



Report on the State of Small and Medium Enterprises in the Slovak Republic in 2011

Bratislava, June 2012

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1. Introduction

In relation to small and medium-sized enterprises, the year 2011 meant rather a turning point. In addition to signs of economic recovery, particularly the activities at the European Union (EU) level contributed to it. In February 2011, the European Commission (EC) published the document Review of the Small Business Act for Europe, which was intended to summarise the progress that took place since the adoption of the Small Business Act (SBA) in 2008. The document raised the need for new tasks that would relevantly respond to the challenges and problems arising from the current economic crisis, and it also presented proposals for measures to improve the SBA implementation. Updating SBA also presented an innovative look at promoting small and medium-sized enterprises (SMEs) reflecting the objectives enshrined in the EU's Europe 2020 reform strategy.

Small and medium-sized enterprises are thus getting to the centre of attention within the frame of fulfilment of the vision of Europe's social market economy for the 21st century based on the overlapping of three complementary priorities:

- Smart Growth » creating an economy based on knowledge and innovations;
- Sustainable Growth » promoting greener and more competitive economy using resources efficiently;
- Inclusive Growth » fostering a high-employment economy delivering social and territorial cohesion.

The priority given to SMEs was reaffirmed at the informal meeting of the European Council on January 30th 2012, at which the opinion was adopted to tackling youth unemployment by encouraging job creation in small and medium-sized enterprises.

Another important activity was creating a structure of envoys for SMEs (SME Envoys). The structure was created at the conference Mobilising SMEs for the Future of Europe, which took place in Budapest from 24 to 25 May 2011. The role of SME Envoys is monitoring the implementation of SBA in individual Member States, coordinating initiatives and proposing measures to improve the situation of SMEs. Director General of the National Agency for Development of Small and Medium Enterprises (NADSME) holds the office of the SME Envoy in Slovakia.

For these reasons, the Report on the State of Small and Medium Enterprises was developed in such a way that, in addition to statistical and factual data on the development of the SME sector, it will provide the reader with clear information on the steps taken, as well as measures prepared or proposed in relation to each SBA principle. The aim was to create a document that will be a good basis for SME support policy makers, as well as the business community, academics and students.

The introductory (second) chapter of the report deals with the development of the business environment in 2011 from the perspective of SME progress. According to the SBA principles, the various legislative, administrative and institutional changes relevant to the SME sector are described and broken down to those which entered into force in 2011 and those that were approved in 2011, but will come into force later.

The third chapter describes the development of the SME sector. The chapter contains information on organisational statistics of enterprises, overview of the development of

employment, the position of SMEs in the economy, the involvement of SMEs in foreign trade, and regional assessment of the development of SMEs. Data on the structure of SMEs according to the technological level of industries and knowledge intensity of services as well as data on the financial performance of small and medium-sized enterprises were newly included in the chapter. More detailed data on foreign trade of SMEs in terms of territorial and commodity structure are given for the first time. Results of surveys and analyses of the SME environment carried out by NADSME are also presented in the chapter.

The fourth chapter contains draft recommendations for the development of the SME sector. The recommendations are divided according to the particular SBA principles, and the recommendations of business organisations and the results of studies and analyses conducted by NADSME within the State programme Monitoring and Research of SMEs were taken into account.

The fifth and sixth chapters are devoted to the evaluation of individual programmes and measures to support SMEs. The programmes are divided by individual providers. The fifth chapter describes the programmes and measures implemented by institutions that were active in support of SMEs in 2011: central public administration authorities, institutions and agencies within their responsibility, and State financial institutions. SloVSEFF is a newly introduced programme, which is aimed at supporting the development of energy efficiency in the industrial sector and in the field of renewable energy sources. The sixth chapter deals with the evaluation of supporting programmes implemented by NADSME.

Following agreement with the national coordinator of the Enterprise Europe Network (EEN), information on the activities of the network in Slovakia was prepared as a separate – seventh chapter. As NADSME is part of a consortium implementing EEN activities in Slovakia, the NADSME activities within the network are presented in the chapter.

Evaluation of the status and trends of development of small and medium enterprises is the basis for the analysis of the state of the business environment in the Slovak Republic, which is presented annually to the Government of the Slovak Republic in the form of the Report on the State of the Business Environment in Slovakia in terms of Resolution of the Government of the Slovak Republic No. 792 of 17 July 2002. The document will also be used as a database for informing institutions of the European Union, OECD, European Commission and United Nations, and in processing of analyses and studies of the business environment.

The Report on the State of Small and Medium Enterprises in the Slovak Republic in 2011 is available to the public via the NADSME website.

Document creators thank colleagues from the government organisations, public administration authorities, business unions and associations, as well as from the non-governmental sector for their valuable suggestions and contributions, without which it would not be possible to prepare the document in required scope and quality.

2. Development of the business environment from the perspective of SME progress in 2011

2.1 General assessment

Small and medium businesses create an inseparable part of each developed market economy due to their vital role in job creation, contribution to the elasticity of the market mechanism and competitive environment potential. Creation of an appropriate business environment is an important factor in the small and medium business sector development. It presupposes the simplification and clarification of legislation, reducing administrative and tax burden, strengthening of the support infrastructure and improving of the access to capital as the basic or additional source of funding.

Given its pro-export orientation, the development of the Slovak economy is largely associated with the development of the global economy. Despite the ongoing uncertainty regarding the resolution of the debt crisis in the Euro Area, the business sector in Slovakia in 2011 developed under the conditions of the continuing recovery of economic activity.

Due to the lower rate of growth in foreign demand, as well as the decline in domestic demand, according to preliminary data from the Statistical Office of the Slovak Republic, the gross domestic product of Slovakia in 2011 recorded a year-on-year growth of 3.3%. Compared to 2010, the growth rate of the Slovak economy fell by 0.9 percentage points. The slowdown of growth in foreign demand was associated with lower economic performance in the Euro Area, including our principal trading partner – Germany, as well as with a lower economic growth in the Czech Republic. The year-on-year decline in domestic demand by 1.5% was associated with a decrease in gross capital creation by 2.7%, the decline in the public administration final consumption by 3.5% and the household final consumption by 0.4%. For the first time, the reached level of the gross domestic product in its absolute value exceeded the pre-crisis level of 2008.

Continuing recovery of economic activity in 2011 positively influenced the situation in the Slovak labour market as well. According to quarterly corporate reporting processed by the Statistical Office of the Slovak Republic, the average number of persons employed in the national economy of the Slovak Republic in 2011 increased by 1.9% (by 40,600 persons) year on year. The year-on-year growth in the number of employed persons was recorded in all quarters, but by the end of 2011 the growth rate has gradually decreased. After the previous two-year decline, the employment rate increased also in Slovak industry, mainly due to the continuing growth in industrial production, which reached 7%. It was, however, by 11.9 percentage points less than in 2010.

In previous years, the Slovak Republic reported a decline in the quality of the business environment, as reflected in the evaluation of the World Bank and the World Economic Forum.

The biggest shortcomings of the business environment in Slovakia include low law enforcement, lack of efficiency and transparency in public procurement and the provision of subsidies (including structural funds), corruption and nepotism, and excessive bureaucracy.

The National Reform Programme of the Slovak Republic for 2011-2014, which was approved by Regulation of the Government of the Slovak Republic No. 256 of 20 April 2011, brought a set of measures necessary to improve the situation and strengthen economic recovery in the short term and increase the quality of life in the medium term. It contains the measures that the Government of the Slovak Republic will implement within the common Europe 2020 strategy and which form part of the two following areas: the need for fiscal consolidation in order to improve macroeconomic stability and structural reforms increasing economic growth, employment and quality of life.

According to the Manifesto of Slovak Government, in order to improve the business environment in Slovakia and become fully competitive, attractive and adequate business partner for investors, the Government of the Slovak Republic approved the Draft Policy of the Government of the Slovak Republic to improve the business environment in Slovakia with the working title "Singapore Project" (approved upon Government Resolution No. 486/2011 from July 6 2011). The project included aiming of the activities of the central public administration authorities at the improvement of the business environment to become one of the most competitive within the European Union as well as in the world. On the basis of previous measurements of administrative burdens on business in the Slovak Republic, which took place under the Action Programme for Reducing Administrative Burdens on Business in the Slovak Republic (approved upon Government Regulation No. 833/2007 of 3 October 2007) between 2009 and 2011, in comparison to other countries, the volume of administrative costs in the business sector was quantified at the level of EUR 1.98 billion, representing 3% of GDP. The Slovak Republic set a target of reducing these costs by means of specific measures by 25% by 2012 and save EUR 109 million for the benefit of the business sector. Administrative costs are only a part of the burdens which the State imposes on the business sector. Their gradual reduction has the potential to develop the economic activity of enterprises and attract further foreign investment based on the good references of institutions such as the World Bank and the World Economic Forum. The Singapore Project contains 94 legislative and deregulatory measures but only a small part of them has already been implemented.

Despite certain positive signs since the crisis between the years 2008 and 2009, the labour market situation is complicated. The unemployment rate in 2011 remains significantly above the EU average level at 13.5%¹, particularly in case of young people and low-skilled workers. The high long-term unemployment rate signifies the importance of structural issues and mismatch between the offered skills and labour market needs. Positives in the field of education that would bring better conditions for the graduates to succeed in the labour market could be identified as following: reinforcement of the English language teaching, better use of funds in regional education for students from socially disadvantaged backgrounds, increase of the school autonomy, partial reduction of bureaucracy in education and in drawing EU funds, improvement of awareness of higher education and increase of the proportion of funding based on the scientific results. There is still room for further measures concerning young people, as the amendment to the Higher Education Act covering a number of measures to improve the quality of higher education, the project of education of the Roma minority in their mother tongue and the reform of research funding were not successful.

¹ The unemployment rate according to the Labour Force Survey in 2011, Statistical Office of the Slovak Republic, <http://portal.statistics.sk/showdoc.do?docid=35596>

No specific measures were adopted to solve the problem of long-term unemployment and to improve the targeting, designing and evaluation of active labour market policies. Support for active labour market policies was mainly provided to the new self-employed and, as employment incentives, to businesses and job seekers, while direct job creating was at decline.

The reform of the Labour Code came into force in September 2011 and it introduced the options which would stimulate job creation, such as split jobs, flexible work organisation and other tools to ensure greater flexibility for employers, who can dismiss employees easily, but also adequate protection of employees. However, the regulation on the minimum wage was maintained and the minimum wage in 2011 for employees paid monthly was fixed at the amount of EUR 317 per month. The lowest levies of small trade licensees have already been separated from the minimum wage and since January 2010, the basis for calculating their contributions to social security and health insurance system has not been the minimum wage.

Relatively high values of public administration deficits and debt growth led inevitably to the need for consolidation. The planned deficit reduction from 7.8% in 2010 to 4.9% in 2011 required more measures on income tax, value added tax, excise taxes, and reimbursement of travel expenses, which led to the decrease in income of employees, entrepreneurs and businesses.

In accordance with the recommendations of the Annual Growth Survey (published by the European Commission, setting out priorities for economic and budgetary policies and reforms to boost growth and employment in accordance with the Stability Pact and meeting the objectives of the Europe 2020 strategy), restrictions on early retirement were introduced and further measures within the continuously funded as well as funded pillar of the pension system were taken to ensure its long-term sustainability.

Since January 2011 quite extensive legislative changes on social security and health insurance system have occurred, which, in the long run, are to create conditions for the synchronisation of the health, social and tax system that is essential for a smooth transition to a “single collection point” – the UNITAS project. The joint collection was aimed to simplify and reduce the administrative burden connected with the unification of tax, customs and social security and collection of levies to the health insurance system and the payment duties of the payers and insured persons. These measures could also effectively reduce the cost of achieving discipline in paying taxes, and they were the precondition for resolving fraud and tax avoidance. Planned major reform of the tax and levy system, which aimed primarily to increase the efficiency and reduce the administrative burden on subjects, was suspended after the fall of the Government in October 2011.

Research and development intensity in the Slovak economy is given by low levels of public and private investment in research and development. Adequately skilled manpower which could invest in the respective industries or work for them still remains the basic precondition for building the innovation capacity in Slovakia². The quality of research activities would be increased by introducing transparent mechanisms of evaluation of higher education and research institutions and by the allocation of funds to the institutions focused

² Assessment of the National Reform Programme and the Stability Programme of SLOVAKIA for 2012, p. 22, European Commission, Brussels, 30 May 2012, SWD (2012) 326 final
http://ec.europa.eu/europe2020/pdf/nd/swd2012_slovakia_sk.pdf

on excellence and meeting international benchmarks. Given those facts, in 2011 Slovakia adopted a comprehensive strategy for science, technology and knowledge economy – Minerva 2.0, within which a whole range of measures to improve the quality of higher education and research was proposed.

The reform of research funding was successfully defined in July 2011 in the Update of the Long-Term Objective of the State Science and Technology Policy until 2015 (Phoenix Strategy). Its aim is to establish a transparent system of institutional and grant funding for research and development. The first action plan on measures that could be implemented in the current legislative environment was developed in October 2011.³

In 2011, the functionality of *single contact point* (hereinafter referred to as “SCP”) services in the network of trade licensing offices was extended and several key measures to reduce the administrative burden when starting a business as well as in the course of business were taken. Completion and operationalization of the SCP will improve communication of natural persons and legal entities with the State and contribute significantly to the business activity of providers of domestic and foreign services. By removing the unnecessary red tape, the administrative cost of businesses was reduced thus enabling them to focus resources on productive business activities and expansion of their establishments.

Availability of e-government services for businesses is gradually improving. Legislative regulation of tax administration responded to the development of electronic communication in society by introducing electronic services provided in the tax administration by tax and customs authorities. Creation of the financial administration built on electronic communication will reduce the administrative burden on taxpayers and significantly simplify fulfilment of their duties.

Development of electronic communication resulted in the introduction of electronic services which, in the field of local taxes, can be provided even by municipalities. However, the availability of e-government services for citizens is still relatively low. Functional e-government would provide entrepreneurs with access to information and services, whereas the most significant benefit is the reduction of administrative burdens for individuals and businesses in communication with the public administration authorities and the increase of its transparency.

The e-government services to facilitate business in 2011 were characteristic by a predominant proportion of informative services provided particularly on websites of various public administration organisations. In December 2010, a new website of the Central Office of Labour, Social Affairs and Family was launched, where all the information necessary for the application and submission of the legally required information in accordance with Act No. 5/2004 Coll. on Employment Services (e.g. sample forms, procedures, sample projects, activity checklists, etc.) is published, and its regular updating is ensured. The National Labour Inspectorate has put on its website a sample application process for education and training and all the necessary information for applicants, and ensures their updating in accordance with Act No. 124/2006 Coll. on Safety and Health Protection at Work. A higher level of computerisation characterised by available communication and transaction functions of the

³ Information on the implementation of the National Reform Programme of the Slovak Republic for 2011-2014, Ministry of Finance of the Slovak Republic, December 2011
http://www.rokovania.sk/File.aspx/ViewDocumentHtml/Mater-Dokum-141056?prefixFile=m_

provided services, i.e. the services with higher added value, was largely missing throughout the entire public sector.

Based on the survey of the opinions of small and medium-sized enterprises on the quality of the business environment in the cities of the Slovak Republic⁴, only 5,7% of small and medium-sized enterprises (hereinafter referred to as “SMEs”) are entirely satisfied with the conditions for business and a little more are mostly satisfied (17,9%). The largest percentage of respondents (29,7%) is half-satisfied. Within the surveyed sample 7,8% of SMEs were entirely unsatisfied. Approximately 39% of respondents thought that the local authorities require unnecessary visits, of which 22,3% were completely convinced of it. On the contrary, 34,5% of SMEs are not of that opinion at all. Unnecessary visits to the authorities are most common in entrepreneurs in the field of financial and business services; however, in the hospitality sector and industry, it's not a big issue.

Problems relating to public procurement persist despite the recent adoption of several measures to increase transparency of the public procurement and the judiciary. In addition, there still remain deficiencies in functioning of public institutions and the business environment: the political cycle has a significant impact on staff turnover, a clear framework to guide the lobbying activity is missing, and well developed capacity for making the policy based on facts is not implemented.

The conditions for reversal of the negative trend of deepening mistrust in the judiciary, preventing political interference in the judiciary and strengthening its independence have been created gradually. In accordance with the recommendation of the European Commission concerning the public administration and the judiciary for 2011, a number of measures, which significantly improved the transparency of the judicial system, was taken. Since January 2012, based on the adopted rule of law, all judicial decisions in civil, commercial and criminal law matters have to be available on the Internet. In addition, from May 2011, the procedure of accepting new judges is more transparent, and the results of work of judges are taken into account as well. Judicial proceedings, however, are still too long and expensive. Increasing of the demands on the value orientation of judges and more measures with immediate effect would help to increase transparency, improve the quality of decisions of the courts and reduce corruption in the judiciary.

Provision of investment aid has become more efficient so that the support will be focussed on projects in regions with the highest unemployment rate. The Government of the Slovak Republic will make providing investment aid more advantageous for those investors who will implement their investment in areas with a high unemployment rate. In addition, the investment aid will be differentiated according to the added value implemented by supported foreign investors.

Rules for transparent and cost-effective management of public property and public funds were introduced. Contracts of organisations of the public administration and municipalities as well as contracts involving public funds will come into effect only the day after their release. Since January 2011, the public procurement in the public administration sector is realised mostly through electronic auctions.

⁴ Data collection was conducted on a sample of 3,315 respondents from self-employed and entrepreneurs, and ran from October 2011 to mid January 2012. The survey was carried out by the agency Smart Choice, s.r.o..

http://www.nadsme.sk/files/Prieskum_PP_zav_sprava.pdf

The Public Procurement Act amended and supplemented in April 2011 should have positive impact even on the quality of the business environment in Slovakia. The efficiency of public procurement should increase, which would lead to a decline in prices to be paid by the organisations of the public administration. Thus, the efficiency of the public sector should enhance, the degree of competition and transparency should increase and the potential for corruption in public procurement should be reduced. The amendment is now implemented in the form of the mandatory use of electronic auctions in certain public procurement procedures, which caused significant reduction of national limits for often abused subliminal contracts.

Transparency and quality of the business environment has significantly enhanced since the introduction of the electronic Commercial Journal in July 2011, which provides comprehensive information on entrepreneurs in electronic form, especially on the entries in the Commercial Register, on bankruptcy entries, and documents concerning specific entrepreneur. It also provides data on businesses and other legal entities and natural persons (foundations, civic associations, non-profit organisations, non-investment funds), especially financial statements, entries into liquidation, management reports, announcements by security issuers, specifications of disbursement of income tax and information issued by the public administration authorities for businesses, including simple search for legally and economically relevant information.

Measures for public reporting, such as putting the electronic central register of contracts into service and implementation of the obligatory publishing of orders for goods and services and of invoices for goods and services, should increase transparency and control of public expenditure.

In 2011, implementation of operational programmes and horizontal priorities of the National Strategic Reference Framework for 2007-2013 received increased attention of the public interest, not only because of addressing issues related to the impacts of the global economic crisis on the Slovak economy, but also because of the political changes in 2010 reflected in the Manifesto of the Government of the Slovak Republic for 2010-2014, in which the Government of the Slovak Republic unequivocally declared its intention to introduce a simplified and transparent access to EU funds and increase the control of their use. 69 specific tasks for individual subjects involved in the implementation of the structural funds and the Cohesion Fund as defined in the document “Issues of Implementing Operational Programmes and Horizontal Priorities of the National Strategic Reference Framework” approved by the Government of the Slovak Republic in May 2011 (Government Resolution No. 323/2011 of 18 May 2011) should facilitate the implementation and make drawing of allocated funds more efficient.

The dominant part of the Government’s economic policy to support economic growth must be effective export policy, which must have the ambition to contribute to the competitiveness of domestic firms and promotion of trade and economic interests abroad. The key actor in the institutional sector is the Ministry of Foreign Affairs of the Slovak Republic (MFA SR), which, in line with the Competence Act, is to represent the interests of trade and export policy of the Slovak Republic abroad. Upon the transposition of trade and economic departments (TED) of embassies from the structure of the Ministry of Economy of the Slovak Republic (MoE SR) to the structure of the MFA SR, economic policy abroad has strengthened from 1 January 2011. The above mentioned competence change made space for closer

cooperation of diplomacy and the business sector, for ensuring the integration of political and economic activity of the Slovak foreign service and more efficient management and use of financial and personnel resources. On the other hand, after the transfer of competencies the cooperation of the trade diplomacy with other institutions to promote exports, particularly in the Ministry of Economy of the Slovak Republic (SARIO, Slovak Innovation and Energy Agency, NADSME), has not been solved systematically.

The importance of exports for the Slovak economy necessarily requires the support of the exports at the level of the State participation. The material Export Promotion in the Slovak Republic for 2011-2014, prepared in 2011 by the Ministry of Economy of the Slovak Republic in cooperation with the Ministry of Foreign Affairs of the Slovak Republic, is to be the basis for medium-term support of Slovakia's export development to setup the system of the State support of the export. In line with the pan-European strategies, the purpose of the export promotion is creating a stable pillar supporting an active foreign trade policy of the Slovak Republic focused particularly on the development of Slovak exports, promoting the competitiveness of Slovak companies in the international markets as well as trade and economic interests of Slovakia in the EU and preferred non-EU territories. In the commenting phase, the material was suspended on the grounds of the transfer of the date of its presentation to the Government.

In addition to information, counselling and mediation services of business and economic departments of embassies, the tools of the pro-export policy – increasing the export performance of the Slovak economy – were concentrated primarily in the area of credit and insurance services of the EXIMBANKA SR and the Slovak Guarantee and Development Bank, the support of innovation and competitiveness (NADSME, SIEA), foreign incentives for direct foreign investment (MoE SR, SARIO), multilateral liberalisation of international trade and facilitating access to markets, economic promotion of the Slovak Republic, and presentation of business opportunities abroad. The direct support for export-oriented activities of Slovak businesses was focused on the international exhibitions and fairs, and due to the extraordinary effectiveness of this tool for the export promotion, the funds allocated for its implementation are rising. If back in 2010, EUR 370 thousand were provided to fund official participation in international exhibitions and fairs, in 2011, it was 392 thousand. Compared to 2010, in 2011 the support of the Slovak companies' exports through banking and insurance activities of the EXIMBANKA SR was higher by EUR 32.6 million, i.e. by 1.0 %.

Venture capital in Slovakia has still not been very engaged, however, there was paved the way for greater use of that form of financing by entrepreneurs. In August 2011, the implementation of the JEREMIE (Joint European Resources for Micro to Medium Enterprises) began, which is a financial instrument for supporting SMEs in Slovakia. JEREMIE resources will be available to SMEs through financial intermediaries chosen by the European Investment Fund (EIF) on the basis of rigorous selection process. EIF launched the first call for the selection of financial intermediaries within the First Loss Portfolio Guarantees product, which is a guarantee scheme to provide subsidised loans to entrepreneurs. Financial intermediaries providing loans to SMEs could respond to the call. EUR 38 million were earmarked from the Operational Programme Competitiveness and Economic Growth for the guarantee scheme. This allocation should allow for the creation of a new portfolio of loans for SMEs totalling more than EUR 200 million. In financing SMEs the selected financial intermediaries will apply their standard credit rating, which should offer more favourable credit terms. A call for another JEREMIE product – Venture Capital Tools – was launched in January 2012.

Despite the ongoing economic crisis in 2010, tourism was and still is an important industry of economy of the Slovak Republic. Particularly, its potential to create new jobs is very important. It was the crisis that highlighted the need for addressing the tourism system and the need for support or maintaining domestic tourism. Introduction of a system financing of destinations at local and regional level is also the essential precondition for improving competitiveness and sustainability of tourism in Slovakia.

The Europe 2020 objectives build on the principles of sustainable development (SD) adopted by the Government of the Slovak Republic through the document “National Strategy for Sustainable Development”. A proper tool for achieving sustainable economic growth is the application of the principles of corporate social responsibility (CSR), which is generally regarded as a response and effort of the business sector to contribute positively to the challenges of sustainable development, both in Slovakia and abroad. According to the survey, which was carried out by the FOCUS agency within the ReSMEs project (see chapter 6.6) at the end of 2010, 53% of representatives of the surveyed SMEs said that the reason precluding the CSR application, was the lack of providing incentives for such activities by the State.

Based on experience of several EU countries, the most significant positive impact on quality of life has long been recorded in the countries where the central government plays an active role in the processes of co-ordination, promotion and establishment of CSR principles. In this context, European Commission set up a group of representatives of the Member States of the EU at the high level (EU High Level Group on CSR), consisting of representatives of the European Commission and 27 EU Member States. The subject of its meeting is the adoption of CSR strategies and the application of CSR principles at the EU level and in Member States.

In Slovakia, the Strategy for Supporting Corporate Social Responsibility (hereinafter referred to as the “CSR Strategy”) was prepared in 2008. This document describes a system of coordination and promotion of CSR principles in the Slovak environment, including the definition of the role of the Government in that process, provides a framework of competencies of stakeholders and proposes activities with positive impact on CSR in Slovakia. In October 2011, based on the initiative of the Ministry of Labour, Social Affairs and Family of the Slovak Republic, the original version of the CSR Strategy was updated and ready for the Government. In the commenting phase, the material was suspended on the grounds of the transfer of the date of its presentation to the Government.

