro. More sufficient or adequate than before it was considered by more than 94% of entrepreneurs, which represents an improvement by 41 pp compared with the previous survey. According to the results of the survey feeds information sources on the Internet and in newspapers were used the most. Most respected institution, which was used as a source of the business information on the euro was the National Bank of Slovakia.

7. Conclusion

The report submitted on the state of small and medium-sized enterprises provides a comprehensive picture of their development, the types of support and the evolution of their business environment in 2008, including problems that exist and proposals for their addressing.

In terms of economic development the year 2008 was again a year of strong economic growth, but unlike the past period quite rapid reduction in growth rate was recorded, which marked coming of the global economic and financial crisis in the Slovak economy. Despite of it the growth in employment continued and in the third year quarter the employment in Slovak economy reached a historical maximum.

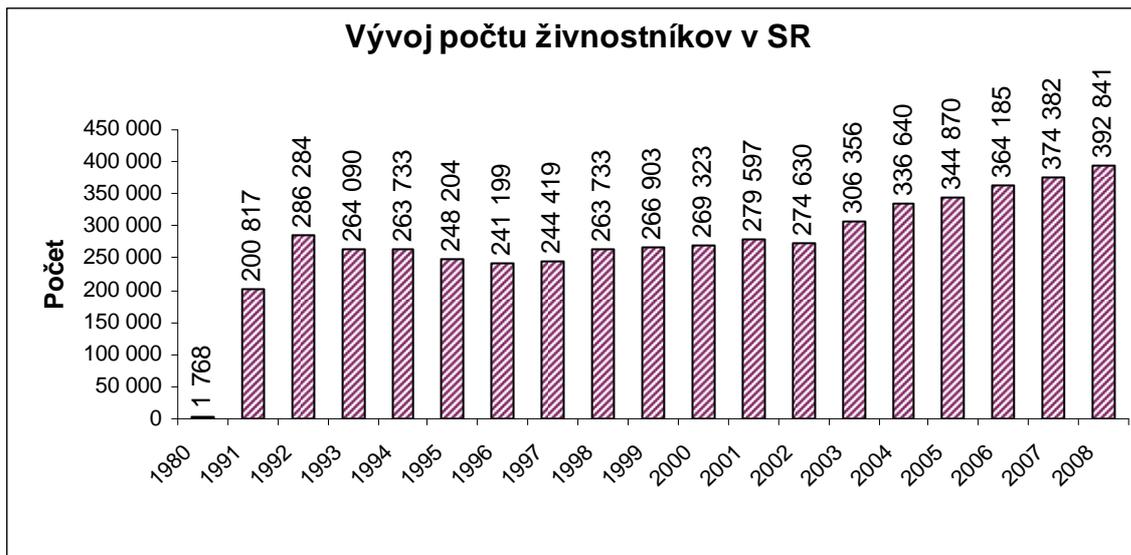
Small and medium-sized enterprises sector continued in the growth tendency of past years in all major indicators. Dynamically grew also the number of small and medium-sized enterprises – both natural persons and corporate bodies. The share of the SMEs sector in creating added value and gross production slightly increased, its share on the profits increased significantly. Employment growth continued in the category of SMEs and large enterprises, while the share of the SMEs sector in total employment has slightly increased.

The year 2008 was extremely difficult for the Slovak entrepreneurs because it was necessary to manage carefully the introduction of the common European currency. With the introduction of the euro currency, businesses had to deal with more responsibilities resulting from resolutions issued for the changeover administration. Assessment of the real benefits of euro for SMEs will be possible only after a longer time delay. However, at present it can be stated, that in the business sector there were no serious problems during the whole changeover process thanks to responsible training and support activities carried out by state agencies, and the euro currency means a better protection against more serious macroeconomic shocks for the Slovak economy during the spreading of the economic crisis.

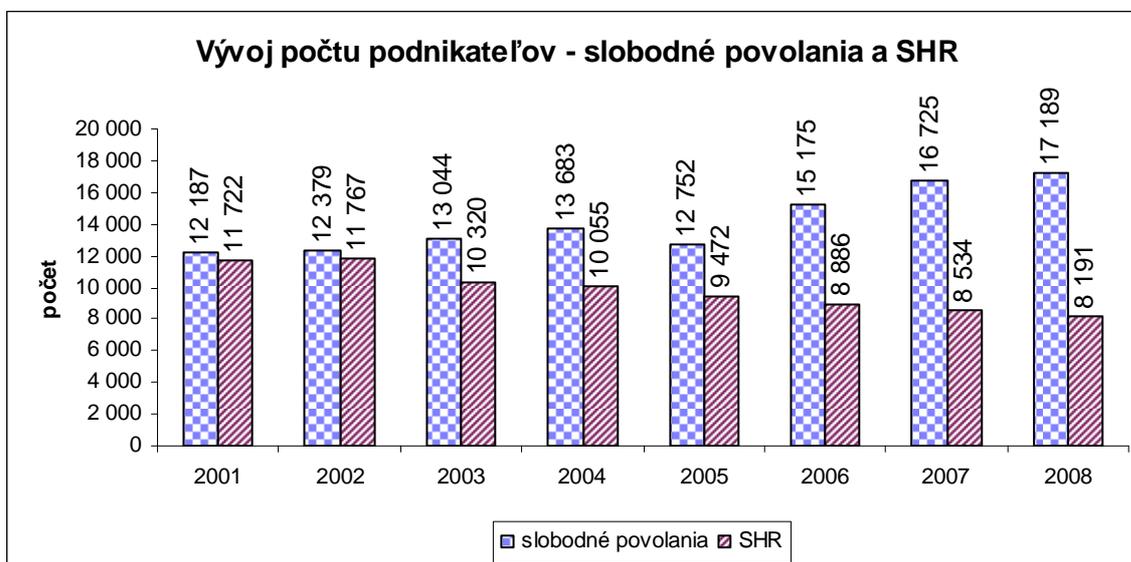
In 2008, the area of support programmes was characterized by gradual completion of implementation of the first programming period programmes from the Structural Funds 2004-2006, and the publishing of first calls for the programming period 2007-2013. During the period of more difficult access of SMEs to bank financing due to the economic crisis, the importance of getting support from European funds for the implementation of investments and human resources development in order to increase competitiveness of the business sector is highlighted. It is necessary to simplify and accelerate SMEs' access to these resources, so that this potential may be fully exploited, particularly through reduction of administrative barriers, acceleration of evaluation and provision of funds. Part of the structural funds resources for implementation of innovative financial instruments through the JEREMIE programme should be used to help to improve SMEs access to finance.

The report submitted contains comprehensive proposals for further improvement of the business environment, the implementation of which would contribute to sustain the growth dynamics of the SMEs sector in Slovakia and increase competitiveness.

