



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

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Table of Contents

1.	Introduction	7
2.	Development of the environment for the development of SMEs in 2001	9
3.	SME development and status in 2001	13
3.1	Natural persons	14
3.2	Legal entities	14
3.3	SMEs share on employment	15
3.4	SMEs shares on the production of selected sectors	17
3.5	SMEs' shares on exports and imports	20
3.6	Dynamics of SME development	22
3.7	Regional aspect	23
3.8	Equipment of SMEs with information and production technologies	23
3.9	SMEs position in Slovakia's economy - summary	26
4.	State support to SMEs	29
4.1	Ministry of Economy of the Slovak Republic	29
4.2	National Agency for the Development of Small and Medium Enterprises	31
4.2.1	State support to SMEs	32
4.3	Ministry of Finances of the Slovak Republic	39
4.4	Ministry of Labour, Welfare and Family of the Slovak Republic	40
4.5	Ministry of Transport, Posts and Telecommunications of the Slovak Republic (MDPT SR)	41
4.6	Ministry of Construction and Regional Development of the Slovak Republic	42
4.7	Ministry of Agriculture of the Slovak Republic	42
4.8	Bank institutions and funds	43
4.8.1	Slovak Bank for Guarantees and Development, State Financial Institution (SZRB, š.p.ú.)	43
4.8.2	Foreign Trade Promotion Fund	48

5.	Support under the PHARE Programme	49
5.1	NADSME as PHARE Programme Managing Unit	49
5.2	Utilisation of PHARE programme funds to support SMEs	50
5.2.1	Regional projects	50
5.2.2	Professional and technical support of special-interest and professional organisations of SMEs	52
5.2.3	Spin-off Programme	53
5.2.4	Support Loan Programme	53
5.2.5	Micro-loan Programme	56
5.2.6	Seed Capital Company	57
5.2.7	Evaluation of NADSME's support programmes efficiency	59
6.	Support from other sources	61
6.1	Cooperation with France	61
6.2	Cooperation with Germany	61
6.3	Cooperation with Italy	62
6.4	Foreign credit lines	62
7.	Suggestions of measures to support development of SMEs in 2003	65
7.1	With respect to legislative and administrative barriers	65
7.2	With respect to support programmes	66
8.	Conclusion	69

To start with

Small and medium enterprises have a significant and irreplaceable role to play in any market economy. Their dynamic development represents one of the principal prerequisites for a sound economic development, be it in the production and services sector or in the area of employment in creating new job opportunities. This is the reason for the ever increasing attention and support that the Slovak Government is attempting to pay to small and medium enterprises through the Slovak Ministry of Economy but also through a number of other sectors and institutions.

The importance of this category is also evidenced by the fact that it has become subject of a separate chapter with respect to Slovakia's negotiations of EU accession, and it was the very attitude in Slovakia to SMEs so far that has been the reason for this chapter being considered as causing no problems. However, taken from the viewpoint of domestic entrepreneurs, we cannot at all consider this issue as problemless. This is neither the case in the light of the parameters of the development of small and medium enterprises from the viewpoint of their functions in the country's economy from among which it is the employment-related function that nowadays is the most pressing one. The Report that is getting to your hands will also allow you to make yourself a picture on how the remaining functions are being fulfilled.

The small and medium enterprises sector in Slovakia is relatively young and struggling with numerous problems; it nevertheless proves its viability while being able to achieve increasingly important position within both the economy and the society.

Today, small and medium enterprises are employing almost 60% of the workforce in manufacturing branches and services.

In spite of this positive trend, SMEs' contributions towards the most significant parameters still remain below the levels reported by the EU countries. This fact suggests that we will have to pay increased attention to the SME sector to be able to achieve a similar standard as is the case in the EU.

This Report represents one of the series of measures that are expected to make a contribution towards the dealing with the problem mentioned. Its main objectives include monitoring of the status quo, its comparison with the preceding period and, based on it, suggesting effective measures to optimise the business environment so as to keep positive trends and to bring any negative ones to a halt.

The 2001 Report on the Status of Small and Medium Enterprises is the ninth in a row drafted by National Agency for the Development of Small and Medium Enterprises commissioned to do so by the Slovak Ministry of Economy, and that became the background for the Slovak Government to again take a number of measures directed towards an improvement of the conditions for the development of small and medium enterprises.

I firmly believe that the Report will prove useful to all its readers and that it will become a valuable source of information that will help them in their future activities to the benefit of the development of small and medium enterprises in the Slovak Republic.



Eubomír Harach
Minister of Economy
of the Slovak Republic

1. Introduction

The development of small and medium enterprises (SMEs) represents an important factor of the economic development since, similarly as in all developed countries, SMEs also make up the most extensive portion of the economy of our country. This sector, with all its attributes such as flexible, ready to respond to the needs of the market, carrier of progressive technologies, accelerating factor of employment, on the other hand is still highly vulnerable, in particular due to the poor enforceability of law, unstable legal environment, shortage of developmental funds, as well as - and this is mainly the case with small companies - insufficient managerial experiences of the very company owners - entrepreneurs.

In making an assessment of the year 2001, continuing gradual improvement of the SME growth dynamics can be observed that set on in 2000 after a period of worsening during 1998 and 1999. Improvement of the business environment and progress in SME-related policy revision was also stated in the Regular Report by the European Commission on Slovakia's preparedness for EU membership, dated 13 November, 2001.

Assessment of the status and development of small and medium enterprises and their support during the preceding year that is the contents of this Report, is based on a requirement by Slovak Government's Resolution No. 726 of 13 September 2000.

In its introductory sections, the Report presented contains a brief analysis of the regulatory environment and an analysis of the development of SMEs over time. The next sections deal with an evaluation of the SME support tools from the various sources. The final chapter contains a description of SME support programmes and suggestions for institutional provision for the support functions of the state. In the Annexes section, diagrams are shown referred to in the text of the Report.

The numerical data in Chapter 3 have been taken from data provided by the Office of Statistics of the Slovak Republic, Slovak Ministries of Economy and Interior, Registry, and the National Agency for the Development of Small and Medium Enterprises (NADSME).

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

The Report will be publicly available and used as a database to inform European Union, institutions, OECD, and UN EC while conceiving comparative analyses and various studies.

2. Development of the environment for the development of SMEs in 2001

The year 2001 represented a breakthrough in the history of the formation of the business environment in the Slovak Republic. The National Council and the Slovak Government continued to work towards stabilisation of the conditions for SME development, and this brought in a positive effect in all the principal statistical parameters. It became reflected in increasing numbers of small trade licensees, freelancers, legal entities, as well as of shares on employment or added value. It may be stated that the basis for this trend was laid by adopting a number of legislative measures that mitigated the effects of the barriers to the development of business as identified in preceding years. Act No. 279/2001 Coll.LL. that amends Act No. 455/1991 Coll. on small trade business (Small Trade Act) may be considered a positive development: among others, it introduced the definition of the small trade licensee - natural person as a business person; the definition of business done by foreign nationals - physical persons; it enabled representatives of Slovak Chamber of Crafts (SŽK) and Slovak Union of Crafts (SŽZ) to participate in examination boards for checking the technical knowledge and skills of applicants for small trade business; providing evidence for the origin of goods and products; some freelance jobs were re-classified to make them subject to licence; and the conditions of doing business were made generally more stringent, by raising quality requirements. Changes in tax legislation have been of a great importance for improving the business environment quality, be it those concerning flat-rate tax or those concerning reduction of tax rates for legal entities to 25%; the latter however will be effective with respect to the taxation period of 2002 and beyond only. Also, the amendment to the Labour Code represents a certain benefit for small trade business - it became effective on 1 April 2002.

Hence, there have been a number of important changes in 2001 concerning the legislative framework regulating the conditions of doing business. The dynamics and the comprehensiveness of those changes could however have been better coordinated with SME representatives who have presented criticism of the too frequent and partial changes because of their overall intransparent nature and complexity.

A total of 202 legislative amendments were adopted last year concerning directly and indirectly the business environment. Not all of them have had a positive impact and/or introduced expected improvements in certain areas.

Problems persist that more or less hinder a more dynamic development of SMEs. They mainly include:

1. Limited access to development funding. Because of a high risk (absence of credit history, relatively high indebtedness, limited ability of guarantees) as well as due to the relatively small amounts of loans small and medium enterprises have their access to commercial loans made at least difficult or counterweighted by unfavourable conditions, even in the face of feasible and profitable business plans.
2. The significant demands put on the administration of SMEs (no standard forms for various institutions even if for similar purposes, payments to various funds instead of a single centre, etc.).
3. Discriminatory tax rate on income of natural persons that make up as many as 84% of all SMEs (progressive income tax rates) compared to legal entities (corporate tax). In addition, SMEs are discriminated against in also many cases compared to foreign enterprises when it comes to support of foreign investments (tax holidays, etc.).
4. A significant burden represented by various levies: a high need for workforce, and thus for wages, gets also reflected in a significant tax burden and significant level of levies. When it comes to SMEs, their shares of personnel costs on total costs exceed those for large companies. This makes also negatively underline the significant tax wedge (i.e. the difference between total costs of labour spent monthly by employers per employee and the net monthly income of the employee) that represents more than 50% in Slovakia.
5. The intricate, intransparent and frequently changing legislation that intensifies the standard disadvantage of SMEs - the large administrative burden. This is especially manifested in micro-enterprises and small trade licensees, where this represents one of the principal barriers to starting up business.
6. Legal uncertainty and problematic enforcement of law, in particular when associated with high corruption levels and the precedent of different approach or legal interpretation, depending on the worth of the case - and this has been the standard in Slovakia.

7. Non-functional capital market that rather negatively impacts upon the development of businesses as capital financing represents one of its traditional tools. In the face of an non-functioning capital market, and because of the already mentioned limited access of SMEs to resources, SMEs remain to exclusively rely with respect to the financing of their development on their own accumulated resources. In the conditions of our country however, this is rather limited because of the above mentioned large burden of levies and taxes. Moreover, non-functioning capital market negatively impacts upon also the application of an especially effective tool for SMEs - the risk capital.

8. The system and the framework of SME support is currently significantly fragmented (support to SMEs is provided in parallel by Slovak Ministry of Economy and other ministries that have programmes of SME support in place) and split into a large number of small programmes. The individual sectors fail to sufficiently coordinate their activities which is then reflected in mistakenly considering SME support policy for regional development, for strategy of labour market etc., or their incorrect understanding. Insufficiently coordinated remain also activities of the various support institutions which gives the impression of inefficiency and intransparency of the use of public funds intended for SME support, and also causes information noise among the support beneficiaries - the business people.

The first historical stage - establishment of the SME sector in Slovakia during the early 1990s - was characterised by restructuring of large industrial enterprises, whereas the second one (taking place during the late 1990s) already induced the need of SMEs being established on green fields as the restructuring as a source of their development had gradually approached exhaustion. Statistical information nevertheless confirm that there is a growing tendency in this respect and that their share on the country's economy significantly approaches the data for EU countries. It arises from the above that more dynamic appearance of new SMEs will increasingly be dependent on the existence of a good business environment. Several analyses have confirmed that insufficiently favourable conditions, thus the absence of a business-friendly environment remain the principal barrier of SME development. The establishment of favourable conditions for SME development should not be mistaken for preferring SMEs over other types of businesses; rather, it should be understood as the creation of a business environment that will enable a rapid and effective growth of the SME sector.

Also, participants of the International Conference on Small and Medium Enterprises staged in Bratislava on 25 and 26 April 2002 arrived at a similar conclusion; the objective of the Conference was to assess the development and the status of SMEs in Slovakia, a country that stays at the threshold of the European Union. The conclusions of the Conference unequivocally confirmed the need of a further improvement of the business environment.

3. SME development and status in 2001

The business environment and the changes in the conditions of doing business, be it economic or legislative, markedly show in also quantity parameters of the entities doing business. Prevailing trends may be judged upon them and they also represent and indicator of the need of changes to provide for the desirable growth.

Act of the National Council of the Slovak Republic (NR SR) No. 231/1999 Coll.LL. on State assistance, as amended by Act No. 434/2001 Coll.LL. defines small and medium enterprises in accordance with the methodology of the European Commission, and enterprises are classified as small with 0 - 49, medium with 50 - 249, and large with 250 or more employees. Moreover, additional criteria apply with respect to classification: turnover and balance sheet. Statistical data are available in this structure since 1996. Modification of the legislation to adopt this system of classification allows the status of SMEs in the Slovak Republic to be compared to the status of the business sector in the European Union.

The evaluation of the status of small and medium enterprises shown in this chapter is based on data from registry and data published by Office of Statistics of the Slovak Republic. Registry data have been updated according to the new methodology with respect to core business of the enterprises. The analysis of exports by small and medium enterprises was developed based on data provided by the Slovak Ministry of Economy. Data on the numbers of small trade licenses issued and withdrawn were provided by the Ministry of Interior of the Slovak Republic. This analysis takes the size of the enterprise as the sole criterion for classification. In addition, Slovakia's situation has been compared with that of the European Union (EU). Data for EU countries were obtained from the publication *The European Observatory for SMEs - Highlights from the 2001 Survey*.

Graphical representation of the data referred to in this chapter may be found in Annexes.

3.1 Natural persons

As of the end of December 2001, Office of Statistics of the Slovak Republic recorded 303,506 natural persons - entrepreneurs, including 279,597 small trade licensees, 12,187 freelancers, and 11,722 individual farmers (graphics 1, 2). Most small trade licensees were doing business in trade (106,640), industrial production (49,604), building industries (39,764), real estate, leasing and trade services (35,308). Compared with the situation at the end of December 2000, the total number of natural persons increased 2.4%.

In 2001, business activities were started by 33,587 persons, with 24,418 persons discontinuing such activities. The 2001 dynamics of new natural persons exceeded those of 2000 by 1,416.

There were no marked changes in the structure of small trade licensees by sectors (graphics 3). A reduction by 0.3 point was noticed for industrial production sector, and by 0.3 point for domestic trade, whereas building industries recorded a 0.4 point increase. The most important sectors include domestic trade, industrial production and building industries with 106,640; 49,604; and 39,764 small trade licensees, respectively (graphics 4).

Graphics 20 illustrates the numbers of small trade licensees by regions. Most small trade licensees do business in the districts Bratislava V (11,466), Žilina (10,748), Nitra (9,871), Bratislava II (9,504), and Bratislava IV (8,303). The smallest numbers of small trade licensees may be found in the districts Medzilaborce (389), Sobrance (534), and Krupina (593).

3.2 Legal entities

As of the end of December 2001, there were 93,072 legal entities filed with the registry of the Office of Statistics of the Slovak Republic, including 62,867 companies and 30,205 non-for-profit institutions. On the year-on-year basis, the overall numbers of legal entities have grown 5.3%, with the respective figures for companies and non-for-profit organisations being 3.2% and 9.9%.

The bulk of the overall numbers of for-profit organisations were small enterprises (94.6%, thereof micro-enterprises with 0 - 9 employees accounting for 80.9%). Medium and large enterprises accounted for 4.5% and 0.9%, respec-

tively. The numbers of small enterprises increased by 2,205, those of medium and large enterprises dropped by 238 and 20, respectively.

There were 59,452 small private enterprises with up to 49 employees, 2,825 medium private enterprises with 50 to 249 employees. The development of the numbers of small and medium enterprises is shown in graphics 6. Graphics 7 shows the changes occurring in the individual size categories within 1997 - 2001. Increasing numbers of micro-enterprises could be recorded during the past year (0 - 9 employees, by 1.0 point), along with a reduction of the share of small enterprises (10 - 49 employees, by 0.4 point) and a reduction of the shares of medium and large enterprises (by 0.5 and 0.1 point, respectively).

Just to compare: there are 20,455,000 enterprises in total in 19 EU and EFTA countries, out of which more than 19 million (93%) are micro-enterprises (0-9) and 1.2 million (6%) are small enterprises (10-49). Almost one quarter of SMEs are small trade licensees, in particular those working for micro-enterprises. There are only 170,000 medium enterprises (50-249), i.e. 1%, and 40,000 large enterprises, i.e. 0.2%. Women account for 22% of all entrepreneurs.

Graphics 4 illustrates the structure by sectors. Most small and medium enterprises were doing business in the sector of trade (26,673), trade services and monetary sector (12,110), manufacturing of goods (7,691) and building industries (4,777). The structure by regions is shown in graphics 23, suggesting a marked maximum for the region Bratislava.

3.3 SMEs share on employment

After four years, the labour market showed an increase in employment. Compared to 2000, sample survey of workforce suggested a 1% increase in employed persons (reaching 2,123.7 thous.) in 2001. The numbers of employees grew 0.6% (to reach 1,943.4 thous.) and those of entrepreneurs by 6.5% (to reach 175.2 thous.).

The growth of total employment in the economy was linked to higher numbers of employees in the sectors of industry (after five years of reductions), wholesale, retail sales, repair of motor vehicles, motorcycles and consumer goods, hotels and restaurants, real estate, leasing and trade services, public service, defence and mandatory social security, other public, social and personal services. The reducing trends of employment could not be stopped in agriculture, building industries, transport, storage, posts and telecommunications.