Chapters 2.2 and 2.3 describe various pieces of legislation and measures adopted in 2011. In connection with the monitoring of the SBA implementation, the documents are broken down by each of its principles.

2.2 The most important legislative changes that came into force in 2011, and the measures adopted and/or implemented in 2011 in relation to the particular principles of SBA

First Principle

Enterprise – Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

- To mitigate the impact of the ongoing economic and debt crisis on the labour market through amendments to the Employment Services Act a number of solutions were adopted which contributed to the maintenance of existing jobs and supported the creation of new jobs. One of the amendments, which have implications for the help and support to small and medium-sized enterprises, is **Act No. 373/2010 Coll. amending and supplementing the Employment Services Act** and amending and supplementing certain acts, which, with effect from 1 January 2011, ensured the extension of the effect of one of the major temporary measures to mitigate the impact of the global economic crisis on employment, which was an allowance to support the maintenance of jobs (Article 50d) with a progressive mechanism of the reduced levy burden for employers by the end of 2011.
- From 1 August 2011 **Act No. 231/2011 Coll. amending and supplementing Act No. 561/2007 Coll. on Investment Aid** and on amendments and supplements to certain acts, as amended by Act No. 56/2009 Coll. amending and supplementing certain acts, has made providing investment aid more efficient to focus the support on projects in the regions with the highest unemployment rates. Upon the amendment
 - the minimum amounts used for qualifying investment for obtaining support from the State were reduced;
 - formal rules that give investors a chance to get support for their investment from the government were tightened significantly;
 - conditions for granting aid for the creation of new jobs (Article 53d of Act No. 5/2004 Coll. on Employment Services and on amendments and supplements to certain acts, as amended) in relation to the division of districts by the unemployment rate for the provision of investment aid as one of the measures to mitigate the impacts of the ongoing economic and debt crisis on the labour market, which should help maintain existing jobs and encourage the creation of new jobs, were modified.
- On 1st December 2011 **Act No. 91/2010 Coll. on the Promotion of Tourism** came into force, which
 - modified the issues of establishing, legal status, financing and activities of regional and district tourism organisations and forms of cooperation of state authorities, local municipalities and businesses and associations in tourism with these organisations in tourism development, as well as the forms and the system of its financial support creating the legal framework for the possibility of creating a policy for tourism, which will determine the promising targets of its development, create the legal conditions for the provision of financial, institutional and organisational conditions necessary for the

fulfilment of those goals, as well as the legal conditions to enhance consumer protection.

- For a transitional period from 1 February 2011 to 31 March 2011, based on the **Amendment to the Toll Rules, Decree of the Ministry of Transport, Construction and Regional Development of the Slovak Republic (MTCRD SR) No. 24/2011 Coll.** supplementing Decree of the Ministry of Transport, Posts and Telecommunications of the Slovak Republic No. 388/2009 Coll. upon which the Toll Rules, as amended, have been issued and for the period from 1 September 2011 to 31 December 2011 Decree of the MTCRD SR No. 281/2011 Coll. supplementing Decree of the Ministry of Transport, Posts and Telecommunications of the Slovak Republic No. 388/2009 Coll., upon which the Toll Rules, as amended, have been issued, which
- gave the option to the toll collection administrator to calculate and collect, at the request of the vehicle operator, his agent or driver of the vehicle, a toll based on the data recorded from a vehicle registration papers or vehicle registration certificate, for the distance corresponding to the transit road sections using the respective toll tariff for the respective category of the vehicle, while in such case the driver of the vehicle was entitled to only one transit through the territory of the Slovak Republic using the respective transit road section during the time-limited period designated by the toll collection administrator. Tolls for the use of the transit road sections shall be collected in advance and can be paid in cash, by credit card or using other electronic means of payment.
- In order to reduce the administrative burden by 30%, the Ministry of Economy of the Slovak Republic (MoE SR) has implemented the **Action Plan to Reduce Administrative Burdens on Businesses in Slovakia for the Years 2011-2013**. It follows the Action Programme for Reducing Administrative Burdens on Businesses in the Slovak Republic for 2007-2012, which was approved upon Regulation of the Government of the Slovak Republic No. 833/2007 as a relevant measure for the implementation of the Lisbon Strategy for Growth and Jobs, aimed at reducing the administrative burden by 25% by 2012.
- The National Agency for Development of Small and Medium Enterprises (NADSME) has implemented the **Training and Counselling Support Programme for Selected Groups of Those Interested in Business and Start-Ups**. The project aims to help with the launch of a successful business and its sequel. The project is aimed at those who are thinking about establishing their own business. Promotion is applied through financially supported information and advisory services.
- In order to promote SMEs' growth by stimulating entrepreneurial ambitions and entrepreneurial skills, to support successful companies, products, ideas and initiatives promoting the development of entrepreneurial thinking, NADSME has implemented the programme **Promoting Successful Business Practice and Business Education**.
- In April 2011 the Ministry of Economy of the Slovak Republic organised the exhibition **The Young Creator 2011** to show the public and the business representatives results of practical skills and knowledge of students of secondary vocational schools and inspire pupils in primary schools and help their parents to choose the right secondary school and future careers for their children.

- NADSME has implemented the programme **Counselling and Training for SMEs**, the aim of which is to increase the survival rate of SMEs and their competitiveness, maintaining jobs and support for creating jobs in different regions of Slovakia.
- In order to appreciate the women – entrepreneurs being successful in their businesses and encourage other women to become entrepreneurs or to improve their business, in collaboration with the Top Centre of Women Entrepreneurs and other partners, NADSME organised a competition **The Woman Entrepreneur of 2011**. The competition is held annually and has a number of categories – The Best Woman Entrepreneur, The Best Woman Entrepreneur – Start-Up, The Best Woman Entrepreneur – Natural Person.
- Entrepreneurship as a key competence is embedded in the State education programs for all fields of study at secondary vocational schools within the field of education – the human being and society – in civics, where students acquire knowledge and skills in the area of self-employment, entrepreneurship and starting business.
Competences of graduates in the fields of study within the vocational education and training in entrepreneurial skills development are addressed in detail in the graduate profile and in content and performance standards of the respective national educational program. All the national educational programs are also enhanced by performance and content standards of the National Standards in Personal Financial Literacy.
- Conditions for the integration of knowledge and skills of teachers to prepare students for doing business are ensured upon the provisions of Act No. 317/2009 Coll. on Pedagogical Staff and Specialised Staff and on amendments and supplements to certain acts, as amended by Act No. 390/2011 Coll.

Second Principle

Second Chance – Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

No changes reported

Third Principle

Think Small First – Design rules to apply this principle to all areas of law

- Changes in the laws with the greatest impact on the business environment within the framework of measures to reduce the public finance deficit:
 1. **Act No. 490/2010 Coll. amending and supplementing Act No. 222/2004 Coll. on Value Added Tax**, as amended (hereinafter referred to as the “VAT Act”), brought several changes with effect from 1 January 2011. The greatest amendments were done to the VAT Act. The amendments related to compulsory transposing of Council Directives 2008/8/EC (Article 3), 2009/69/EC, 2009/162/EC, 2010/23/EU and 2010/66/EU to Slovak legislation. Major changes that the amendment to the VAT Act included, however, were the changes in VAT rates.
 - The basic VAT rate has increased temporarily from 19% to 20%. The tax increase is the strongest measure on the revenue side of the budget. The increase in the basic tax rate

by 1% is to be a temporary measure, which should expire when the general government deficit reaches less than 3%.

- The reduced VAT rate of 6% of the tax base, which was developed specifically for the types of food products defined by law manufactured and marketed under separate regulations, the so-called direct sale from farms, was cancelled even after the first seven months of that reduction. The reduced tax rate of 6% on the products known among farmers as the direct sale from farms was introduced on 1 May 2010 upon the amendment to the VAT Act in relation to the intention of favouring farms' own production of certain types of foods in the regions of Slovakia through Act No. 83/2010 Coll. supplementing Act No. 222/2004 Coll. on Value Added Tax, as amended.

(Note: On the effective date of the Treaty of Accession of the Slovak Republic to the European Union (1 May 2004) one tax rate of 19% was established in Slovakia, however, from 1 January 2007 even the reduced tax rate for selected goods and drugs was reintroduced in the amount of 10%. Since January 2008, the range of goods that the State taxed at the reduced rate of 10% has expanded on books, brochures, leaflets and similar printed matter. For a short term from 1 May 2010 to the end of December 2010, a reduced rate of 6% applied to the so-called direct sale of foods from farms. Before the tax reform, which in January 2004 introduced the equal tax of 19%, Slovakia had two rates of VAT – the higher – basic rate of 20% and the reduced rate of 14% for the goods and services defined by law.

2. Act No. 548/2010 Coll. amending and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, and amending and supplementing certain acts (hereinafter referred to as the “Amendment to the Income Tax Act”), was primarily aimed at maintaining an efficient, simple and neutral tax system for income tax. Upon its adoption on 1 January 2011, income of employees, entrepreneurs and businesses decreased. It was due to the fact that since January 2011 upon the Amendment to the Income Tax Act their tax burden has increased – especially some benefits and exemptions from taxation have been reduced, the application of tax allowances has been limited, and the application of withholding tax has changed. The aim was also to improve the business environment and increase legal certainty of taxpayers.

Overview of the main changes included in the Amendment to the Income Tax Act:

- Abolition of the possibility of tax base reduction for health care workers (employees), who perform medical profession of a doctor, dentist, nurse and midwife, by the cost of specialised training for reasons of making calculation of the tax base equal with other employees;
- Replacement of the exemption up to five times of the subsistence minimum (i.e. up to EUR 925.95) by a fixed amount of EUR 500 in rental income, income from occasional activities, including income from casual agricultural production, forestry and water management, and from occasional renting of movables, from the transfer of options, from the transfer of securities and transfer of shares (interest) in limited liability companies, limited partnerships or from the transfer of membership rights of cooperatives;

- Unification of flat rate expenses for natural persons having income from business and other self-employment and from rental with income from the operation of craft, which fell to 40%, whereby the tax burden of craftsmen increased;
- Cancellation of the exemption of income from the sale of property where a taxpayer had his residence for at least two years immediately prior to the sale; the exemption of income from the sale of property in condition of possession of the property for 5 years, including property acquired by inheritance, remained valid;
- Unification of the approach to the taxation of the pocket money provided for business trips abroad for all natural persons according to Act No. 283/2002 Coll. on Reimbursement of Travel Expenses, as amended; the applicability of the pocket money for such trips as tax deductible expenditure has been removed from the provision for taxpayers having income from business or other self-employment;
- Limiting the application of tax allowances for a taxpayer and spouse (wife, husband) only to the so-called active income – the tax-free portion of the tax base shall be applied only in respect of income from employment, business or other self-employment;
- Repeal of deductibility of contributions to supplementary pension insurance as tax allowances in a maximum of EUR 398.33 (Article 11 paragraphs 4 and 5 et seq.); taxpayers were entitled to the application of the non-taxable part of the tax base for the last time in 2010;
- Change in the application of withholding tax, so that by its collection the tax liability of taxpayers is satisfied, except of income as defined by law; upon the Amendment, all incomes from employment are taxed in the form of an advance tax regardless of their amount, including income under Article 5 paragraph 1 subparagraphs a) through g) not exceeding the total amount of EUR 165.97 per calendar month, which were taxed by the withholding tax to 31 December 2010;
- On the ground of legal certainty, improvement of the provision of Article 19 paragraph 3 subparagraph k) governing tax expenditures so that it is clear when the value added tax paid by a taxpayer in another EU Member State is recognised tax expenditure;
- Modification of Article 42 – Payment of Advance Tax (Legal Entities) in order to reduce the administrative burden on businesses; taxpayers existing only part of a previous tax year, in case of which calculating of advance tax on income for the current tax period is based on the estimated tax, are not required to report separately the estimated tax to the tax administrator; taxpayers shall state the estimated amount of taxes directly in the tax return filed for their first tax period;
- Unification of the rules for contributions to various forms of supplementary pension saving, so that such contributions are recognised tax expenditure of the employer even if being paid for supplementary pension insurance in foreign countries;
- The Income Tax Act governs also the tax on emission quotas; the provisions added to the Act define terms and adjust a tax base and the method of payment of advance tax on emission quotas; the rate of the tax on emission quotas is 80% of the tax base; the

subject of the tax on emission quotas are emission quotas registered in 2011 and 2012; the tax does not apply to those emissions saved by companies through eco-innovations.

3. Upon **Act No. 548/2010 Coll. amending and supplementing Act No. 595/2003 Coll. on Income Tax** as amended and amending and supplementing certain acts, Part II of Act No. 283/2002 Coll. on Reimbursement of Travel Expenses as amended was changed; the amendment to Article 14 meant omission of the minimum entitlement for pocket money for business trips abroad, which was 5% to 40% of the meal allowance; adjustments were made even to the employer's obligation to provide the pocket money upon his own discretion.

4. Since 1 January 2011, **Act No. 492/2010 Coll. amending and supplementing Act No. 98/2004 Coll. on the Excise Tax on Mineral Oil**, as amended, and amending and supplementing Act No. 309/2009 Coll. on the Promotion of Renewable Energy Sources and High-efficiency Cogeneration and on amendments and supplements to certain acts has repealed the tax benefit of gas oil, the so-called red diesel, and the exemption of liquefied petroleum gas (LPG); certain distortions and exceptions have been removed, and also the collection of excise has been simplified. Changes responded to the requirements of the European Union, and secondarily, they created revenue for the State budget.

The amendment to the Act was approved by the Members of the Parliament of the Slovak Republic despite the petition of farmers' against cancellation of incentives to the so-called red diesel. According to farmers, termination of the feasibility of using low-tax diesel fuel was to have a negative impact on the economy of primary agricultural production in Slovakia, which had to face the consequences of price and sales crisis in 2009 and the extreme weather of 2010.

- In 1 January 2011 quite extensive legislative changes on social security and health insurance came into force, which, in the long run, should create conditions for the synchronisation of the health, social and tax system that is essential for a smooth transition to a "single payment point". The joint collection is aimed to simplify and reduce administrative burdens in connection with the unification of tax, customs and social security levies collection and payment duties of the payers and insured persons.

1. **Act No. 543/2010 Coll. amending and supplementing Act No. 461/2003 Coll. on Social Insurance**, as amended, and on amendments and supplements to certain acts

- In line with the aim of unifying the collection of levies and taxes basic concepts of employment, employee, self-employed person (hereinafter referred to as "SEP"), employer, and assessment base were newly defined. Simultaneously, the personal scope of social insurance and the commencement and termination of social insurance were newly defined, so that the basic terms and principles were compatible with the relevant tax laws. Harmonising of legislation on social insurance with regulations on income tax should reduce the space for benefits because of legal circumvention of levy obligations and eliminate unjustified exemptions.

Summary of major changes related to SEPs:

- New definition of a self-employed person: the exhaustive list of natural persons falling into the range of SEPs was omitted.

- According to the new definition, for the social insurance purposes SEP is an individual who has reached 18 years of age and under Article 31 of Act No. 511/1992 Coll. on the Administration of Taxes and Fees and on Changes in the System of Territorial Financial Authorities, as amended (hereinafter referred to as the “Act on Tax Administration”) is registered in connection with gainful activities listed in Article 3 paragraph 1 subparagraph b) (i.e. achieving income from business and other self-employment according to Article 6 paragraphs 1 and 2 of Act No. 595/2003 Coll. on Income Tax as amended) and paragraphs 2 and 3 of the Act on Social Insurance, other than a natural person who, based on a contract to perform personal assistance, is to perform personal assistance to an individual with a severe disability. This means that from 1 January 2011 the natural person who is assigned a taxpayer registration number (“DIČ”) and carries out gainful activities constituting achieving his income from business and other self-employment according to Article 6 paragraphs 1 and 2 of the Income Tax Act as amended is considered to be SEP. The individuals who, upon the amendment, have acquired the status of SEPs are also authors, performers, database preparers, patent owners, trademark owners, with the proviso that they have been assigned the taxpayer registration number (“DIČ”) and reached 18 years of age.
- Possible commencement of compulsory sickness insurance and compulsory pension insurance for SEPs not only on 1 July, or 1 October of a calendar year, but on any day: the amendment introduced a new way of commencement of compulsory insurance for the self employed. In addition to the fact that the insurance of SEPs may commence on 1 July or 1 October of a calendar year, compulsory insurance of SEPs may commence even on the date of re-entry into self-employment status if immediately as at 1 July or 1 October his income from self-employment for a previous year was higher than the income limit established by law. Such SEPs are required to register for compulsory health insurance and compulsory pension insurance of SEPs within eight (8) days of the commencement of such insurance.
- A new reason for interruption of compulsory insurance of SEPs was introduced: the compulsory insurance of SEP will be interrupted for the period for which SEP has suspended the operation of trade or the performance of business activities. While in the period to 31 December 2010 in case of the self-employed person, who had suspended trade, his compulsory insurance of SEPs was terminated, from 1 January 2011 the compulsory insurance of SEPs is interrupted due to the suspension of business and SEPs are required to notify the branch office of the Social Insurance Agency of the interruption of his insurance for this reason within thirty (30) days of interruption.
- Changes in rounding of the premium for social insurance and in the assessment base for calculation of the premium for the social insurance: contributions to social security system and the assessment base shall be rounded down to the nearest cent.
- It is not possible to reduce the assessment basis of compulsorily insured SEPs by the amount of contributions paid to the supplementary pension insurance, life insurance and utility savings.
- The change of the period for which the amounts of the maximum assessment bases are determined: while up to 31 December 2010, the new amounts of maximum assessment bases were always determined as at 1 July of a calendar year, according to the amendment effective from 1 January 2011 they shall be determined from 1 January of a

calendar year, so for the whole calendar year. The amounts of maximum assessment bases, which applied to 31 December 2010, remained in effect for the whole calendar year 2011, and new amounts of maximum assessment bases will be established as at 1 January 2012.

- The person insured voluntarily against sickness can not be an individual who draws an old-age pension, early pension or disability pension because of a decline of earning capacity by more than 70%. The person insured voluntarily against sickness can not be even an individual who has been granted early pension. The person insured voluntarily against unemployment can not be an individual who has been granted a disability pension (irrelevant to the percentage of drop in earning capacity) and has reached the retirement age.

2. Act No. 499/2010 Coll. amending and supplementing Act No. 580/2004 Coll. on Health Insurance and on amendments and supplements to Act No. 95/2002 Coll. on Insurance Industry and on amendments and supplements to certain acts, as amended

- Basic concepts of gainful activity, employment, employee, the self-employed person, the employer, and the assessment base were newly defined and people who are not required to make annual premium settlement were determined. Simultaneously, the personal scope of health insurance and the commencement and termination of the health insurance were newly defined, so that the basic terms and principles are compatible with the relevant tax laws.
- The exhaustive list of natural persons falling into the range of employees and SEPs was omitted due to simplification. Newly, individuals who are required to pay income tax in accordance with Articles 5 to 8 of Act No. 595/2003 Coll. on Income Tax, as amended (hereinafter referred to as the “Income Tax Act”), are obliged to pay premiums for health insurance from the employment, from which they have their income.

Summary of major changes related to SEPs, employees and employers:

- A new concept of “gainful activity”, according to which gainful activities are deemed the activities resulting from legal relationships that firstly justify entitlement to performance taxed under Article 5 of the Income Tax Act and secondly warrant achieving the income taxed as income from business and other self-employment and from rental under Article 6 of the Income Tax Act. Gainful activity newly includes income taxed according to Article 7 (Capital Property Receipts) and Article 8 (Other Income) of the Income Tax Act and dividends under Article 3 paragraph 2 subparagraph c) of the Income Tax Act.
- Upon Article 6 of the Income Tax Act, the range of SEPs has been extended also by the persons who have rental income, and on the contrary, it does not include receiving of personal assistants. In that context, there was a change in the reporting obligations for taxpayers who carried out their activities, but they were not required to report such fact to a health insurance company and pay advances for health insurance. The insured person who had income from rental in the relevant period, i.e. in 2011, was obliged to register as a self-employed person in the health insurance company to 31 January 2011.

(Note: On 1 May 2011 the obligation to pay health insurance was cancelled for the persons having income from rental four months after its introduction. It was cancelled upon Act No. 133/2011 Coll. amending and supplementing Act No. 581/2004 Coll. on Health Insurance Companies, Health Care Supervision and on amendments and supplements to certain acts, as amended, and amending and supplementing certain acts, which in Part II amended Act No. 580/2004 Coll. on Health Insurance and on amendments and supplements to Act No. 95/2002 Coll. on Insurance Industry and on amendments and supplements to certain acts, as amended. Payment of the advance premium for the self-employed person is difficult due to the fact that it is difficult to find whether such person is required to submit a year-end tax return (tax exemption – EUR 500), and thus the obligation of the persons having income from rental to pay health insurance premium was cancelled. It was an unsystematic measure, which could cause a transfer of such income to grey economy, causing a drop on taxes.

Therefore, since 1 May 2011 the persons, who within the period from 1 January 2011 registered themselves in their health insurance company as a self-employed person because of rental income, have not been considered to be self-employed and were required to deregister themselves as a self-employed person by 31 May 2011.);

- The range of employees has been extended to all individuals whose income is taxed as income from employment (according to Article 5 of the Income Tax Act), which does not include income from agreements performed outside employment. The range of employers has been extended to the person paying the employees income from employment. The range of insured persons has been extended to the persons having income from capital gains and casual income, i.e. the income stated in Article 7 and Article 8 of the Income Tax Act, in addition to income paid in form of withholding tax.
- Regarding assessment bases, the Act on Health Insurance harmonised with the Tax Act and social laws. The assessment basis for the payment of contributions by the employee has become his income taxed as income from employment, thus, for example, severance pay, redundancy payment, the amount taxed in connection with the use of a motor vehicle of the employer, and the part of the employee options granted to employees.
- An insured person, who, during a preceding calendar year, was only a self-employed person and had already paid the minimum advances during the year, is exempted from the obligation to carry out an annual settlement of health insurance premium.
- On 1 January 2011 **Regulation of the Government of the Slovak Republic No. 408/2010 Coll. determining the amount of minimum wage** came into force. The amount of the minimum wage in 2011 for employees, who were paid monthly wages, was fixed to EUR 317 per month and the lowest levies for small trade licensees have already been separated from the minimum wage and since January 2010 the basis for calculating their contributions to social and health insurance has not been the minimum wage.
- In 2011, for the first time natural persons could extend the deadline for filing a tax return for the taxation year ending on 31 December 2010 only upon a notification filed by a taxpayer with the competent tax authorities no later than the last date for filing tax returns. Upon such notification the taxpayer may himself extend the deadline for filing a tax return by not more than three (3) full calendar months, while in case of the taxpayer whose income include income from foreign sources, the period will be extended by sending a notification by maximum six (6) full calendar months provided that the taxpayer has

indicated such fact in the notification of the extension of the deadline for filing a tax return; however, if the taxpayer fails to state the income derived from sources abroad in the tax return, the tax authority shall apply the procedure under the Act on Tax Administration; an exception is the taxpayer being bankrupt or wound up. If he sends a request for the extension of the time limit to the tax administrator no later than fifteen (15) days before the deadline for filing a tax return, the tax authority may, upon its decision, extend the deadline for filing a tax return by not more than three (3) calendar months, and the decision of extension of the deadline for filing a tax return can not be appealed.

When filing an income tax return, legal entities could extend the deadline for filing a tax return by a notification to the taxpayer even in 2010, i.e. for the tax period ending on 31 December 2009.

The above provisions on time limits for filing tax returns are **governed by Act No. 504/2009 Coll. amending and supplementing Act No. 595/2003 Coll. on Income Tax**, as amended, and on amendments and supplements to certain acts, which came into force on 1 January 2010.

- **The minimum assessment base for the small trade licensees (SEPs) to calculate social and health insurance contributions** has risen to EUR 329.06 from 1 January 2011. According to the Act on Social Insurance and the Act on Health Insurance, from 1 January 2010 the minimum assessment base for SEPs to calculate levies has been determined as 44.2% of the average monthly salary in the national economy of the Slovak Republic established by the Statistical Office of the Slovak Republic for the calendar year two years prior to the relevant period.

In case of health insurance, from 1 January 2011 the highest possible assessment base has been increased from EUR 2,169.09 to EUR 2,233.50. Thus, SEPs were obliged to pay a monthly advance at the minimum amount of EUR 46.06 and the maximum amount of EUR 312.69.

For the period from 1 July 2010 to 31 December 2011 the maximum assessment base for the calculation of contributions to pension insurance and unemployment insurance was EUR 2,978, and the maximum assessment base for health insurance was EUR 1,116.75.

- On 1 September 2011 **Act No. 257/2011 Coll. amending and supplementing Act No. 311/2001 Coll., the Labour Code**, as amended, amending and supplementing certain acts (hereinafter referred to as the “Labour Code”) came into force, under which especially companies can dismiss employees more easily. Notice periods have been shortened. Due to the amendment to the Labour Code, the restoring of a cancelled job is faster and the administrative burden has reduced. The tools, which should ensure greater flexibility for employers and adequate protection for employees and stimulate job creation, include several realised changes:
 - If trade unions want to represent all employees, they must demonstrate at their establishment to the employer at his request that they organise at least 30% of employees.
 - The length of the probationary period of six (6) months for managers under direct managing competence of the statutory body or a member of the statutory body and the

senior staff under the direct managing competence of that manager differentiated. Newly, based on a union contract the Act allows extending the length of the probationary period for ordinary employees from three (3) to six (6) months, and for managers to nine (9) months.