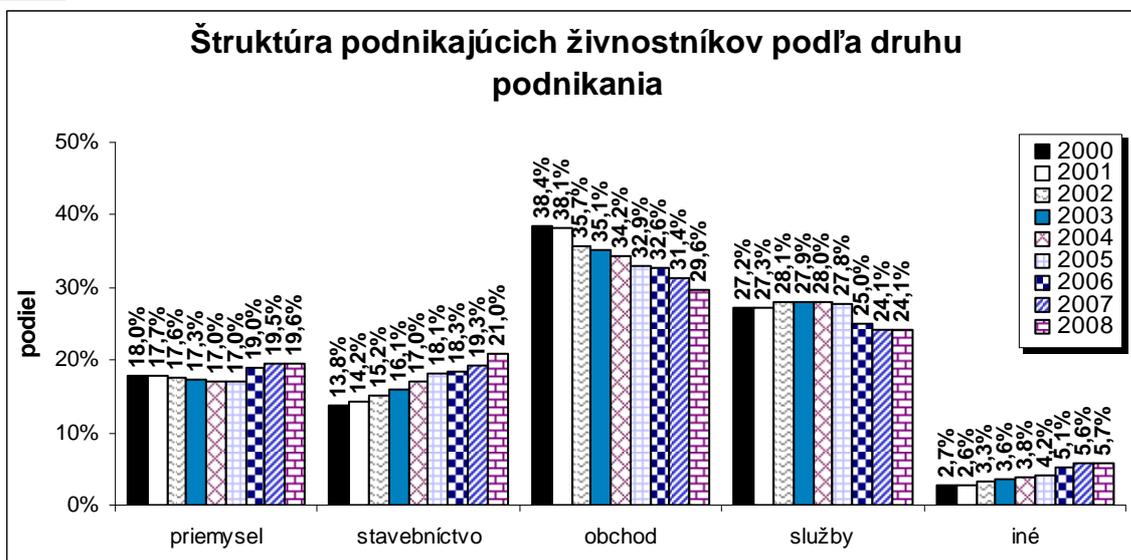
APPENDIX



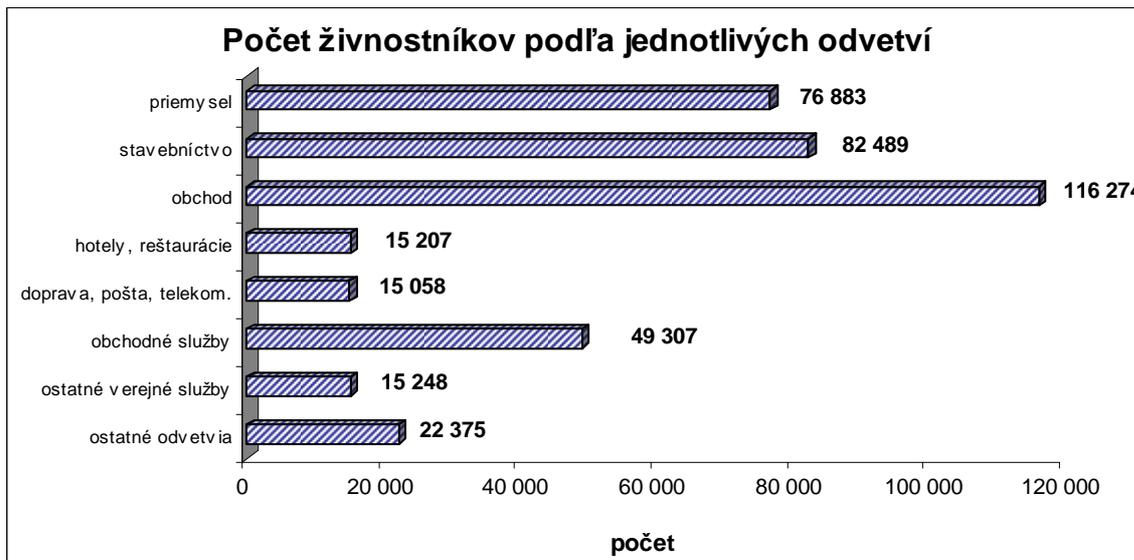
Graph No.1 The development of the number of small trade licences in Slovakia



Graph No.2 Development of the number of small trade licences – free traders and SHR



Graph No.3 Structure of small trade licences according to business sector



Graph No.4 Number of small trade licences by sector

Priemysel – industry

Stavebníctvo – construction

Obchod – trade

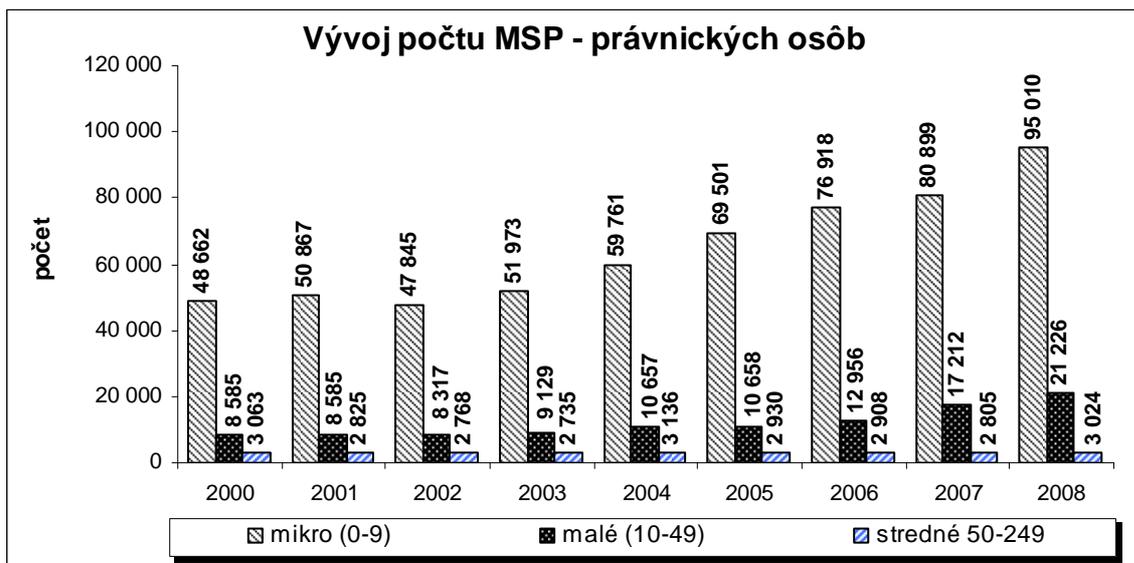
Hotely, reštaurácie – hotels, restaurants

Doprava, pošta, telekom – transport, post, telecommunications

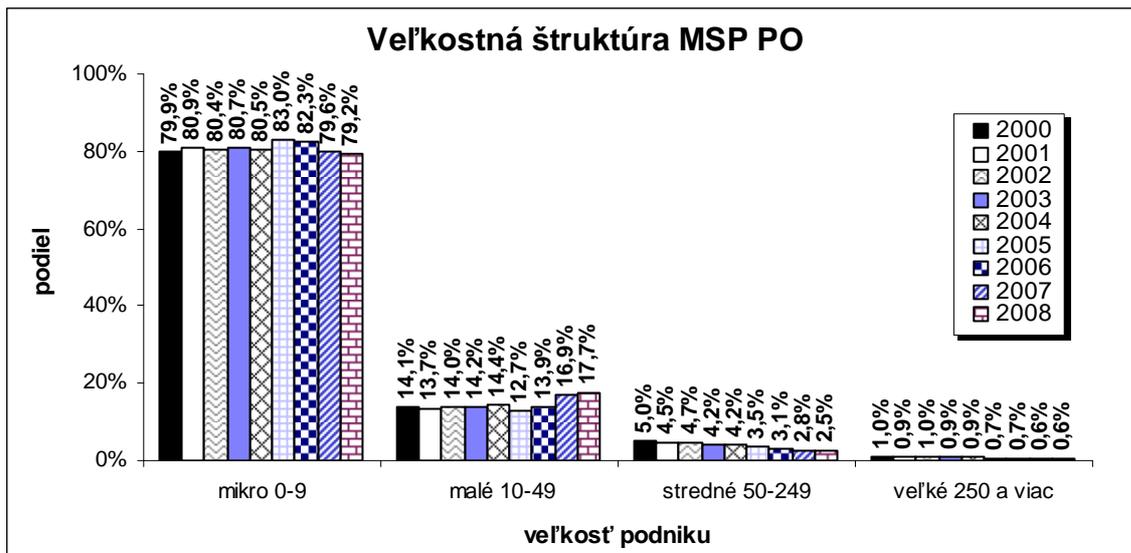
Obchodné služby – business services

Ostatné verejné služby – other public services

Ostatné odvetvia – other sectors

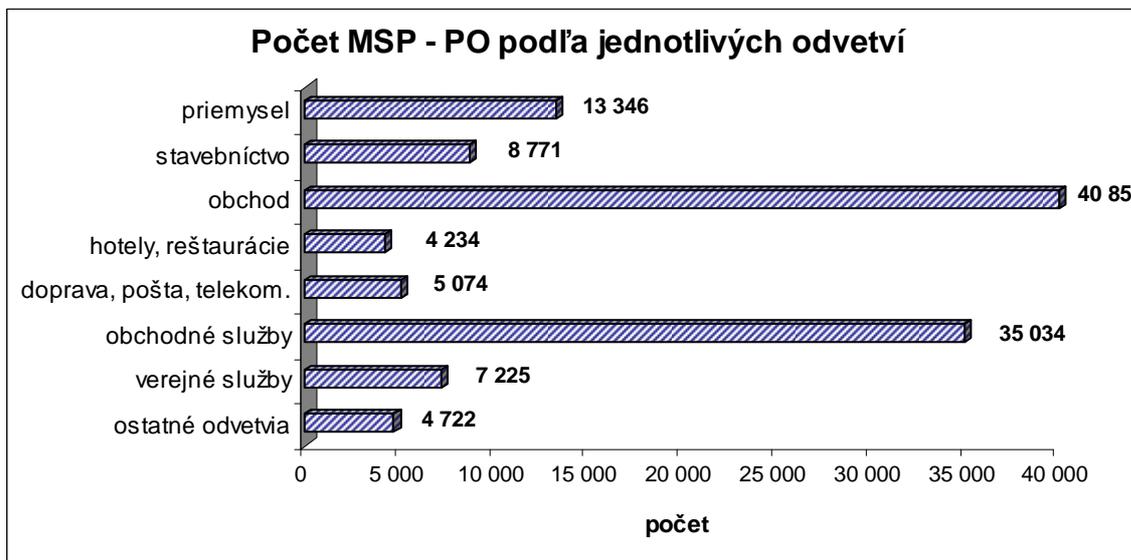


Graph No.5 Development of SMEs – legal entities



Graph No.6 Size structure of SMEs PO

Veľkosť podniku – size of enterprise



Graph No.7 Number of SMEs PO according to sectors

Priemysel – industry

Stavebníctvo – construction

Obchod – trade

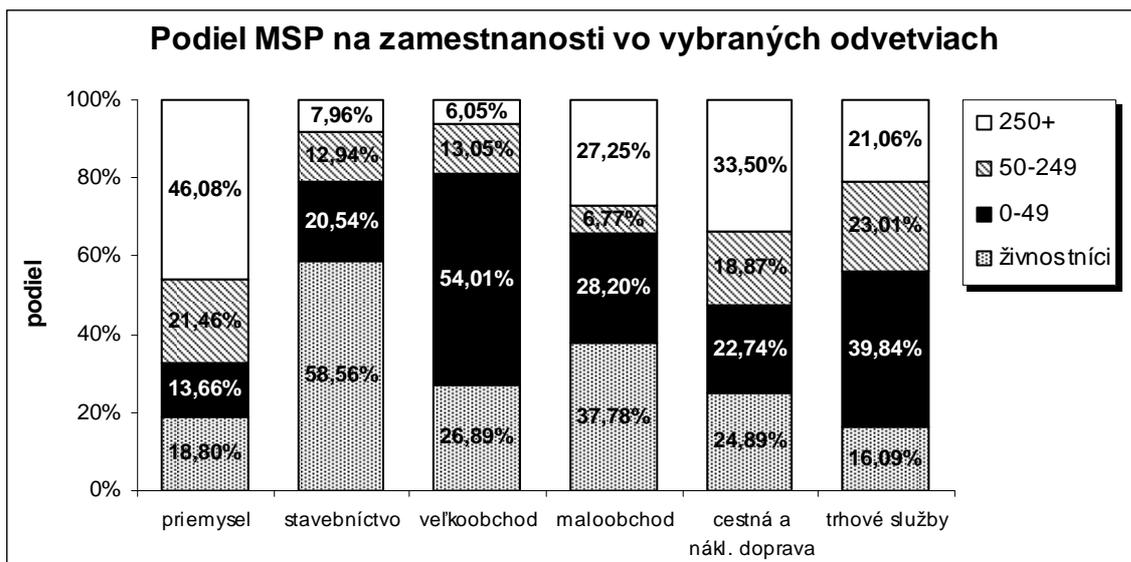
Hotely, reštaurácie – hotels, restaurants