The favourable development of employment manifested itself in a slow-down of the year on year growth of unemployment. On the average, there were 508 thous. unemployed persons in 2001 (based on the data of the sample survey of the workforce situation). The year on year growth by 4.7% was 11.7 percentage points smaller compared to 2000. Persons that added the highest proportions to the growing unemployment were those whose last employment was in the sectors of other public services, social and personal services and who could not yet find a job. The unemployment rates reached 19.2%, being 0.6 percentage points higher than in 2000.

The growth of employment was influenced by the growing numbers of employees (by 0.6%, to reach 1,943.4 thous.), entrepreneurs without employees (by 5.8%, to reach 118.9 thous.), entrepreneurs with employees (by 8.3%, to reach 56.3 thous.). The numbers of household members assisting entrepreneurs dropped 10% (to reach 2.7 thous.).

Graphics 9 shows the shares of SMEs on employment in the various sectors.

In the 19 countries of the EU and EFTA, the shares of micro-enterprises, small, medium and large enterprises are 34%; 19%; 13% (SMEs 66% in total) ; and 34%, respectively.

A total of 476.25 thous. persons were employed in the category of small trade licensees, with 355.0 thous. and 355 thous. persons in the category of small and medium enterprises, respectively. Graphics 10 illustrates employment by size categories of enterprises and its development during the recent 5 years.

Employment grew on year on year basis 6.4% for the category of small enterprises, remaining constant for medium enterprises, and increasing 4.0% overall for SMEs including small trade licensees. Black labour certainly has an impact on the above figures. The role played by SMEs in employment is evident from graphics 11. In 1997, SMEs were providing employment to 59.4% of the earning population, this figure dropping to 57.1% in 1998, to 56% in 1999, and increasing again to 59.1% in 2000. This trend certainly goes in the right direction, the dynamics however remain insufficient.

Graphics 12 shows the shares of the individual regions on the total numbers of employees.

3.4 SMEs shares on the production of selected sectors

Gross domestic product in the volume of Sk 964.6bn was generated in 2001. Compared to 2000, it grew 3.3% (8.7% in current prices). The growth rate was 1.1 percentage point higher than in 2000. Added value accounted for 866.7bn of the gross domestic product generated. The volume of added value grew 3.5% on the year on year basis.

Industry generated gross domestic product in the volume of Sk 241.3bn, this figure being almost at the 2000 level (reduction by 0.1%). The development was influenced by a higher generation by the sector of manufacturing of goods (by 5.5%), reduction in the generation and distribution of power, gas and water (by 43.1%), and production of minerals (by 9.8%).

The annual growth of the manufacturing of goods and provision of services sectors for the whole industrial sector slowed down from 6.3% during the first quarter of the year to 1.6% during the 4th quarter. In 2001 industries produced 4.6% more than in 2000. This reflected a growing production in the manufacturing of goods (by 6.3%), drop in the production of minerals (by 2%), and in the generation and distribution of power, gas and water (by 1.9%).

Taken by the end-use sector, the development trend was accelerated by mainly a higher production of capital investment means (by 11.2%). Manufacturing of long-term consumption goods increased 5.2%, production connected with the energy sector grew 4.1%, production for intermediate consumption 4%, and manufacturing of short-term consumption goods grew 1.1%.

The growth of the industrial production was reached in the face of an increased productivity of labour per employee (by 3.6% in total for the industry), including production of minerals (11.2%), manufacturing of goods (4.5%), and generation and distribution of power, gas and water (0.1%).

Industrial entities realised revenues from own performances and goods amounting to Sk 1,075.4bn, with an annual increase by 7%, thereof manufacturing of goods by 9.1%. revenues from production of minerals dropped 13.9%, those from generation of power, gas and water by 2.3%. Revenues from generation of power, gas and water, production of metals and metal products, production of foods, beverages and tobacco processing, and manufacturing of trans-

port vehicles accounted for more than 50% of the revenues of industries (16.1%; 13.8%; 11%; and 10.4% respectively). Other sectors had shares ranging between 1% and 7.5%.

The largest portion of the revenues were realised by large enterprises (66.5%). Medium enterprises contributed 14.8%, small enterprises 8.9% and small trade licensees 9.8%. The revenues of all the basic size categories exceeded those of 2000, with the highest yearly growth for medium enterprises (17.5%).

Gross domestic product generated by the building industries reached - after three years of dropping - a higher level than in 2000. Its volume (Sk 45.6bn) grew 1.4% on the year on year basis, due to a growth during the first half-year. Construction companies realised revenues from own performances and goods worth Sk 111.4bn, representing an annual increase by 3.4%.

Small trade licensees, small, medium and large enterprises realised 27.8%; 27.1%; 23.3%; and 21.8% of the overall production by construction entities, respectively. The annual development of the construction production was connected with mainly a growth in medium enterprises (by 7.7%) and small trade licensees (by 3.9%). The 2000 level was not reached by large enterprises (3.5% less, thereof 16.1% less in enterprises with 250 to 499 employees) and by small enterprises (3.9% less).

In market services, the gross domestic product generated reached Sk 437.5bn, being 6.5% higher compared to 2000, with the most pronounced growth being recorded for transport (16.8%). Posts and telecommunications reached a growth by 9.7%, hotels and restaurants by 4.8%, and other services by 2.8% in total.

The key position in the structure of revenues belonged to those from mediation of wholesales (38.4%) and other wholesales (17.6%). Wholesales of agricultural raw materials and of machines showed the smallest shares (2.6% and 4.9% respectively).

Almost three quarters of the overall volume of revenues were realised by small enterprises (48%) and small trade licensees (24.5%). The share of medium enterprises reached 20.9%. The smallest contribution was from large enterprises (6.6%). The annual drop of revenues was due to reductions in small trade licensees (by 10.8%) and large enterprises (by 41.5%). Also, revenues of small enterprises exceeded the 2000 levels (by 14.7%) as did those of medium enterprises (by 2%).

Revenues from own performances and goods in retail sales, hotels and restaurants (classification of economic activities groups 50, 52 and 55) increased 6.5% compared to 2000 (in constant prices) to reach Sk 452.3bn (VAT excluded). The development trend was markedly influenced by higher revenues of retail entities with core activities including sales, maintenance and repairs of motor vehicles and motorcycles, retail sales of fuels (by 23.5%). Revenues of retail trade increased 4.5%, those of hotels and restaurants dropped 11.3%.

Small trade licensees and small enterprises accounted for a major portion of the revenues (39.2% and 27.8%, respectively). The share of large enterprises was 17.3% and that of medium enterprises 15.7%. The most rapid growth of revenues was recorded for small and large enterprises. Small trade licensees did not achieve the 2000 level (11.7% less).

In the transport and warehousing sectors, revenues from own performances and goods reached the volume of Sk 85.9bn. A key portion in their structure were revenues from road transport (42%), auxiliary and ancillary services in transport (30.7%) and rail transport (22.2%). Revenues from water and air transport had the smallest shares (1.3% alike). The total volume of revenues grew 26% on year ago (in current prices), thereof 49.5% in auxiliary activities, 21.5% in road transport, and 11.2% in rail transport.

Of the total volume of revenues from own performances and goods in road freight and passenger transport, small trade licensees realised 37.4%, small enterprises 25.7%, large enterprises 23.8% and medium enterprises 13.1%. The volumes of revenues were larger than in 2000 in all the basic size categories, while growing most pronouncedly for small and reaching least increments for medium enterprises and small trade licensees.

Revenues from own performances and goods reached Sk 49.8bn in posts and telecommunication business, thereof 83.5% from telecommunication business. Compared to 2000, they grew 22.7% (in current prices), including telecommunications (24.4%) and mail and delivery activities (15.6%).

Tourist accommodation facilities realised revenues from accommodation of visitors worth Sk 5.2bn (Sk 4.6bn in 2000), thereof 58.8% from foreign visitors. There were 2,275 accommodation facilities providing accommodation services by the end of December. A total of 44.2 thousand rooms with 116.4 thousand beds were available.

A total of 3.2m visitors were accommodated in the facilities, thereof 38.6% from abroad. Most foreign visitors came from the Czech Republic (26.9%), Poland (21.7%), Germany (14.1%), Hungary (6.1%), and Austria (3.6%).

Business entities in the sectors of real estate, leasing and other public services, achieved revenues from own performances and goods in the volume of Sk 157.9bn. This was 1.6% more than in 2000 (in constant prices), thereof 7.8% more for real estate, leasing and trade services, and 5.5% more for other public, social and personal services. Revenues in the education sector dropped 5%.

The yearly increments of revenues from real estate, leasing and trade services were connected with larger volumes of revenues in computer and related services (9.1%) and other trade services (8.6%), leasing of machines and equipment without operator (6.4%), and real estate (4.1%).

Increases in revenues from other public, social and personal services were mainly influenced by their growth from recreation, cultural and sports activities (by 7.7%) and handling of wastes (by 7.9%). Revenues from other services dropped 0.8%.

The largest proportion of the revenues as such was realised by small enterprises (46.1%). Small trade licensees provided for 22.1%, medium enterprises for 22%, and large enterprises for 9.8% of the revenues. The yearly growth was connected with higher revenues achieved by medium enterprises (by 17%), small enterprises (by 5.6%) and large enterprises (by 3.2%). The development rates were slowed down by a reduction of revenues achieved by small trade licensees (by 16.5%).

3.5 SMEs' shares on exports and imports

The development of the foreign trade in 2001 was characterised by import rates overtaking export rates and by recording the largest trade balance deficit in the history of the independent country. The passive balance of the foreign trade in goods and services recorded in 2000 grew Sk 61.6bn to reach Sk 83.7bn. Its volume reflected the passive balance of the foreign trade in goods (Sk 103.7bn) and active balance of exports and imports of services (Sk 20bn). The share of the passive balance on gross domestic product increased on the preceding year by 6.2 percentage points, to reach 8.7%. The export performance of the economy (measured as the share of exports of goods and services on GDP) grew to

reach 75.9% (by 2.4 percentage points). The import demands (measured as the share of imports of goods and services on GDP) increased to reach 84.6% (by 8.6 percentage points).

The foreign trade activities were characterised by excess imports over exports, with reduced rates in both areas. The volumes of imports of goods grew year on year 20.9%, exports grew 11.3%. Compared to the development in 2000, imports and exports were growing 5 percentage points and 18.2 percentage points slower, respectively. Both trends caused trade balance to markedly worsen. Foreign trade deficit intensified by Sk 61.5bn to reach Sk 103.2bn. This was the highest negative balance since the establishment of the independent state.

Goods worth Sk 610.7bn were exported from the Slovak Republic, imports were worth Sk 713.9bn. Compared to 2000, the share of exports on the basic structure of foreign trade turnover dropped 2.1 percentage points to reach 46.1%.

The slow-down of exports was linked to mainly weakened external demand, and reflected also modernisation and restructuring of a portion of exports-oriented production (in particular passenger cars and iron products). From destination aspect, it was due to not only reducing demand of EU Member States but also of CEFTA countries. The year-on-year growth of exports to the EU slowed down 15.8 percentage points to reach 12.9%, and those to CEFTA countries reduced 10.9 percentage points to reach 10.6%.

By destinations, the largest passive balance concerned trade with Russia (Sk 99.1bn), followed by Germany (Sk 11bn), Japan (Sk 10.9bn), China (Sk 10.6bn), Spain (Sk 9.7bn), and the Czech Republic (Sk 6bn). The largest active balance was reached in trade with Austria (Sk 20bn), Hungary (Sk 14.6bn), Poland (Sk 12.3bn), Italy (Sk 8.5bn), and the Netherlands (Sk 6.7bn).

Small and medium enterprises made a significant contribution towards also foreign trade. The development of exports by the size categories of enterprises is illustrated in graphics 14. Overall, SMEs participated in exports by 26.9% (graphics 15). SMEs were proportionally represented in exports to the most important regions (graphics 16), with the volumes of exports of all categories growing in recent years. The relative reductions of SMEs' shares on exports from 45.3% in 1998 to 30.5% in 1999, to 27.8% in 2000, and to 26.9% in 2001 were due to the expansion of exports by some large enterprises. From the viewpoint of the foreign trade balance, a positive feature was the reduction of imports by SMEs: the shares dropped from 53.9% in 1998 to 43.7% in 1999, to 40.2%

in 2000, and to 43.6% in 2001. The annual developments of the volumes of imports are shown in graphics 17 and the shares of the individual size categories on imports are shown in graphics 18. Of the total numbers of SMEs - legal entities 14.5% are exporting and 22.3% are importing. There are 12.7% exporters and 20.4% importers among small enterprises. The corresponding figures for medium enterprises are 50.7% and 61.9%, and for small trade licensees 0.3% and 1.0% respectively.

Compared with 19 EU and CEFTA countries, there are 20% SMEs involved in exports in those countries. The percentages grow with the increasing size of the enterprises: 19% of micro-enterprises, 32% of small enterprises, and 46% of medium enterprises.

3.6 Dynamics of SME development

A total of 33,587 individuals started business in 2001, and 24,418 persons terminated it. The dynamics of the establishment of new natural persons in 2001 were greater by 1,416 compared to 2000. The dynamics of the dissolution of businesses by natural persons in 2001 dropped by 6,536 compared to 2000. The most marked changes concerned the sectors trade, manufacturing of goods, construction industries, real estate, leasing and trade services, agriculture and fisheries.

During 2001, 1,412 new legal entities were established and 460 got dissolved (the difference does not correspond to the overall increase shown in graphics 6 because of the different methodologies used and the time shift). Compared to 2000, there were 336 and 64 enterprises established and dissolved respectively. The most significant changes concerned the sectors trade, manufacturing of goods, real estate, leasing and trade services, construction industries.

Sector	Newly established		Dissolved	
	LE	NP	LE	NP
Total	1,412	33,587	460	24,418
Agriculture	87	1,272	87	2,954
Production of minerals	3	3	2	2
Manufacturing of goods	224	4,829	68	3,267
Generation of power, gas and water	11	73	2	22
Building industries	114	4,911	21	3,217
Wholesales, retail sales, repairs	529	13,641	147	9,536
Hotels and restaurants	45	1,354	8	1,204
Transport, storage	76	979	18	869
Posts and telecommunications	6	18	7	11

Sector	Newly established		Dissolved	
	LE ¹	NP ²	LE	NP
Finances and insurance business	24	40	15	19
Real estate, leasing and trade services, research and development	244	4,411	72	2,443
Public service, defence, mandatory social security	-	-	-	-
Education	8	302	2	123
Health care and social care	5	372	1	97
Other public, social and personal services	36	1,382	10	654

3.7 Regional aspect

Graphics 20 shows percentages of small trade licensees, small and medium enterprises by regions. From the viewpoint of economic activities of regions what counts is the ratio of enterprises to the economically active population. This comparison is shown in graphics 21 that suggests a markedly high ratio for mainly the Region Bratislava. This corresponds with the overall economic level of the regions expressed in terms of production in the various sectors (graphics 22).

3.8 Equipment of SMEs with information and production technologies

In early 2002 NADSME, in working together with Infostat and Statistical Office SR conducted a survey of the equipment standard of information and production technologies among small and medium enterprises in Slovakia. This standard reflects the status of the indices monitored in 2001. The survey was conducted in a representative sample of SMEs - legal entities.

- The survey suggested that the most widely available information technologies in the companies surveyed were computers with internet connectivity (54.8%). Their proportions were higher than those without computer network connectivity (54.4%) that predominated in previous surveys (conducted after September 1999 when Statistical Office SR with Infostat conducted the first survey among small and medium enterprises focusing on information technologies). PCs are used by 92.3% of the SMEs (graphics 23);
- Information technologies are used in the small and medium enterprises above all (88%) for processing of economic agenda (such as wages, accounting, ware-

¹ legal entities

² natural persons

house management), less for purposes of electronic mail (46%), electronic commerce (38%), management of a portion of the operations or manufacturing (28%) and comprehensive operation or production control (12%) (graphics 24);

- Small and medium enterprises that use information technologies for also electronic commerce purposes, focus in this respect on seeking of commercial offers (66%), they make payments via banks using electronic route (55%) and advertise their products on their own web site (48%);
- The most wide-spread operation systems used by small and medium enterprises are MS WINDOWS 95 and MS WINDOWS 98 (78% of the companies);
- When it comes to software, the companies mentioned mostly use MS WORD (in 90%), MS EXCEL (in 70%), and relatively less frequently also MS ACCESS (15%);
- Production technologies used by the small and medium enterprises surveyed were claimed to be at the current world standard by 25% of the respondents, 34% thought they were at a lower standard compared to the production technologies currently used in the world, and 19% assessed them as being at a substantially lower standard than those currently used in the world;
- One fifth (20%) of the respondents stated that there were no barriers to the use of modern production technologies in their company. The reason for the insufficient use in their companies of the most up-to-date production technologies is mostly shortage of funds to allow their acquisition (54%) and economic disadvantages of their use in the company (18%). The frequencies of other reasons ranged between 13 - 16%;
- For enterprises that lack sufficient funds to acquire the most recent production technologies the respondents claimed shortage of own funds to allow purchase (77%), lack of bank loans due to requirements of large guarantees on credits (39%), and inaccessibility of bank credits because of high interest rates (30%) as the main reasons;
- Representatives of companies surveyed approached claiming economic disadvantages as the reason for their failure to use modern production technologies specifically stated that their companies' sales of products for which progressive technologies are used are insufficient (49%) and/or that the price levels of their goods would visibly increase if they were used (45%).