- It may be more difficult for employers to terminate the employment during a probationary period with pregnant or lactating women, as well as with mother until the ninth month after birth. They may do so only in exceptional cases that are not related to pregnancy or maternity and they are required to justify it in writing.
- By agreement with employers, employees may get the opportunity to work in night shift even in two (2) consecutive weeks.
- The account of the working time with the possibility of accumulation of positive and negative hours, or extension of the deadline for compensatory leave were introduced.
- Newly, the fee for mediation of catering services through meal vouchers is maximally 3% of the amount referred to the meal vouchers.
- After reaching their 50th year of life, health workers may refuse night work and to work overtime. They have also obtained five (5) extra days of paid leave per year for continuing education.
- A notice period for an employee who worked in the company for over five (5) years has remained three (3) months. Employees, who worked in the company for more than one (1) year but less than five (5) years, shall be provided with a two-month notice period. For temporary jobs that last less than one (1) year, a one-month notice period was introduced.
- Automatic entitlement to five-week leave after reaching of 33 years of age was introduced.
- The concurrence of severance payment and a notice period was abolished. The employee is given the choice to either
 - a/ stay with the employer during the notice period, or
 - b/ claim for severance payment and not to remain with the employer during the notice period, or
 - c/ to remain with the employer for part of the notice period and claim for severance payment for the rest of the notice period.
- The split job was introduced, which upon the Act means “a job where part-time employees divide working time and workload related to this job among each other”.
- The terms of the employment contract for a fixed period changed, which can newly be agreed for a maximum period of three (3) years. Employment contracts for a fixed period can be re-arranged or prolonged no more than 3 times within three (3) years. The statutory exception to the re-arranged or prolonged employment for a fixed period to three (3) or more than three (3) years was given to selected categories of employees if

there is an objective reason arising out of the nature of their activity stipulated by a special regulation.

- An employee may be asked to work overtime up to one hundred and fifty (150) hours per year, with the fact that the amendment changed the scope of the total agreed and ordered work overtime up to four hundred (400) hours per year for the employee and up to five hundred and fifty (550) hours per year for a manager under the direct managing competence of the statutory body or a member of the statutory body and senior staff under the direct managing competence of that manager if he agreed to the working time according to Article 85 paragraph 1 of the Labour Code.
- In the employment contract employers may agree with employees that after termination of employment the employee will not carry out an economic activity that is of the competitive nature in relation to the business of the employer for certain time – not for longer than one (1) year. The employer is obliged to provide the employee a reasonable monetary compensation, at least in the amount of 50% of average monthly earnings of the employee per each month of the fulfilment of such obligation.
- The employee who has attained 33 years of age is automatically entitled to at least five (5) weeks of leave, and he is not required to prove that he worked fifteen (15) years (from 1 January 2012) as he had to do so before.
- Collective spending of leave may be ordered by the employer even to a greater extent than the current two (2) weeks – in the case of serious operational reasons up to three (3) weeks, but it must be communicated to employees at least six (6) months in advance.
- The grounds on which the employer may shorten leave were extended – newly even for the employee released to perform a public or trade union function and in case of above standard significant personal obstacles.
- Benevolence in assessing the scope of work in case of the employee having signed an Agreement to Complete a Job was limited – it can not exceed 350 hours per year in case of the employee performing work upon such agreement.
- Since 1 January 2011, upon **Act No. 485/2010 Coll. amending and supplementing Act No. 609/2007 Coll. on the Excise Duty on Electricity, Coal and Natural Gas and on amendments and supplements to Act No. 98/2004 Coll. on the Excise Duty on Mineral Oil**, as amended, the tax exemption on coal and natural gas used by heating companies for the production of heat for households has been cancelled. The amendment also repealed a tax advantage for natural gas (CNG) used as fuel, which supposes a negative impact on the price and services provided by bus transporters.
- Due to the need to meet the minimum criteria of the European Union for the taxation of cigarettes, upon **Act No. 491/2010 Coll. amending and supplementing Act No. 106/2004 Coll. on the Excise Duty on Tobacco Products**, as amended, the excise duty on cigarettes, tobacco and cigars and cigarillos (little cigars) has increased in two phases – the first phase of the increase in rates with effect from 1 February 2011 to 28 February 2013 and the second phase of the increase in rates with effect from 1 March 2013.

The Act was amended by temporary provisions of Article 44i effective from 1 February 2011, which, in addition to the new tax rates, established new obligations in connection with the sale and storage of cigarettes with old tax stamp for legal entities and natural persons authorised, within their business, to sell and store consumer packs of cigarettes.

- **Act No. 527/2010 Coll. amending and supplementing Act No. 582/2004 Coll. on Local Taxes and Local Fees for Municipal Waste and Minor Construction Waste**, as amended
 - reduced the current maximum multiples of the annual tax on land from 20-fold to 5-fold of the base rate. By 1 March 2011, when the above amendment came into force, towns and villages could significantly raise the basic rate of the tax on land, and they applied it particularly to business entities. The change has been first applied in 2012.
- **Act No. 349/2011 Coll. amending and supplementing Act of the National Council of the Slovak Republic No. 152/1995 Coll. on Foodstuffs**, as amended, came into force on 1 November 2011 and
 - imposed mandatory obligation on consignees to report supplies of animal origin, fruits and vegetables imported from abroad to vets already twenty four (24) hours in advance – in practice it means that if the entrepreneur has ordered abroad a shipment of raw meat, milk, eggs, vegetables or fruits, he shall be required to notify electronically the Regional Veterinary and Food Administration of the site, where the goods will be delivered, the country of origin, type of shipment and quantity twenty four (24) hours before the delivery;
 - introduced not only detailed specification of violations of the Act, but for the first time also the graduation of penalties depending on the size of operations – stores, slaughterhouses, dairies or logistic warehouses;
 - upon it the sellers shall be required to place the foodstuffs, whose shelf life is more than four (4) days and the time remaining to the use-by (expiry) date is less than twenty four (24) hours, separately and/or to label such products with the information for the consumer about the impending expiry of consumption.
- With effect from 1 January 2011 **Act No. 474/2009 Coll.**, by adding new Article 44a to **Act No. 105/2004 Coll. on the Excise Duty on Spirit** and on amendments and supplements to Act No. 467/2002 Coll. on the Production of Spirit and Its Placement on the Market, as amended (hereinafter referred to as the “Act on the Excise Duty on Spirit”), has introduced the concept of a new system based on the requirement to have issued the authorisation for the sale of consumer packages of spirit and on the obligation to buy consumer packages only from persons being granted permission to distribute them. The said Act has amended also the record management system so as to clarify the movement of consumer packages of spirit released for consumption by persons authorised for distribution through the permit holders and to avoid duplication in recording. The obligation for persons authorised to distribute spirit to report electronically the required information has been introduced. The obligation does not apply to holders of the permission for sale, i.e. for the so-called retail.

Following the suggestions of the business environment by adopting **Act No. 256/2011 Coll.** with effect from 1 September 2011 the Act on the Excise Duty on Spirit was amended. In particular, the amendment

- simplified the provision regarding record keeping by holders of authorisations to sell spirit in consumer packaging within tax free circulation and permits for the distribution of alcohol – for those entities administrative burden simplified by the change of the obligation to keep records of consumer packages of spirit from a daily to monthly basis;
 - allowed to have two open consumer packages of spirit in the establishment premises;
 - mitigated the fines in order to allow, in their determination, to take into more account the duration and gravity of the infringement of the relevant provisions of the Act.
- To 31 December 2011 businesses could use electronic cash registers according to Decree No. 55/1994 Coll. on the Manner of Keeping Records of Sales with the Use of Electronic Cash Registers, as amended, in accordance with **Act No. 494/2010 Coll. amending and supplementing Act No. 289/2008 Coll. on the Use of Electronic Cash Registers** and on amendments and supplements to Act of the Slovak National Council No. 511/1992 Coll. on the Administration of Taxes and Fees and Changes in the System of Territorial Financial Authorities, as amended, and amending and supplementing Act of the Slovak National Council No. 511/1992 Coll. on the Administration of Taxes and Fees and Changes in the System of Territorial Financial Authorities, as amended, which shifted the introduction of new conditions for the cash registers.

Entrepreneurs, who were obliged to use electronic cash registers for the first time after 30 December 2010, are obliged, from the beginning of 2011, to use only electronic cash registers meeting new technical requirements and specifications laid down by Act No. 289/2008 Coll. as amended.

- Following the approval of **Act No. 392/2011 Coll. on Trading with Defence-Related Products** and on amendments and supplements to certain acts, Part II of **Act No. 455/1991 Coll. on Trade Licensing** (Trade Licensing Act) as amended changed with effect from 1 December 2011. Functionality of services of the single contact points (SCP) in the network of trade licensing offices was extended and the following measures to reduce the administrative burden when starting business as well as in the course of business were taken:
 - Provisions related to the **integrity assessment** of persons having the nationality of an EU Member State through the Prosecutor General's Office of the Slovak Republic (Article 45a in conjunction with the relevant provisions of Article 46) were omitted. Such persons may demonstrate their integrity by the extract from their home country register. Until then, foreign persons from the EU could not get an extract from the criminal conviction records through the Prosecutor General's Office of the SR.
 - Issuance of a business license sped up. The deadline for issuing trade licenses was shortened from five (5) working days to three (3) working days with the proviso that applicants submitted all documents and complied with legal requirements (Article 47 paragraph 1).

- Duplicate reporting of data to be entered in the Commercial Register as well as in the Trade Register was eliminated. Newly it is enough that companies report the data to the Commercial Register and it will automatically forward the data to the Trade Register (Article 49 paragraph 1).
- The scope of competence was expanded to all district (trade) offices by the agenda arising for them out of the position of SCPs, including extension of competences covering business under special laws and business of foreign persons (Article 66b in conjunction with Article 66ba).
- The amendment to the Trade Licensing Act waived the duty to impose a fine in case of first minor violations of the Act (Article 65a).
- In order to streamline customs procedures the MF SR has issued **Decree No. 15/2011 Coll.** amending and supplementing Decree of the Ministry of Finance of the Slovak Republic No. 419/2006 Coll. implementing certain provisions of Act No. 199/2004 Coll., the Customs Act, and on amendments and supplements to certain acts, as amended, which, with effect from 1 February 2011, has defined exhaustively the nature of the data included in an application for the establishment of a free zone and for the establishment of free warehouse and has defined the nature of the documents to be attached to the application.

Fourth Principle

Responsive Public Administration – Make public administrations responsive to SMEs' needs

- Since 2011, based on **Act No. 572/2009 Coll. amending and supplementing Act No. 461/2003 Coll. on Social Insurance**, as amended, and on amendments and supplements to certain acts, small trade licensees are not required to file statements of tax returns for a previous year with the Social Insurance Agency. Due to administrative simplification of obligations imposed on the self-employed, they are obliged to report the length of time of self-employment in the tax returns. The Tax Directorate of the Slovak Republic (now the Financial Directorate of the Slovak Republic) forwards the data stated in the tax returns to the Social Insurance Agency. The above solution relieved the Social Insurance Agency as well as self-employed who are not required to submit statements of tax returns as at 1 July, whereby the rush and long queues at branches of the Social Insurance Agency were removed. For the first time the Tax Directorate of the Slovak Republic was required to notify the Social Insurance Agency of the data on the individual periods of self-employment in 2011 for 2010 by 30 June, or by 31 October if the individual had extended the deadline for filing a tax return.
- Electronic communication in the field of social insurance and health insurance extended, and gradually it is extending to other areas such as tax and customs administration.

The Bureau of Health Care Surveillance issued **Guideline No. 3/2/2008** with effect from 31 May 2011, whereby

- employers employing three and more employees insured in all health insurance companies are required to submit monthly statements to the health insurance company electronically;

- the self-employed person, who changed the health insurance company as at 1 January of a calendar year is obliged to submit a copy of the annual settlement of the insurance premium (Annex 18 part B of Decree of the Ministry of Health of the Slovak Republic No. 239/2006 Coll.) for a previous calendar year by 30 June of the same calendar year.

Commencing on 1 December 2011 the Social Insurance Agency requires electronic communications in collecting insurance premium, and in case of all employers employing one worker even in registration of their employees.

- **Act No 546/2010 Coll. supplementing Act No. 40/1964 Coll., the Civil Code**, as amended, and amending and supplementing certain acts, introduced the reform of public reporting. In addition to Part I of the Civil Code, Part II amended Act No. 513/1991 Coll., Commercial Code, as amended, and Part III amended Act No. 211/2000 Coll. on Free Access to Information and on amendments and supplements to certain acts (Freedom of Information Act), as amended. From 1 January 2011 the amendment has imposed the following duties on the so-called obliged persons:
 - The duty to disclose written contracts concluded by the obliged persons after 1 January 2011 and containing information, which is obtained through public funds or related to the use of public funds, the management of State property, municipal property, the property of a higher territorial unit or the property of legal entities established by law, under the rule of law, or dealing with funds of the European Union. The contracts involving ministries, other central government authorities, public bodies or legal entities established by them, in which they hold the majority of shares or a majority ownership interest or which they control upon the majority share of the voting rights or appoint more than half of members of its administrative body or other executive body or supervisory body, shall be compulsorily published in the Central Register of Contracts. Also the duties of the obliged persons to disclose orders of goods and services and invoices for goods and services on their websites were adjusted. This mechanism makes the obliged person to be mindful especially of the legal and economic advantage, or at least a balance of rights and obligations arising from the contracts in the management of public funds. These measures should increase the transparency and control of public expenditure.
- **Act No. 133/2011 Coll. amending and supplementing Act No. 581/2004 Coll. on Health Insurance Companies and Health Care Supervision** and on amendments and supplements to certain acts, as amended, and amending and supplementing certain acts, which came into force on 1 May 2011, brought a significant change, which is the obligation of health insurance companies to perform annual insurance premium settlement for a previous calendar year for persons insured, and if the insured person has an employer, then also for the employer. Annual insurance premium settlement under this Act shall be conducted for the first time in 2012 for 2011.

Performing the annual insurance premium settlement for a previous year by health insurance companies greatly simplifies the obligations of employers, entrepreneurs, as well as other policy holders who were required to prepare the settlement. Part of the administrative burden in the area considered by the general public as to be extremely complicated was removed.

Summary of the most important changes:

- The amendment introduced the institute of the objection, whose logging within fifteen (15) days allows the insured persons and employers to express their opinion on the data used for calculating their contributions for the respective year.
- In monthly statements, employers are obliged to give a real income paid to employees in the respective month.
- The employer (employing three or more persons) has a direct statutory obligation to send monthly statements electronically.
- If the employer fails to provide the health insurance company with the documents necessary for the correct calculation of premiums and advance premiums, the health insurance company may calculate the advance premiums and the premium upon the average monthly wage (i.e. based on the average monthly salary in the national economy established by the Statistical Office of the Slovak Republic for the calendar year two years prior to the decisive period).
- The self-employed person is considered a natural person achieving income from business and other self-employment according to Article 6 paragraphs 1 and 2 of the Income Tax Act (the natural persons achieving income from rental are not considered small trade licensees).
- The employee is considered only the natural person receiving income from employment (income taxed under Article 5 paragraph 1 subparagraphs a) through h) and paragraphs 2 and 3 of the Income Tax Act), excluding revenues from agreements on work performed outside an employment relationship.
- In the case of small trade licensees being also a person insured by the State, the minimum advance premiums is not determined.
- If the self-employed person fails to provide the health insurance company with the documents necessary for the correct calculation of premiums and advance premiums, the health insurance company may calculate the advance premiums and the premium upon the average monthly wage (i.e. based on the average monthly salary in the national economy established by the Statistical Office of the Slovak Republic for the calendar year two years prior to the decisive period).
- The self-employed person who changed the health insurance company has not the obligation to submit a copy of the annual settlement.
- Small trade licensees for whom the health insurance company did not carry out the annual settlement of insurance premium are obliged to provide the respective health insurance company with the amount of advances for the period from 1 January to 31 December of the following calendar year by the end of the respective calendar year.
- With effect from 1 July 2011, **adoption of Act No. 200/2011 Coll. on the Commercial Journal** and on amendments and supplements to certain acts increased the transparency and quality of the business environment by providing easily accessible information on a particular subject or a particular activity provided to an end-user being relevant to his

decision-making and acting. Commercial Journal has been published and the communication with the editors of the Commercial Journal has been carried out entirely electronically, with the exception of data published by persons under Article 5a paragraphs 5 and 6 of Act No. 211/2000 Coll. on Free Access to Information and on amendments and supplements to certain acts (Freedom of Information Act).

- On 30 November 2011 the National Council of the Slovak Republic **adopted Act No. 520/2011 Coll. amending and supplementing Act No. 566/2001 Coll. on Securities and Investment Services** and on amendments and supplements to certain acts (the Securities Act), as amended, and amending and supplementing certain acts, which came into force on 31 December 2011, except for certain provisions, which took effect on 1 July 2012.

The overarching objective of this Act, in connection with the implementation of the Prospectus Directive, was to reduce the administrative burden for subjects delivering public offer of securities in order to increase their competitiveness. The legislation provides for an increase in the level of investor protection and also ensures that the information provided is sufficient and adequate to meet the needs of small investors, particularly in the context of the turmoil in financial markets. Provision of full information concerning securities and their issuers is a key factor in protecting investors. The amendment to the Securities Act brought significant benefits of deduplication of transparency obligations, thereby avoiding unnecessary costs incurred by companies. Savings were ensured also due to the liberation of employee share systems from the obligation to publish a prospectus and reduction of disclosure requirements for raising capital through preferential rights to subscribe for shares. Cost savings of the companies were also ensured by the exclusion of detailed information on the financial situation of the guarantor in case of Government guarantee schemes.

Part III of Amendment to the Securities Act has amended and supplemented **Act No. 381/2001 Coll. Compulsory Contractual Vehicle Third Party Insurance** and on amendments and supplements to certain acts, as amended. Since 1 July 2012 the amendment has introduced information obligation of insurers to notify policyholders of the insurance premiums for the next insurance period, the expiry date of the insurance period and the date by which the insurance contract may be terminated under Article 800 paragraph 1 of the Civil Code at least ten (10) weeks before the expiry of the period of insurance. Thus, the client has enough time to compare the offers of competitors and can choose the best deal. Changes have been made to strengthen competition in third party liability insurance products.

- The Ministry of Justice of the Slovak Republic (MoJ SR) elaborated the analysis of the possibility for the use of an electronic extract from the Commercial Register for legal purposes – the Government meeting held on 11 January 2012, UV-42462/2011. The analysis included several variants. On the basis of the analysis the so-called project “on-line extract from the Commercial Register” took place. Nowadays, the public authorities may apply for a free electronic extract (testing operation), i.e. they may not require the submission of the extract by citizens, thereby saving costs. In the second phase, the MoJ SR wants to extend the service also to the public, i.e. the electronic extract would be provided for free. However, the above mentioned necessarily needs legislative changes and the continuation of the project will therefore have to be coordinated with the legislative process. The obligation of the MoJ SR to analyse the possibilities of using electronic extract from the Commercial Register of the Slovak Republic for legal purposes resulted from Government Resolution No. 160/2011 of 2 March 2011 on the Report on the State of

the Business Environment in the Slovak Republic containing suggestions for its improvement.

- Beginning with the calendar year 2011, natural persons registered in the Trade Register or carrying business according to any other than the Trade Licensing Act, with the exception of natural persons with a staff of twenty and more employees, were no longer contacted for statistical surveys on a monthly and quarterly basis. The Statistical Office of the Slovak Republic collects information on this business segment from administrative sources. It has significantly contributed to the goal not to require business information already available within the public administration. The obligation to provide the State and public institutions with administrative resources of the Statistical Office of the Slovak Republic has arisen out of Article 13 of Act No. 540/2001 Coll. on State Statistics as amended by Act No. 55/2010 Coll. amending and supplementing Act No. 540/2001 Coll. on State Statistics, as amended.
- The Institute for Economic Research carried out the project named The Draft Policy of the Government of the Slovak Republic to Improve the Business Environment (the so-called Singapore) approved by the Government of the Slovak Republic on 6 July 2011 upon Resolution No. 486/2011. The document includes aiming of the activities of the central public administration authorities at the improvement of the business environment to become one of the most competitive within the European Union and in the world. The evidence of these efforts is the draft measures to reduce the administrative costs and burden, within which coordinators are assigned and the timetable for their implementation is prepared.

Fifth Principle

Public Procurement and State Aid – Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement and better use of the State aid possibilities for SMEs

- Act No. 58/2011 Coll. amending and supplementing Act No. 25/2006 Coll. on Public Procurement and on amendments and supplements to certain acts, as amended, came into force on 1 April 2011. The amendment was intended to improve the competition and business environment because they reduce the abuse of the law ambiguities for manipulating the public procurement process and increase equal opportunity for tenderers. Assumed impact is to be an increased number of businesses with an interest to participate in the public procurement, ensuring not only its openness, rigorous monitoring of compliance with its course, but due to increased competition also a reduction in the price level of goods and services financed or co-financed from public funds.

Improving public procurement will be achieved in particular through the following measures:

- Overall reduction of limits to determine the scope of the contract in order to enforce the above forms of competition with closer supervision over them;
- Increasing transparency by extending the scope of mandatorily disclosed documents (calls for public procurement, announcements, bids, minutes, contracts, supplements, etc.);

- Limiting non-transparent increase in agreed prices upon supplements to the contracts by their mandatory disclosure and by introducing a price ceiling for such increases;
- Eliminating the possibility for exclusion of bids based on the “abnormally low price” by introducing the broadly understood institute of the “extremely low bid” arising from Directive 2004/18/EC;
- Harmonising the manner of priority and non-priority services procurement;
- Eliminating the possibility of immediate exclusion of bidders from tenders only on the basis of formal defects in the delivered documents;
- Introducing the obligation to use electronic auctions for the award of contracts above the limit and since 1 January 2012 even for the award of contracts below the limit;
- Introducing the obligation to justify in writing the implementation of the public procurement by “short listing”;
- Reintroducing of the possibility of adjudicating the invalidity of a contract or supplement to the contract by court if concluded in conflict with the Act on Public Procurement.

Sixth Principle

Finance – Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions

no changes reported

Seventh Principle

Single Market – Help SMEs to benefit more from the opportunities offered by the Single Market

- During 2011, with the intention of **linking the databases of the National Contact Point for Products with other information sources of the Office of Standards, Metrology and Testing of the Slovak Republic (SOSMT SR)**, the Department of European Affairs and Technical Standardisation of the Office of Standards, Metrology and Testing of the Slovak Republic collected and administered the information processed, managed electronic databases (the submitted requests for information, responses by competent authorities, contact persons, specific requirements for products, processes of prior approval related to the products) and provided advice and consultations for the purpose of providing comprehensive information on technical requirements for products applicable in the Slovak Republic and the EU Member States. Based on the collection and processing of information received, the measures were aimed to create a linking database containing comprehensive information usable for other needs of the National Contact Point for Products, which would fulfil its obligations under Regulation (EC) No. 764/2008 of the European Parliament and of the Council. The final beneficiaries of the technical assistance of the National Contact Point for Products are mainly domestic SMEs, as well as other domestic and foreign entities.

- During 2011, SOSMT SR carried out **a series of seminars and lectures** (fairs, events of associations and chambers of professionals, universities, events of SCCI) **concerning CE marking – their part was clarification of the role of standards and their use by SMEs**, where SMEs were encouraged to the better use of standards and to communicate feedback on their content. It ensured better orientation in requirements for goods and services in the EU market.
- During 2011, the **on-line State Technical Standard database was updated, within which the access to abstracts of European Standards is for free**. It contains basic information, including abstracts, but without a clear definition of changes compared to original releases. In addition, however, it contains links to the legislation being continuously updated.

Eighth Principle

Skills and Innovation – Promote upgrading of skills in SMEs and all forms of innovation

- During 2011, NADSME implemented the **National Programme Support for SMEs in the Single EU Market** aiming to increase the competitiveness of SMEs, support innovation and ensure effective international cooperation for SMEs. The programme supports SMEs indirectly through the activities of the Enterprise Europe Network, such as organising seminars, providing innovation and internationalisation of services to SMEs, and organising events regarding trade cooperation and the like.
- **Organising seminars and training within the study programs of science of commodities and trading aimed to develop technical skills in selected universities** – support of development of SME capacity in research and innovation and the development of technical skills in 2011 was ensured by the Slovak Institute of Metrology (SMU) through organising seminars at the Faculty of Mechanical Engineering of STU, within the study program Metrology or within the bachelor's study program Production Systems and Quality Management where graduates obtain knowledge of mechanical engineering technologies, materials, manufacturing techniques, metrology, standardisation and testing, and basic understanding of business management and quality control of products, or within the study program Mechanical Production and Quality Management at TUKE and EUBA. The Slovak Standards Institute (SUTN) allowed the use of services for research and development for SMEs by providing access to the read-only on-line Slovak Technical Standard database for overheads, by processing of e-learning modules in collaboration with the Department of Commodity Science, and providing speakers.
- **The participation of the Slovak Institute for Metrology in European research and development projects** – in 2011, according to the EU schedule, the Slovak Institute for Metrology was actively involved in international research cooperation in the field of metrology within FP7 and the EMRP grant scheme, thereby helping SMEs to enter into transnational research activities.
- SUTN ensured the improved access to information on technical standardisation (TS) for SMEs and educational institutions of SOSMT SR by providing comprehensive technical

information to the general public in the SUTN Infocentre (for more details see Chapter 5 hereof).