Doprava, pošta, telekom – transport, post, telecommunications

Obchodné služby – business services

Ostatné verejné služby – other public services

Ostatné odvetvia – other sectors



Graph No.8 SMEs contribution to employment in selected sectors

Priemysel – industry

Stavebníctvo – construction

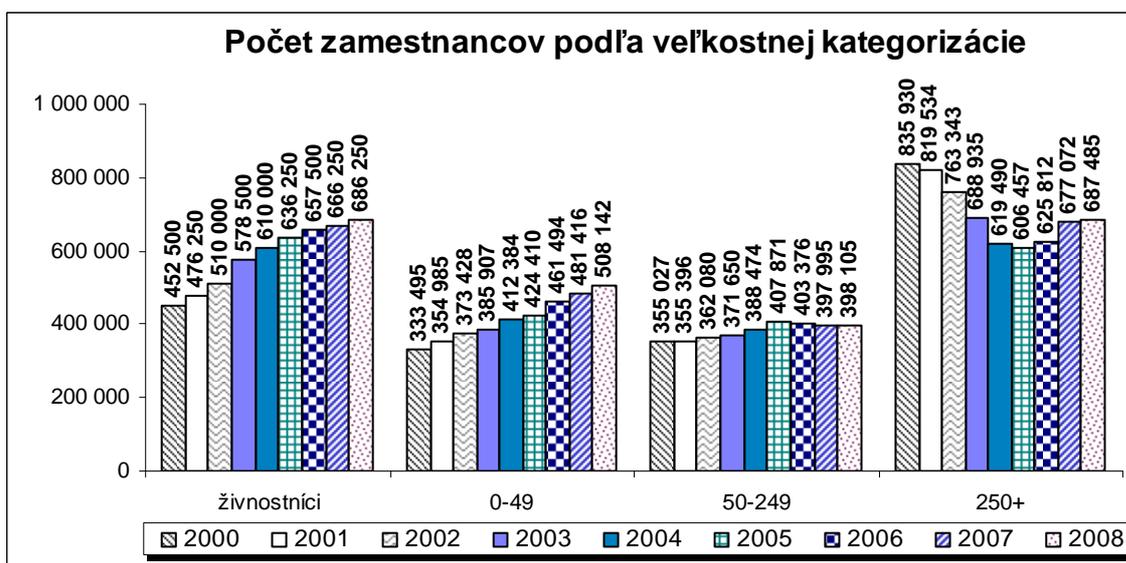
Veľkoobchod – Wholesale

Maloobchod - Retail

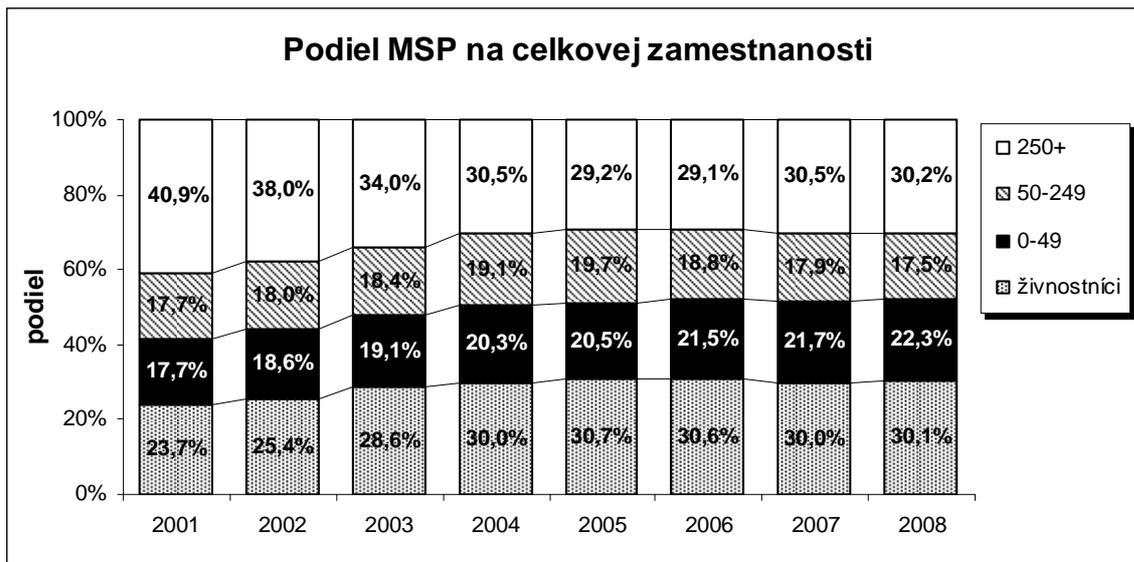
Cestná a nákladná doprava – Road and freight transport

Trhové služby – trade services

Živnostníci – small trade licencees



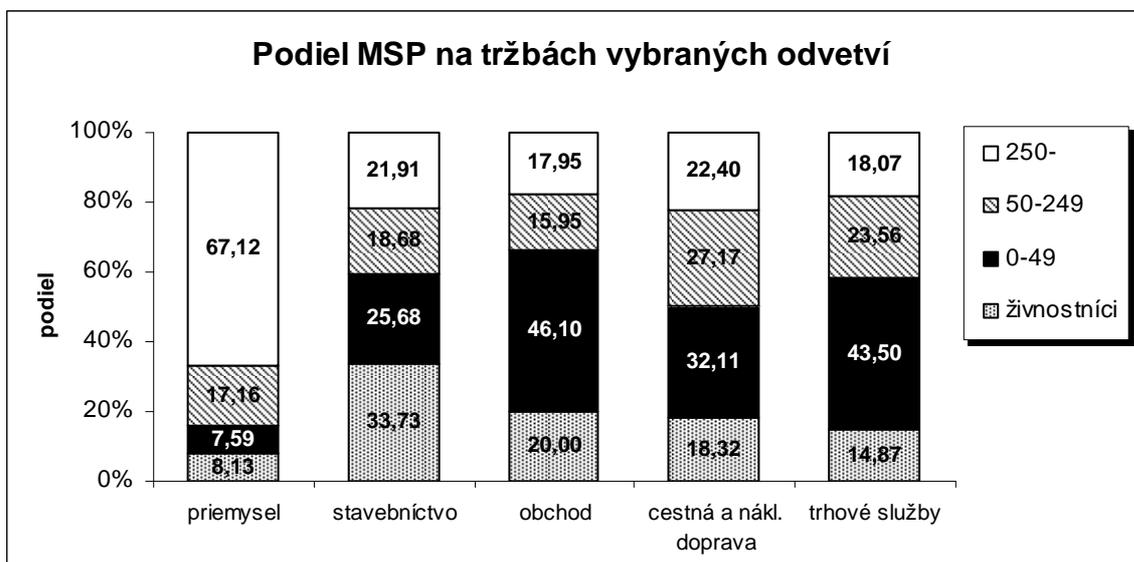
Graph No. 9 Number of employees by size classification



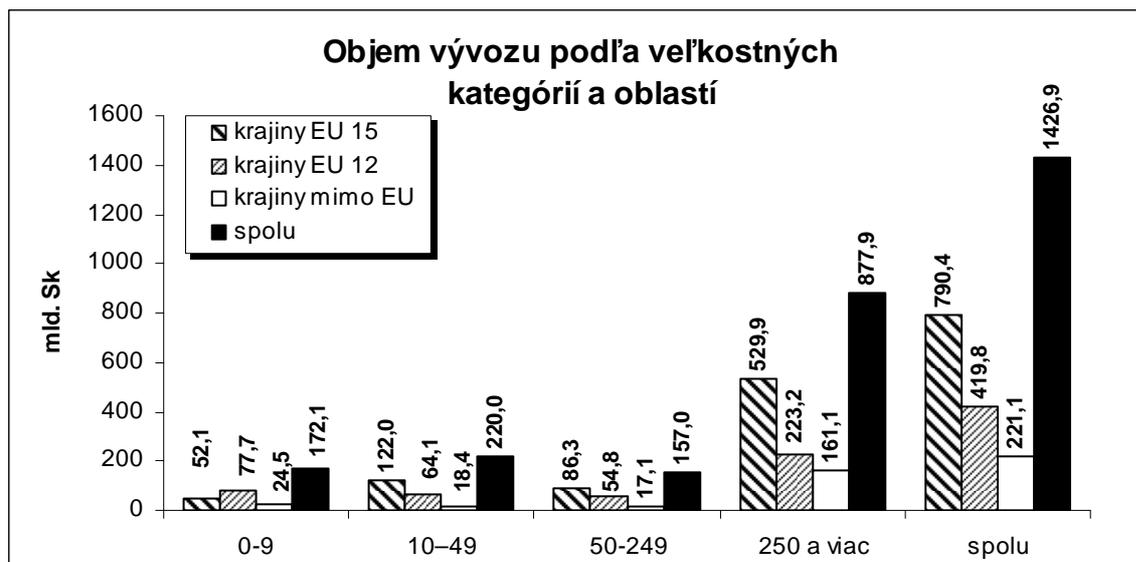
Graph No.10 The share of SMEs in total employment