Specific forms of uses of information technologies for electronic commerce (data in%)

Purpose	Frequencies of use - national average		Numbers of employees	Frequencies of use	
	May 2000 ³	March 2002		May 2000	March 2002
Advertisement of own products on own web page	52.4	48.1	0 - 9 10 - 49 50 - 249	48.3 59.4 54.6	42.0 53.7 60.0
Promotion of own products on web pages of others	-	21.1	0 - 9 10 - 49 50 - 249	- - -	20.7 24.4 14.0
Addressing potential customers through promotion e-mails	-	43.3	0 - 9 10 - 49 50 - 249	- - -	44.3 42.3 44.0
Registration of own enterprise or product with databases available within the internet networks	52.4	41.0	0 - 9 10 - 49 50 - 249	51.7 53.1 54.6	36.8 43.1 50.0
Seeking for business offers on the internet	71.8	66.1	0 - 9 10 - 49 50 - 249	70.7 65.6 100.0	64.4 66.7 68.0
Payments via bank using electronic forms	46.6	55.0	0 - 9 10 - 49 50 - 249	44.8 46.9 63.6	50.0 56.9 70.0
Sales of own products or services to end-customers	-	20.2	0 - 9 10 - 49 50 - 249	- - -	19.0 23.6 18.0
Sales of own products or services to other customers or purchase of products and services	-	17.9	0 - 9 10 - 49 50 - 249	- - -	18.4 19.5 12.0
Marketing campaigns specially intended for the internet (discounted internet sales, competitions, sponsoring)	-	11.4	0 - 9 10 - 49 50 - 249	- - -	12.1 9.8 14.0
Own internet consumer centre (communication with customers, handling of claims and complaints, ...)	-	14.2	0 - 9 10 - 49 50 - 249	- - -	13.8 14.6 16.0
Other form	14.6	2.6	0 - 9 10 - 49 50 - 249	20.7 6.3 0.0	4.0 1.6 0.0

In the 19 EU and EFTA countries, the frequencies of use by SMEs of information technologies are as follows.

3 Categories marked "-" were not included in the May 2000 survey

Use of separate PCs and PCs with network connectivity (data in%)

	Numbers of employees			
	0 - 9	10 - 49	50 - 249	Total
No PCs	21	9	5	20
Separate PCs without network connectivity	26	18	7	26
Only PCs with network connectivity	20	20	17	20
Separate PCs as well as PCs with network connectivity	33	53	70	34

Seventy per cent of SMEs had access to the internet in 2001. Among those that had no access to the internet, 43% claimed this would not suit the type of their business, 18% stated that it would not be profitable, and 17% claimed lack of qualified staff. Of the internet users, 70% claimed that they use the internet to spread information about their company and products, more than 30% use the internet to receive orders. About 15% are able to use the internet to make their offers of products and services.

3.9 SMEs position in Slovakia's economy - summary

The share on gross production increased for small and medium enterprises, and dropped for large enterprises (graphics 25), the small and medium enterprises recording an absolute growth.

With respect to added value, the contribution of small enterprises dropped, that of medium enterprises increased, and that of large enterprises dropped (graphics 26). All the size categories of enterprises witnessed an absolute growth of added value.

Employment markedly dropped for large enterprises, while remaining unchanged for medium enterprises and small trade licensees, and increasing for small enterprises (graphics 27).

Earnings before taxes show a growth compared to the preceding year for all groups of enterprises (graphics 28).

A slight increase was noted in the key economic parameters for small trade licensees, small and medium enterprises in the past year, and conditions should be established for more rapid dynamics of their growth because of the necessity to restructure the economy and to deal with the problem of unemployment. To a significant extent, this requires legislative amendments and administrative changes

that are getting adjusted to the needs rather slowly or do completely ignore such needs. Positively assessed may be the increase in the numbers of small trade licensees and small enterprises that obviously got projected in also the growing numbers of job opportunities available in those categories of enterprises.

A more comprehensive and analytically more sophisticated assessment of the condition, importance and prognosis of SMEs' position in Slovakia's economy including an international comparison (with OECD, EU and EFTA countries) will be presented in the document entitled "Medium-term Projections of the Development of SMEs in Slovakia" to be presented by the Slovak Ministry of Economy to the session of the Slovak Government bodies and Economic and Social Agreement Council by 30 Sept. 2002. This document will represent the basic definition of the economic strategy of the development of SMEs in Slovakia, and of the direction of the public support framework intended to assist the development of this segment of Slovakia's economy within 2002 - 2006.

4. State support to SMEs

4.1 Ministry of Economy of the Slovak Republic

Ministry of Economy of the Slovak Republic (MH SR) is the carrier and coordinator of activities that concern small and medium enterprises. During the past year, activities in this area followed Act of the National Council of the Slovak Republic (NR SR) No. 231/1999 Coll.LL. on State Assistance, as amended by Act No. 434/2001 Coll.LL. (in effect since October, 2001). In this connection, MH SR was running 17 programmes of state assistance for small and medium enterprises in 2001.

a) Development strategy of small and medium enterprises

Activities of MH SR in the field of SME support in 2001 followed the Government Memorandum that laid down the major objectives of the policy of SME support through 2002. The development of SMEs was taken care of during the past year through state assistance programmes for small and medium enterprises in the various sectors of the national economy, such as promotion of tourism, promotion of exports, raising product quality, etc.

b) Cooperation with international institutions

MH SR is representing Slovakia on a number of international organisations (including OECD, UNIDO, SEI, EEC), on various types of economic integration and integration groupings; this is the framework for its participation in projects and programmes oriented towards the support of the private sector, transfer of technologies, power sector, cooperation in trade, etc.

c) Building up institutional environment for SME support

MH SR directs the activities of the National Agency for the Development of Small and Medium Enterprises (NADSME) and the development of the network of Regional Advisory and Information Centres (RAIC) and Business Information Centres (BIC) aiming at promoting managerial, marketing, financial and technical skills of individuals for the purposes of SMEs. On top of that, MH SR is one of the founders of the Slovak Investment and Trade Development Agency (SARIO) whose major business is to support investments and exports. With respect to investment promotion, it represents so-called one-stop-shop agency that provides comprehensive services to investors, from counselling up to the finalisation of business projects.

d) Legislation and regulatory measures

As an important step in the field of legislation and regulatory measures, Act on the Support of the Establishment of Industrial Parks and on Supplement to NR SR Act No.180/1995 Coll.LL. was adopted, thus creating legislative conditions for the establishment of industrial parks and at the same time laying down the principles and criteria for their establishment. Draft measures for the elimination of barriers to investments were laid down in a document drafted for this purpose by the MH SR in cooperation with the Office of the Slovak Government, entitled "Improvement of the Legislative and Regulatory Environment to Support Business and Investments". It deals with how to make the process of business establishment and registration more effective, how to speed up the granting of small trade licences (already addressed by Act No. 279/2001 Coll.LL.), visas and labour permits for foreign staff, regulation of the currently non-functioning institute of secured transactions, improved protection of minority shareholders, making the tax system and activities of cadastre offices and arbitration courts more effective.

e) Taking care of funds for SMEs

Among the important activities of the MH SR, the Ministry has to take care of funds for SMEs. The funds requested every year to support SMEs from the State Budget are intended to cover the programmes of State assistance to SMEs. The State assistance programmes announced for 2000 - 2005 were approved by the Slovak Government in 2000 in accordance with the applicable legislation in the field, and NADSME, Slovak Bank for Guarantees and Development (SZRB) and SARIO (as the responsible body for technical issues of some programmes) were entrusted with their implementation. To provide for the disbursement and/or the use of the funds allocated, Minister of Economy has to present regular Reports on the Implementation of Support Financial Programmes for the respective half-year to be reviewed by the Slovak Government; the Reports evaluate the actual progress in the disbursement of the funds, SME support as well as the benefits of State assistance brought about for this sector of the economy.

f) Foreign trade and export promotion

MH SR also pays focused attention to assist penetration of small and medium enterprises from Slovakia in international markets, it creates conditions for the establishment of joint ventures and cooperation projects. Regularly convoked sessions of Mixed Commissions on cooperation in trade, economy, science and technologies also deal with the issues of SME support in this area. MH SR directs and controls

activities of the commercial departments of diplomatic missions of Slovakia abroad (OBEO) in the field of the policy of foreign trade and export promotion. SMEs approach OBEOs to assist them in establishing trade, production or cooperation contacts within the territories of their interests. Under pro-export assistance policy since 1994, MH SR has been regularly opening competitions for the best exporter of the Slovak Republic in the category small and medium enterprises.

4.2 National Agency for the Development of Small and Medium Enterprises

On behalf of MH SR, NADSME coordinates the activities directed towards the support of SME development, and fulfils the function of a versatile information centre for entrepreneurs at domestic and international level, of the organiser of educational and advisory programmes, and implementator of a wide range of financial support programmes for SMEs. In providing for its activities, it closely cooperates with organisations of entrepreneurs and institutions that focus on the support of SME development in Slovakia.

In 2001, NADSME activities were entirely based on the priorities of the National Programme for the Adoption of the Acquis Communautaire (NPAA) with respect to SMEs. These priorities were translated in 2001 into individual activities that provided for their implementation. Moreover, NADSME also was taking care of some other activities resulting from NADSME's initiative, be it as a reflection of analyses conducted by, or on behalf of it, or resulting from practical activities within the business environment.

In addition to traditional activities in the fields of counselling, education, implementation of soft financial support programmes, subcontracting and information activities, NADSME last year was also preparing new activities under the PHARE Programme - 1999 Financial Memorandum. This concerned e.g. technical assistance directed towards counselling and training, development of medium-term state policy for 2002 - 2005, and towards simplifying the process of payments to funds, the grant programme to support organisations associating SMEs, SME counselling and education grant scheme for special groups of persons interested in doing business, setting up of incubators, and further implementation of the spin off method.

Creation of conditions for enabling Slovak small and medium enterprises to penetrate new markets in other countries and support of their export capabilities represents a significant contribution for the entire national economy. An important

role in this respect is played by Euro Info Centres (EIC) in Bratislava and Prešov that are parts of the European Union information centre network.

In implementing the various activities disposable sources of the State Budget for 1999, 2000 and 2001 and the PHARE - COP 99 programme were accounted for.

Apart from that also the bilateral programme with the German partner SEQUA went on, focusing on the provision of companies presenting with a strong developmental potential with specialised counselling using foreign experts; stage 3 of the project was implemented.

4.2.1 State support to SMEs

In 2001, NADSME went on in implementing assistance programmes oriented towards counselling services, training courses and workshops for SMEs, aiming at raising the managerial and business-related capacities and skills of SMEs and assisting them to withstand the pointed competition of domestic and foreign companies.

a) Counselling

SMEs were provided with counselling and information services along the lines of the SME Counselling Programme, with the support representing provision of counselling services to entrepreneurs under advantageous conditions: 50% subsidies from the State Budget. In 2001, this support was provided through the institutional network of twelve Regional Advisory and Information Centres and four Business and Innovation Centres.

The above mentioned centres provided a total of 536 informative consultations in a volume of 268 counselling hours on programmes and projects of SME support implemented by NADSME and outside of it, and 2,225 professional consultations in a total volume of 7,252 hours of consultations from all areas needed for the development of business activities.

For the purpose of raising credits, be it under financial support schemes or from commercial sources, the counselling centres developed 172 and reviewed 121 business plans. By their activities, the centres thus made a contribution towards the establishment of 323 new enterprises, towards the creation of 1,178 new job opportunities, and helped to maintain 3,978 jobs. Graphics 29 provides an overview of the activities of the centres.

Activities of Regional Advisory and Information Centres (RAIC) and Business and Innovation Centres (BIC) within the period January – December 2000																					
	Cons. info A	Cons. info B	Cons. prof. A	Cons. info	info hrs B	prof. hrs A	prof. hrs B	BPNA Nos.	NPNA hrs.	NA hrs.	Review NA Nos.	BP other hrs.	Rev. other hrs.	Train. cours.	Partici-pants	New enterpr.	Innov. enterpr.	New jobs	Maint. jobs		
RPP	*	36	*	309	*	1,086.5	*	2	9	8	72	0	0	0	0	38	-	91	80		
RMT	34	15	35	41	17	7.5	61	91	7	37	15	82	12	74.5	0	3	40	134	-	154	76
RNR	*	2	*	7	*	18.5	*	4	91	4	40	0	0	0	0	22	-	116	8		
RZY	*	0	*	143	*	903.5	*	0	31	306	0	0	0	0	0	16	-	104	370		
RLC	*	12	*	25	*	96	*	6	75	4	40	4	147	0	0	18	-	41	258		
RPX	*	0	*	60	*	172	*	8	228	4	40	1	14	0	2	31	34	-	82	224	
RPO	*	77	*	103	*	38.5	*	274	6	111.5	15	136	9	194.5	0	3	59	7	-	289	803
RTN	*	15	*	135	*	689.5	*	9	346.5	1	10	0	0	0	0	0	0	-	17	170	
RTV	*	0	*	98	*	545.5	*	0	6	24	12	84	0	4	48	1	-	91	30		
RKE	53	0	50	14	26.5	0	54.5	68	0	0	0	1	36	0	0	13	-	25	14		
RKN	*	35	*	54	*	17.5	*	200.5	3	118.5	6	50	6	181	0	0	0	-	5	22	
RDS	36	45	36	85	18	22.5	53	237.5	10	161	2	8	16	401	0	0	6	-	14	57	
BPD	*	41	*	62	*	20.5	*	108	20	478	11	14	0	0	0	4	5	54	71		
BKE	*	198	*	420	*	99	*	948.5	5	29.5	0	0	0	0	0	0	5	32	516		
BBB	*	0	*	181	*	0	*	862	15	467	3	24.5	0	0	0	0	6	0	38	1,237	
BSN	*	60	*	489	*	30	*	951	10	50	11	55	10	45	0	1	12	24	1	25	42
Total	*	536	*	2,226	*	2,680	*	7,252.0	101	2,202.0	121	901.5	71	1,177.0	0	13	190	323	11	1,178	3,978

*A- group of persons interested in doing business - support not financed under the State Budget

RPP	RAIC Poprad	RTV	RAIC Trnbišov	Cons. info A	numbers of general consultations for group A	Review NA Nos.	numbers of business plans reviewed for NADSME
RMT	RAIC Marín	RKE	RAIC Košice	Cons. info B	numbers of general consultations for group B	Review NA hrs	business plans reviewed for NADSME, in hours
RNR	RAIC Nitra	RKN	RAIC Komárno	Cons prof. A	numbers of professional consultations for group A	BP other Nos	business plans developed apart from NADSME
RZY	RAIC Zvolen	RDS	RAIC Dunajská Streda	Cons prof. B	numbers of professional consultations for group B	BP other hrs	business plans developed apart from NADSME, in hours
RLC	RAIC Lučenec	BPD	BIC Prievidza	info hrs A	hours of general information for group A	Rev. other	business plans reviewed apart from NADSME
RPX	RAIC Považská Bystrica	BPE	BIC Košice	info hrs B	hours of general information for group B	Train. cours.	training courses
RPO	RAIC Prešov	BBB	BIC Banská Bystrica	Prof. hrs A	hours of professional consultations for group A	Participants	numbers of participants at training courses
RTN	RAIC Trenčín	BSN	BIC Spišská Nová Ves	Prof. hrs B	hours of professional consultations for group B	New enterpr.	numbers of newly established enterprises
Group A	individuals interested in doing business			BP NA Nos.	business plans developed for NADSME	Innov. enterpr.	numbers of innovative enterprises within BIC
Group B	existing businesses			pp NA hrs.	business plans developed for NADSME, in hrs.	New jobs	numbers of newly created job opportunities
						Maint. jobs	numbers of jobs maintained

In spite of the positive results achieved under the programme, its negative aspect has been that free information about the existing SME support programmes cannot be provided free of charge, even if it concerns state support of a minimum extent. Neither can assistance be provided to starting businesses at more favourable conditions. These facts to a certain extent influence the overall numbers of entities that receive support.

b) Education and training courses

The purpose of the education programmes is to enable SMEs to acquire theoretical knowledge and practical habits in the most important areas of the market economy. The programmes are directed towards the hot problems that newly established as well as existing enterprises usually face.

The education and training courses programme for business people consists of financial subsidies to training courses and workshops that may cover up to 50% of the costs spent on the training. During 2001, the regional centres organised a total of 13 training courses for 190 small and medium enterprises. The training courses concerned the following areas: support of business activities, accounting for enterprises, access to credit sources, selected problems of financial management of SMEs, course for internal auditors, workshops with representatives of State Trade Inspection and State Health Institutes, protection of intellectual property, and public procurement.

c) State support programme of quality management systems implementation - QUALITY

The QUALITY Programme pursues the following basic objectives: support of the introduction within the SME sector of quality management systems in accordance with the international standards ISO 9000, VDA, BS, QS and ISO 14000, products and services quality improvement, and raising the number of SMEs certified according to the above mentioned standards. The beneficiary of the State assistance is the economically independent small and medium enterprise. State assistance is being provided as direct assistance, as a financial grant for education and counselling services delivered to owners and employees of SMEs, covering the smaller of 50% of the actual costs or Sk 100,000, or the smaller of 50% of the actual costs or Sk 120,000 spent on external certification and pre-certification process.