Ninth Principle

Living Environment – Enable SMEs to turn environmental challenges into opportunities

- Support for SMEs in the field of energy takes place in the framework of the Operational Programme Competitiveness and Economic Growth through Measure 2.1 Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in the Energy Sector, which created reasonable possibilities of the use of the State aid to support investment in the area of energy production and environment. The aid has been provided through non-refundable financial contributions from the EU structural funds and the State budget and is intended to support projects in the field of the use of renewable energy and efficient use of energy in industry and related services.
- Upon Part II of Act No. 231/2011 Coll. amending and supplementing **Act No. 561/2007 Coll. on Investment Aid** and on amendments and supplements to certain acts as amended by Act No. 56/2009 Coll. amending and supplementing certain acts, Act No. 595/2003 Coll. on Income Tax as amended was changed and the subject of the change was regulating the provision of tax relief for investment aid recipients. The Implementing Body was the Ministry of Economy of the Slovak Republic in cooperation with the Ministry of Finance of the Slovak Republic. The Amendment to the Income Tax Act adjusted the conditions for the application of a tax relief for investment aid recipients, namely
 - by the introduction of an alternative method of calculating the relief on income tax – based on the statutory conditions the constant coefficient of 0.8 was added to calculate the coefficient (whereby the amount of the tax relief is to be determined);
 - an extension of the period for application for the relief on income tax from five (5) to ten (10) immediately consecutive tax years.

The target group were recipients of investment aid being issued a decision on approving the investment aid commencing on 1 August 2011.

Tenth Principle

Internationalisation – Encourage and support SMEs to benefit from the growth of markets

- Embassies of the Slovak Republic in cooperation with businesses in the Slovak Republic prepared and organised five intergovernmental and joint commissions for economic, scientific and technical cooperation, meetings and business meetings with partners and businesses in the visited countries, thereby greatly ensuring the opportunity for SMEs to move into international markets. Another, not less important support provided by the embassies during the year was the cooperation in the participation of Slovak businesses at fairs and exhibitions abroad.

- To streamline cooperation with the business sector in 2011, the Ministry of Foreign Affairs of the Slovak Republic organised various conferences, seminars and forums for businesses, which were aimed to promote trade, investment, innovation, knowledge economy and energy security, in particular, the forum named the Economic Diplomacy as a Service to the Business Community, the Nordic-Slovak Innovation Forum, the seminar of V4 and Japan concerning innovation policies, and the Innovation and Technology Forum Slovakia – Turkey.
- The foreign service sought also the possibility of involving the Slovak businesses to tenders for the supply of goods and services to international organisations, and the Ministry of Foreign Affairs of the Slovak Republic in collaboration with the Ministry of Finance of the Slovak Republic prepared a seminar on the issue of public procurement within the World Bank Group for businesses in Slovakia. Comprehensive information about the possibilities of involvement of Slovak businesses in public procurement in the international economic and financial organisations was developed and is publicly available on the website of the Ministry of Foreign Affairs of the Slovak Republic.
- The Ministry of Foreign Affairs of the Slovak Republic established the portal named Let's Carry Business Abroad, where entrepreneurs can find useful information in the field of foreign trade of the Slovak Republic, economic diplomacy, international economic organisations, development aid, international treaties, as well as information on carrying business abroad.

2.3 The most important legislative changes, which were adopted in 2011 (and came into force in 2012 and later), and the measures planned and/or implemented in 2012 in relation to the particular principles of the SBA

First Principle

Enterprise – Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

- In 2012 the Ministry of Economy of the Slovak Republic will organise the 20th year of the competition The Young Creator 2012 and the Woman Entrepreneur of the Year 2012, by which it will significantly contribute to the objective of encouraging innovation and entrepreneurship thinking among young people.

Second Principle

Second Chance – Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

- On 13 September 2011 the National Council of the Slovak Republic adopted **Act No. 348/2011 Coll. amending and supplementing Act No. 7/2005 Coll. on Bankruptcy and Restructuring** and on amendments and supplements to certain acts as amended and amending and supplementing certain acts (hereinafter referred to as the “Bankruptcy Act”), which came into force on 1 January 2012, except for three paragraphs, which will take effect on 1 January 2013.

One of the objectives of the amendment to the Act was to make feasible a creditor's motion for adjudication of bankruptcy because of the debtor's insolvency, thereby creating a natural pressure to comply with payment discipline, as well as the pressure to address the imminent insolvency or bankruptcy of the debtor by means other than bankruptcy, i.e. formal or informal restructuring.

The amendment to the Bankruptcy Act is an essential measure aimed to better law enforcement. The new legislation allows creditors to file a motion for adjudication of bankruptcy without having recognised a claim by the debtor or having an enforceable claim. Newly, the creditor is entitled to file a motion for adjudication of bankruptcy if he can reasonably expect insolvency of the debtor. Debtor's insolvency can reasonably be expected if the debtor is in delay in performance of at least two liabilities towards more than one creditor for more than thirty (30) days and he was called in writing by one of the creditors to pay the liabilities. That fundamental change should enable creditors to exercise their rights against the debtor sooner than he "consumes" his unsecured assets, which should lead to more significant satisfaction of the creditors. This is closely related to changes in the definitions of bankruptcy, particularly over-indebtedness, ensuring motivation of the debtor's statutory bodies to deal with the debtor's bankruptcy in time.

Filing claims was simplified as follows:

- creditors were allowed to file several unsecured claims upon one application, thereby simplifying the process of filing claims by unsecured creditors;
- compulsory filing claims by creditors was simplified – they may file their claims only with the administrator of the bankruptcy assets and only in one counterpart;
- creditors were allowed to file a claim even after the primary filing period of forty five (45) days from adjudication of bankruptcy, but only as an unsecured claim without voting rights.

As in bankruptcy, filing claims in case of restructuring was simplified accordingly.

Third Principle

Think Small First – Design rules to apply this principle to all areas of law

- **Act No. 331/2011 Coll. amending and supplementing Act No. 563/2009 Coll. on Tax Administration (Tax Procedure Code)** and on amendments and supplements to certain acts and amending and supplementing certain acts, which was adopted on 14 September 2011, amended and supplemented Part II of Act No. 595/2003 Coll. on Income Tax as amended (hereinafter referred to as the "Income Tax Act") with effect from 1 January 2012.
- The new wording of Article 39 paragraph 9 subparagraph a) of the Income Tax Act stipulated the obligation for the employer being a taxpayer to submit the overview of income from employment that he has to pay to each employee, of the advances withheld and paid for income tax and of tax bonuses for a previous month to the appropriate tax authority on a monthly basis, always until the end of the respective calendar month

(Article 49 paragraph 2 of the Income Tax Act). Until the amendment to the Income Tax Act the overview was submitted on a quarterly basis.

- The Income Tax Act was amended by the provision of Article 49a paragraph 8 upon which the reporting obligation arises for the natural person or legal entity having income from business activities, other self-employment and rental, and who in doing so made the payment of the taxable income in cash for the benefit of a natural person and such payment was not registered in the electronic cash register of that natural person and did not withdraw or collect advance tax or tax if the total amount of such payments to the same natural person exceeded the sum of EUR 5,000 in a calendar year. The natural person or legal entity is required to send a notification to the tax authority by 31 March of the year following the year in which the payment was made in cash. The reporting obligation under the provisions of Article 32 paragraph 5 of Act No. 511/1992 Coll. on Administration of Taxes and Fees and on Changes in the System of Regional Financial Authorities valid to 31 December 2011 was repealed. Under that legislation payments in excess of EUR 3,319.39 made in 2010 were reported for the last time.
- Upon **Ordinance No. 343/2011 Coll. of 12 October 2011 laying down the minimum wage** for the year 2012 the Government fixed a minimum wage for an employee paid a monthly salary to EUR 327.20 per month.
- On 19 October 2011 the National Council of the Slovak Republic adopted **Act No. 387/2011 Coll. amending and supplementing Act No. 136/2001 Coll. on Protection of Competition** and on amendments and supplements to Act of the Slovak National Council No. 347/1990 Coll. on the Organisation of Ministries and Other Central State Administration Authorities of the Slovak Republic, as amended, and amending and supplementing certain acts. Based on the implemented changes in the concentration of businesses, from 1 January 2012 the number of entities which will report the concentration to the Antimonopoly Office of the Slovak Republic will reduce. Upon the adjustment of criteria only significant concentration will be reported, which should lead to time saving for the office as well as to the time and money savings for the concentration participants as the amendment cancelled also the requirement for entrepreneurs to pay a penalty for late payment of fines.
- Maintaining an efficient, simple and neutral tax system for income tax, as well as consolidation of public finances was the objective of **Act No. 548/2011 Coll. amending and supplementing Act No. 595/2003 Coll. on Income Tax**, as amended, and amending and supplementing certain acts, which was adopted by the National Council of the Slovak Republic on 1 December 2011.

In particular, the amendment to the Act changed the rules for the depreciation of tangible assets as follows:

- It cancelled disproportions in the depreciation of tangible assets depending on the manner of their acquisition, i.e. acquisition from own resources, on credit or financial leasing, so that from the beginning of the year 2012 all tangible assets will be depreciated under the same conditions.
- It introduced a new method of applying depreciation to tax expenses in the first year of depreciation, depending on the number of months in which the asset is recognised or

registered. According to the then valid method of depreciation, in the year of the classification of tangible assets eligible for use the taxpayer was entitled to include the annual depreciation in tax expenditure, regardless of the date of classification of the property for use. According to the new method, in the year of the classification of the assets for use the taxpayer may apply only an aliquot part of the annual depreciation attributable to the number of months, in which the asset is recognised or in which the asset is registered.

Act No. 548/2011 Coll. amended Part III of Act No. 582/2004 Coll. on Local Taxes and Local Fees for Municipal Waste and Minor Construction Waste, as amended. The amendment effective from 1 January 2012 addresses the development of electronic communication by introducing electronic services, which can be provided by the tax administrator that is a municipality.

- On 29 November 2011 the National Council of the Slovak Republic adopted Act No. 470/2011 Coll. amending and supplementing Act No. 124/2006 Coll. on Safety and Health Protection at Work and on amendments and supplements to certain acts, as amended, and supplementing Act No. 355/2007 Coll. on the Protection, Promotion and Development of Public Health and on amendments and supplements to certain acts, as amended, which, with effect from 1 January 2012, has adjusted the legislative framework for the conditions to ensure satisfactory protection of life and health of employees by reducing the administrative and regulatory burden on employers by adjusting the conditions for providing reconditioning stays and more flexible working conditions for the performance of the health service and reconditioning stays.

Summary of the most important changes:

- Cancellation of the employer's obligation to ensure the labour health service for employees performing work assigned to the 1st or 2nd category: The labour health service will be required only for employees performing work assigned to the 3rd or 4th category, regardless of the number of employees.
- The Act stipulated publishing a list of authorisations, certificates and licenses issued by competent authorities to verify compliance with the safety of technical equipment on the Internet. A new electronic service was thus introduced, which should improve the awareness of the people carrying out activities under the authorisations, certificates and licenses issued by the competent authority.
- The obligation of the employer to notify a competent labour inspectorate of an occupational disease and exposure to occupational disease was cancelled, which reduced the administrative burden on employers. Upon the draft amendment to Decree of the Ministry of Health of the Slovak Republic No. 504/2006 Coll. on the Manner of Reporting, Filing and Recording of Occupational Diseases and Danger of Occupational Disease, reporting obligation will be imposed on the competent health facility, which admitted the occupational disease risk and occupational disease.

The Act supplemented Part II of Act No. 355/2007 Coll. on the Protection, Promotion and Development of Public Health and on amendments and supplements to certain acts, as amended, regarding reimbursement of costs incurred by the employer for preventive medical entrance examinations in relation to work to be performed by an employee who

did not start employment, and the extension of the period in which it is possible to carry out preventive medical examinations in relation to work for persons performing hazardous work even by doctors specialising in general medicine being employed by the occupational health service, as it is a slow increase in the number of physicians in the respective subspecialty.

- In connection with the preparation of a new act on border control and residence of aliens under the auspices of the Ministry of Interior of the Slovak Republic, MTCRD SR initiated modification of certain provisions of this Act, leading to a reduction in the administrative burden for businesses operating accommodation facilities. Adoption of the Act on the Border Control and Residence of Aliens (Act No. 404/2011 Coll.) has allowed, from 1 January 2012, the accommodation facility operator to report the alien stays to the Police Force through electronic services established for that purpose. Furthermore, the obligation of the accommodation facility operator to keep the house book on the registration of foreigners accommodated was cancelled. Foreigners and the Slovak citizens will be registered in the book of persons accommodated, i.e. the accommodation facility operators will keep only one guest book.
- From 1 January 2012, the electronic single contact points, including payment portal, have been fully functional. Upon the adoption of **Act No. 392/2011 Coll. on Trading with Defence-Related Products** and on amendments and supplements to certain acts, which changed Part II of Act No. 455/1991 Coll. on Trade Licensing (Trade Licensing Act), as amended, services of the single contact points (SCP), i.e. notification of trade, suspension and cancellation of trades, as well as the possibility to settle court and administrative fees, have been fully operational. The amendment also stated that the submission made by electronic means and signed by a qualified electronic signature (applying to all natural persons and legal entities not being registered in the Commercial Register) is free of charge (adjustment of the item No. 148 of the scale of administrative fees). This decision shortened the time for dealing with Trade Licensing Offices via the Internet to a few minutes compared to previous three days, which is the usual time of transfer of payments from the account of the entrepreneur to the account of the State Treasury. This applies to the following electronic administrative procedures:
 - issuing a trade license for free trade;
 - getting an extract from the public part of the Trade Register as an entrepreneur;
 - issuing the overview of data entered in the Trade Register;
 - making changes in a trade license certificate;
 - issuing a certificate that there is no record in the Trade Register;
 - issuing a document that the provision of services upon the trade license is not restricted or prohibited.
- With effect from 1 January 2012 the administrative fee for issuing a document that providing services upon a trade license is not restricted or prohibited decreased from EUR 10 to EUR 3 (request submitted otherwise than by electronic means).

Fourth Principle

Responsive Public Administration – Make public administrations responsive to SME needs

- The amendment to Act No. 431/2002 Coll. on Accounting, as amended (hereinafter referred to as the “Accounting Act”), published under No. 547/2011 Coll., adopted on the 26th meeting of the National Council of the Slovak Republic held on 1 December 2011, established the register of financial statements for the purpose of single submission of the financial statements to the register in electronic form and collecting the necessary data from the register by the persons concerned. Whereby, accounting entities will not be required to submit financial statements to several public authorities.
- Since 2013, annual financial statements prepared for the year 2012 will be presented mainly in electronic form for the first time. A certain group of legal entities and natural persons – entrepreneurs will be able to submit financial statements in paper form and the collection system will remain maintained for them as at present.
- The register of financial statements will also include annual reports on the financial statements and annual reports of municipalities and higher territorial units. The register will be administered by the Ministry of Finance of the Slovak Republic, which will delegate its managing competences to its budgetary organisation DataCentrum.
- Part XVI of Amendment to the Accounting Act amended and supplemented Act No. 530/2003 Coll. on the Commercial Register and on amendments and supplements to certain acts, as amended, and, with reference to Resolution of the Government of the Slovak Republic No. 486/2011 of 6 July 2011, upon which the draft policy of the Government of the Slovak Republic to improve the business environment in Slovakia was approved, shortened the deadline for the registration court to enter a company in the Commercial Register from five (5) to two (2) working days. The provision will take effect on 1 January 2013.
- Legislative regulation of tax administration responded to the development of electronic communication in society by introducing electronic services provided in the tax administration by tax and customs authorities. The new Act No. 563/2009 Coll. on Tax Administration (Tax Procedure Code) and on amendments and supplements to certain acts, as amended, stipulated the obligation for the tax entities being taxpayers of value added tax to submit documents to the Financial Administration by electronic means in accordance with Article 13 paragraph 5 of the Tax Procedure Code commencing on 1 January 2012. The obligation to deliver documents to the Financial Administration electronically has also been imposed on a tax adviser and attorney representing a taxpayer in the tax administration, or any other representative of the value added tax payer, whom he represents in the tax administration. Electronic submission of documents will be realised through an electronic filing room or through the electronic filing room of the central portal of the public administration and the documents must be signed by qualified electronic signature of the person filing the documents. However, if the taxpayer wants to deliver the documents to the tax administrator by electronic means not signed by a qualified electronic signature, he shall notify the tax administrator of the information needed for such delivery through the standard form published on the website of the Financial Directorate of the Slovak Republic and conclude a written agreement on electronic delivery with the tax administrator.

- **Act No. 91/2012 Coll.** of 29 February 2012 came into force on 9 March 2012 and shifted the obligation to deliver documents to the Financial Administration by electronic means arising out of Article 14 of the Tax Procedure Code to 1 January 2013. It means that the obligation of the above subjects to deliver documents to the Financial Administration by electronic means will commence on 1 January 2013.

A data repository (box) will be created for each taxpayer communicating electronically with the tax administrator, to which documents will be delivered. The taxpayer will be able to access the data box only upon entering unique access codes ensuring the protection of information that will appear in the data repository.

The Tax Administration of the Slovak Republic and the Customs Administration of the Slovak Republic allow tax entities, within the meaning of the law applicable in the Slovak Republic, to realise filing by electronic means to the address of the tax administrator electronic filing room.

Authorised electronic services provided by the Tax Administration of the Slovak Republic currently include as follows:

- the list of taxes (overview of taxes for which the taxpayer is registered);
- documents of the taxpayer (overview of documents filed by the tax entity with the tax office);
- documents of the tax office (overview of documents issued by the tax office to the tax entity);
- submission of documents (electronic submission of tax documents).

Electronic communication with the Customs Administration of the Slovak Republic is used to provide the following electronic services:

- submission of customs declarations for exports and preliminary customs declarations for imports and exports;
 - submission of applications for information on the security status of the import payments for imports and exports of goods;
 - submission of customs declarations under transit, administration of guarantees for the transit procedure and termination of the transit procedure;
 - submission of applications for information on the security status of the import payments in transit.
- The response to the development of electronic communication is the introduction of electronic services which, in the field of local taxes, may be provided even by municipalities. The provisions on the electronic communications with effect from 1 January 2012 were included in the Act on Local Taxes by adopting **Act No. 548/2011 Coll.** amending and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, amending and supplementing certain acts.
 - **Act No. 331/2011 Coll. of 14 September 2011 amending and supplementing Act No. 563/2009 Coll. on Tax Administration (Tax Procedure Code)** and on amendments and supplements to certain acts amending and supplementing certain acts amended and supplemented Part V of Act No. 222/2004 Coll. on Value Added Tax, as amended, which, with effect from 1 January 2013, introduced the so-called self-assessment system of taxation for importing goods from third countries, which means that a taxpayer meeting the

statutory requirements to import goods shall himself calculate the tax, state it in the tax return for the tax period in which the tax liability incurred and also deduct the tax. This will create the same conditions in terms of tax payments for taxable goods purchased by a taxpayer in other Member States of the European Union and for taxable goods imported by the taxpayer from third countries (countries outside the European Union).

- On 19 October 2011 the National Council of the Slovak Republic adopted **Act No. 388/2011 Coll. amending and supplementing Act No. 99/1963 Coll., the Civil Procedure Code**, as amended, amending and supplementing certain acts. The amendment consist in particular in strengthening the tools to facilitate initiation of proceedings, tools to accelerate proceedings, as well as tools to prevent obstruction by the parties to the proceedings, such as reducing the possibility of obstruction to the proceedings by the parties and their attorneys if they do not appear in courts for health reasons. One of the tools to accelerate the proceedings is the introduction of time limits on the procedural decisions of the courts in several areas. They will thus be able to respond quickly to certain situations that unnecessarily prolong the proceedings. The Act came into effect on 1 January 2012.
- Strengthening the independence of the judiciary, and, through legislation, acting on improving the conditions for independent, impartial and fair court decision-making was the purpose of **Act No. 33/2011 Coll. amending and supplementing Act No. 385/2000 Coll. on Judges and Lay Judges and on amendments and supplements to certain acts**, as amended, and amending and supplementing certain acts, which was adopted by the National Council of the Slovak Republic on 1 February 2011. Legal measures are fundamental and necessary steps to consolidate the judicial system in Slovakia. Part VII of the amendment has amended and supplemented Act No. 757/2004 Coll. on Courts and on amendments and supplements to certain acts, as amended (hereinafter referred to as the “Act on Courts”), by the adoption of which commencing on 1 January 2012 the courts are obliged to publish and make their decisions under the conditions and within the scope in accordance with Article 82a of the Act on Courts. The procedure of the courts to be followed in publishing the court judgments and the categories of data that will be removed from the court decisions before their publication is governed by Decree of the Ministry of Justice of the Slovak Republic No. 482/2011 Coll. on Publication of Judicial Decisions of 9 December 2011.

The importance of disclosure of judicial decisions on the Internet should be seen at the three following levels:

Transparency – publication of judicial decisions should primarily contribute to the transparency of the courts decision-making, which should further enhance protection against secret administration of justice and public scrutiny.

Predictability of court decision making – the published decisions will constitute an extensive database of information on the manner of application of laws by courts, serving not only for further education of judges and the legal community and general public, but also for improving the process of unification of judicial practice, and thus avoiding surprising court decisions.

The quality of decision-making – virtually unlimited access to the judicial decisions, particularly to the content of reasons, should create considerable pressure to more

convincing (better) reasoning of the conclusions made by the courts and it should also provide enough background information for the eventual control of the immediate judicial activities of specific judges or courts as such.

- Following the task from point B.2 of Government Resolution No. 486 of 6 July 2011 concerning the draft policy of the Government of the Slovak Republic to improve the business environment in Slovakia “to submit information on the implementation of the measures to the Minister of Economy annually by 31 May and 30 November by the year 2013”, the MoJ SR analyses the possibility to reduce the amount of court fees for the first entry of companies in the Commercial Register. The present analysis should be submitted by 31 December 2012.
- In 2012, the Statistical Office of the Slovak Republic (SO SR) is preparing the concept of care for statistical survey respondents. Within the framework of the concept a closer relationship is assumed between SO SR and its respondents to simplify reporting of the information required and the effort to reduce the burden on businesses. The concept assumes the increase in the use of administrative resources and thus to contribute to the goal not to ask businesses for the information already available within the public administration.
- In 2012, SO SR will implement sample statistical surveys in the group of small businesses, within which firms will be assigned to the sample in accordance with the principles of rotation of reporting units in the sample. A random selection with rotation will be applied, which in practice means the annual variation of one third of the units. The frequency of inclusion of the unit in the group of reporting units will also be affected by the number of units in the stratification layer, in which the unit is located.
- In central data collection through the Central Information Portal for Research and Development and Innovation, the Ministry of Education, Science, Research and Sports of the Slovak Republic will not ask SMEs and other types of scientific research organisations for information other than those related to the first entry in databases and updated subsequently. It is planned to continue in this trend in 2012 even within more detailed monitoring of the effectiveness of the public fund management in research and development projects and eliminating duplication and improving the quality of projects. It is planned to begin operational tests of the new IS SK CRIS, which, later, after the incorporation of actual requirements for an advanced information system for science and technology serving for the scientific and research community, as well as the public administration, will be implemented in the Central Information Portal for Research, Development and Innovation (CIP RDI). The above mentioned information system should contribute to the extension of CIP RDI by new functions in the e-government with respect to the EU standards and focusing on effective work with projects, including links with other IS, to the possibility of evaluating the effectiveness and quality of projects, facilitating access to information about research, development and innovation for all IS user categories, deduplication and increase of the transparency of decision-making on projects. Finally, it will improve the quality of work on the public administration portal for all research and development organisations, including small, medium and large enterprises innovating their products or pursuing research and development.

Fifth Principle

Public Procurement and State Aid – Adapt public policy tools to SMEs' needs: facilitate SMEs' participation in public procurement and better use of State Aid possibilities for SMEs

No changes reported

Sixth Principle

Finance – Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions

- During 2011 the Export-Import Bank of the Slovak Republic prepared the conditions for creating its new insurance product. The product is designed specifically for the SME sector and will be launched in 2012.
- Based on Government Resolution No. 64/2010, NADSME continued to prepare the implementation of **Microloan Program** focused on lending the amount of EUR 2,500 to 50,000 to SMEs and natural persons employing up to 50 persons. The program funds capital and operating costs on concessional terms (4-year maturity, 6-month suspension of payments). The interest rate varies from client to client based on the business plan, liabilities, results of operations and the like. The aim of the program is to fund the development and start-up activities in all Slovak regions and increase their survival rate and create new and maintain existing jobs.
- Preparation of launching the innovative financial instrument JEREMIE continued. In 2011, it was decided to increase the contribution from the resources of the Operational Programme Competitiveness and Economic Growth (OP C&EG) for the JEREMIE Holding Fund (Slovak Guarantee and Development Fund) from the original amount of EUR 35,294,118 to EUR 67,058,824. Upon the positive opinion given by the Ministry of Finance of the Slovak Republic, the reallocation of funds was approved at the 64th meeting of the Internal and Regulatory Monitoring Committee of the MoE SR for EU funds held on 18 April 2011. On 18 August 2011 the call for selection of intermediaries for the guarantee scheme named the First Loss Portfolio Guarantee was published and five persons interested in it submitted their applications by the deadline, which was 28 October 2011.