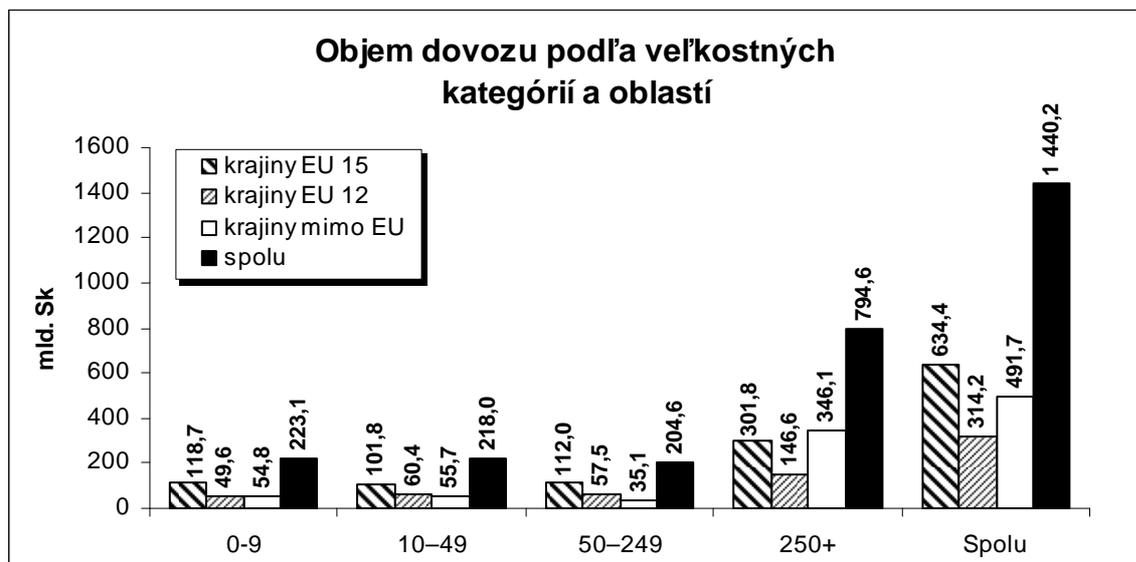
Graph No.11 The share of regions in the total number of employees



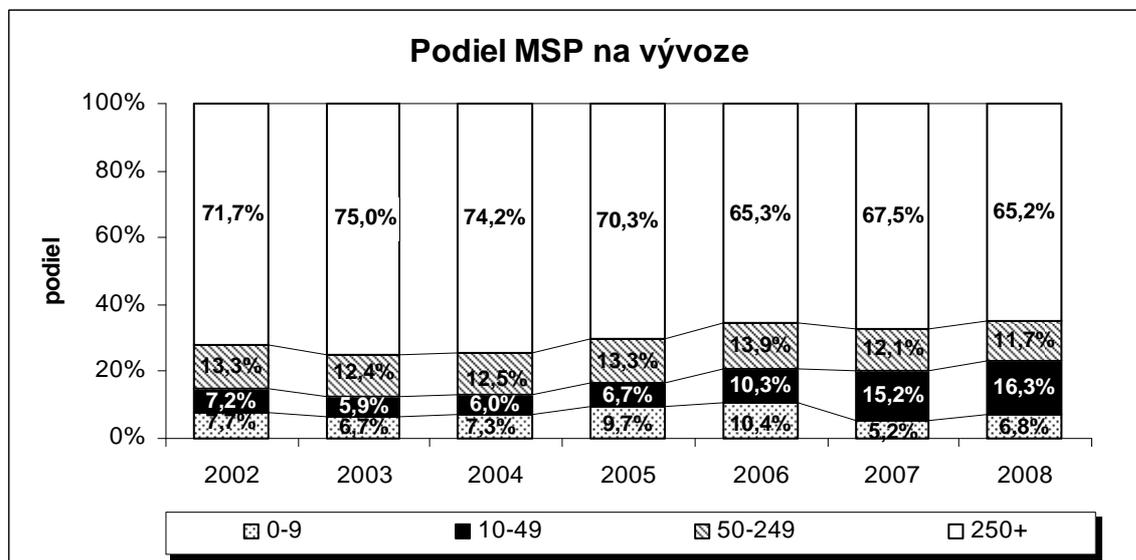
Graph No.12 The share of SMEs on the revenues in selected sectors



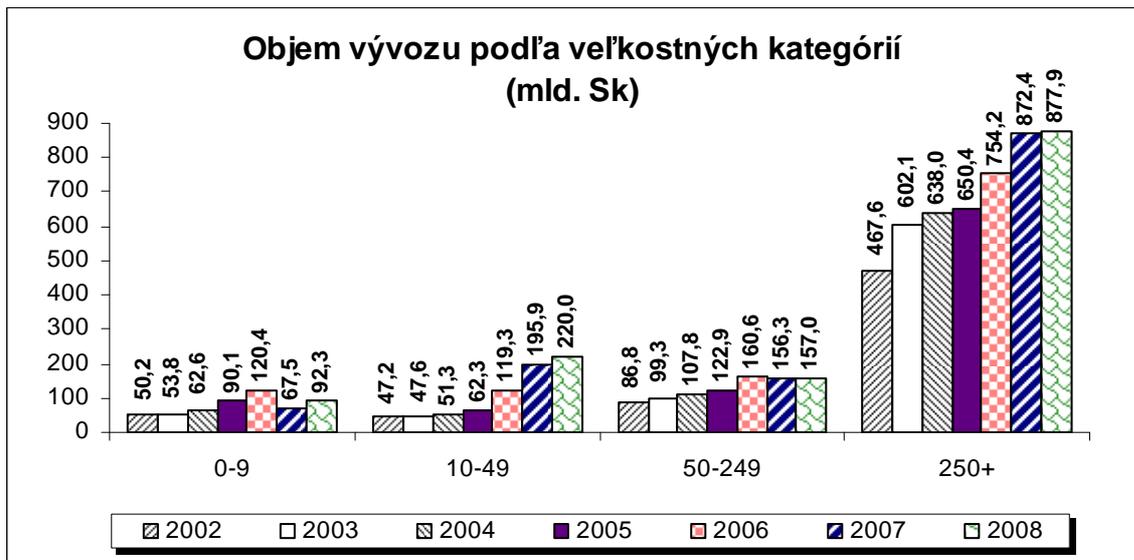
Graph No.13 The export volume by size categories and regions



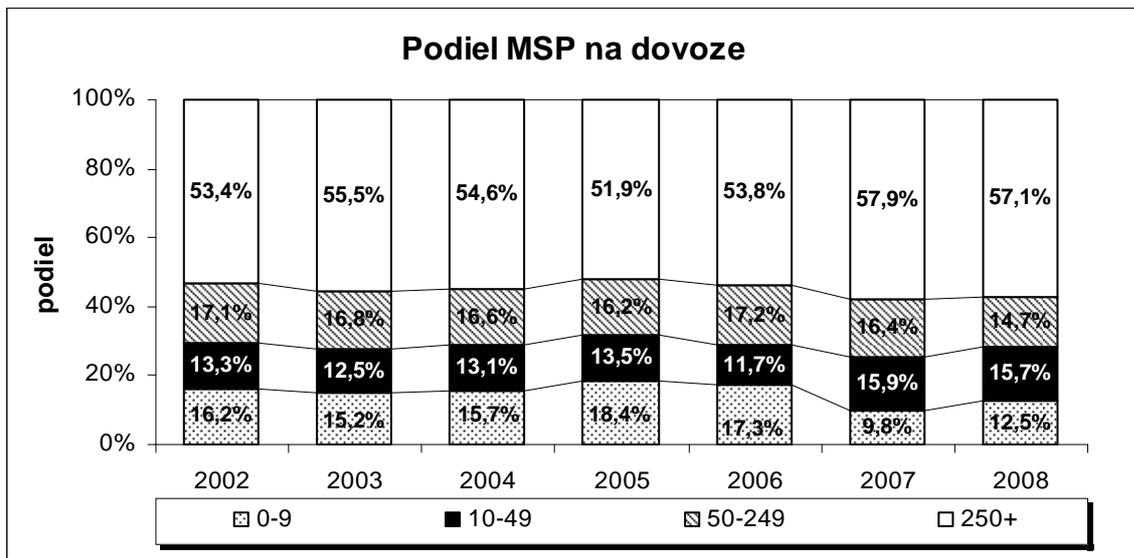
Graph No.14 The volume of imports by size categories and regions