A total of 73 applications from 45 companies were awarded under this State support programme in 2001, including 36 applications for grants on counselling and education (C&E) and 37 for certification process (C). Grants were paid to 22 companies in the sector of manufacturing of goods, to 12 companies from the building industry sector, 2 counselling companies, 5 research, development and design companies, 4 transport companies (graphics 30). Graphics 31 illustrates the volumes of funds received under the programme by regions. Graphics 32 shows how many companies received grants within the individual regions.

A total of 125 grants were awarded since the launching of the programme (in 1999) through 31 December, 200 (including 64 C&E and 61 C grants) to 78 companies, making up Sk 7,664,227 in total. However, no funds were allocated for the programme in 2001 under the State Budget. As a result, the awarding of grants was suspended and applications were only filed. By the end of 2001, NADSME recorded 102 new applications for grants (63 companies).

d) Technology Transfer

In the interest of raising the competitiveness of small and medium enterprises in domestic and international markets, NADSME has been implementing the state programme Technology Transfer. This programme represents state assistance to small and medium enterprises. Under direct assistance, the Grant Commission for Technology Transfer was selecting from among 12 projects submitted in 2000. A total of 5 projects were selected on which Sk 3,125,000 were allocated. The Commission further selected 6 out of the 9 projects submitted in 2001, and allocated them Sk 4,870,000. This programme continues, and we are looking for projects that can be supported under it (up to 50% of eligible costs or a maximum of Sk 1 m). The details of the programme can be found at <http://www.nadsme.sk>.

As part of the Technology Transfer programme, also an information system for technology transfer has been set up and is being updated, that includes selected enterprises and institutions with a marked share of development and utilisation of progressive innovative technologies. The database also contains offers of new technologies and inquiries concerning technologies to supplement more comprehensive technological systems. The system of the presentation of the database in English language has also been developed. The information system was presented on CD ROM at a workshop for SMEs.

The information system also contains information concerning the development of new technologies within the European Union, thus enabling Slovak enterprises and organisations to participate in the development or to acquire access to already developed technologies.

All interested parties are provided with access to the database CORDIS oriented toward scientific research projects; access is being provided via the internet workplace and a CD ROM database. Workshops on the utilisation opportunities with respect to the information, on participation in the grant programme Technology Transfer, as well as on the opportunities to participate on the 5th EU Framework Programme were prepared.

e) Subcontracting Exchange of Slovakia

The Subcontracting Exchange of Slovakia (SES) provides foreign companies at their request for cooperation with exact information and services at an elevated standard in seeking for and identifying of appropriate partners for production and commercial cooperation, mailing of quotations, organising direct visits of purchasers of foreign companies with appropriate Slovak suppliers, selection of appropriate sites for the location of operations, and establishment of joint ventures or new companies in Slovakia.

2001 activities

During 2001, SES processed 173 foreign requests, thereof approx. 25% of informative nature. Slovak enterprises received in 2001 visits from 19 companies from abroad.

Requirements concerning industrial cooperation, mostly as technical documentation, were continuously developed by SES staff. In excess of 126 bids and technical information (and/or responses to cooperation requests) were solicited from Slovak companies, with 158 Slovak entities identified by the SES staff having been involved in the process.

Another rather significant element of SES' activities represent visits by foreign companies. The visits were organised based on prior identification of appropriate Slovak cooperation partners. The visits were aimed at enabling potential partners from abroad to familiarise themselves, based on their own requests, with the actual conditions prevailing in Slovak companies, to meet the staff responsible for future cooperation.

In early 2001 SES organised the participation of Slovak SMEs in the international subcontracting fair of mechanical engineering Subfornitura, Italy. Slovak SMEs participating in the fair as co-exhibitors received financial support to cover 50% of the costs of the exhibition; the support was provided under the Subcontracting scheme.

In May, SES presented its services in the Slovak-Czech-Swiss trade meeting in Lugano where production profiles of suitable Slovak SMEs as suppliers were presented to eight Swiss companies.

In November, SES participated in the capacity as exhibitor in a joint stand with Slovak SMEs in the international subcontracting fair MIDESEST'2001, Paris. During the fair, SES representatives attended the world-wide meeting of directors of subcontracting exchanges that dealt with the implementation of new software enabling interconnection of various countries.

The main aims of the Subcontracting Exchange of Slovakia:

- to develop cooperation requests received and to enable foreign companies to find appropriate partners for industrial cooperation with Slovak companies,
- participation of Slovak companies in international fairs, specialised events and presentation of SES activities and individual services offered to international maincontractors, regular participation in major world subcontracting fairs Midest - Paris, France, ESEF - Utrecht, The Netherlands, Swisstech - Basle, Switzerland, etc.,
- organisation of international cooperation exchanges, contracting meetings and visits by companies from abroad based on prior identification of appropriate Slovak cooperation partners,
- close contacts and stimulating bilateral cooperation with French companies and business organisations stimulated the development of relationships with entrepreneurs from francophone countries and the Francophone Trade Centre (FTC).

f) Euro Info Centre

Activities of Euro Info Centre (EIC) include information provision to small and medium enterprises, operation of systems enabling mediation of cooperation between domestic and foreign business entities, organisation and support of

the participation of Slovak enterprises in professional events both home and abroad, and monitoring of the business environment. With respect to the provision of services and counselling to entrepreneurs at EIC, the focus of the interests have been services in the field of identification of cooperation partners, participation in business exchanges and up-to-date information on events directed towards the assistance to enterprises.

EIC continued to operate the system of identification of cooperation partners abroad via the BRE network that was moved, in early 2001 under the responsibility of the Directorate General Enterprises. It is monitoring several thousand of offers from abroad every month and, having selected the appropriate ones, translates them and publishes in the NADSME periodical *Podnikanie* (doing business) and other Slovak periodicals. In this way, also Slovak offers for cooperation get included in the system. EC processes also inquiries from other Euro Info Centres in the network (about 270). Inquiries come also directly from SMEs, either by fax or mail, or in electronic form. An average of 100 are processed and answered every month.

EIC activities are expanded and enriched by the Internet information workplace that enables and facilitates access to commercial and cooperation-related information to enterprises that lack technical means for communication within the global Internet network.

EIC keeps its database of companies - potential exporters continuously updated, and enable the presentation of Slovak companies in the database KOMPASS. It keeps continuously updating the NADSME Internet page as well as that of the EIC itself.

The campaign to make activities and services provided by EIC to small and medium enterprises better visible also continued in 2001, this time focusing on electronic commerce. Workshops were organised on how the EIC network and e-commerce operate, and fliers and the booklet *Starting up Electronic Commerce* (in Slovak language) were printed.

In working together with the local RAICs, EIC organised three workshops in Nitra, Martin and Bratislava on Cooperation of Information Networks.

EIC initiated and reviewed with Brussels the possibility of establishing another (third) EIC in Slovakia.

In working together with the Centre for Development, Science and Technologies (SARC) EIC has been continuously updating the database of requirements and offers for the task Technology Transfer (grant scheme).

One contracting event of the Europartenariat type, Baltic See Partenariat, was staged in Riga in May 2001, and recruitment of companies started for the international meeting of purchasers with suppliers IBEX ENTEC to be staged in Magdeburg in 2002.

EIC keeps building a library of documents on activities, programmes and objectives of the European Commission, selects, translates and publishes materials of interest (in the periodical Podnikanie or on NADSME web page).

EIC has been taking an active part in the cooperation with Austria and the Czech Republic in the development of the regional information system under the EK Interreg IIA programme, and in the development of the information system for SMEs at the border regions to support transboundary cooperation.

4.3 Ministry of Finances of the Slovak Republic

Pursuant to the competencies laid down in Act No. 575/2001 Coll.LL., as amended from time to time, the Slovak Ministry of Finances is the drafter and, via the tax offices, also the executive body of tax-related regulations. Under this competence, its support function with respect to SMEs development is a rather important one. This mainly shows in the opportunities to award certain tax concessions, exemptions and/or special tax rates. The concessions mainly concerned:

- tax reliefs and exemptions from income tax pursuant to Act No. 366/1999 Coll.LL., as amended from time to time,
- special method of taxation pursuant to Act No.366/1999 Coll.LL., as amended from time to time,
- exemption from income tax pursuant to Slovak Government Regulation No. 192/1998 Coll.LL.

As announced by the Slovak Tax Directorate, data on these concessions were not comprehensively processed by the time of the drafting of this Report.

4.4 Ministry of Labour, Welfare and Family of the Slovak Republic

The executive authorities of the National Labour Office, including regional and district labour offices, are applying several tools of economic and social policy of the Slovak Ministry of Labour, Welfare and Family via which they implement the labour market policy. The source of financing of the tools is the National Labour Office's budget whose funds are spent on passive and active labour market policies. Some of those tools also use State Budget funds. The most significant from the viewpoint of the support of small and medium enterprises are active tools of the labour market policy that were recording a pronouncedly decreasing trend in recent years. The trend started to gradually change as late as in 2000, due to the fact that means were allocated under the State Budget for works of public benefit to deal with the problem of unemployment. The development since 1995 (when they were referred to as means for active employment policy) is documented by the Table below that shows the shares on funds spent on labour market policy and/or employment policy in total:

Parameter	1995	1996	1997	1998	1999	2000	2001
Expenditures on active labour market policy, in Sk m	3,899	4,290	3,099	2,289	474	1,570	2,235
% of expenditures on labour market policy implemented by labour offices	64.1	58.3	43.7	29.4	6.1	20.3	31.8

The decreasing trend of the shares of funds spent on active policy is documented by absolute amounts spent on passive and active labour market policies in recent years:

<i>in Sk m</i>			
Year	Passive policy	Active policy	Expenditures, total
1997	3,989	3,099	7,088
1998	5,485	2,289	7,774
1999	7,766	474	7,766
2000	6,182	1,570	7,752
2001	4,789	2,235	7,024

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

Also, the development (reduction) of the volume of funds spent on agreed job positions compared to expenditures on socially purposeful jobs pursuant to the previously applicable legislation was marked in 2000. There was a change in 2001, with subsequently increasing trend.

Coverage of costs of socially purposeful jobs (SPJ) and/or agreed job opportunities

SPJs/ agreed job opportunities	1995	1996	1997	1998	1999	2000	2001
Numbers of jobs	46,866	25,685	18,775	22,793	3,613	1,133	7,950
Amount of the grant, in Sk (thous.)	2,698,649	2,256,913	1,072,750	926,979	133,082	32,690	231,100

It is evident from the above that expenditures on agreed jobs ceased to account for the major part of the funds spent on active labour market policy in 2001: they made up 28.1% of the whole volume of active labour market policy expenditures in 1999, while being as low as 2.1% in 2000. In this respect, the year 2001 represented a turn, with the share reaching as many as 10.3%.

By the volume of the funds spent, the second most important tool are grants on agreed jobs of public benefit: 22% of the funds available for active labour market policy were used in 1999, but as many as 81.1% in 2000. Also with respect to this parameter there was a turn in 2001, with as little as 67.7%. The development of the parameter was as follows:

Coverage of costs on agreed jobs of public benefit (JPB)

JPB	1995	1996	1997	1998	1999	2000	2001
Numbers of agreed jobs	44,342	35,856	29,305	34,214	8,630	67,653	42,407
Amount of the grant, in Sk (thous.)	788,993	1,332,013	740,200	674,309	105,332	1,273,540	1,513,182

Active labour market policy also utilises some other tools that contribute, either directly or indirectly, towards the support and/or development of SMEs. These mainly concern expenditures on re-training, expenditures on maintaining of jobs, expenditures on employment of individuals with handicaps and disabilities, expenditures on the development of projects of employment revitalisation, and expenditures on business projects of raising the employment.

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

In working together with State bank for Guarantees and Development, State financial institution (SZRB, š.p.ú.), MDPT SR currently implements Development Programme of Combined Transport where enterprises may be awarded, in the form of a support, guarantees on credits and/or financial grants to cover a portion of the interests on credits.

4.6. Ministry of Construction and Regional Development of the Slovak Republic

Under the Housing Development Support Programme, small and medium enterprises may apply for support to eliminate systemic faults of apartment houses; a total of 126 subsidies amounting to Sk 4,562.6 thous. were granted in 2001 under this scheme.

Seven SMEs received guarantees worth Sk 85,356.8 thous. under the Housing Construction Development Guarantees Programme through bank guarantees.

Under the State Assistance Programme for the development of districts with high unemployment levels, a total of 111 subsidies were approved for SMEs, amounting to Sk 95,823 thous. As a result of the support extended to these projects, 562 permanent jobs were created.

4.7 Ministry of Agriculture of the Slovak Republic

In working together with SZRB, š.p.ú., it has been implementing 2 specialised programmes of guarantees for agricultural enterprises, and one state sectoral grant programme of support of SMEs in agriculture. A total of 76 guarantees amounting to Sk 209,900m were extended under these programmes in 2001. Under the grant programme, 32 promises were given for grants worth Sk 20.3m, wherefrom Sk 11.4m were actually paid out.

4.8 Bank institutions and funds

4.8.1 Slovak Bank for Guarantees and Development, State Financial Institution (SZRB, š.p.ú.)

In 2001, SZRB was implementing support of business entities under 9 guarantee and 7 grant programmes, in cooperation with Ministry of Agriculture of the Slovak Republic, Ministry of Economy of the Slovak Republic, Ministry of Transport, Posts and Telecommunications of the Slovak Republic, and Ministry of Environment of the Slovak Republic. In addition to that, SZRB has also been implementing 4 credit programmes.

a) Guarantee programmes

Pursuant to the new guarantee mechanism of SZRB in place since 2000, guarantees may be extended to cover up to 65% of eligible costs provided that state assistance is being extended to small and medium enterprises doing business within the boundaries of the respective district pursuant to Section 1 of Act No. 231/1999 Coll.LL. on State Assistance. The amount of a credit extended by the financial institution is limited to Sk 100m. The maximum amount of a guarantee is Sk 65m, with a tenure of 10 years.

b) Grant programmes

Financial grants are being extended by SZRB under Government-launched development programmes in cooperation with the Ministry of Economy of the Slovak Republic, Ministry of Agriculture of the Slovak Republic, Ministry of Transport, Posts and Telecommunications of the Slovak Republic, and Ministry of Environment of the Slovak Republic, thus helping to reduce the interest-related burden upon enterprises; alternatively, the grants may be used to reduce a portion of eligible costs, i.e. expenditures on the capital investment of a project.

GUARANTEES EXTENDED AS OF 31 December 2001

		SME	PHARE	Agriculture	Leasing	Green credits	Agroch. SLC	Combin. transport	Counter guaran.	Housing constr.	TOTAL
1	Applications for guarantees received	R 70 K 1,164	0 131	63 147	0 17	39 1,849	172 172	0 2	0 5	8 8	352 3,495
2	Guarantees extended	R 37 K 537	0 110	40 90	0 9	36 1,610	149 149	0 2	0 2	3 3	265 2,512
3	Amount of guarantees extended, in Sk (thous.)	R 407,180 K 3,698,147	0 206,915	111,340 268,468	0 50,650	98,560 3,123,620	207,055 207,055	0 48,570	0 50,000	0 41,857	865,992 7,695,282
4	Amount of credits supported by guarantees, in Sk (thous.)	R 473,500 K 5,826,956	0 330,398	169,052 393,160	0 68,821	130,950 3,988,577	319,100 319,100	0 57,141	0 370,173	0 52,321	1,144,922 11,406,646
5	Average amount of guarantee per project extended, in Sk (thous.)	R 11,005 K 6,887	0 1,881	2,784 2,983	0 5,628	2,738 1,940	1,390 1,390	0 24,285	0 25,000	0 13,952	3,268 3,063
6	Numbers of job opportunities created	R 680 K 8,623	0 1,046	2 175	0 171	0 0	0 0	0 42	0 60	0 1	683 10,118

Legend:

MSP - Small and Medium Enterprises Support Programme

PHARE - PHARE Programme

Agricuilt. - Support Programme of Small and Medium Agricultural Entities through Guarantees and Financial Grants

Region - SME Support Programme through Guarantees Extended in Selected Regions

Leasing - SME Support Programme through Extending Guarantees on Domestic Financial Leasing

Green Credits - Support Programme of Provision for Seasonal Agricultural Works through Guarantees

Agroch. SLC - Programme for SMEs - Agricuilt. for Purchase of Agrochemicals and Fertilisers

Combined Transport - Combined Transport in the Slovak Republic Development Support Programme

Counter-guarantees - Business Support Programme through Counter guarantees on Foreign Credits

Housing construction - Housing Development Support Programme

R - since the beginning of 2001

K - cumulated - since the launching (1 Sept. 1991)

GRANTS as of 31 December 2001

	PC	PP	Combined transport	SAD	OZON	START	Alternat. energy sources	REGIÓN	Export	Program from prec. years completed	Total
1 Applications for financial grants received	R 181	62	0	0	3	6	4	0	6	0	262
	K 852	146	5	37	12	21	8	19	7	178	1,285
2 Financial grants promised	R 107	32	0	0	4	8	1	0	0	0	152
	K 541	86	3	34	9	13	5	9	0	125	825
3 Amount of financial grants promised	R 93,749,000	20,293,243	0	0	2,095,000	7,222,000	1,382,000	0	0	0	124,741,243
	K 437,527,220	45,776,459	43,217,680	37,391,000	3,404,900	14,663,000	12,059,421	9,002,000	0	285,189,713	888,231,393
4 Amounts of financial grants paid, in Sk.	R 107,453,300	11,378,743	1,999,571	1,569,568	1,752,000	7,222,000	2,773,231	0	0	0	134,148,413
	K 424,750,320	31,835,959	30,784,063	30,134,691	3,061,900	14,305,000	6,363,961	8,030,000	0	264,038,766	813,304,660
5 Amounts of credits supported through financial grants promised, in Sk.	R 572,864,301	144,755,725	0	0	10,174,921	37,342,814	1,512,708	0	0	0	766,650,469
	K 3,568,139,308	351,457,373	150,006,200	181,100,000	13,840,331	71,042,814	66,912,708	66,500,000	0	2,306,526,078	6,778,524,812
6 Average amount of financ. grant per project (promised), in Sk.	R 876,158,88	634,163,84	0,000	0,000	523,750,00	902,750,00	1,382,000,00	0,000	0,000	0,000	820,666,07
	K 808,737,93	532,284,41	14,405,893,33	1,099,735,29	378,322,22	1,127,923,08	2,411,884,20	1,000,222,22	0,000	2,281,517,70	1,076,644,11
7 Numbers of jobs created through promised fin.grants	R 462	3	0	0	17	31	0	0	0	0	513
	K 4,664	129	50	0	32	63	1	31	0	921	5,891

GRANT PROGRAMMES

PC - Tourism in Slovakia Development Support Programme

PP - SMEs Support Programme in Agriculture

Combined Transport - Combined Transport Development Support Programme

SAD - Slovak Bus Transport Vehicle Fleet Development Programme

OZON - Ozone Programme

START - Starting Businesses Support Programme

Alternat. Energy Sources - Alternative Sources of Energy Support Programme

REGIÓN - Region Programme

EXPORT - Exports Promotion Programme

R - since the beginning of 2001

K - cumulated - since the launching (1 Sept. 1991)

c) Loan programmes

Two programmes are being implemented under the loan programme schemes, in cooperation with selected commercial banks, so-called indirect loans. SZRB started also extending direct loans as part of additional 2 credit products. Moreover, SZRB is implementing a credit product under the title "Direct Loans Programme for Small Enterprises" under which clients may receive loans directly from SZRB. A new product was launched to the banking market in February 2001 (when a framework agreement was signed with the Council of Europe's Development Bank CEB) called "Loan Programme for the Financing of Municipal Infrastructure and Construction of Housing for Low Income Individuals through Credit Line of the Council of Europe's Development Bank CEB".