Seventh Principle

Single Market – Help SMEs to benefit more from the opportunities offered by the Single Market

- During 2012, the Department of European Affairs and Technical Standardisation (DEATS) of SOSMT SR has implemented linking of the databases of the National Contact Point for Products with the additional information sources of SOSMT SR and EU database systems (e.g. ICSMS and IMI systems) and realised the gradual integration into the central portal of the public administration within the upcoming project concerning e-Government services. The objective of the measure will be a phased integration of database resources of the National Contact Point for Products with other upcoming information systems and electronic databases and improvement of the access to information for SMEs.

- In 2012, SOSMT SR and SUTN will continue to disseminate information through the on-line STS. The measure will thus contribute to competitiveness and facilitate the transition to technology and innovation literacy in schools, and easier orientation in European or worldwide accepted state of science and technology. The possibilities of expanded mediation of the access to the full wording of standards on the read-only basis through reading rooms at universities or BIC or Regional Advisory and Information Centres (RAIC) will be checked in relation to the possible realisation of projects of OPIS or within grants for science and research.
- During 2012, SOSMT SR will carry out an information campaign on the use of standards to gain markets – related to the seminars on the issue of CE marking, which will be intended primarily for SMEs by profession and sector. Thus SMEs may obtain better orientation in requirements for goods and services in the EEA market.
- Promotional activities of SUTN and SOSMT SR for SMEs, such as Coneco, Standardisation Forum, the World Standards Day, the International Engineering Fair, and the Promotional Activities in the Infocentre, aim to popularise participation in the standardisation process and the use of standards, and to promote the participation of SMEs in the process. Awareness of SMEs will create a more favourable position for this group of users in gaining the market.

Eighth Principle

Skills and Innovation – Promote upgrading of skills in SMEs and all forms of innovation

- In August 2011, the Slovak Research and Development Agency (SRDA) provided the Ministry of Education, Science, Research and Sports of the Slovak Republic with the draft programme Promoting Research and Development in Small and Medium Enterprises – II for 2012-2016 (VMSP – II), which has greatly contributed to the objective to support the development of capabilities of SMEs in research and innovation. If approved by the Government of the Slovak Republic, SRDA will implement the programme by announcing a tender.
- The application of Act No. 185/2009 Coll. on the Research and Development Incentives and on supplements to Act No. 595/2003 Coll. on Income Tax Act, as amended (hereinafter referred to as “Act No. 185/2009 Coll.”), the application of the provisions of Act No. 172/2005 Coll. on the Organisation of State Support for Research and Development and on supplements to Act No. 575/2001 Coll. on the Organisation of Activities of the Government and Central State Administration, as amended, can be considered the support of the development of capabilities of SMEs in research and innovation in 2012 by the implementation of the provisions concerning the VMSP activities, the possibilities provided by the use of the website www.vedatechnika.sk and within it the CIP RDI and the Datacentre operating in the Slovak Centre of Scientific and Technical Information (SCSTI).
- The application of Act No. 185/2009 Coll., following the implementation of the Commission Regulation (EC) No. 800/2008 can also be included in the support of measures to make national research programs accessible if they are beneficial even for SMEs from other Member States and assistance to SMEs to enter into transnational research activities in 2012. For the year 2012, the SK Roadmap is prepared in response to

the EU Roadmap and the European Strategy Forum on Research Infrastructures (ESFRI). The European Union Structural Funds – the Operational Programme Research and Development – can also be used.

- In the area of national projects a study of technology transfer in the Slovak Republic prepared within the National Infrastructure for Technology Transfer in Slovakia (NITT SK) is carried out, including the framework design to support the development of the National Technology Transfer System (NTTS) and a proposal for the establishment of the National Technology Transfer Centre (NTTC).

The most important tool for the support of the National Technology Transfer System (NTTS) should be the so-called National Patent Fund, through which charges related to the provision of intellectual property protection will be paid for the benefit of public research institutions (not eligible within NITT SK). These institutions must be provided the financial support even to ensure expert consulting services to ensure the protection of intellectual property (IP) (IP potential valuation, patent attorneys, patent search, translation, etc.) and in processes for technology commercialisation (marketing and marketing surveys, search for partners, negotiating licensing agreements, spin-off, etc.).

- Investigating the possibility of financing the implementation of training on technical skills with using technical standards in professional training (SOSMT SR):
Due to lack of funds it will be necessary to review the possibilities of developing a project /projects for implementation of trainings from EU funds.
- Participation of the Slovak Institute of Metrology (hereinafter referred to as “SMU”) in European research and development projects. According to the EU schedule, SMU actively participates in international research cooperation in the field of metrology within FP7 and the grant scheme European Metrology Research Programme (EMRP).
- Providing information in the SUTN Infocentre:
Ensuring the provision of complex information to the general engineering community in order to improve access to information on technical standards for SMEs and educational institutions.
- To help SMEs to enter into the national research activities in 2012, MESRS SR is preparing the SK Roadmap in response to the EU Roadmap and ESFRI EU.

Ninth Principle

Living Environment – Enable SMEs to turn environmental challenges into opportunities

- During 2011, draft Act No. 491/2005 Coll. on Environmental Verification and Registration of Organisations within the Scheme of the European Community for Environmental Management and Audit and on amendments and supplements to certain acts (hereinafter referred to as the “Act on Environmental Verification and Registration of Organisations in EMAS”) was prepared, in which the size category of organisations – the so-called micro organisations employing up to 9 persons – was introduced. Compared to the so-called small organisations with a staff of 10 to 49 people, for this size category fees for the first registration, renewal and revocation of suspension of the registration lower by 50% were designed in the scheme of the European Eco-Management and Audit Scheme

(EMAS). On 8 November 2011 the Legislative Council of the Government of the Slovak Republic halted the legislative process regarding the bill in question.

- Following the Act on Environmental Verification and Registration of Organisations in EMAS, the draft strategy is prepared to support and promote EMAS III in the Slovak Republic, which counts with the support of SMEs, including through cost reduction (Article 36 and 37 of Regulation (EC) No. 1221/2009 of the European Parliament and of the Council), depending on the type of the organisation and the method of approach to the implementation of the EMAS requirements, i.e. by grouping into clusters, or step by step. In the near future the prepared draft Act on Environmental Verification and Registration of Organisations in EMAS will be submitted for the legislative process.

The upcoming strategy of supporting and promoting EMAS will be able to evaluate the experience gained from the European Commission programme implemented in Slovakia in 2009 and 2010 – Capacity Building for EMAS in Central and Northern Europe, the so-called EMAS Easy for SMEs, as well as a programme aimed at promoting compliance with environmental legislation for SMEs, the so-called ECAP (The Environmental Compliance Assistance Programme for SMEs).

Tenth Principle

Internationalisation – Encourage and support SMEs to benefit from the growth of markets

- The sector of the Ministry of Economy of the Slovak Republic in cooperation with the Ministry of Foreign Affairs of the Slovak Republic is preparing a strategic material named the Export Promotion in Slovakia for 2011-2014, which is to set up a system of the State support for exports. In line with the pan-European strategies, the purpose of the export promotion is creating a stable pillar supporting an active foreign trade policy of the Slovak Republic focused particularly on the development of Slovak exports, promoting the competitiveness of Slovak companies in the international markets as well as trade and economic interests of Slovakia in the EU and preferred non-EU territories.

3. The development and status of SMEs in 2011

Small and medium-sized enterprises are the backbone of the Slovak economy, as in other countries with developed market economies. Systematic improvement of the business environment is an important prerequisite for the development of the business sector. With a certain time lag, changes in the business environment are also reflected in the quantitative characteristics of the sector of small and medium-sized enterprises, which, within the corporate economy, provides jobs for 72.2% of the active labour force and contributes by 55.6% to the value added production.

In order to improve the business environment for SME development, it is necessary to assess its position and monitor development. A deeper analysis of the SME sector in the context of time allows identifying existing trends, expecting future developments and preparing measures to ensure the optimal development. This chapter presents the quantitative characteristics of the SME sector in 2011 in the context of its development over the past few years and comparison of the available data on the business sector in Slovakia and the EU.

The categorisation of companies by their size used in this chapter is in line with Commission Recommendation No. 2003/361/EC applicable from 1 January 2005. The category of SMEs consists of the enterprises with less than 250 employees. The category of large enterprises includes enterprises employing 250 or more persons. Within the SME category there are distinguished micro enterprises (0 to 9 employees), small enterprises (10 to 49 employees) and medium-sized enterprises (50 to 249 employees). In cases which do not distinguish the category of micro enterprises, small businesses include all enterprises employing 0 to 49 persons. In addition to the number of workers, also other criteria related to the turnover, asset value and ownership structure apply to the business categorisation under the above Directive. With the exception of Subchapter 3.10 Selected Indicators of Financial Performance of SMEs (criteria applied – the number of employees and turnover), the following subchapters state the number of employees as the sole criterion for inclusion of the company in the category of SMEs. This categorisation allows comparison of the state of SMEs in the Slovak Republic with the state of the business sector in the European Union.

The organisational structure of small and medium-sized businesses comprising the number of businesses, industry classification, gender and age composition and dynamics of development is described in detail in Subchapters 3.1 through 3.4 and the next part (Subchapters 3.5 and 3.6) is devoted to the impact of SMEs on employment and comparison of indicators of the SMEs organisational structure and employment with the EU level.

Economic characteristics of SMEs are presented in the following subchapters. Subchapters 3.7 and Subchapter 3.8 deal with the position of SMEs in the basic economic indicators (gross output, added value, and profit before tax) as well as in the most significant sectors. Subchapter 3.9 focuses on the area of foreign trade, and the newly included Subchapter 3.10 is devoted to the evaluation of selected indicators of financial performance of SMEs: positive operating result, return on revenues, total indebtedness and maturity of liabilities.

Regional aspects of development of SMEs in terms of regions of Slovakia are analysed in the next Subchapter 3.11.

An important part of monitoring of the business environment is the quantitative surveys conducted on a representative sample of businesses, which are described in Subchapter 3.12. In 2011, or at the turn of 2011 and 2012, NADSME carried out the following surveys:

- *A survey of views of SMEs on the quality of the business environment in particular towns in the Slovak Republic;*
- *A survey of business activity in the Slovak Republic – Global Entrepreneurship Monitor (GEM).*

The second part of the subchapter presents surveys, which were carried out by the European Commission and Eurostat:

- *The opinion of SMEs on eco-innovation;*
- *The access of SMEs to finance.*

The report presents only the key/selected survey results, details of which are given in the reports of various surveys published on the NADSME website (see links below).

Subchapter 3.12 provides basic information on the analytical studies conducted by NADSME in 2011. Overall, two studies on the issue of family business and law enforcement in business relations were prepared. The report presents only the key/selected findings, details are given in the documents – outputs published on the NADSME website (see links below). Recommendations arising from the analyses are given in Chapter 4.

Assessment of the state of the sector of small and medium enterprises referred to in that chapter is based on processing of data in the statistical Register of Organisations and information published by the Statistical Office of the Slovak Republic (SO SR). In order to assess the position of SMEs in employment and foreign trade, SO SR prepared special outputs for the needs of NADSME. Selected financial performance indicators were processed on the basis of the financial statements of SMEs, which NADSME has available from the DataCentre resources. The data resource for EU countries is Eurostat. Graphical data, which are referred to in the following subchapters, are listed in Annex hereto.

3.1 Natural persons

In 2011, according to the SO SR data, in Slovakia a decline in the number of natural persons – entrepreneurs was registered by 1.9% year on year, while at the end of 2011 its register contained a total of 402,325 natural persons – entrepreneurs. The year-on-year decline in the number of natural persons – entrepreneurs has been recorded every year since 2009. In 2011, of the total number of natural persons – entrepreneurs, 375,722 were small trade licensees, 19,069 were persons doing business in liberal professions (entrepreneurs – freelancers) and 7,534 independent farmers (Chart 1 and Chart 2). The year-on-year decrease was mainly affected due to the reduction of the total number of small trade licensees by 8,480 (2.2%) and independent farmers by 194 (2.5%). The number of entrepreneurs – freelancers has increased by 691 (3.8%) year on year. Of the total number of natural persons – entrepreneurs (402,325) by the number of employees, 99% was included in the category of micro enterprises (0-9 employees, including businesses with an unknown number of employees) and 1% in the category of small enterprises (10-49).

Compared with 2010, there was a decrease in the proportion of small trade licensees in trade (by 0.4 p.p.) and in industry (by 0.1 p.p.). In services (SK NACE, Section H through S), the proportion of small trade licensees increased by 0.5 p.p. year on year and in agriculture (SK NACE, Section A – Agriculture, forestry, fishing) it remained unchanged. Even the share

of small trade licensees in the construction industry remained unchanged. The relatively stable sector structure of self-employed is shown in Chart 3.

Looking at the detailed structure of individual industries, the most important sectors according to SK NACE classification are trade with 101,502 (27.0%) small trade licensees, construction with 86,384 (23.0%) small trade licensees, industry with 61,110 (16.3%) small trade licensees and business services (SK NACE, Section K to N) with 50,670 (13.5%) small trade licensees. 24,926 (6.6%) small trade licensees operate in the transport and information sector, 23,674 (6.3%) small trade licensees in other services (SK NACE, Section O and S), 14,495 (3.9%) small trade licensees in accommodation and food services and 12,961 (3.4%) small trade licensees in agriculture (SK NACE, Section A) (Chart 4).

The number of small trade licensees decreased mostly in trade (by 3,799), industry (by 1,939), and construction (1,876) and hotels and restaurants (by 510). A slight increase in the number of small trade licensees was observed only in the transport and information sector (by 55) and agriculture (by 24). The year-on-year changes in numbers of small trade licensees by sector are shown in Chart 10.

Of the total number of self-employed in the category entrepreneurs – freelancers (19,069), according to the SK NACE classification 32.9% operated in ancillary activities in insurance industry and in old age pension scheme, 26.5% in medical and dental practice activities, 22.0% in legal services, 6.5% in the architectural and engineering activities, 4.3% in veterinary activities and 7.8% in other activities.

One of the indicators that can describe the level of development of the knowledge economy is also the structure of business entities according to the technological level of industries and knowledge intensity of services defined in accordance with SK NACE classification. At the end of 2011, of the total number of the small trade licensees in the manufacturing sector (60,481), a total of 6.3% (year-on-year decrease by 0.3 p.p.) were registered in the sectors of manufacturing at medium-high and high technological level (economic activities with intermediate and high intensity of research and development), 55.2% (growth by 0.8 p.p.) of small trade licensees in sectors with medium-low technological level and 38.6% (decrease by 0.5 p.p.) of small trade licensees in sectors with low technological level (Chart 5). Of the total number of small trade licensees in the service sector (215,267; SK NACE, Section G and S collectively involving trade and services), 26.2% (the year-on-year growth by 0.4 p.p.) were operating in knowledge intensive services that are crucially based on the use of knowledge or skills in a particular discipline and 73.8% in knowledge undemanding services (Chart 6).⁵

According to the Statistical Office of the Slovak Republic, in 2011 most small trade licensees were operating in the Žilina Region (58,612), the Bratislava Region (56,581), and the Prešov Region (55,132). In the Nitra Region there were 46,120 small trade licensees, in the Trenčín Region 42,153, in the Trnava Region 40,222, in the Banská Bystrica Region 39,656, and in the Košice Region 37,246. In terms of districts, most small trade licensees were in the districts of Žilina (14,028), Nitra (11,975), Bratislava V (11,365), Prešov (10,803), Dunajská Streda (10,233) and Bratislava II (10,070). The smallest number of small trade

⁵ Definition of sectors according to the technological level and knowledge intensity of services is shown in the following link:
http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/Annexes/htec_esms_an3.pdf

licensees was in the districts of Medzilaborce (616), Sobrance (855) and Poltár (980). The development of the number of small trade licensees is shown in Chart 13.

Of the total number of independent farmers, 1,451 were registered in the Nitra Region, 1,342 in the Banská Bystrica Region, 1,091 in the Košice Region, 1,030 in the Prešov Region, 1,011 in the Žilina Region, 876 in the Trnava Region, 466 in the Bratislava Region and 267 in the Trenčín Region.

4,006 entrepreneurs – freelancers were registered in the Bratislava Region, 2,777 in the Košice Region, 2,382 in the Prešov Region, 2,365 in the Nitra Region, 2,163 in the Banská Bystrica Region, 1,919 in the Žilina Region, 1,818 in the Trenčín Region and 1,639 in the Trnava Region.

3.2 Gender and age composition of natural persons

Gender composition of natural persons

Of the total number of natural persons – entrepreneurs registered in the Register of Organisations of SO SR as at the end of 2011, 72.3% were men and 27.7% women. Resulting from a year-on-year comparison, the number of women has increased by 0.2 percentage points. Compared to 2007, their share fell by 0.4 percentage points. In 2011, in terms of legal forms, women – entrepreneurs were largely represented in entrepreneurs – freelancers (53.5%). Significantly lower representation was reported among small trade licensees (26.5%) and independent farmers (24.9%).

Figure 3.1: Gender composition of natural persons – entrepreneurs by legal form

Gender/legal form	Small trade licensees	Independent farmers	Entrepreneurs – freelancers	Natural persons - entrepreneurs totally
man	73.5%	75.1%	46.5%	72.3%
woman	26.5%	24.9%	53.5%	27.7%

Source: Register of Organisations of SO SR, prepared by NADSME

In particular sectors, small trade licensees women reached the highest proportion in the sector (by SK NACE) of other services (61.2%), business services (49.6%), accommodation and food (39.6%) and trade (38.9%). Conversely, small trade licensees women had the smallest representation in the construction industry (1.8%), agriculture (10.8%), industry (13.5%) and transportation and information (13.6%). The gender composition of small trade licensees by sector is shown in Chart 29.

More than average representation had women in entrepreneurs – freelancers in the area of ancillary activities in insurance and pension funding⁶ (65.2%) and outpatient, dental and medical operations (62.5%). 42.1% of women were doing business in the field of legal activities, 23.2% in veterinary activities and 19.3% in architectural and engineering activities.

Small trade licensees women had more than average representation in the Bratislava Region (33.1%), the Košice Region (30.6%) and the Banská Bystrica Region (29.1%). In

⁶ (according to SK NACE)

other regions, self-employed women reached the proportion from 22.1% (the Žilina Region) to 26.2% (the Nitra Region). The gender composition of small trade licensees in the Slovak Republic by region is shown in Chart 30.

In terms of assessment of economic activity carried out by self-employed men and women in particular regions, Chart 31 shows the share of the number of active natural persons in the total number of economically active populations by gender and region.

The age structure of natural persons

According to the Register of Organisations of the Statistical Office of the Slovak Republic, the largest group consists of natural persons – entrepreneurs in the age from 30 to 39 years (28.6%), followed by the category in the age from 40 to 49 years (27.0%), in the age from 50 to 59 (22.5%) and in the age of less than 30 years (14.7%). In the category of aged 60 and over, 7.2% of entrepreneurs were active. The age structure of natural persons – entrepreneurs presenting the image of the age structure of entrepreneurs by legal form is listed in Figure 3.2. Graphical representation of the age structure of natural persons – entrepreneurs is shown in Chart 32.

In terms of particular legal forms, the most significant representation of the higher age categories is evident in the group of independent farmers and entrepreneurs – freelancers (the persons in the age of 50 and over accounted for 67.3% in case of independent farmers and 47.4% in entrepreneurs – freelancers). For small trade licensees, the proportion reached 28.1%. Conversely, persons in the age of less than 30 years were mostly represented in the group of the small trade licensees (15.2%); independent farmers only 3.1% and the entrepreneurs – freelancers 10.9%.

Figure 3.2: The age structure of natural persons – entrepreneurs by legal form

Age/legal form	Small trade licensees	Independent farmers	Entrepreneurs – freelancers	Natural persons – entrepreneurs totally
less than 30	15.2%	3.1%	10.9%	14.7%
30 to 39	29.3%	11.5%	20.9%	28.6%
40 to 49	27.4%	18.1%	20.8%	27.0%
50 to 59	22.2%	25.6%	27.9%	22.5%
60 to 69	5.1%	18.4%	15.9%	5.9%
70 to 79	0.7%	11.8%	3.2%	1.0%
over 80	0.1%	11.4%	0.4%	0.3%

Source: Register of Organisations of SO SR, prepared by NADSME

The age structure of natural persons – entrepreneurs by gender indicated in Chart 33 shows a greater concentration of men in the younger age groups – 39 or less, and conversely, a greater concentration of women in the age of 40 and over.

Quite a significant percentage of the group of active natural persons – entrepreneurs in the age of 50 and over (29.7%) will require increased attention because of the imminent retirement age of those entrepreneurs. In terms of legal forms, the most significant representation of the persons in the age of 50 and over is in independent farmers (67.3%) and in entrepreneurs – freelancers (47.4%).

3.3 Legal entities – enterprises

At the end of December 2011, the Register of Organisations of SO SR recorded 210,087 legal persons, of which 153,881 were enterprises and 56,206 non-profit institutions. In the year-on-year comparison, the total number of legal entities increased by 6.6%. Compared to 2010, the total number of enterprises increased by 10,880 (7.6%). In 2011, the number of SMEs – legal entities increased by 7.6% year on year to 153,283.

The crucial part of all businesses (153,881) was micro enterprises (including enterprises with an unknown number of employees), which accounted for 88.8%. Small businesses accounted for 9.0%, medium-sized businesses for 1.8% and large enterprises for 0.4%. Small and medium-sized enterprises accounted for 99.6% of the total number of businesses – legal entities. The number of registered micro enterprises employing up to 9 persons (including those with an unknown number of employees) increased by 6,528 year on year to 136,672, the number of small businesses with a staff of 10 to 49 employees by 4,301 to 13,850, the number of medium-sized companies with a staff of 50 to 249 employees by 37 to 2,761 and the number of large enterprises with more than 250 employees by 14 to 598. Overall, the number of small and medium-sized enterprises – legal entities has increased by 10,866 (7.6%) year on year to 153,283.

The development of small and medium-sized enterprise is shown in Chart 7. Changes in the particular size groups in the years 2002 to 2011 are shown in Chart 8. In 2011, we observed the year-on-year decline in the share of micro enterprises (0-9) by 2.2 p.p., the increase in the share of small enterprises (10-49) by 2.3 p.p. and the decline in the share of medium-sized enterprises by 0.1 percentage points.

According to SK NACE classification, the most of small and medium-sized enterprises – legal entities were active in trade (46,694), business services (SK NACE, Section K to N – 46,596), industry (14,554), transportation and information services (12,727) and construction (12,478). 9,592 enterprises were active in other services (SK NACE, Section O to S), 5,203 in agriculture and 5,439 in accommodation and food services. Compared to 2010, the number of small and medium-sized enterprises in business services increased by 4,809, in trade by 1,766, in transport and the information services by 1,239, in construction by 1,044, in other services by 886, in industry by 546, in hotels and restaurants by 420 and in agriculture by 156. The sectoral structure of small and medium-sized enterprises is presented in Chart 9. The year-on-year changes in the number of SMEs – legal entities (SME-LE) by sector are shown in Chart 10.

According to the technological level of manufacturing industry in 2011, of the total number of SME-LE registered in the manufacturing sector (13,276), 2.9% were in the production of high-technology (economic activities with high research and development intensity), 13.9% in sectors in the medium-high technological level, 40.5% (growth by 0.3 p.p.) in sectors with medium-low technological level and 42.7% (decline by 0.3 p.p.) in sectors with low technological level (Chart 11). Of the total number of SME-LE in the service sector (121,048; SK NACE, Section G to S collectively involving trade and services), 34.8 % of SME-LE (the year-on-year growth by 0.8 p.p.) were operating in knowledge intensive services that are crucially based on the use of knowledge or skills in a particular discipline and 65.2% of SME-LE in knowledge undemanding services, which was by 0.8 p.p. less than in 2010 (Chart 12).

In the preceding year, in terms of legal forms, most of the total number of SMEs – legal entities (LE) were limited liability companies (90.1%) and joint stock companies (3.5%).

Of the total number of small and medium-sized enterprises (LE) in 2011, 79.5% were enterprises in the private domestic ownership, 14.1% foreign-owned, 4.8% in the international private ownership, and 1.0% in cooperative ownership.

Of the total number of small and medium-sized enterprises (legal entities) in 2011, 54,203 were active in the Bratislava Region, 15,843 in the Košice Region, 15,395 in the Nitra Region, 13,993 in the Žilina Region, 14,136 in the Prešov Region, 14,153 in the Trnava Region, 13,233 in the Banská Bystrica Region and 12,327 in the Trenčín Region. The development of SME-LE by region is shown in Chart 14.