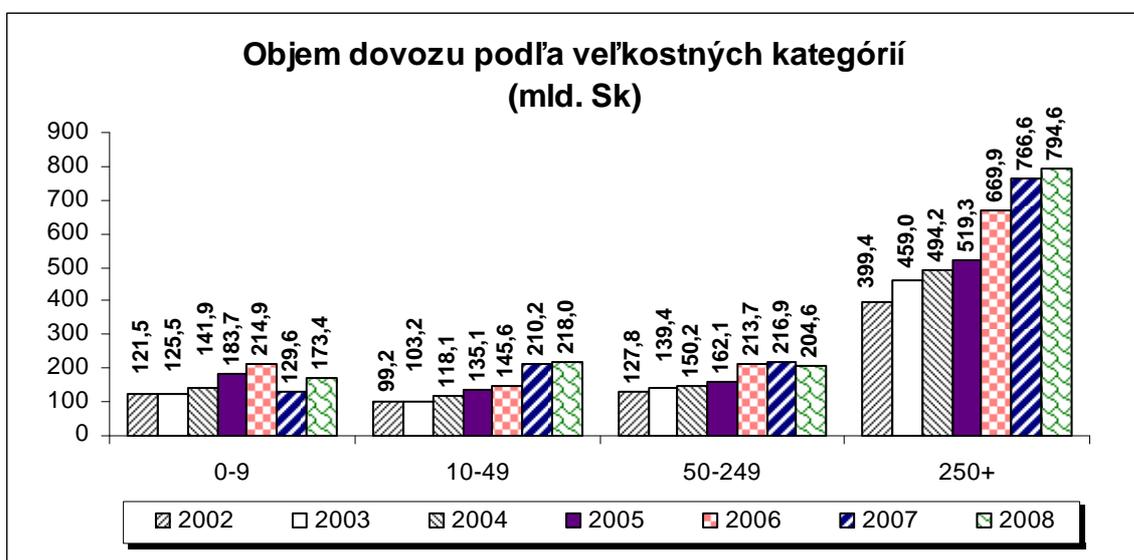
Graph No.15 The share of SMEs on export



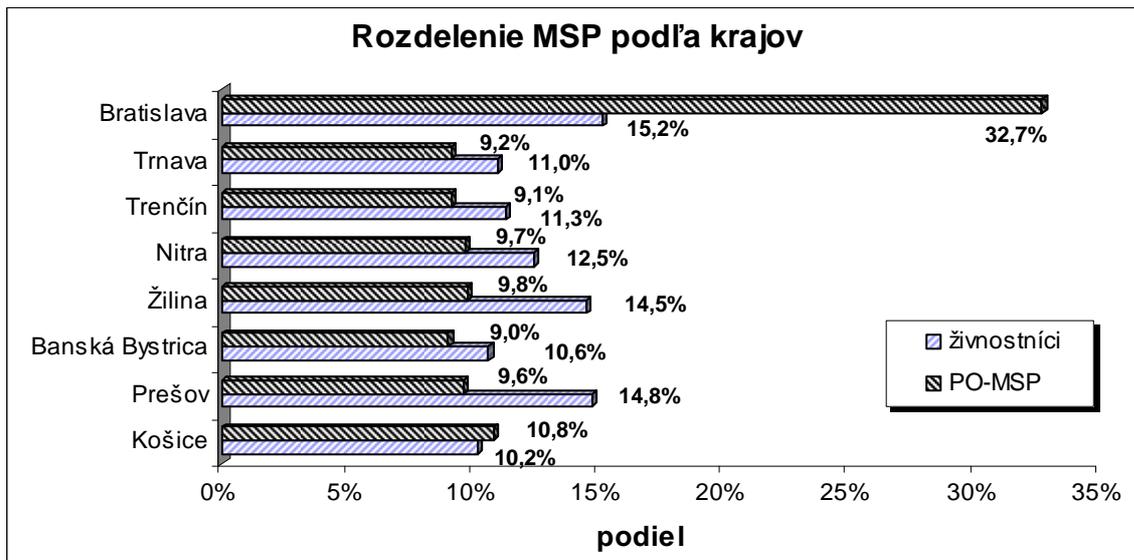
Graph No.16 The export volume by size classification



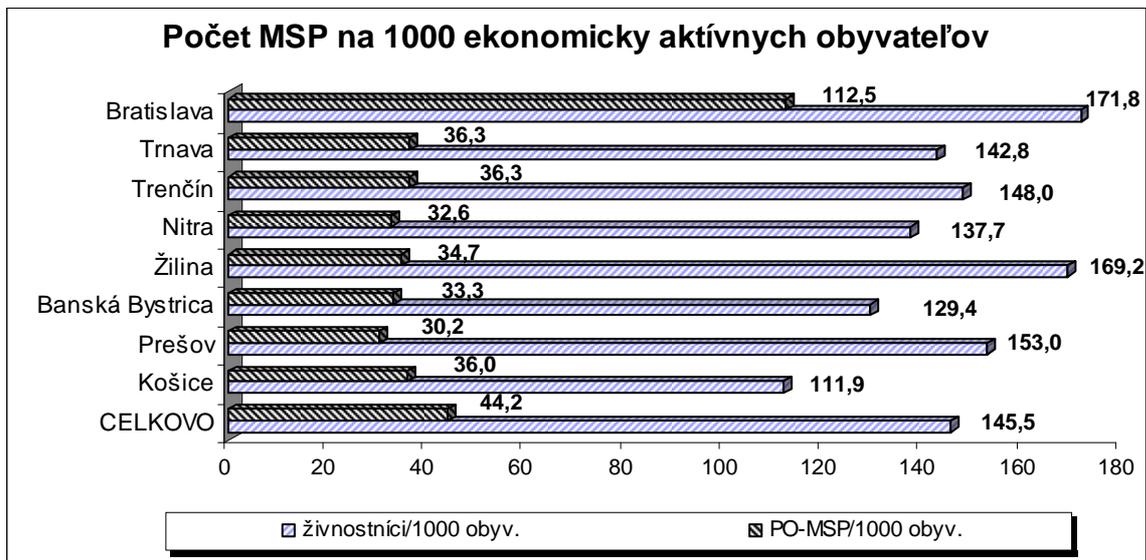
Graph No.17 The share of SME on export



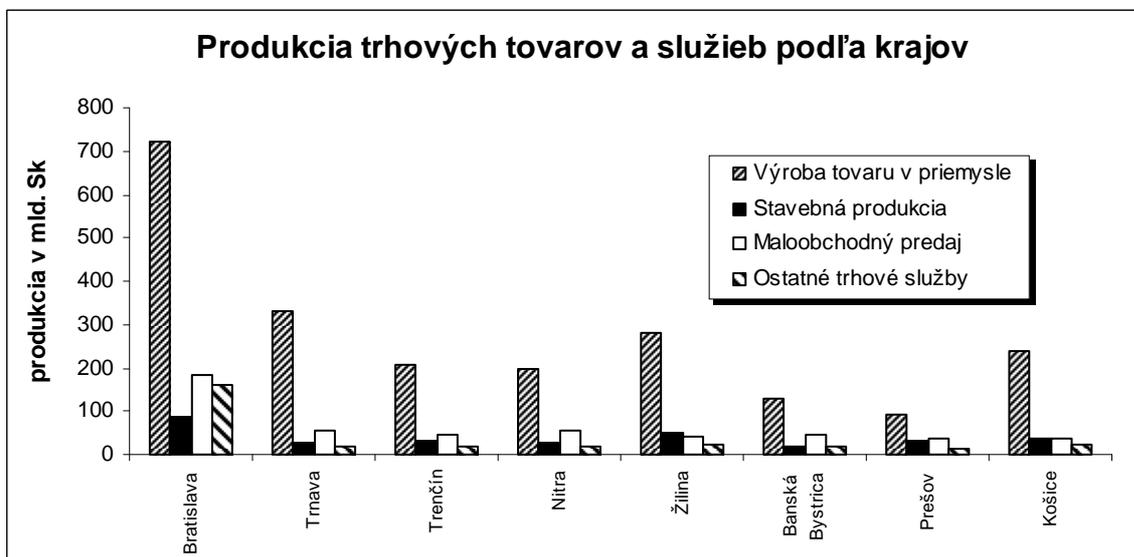
Graph No.18 The volume of import by size classification



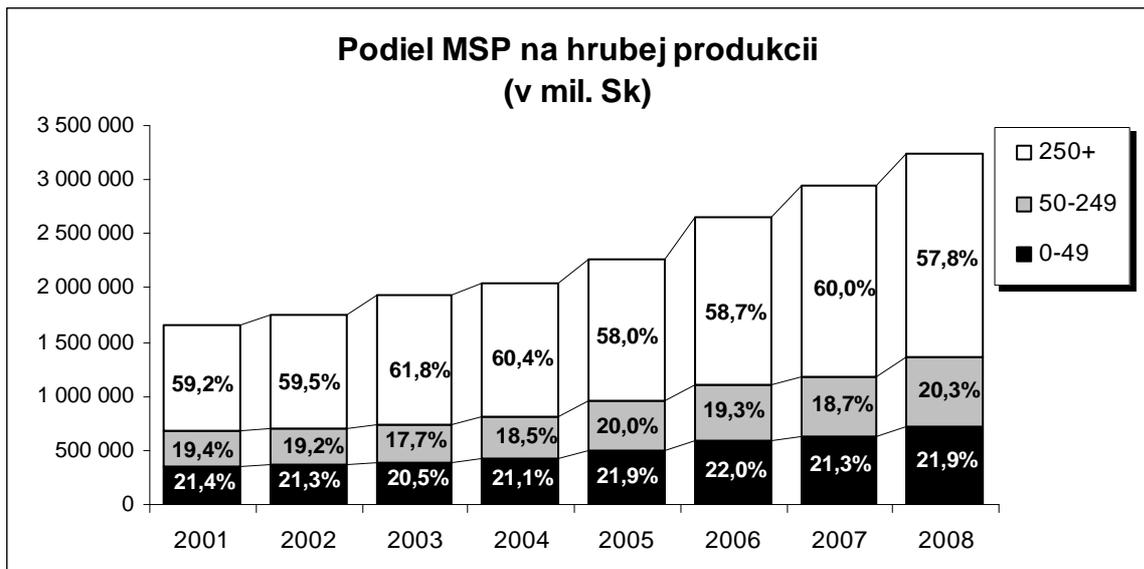
Graph No.19 Distribution of SMEs by region