The Loan Programme PODPORA (Support) allows entrepreneurs to take up credits up to Sk 7m with a maximum tenure of 7 years at the fixed interest rate of 10.5% that remains unchanged throughout the whole period of the credit tenure, with the possibility of deferred payments of the principal for up to one year after the first disbursement.

The Loan Programme ROZVOJ (Development) to support small and medium enterprises, financed from a credit line of Kreditanstalt für Wiederaufbau was born from the cooperation and assistance on the part of the foreign bank. It enables entrepreneurs to acquire credits for capital investments and operation. The maximum amount of the loan is Sk 58m, the current interest rate is 13.5% p.a. The loan may be used to finance up to 75% of project costs. Under this programme, loans can be combined with other sources of financing. The maximum tenure of the loan is through 31 March 2008, with possible deferral of payments of the principal for one year.

Direct Loans to Small Enterprises Programme is intended to provide direct loans to small enterprises. It enables the entrepreneur to acquire a capital investment - operating loan of a maximum amount of Sk 3m. For investment purposes, the tenure of the loan is up to 5 years, for operating loans up to 2 years. The minimum amount of the loan for a client is Sk 100 thous. The interest rate for these loans is based on the discount rate of NBS with a fixed differential of 2%. The programme has been effective since 1 December, 2000.

LOANS PROGRAMME as of 31 December 2001

	Indirect loans				Direct loan				Indirect & direct loan total
	Podpora	Rozvoj	Ekológia	Total	MSP	CEP-Hous.	KfW-IL-Hous.	Total	
1	R	63	3	0	66	169	3	172	238
Applications for loans received	K	353	109	1	463	230	15	245	708
2	R	58	3	0	61	109	9	118	179
Loans granted - SZRB	K	259	79	1	339	111	9	120	459
3	R	275,204	64,500	0	339,704	0	0	0	339,704
Amount of total loans granted (SZRB+UPU) in Sk (thous.)	K	1,274,764	1,037,500	25,000	2,337,264	0	0	0	2,337,264
4	R	183,469	64,500	0	247,969	188,253	92,522	280,775	528,745
Amount of loans granted - SZRB in Sk(thous.)	K	849,843	1,037,500	25,000	1,912,343	190,753	92,522	283,275	2,195,619
5	R	4,744,90	21,499,92	0,00	5,568,91	0,00	0,00	0,00	1,897,79
Average amount of loan for total granted loans (SZRB+UPU) in Sk (thous.)	K	4,921,87	13,132,92	25,000,00	6,894,58	0,00	0,00	0,00	5,092,08
6	R	317	59	0	376	359	0	359	735
Numbers of newly created jobs connected with total granted loans (SZRB+UPU)	K	1 984	1 057	3	3 044	359	0	359	3,403

Legend:

R - since the beginning of 2001

K - cumulated - since the launching (1 Sept. 1991)

4.8.2 Foreign Trade Promotion Fund

The Foreign Trade Promotion Fund (FPZO) was established by NR SR Act No. 379/1996 Coll.LL. as a non-State special purpose fund. Based on comments and practical experiences it was amended by NR SR Act No. 162/1998 Coll.LL.

The funds available may be mainly used to cover:

- grants intended for the participation in foreign fairs and exhibitions,
- costs of promotion abroad,
- financial support of business missions and delegations of unions and associations,
- organisation of international workshops and domestic conferences,
- costs of home organisers and participants of education programmes,
- costs incurred by domestic exporters on certification of goods exported.

In 2001, the Fund awarded grants to small and medium enterprises amounting to Sk 25.4m, representing less than 40% of the volume provided in the preceding year. However, no funds were allocated for FPZO under the State Budget and mandatory levies were abolished by the amended law to reduce the burden on the business entities. Funds could be raised from business entities but occasionally, and they were allocated according to the criteria and decisions made by the FPZO Managing Board; the Fund is also subject to transformation process that will turn it into the Electronic Commerce Centre that will also remain a SMEs support tool in this sense.

5. Support under the PHARE Programme

5.1 NADSME as PHARE Programme Managing Unit

In working together with PHARE, the National Agency for the Development of Small and Medium Enterprises (NADSME) also acts as the PHARE Programme Managing Unit. Cooperation with PHARE also continued in 2001, with NADSME becoming an implementation agency for support programmes of small and medium enterprises. Starting 2001, NADSME also became involved in the development of the transition strategy from pre-accession assistance tool (that the PHARE actually is) to the system of structural funds.

Also in 2001, the PHARE programmes were focusing on financial support programmes, education and counselling, and policies and development of small and medium enterprises. In accordance with the National Programme for the Acquis Communautaire however the support programmes were split among 4 priorities as shown below.

The total volume of support under the PHARE funds in 2001 was EUR 642,000, representing Sk 27, 827,000 (using the exchange rate applicable by 31 Dec.2001).

A total of EUR 30,378,000 were used by 31 December, 2001 under five financial memorandums since the launching of the PHARE programmes on SMEs support programmes, representing Sk 1,316,886,000 (using the exchange rate applicable by 31 Dec.2001).

Overview of PHARE funds spent in 2001, by priorities:

		<i>EUR Sk</i>	
I.	Facilitation of access to capital	109,064	4,727,924
	thereof: Technical assistance for financial programmes	109,064	4,727,924
	Support Loan Programme	*0	*0
	Micro-loans	*0	*0
	Seed Capital Company	*0	*0
II.	Strengthening the SMEs sector position	320,000	13,872,000
	thereof: Policy development - grants	320,000	13,872,000
III.	Raising SMEs' competitiveness	212,858	9,227,395
	other: Spin-off	33,639	1,458,251
	CEPAC	35,200	1,525,920
	Counselling and training - grants	144,019	6,243,224
Programmes total (I. - III.)		641,922	27,827,326

**There were no new resources in 2001. Only revolving was used for those programmes as is shown in 5.2.4, 5.2.5 and 5.2.6.*

5.2 Utilisation of PHARE programme funds to support SMEs

5.2.1 Regional projects

a) SME Counselling and Training

NADSME launched in 2001 the grant programme Counselling and Training for SMEs intended to support SMEs in the various regions of Slovakia. Twenty-nine grant applications were received. Grants were eventually awarded to 19 counselling centres (including 15 RAICs/BICs and 4 institutions outside of the RAIC/BIC network). The implementation of the projects started in November 2001, completion is expected for December 2002.

b) Training Programme for Young People and Women

A grant programme was launched by NADSME in 2001 to support business undertaken by special groups (school graduates and women), Training Programme for Young People and Women. Projects were approved for three institutions (Secondary Vocational Institution for Apprentices, Kysucké Nové Mesto, RAIC Dunajská Streda, and VOKA Banská Bystrica) in a total volume of EUR 28,776. Since project activities only started in early 2002, an evaluation will only be possible after their completion, i.e. towards the end of 2002.

c) CEPAC Slovakia

The mission of the association CEPAC Slovakia is to make a contribution towards the development of small and medium enterprises in Slovakia, above all through the Comprehensive Programme of Education and Training (CPET) intended for registered unemployed interested in and showing capacities for establishing own enterprises. In addition, the association also takes care of the organisation of technical workshops for lecturers and advisors involved in the CPET.

The contents and the structure of the training courses are based on the knowledge and experiences of the French association CEPAC Soissons, Picardie. CPET is oriented towards the establishment of micro-enterprises and small enterprises, and consists of 4 stages - selection of appropriate registered unemployed, training, guidance and monitoring.

Activities of the association CEPAC are financed from National Labour Office funds and PHARE funds based on the contract signed in June 2001 (for the amount of EUR 105,000). The following was organised in 2001:

- technical consultations and counselling for the unemployed - a total of 35 courses were organised in 2001 for 528 people who completed CPET (there have been 235 courses for 3,296 participants organised since the beginning of the project). Among them, 184 graduates established their own enterprises. As of 31 December, 2001, a total of 746 CPET graduates could find a new job, 1,670 CPET graduates founded an own enterprise. A total of 490 enterprises were founded (see graphics 33, 34, 35),
- training courses for lecturers who participate in the CPET programme - 8 courses for 133 participants,
- through CEPAC, 25 participants could attend exhibitions Slovakia Tour, Byt a stavba (apartment and building) EKO Košice, Trenčín - Mesto módy (city of fashion)(2 x).

Training activities provided by the association CEPAC helped so far 2,694 persons to find a job, representing an 81.73% efficiency of the training activities (by the end of 2001). The graduates were provided with grants for newly created jobs, amounting to Sk 7.42m.

d) Construction of business incubators

The main activity of business incubators has been support of SMEs that start business as well as of existing SMEs in their further development, through creating conditions favourable for doing business (provision of spaces and technical infrastructure) and through provision of comprehensive counselling and training services (development of business plans, organisation of workshops, mediation of commercial contacts, information on the opportunities of participation in State support programmes and European Union programmes). For high-tech companies, also special premises will be available, such as laboratories and testing rooms.

Construction works started in 2001 on the business incubator in Martin (administration building and production hall, parking lots, etc.) and reconstruction works on a building in Banská Bystrica that is expected to serve as a business incubator and technological centre. The projects are being implemented with financial support from the PHARE programme. The Martin incubator is being co-financed by the Flemish Government.

Aiming at improving the competitiveness of small and medium enterprises of the high-priority region Slovakia - east with unemployment rates ranging around 30%, appropriate areas owned by local governments were selected to be rehabilitated from PHARE funds and to serve as business incubators. This mainly concerns the towns Rožňava, Košice, Prešov and Spišská Nová Ves.

e) First contact points

As the current institutional support of SMEs in Slovakia represented by also the network of the Regional Advisory and Information Centres and Business Information Centres (RAIC/BIC) is geographically incomplete, a quite evident need emerges for supplementing this network by so-called first contact points (FCP) that would play the role of the principal source of information, above all for the smallest enterprises that usually suffer from inadequate access to information services. They have been planned for district towns of the high-priority region Slovakia - east (regions Prešov, Košice and a part of the region Banská Bystrica), where there are no RAICs/BICs or RDA (Regional Development Agency). FCPs will be established in cooperation with the local governments and additional entities (chambers of small trade licensees, guilds, civil associations, etc.).

In 2001, a commission comprising representatives of NADSME, MoCRR SR, ZMOS and of the Delegation of the European Commission (observer status) selected 9 district towns of the above mentioned region (Bardejov, Brezno, Medzilaborce, Michalovce, Poltár, Sabinov, Snina, Veľký Krtíš and Žarnovica). After Žarnovica withdrew, towns were approached that had shown interest in FCP at the beginning of the project, among them Levoča that was still interested. PHARE, State Budget as well as local budget funds are used to finance this project.

5.2.2 Professional and technical support of special-interest and professional organisations of SMEs

As part of the programme of policy improvements in the small and medium enterprises sector, also the grant sub-programme "Support of Associations of Small and Medium Enterprises" was launched under the PHARE SR 9906.02 project. The amount of EUR 400,000 was allocated for the grant scheme.

The main objective of the grant scheme is support of institutions that associate small and medium enterprises, directed towards improvement of strategy, structure and managing skills of various associations, unions and guilds of SMEs, towards extension of their membership base, improvement of their infrastructure, strengthening of their internal and external capacities and support of their interests. A total of 15 associations of entrepreneurs were supported under the grant scheme.

5.2.3 Spin-off Programme

The spin-off method is directed towards spinning off small and small and medium enterprises from large state and privatised, mostly industrial enterprises but also municipalities and other entities. Having spun off, such centres become independent legal entities, thus getting the opportunity to do business also outside of direct business cooperation with the parent company.

The Spin-off Programme met with a considerable interest in also 2001. Seven project carriers were included in projects, and 2 small enterprises were established from parent companies within a short interval through the implementation of the spin-off method. The project continues in 2002.

Each of the project carriers attended professional workshops under the guidance of experts of a selected counselling company. During the first workshop, the 7 project carriers were instructed in matters of the principal responsibilities connected with the orientation within the business environment. The second workshop was focusing on the evaluation of 2 business plans developed by experts of the corresponding RAICs.

5.2.4 Support Loan Programme

Loans under the Support Loan Programme amounting to Sk 5m max. are intended for small and medium enterprises that do business in the fields of manufacturing, crafts, services or inbound tourism. The interest rate is 10.8% p.a. max. Since the launching of the programme (in 1994) the total amount of the loan portfolio, including revolving, has reached Sk 3.628bn, whereof 81 loans in a total amount of Sk 259.834m were granted in 2001. A total of 508 loans have been paid off since the beginning of the programme. Graphics 36 presents information on the loans extended, by the field of business activities.