3.4 The dynamics of development of legal entities and natural persons – entrepreneurs

The dynamics of development drawn up according to the methodology of business demography

SO SR publishes data on the number of incurred and defunct economic entities since 2007, according to the common methodology of OECD and Eurostat for Business Demography, upon which the newly established entities are defined as legal entities and natural persons – entrepreneurs, which had, in the respective year, revenues or two employees, while in the two preceding years they had neither revenues nor employees. Defunct entities are defined as legal entities and natural persons – entrepreneurs that were active in the given year, but in the next two years they had neither revenues nor employees. Legal entities other than enterprises also include data for non-profit institutions (according to data from the Register of Organisations of SO SR, non-profit organisations accounted for 9% of the total number of legal entities and natural persons – entrepreneurs).

The most recent data on the newly established entities according to the business demography methodology are published for the year 2009. According to the above methodology, in 2009, SO SR recorded a total of 63,743 newly established subjects (legal entities and natural persons – entrepreneurs).

Figure 3.3: The emergence of legal entities and natural persons – entrepreneurs in Slovakia by size category according to the number of employees and economic activity

Size category	2006	2007	Size category	2008	2009
0 to 4	47,097	46,473	0 to 4	54,963	62,663
5 to 9	570	1,949	5 – 9	1,465	656
over 10	358	1,436	over 10	1,146	424
Total number	48,025	49,858	Total number	57,574	63,743
Economic activity (Classification of Economic Activities – OKEČ)			Economic activity (SK NACE)		
C to E Industry	10,567	11,130	B to E Industry	10,409	8,433
F Construction	8,338	8,840	F Construction	11,949	12,073
G Trade	15,603	13,995	G Trade	14,429	18,040
H Hotels and restaurants	1,014	1,488	H Transportation and storage	1,768	2,162
I Transportation, posts, telecommunications	1,434	1,657	I Accommodation and food services	1,853	2,389
J Financial intermediation	1,033	597	J Information and communications	2,022	2,453
K Real estate, renting, business activities	6,829	7,511	K to L Financial activities, real estate	3,019	2,799
M Education	480	493	M Professional, scientific and technical activities	6,020	7,880
N Health care and social work	1,091	1,037	N Administrative and support services	2,178	3,061
O Other community, social and personal services	1,636	3,110	P to S Education, health care, entertainment, others	3,927	4,453
Selected sectors totally	48,025	49,858	Selected sectors totally	57,574	63,743

Source: SO SR, prepared by NADSME

Of the total number of the newly established entities, 98.3% were included in the size group having 0 to 4 employees. Compared to 2008, the total number of newly established entities increased by 6,169. In terms of sectoral structure (according to the Statistical Classification of Economic Activities – SK NACE), in 2009 most subjects were established in trade (18,040), construction (12,073), manufacturing (8,433), and professional, scientific and technical activities (7,880).

Based on Eurostat data, according to the methodology for business demography in selected sectors (SK NACE, Sections B to N) the share of newly established entities in the total number of active entities in Slovakia reached 16.3% in 2009. Compared to 2008, the proportion of newly established entities increased by 0.8 percentage points. Within particular sectors, this indicator reached the values of 13.5% to 24.7%, while the highest values were reached in the real estate activities (24.7%), administrative and support services (23.1%) and information activities and communications (20.9%). Conversely, that index reached the lowest values in industrial production (13%), financial and insurance activities (13.9%) and transport and storage (14.2%). The proportion of newly established subjects in selected sectors and EU countries is presented in Chart 34.

The most recent data on defunct entities are published for the year 2008, and they represent preliminary data that will subsequently be put more precisely by SO SR. According to preliminary data resulting from the above methodology, during 2008 totally 56,053 entities (legal and natural persons – entrepreneurs) were dissolved. Of the total number of the defunct entities, 95.8 % were included in the size group having 0 to 4 employees. In terms of sectoral structure (according to the Statistical Classification of Economic Activities – SK NACE), in

2008 most subjects were dissolved in trade (15,504), construction (10,930), manufacturing (9,892) and professional, scientific and technical activities (5,621).

Figure 3.4: Dissolutions of legal entities and natural persons – entrepreneurs in Slovakia by size category according to the number of employees and economic activity

Dissolutions of enterprises in Slovakia	2005	2006	2007	Dissolutions of enterprises in Slovakia	2008
Size category				Size category	
0 to 4	33,603	39,857	48,150	0 to 4	53,671
5 to 9	1,136	625	3,369	5 to 9	1,205
over 10	1,151	582	2,333	over 10	1,177
Enterprises totally	35,890	41,064	53,852	Enterprises totally	56,053
Economic activity (OKEČ)				Economic activity (SK NACE)	
C to E Industry	5,213	6,556	8,523	B to E Industry	9,892
F Construction	5,170	5,712	6,980	F Construction	10,930
G Trade	12,667	15,731	19,385	G Trade	15,504
H Hotels and restaurants	1,662	1,688	2,709	H Transport and storage	1,776
I Transport, posts, telecommunications	1,487	1,480	2,051	I Accommodation and food services	1,833
J Financial intermediation	152	417	516	J Information and communications	1,626
K Real estate, renting, business activities	6,216	6,375	7,606	K to L Financial activities, real estate	2,743
M Education	482	538	532	M Professional, scientific and technical activities	5,621
N Health care and social work	546	646	1,203	N Administrative and support services	1,801
O Other community, social and personal services	2,295	1,921	4,347	P to S Education, health care, entertainment, others	4,327
Selected sectors totally	35,890	41,064	53,852	Selected sectors totally	56,053

Source: SO SR, prepared by NADSME

According to preliminary data from Eurostat, the share of defunct entities in the total number of active entities according to the methodology of the business demography in selected sectors (SK NACE, Sections B to N) in Slovakia reached 15.0% in 2008 and compared with 2007 it increased by 0.9 percentage points. Within particular sectors, this indicator reached the values from 6.6% to 24.2%, and the highest values were reached in real estate activities (24.2%), financial and insurance activities (17.7%) and in manufacturing (15.9%). On the contrary, the lowest values were reached in the electricity, gas and water supply (6.6%), mining and quarrying (8%) and accommodation and food services (12.2%). According to preliminary data, the proportion of defunct subjects in selected sectors and EU countries is presented in Chart 36.

Of the total number of newly established entities in Slovakia in selected sectors, according to Eurostat data, 74.9% of entities were active after the first year of their establishment. In Slovakia, 44.4% of entities are active after the fifth year of their establishment. The proportion of entities active two years after their establishment in selected sectors and EU countries is shown in Chart 35. According to the data presented, Slovakia is among the countries with above-average proportion of established and defunct subjects as well as among the countries with the lowest survival rate of newly established entities after the second year of their establishment.

Figure 3.5: The proportion of active entities in each year since their establishment (the so-called survival rate) in selected sectors in Slovakia in 2009 (in %)

Sector (according to SK NACE Rev 2)	1 st year	2 nd year	3 rd year	4 th year	5 th year
Industry	74.7	56.2	52.1	50.3	47.3
Construction	73.7	57.0	52.4	49.9	57.7
Services (including trade)	75.5	48.2	49.5	46.6	43.1
Selected sectors totally	74.9	51.8	50.6	47.8	44.4

Source: Eurostat, Business Demography Statistics, prepared by NADSME

In the first year of their establishment, newly formed entities in Slovakia in selected sectors achieve 11.1% of the total number of active subjects. After the fifth year of their establishment, newly formed entities account for 3.5 % of the total number of active subjects.

Figure 3.6: The proportion of newly established entities in the total number of active entities in each year after their establishment in selected sectors in Slovakia in 2009 (in %)

Sector (according to SK NACE Rev 2)	1 st year	2 nd year	3 rd year	4 th year	5 th year
Industry	12.6	8.8	7.5	5.4	2.9
Construction	12.2	7.4	6.5	6.3	3.0
Services (including trade)	10.3	5.5	5.8	5.6	3.9
Selected sectors totally	11.1	6.4	6.2	5.7	3.5

Source: Eurostat, Business Demography Statistics, prepared by NADSME

Development of the number of SMEs based on data from the Register of Organisations of SO SR

Of the total number of small and medium-sized enterprises (555,608) recorded in the Register of Organisations of SO SR at the end of December 2011, 44,393 SMEs were newly established during 2011 (based on the date of their establishment). According to particular legal forms of the newly established SMEs, 5,663 were enterprises, 37,383 small trade licensees, 1,134 entrepreneurs – freelancers and 213 independent farmers. Of the total number of the newly established SME-LE (5,663), 2,182 started doing business in commercial services, 1,459 in trade, 500 in construction, 492 in transport and information, 425 in other services, 329 in industry, 170 in accommodation and food services, and 106 in agriculture. In terms of the sector of operation, 9,953 small trade licensees started doing business in the construction sector, 7,993 in trade, 5,737 in industry, 5,591 in business services, 2,830 in transport and information, 2,428 in other services, 1,685 in agriculture, and 1,166 in accommodation and food services.

Figure 3.7: Development of newly established SMEs by legal form based on data from the Register of Organisations of SO SR (drawn up according to the date of their establishment)

Legal form of SMEs	2007	2008	2009	2010	2011
SME-LE (legal entities)	6,333	9,592	5,942	6,656	5,663
Small trade licensees	37,704	41,355	32,508	34,937	37,383
Independent farmers	299	243	215	185	213
Entrepreneurs – freelancers	1,500	1,082	1,074	921	1,134
SMEs totally	45,836	52,272	39,739	42,699	44,393

Source: Register of Organisations of SO SR, prepared by NADSME

3.5 Proportion of SMEs in employment

According to quarterly corporate reporting processed by SO SR, the average number of persons employed in the national economy of the Slovak Republic in 2011 was 2,192,500. Compared to 2010, employment increased by 1.9% (40.6 thousand persons). The year-on-year growth in the number of employed persons was recorded in all quarters, but at the end of 2011 the growth rate gradually reduced.

The highest year-on-year percentage increase in the employment rate was recorded in the information and communication activities by 12.2% (by 5.8 thousand persons), in professional, scientific and technical activities by 10.0% (7.9 thousand employees), in administrative and support services by 8.3% (8.2 thousand persons), in arts, entertainment and recreation by 5.2% (2.1 thousand employees), and in industry by 4.3% (by 20.7 thousand persons). Conversely, according to quarterly corporate reporting the employment rate fell year on year in public administration, defence and compulsory social security by 4.2% (6.2 thousand employees), in construction by 3.6% (6.5 thousand employees), in wholesale, retail trade, repair of motor vehicles and motorcycles by 0.5% (2.0 thousand persons) and in education by 0.4% (0.7 thousand employees).

Of the total number of persons employed in the national economy of the Slovak Republic (2,192,500), (according to a quarterly corporate reporting) 1,809.1 thousand persons were engaged in the profit-oriented corporate sector. Compared to 2010, the employment rate in the profit-oriented corporate sector grew by 2.6% (by 45.9 thousand employees) year on year. In the category of small and medium-sized enterprises, including natural persons – entrepreneurs, the employment rate grew by 2.6% year on year (decrease by 0.5% in 2010). The employment rate grew year on year in the category natural persons – entrepreneurs by 0.4%, small businesses by 6.6% and medium-sized enterprises by 2.5%. The average number of persons employed in large enterprises increased by 2.7% year on year (decrease by 3.2% in 2010).

The position of small and medium-sized enterprises in the field of employment since 2006 is shown in Chart 16. In 2006, small and medium-sized businesses, including small trade licensees, provided jobs to 71.5% of the populations employed in the business sector, and by 2011 that share increased by 0.7 p.p. to the level of 72.2%. In terms of size categories and legal forms, of the total employment rate in the business sector in 2011 natural persons – entrepreneurs (individuals – entrepreneurs and their employees) accounted for 35.9%, small businesses 21.3% (micro enterprises – 7.7%), medium-sized businesses 15.0% and large enterprises 27.8%. In 2011, small and medium enterprises accounted for 72.2% (the same as in 2010) of jobs in the business economy and 59.6% of total jobs in the national economy of the Slovak Republic (according to quarterly corporate reporting of SO SR).

Chart 18 shows the overall structure of jobs in the business economy in 2011 by size category of enterprises, including natural persons – entrepreneurs. Micro enterprises accounted for 39.6% of the employment rate, small business 17.1%, medium-sized businesses 15.6%, and large enterprises accounted for 27.8% of jobs in the business economy. Of the total number of natural persons – entrepreneurs and persons employed by them (650,000), 88.6% were included in the category of micro enterprises (0-9), 9.9% in the category of small enterprises (10-49) and 1.4% in the category of medium-sized enterprises (50-249).

According to quarterly statistical reporting in 2011, individual regions of Slovakia participated in the total jobs in a range from 10.1% (the Banská Bystrica Region) to 20.1% (the Bratislava Region). The number of employees increased year on year in all regions of Slovakia. The largest year-on-year increase in the employment rate was recorded in the Trenčín Region (by 4.9%), followed by the Žilina Region by 3.9%, the Prešov Region by 3.4%, the Košice Region by 2.1%, the Bratislava Region by 0.8%, the Trnava Region by 0.7%, the Nitra Region by 0.2% and the Banská Bystrica Region by 0.1%.

The total year-on-year growth of jobs in 2011 had obviously a positive impact on the development of unemployment. According to the Labour Force Survey, in 2011 the average number of unemployed dropped by 5.4%, while the total number of unemployed reached 367.9 thousand persons. The unemployment rate fell by 0.9 p.p. year on year to the level of 13.5%. Data from the quarterly corporate reporting indicate that the impact of employment growth in the category of small and medium-sized enterprises (growth by 32.9 thousand employees) on the decrease of the number of unemployed people was more important than for large enterprises where the number of employed persons increased by 13.0 thousand persons year on year.

3.6 Comparison of size structure and employment of SME with available resources of EU

Size structure of the business sector in Slovakia is largely similar to the size structure of enterprises of the other EU Member States. To compare the structure of the business sector and its share in the employment rate in the Slovak Republic and the 27 EU member countries in terms of size categories, data published by Eurostat and SO SR were used. The data presented show some methodological differences to be taken into account in mutual comparison.

Data for the EU-27 are compiled by Eurostat methodology for *Structural Business Statistics* and cover the sectors of the non-financial business economy. The data for the EU-27 in the case of Slovakia, in contrast to the other countries, have included data only for legal entities – enterprises. The statistics also show that of the total number of almost 21 million businesses in the non-financial business economy in the EU countries, SMEs account for 99.8% (with a strong representation of micro enterprises – 92%) and contribute to jobs by 66.7%.

The number of businesses in Slovakia (enterprises – legal entities and natural persons – entrepreneurs) in the figure below represents the whole economy of the Slovak Republic and the data source is the Register of Organisations of SO SR. In case of the employment rate, data presented represent the average number of persons employed in the corporate profit-oriented economy according to the results of the quarterly corporate reporting of SO SR. According to those data, SMEs in the Slovak Republic represent (including natural persons – entrepreneurs) 99.9% of the total number of businesses (micro enterprises account for 96.1%) and participate in jobs in the business economy by 72.2%.

Based on the data presented in Figure 3.8, it can be concluded that in the Slovak business sector the micro enterprises represent more significant proportion than in the other EU countries. In Slovakia, micro enterprises reach 96.1% of the total number of businesses, which

is by 3.9 p.p. more than in the EU countries and contribute to jobs in the business economy by 39.6%, which is by 10.6 p.p. more than in the EU countries.

Figure 3.8: The size structure of the business sector in the Slovak Republic and EU

		Size of the enterprise					Total
		Micro	Small	Medium	Large	SMEs	
		(0-9)	(10-49)	(50-249)	(250+)		
EU-27 (2009/ 2008)	Number of businesses in non-financial business economy, 2009 (in thousands)	19,169	1,351	229	42	20,750	20,791
	Share in the number of businesses	92.2%	6.5%	1.1%	0.2%	99.8%	100.0%
	Number of persons employed in non-financial business economy, 2008 (in thousands)	39,325	27,856	23,410	45,185	90,591	135,776
	Share in the employment rate	29.0%	20.5%	17.2%	33.3%	66.7%	100.0%
Slovakia (2011)	Number of businesses	534,766	17,968	2,874	598	555,608	556,206
	Share in the number of businesses	96.1%	3.2%	0.5%	0.1%	99.9%	100.0%
	Number of persons employed in the business economy	716,172	309,111	281,475	502,325	1,306,758	1,809,083
	Share in the employment rate	39.6%	17.1%	15.6%	27.8%	72.2%	100.0%

Source: Data for the Slovak Republic: SO SR, recalculated by NADSME

Data for the EU-27: Eurostat, Structural Business Statistics

3.7 The position of SMEs in basic economic indicators

According to preliminary data from the Statistical Office of the Slovak Republic, in 2011 gross domestic product at current prices in the amount of EUR 69,058.2 million was created, in the year-on-year growth by 3.3% (in 2010 it grew by 4.2%).

The reduced rate of GDP growth in 2011 was influenced by foreign and domestic demand. In 2011, the foreign demand recorded a year-on-year growth of 10.8% and domestic demand declined by 1.5%. The decline in the domestic demand was associated with a decrease in gross capital formation by 2.7% (and the growth in gross fixed capital formation was 5.7%), with the decline in the public administration final consumption by 3.5% and the household final consumption by 0.4%.

According to preliminary data from SO SR, the share of small and medium-sized enterprises (legal entities – non-financial corporations) in basic economic indicators in the non-financial corporate sector declined slightly. The share of SMEs in gross production in the non-financial corporate sector decreased by 0.5 p.p. to 42.4% year on year, in the added value by 0.4 p.p. to 55.6% and the share of profit before tax declined by 1.2 p.p. to 52.3%.

The share of SME-LE in gross production in the non-financial corporate sector reached 42.4%. The share of micro enterprises (0-9) in gross production amounted to 8.9% (fall by 0.8 p.p.), the share of small enterprises reached 14.2% (growth by 1.4 p.p.); the share of medium-sized enterprises was 19.3% (decrease by 1.0 p.p.) and large enterprises 57.6% (growth by 0.5 p.p.) (Chart 25). At current prices, gross production of SMEs – legal entities in the non-financial sector grew by 8.4% and reached EUR 47,843 million. Gross production of micro enterprises increased by 0.8% to EUR 10,030.3 million, year on year, in case of small enterprises by 21.2% to EUR 15,982.8 million and medium-sized enterprises by 4.0% and

reached EUR 21,829.6 million. Gross production of large enterprises in the non-financial sector has increased by 10.5% to EUR 65,063.8 million, year on year.

In 2011, the share of SME-LE in creating added value in the non-corporate sector reached 55.6%, and the share of micro enterprises (0-9) in added value accounted for 15.1% (fall by 1.7 p.p.), the share of small enterprises reached 19.4 % (growth by 2 p.p.), the share of medium-sized enterprises was 21.1% (decrease by 0.7 p.p.) and large enterprises 44.4% (growth by 0.4 p.p.) (Chart 26). Added value in SME-LE in the non-financial sector grew at current prices year on year by 3.5% year on year and reached EUR 18,009 million. Added value of micro enterprises increased by 6.5% to EUR 4,887.9 million, added value of small enterprises was higher by 16.0% year on year (EUR 6,293.8 million) and medium-sized enterprises by 1.1% and reached EUR 6,827.4 million. Added value in large enterprises in the non-financial sector increased by 5.4% year on year to EUR 14,368.9 million.

The share of SME-LE in profit before tax in the non-financial sector reached 52.3%. The share of micro enterprises accounted for 19.2% (growth by 0.6 p.p.), small enterprises 19.2% (growth by 0.6 p.p.), medium-sized enterprises 13.9% (fall by 2.3 p.p.) and large enterprises 47.7% (growth by 1.2 p.p.) (Chart 27). The year-on-year increase in profit of SMEs – legal entities in the non-financial corporate sector was 9.8% and reached EUR 5,038 million. Profit of micro enterprises before tax increased year on year by 15.8% to EUR 1,854 million, in case of small enterprises by 15.6% to EUR 1,847 million and profit of medium-sized enterprises decreased by 3.9% to EUR 1,337 million. Profit before tax for large enterprises in the non-financial sector increased by 15.0% year on year to EUR 4,601 million. According to the SO SR methodology, non-financial corporations are considered to be profit-oriented enterprises registered in the Commercial Register in all areas of activity, except for financial activities. They also include contributory organisation covering their expenses by more than 50% of revenues.

The share of SMEs in gross output, added value, profit before tax, jobs, and exports and imports are shown in Chart 28.

3.8 The position of SMEs in most important sectors

In 2011, SO SR estimated gross domestic product at current prices in the amount of EUR 69,058.2 million. In comparison with 2010, real domestic product increased by 3.3% (by 0.9 p.p. less than in 2010). In 2011, gross production grew year on year by 5.1% to EUR 163,739.4 million, intermediate consumption increased by 6.4% to EUR 101,147.4 million and added value by 3% to EUR 62,592.0 million. Net taxes on products have increased by 6.4% to EUR 6,466.2 million.

At current prices, industry accounted for more than 29.5%, wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services 16.4%, public administration and defence, compulsory social security, education, health care and social assistance 12.4%, construction 8.5%, professional, scientific and technical activities and administrative services 5.5%, real estate activities 5.3%, information and communications 4.2%, financial and insurance activities 3.1%, agriculture, forestry and fishing 2.9%, arts, entertainment and recreation and other activities 2.8% and net taxes on products 9.4% of the total gross domestic product (according to the statistical classification of economic activities SK NACE).

Gross domestic product was associated particularly with the year-on-year growth of value added in industry by 12.8%, in the information and communication activities by 6.4%, in real estate activities by 4%, in professional, scientific and technical activities and administrative services by 3.5%, and in construction by 2.1%.

The following part of Subchapter 3.8 presents processed indicators documenting the position of small and medium-sized enterprises in selected most important sectors of non-financial business economy, for which SO SR published data by size categories of enterprises. It presents receipts for own performances and goods (in the case of building – construction output) by SK NACE classification in industry (Section B, C, D, and E), in construction (section F), in trade (Division 46, 47), road transport (other passenger land transport, freight transport and removal services) and in selected market services. The selected market services include real estate activities, professional and technical activities (legal and accounting activities, management consulting, architectural and engineering activities, advertising and other professional activities), administrative and support services (rental and leasing, mediation of work, activities of travel agencies and offices, security and investigation services, administrative support activities), other education and training support activities, activities in the arts, entertainment and recreation, repair of computers and various needs and personal services (Divisions 68, 69-75, 77-82, 90-93, 94-96, and groups 85.5-6). The data for 2008 stated in Figures 3.9 through 3.13 are based on sorting turnover by OKEČ classification and for the years 2009 to 2011 on sorting according to the revised SK NACE classification. The mentioned sectors cover 85% of SMEs registered in the Register of Organisations of SO SR.

Industry

According to the SO SR data, industrial production in Slovakia in 2011 increased by 7% on average (in 2010 it recorded a growth by 18.9%). The lower rate of growth in industrial production was associated particularly with the growth of output in manufacturing by 8.9% and the year-on-year decline in mining and quarrying by 3.6% and in electricity, gas, steam and air conditioning supply by 2.2%. Within the industrial sectors, the strongest year-on-year growth was recorded in manufacture of machinery and equipment (by 20.9%), manufacture of transport equipment (17.3%), manufacture of textiles, clothing, leather and leather products (by 11.8%), and manufacture of coke and refined petroleum products (by 9.9%).

Compared to 2010, receipts for own performances and goods in industry increased at constant prices by 10.2% year on year and reached the level of EUR 76,583.6 million. Receipts for own performances and goods in industrial production were year on year higher by 10.8%, in electricity, gas, steam and air conditioning supply by 8.4%, and in mining and quarrying by 4.5%. The water supply and waste sales recorded a year-on-year decrease by 7.4%.

Figure 3.9: Development of receipts for own performances and goods in industry by size category and legal form of businesses (in million EUR)

Category of business	2008	2009	2010	2011	Share in 2011 in %	Index 2011/2010 at current prices
Small trade licensees	5,934.1	3,078.8	3,787.8	4,242.9	5.5%	112.0
Micro enterprises (0-9)	999.7	457.6	1,222.0	1,251.0	1.6%	102.4
Small enterprises (10-49)	4,538.6	3,684.2	4,123.7	5,159.7	6.7%	125.1
Medium-sized enterprises (50-249)	12,520.5	10,396.3	12,207.2	13,939.2	18.2%	114.2
Large enterprises (250 and more)	48,974.5	39,830.1	46,143.4	51,990.8	67.9%	112.7
SMEs	23,992.9	17,616.8	21,340.7	24,592.8	32.1%	115.2
Total	72,967.4	57,447.0	67,484.1	76,583.6	100.0%	113.5

Source: SO SR, prepared by NADSME

By size category of enterprises, small and medium-sized enterprises, including small trade licensees, accounted for 32.1% of total revenues in the industry sector in 2011. The major share of revenues in the industry sector had large enterprises (67.9%). Of total revenues (EUR 76,583.6 million), revenues of self-employed have accounted for 5.5%, small businesses, including micro enterprises (0-49), 7.1% and medium-sized enterprises (50-249) 18.2%. Revenues in 2011 increased year on year in all size categories of enterprises. Overall, revenues of small and medium-sized enterprises (including small trade licensees) increased year on year at current prices by 15.2%, of that revenues of self-employed by 12%, revenues of small enterprises (0-49) by 19.9%, and revenues of medium-sized enterprises by 14.2%. Revenues of large enterprises increased at current prices by 12.7% year on year.