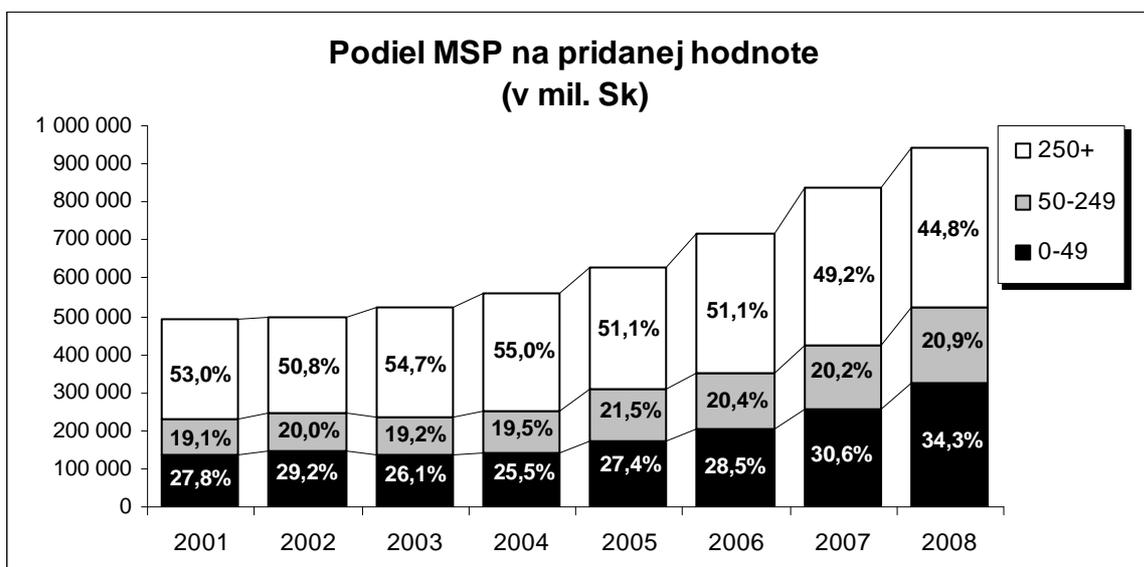
Graph No.20 Number of SMEs per 1,000 economically active persons



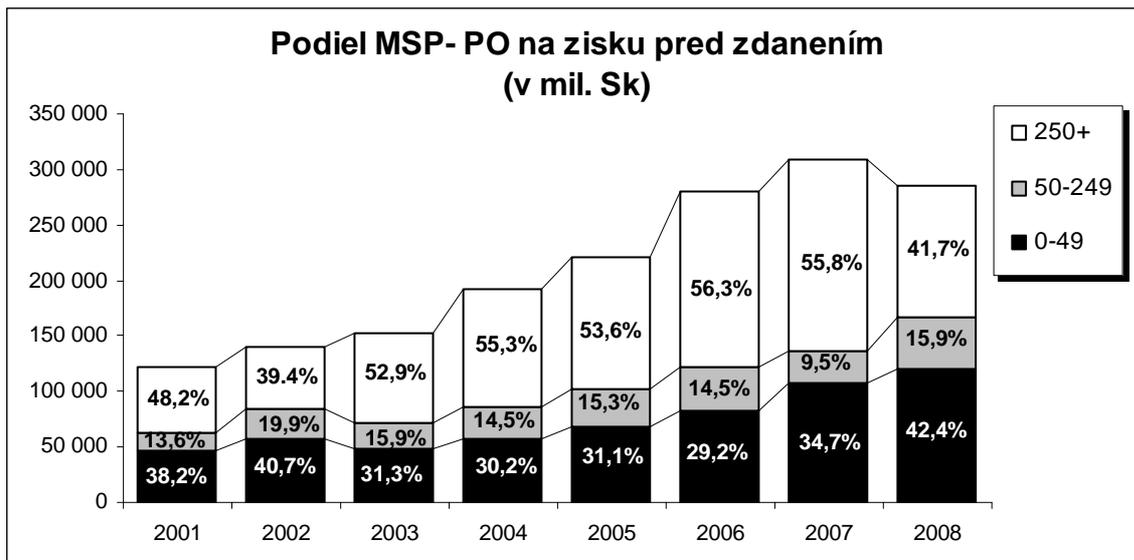
Graph No.21 Production of trade services by region



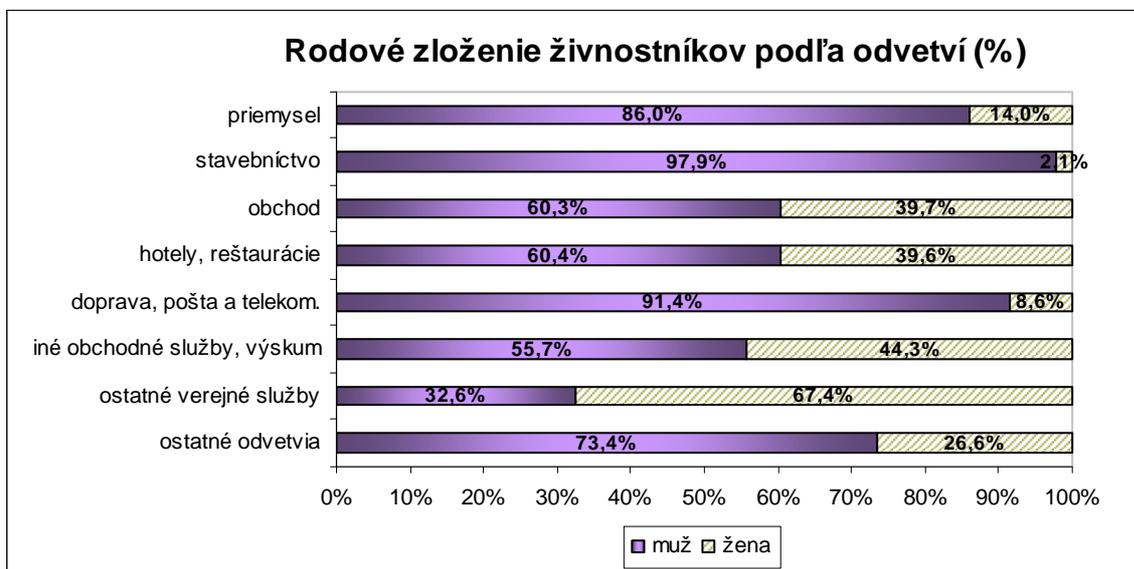
Graph No.22 The share of SMEs in the gross production



Graph No.23 The share of SMEs in value added



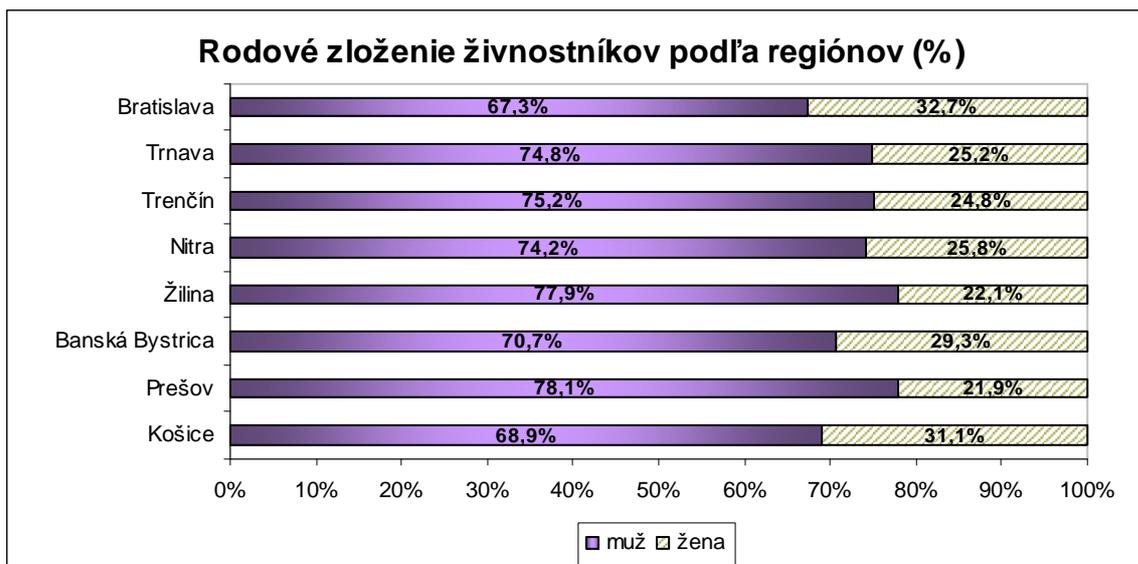
Graph No.24 SMEs contribution to pre-tax profit