Overview of loans extended under SLP, by districts

District - Region	Loans extended by 31 DEC. 2001	Amount of loans extended (in Sk) by 31 DEC.2001	Loans extended in 2001	Amount of loans extended (in Sk) in 2001
Region Banská Bystrica	159	522,565,000	18	66,064,000
Banská Bystrica	36	138,240,000	4	17,000,000
Banská Štiavnica	3	4,700,000	0	0
Brezno	8	19,820,000	2	4,000,000
Detva	6	22,693,000	0	0
Krupina	3	3,800,000	0	0
Lučenec	39	126,081,000	1	1,100,000
Poltár	0	0	0	0
Revúca	4	13,800,000	0	0
Rimavská Sobota	7	13,000,000	0	0
Veľký Krtíš	3	14,000,000	0	0
Zvolen	39	137,331,000	8	31,564,000
Žarnovica	0	0	0	0
Žiar nad Hronom	11	29,100,000	3	12,400,000
Region Bratislava	140	492,130,690	9	28,500,000
Bratislava I - V	109	384,080,690	7	20,500,000
Malacky	10	37,600,000	1	5,000,000
Pezinok	15	51,150,000	0	0
Senec	6	19,300,000	1	3,000,000
Region Košice	132	368,533,310	1	900,000
Košice I - IV, okolie	53	172,000,000	1	900,000
Gelnica	1	1,500,000	0	0
Michalovce	6	22,000,000	0	0
Rožňava	20	40,203,310	0	0
Sobrance	1	4,000,000	0	0
Spišská Nová Ves	36	100,650,000	0	0
Trebišov	15	28,180,000	0	0
Region Nitra	140	467,796,000	6	19,500,000
Nitra	43	151,670,000	2	8,500,000
Komárno	20	52,207,000	0	0
Levice	22	92,409,000	0	0
Nové Zámky	27	85,900,000	1	3,000,000
Šaľa	5	19,500,000	1	4,000,000
Topoľčany	22	61,110,000	2	4,000,000
Zlaté Moravce	1	5,000,000	0	0

District - Region	Loans extended by 31 DEC. 2001	Amount of loans extended (in Sk) by 31 DEC.2001	Loans extended in 2001	Amount of loans extended (in Sk) in 2001
Region Prešov	145	507,692,000	13	47,500,000
Prešov	51	204,478,000	4	11,700,000
Bardejov	13	53,100,000	2	8,000,000
Humenné	5	17,500,000	0	0
Kežmarok	5	18,000,000	1	4,000,000
Levoča	1	2,000,000	0	0
Medzilaborce	0	0	0	0
Poprad	46	146,073,000	3	8,800,000
Sabinov	2	5,400,000	0	0
Snina	2	10,000,000	2	10,000,000
Stará Ľubovňa	9	22,016,000	0	0
Stropkov	2	10,000,000	0	0
Svidník	1	1,400,000	0	0
Vranov nad Topľou	8	17,725,000	1	5,000,000
Region Trenčín	143	470,029,863	12	30,370,000
Trenčín	34	100 880,000	0	0
Bánovce nad Bebravou	2	10,000,000	0	0
Ilava	2	8,900,000	0	0
Myjava	8	17,500,000	1	800,000
Nové M. nad Váhom	11	40,638,336	1	5,000,000
Partizánske	3	10,900,000	0	0
Považská Bystrica	17	52,250,000	2	2,250,000
Prievidza	59	209,961,527	7	21,320,000
Púchov	7	19,000,000	1	1,000,000
Region Trnava	89	303 264,000	7	25,000,000
Trnava	26	87,460,000	3	12,000,000
Dunajská Streda	30	117,659,000	1	1,500,000
Galanta	12	39,300,000	1	5,000,000
Hlohovec	1	2,400,000	0	0
Piešťany	5	13,595,000	0	0
Senica	12	35,550,000	0	0
Skalica	3	7,300,000	2	6,500,000
Region Žilina	166	496 307 611	15	42,000,000
Žilina	48	137,964,000	9	26,500,000
Bytča	4	7,800,000	2	4,500,000
Čadca	7	15,620,000	0	0

District - Region	Loans extended by 31 DEC. 2001	Amount of loans extended (in Sk) by 31 DEC.2001	Loans extended in 2001	Amount of loans extended (in Sk) in 2001
Dolný Kubín	15	47,550,000	1	5,000,000
Kysucké Nové Mesto	4	10,500,000	0	0
Liptovský Mikuláš	22	70,631,000	0	0
Martin	50	164,811,970	1	3,000,000
Námestovo	4	12,200,000	0	0
Ružomberok	9	20,030,641	2	3,000,000
Turčianske Teplice	1	5,000,000	0	0
Tvrdošín	2	4,200,000	0	0
Total	1,114	3,628,318,474	81	259,834,000

Overview of loans extended under SLP, by sectors (as of 31 Dec. 2001)

Sector	Total amount of loans (in Sk m)	Numbers of loans extended, total
Food production	611.813	179
Textile production	190.276	72
Woodworking industries	389.66	130
Metals, plastic materials	715.685	205
Glass, stonemasonry	66.26	25
Construction industries	355.84	103
Power sector	60.73	19
Polygraphy	58.44	17
Chem.& Pharm.Industries	101.64	27
Tourism	367.445	108
Services	710.528	229
TOTAL	3,628.317	1,114

5.2.5 Micro-loan Programme

The programme is intended for small enterprises that employ up to 10 people. The main objective of the programme is to deal with the issue of access of small enterprises in regions to credits up to Sk 500,000, the minimum amount being Sk 50,000, with a tenure of up to three years. The interest rate is 11% p.a. for investment purposes and 15% p.a. for projects connected with purchases of commercial type goods.

Since the launching of the Micro-loans Programme in 1997, a total of 284 micro-loans have been extended in the total amount of Sk 88,025,554, thereof 57 micro-loans were extended in 2001, in the total amount of Sk 18,955,223. The average amount of the micro-loans is Sk 309,949. Since the start of the programme, 87 loans have been fully paid off. Another important factor with respect to the micro-loans programme has been its impact upon the employment within the regions concerned: 467 and 503 jobs could be created and maintained, respectively, since the launching of the micro-loans scheme.

Overview of micro-loans extended, by sectors

Sector	Total amount of loans, in Sk - cumulated	Thereof in 2001, in Sk	Total number of loans - cumulated	Thereof in 2001
Agriculture	5,847,294	2,262,294	18	7
Production	30,357,223	6,203,000	85	19
Trade	19,762,402	3,299,929	68	9
Tourism	23,156,708	2,000,000	82	5
Services	5,725,000	4,970,000	17	15
Other	3,176,927	220,000	14	2
TOTAL	88,025,554	18,955,223	284	57

Graphics 37 (in the Annex) presents the summary information about the micro-loans by sectors.

5.2.6 Seed Capital Company

The major characteristic of the Seed Capital Company have been investments into the equity of small and medium enterprises. Investments may amount up to Sk 10m, with a max. of Sk 5m being invested in the first stage. The objective of the programme is to enable the establishment and development of small and medium enterprises, and to develop the activities of the existing enterprises. Projects are preferred for investments from the manufacturing of goods, production services and inbound tourism sectors.

A total of 39 investments into 20 companies have been made since the launching of the programme in 1994. The amount invested into the companies in the Seed Capital Company s.r.o. portfolio reached Sk 91.29m.

Overview of investments provided, by regions

Region	Numbers of investments undertaken in 2001	Amount of investments undertaken in 2001, in Sk m	Numbers of investments undertaken by 31 Dec. 2001 - cumulated	Amount of investments undertaken by 31 Dec. 2001, in Sk m cumulated
Banská Bystrica	-	-	4	13.5
Bratislava	2	3.5	7	9.35
Košice	-	-	4	6.94
Nitra	1	0.4	3	3.6
Prešov	1	3.0	2	6.0
Trenčín	1	3.4	1	3.4
Trnava	1	3.4	11	34.9
Žilina	2	1.8	7	13.6
TOTAL	8	15.5	39	91.29

Overview of investments provided in 2001, by sectors

Sector	Numbers of investments undertaken in 2001	Amount of investments undertaken in 2001, in Sk m
Agricultural production	-	-
Textile production	1	3.4
Woodworking industry	-	-
Metals, plastic materials	1	3.0
Glass, stonemasonry	-	-
Building industries	1	3.4
Power sector	-	-
Polygraphy	-	-
Chem.&Pharmaceutical industries	-	-
Tourism	1	0.3
Services	4	5.4
Total	8	15.5

5.2.7 Evaluation of NADSME's support programmes efficiency

a) Evaluation of the Support Loan Programme efficiency

The total amount of the loan portfolio, including the revolving portion, since the launching in 1994, reached Sk 3.628bn, whereof 81 loans were extended in 2001 amounting to Sk 259.834 in total. A total of 508 loans have been paid off since the launching of the programme. This enabled to create and/or maintain, since the launching of the programme, a total of 38,183 jobs.

Basic information about the Support Loan Programme (as of 31 December, 2001)

SUPPORT LOAN PROGRAMME	Poľno-banka, a.s.	Slovenská sporiteľňa, a.s.	Istro-banka, a.s.	Tatra banka a.s.	Eudová banka, a.s.	Total
Numbers of loans	357	382	120	166	89	1 114
Total amount of loans (in Sk m)	1,241.078	1,074.631	434.277	638.02	240.311	3,628.317
Average loan amount (in Sk m)	3.48	2.81	3.62	3.84	2.70	3.26

b) Evaluation of the Micro-loans Programme efficiency (as of 31 December, 2001)

A total of 284 micro-loans have been extended since the launching of the programme in 1997, amounting to Sk 88,025,554 in total, thereof 57 micro-loans were extended in 2001 amounting to Sk 18,955,223 in total. The micro-loans averaged Sk 309,949. Fully paid off since the launching of the programme have been 89 loans. A significant factor of the micro-loans programme has been its impact upon the employment in the given regions: 467 and 503 jobs could be created and maintained respectively since the launching of the programme.

Overview of micro-loans extended in 2001, by centres

Centre	Total amount of loans in Sk - cumulated	Thereof in 2001	Total numbers of loans - cumulated	Thereof in 2001
RAIC Komárno	8,185,000	845,000	21	4
RAIC Trebišov	6,790,000	1,000,000	18	3
BIC Spišská Nová Ves	5,000,000	0	13	0
Seed Capital Company, s.r.o.	11,100,000	1,900,000	27	5
RAIC Považská Bystrica	23,626,844	4,287,223	94	16
RAIC Prešov	13,312,000	1,980,000	45	6
RAIC Zvolen	17,161,710	5,993,000	59	16
RAIC Martin	2,850,000	2,850,000	7	7
TOTAL	88,025,554	18,955,223	284	57

c) Evaluation of the Seed Capital Company efficiency

Eight projects were realised during 2001, in a total amount of Sk 15.5m. A total amount of Sk 91.29m has been invested into companies in the SCC, s.r.o. portfolio by 31 December, 2001. Thereof Sk 55.16m were invested into the equity of companies, and Sk 36.13m in the form of loans.

Nos of companies	Funds provided by 31 December, 2001, in Sk	Investment stage	Nos of jobs maintained	Nos of jobs created
21	91,290,000	seed, start-up, early stage, development	690	140

Seed Capital Company, s.r.o. investments showed the following effects in 2001:

- the turnover of the portfolio companies reached approx. Sk 694m last year,
- financial health of the companies improved, payment discipline improved as did the meeting of the commitments vis-a-vis the state and other partners,
- financing of companies through commercial banks improved, every Sk invested by SCC enabled SCC-portfolio enterprises to raise Sk 2.42 in newly extended loans from commercial banks,
- 690 existing jobs could be maintained, and 140 new job opportunities could be created.

A comprehensive evaluation of the efficiency of the various State support programmes will be included in the MH SR document "Evaluation of the Effectivity of Funds Spent on Development and Support Programmes under the MH SR Chapter".

6. Support from other sources

6.1 Cooperation with France

The training programme GRETA

NADSME continued the cooperation with the French training agency GRETA Laon-Hirson-Chauny in the training programme GRETA intended for Slovak francophone managers from Slovak companies. This programme enables them to acquire new knowledge from the field of marketing and management, while at the same time improving their French language skills. As an objective of the programme, establishment of cooperation with French companies is targeted. Every year ten selected candidates get the opportunity to get knowledge of the French management styles during a theoretical training in Bratislava and with the actual business environment during a stay in France.

Ten candidates were selected for the third year of this training programme in June 2001. The programme started in July 2001 by its corresponding course. The tasks were focusing on the improvement of the French language skills. Workshops organised at NADSME - the second stage of the programme - of the duration of 5 weeks, started in September 2001, and a variety of topics were tackled: marketing, personnel management, organisation systems, management of production, etc. This stage ended up with the last presentation in January 2002. The third stage of the programme, the 6-week stay in France, was organised in selected companies in 2002.

6.2 Cooperation with Germany

Programme Transform - "Strengthening of the Offer of Counselling for Small and Medium Enterprises in the Slovak Republic"

The Transform Programme has been realised in cooperation with the foundation SEQUA, Federal Republic of Germany, since May 1997. During the second stage of the project (January 1999 - June 2001) 23 Slovak counsellors from RAIC Považská Bystrica, RAIC Poprad, BIC Spišská Nová Ves, RAIC Nitra and BIC Banská Bystrica were trained to be able to deliver counselling in the field of quality management systems. A total of 18 contracts were made with enterprises to which counselling and advising was provided on quality manage-

ment, certification, establishment of contacts, mediation of commercial relations, establishment of joint ventures, VDA 6.1, and marketing.

The third, final stage of the project started in November 2001. Its objective is to expand the offer of counselling activities of the centres involved in the project and at the same time to increase the demand on the part of small and medium enterprises for counselling services.

6.3 Cooperation with Italy

Cooperation between NADSME and the Italian association SIMEST is going on, supported by Italian Ministry of Foreign Trade, in identifying appropriate Slovak SMEs to establish joint Italian-Slovak SMEs in the sector of textile, woodworking and furniture industries. One hundred and nineteen Slovak SMEs were involved in the project, from among which the Italian partner selected 39 he considered as suitable. A detailed identification of the Slovak SMEs is going currently on for the purpose of the preparation of direct meetings with the interested parties from Italy.

6.4 Foreign credit lines

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

The financing under the AGL and AGL II credit line from the European Investment Bank was completely finished. No projects will be implemented from revolving sources in the future.

The loan from the Japan Bank for International Cooperation (originally Export-Import Bank of Japan) was extended through three credit lines of the Two Step Loan (TSL I, TSL II, TSL III). The TSL III Loan Agreement for 20bn

Yen (Sk 9.052bn) was signed with NBS on 12 September 1997. The loan is intended to support the development of small and medium enterprises and joint ventures.

Only revolving funds were disbursed in 2001 that were used to finance 9 projects under TSL II, in the total volume of Sk 123,960,000; 30 projects were financed under TSL III in the total volume of Sk 250,414,100. No TSL I line funds were disbursed.

A total of 1,085 projects in the total volume of Sk 15.401bn were financed from the funds and revolving funds under the EIB and JBIC loans by 31 December 2001.

7. Suggestions of measures to support development of SMEs in 2003

7.1 With respect to legislative and administrative barriers

A relatively significant number of measures were taken during the past year in the legislative area to improve the business environment. Based on the statements shown in Section 3, measures have to be taken with respect to legislation that will make a contribution towards an improvement of the business environment.

The following represent continuous tasks in particular:

1. Further reduction of the tax burden on entrepreneurs - natural persons.
2. Reduction of the large levies-related burden, i.e. reduction of the overall costs of employers per employee.
3. Improved flexibility of the inflexible labour market, a more efficient solution to the problem of the so-called black labour.
4. Improved law enforcement through expedient amendment to the rules of civil court proceedings, including the setting of the time limit within which courts must act in the given matter.
5. Aggressive fighting of corruption and progressing in public service reform aiming at enabling entrepreneurs to reach adequate status in the society.
6. During the EU pre-accession stage, intensifying the cooperation with V-4 countries in the area of SMEs.
7. Reinforcing the position of the employer in the Labour Code.
8. Undertaking a reform of the social and health system to make it targeted.
9. Addressing in the Income Tax Act separate categories of natural persons - employees, natural persons - entrepreneurs, and legal entities to allow accounting for specifics of doing business by legal entities and natural persons.
10. In the Act on Accounting, making provisions on the keeping of books simplified for mainly small trade licensees, self-employed persons, including the links to flat-rate taxes.
11. Bringing to harmony the system of training and education of secondary vocational institutions for apprentices and secondary vocational schools with the needs of SMEs.
12. Legislative standards should grant self-employed persons - small trade

licensees the same rights as granted to employees.

13. Setting up an expert group to assess the State Assistance Act - in particular the section dealing with SMEs, and its impacts upon the implementation of support programmes.
14. Suggesting, in the framework of the medium-term State policy of SME support for 2002 - 2005, implementation of SME support through a MH SR-affiliated body responsible for the SME sector in Slovakia.

7.2 With respect to support programmes

Conditions for acquiring credits by also small and medium enterprises markedly improved in 2001. Access to capital nevertheless still represents one of the most significant barriers to SME development. Measures were introduced in 2001 in the area of counselling and training in connection with the establishment of business incubators. Also a positive result has been the reinforcement of the institutional network of SME support through establishing first contact centres.

In addition to the above mentioned two areas of support, attention has to be paid to the support of electronic commerce, raising of exports, attracting more foreign investors, and transfer of technologies.

As follows from the document of the Slovak Ministry of Economy entitled "Analysis of SME Development and Suggestions for Changes in the SME Support System", and as also confirmed by the conclusions of the international conference on SMEs, the following will be mainly needed to be taken care of during the period to come:

1. Creation of favourable conditions for private persons that provide seed, operating or development capital, through granting tax allowances for risk capital funds, through providing funds of risk capital with advantageous long-term and low interest rate credits from State Budget, and/or through direct capital inputs on the part of state in risk capital funds.
2. Support of a coordinated approach by private and state institutions and organisations dealing with the financing of SMEs.
3. Analysis, re-assessment and reworking of the existing structure and specifications of support programmes in accordance with the so-called State Assistance Schemes of the European Union, by the end of 2002.
4. Development of a diversified system of guarantees to facilitate obtaining of credits from commercial banks, including starting enterprises.

5. Orientation of the system of active labour market policy towards the support of job opportunities with SMEs.
6. Gradual increase of funds available for support programmes of SME development in dependence on the capacities of the State Budget, taking advantage of sources raised under privatisation.
7. Setting up of an inter-ministerial coordination council on SME support programmes under the responsibility of the Slovak Ministry of Economy.
8. Aiming at export promotion, expanding the scope of insurance of export credits against commercial and political risks.
9. Intensification of information campaign concerning the importance of electronic commerce for small and medium enterprises with respect to the increasing the sales of their products and extending exports to foreign markets.
10. Support of the development of electronic commerce through raising the competencies of SMEs in this respect through education, training and counselling.
11. Evaluation of the impacts and efficiency of the implementation of support programmes, in particular of those that represent a direct form of financial support of enterprises.

8. Conclusion

The Report on the Status of Small and Medium Enterprises provides a holistic picture of their development, forms of support and of the development of the business environment in 2001, including the existing problems and suggestions for their solution.

In connection with the preliminary closure of the Chapter Small and Medium Enterprises in 2000, the preceding year opened up a new, more complex stage of the preparation for EU accession, and underlined the pressing nature of the tasks connected with the accession process. It is gratifying that in evaluating the progress achieved in 2001, a gradual improvement of the dynamics of SME growth that occurred in 2000 after worsening in 1998 and 1999 could be stated.