According to SO SR, small and medium-sized enterprises (including small trade licensees) accounted for 54.2% of the total number of persons employed in industry in 2011 (499,760), of which self-employed accounted for 14.4%, small businesses (0-49) 16.1% and medium-sized businesses 23.7%.

Construction

Construction output in Slovakia in 2011 has decreased by 1.8% year on year to EUR 5,499.8 million. Development of construction production was affected mainly by decrease of domestic production by 2.8%, reaching EUR 5,297.0 million. The volume of work in new construction, modernisation and reconstruction has decreased by 3.3% and construction work in repairs and maintenance decreased by 5%. Construction production abroad has increased by 37.2% year on year.

Figure 3.10: The development of construction production by size category and legal form of businesses (excluding construction plants of non-construction enterprises, in million EUR)

Category of business	2008	2009	2010	2011	Share in 2011 in %	Index 2011/2010 at current prices
Small trade licensees	2,111.8	1,927.5	1,869.5	1,875.4	34.3%	100.3
Small enterprises (0-49)	1,607.7	1,396.5	1,358.2	1,565.6	28.7%	115.3
Medium-sized enterprises (50-249)	1,169.3	1,045.6	1,014.3	923.6	16.9%	91.1
Large enterprises (250 and more)	1,371.6	1,340.9	1,255.1	1,098.5	20.1%	87.5
SMEs	4,888.8	4,369.6	4,242.0	4,364.6	79.9%	102.9
Total	6,260.4	5,710.5	5,497.1	5,463.1	100.0%	99.4

Source: SO SR, prepared by NADSME

In 2011, self-employed accounted for more than one third of the total construction production (34.3%) (excluding the estimate for building plants of non-construction enterprises), small businesses (0-49) 28.7%, medium-sized enterprises (50-249) 16.9%, and large enterprises (250 and more) 20.1%. Small and medium-sized enterprises (including small trade licensees) collectively accounted for 79.9% of construction output in 2011. Overall construction output of small and medium-sized enterprises (including small trade licensees) at current prices increased by 2.9% year on year. Construction output of small trade licensees grew by 0.3% and small enterprises (0-49) by 15.3% year on year. Construction output of medium-sized enterprises (50-249) fell at current prices by 8.9% and in case of large enterprises (250 or more) it declined by 12.5%.

The highest proportion of the average number of persons employed in the construction sector reached small trade licensees having the share of 62.3%, small businesses accounted for 19.8%, and medium-sized enterprises 11.1%. Large enterprises accounted for 6.8% of the number of persons employed in the construction industry in 2011.

Trade

In 2011, revenues in wholesale reached the level of EUR 23,116.3 million, i.e. the year-on-year decrease by 0.8% (at constant prices). Revenues in wholesale decreased year on year in the field of wholesale intermediation, wholesale of household goods, wholesale of machinery, equipment and supplies, and other specialised wholesale. Conversely, revenues increased year on year in the wholesale of agricultural raw materials, wholesale of food, beverages and tobacco, wholesale of ICT equipment and unspecified wholesale.

In 2011, retail revenues decreased by 2.8% year on year (at constant prices) to EUR 17,527.2 million. Retail revenues fell for the third consecutive year. Mostly, revenues declined year on year in the retail of automotive fuel in specialised stores, retail of food, beverages and tobacco in specialised stores, retail out of stores, stalls or fairs and in the retail sale via stalls and fairs.

Receipts for own performances and goods increased year on year in sales and repair of motor vehicles by 11.8% to EUR 3,781.2 million, while revenues from the sale and repair of motor vehicles accounted for 74.6%.

Figure 3.11: Development of receipts for own performances and goods in trade by size category and legal form of businesses in million EUR (SK NACE, Division 46 – Wholesale trade, except of motor vehicles and motorcycles, and Division 47 – Retail trade, except of motor vehicles and motorcycles)

Category of business	2008	2009	2010	2011	Share in 2011 in %	Index 2011/2010 at current prices
Natural persons – entrepreneurs	9,545.4	7,790.2	6,020.5	5,900.7	14.5%	98.0
Small enterprises (0-49)	21,999.7	16,307.9	16,918.6	16,512.4	40.6%	97.6
Medium-sized enterprises (50-249)	7,612.4	7,331.8	7,960.9	8,666.9	21.3%	108.9
Large enterprises (250 and more)	8,566.6	8,714.9	9,694.4	9,563.5	23.5%	98.6
SMEs	39,157.5	31,429.9	30,900.0	31,080.0	76.5%	100.6
Total	47,724.1	40,144.8	40,594.4	40,643.5	100.0%	100.1

Source: SO SR, prepared by NADSME

Overall, in 2011, receipts for own performances and goods in the wholesale and retail trade amounted to EUR 40,643.5 million. Natural persons – entrepreneurs made 14.5%, small businesses (0-49) 40.6% and medium-sized enterprises (50-249) 21.3% of the total receipts for own performances and goods. Large enterprises reached 23.5%. Based on the year-on-year comparison, revenues of natural persons – entrepreneurs decreased at current prices by 2%, small businesses (0-49) by 2.4%, revenues of medium-sized enterprises grew by 8.9%, and revenues of large enterprises decreased by 1.4%. Overall, the revenues of small and medium-sized enterprises (including natural persons – entrepreneurs) have increased by 0.6% year on year. Revenues of large companies have dropped by 1.4% year on year.

The highest share in the employment rate in trade had small businesses (38.7%); natural persons – entrepreneurs reached 26.4% and medium-sized enterprises 12.1%. Large enterprises reached 22.8 %.

Transport

In the field of transport and storage (including postal and courier services) receipts for own performances and goods in 2011 reached EUR 6,338.8 million and grew by 9.4% year on year (at current prices). 55.4% of total revenues resulted from the activities of land transport and transport via pipelines, i.e. the year-on-year increase of 11.5%. Even the revenues in warehousing and support activities for transportation increased by 6.5%, in postal and courier activities by 6.3%, in water transport by 2.2%, and in air transport by 28.2% year on year.

In terms of size structure of enterprises, small trade licensees accounted for 20.4%, small businesses (0-49) 26.0 %, medium-sized enterprises (50-249) 31.1%, and large enterprises 22.6% of receipts for own performances and goods. Overall, revenues of SMEs, including small trade licensees, accounted for 77.4% of revenues in road transport in 2011.

Figure 3.12: Development of receipts for own performances and goods in road transport by size category and legal form of businesses in million EUR (other passenger land transport, freight transport and removal services)

Category of business	2008	2009	2010	2011	Share in 2011 in %	Index 2011/2010 at current prices
Small trade licensees	337.1	286.0	235.4	426.8	20.4%	181.3
Small enterprises (0-49)	590.7	480.7	516.0	544.0	26.0%	105.4
Medium-sized enterprises (50-249)	499.9	449.8	556.2	652.0	31.1%	117.2
Large enterprises (250 and more)	412.1	388.7	402.8	473.5	22.6%	117.6
SMEs	1,427.7	1,216.5	1,307.6	1,622.8	77.4%	124.1
Total	1,839.7	1,605.2	1,710.4	2,096.3	100.0%	122.6

Source: SO SR, prepared by NADSME

Revenues increased year on year (at current prices) for all business categories assessed. Revenues grew most significantly in case of small trade licensees (81.3%). Revenues increased in case of small businesses (0-49) by 5.4%, medium-sized enterprises (50-249) by 17.2%, and large enterprises by 17.6% year on year. SMEs, including small trade licensees, accounted for 68.4% of the total number of persons employed in road transport. Small trade licensees accounted for 28.7%, small businesses accounted for 19.6% and medium-sized enterprises 20.1%. Large enterprises accounted for 31.6% of the total number of persons employed.

Selected market services

In selected market services receipts for own performances and goods reached EUR 10,057.3 million, which is a year-on-year growth by 14.3%. Of total revenues more than half (56.4%) were revenues from real estate and professional and technical activities. Revenues increased year on year mainly due to higher revenues from real estate activities, from advertising and market research, and arts, entertainment and recreation.

Figure 3.13: Development of receipts for own performances and goods in selected market services by size category and legal form of businesses (in million EUR)

Category of business	2008	2009	2010	2011	Share in 2011 in %	Index 2011/2010 at current prices
Small trade licensees	1,435.9	978.5	1,235.6	1,267.1	12.6%	102.5
Micro enterprises (0-9)	1,913.8	2,124.1	2,204.9	2,627.0	26.1%	119.1
Small enterprises (10-49)	2,286.9	2,173.6	2,116.7	2,719.2	27.0%	128.5
Medium-sized enterprises (50-249)	2,275.7	1,586.3	1,840.3	1,970.3	19.6%	107.1
Large enterprises (250 and more)	1,745.3	1,120.7	1,168.2	1,473.7	14.7%	126.2
SMEs	7,912.3	6,862.5	7,397.5	8,583.6	85.3%	116.0
Total	9,657.6	7,983.2	8,565.7	10,057.3	100.0%	117.4

Source: SO SR, prepared by NADSME

Of total revenues in selected market services, 12.6% were results of the activities of small trade licensees, 26.1% of the activities of micro enterprises (0-9), 27.0% of small enterprises (10-49), 19.6% of medium-sized enterprises (50-249), and 14.7% of large enterprises.

Revenues of self-employed increased by 2.5%, micro enterprises by 19.1%, small enterprises by 28.5%, medium-sized enterprises by 7.1%, and large enterprises by 26.2% year on year. Overall, in 2011 SMEs, including small trade licensees, realised revenues at current prices higher by 16.0% year on year.

In the selected market services, SMEs, including self-employed, accounted for 75.4 % of the total number of employed persons, of which 9.3% were self-employed, 16.5% micro enterprises, 24.0% small enterprises, and 25.6% medium-sized enterprises.

Data on the development of revenues in the sectors under consideration and construction production present a positive development in the small and medium enterprises in 2011. Overall, in 2011 small and medium enterprises (including natural persons – entrepreneurs) reported a year-on-year growth of revenues at current prices in all sectors. Revenues of small and medium-sized enterprises increased most in the transport sector (24.1%), in selected market services (16%), and in industry (15.2%). Compared to 2010, construction production of small and medium-sized enterprises increased by 2.9% year on year. Revenues of small and medium-sized enterprises in the field of trade increased at current prices only by 0.6% year on year, primarily due to the overall decline in retail revenues.

The position of SMEs in selected sectors is presented graphically in Chart 19 and Chart 20.

3.9 The position of SMEs in foreign trade

According to preliminary results by SO SR and NBS, in 2011 Slovakia exported goods and services totalling EUR 61.52 billion, which is a year-on-year growth of 15.2%. Total imports of goods and services amounted to EUR 59.72 billion and compared to 2010 it increased by 10%.

According to preliminary data by SO SR, Slovak exports of goods grew by 16.9% year on year to EUR 56.41 billion. Total imports of goods amounted to EUR 53.97 billion and compared to 2010 it increased by 13.6%.

The export performance of the economy in 2011 expressing the share of exports of goods and services in GDP increased (by 7.8 p.p.) to 89.1%. Import intensity in 2011 expressing the share of imports of goods and services in GDP increased to 86.5% (by 3.9 p.p.).

The decisive share in the commodity structure of total exports (by harmonised system classes) had machinery, electrical equipment, apparatuses for recording and reproducing video and audio (32%), vehicles, aircraft, vessels and associated transport equipment (22.1%), base metals and articles of base metal (12.2%) and mineral products (7%). In 2011, exports of cars and other motor vehicles designed principally for the transport of persons increased at absolute value by EUR 1,577.9 million, mineral oils and oils obtained from bituminous minerals other than crude by EUR 993.3 million, telephone sets, including telephones for cellular networks and other wireless networks by EUR 498.1 million and parts and components for motor vehicles by EUR 404.4 million.

The decisive share in the commodity structure of total imports had machinery, apparatuses, electrical equipment, apparatuses for recording and reproducing video and audio

(27.8%), mineral products (16.2%), vehicles, aircraft, vessels and associated transport equipment (12.2%) and base metals and articles of base metals (10.1%). In 2011, imports of mineral oils and oils obtained from bituminous minerals and crude increased most significantly at absolute value by EUR 1,048.6 million, parts, components and accessories for motor vehicles by EUR 976 million, petroleum gases and other gaseous hydrocarbons by EUR 478.5 million, spark-ignition reciprocating or rotary internal combustion piston engines EUR by 267.8 million, and liquid crystal products by EUR 265.1 million.

Slovakia reached the most important surplus in foreign trade with Austria, Germany, Czech Republic, Poland, France, Hungary and the United Kingdom. The most significant deficit was reached with the Russian Federation, the Republic of Korea, China, Taiwan and Japan.

Among the main economic groupings, exports to the EU countries increased by 17.3% (it accounted for 84.6% of the total export of the Slovak Republic) and to the OECD countries by 17.9% (it accounted for 86.6% of the total export of the Slovak Republic). Imports from the EU countries increased by 13.5% (it accounted for 65 % of the total imports) and from the OECD countries by 10.6 % (it accounted for 62 % of the total import of the Slovak Republic).

The structure of total exports and imports in 2011 according to business size categories (according to the number of employees) and the territorial areas is shown in Chart 21 and Chart 22. Territorial structure of foreign trade is handled by the national concept of SO SR and the data are processed including grossed data. Data for imports are processed based on the country of origin of imported goods and for unspecified imports by country of consignment. Of the total exports realised by small and medium-sized enterprises (EUR 15,947.3 million) in 2011, exports to the EU countries accounted for 89.2% (EUR 14,228.4 million), while exports to the old EU Member States – the EU-15 – accounted for 41.4% (EUR 6,605.6 million) and to the new Member States – the EU-12 – 47.8% (EUR 7,622.8 million) of total exports realised by SMEs. SME exports to countries outside the EU accounted for 10.8% (EUR 1,718.9 million) of total exports realised by SMEs in 2011. Imports from the EU countries in 2011 accounted for 80.2 % (EUR 17,596.4 million) of the SME total imports (EUR 21,941.8 million), while imports from the old EU Member States – the EU-15 – accounted for 40.6% (EUR 8,916.1 million) and from the new Member States 39.6% (EUR 8,680.3 million) of total imports realised by SMEs. In 2011, SME import from outside the EU reached the level of EUR 4,345.4 million, which was 19.8% of total imports realised by SMEs.

As shown in Chart 23, the share of micro enterprises (0-9) of total exports in 2011 amounted to 10.6%, equivalent to EUR 5,444.8 million (this category also includes companies with an unknown number of employees in export volume of EUR 1,503.8 million, which is 2.9% of total exports). Small enterprises (10-49) accounted for 7.0% of the total exports that in absolute expression made EUR 3,611.8 million, and medium-sized enterprises (50-249) 13.4% that in absolute expression made EUR 6,890.7 million. In 2011, large enterprises had the dominant position in total exports, they accounted for 69.0% of total exports, representing EUR 35,478.3 million.

In summary, small and medium-sized enterprises accounted for 31.0 % of the total exports, representing EUR 15,947.3 million, which is by 0.2 p.p. more than in 2010. The year-on-year increase of the share of SMEs in total exports in 2011 was associated with the higher growth of export volume in the category of SMEs (17.0%) than in the category of large enterprises (by 16.1%). The structure of foreign trade by enterprise size category in 2011

shown in Charts 21 through 24 was calculated on the basis of preliminary data of foreign trade statistics of SO SR, while operations carried out by foreign persons (accounting for 8.8% of total exports and 7.7% of total imports) were not included in the data.

In 2011, small businesses recorded the most important year-on-year growth of export, even by 39.2% that in absolute expression made the increase by EUR 1,016.8 million. Exports of medium-sized enterprises (50-249) increased by 15.9% year on year that in absolute expression made the increase by EUR 945.2 million. Micro enterprises (0-9) reported an increase in exports by 6.9% year on year that in absolute expression made the increase by EUR 352.3 million. Exports of large enterprises have increased by 16.1% year on year that in absolute expression made the increase by EUR 4,927.1 million.

According to the data presented in Chart 24 it is clear that the share of micro enterprises (0-9) of total imports in 2011 amounted to 16.6% that in absolute expression made EUR 8,276.9 million, while this category also included companies with an unknown number of employees in import volume of EUR 1,966.9 million, which was 3.9% of total imports. Small enterprises (10-49) accounted for 11.6% of the total imports that in absolute expression made EUR 5,776.4 million, and medium-sized enterprises (50-249) accounted for 15.8% that in absolute expression made EUR 7,888.5 billion. Large enterprises accounted for the largest share of 56.0% of total import, representing EUR 27,887.7 million. Overall, the share of SMEs in total imports in 2011 was 44.0%, representing EUR 21,941.8 million, which was a year-on-year growth by 0.6 percentage points.

Overall, the share of SMEs in total imports in 2011 was 44.0%, representing EUR 21,941.8 million, which was a year-on-year growth by 0.6 percentage points. In 2011, in terms of business size categories the import in the category of small businesses increased most significantly, even by 32% that in absolute expression made the increase by EUR 1,399.6 million. Imports of SMEs was higher by 10.1% year on year that in absolute expression made a growth by EUR 724.3 million and of micro enterprises by 6.1% that in absolute expression made a growth by EUR 476.5 million. The total volume of imports in the category of large enterprises has increased by 10.8% that in absolute expression made a growth by EUR 2,713.2 million.

Based on the final results of processed foreign trade statistics for the year 2010, foreign trade operations carried out by SMEs can be specified by the commodity structure and territorial areas. In the commodity structure of exports of SMEs the following commodities were represented most significantly (data for 2010): machinery, apparatuses, electrical equipment, image and sound recorders and reproducers, and also base metals and articles of base metals, which accounted for nearly half (46.5%) of the total volume. In the categories of food and textile products SMEs ensured more than 60% of total exports. Machinery, apparatuses, electrical equipment, image and sound recorders and reproducers, and also base metals and articles of base metals, were represented most significantly and accounted for more than one third (37.7%) of total imports realised by SMEs. Within the EU, SMEs had the largest share in exporting to Malta, Cyprus and Hungary, which accounted for more than 60% of total exports. The most important target territory of SMEs export outside the EU was the region of Eastern and South-Eastern Europe (Russia, Ukraine, and Turkey). Within the import from the EU, SMEs accounted for the largest share of imports from the Czech Republic (29.3%), Germany (18.8%), Poland (8.4%) and Hungary (8.4%). SMEs accounted for almost 90% of imports from Cyprus and Lithuania. The most important SME import territories

outside the EU were China and Korea, and in terms of representation of SMEs in the total imports from outside the EU, Vietnam and Switzerland dominated.

In the years 2005 to 2011 the total volume of exports of SMEs recorded a year-on-year growth every year, except 2007 and 2009 when the year-on-year decrease of exports of SMEs was registered. A similar situation was also in the import of SMEs, which recorded a year-on-year increase every year, except for the years 2007 and 2009.

Historical data on the position of SMEs in foreign trade for the period from 2006 to 2010, which are shown in Chart 23 and Chart 24, were compared with previous Reports on the State of SMEs revised due to more consistent determination of business size categories in terms of European Commission Recommendation No. 2003/361/EC.

3.10 Selected indicators of financial performance of SMEs

The analysis of the financial performance of SMEs allows evaluating the operating results and financial position of SMEs in terms of size categories of SMEs. To calculate the ratios, processed data from anonymised individual financial statements – balance sheets and profit and loss statements – of accounting entities in the Slovak Republic for the years 2008 to 2010 were used as the primary source of information.

Number of SMEs with a positive operating result

Based on the total available financial statements of small and medium-sized enterprises keeping accounts in double-entry bookkeeping (127,269 SMEs), a total of 55.6% of SMEs have achieved positive operating results before tax (including zero operating results) in 2010. Within each size category of SMEs, 53.7% of micro enterprises (0-9), 67.3% of small enterprises (10-49), and nearly three quarters (73.9%) of medium-sized enterprises (50-249) achieved positive operating results in 2010.

Compared to 2009, a total share of SMEs with positive operating results increased by 1.6 percentage points. Compared to the pre-crisis year 2008, the share of SMEs with positive operating results was lower by 4.9 percentage points.

Figure 3.14: The share of SMEs with positive operating results before tax (including zero operating results)

Category of business	2008	2009	2010
Micro enterprises (0-9)	57.7%	52.7%	53.7%
Small enterprises (10-49)	70.4%	63.2%	67.3%
Medium-sized enterprises (50-249)	77.4%	69.6%	73.9%
Total SMEs	60.5%	54.0%	55.6%

Source: Available financial statements of SMEs, DataCentrum, prepared by NADSME

Return on revenues (based on EBITDA)

One of the indicators of effectiveness denouncing economic processes of businesses is return on revenues. The indicator gives the ratio of earnings before income taxes, interest expense and depreciation to sales. In 2010, SMEs reached the return on revenues (based on EBITDA) of 2.4% calculated as the mean (median) range of values arranged according to the

size from the available financial statements. The highest return on revenues achieved medium-sized enterprises (6.8%), followed by small enterprises (5.1%), and the lowest return on revenues of 1.7% achieved micro enterprises.

Compared to 2009, the profitability of SMEs based on the processed data from available financial statements unchanged in general terms. Compared to 2008, it fell by 1.6 percentage points.

Total debt assets

The total indebtedness of assets is providing information about the level of the use of foreign capital to finance the company's total assets. Based on the processed data from the available financial statements, in 2010 SMEs achieved a total of 67.6% (median) of foreign sources, including accruals to the total assets of the company. Compared to 2009, the mean value of that ratio for the SME sector increased by 1 percentage points, and compared to 2008 by 3.2 percentage points. In 2010, small businesses achieved the highest level of funding of their needs from foreign sources (76.5%), followed by medium-sized enterprises (68.1%) and micro enterprises (65.7%).

An additional indicator giving information on the utilisation rate of bank loans as a source of funding is the share of SMEs financing their needs using bank loans. In 2010, of the total number of SMEs keeping accounts in double-entry bookkeeping, for which the financial statements were available, 17.6% used bank loans (which was by 1 p.p. less than in 2009), while the largest share of those subjects was achieved by medium-sized enterprises (54.5%), followed by small businesses (41.3%) and micro enterprises (only 12.0%).

Time of liability settlement

Based on the available financial statements, in 2010 SMEs settled their short-term and long-term liabilities to non-bank creditors within 143.9 days of their incurrence (mean value), which is almost the same number of days as in 2009. Compared to the pre-crisis year 2008, the settlement of SME liabilities was extended by more than 20 days. In 2010, the worst own payment discipline reached micro enterprises, which settled their liabilities towards non-bank creditors within 153.6 days. Small businesses were able to settle their liabilities within 116.9 days and medium-sized businesses within 95.3 days. Graphical representation of the financial indicators is shown in Chart 37 through Chart 39.

3.11 The regional aspect

According to the territorial division of Slovakia, at the end of December 2011 the largest number of SMEs – legal entities was registered in the Bratislava Region (54,203). In other regions, it was from 12,327 (the Trenčín Region) to 15,843 (the Košice Region). The number of SMEs – legal entities increased year on year in all regions, most notably in the Bratislava Region (by 9.7%), the Trnava Region and the Prešov Region (by 7.7%), least in the Žilina Region (by 4.5%).

Most natural persons – entrepreneurs were active in the Žilina Region (61,542) and the Bratislava Region (61,053), least in the Košice Region (41,114). In 2011, the year-on-year decline in the number of natural persons – entrepreneurs was recorded in all regions, except the Žilina Region (growth by 4.4%). Relatively, the number of natural persons – entrepreneurs dropped most in the Trnava Region (by 3.9%).

The development of small trade licensees and small and medium-sized enterprises in the Slovak regions is shown in Chart 13 and Chart 14. In terms of the assessment of the region's economic activity, greater explanatory ability has the share of the number of active firms in the number of economically active populations. This indicator is shown in Map 1 and Map 2. The indicator achieved significantly highest values in the Bratislava Region, while the imbalance was more pronounced for firms – legal entities.

The spatial distribution of SMEs – legal entities in certain sectors of the economy was characterised by a relatively uneven distribution, which was typical mainly in the Bratislava Region, where 53.6% of the total number of registered SMEs – legal entities were in the business services (SK NACE, Section K to N), 39.8% in transport and information, and 29.5% in trade. Chart 15 shows a representation of the regions in the total number of SME-LE in the business services sector (SK NACE, Section K to N).

Figure 3.15: The number of enterprises in particular regions of Slovakia in 2011

Region in the Slovak Republic	Natural persons – entrepreneurs			Enterprises			SMEs	Total
	Small trade licensees	Entrepr – freelancers	Independent farmers	Small (0-49)	Medium-sized (50-249)	Large (250 and more)		
Bratislava Region	56,581	4,006	466	53,474	729	188	115,256	115,444
Trnava Region	40,222	1,639	876	13,877	276	57	56,890	56,947
Trenčín Region	42,153	1,818	267	12,016	311	76	56,565	56,641
Nitra Region	46,120	2,365	1,451	15,037	358	54	65,331	65,385
Žilina Region	58,612	1,919	1,011	13,676	317	64	75,535	75,599
Banská Bystrica Region	39,656	2,163	1,342	12,982	251	46	56,394	56,440
Prešov Region	55,132	2,382	1,030	13,879	257	56	72,680	72,736
Košice Region	37,246	2,777	1,091	15,581	262	57	56,957	57,014
The Slovak Republic totally	375,722	19,069	7,534	150,522	2,761	598	555,608	556,206

Source: SO SR, prepared by NADSME

The Bratislava Region

In 2011, the Bratislava Region reached receipts for own performances and goods for the entire population of enterprises in the industry worth EUR 25,838.5 million (they accounted for 33.7% of total revenues in the Slovak Republic), in wholesale and retail trade EUR 18,219 million (44.8% of total revenues in the Slovak Republic), in transportation and storage EUR 3,420.9 million (63.2% of total revenues in the Slovak Republic), in selected market services EUR 5,793.5 million (57.6% of total revenues in the Slovak Republic). Construction output reached EUR 1,385.4 million and 25.4% of construction output of the Slovak Republic. Revenues in 2011 grew year on year at constant prices in industry, transport and selected market services. On the contrary, the lower revenues were made year on year in wholesale and retail, and the decline was also recorded in construction output.