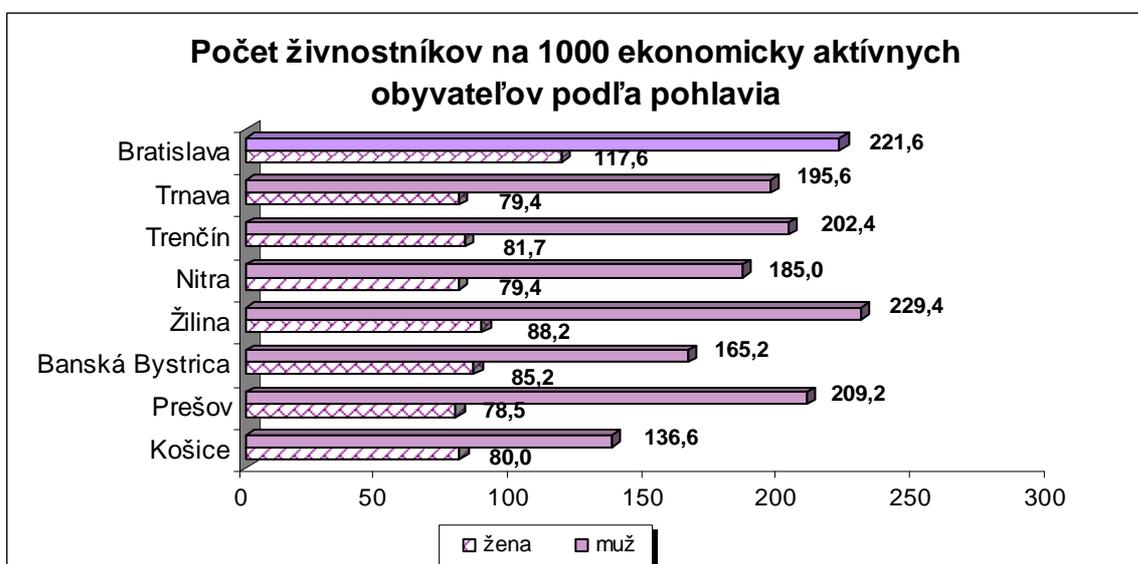
Graph No.25 Gender composition of entrepreneurs by sector

Legend:

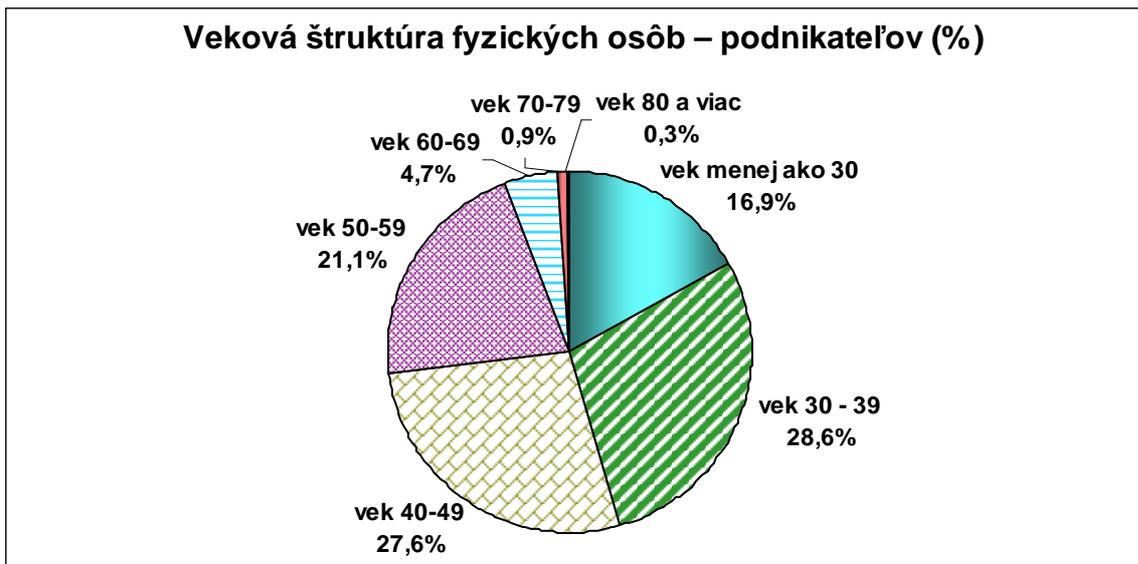
- | | |
|-------------------------|---------------------------------------|
| Priemysel | – industry |
| Stavebníctvo | – construction |
| Obchod | – trade |
| Hotely, reštaurácie | – hotels, restaurants |
| Doprava, pošta, telekom | – transport, post, telecommunications |
| Obchodné služby | – business services |
| Ostatné verejné služby | – other public services |
| Ostatné odvetvia | – other sectors |
| Muž | – man |
| Ženy | – woman |



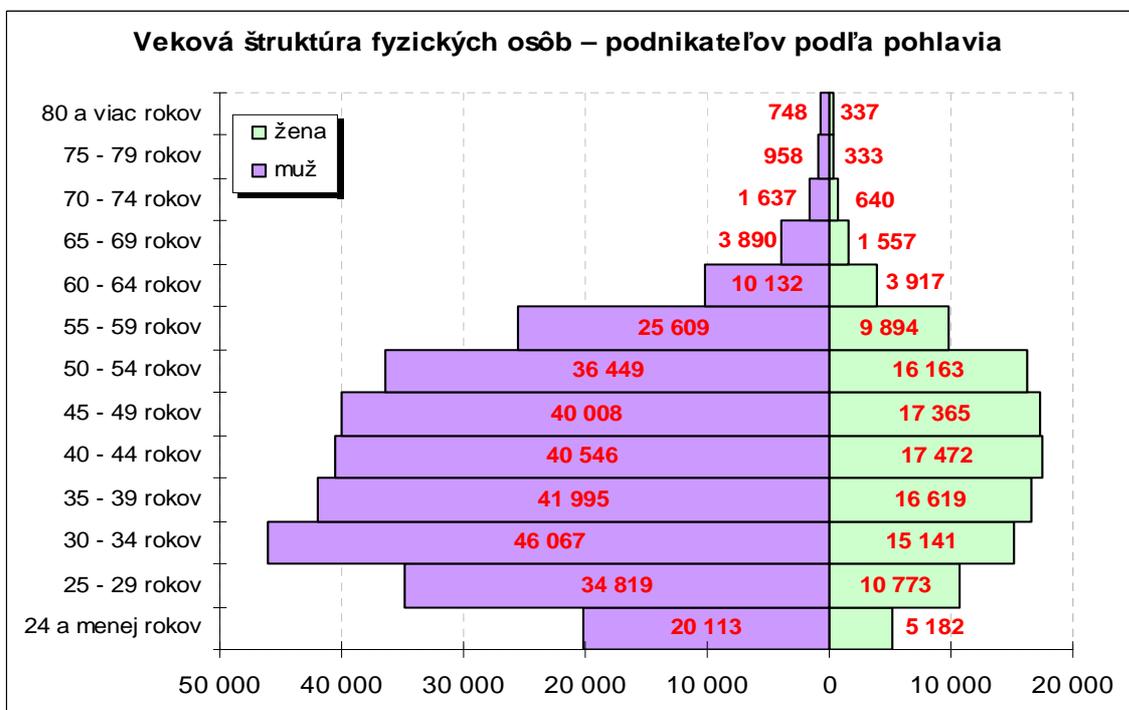
Graph No.26 Gender composition of entrepreneurs by region



Graph No.27 Number of entrepreneurs in 1000 the economically active population by gender



Graph No. 28 Age structure of natural persons - entrepreneurs



Graph No.29 Age structure of natural persons – entrepreneurs by gender

Appendix No. 5A - SZRB

The sectoral structure of a portfolio of loan guarantees (million Sk)

Sector	2008	2007
Production	832,06	1 083,82
Business activity	1 369,68	1 098,67
Services	520,81	336,95
Tourism	339,04	481,81
Agriculture	426,04	446,36
Construction and operation of real estate	2 170,08	1 551,72
Others	666,44	459,10
Total	6 324,15	5 458,43

The sectoral structure of the portfolio of direct loans (million Sk)

Sector	2008	2007
Production	1 565,27	2 059,02
Business activity	660,74	532,16
Services	684,17	504,22
Tourism	1 200,53	1 288,33
Agriculture	1 715,26	1 543,98
Construction and operational of real estate	1 519,93	1 154,59
Others	438,57	215,21
Total	7 784,47	7 297,50

Appendix No. 5B - EXIMBANKA SR

produkty	počet obchodov	podpora exportu (tis. Sk)	podpora exportu (tis.EUR)
Záruky	38	641 146	21 282
Priame zmenky	92	2 230 540	74 040
Eskontné úvery	8	313 038	10 391
Odkupy pohľadávok	1611	2 200 893	73 056
Refinančné úvery	21	2 730 851	90 648
Banková divízia SPOLU	1749	8 116 467	269 417
Poisťovacia divízia SPOLU	N/A	3 928 947	130 417
PODPORA EXPORTU MSP spolu		12 045 413	399 834