This positive trend is visible with respect to virtually all basic parameters. Compared to 2000, the numbers of small trade licensees increased by 10,274 in 2001, representing a 3.8% increase; this may be considered as a certain sign of the stability of this portion of the business spectrum, and this trend positively influences also other parameters, such as employment. In this connection, also the introduction of the institution of the flat-rate tax should be mentioned; even if initially suffering from certain imperfections, it is now (after some amendments needed have been introduced) perceived positively, and is now being taken advantage of by almost 7% of all small trade licensees. In any case, the flat-rate tax is a modern tool serving to reduce the administrative demands put on the smallest enterprises and we will have to pay attention to its development so as to make it bring maximum benefits to the target group of entrepreneurs while keeping state's interests in this respect untouched. Overall, with respect to the category of legal entities we may state an increase in the numbers of enterprises compared to the preceding year (by 1,967, i.e. 3.3%), even if a negative trend has been recorded with respect to small enterprises since a longer period of time (decreasing numbers that however have not been reflected in a drop of the employment levels in these enterprises).

Even more important than the increasing numbers of business entities are their shares on some of the following macro-economic parameters. The share of legal entities on added value generation increased from 46% in 2000 to 47% in 2001. A very important and tightly monitored parameter from the societal point of view is the development of employment with small and medium enterprises. The only way to deal with the issue of high unemployment rates is creation of new job

opportunities, be it through self-employment or employment with small and medium enterprises. This however requires adjustments of the legislation to motivate entrepreneurs to create new job opportunities and to account, in developing legislation, for the comments of those who actually create job opportunities and offer adequate remuneration for work. A permanent increase can be observed for small trade licensees, with employment for this category increasing by 23,750 positions in 2001, representing a 5.2% increase compared to 2000. Employment grew by 21,490 positions in small enterprises with up to 50 employees, representing a yearly growth by as many as 6.5%.

Employment did not change in any way for medium enterprises; taking into account the reduction of the numbers of medium enterprises (by 7.7% compared to the preceding year) we may however clearly state that the employment keeps growing in existing medium enterprises.

Even if there has been a positive development with respect to the employment with small and medium enterprises in recent two years, the data could have been even more positive if an appropriate legislation was in place. The most pronounced has been the sudden growth of earnings before taxes. The disastrous drop in 1998 was replaced by a sudden growth during the subsequent years. Earnings before taxes grew 2.4 times for small enterprises compared to 1998, i.e. within four years. Compared to 2000, this represents a 20% increase for 2001. For medium companies, this parameter grew as many as 4.7 times compared to 1998. This represents a 61% growth for the past year alone (2001 compared to 2000).

The trends mentioned suggest that the SMEs sector shows characteristics of stability, with a potential for further growth and, even more important, that the productivity of labour grows in this sector, and this is a rather important statement, in particular in the view of the preparation of the accession of our country to the new competitive environment, the European Union.

On the other had, there is a number of problems in this area that will have to be resolved prior to our EU accession.

This mainly concerns aspects such as restricted access to resources, significant administrative demands put on SMEs, discriminatory income tax for natural persons, significant levies-related burden that - because of the significant demands put on labour and thus on wages - gets reflected in a high level of levies in addition to tax-related burden, complex, intransparent and frequently changing

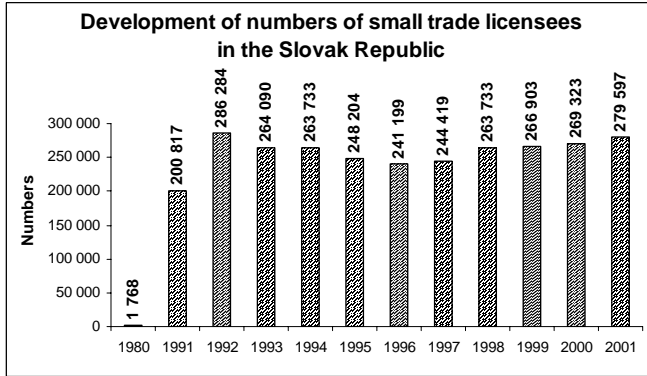
legislation, legal uncertainty and questionable law enforcement, in particular if linked with high corruption levels, non-functioning capital market that rather negatively impacts upon the development of business.

In spite of the favourable trends in the development of SMES during the recent times, several analyses have confirmed that sufficiently favourable conditions for the necessary development of SMEs are still lacking, thus that the business environment is still insufficiently motivating to enable a more expedient and more efficient growth of the SMEs sector.

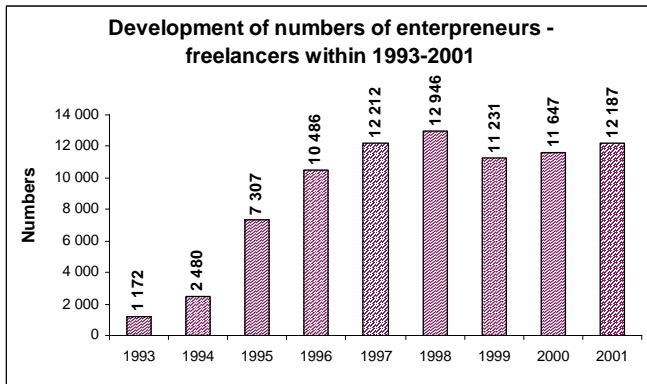
We see the need for a sufficient scope of participation of representatives of SMEs in the initial process of the drafting of legislative measures as one important aspect for the improvement of the business environment, which is also a reason for the criticised fact of frequent legislative changes that are particularly sensitively perceived by small entrepreneurs who lack an adequate apparatus to be able to follow them.

Because of that, we included in Chapter 7 of the present Report also a complex of suggestions for an improvement of the business environment whose implementation can be expected to make a contribution towards the making the development of SMEs in Slovakia more dynamical.

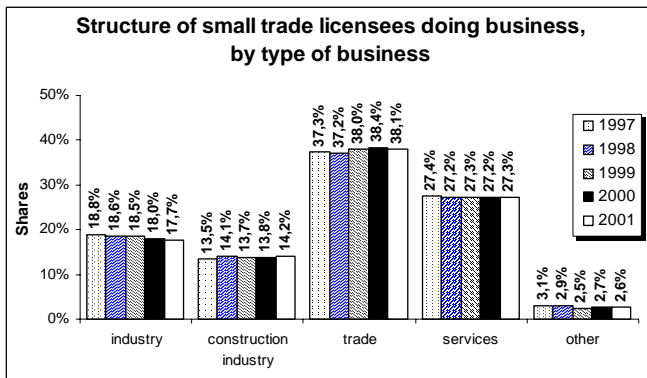
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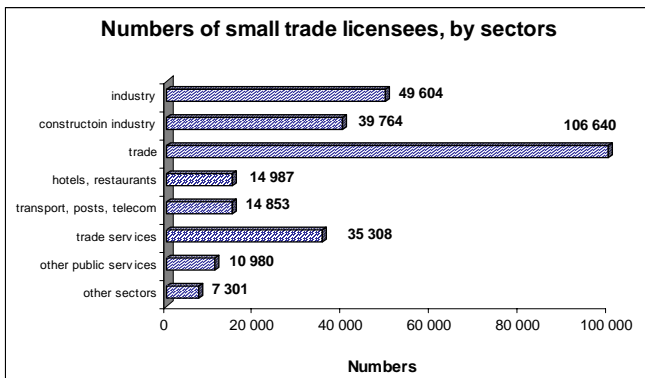
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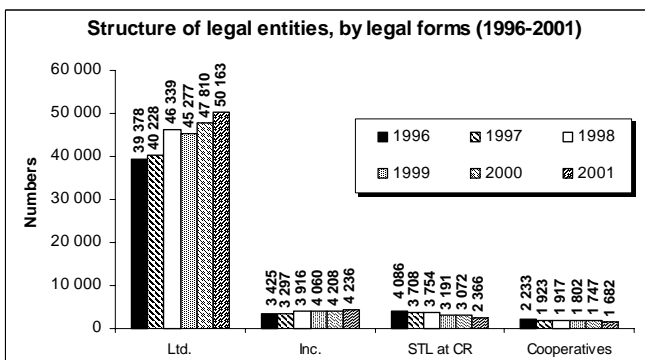
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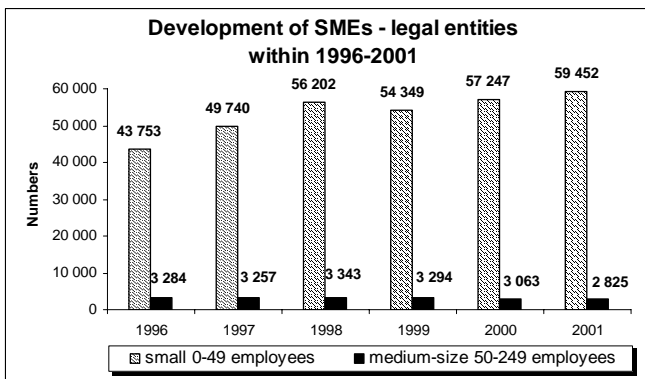
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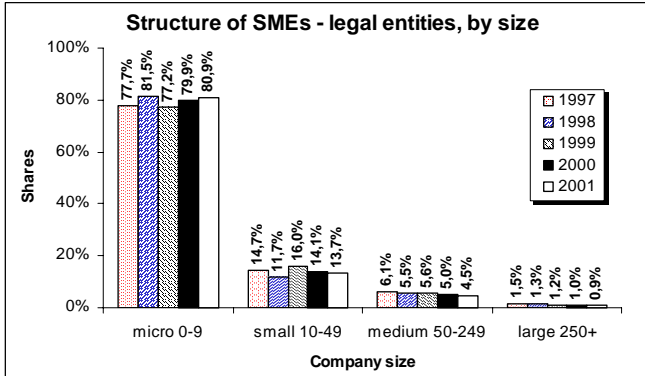
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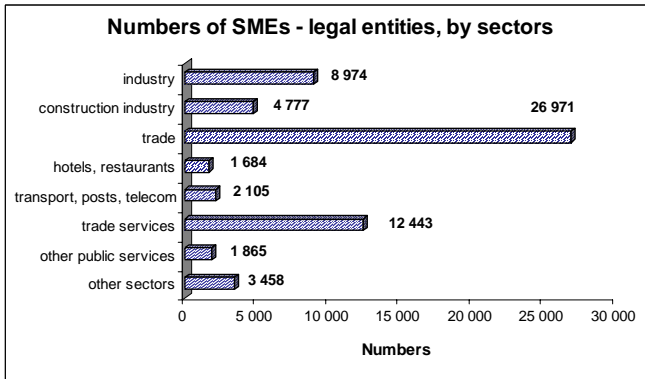
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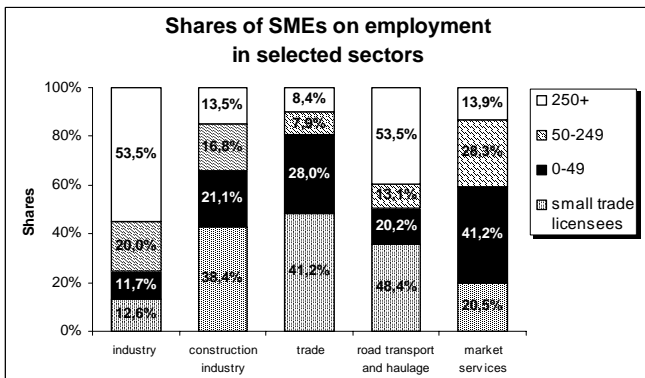
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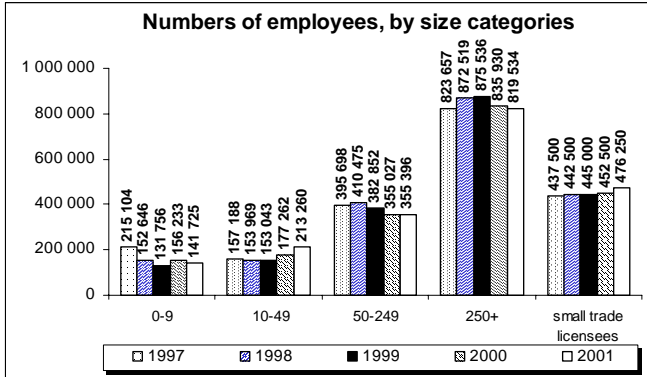
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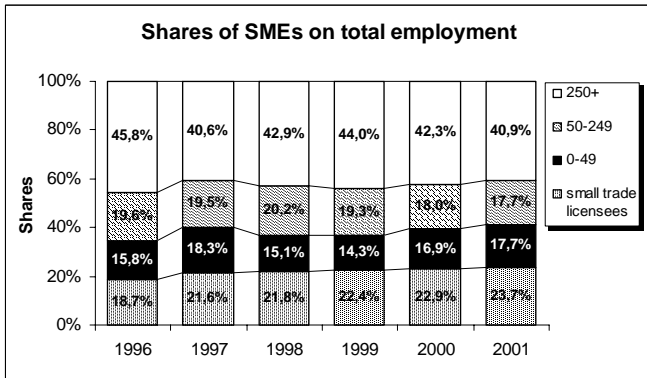
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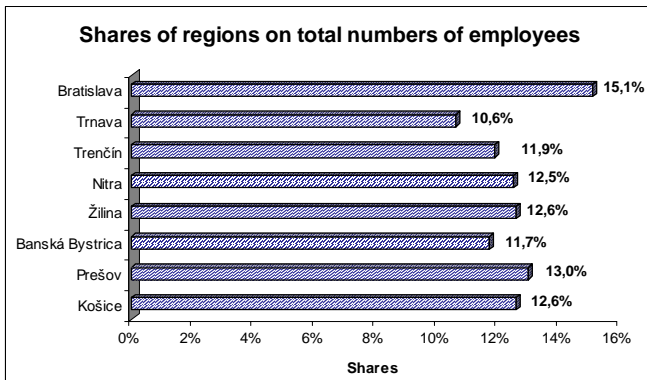
Graphics 9



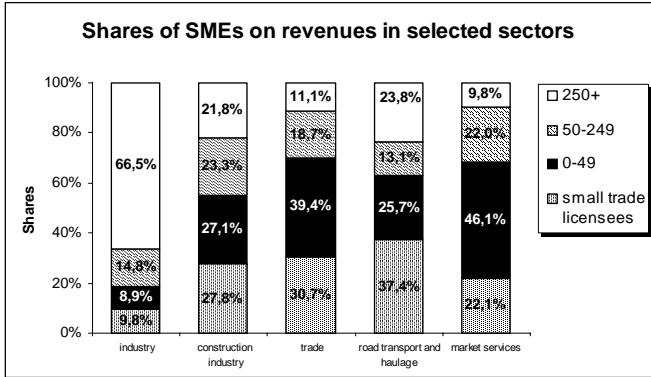
Graphics 10



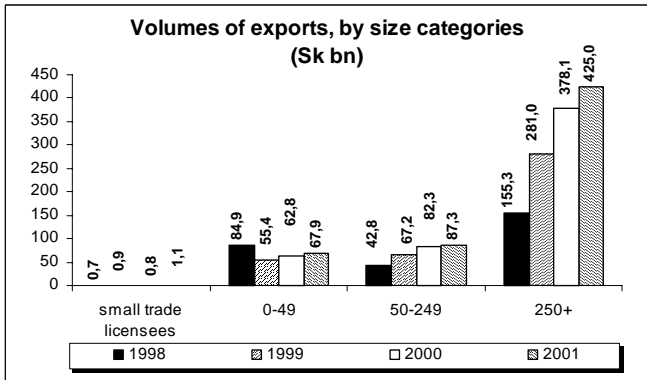
Graphics 11



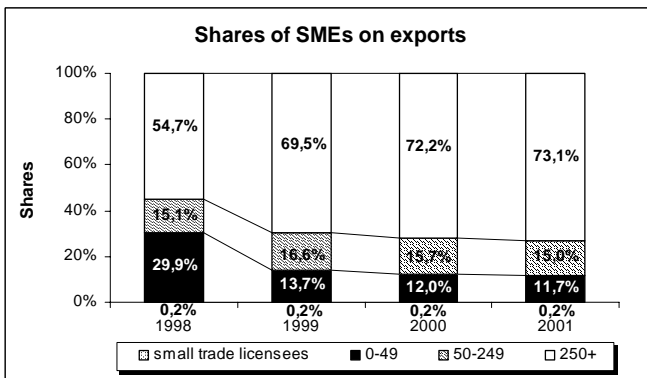
Graphics 12



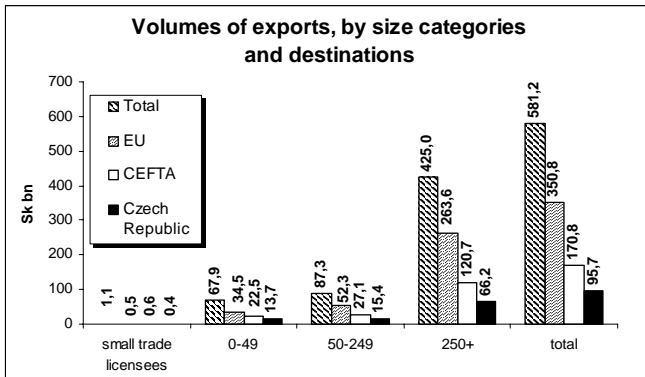
Graphics 13



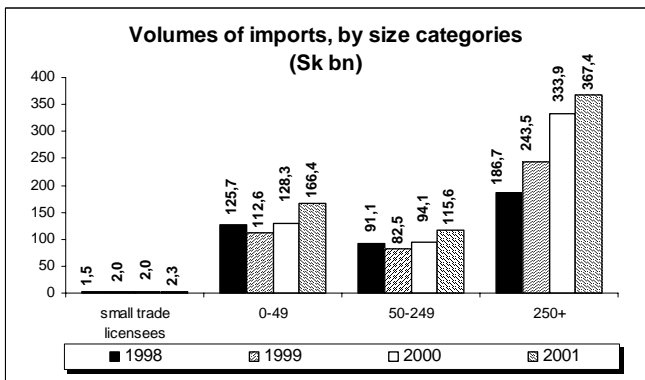
Graphics 14



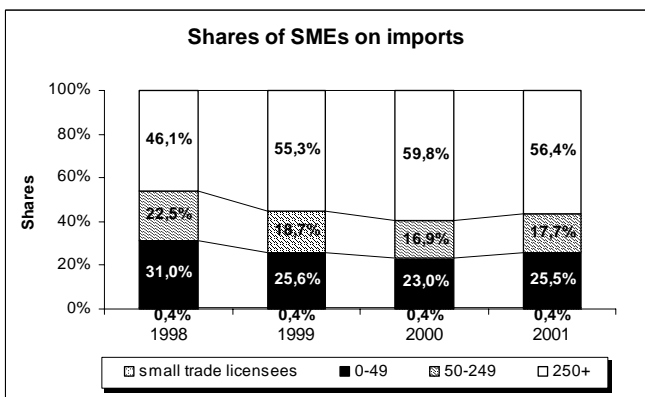
Graphics 15



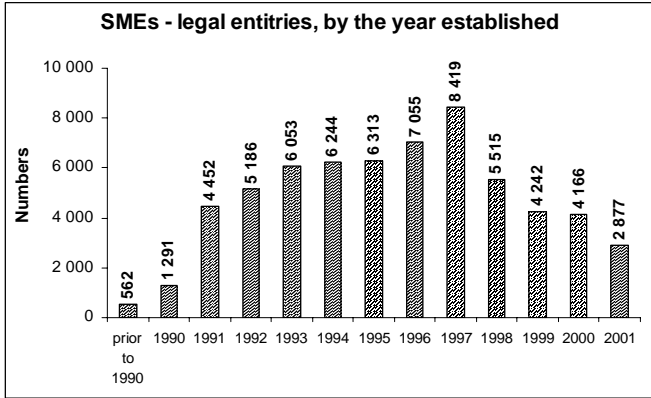
Graphics 16



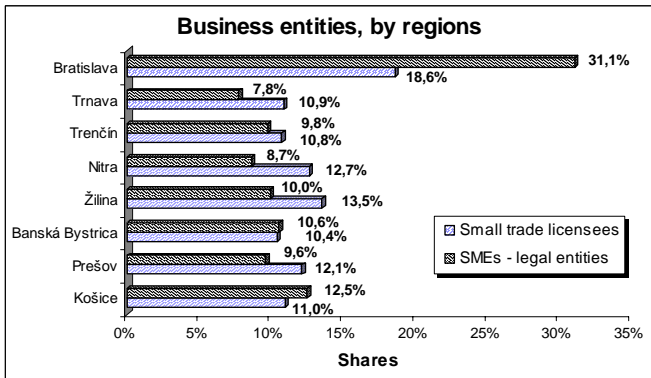
Graphics 17



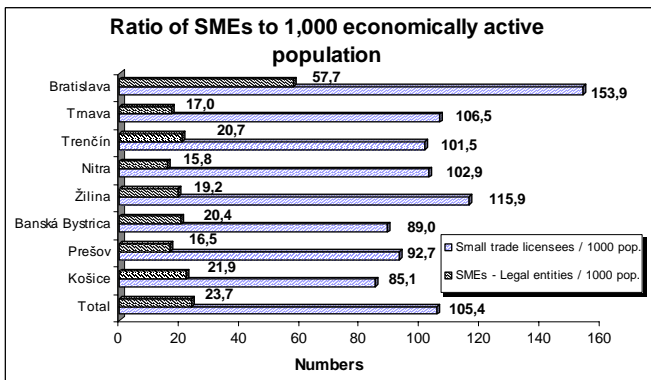
Graphics 18



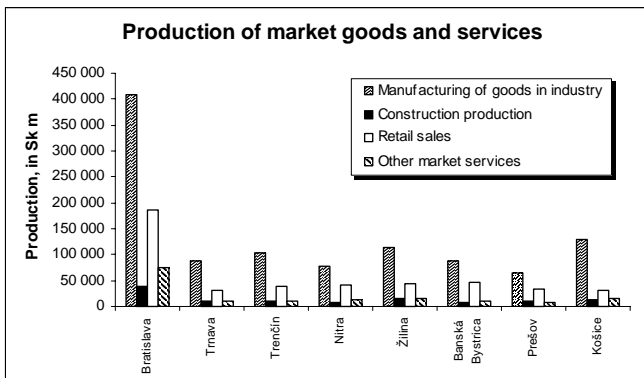
Graphics 19



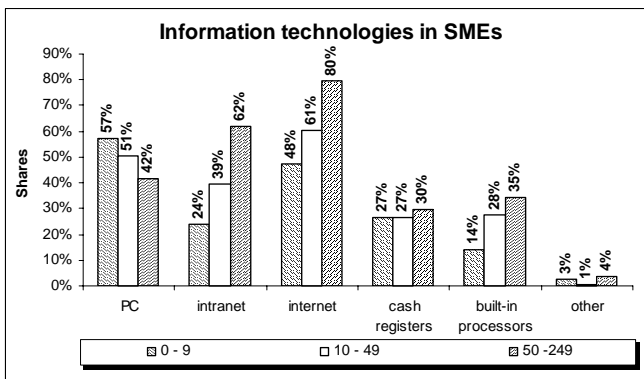
Graphics 20



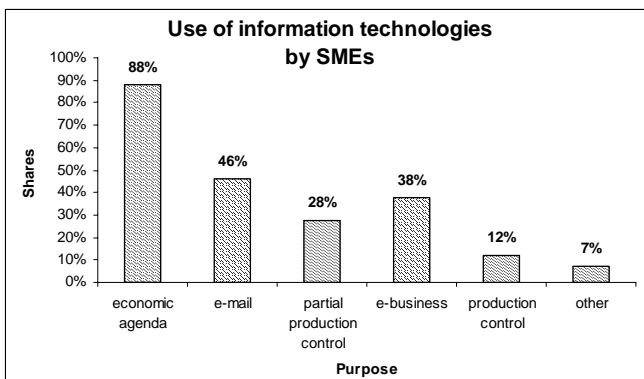
Graphics 21



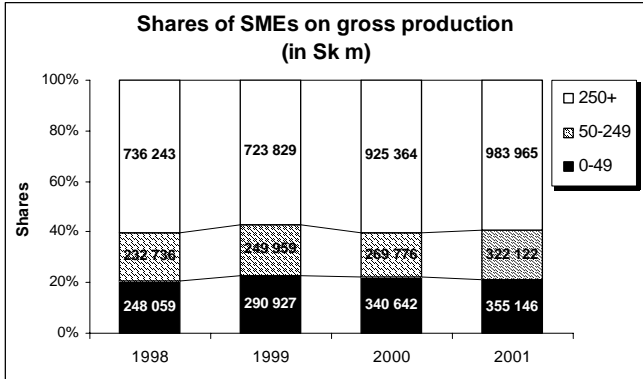
Graphics 22



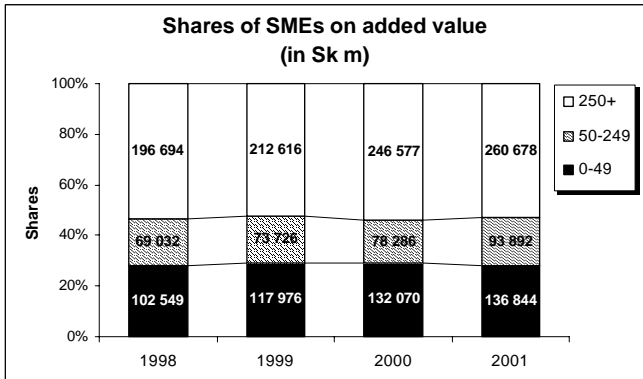
Graphics 23



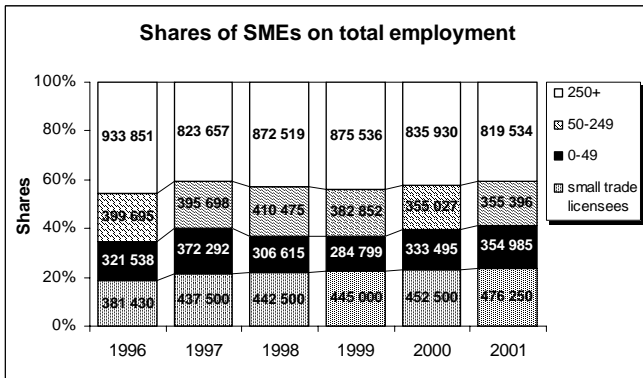
Graphics 24



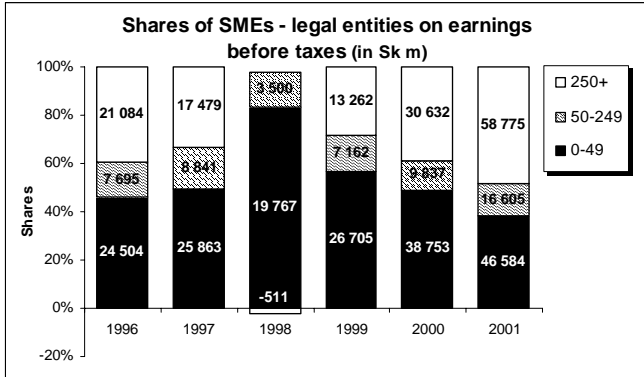
Graphics 25



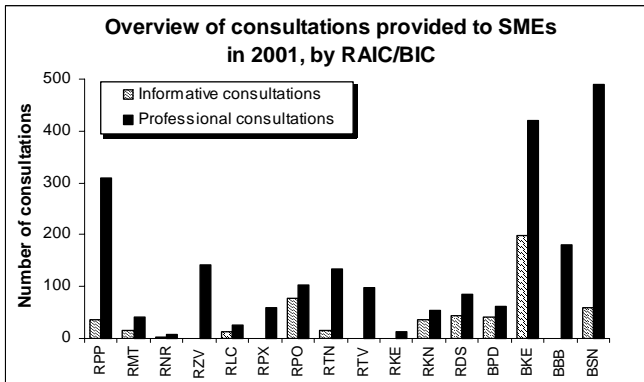
Graphics 26



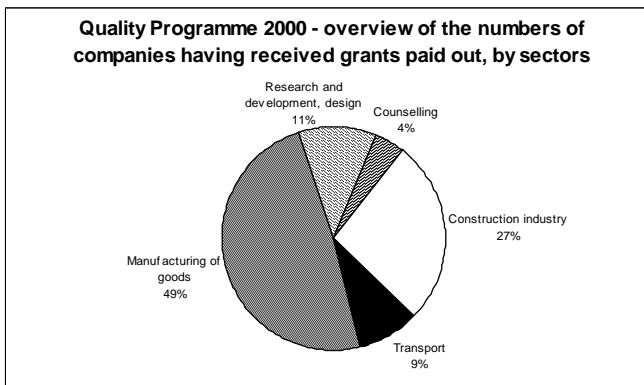
Graphics 27



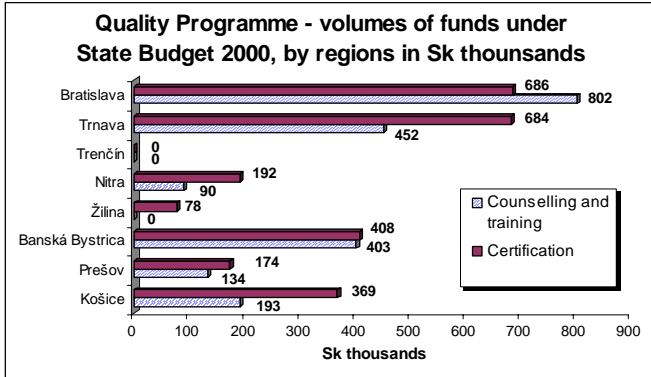
Graphics 28



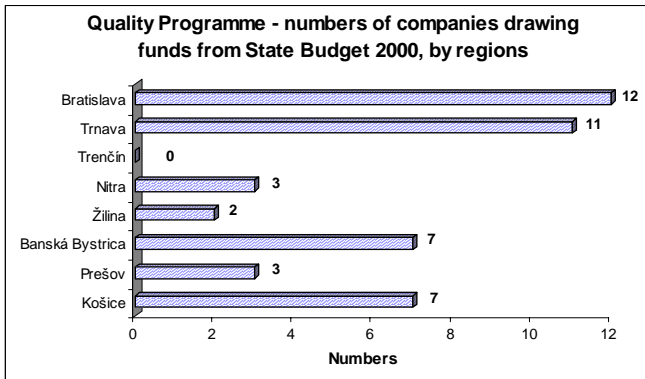
Graphics 29



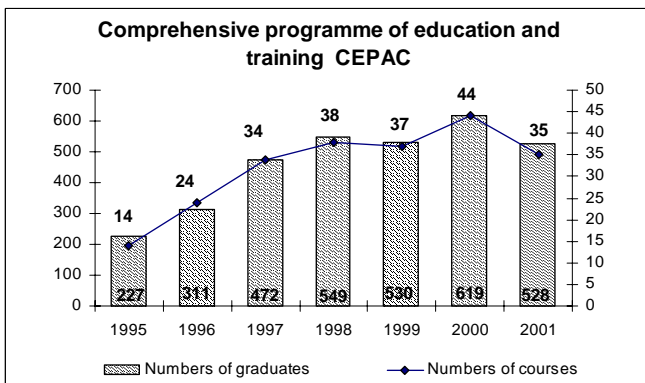
Graphics 30



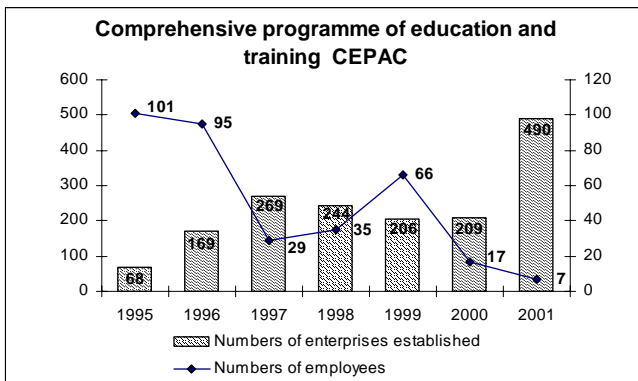
Graphics 31



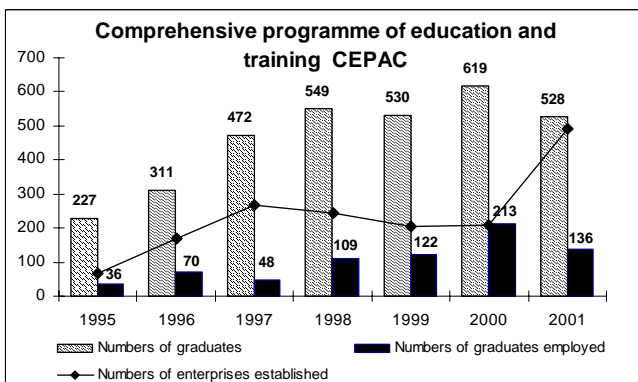
Graphics 32



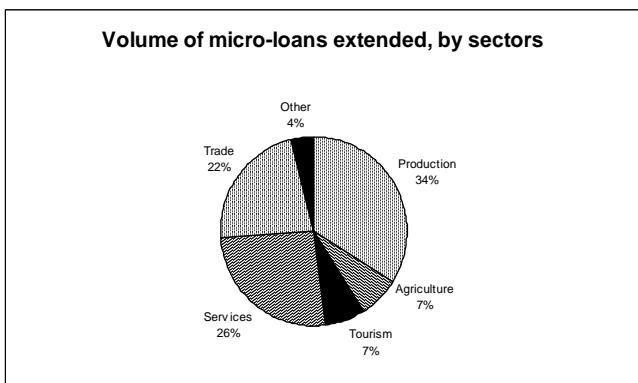
Graphics 33



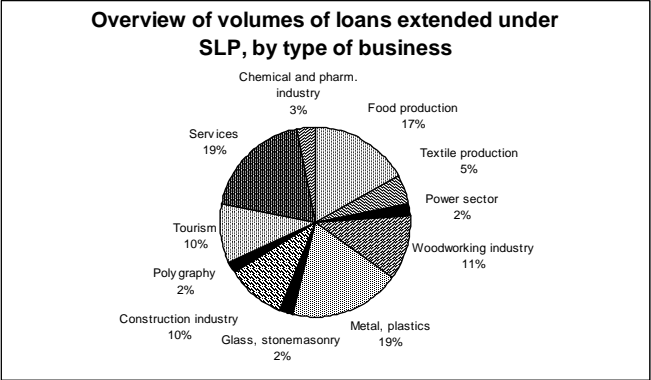
Graphics 34



Graphics 35



Graphics 36



Graphics 37



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