Produkty – products

Záruky – Guarantees

Priame zmenky – Direct bills

Eskontné úvery - Discounting Loans

Odkupy pohľadávok – Purchase of receivables

Refinančné úvery - Refinancing Loans

Banková divízia spolu- Bank division in total

Poisťovacia divízia spolu - Insurance Division in total

Podpora exportu MSP spolu - Export Promotion of SMEs in total

Počet obchodov – number of businesses

Podpora exportu – Export support

	počet klientov
Banková divízia	97
Poisťovacia divízia	140
PODPORA EXPORTU MSP spolu	237

Banková divízia spolu- Bank division

Poisťovacia divízia spolu - Insurance Division

Odvetvová štruktúra - banková divízia	tis. SKK	tis.EUR	%
Strojársky priemysel	1 790 420	59 431	22,1%
Drevospracujúci priem.	1 183 588	39 288	14,6%
Elektrotechnický priemysel	1 581 057	52 481	19,5%
Potravinársky priemysel	465 448	15 450	5,7%
Ľahký priemysel	737 947	24 495	9,1%
Stavebný priemysel	201 515	6 689	2,5%
Hutnícky priemysel	254 365	8 443	3,1%
Chemický priemysel	897 213	29 782	11,1%
Ostatný	1 004 915	33 357	12,4%
Spolu:	8 116 467	269 417	100,0%

Legend:

Odvetvová štruktúra	- The sectoral structure
Strojársky priemysel	- Machine industry
Drevospracujúci priemysel	- Woodworking Industry
Elektrotechnický priemysel	- Electrotechnic
Potravinársky priemysel	- Food industry
Ľahký priemysel	- Light Industry
Stavebný priemysel	- Construction Industry
Hutnícky priemysel	- Metallurgical Industry
Chemický priemysel	- Chemical Industry

Teritoriálna štruktúra - banková divízia	tis. Sk	tis.EUR	%
EÚ	6 574 940	218 248	81,0%
Bývalé SNŠ	662 550	21 993	8,2%
EZVO	52 535	1 744	0,6%
Ostatné krajiny OECD	69 390	2 303	0,9%
Bližky a Stredný Východ	94 621	3 141	1,2%
Juhovýchodná Ázia	36	1	0,0%
Ostatné	662 395	21 987	8,2%
SPOLU:	8 116 467	269 417	100,0%

Territorial structure – Bank Division

SITC- banková divízia	tis. Sk	tis.EUR	%
Priemyselné výrobky	2 544 320	84 456	31,3%
Stroje a prepr. zariadenia	1 643 941	54 569	20,3%
Surový materiál	520 265	17 270	6,4%
Trhové výrobky	1 696 245	56 305	20,9%
Potraviny	472 695	15 691	5,8%
Chemikálie	473 161	15 706	5,8%
Ostatné	765 840	25 421	9,4%
Spolu:	8 116 467	269 417	100,0%

Krátkodobé poistenie - podiel MSP						
	2003	2004	2005	2006	2007	2008
na podpore exportu	22,2%	15,2%	25,1%	21,8%	23,9%	12,4%
na predpise poisťného	20,5%	16,9%	26,4%	26,1%	29,0%	17,7%
na počte klientov	74,8%	76,5%	79,7%	78,8%	76,2%	76,8%

Legend:

Priemyselné výrobky	- Industrial products
Stroje a prepravné zariadenia	- Machinery and transport equipment

Surový materiál	- Raw material
Trhové výrobky	- Manufactured goods
Potraviny	- Foodstuff
Chemikálie	- Chemicals
Ostatné	- Others
Spolu	- Total

Krátkodobé poistenie - podiel MSP-	Short-term insurance - the share of SMEs
Na podpore exportu	- at export support
Na predpise poistného	- at written premium
Na počte klientov	- at number of clients

Appendix 5C - An overview of subsidies provided by Government Decree Nr. 369/2007 Z.z. as amended

Name § regulation of the Government of the SR	Number of applicants	SMEs	The subsidy granted to SMEs in Sk	The subsidy granted to SMEs in EUR
Subsidy to ensure the participation of farmers and growers in exhibitions (§2)	205	205	4 742 868,00	157 434,38
Valuation allowance for business (§2a)	43	43	647 294,00	21 486,22
Subsidy for farmers and growers to participate in exhibitions (§3)	10	10	805 518,20	26 738,31
Subsidy for setting up and keeping the book and breed records (§4)	669	669	16 200 000,00	537 741,49
Subsidy for performance testing, test. and estimation of breeding value of animals (§5)	997	997	46 799 147,94	1 553 447,12
Subsidy removal and destruction of lives. by-products (§6)	340	340	10 614 005,00	352 320,42
Subsidy to beehives (§10)	49	49	1 322 546,00	43 900,48
Premium subsidy payments in agriculture (§16) - Animal production	451	451	10 784 925,50	357 993,94
Premium subsidy payments in agriculture (§16) - crop production	614	614	17 413 067,30	578 007,94
Subsidies to businesses for participation in exhibitions (§17)	29	26	7 902 213,20	262 305,42
Subsidy on plant care in the woods (§23)	60	57	25 569 519,00	848 752,54
Subsidy for conservation and protection of genetic resources of fish (§27)	8	8	3 000 000,00	99 581,76
Subsidy for the eradication and prevention of animal and fish (§29a)	245	239	10 911 588,09	362 198,37
Total	3 720	3 708	156 712 692,23	5 201 908,39

Appendix 5D - Overview of grants pursuant the Decree No. MP. 1438/2007-100

Paragraph	Number of applicants	SMEs	The subsidy granted to SMEs in Sk	The subsidy granted to SMEs in EUR
§2 výnosu MP SR č. 1438/2007-100	1	1	42 700 000,00	1 417 380,34
§4 výnosu MP SR č. 1438/2007-100	1	1	38 500 000,00	1 277 965,88
Total	2	2	81 200 000,00	2 695 346,21

Appendix 5E - Information on the approved projects under SOP 2004-2006 P-RV 2008

Measure	The total number of approved projects under the measure	The total approved contribution of P-SOP RV thousand. Sk	Average number of employees. k 31. 12.								
			1-10			11-50			51-250		
			p.p.	p.ž.	contribution	p.p.	p.ž.	contribution	p.p.	p.ž.	contribution
op. 2.1.1.2 - Public-benefit investment (profit forests)	11	13 377	8	8	5 893	3	3	7 484	0	0	0
op.2.3.2 Diversification of agricultural activities	1	18 916	0	0	0	0	0	0	1	1	18 916
Celkom	12	32 293	8	8	5 893	3	3	7 484	1	1	18 916
Measure	The total number of approved projects under the measure	The total approved contribution of P-SOP RV thousand. Sk	Average number of employees. on the filing date								
			1-10			11-50			51-250		
			p.p.	p.ž.	contribution	p.p.	p.ž.	contribution	p.p.	p.ž.	contribution
op. 2.1.1.2 - Public-benefit investment (profit forests)	11	13 377	8	8	5 893	3	3	7 484	0	0	0
op.2.3.2 - Diversification of agricultural activities	1	18 916	0	0	0	0	0	0	1	1	18 916
Total	12	32 293	8	8	5 893	3	3	7 484	1	1	18 916

Explanation: indication of the average number of employees is drawn from the application of the NFC and it only measures relating to the business environment - support for small and medium-sized enterprises and for which projects were approved during 2008

p.p. - number of projects approved

p.ž. - number of applicants (CP / PP), which have the project / projects approved

príspevok - SOP approved by the contribution of P-RV thousand. Sk

Appendix 5F - Information on the approved projects within the Rural Development Plan 2004-2006 of the SR in 2008

Measure	The total number of projects approved in 2007 for the measure	Total assistance approved from the RDP SR 04-06 thousand. Sk	Average number of employees. k 31. 12.								
			1-10			11-50			51-250		
			p.p.	p.ž.	príspevok	p.p.	p.ž.	príspevok	p.p.	p.ž.	príspevok
op. 6 - Improving processing and marketing of agricultural products	1	1 097	1	1	1 097	0	0	0	0	0	0
Celkom	1	1 097	1	1	1 097	0	0	0	0	0	0
Measure	The total number of approved projects under the measure	Total assistance approved from the RDP SR 04-06 thousand. Sk	Average number of employees. on the filing date								
			1-10			11-50			51-250		
			p.p.	p.ž.	príspevok	p.p.	p.ž.	príspevok	p.p.	p.ž.	príspevok

op. 6 - Improving processing and marketing of agricultural products	1	1 097	1	1	1 097	0	0	0	0	0	0
Celkom	1	1 097	1	1	1 097	0	0	0	0	0	0

Explanation: Indication of the average number of employees is drawn from the application of the NFC and it only measures relating to the business environment - support for small and medium-sized enterprises and for which projects were approved during 2008

p.p. - number of projects approved

p.ž. - number of applicants (CP / PP), which have the project / projects approved

príspevok - SOP approved by the contribution of P-RV thousand. Sk

Appendix 5G - Data for the measures Rural Development Programme 2007-2013, in which pursues the business category in 2008

Measure	Number of SMEs in 2008 (With approved projects during the year 2008)					Total assistance approved from the RDP SR 07-13 EUR for small and medium-sized enterprises
	total	Micro Enterprises	Small enterprises	Medium-sized enterprises	Other enterprises	
1.2 Adding value to the Farm. products and products LH	98	22	32	42	2	113 065 373
3.1 Diversification into non-agri. activities	10	0	3	7	0	12 266 071
Total	108	22	35	49	2	125 331 444

Explanation: data is a measure in which the monitor support for different size categories of enterprises under the existing methodology.