According to the organisational statistics of SO SR, at the end of 2011 in the Bratislava Region there were registered 54,203 legal entities – SMEs, which was by 4,783 more than in 2010. More than half of SME-LE (51.5%) were registered in the districts of Bratislava I and Bratislava II. In terms of the size structure of enterprises, the largest group of enterprises

(90.9%) were micro enterprises (0-9), small businesses (10-49) accounted for 7.4%, medium-sized enterprises (50-249) 1.3%, and large enterprises (250 and more) 0.3%. In terms of the structure of SME-LE by economic activities, the business activities in the field of business services were dominant and accounted for 46% (by 15.6 percentage points higher than Slovak average), constituting the highest representation among all regions. They were followed by trade that accounted for 25.4% and transport and information accounting for 9.4%. There were registered 61,053 natural persons – entrepreneurs, which was by 2.4% less than at the end of December 2010. Of the total number of individuals – entrepreneurs, 56,581 were small trade licensees, 4,006 entrepreneurs – freelancers and 466 independent farmers. In territorial terms, most registered natural persons – entrepreneurs were located in the district of Bratislava V (19.5%) and the district of Bratislava II (17.9%). More than half of small trade licensees were active in trade and business services (54.5%, which was by 14.0 p.p. higher than the Slovak average). 12.5% of small trade licensees were active in construction (by 10.5 p.p. less than the average of the Slovak Republic) and 11.8% in transport and information (by 5.2 p.p. higher than the Slovak average).

The Trnava Region

In 2011, in the Trnava Region businesses realised receipts for own performances and goods (the entire population of enterprises) in industry worth EUR 10,953.6 million (14.3% of total revenues in the Slovak Republic), in wholesale and retail trade worth EUR 3,382.3 million (8.3 % of total revenues in the Slovak Republic), in transportation and storage EUR 426.6 million (7.9% of total revenues in the Slovak Republic), and in selected services worth EUR 894.3 million (8.9% of total revenues in the Slovak Republic). Construction output reached EUR 486.2 million and 8.9% share of construction output of the Slovak Republic. The lower revenues were made year on year at constant prices in wholesale and retail, and the construction output also recorded a year-on-year decline. Revenues in other sectors increased year on year.

According to the organisational statistics of SO SR, as at 31 December 2011 in the Trnava Region there were registered 14,153 SMEs – legal entities, which was by 1,017 more than in 2010. More than half of registered SME-LE were registered in the districts of Dunajská Streda (25.6%) and Trnava (24.8%). Micro enterprises (0-9) accounted for 88.6%, small businesses (10-49) 9.1%, medium-sized enterprises (50-249) 1.9%, and large enterprises (250 and more) 0.4% of the total number of enterprises. In the structure of SME-LE, in terms of economic activities, businesses operating in trade dominated and accounted for 27.9% (by 2.5 p.p. less than the Slovak average). They were followed by enterprises in business services, which accounted for 26.1% (by 4.3 p.p. less than the Slovak average), and in industry, which accounted for 11.8% (2.3 p.p. more than the Slovak Republic). SO SR listed in the Register of Organisations total of 42,737 natural persons – entrepreneurs in the Trnava Region. Compared to 2010, their number decreased by 3.9%. Of the total number of the natural persons, 40,222 were small trade licensees, 1,639 entrepreneurs – freelancers and 876 independent farmers. Most registered natural persons – entrepreneurs were located in the districts of Dunajská Streda (25.7 %), Trnava (22%) and Galanta (18.7%). In terms of sectors, small trade licensees in the Trnava Region were active mainly in construction (28.7%, which was by 5.7 p.p. higher than the Slovak average), trade (21.7%, by 5.3 p.p. less than the Slovak average), business services (14.5%), and industry (13.6%).

The Trenčín Region

In 2011, all the businesses located in the Trenčín Region realised receipts for own performances and goods in industry worth EUR 7,890.7 million (10.3% of total revenues in the Slovak Republic), in the wholesale and retail trade EUR 3,466.9 million (8.5% of total revenues in the Slovak Republic), in transportation and storage EUR 187 million (3.5% of total revenues in the Slovak Republic), and in selected services worth EUR 525.2 million (5.2% of total revenues in the Slovak Republic). Construction output reached EUR 459.7 million and 8.4% of construction output of the Slovak Republic. Revenues increased year on year at constant prices in all sectors, only construction output experienced a decline.

At the end of 2011, there were totally registered 12,327 SMEs – legal entities in the Trenčín Region. Compared to 2010, their number decreased by 546 SME-LE. The largest number of registered SME-LE was in the districts of Trenčín (29.2%) and Prievidza (18.1%). In terms of size categories of enterprises, micro enterprises accounted for 86.0%, small businesses 10.9%, medium-sized enterprises 2.5% and large enterprises 0.6%. In terms of sectors, SME-LE dominated in trade 36.6% (by 6.1 p.p. higher than the Slovak average), in business services 19.8% (by 10.7 less than the Slovak Republic) and industry 15.0% (by 5.5 p.p. higher than the Slovak Republic), and the participation of SME-LE operating in industry was the highest among all regions of Slovakia. In the Trenčín Region, there were registered 44,238 natural persons – entrepreneurs, and compared to the previous year, the number was lower by 3%. Of the total number of individuals, 42,153 were small trade licensees, 1,818 entrepreneurs – freelancers and 267 independent farmers. In territorial terms, most registered natural persons – entrepreneurs were located in the districts of Prievidza (21.6%), Trenčín (19.6%) and Považská Bystrica (13.8%). Small trade licensees in the Trenčín Region were active particularly in trade (27.1%), construction (23.4%), and industry (19.7%).

The Nitra Region

In 2011, the Nitra Region reached receipts for own performances and goods for the entire population of enterprises in the industry worth EUR 6,637.4 million (8.7% of total revenues in the Slovak Republic), in wholesale and retail trade EUR 4,078.7 million (10.0% of total revenues in the Slovak Republic), in transportation and storage EUR 427.6 million (7.9% of total revenues in the Slovak Republic), and in selected market services EUR 574.4 million (5.7% of total revenues in the Slovak Republic). Construction output reached EUR 565.7 million and 10.4% of construction output of the Slovak Republic. Revenues grew year on year at constant prices in wholesale, transport, and selected market services. Conversely, a decline was recorded in industry and retail trade. Construction output increased year on year.

According to the organisational statistics of SO SR, in 2011 in the Nitra Region there were registered 15,395 SMEs – legal entities, which was by 1,094 more than in 2010. More than half of SME-LE (51.6%) were registered in the districts of Nitra and Komárno. In terms of the size structure of enterprises, the largest group of enterprises (87.6%) were micro enterprises (0-9), small businesses (10-49) accounted for 9.7%, medium-sized enterprises (50-249) 2.3%, and large enterprises (250 and more) 0.3%. In terms of economic activities, SME-LE accounted for 32.8% (by 2.3 p.p. more than the Slovak Republic) in trade, 22.5% in business services (by 7.9 p.p. less than the Slovak Republic), and 11.7% in industry. 10.9% SME-LE were active in transport and information, which was the highest representation among all regions. In the Nitra Region there were registered 49,936 natural persons – entrepreneurs in the Register of Organisation of SO SR, which was by 3.3% less than at the end of December 2010. Of the total number of natural persons – entrepreneurs, 46,120 were small trade licensees, 2,365 entrepreneurs – freelancers and 1,451 independent farmers. In

territorial terms, most registered natural persons – entrepreneurs were located in the district of Nitra (25.6%) and the district of Nové Zámky (18.2%). small trade licensees in the Nitra Region were most active in trade (32.5%, which was by 5.5 p.p. higher than the average of the Slovak Republic), construction (21.4%), and industry (18.2%).

The Žilina Region

In 2011, all the businesses located in the Žilina Region realised receipts for own performances and goods in industry worth EUR 10,567.4 million (13.8% of total revenues in the Slovak Republic), in wholesale and retail trade worth EUR 3,622.4 million (8.9% of total revenues in the Slovak Republic), in transportation and storage worth EUR 285.7 million (5.3% of total revenues in the Slovak Republic), and in selected market services worth EUR 551.2 million (5.5% of total revenues in the Slovak Republic). Construction output reached EUR 870.2 million and 15.9% share of construction output of the Slovak Republic. Revenues in all of those sectors grew year on year, except retail trade, where they decreased by 5.3%, year on year. Modest year-on-year growth was also recorded in construction output.

According to the Register of Organisations of SO SR, at the end of December 2011 in the Žilina Region there were registered 13,993 SME-LE, which was by 603 more than in 2010. In terms of districts, most were registered in the districts of Žilina (35.8%) and Martin (15.3%). In size terms, micro enterprises (0-9) were the largest group (86.4%), small businesses (10-49) accounted for 10.9%, medium-sized enterprises (50-249) 2.3%, and large enterprises (250 and more) 0.5%. Within the SME-LE structure by economic activities, the businesses active in trade dominated and accounted for 38% (by 7.6 p.p. more than the Slovak Republic), followed by business services (18.2%, which was by 12.2 p.p. less than the Slovak Republic) and industry (11.9%). In the Žilina Region, there were 61,542 registered natural persons doing business under the trade and non-trade law. In 2011, the Žilina Region, as the only region, recorded a year-on-year increase in the number of natural persons – entrepreneurs, namely by 4.4%. Of natural persons – entrepreneurs, most were small trade licensees – 58,612. There were 1,919 registered entrepreneurs – freelancers and 1,011 independent farmers. More than half of small trade licensees (52.6%, which was by 13.3 p.p. higher than the Slovak average) developed their activities in the construction sector and industry, and the representation of self-employed in those sectors was the highest in the whole country.

The Banská Bystrica Region

In 2011, the Banská Bystrica Region reached receipts for own performances and goods for the entire population of enterprises in the industry worth EUR 3,805.4 million (5.0% of total revenues in the Slovak Republic), in wholesale and retail trade EUR 2,313.9 million (5.7% of total revenues in the Slovak Republic), in transportation and storage EUR 226.8 million (4.2% of total revenues in the Slovak Republic), and in selected market services EUR 545 million (5.4% of total revenues in the Slovak Republic). Construction output reached EUR 410.4 million and 7.5% of construction output of the Slovak Republic. A year-on-year decrease at constant prices was achieved in retail and wholesale and in transport. Construction output also recorded a year-on-year decline.

According to the organisational statistics of SO SR, in 2011 in the Banská Bystrica Region there were registered 13,233 SME-LE, which was by 708 more than in 2010. More than a third of SME-LE (37.2%) were registered in the district of Banská Bystrica. In terms of the size structure of enterprises, the largest group of enterprises (88.8%) was micro enterprises

employing 0 to 9 persons. Small businesses accounted for 9.0%, medium-sized enterprises 1.9%, and large enterprises 0.3%. In terms of economic activities, SME-LE were most active in trade (29.1%, which was by 1.3 p.p. more than the Slovak Republic), business services (24.8%, which was by 5.6 p.p. less than the Slovak Republic) and industry (11.3%). Of the total number of natural persons – entrepreneurs (43,161), 39,656 were small trade licensees, 2,163 entrepreneurs – freelancers and 1,342 independent farmers, while more than a fifth (22.0%) of natural persons had their registered office in the district of Banská Bystrica. In terms of sectors, small trade licensees in the Banská Bystrica Region were particularly active in trade (26.2 %, which was by 0.8 p.p. less than the Slovak Republic), construction (19.1%, which is by 3.8 p.p. less than the Slovak Republic) and in business services (15.0%).

The Prešov Region

In 2011, the Prešov Region reached receipts for own performances and goods for all enterprises in industry worth EUR 3,358.4 million (4.4% of total revenues in the Slovak Republic), in wholesale and retail trade EUR 2,306.6 million (5.7% of total revenues in the Slovak Republic), in transportation and storage EUR 244.8 million (4.5% of total revenues in the Slovak Republic), and in selected market services EUR 497.6 million (4.9% of total revenues in the Slovak Republic). Construction output reached EUR 605.6 million and 11.1% of construction output of the Slovak Republic. Revenues increased year on year at constant prices in all sectors, except for wholesale and retail. Construction output also recorded a growth.

According to the data from SO SR, at the end of 2011, 14,136 SMEs – legal entities were registered in the Prešov Region, which was by 1,016 more than in 2010. Most SMEs – legal entities were registered in the districts of Prešov (30.5 %) and Poprad (18.7 %). In size terms, micro enterprises accounted for 87.4%, small businesses (10-49) accounted for 10.4%, medium-sized enterprises (50-249) 1.8%, and large enterprises (250 and more) 0.4%. Within the sectoral structure by economic activities, SME-LE active in trade dominated (30.2%), followed by business services (19.2%, which was by 11.2 p.p. less than the Slovak average), industry (13.0%, which was by 3.5 p.p. higher than the average of the Slovak Republic), and construction (11.9%). According to SO SR statistics, at the end of 2011, 58,544 natural persons – entrepreneurs were registered in the Prešov Region, which was by 2.1% less than in 2010. Of the total number of natural persons – entrepreneurs, 55,132 were small trade licensees, 2,382 entrepreneurs – freelancers and 1,030 independent farmers. Almost a fifth (19.6%) of the total number of natural persons – entrepreneurs were located in the district of Prešov, 13.2% in the district of Poprad and 10.0% in the district of Stará Ľubovňa. More than a quarter of small trade licensees (27.9%, which was by 4.9 p.p. higher than the average of the Slovak Republic) were active in construction, 20.8% (by 6.2% p.p. less than the average of the Slovak Republic) in trade, 19.9% (by 3.6 p.p. more than the Slovak Republic) in industry, and 10.9% in business services.

The Košice Region

In 2011, all the business sectors in the Košice Region realised receipts for own performances and goods in industry worth EUR 7,532.3 million (9.8% of total revenues in the Slovak Republic), in wholesale and retail trade EUR 3,253.7 million (8.0% of total revenues in the Slovak Republic), in transportation and storage EUR 197 million (3.6% of total revenues in the Slovak Republic), and in selected market services EUR 676.1 million (6.7% of total revenues in the Slovak Republic). Construction output reached EUR 679.9 million and

12.4% of construction output of the Slovak Republic. Revenues in those sectors grew year on year in industry and in selected market services. A year-on-year growth in construction output was also recorded.

Based on the data from SO SR, in 2011 there were 15,845 SMEs – legal entities registered in the Košice Region. Compared to 2010, their number increased by 1,099. Most registered SME-LE were in the district of Košice I – they accounted for 25.7%, followed by the district of Košice IV – 18.1%, and the district of Košice II – 13.6%. Micro enterprises accounted for 88.5%, small businesses 9.5%, medium-sized enterprises 1.6%, and large enterprises 0.4% of the total number of businesses. In terms of economic activities, SME-LE were most active in trade – 37.7 % (by 7.2 p.p. more than the Slovak Republic), business services – 22.2 % (by 8.2 p.p. less than the Slovak Republic) and industry – 9.6 %. There were 41,114 natural persons – entrepreneurs registered in the Košice Region, and compared to 2010, their number decreased by 3.7%. Of the total number of natural persons, 37,246 were small trade licensees, 2,777 entrepreneurs – freelancers and 1,091 independent farmers. 14.3% of the total number of natural persons – entrepreneurs had their registered office in the district of Spišská Nová Ves, 12.5% in the district of Michalovce, 11.9% in the district of Košice I, and just 11.9% in the district of Košice – Surroundings. More than a third of small trade licensees (33.4%) were active in trade (6.3 p.p. more than the average of the Slovak Republic), 17.0% in construction (6.0 p.p. less than the Slovak average), 15.1% in industry, and 14.0% in business services.

The number of SME-LE and self-employed by sector and region is given in Figure 1 and Figure 2 of Annex B.

3.12 The results of quantitative surveys of SMEs and entrepreneurship

A survey of business activity in the Slovak Republic – Global Entrepreneurship Monitor (GEM)

In March 2011, NADSME, as a partner of the GEM national project coordinator for Slovakia, which is the Faculty of Management of the Comenius University in Bratislava, implemented one of the GEM project activities: Adult Population Survey (APS).⁷ The project GEM (Global Entrepreneurship Monitor) is a global initiative, currently ongoing in 59 countries, aimed to explore the attitudes of society towards entrepreneurship. The GEM foundation was initiated by the London Business School and Babson College (USA) in 1999. GEM project objectives are as follows:

- measuring differences in the level of entrepreneurial activity between countries;
- finding factors leading to appropriate levels of entrepreneurship in particular countries;
- designing policies that can expand the national level of entrepreneurial activity.

APS is one component of the GEM project and its task is to define the relationship between business and the development of the respective country on the basis of an individual's behaviour in a business process. The intention is to carry out the survey again on an annual basis in order to secure the continuity of evaluating data, verifying results and tracking trends in the population.

⁷ The final report of the survey (selected results) is available on the website http://www.nadsme.sk/files/GEM_2011-sprava_z_prieskumu_fin-1_0.pdf

Key findings for Slovakia resulting from the GEM project are as follows:

- individual business activity – activity of individuals in international comparisons is high;
- its impact on development in Slovakia is rather through less ambitious type of business – less innovative activities and penetration into international markets;
- social climate and business environment need further improvement if they are to contribute to the development of business and consequently to economic growth of the country.

The following part summarises the main findings of the Adult Population Survey (APS):

- Self-confidence
 - Relatively low perception of opportunities – Slovakia is significantly below the European average – from all 54 GEM countries, Slovakia ended up in 43rd place;
 - High perceptions of abilities – Slovakia achieved the highest values among European countries;
 - Fear of failure of business in Slovakia is at the level of the European average.
- Societal attitudes towards entrepreneurship
 - Low perception of entrepreneurship as a good career choice – Slovakia is below the European average;
 - Perception of successful entrepreneurs and their social status is low – in this area Slovakia is below the average of Europe;
 - Low attention given to new businesses by media – Slovakia is below the average in Europe.

According to survey results, 52.9% of respondents involved in the survey had the knowledge necessary for doing business, which meant the first place in Europe, while the European average was 42.9%.

44.8% of Slovakia's population said that fear of failure of business would discourage them from starting a business, which meant the 10th place in Europe, while the European average was 43.5%.

23.1 % of respondents expressed the belief that in the area where they live there were good opportunities for starting a business, which meant the 19th place in Europe, while the European average was 32.7%.

54.6% of respondents declared that most people in Slovakia considered doing business as an appropriate choice for career, which meant the 12th place in Europe, while the European average was 60.9 %.

64.4% of respondents thought that in Slovakia the successful start-up businesses were recognised and respected, which meant the 17th place in Europe, while the European average was 69.0 %.

Slovakia had the highest overall initial business activity, but also the highest rate of termination of business among European countries.

In Slovakia there were 10.18% of entrepreneurs in a starting business activity phase that stated the opportunity for starting business as the principal motive (which meant the first

place in Europe), but the opportunity motivated by the improvements accounted only for 3.6%. The need to start business accounted for 3.91%, representing the 4th place in Europe.

18% of the adult population expressed the intention to start doing business in Slovakia in the next three years, which was above the average of the European countries.

Chart 40 shows the structure of the respondents in the Slovak Republic from the view of starting a new business.

Survey of views of small and medium enterprises on the quality of the business environment in particular towns of the Slovak Republic

To obtain information on the satisfaction of small and medium-sized enterprises with the quality of the business environment in particular towns in the Slovak Republic, NADSME realised the *Survey of Views of SMEs on the Quality of the Business Environment in Particular Towns of the Slovak Republic*.⁸ The survey was part of a broader project aimed at analysing conditions of doing business in the towns of Slovakia, which continued as further phases with the planned completion date in the first half of 2012.

Implementation of the survey and the final data processing was realised by the company Smart Choice s.r.o. Data collection was conducted from October 2011 to mid January 2012. Data collection was conducted by trained professionals through personal interviews directly in the field. Data collection was conducted on a sample of 3,315 respondents from among self-employed and small and medium-sized enterprises.

The most important results of the survey can be summarised as follows:

5.7% of the respondents surveyed were clearly satisfied with business conditions; slightly more were mostly satisfied (17.9%). The largest percentage of respondents (29.7%) was half-satisfied. Within the surveyed sample, 7.8% of respondents were clearly unsatisfied (Chart 41).

52% of respondents expressed complete satisfaction with the availability of necessary authorities. 19.8% respondents were definitely dissatisfied.

Regarding the views on the quality of roads and infrastructure, 68% were mostly dissatisfied, of which 38.8% of respondents were completely dissatisfied. Only 14.7% of respondents were completely satisfied.

Almost 46% of respondents expressed satisfaction with the amount of real estate tax and the amount of local fees not affecting the business adversely, of which 25.2% were fully satisfied. 25% of the respondents expressed complete dissatisfaction.

About 57% of respondents expressed satisfaction with the conduct of local officials, of which 27.3% were fully satisfied. About 37% of respondents expressed dissatisfaction, of which 19.3% were completely dissatisfied.

⁸ The final report of the survey is available on the website
http://www.nadsme.sk/files/Prieskum_PP_zav_sprava.pdf

Approximately 39% of respondents thought that the local authorities required unnecessary visits, of which 22.3% were completely convinced about it. On the contrary, 34.5% of surveyed enterprises were definitely not of that opinion.

The opinion of small and medium enterprises on eco-innovation

Based on the results of the Flash Eurobarometer Survey No. 315 “Attitudes of European entrepreneurs towards eco-innovation”, commissioned by the European Commission, NADSME developed an analytical report assessing the attitudes of small and medium enterprises towards eco-innovation.⁹

The survey “Attitudes of European entrepreneurs towards eco-innovation” was aimed to study the behaviour, attitudes and expectations of entrepreneurs towards development and diffusion of eco-innovations in response to rising prices and a lack of funds. The survey was conducted by telephone calls on a sample of 5,222 SMEs with a staff from 10 to 249 in all EU Member States from 24 January 2011 to 1 February 2011. 200 SMEs from Slovakia were involved in the survey.

The following part contains the main results of the survey regarding responses of the Slovak respondents, which were compared with the attitudes of respondents in the EU-27:

Almost one third (30.3%) of the surveyed representatives of SMEs in Slovakia indicated that 50% or more of total business costs were material costs, which was by 6.6 percentage points (p.p.) more than the EU-27 respondents (23.7%). 33.5% of Slovak respondents said their material costs made up more than 29% and less than 49% of the total cost of the enterprise, which was by 2.3 p.p. more than respondents in the EU-27 (31.2%).

According to the survey results, in general SMEs in the EU-27 carried out eco-innovation activities to a greater extent than in Slovakia. From among all the companies involved in the survey, in the previous two years 41.0% of SMEs in Slovakia and 44.6% of SMEs in the EU-27 implemented at least one eco-innovation.

Approximately one in four representatives of SMEs in Slovakia (24.3%) declared in the survey that in the past two years his enterprise introduced a new or significantly improved eco-innovative process or procedure (which was by 4.5 p.p. less than the EU-27). Almost one fifth of SMEs introduced (19.9%) a new or significantly improved eco-innovative product or service (which was by 4.9 p.p. less than respondents in the EU-27). 22.6% introduced a new or significantly improved eco-innovative organisational method (representing about 0.9 p.p. less than in the case of the EU-27) (Chart 43).

Representatives of Slovak SMEs stated the most serious obstacles (mild or very severe) preventing the intensive introduction and development of eco-innovation in enterprises uncertain or too long return on investment in eco-innovation (73.5%, which was by 9.4 p.p. more than respondents in the EU-27), lack of own funds (71%, which was by 8.8 p.p. more than the EU-27), the lack of market demand (70.9%, which was by 4.3 p.p. more the EU-27),

⁹ The report assessing the results of the survey *Attitudes of European entrepreneurs towards eco-innovation* is available on the website: http://www.nadsme.sk/files/Postoj_MSP_k_eko-inovaciam_2011.pdf

lack of access to existing subsidies and tax incentives (64.2%, which was by 4 p.p. more than the EU-27).

The access of small and medium enterprises to finance

In order to increase the availability of relevant statistics that would allow analysing the situation in terms of access to finance for the SME sector, NADSME prepared a report assessing the results of the survey “Access to finance”.¹⁰

The survey was realised in 2011 by Eurostat (the Statistical Office of the European Union) in cooperation with national statistical offices and other users of the business statistics (OECD, EIF, ECB). Upon Commission Regulation (EC) No. 97/2009, the survey was conducted in 20 EU Member States on a sample of more than 25,000 SMEs with a staff of 10 to 249 persons. 999 SMEs in Slovakia were involved in the survey. Final data from the survey (EU-wide) were published by Eurostat on 3 October 2011.

The most important results of the survey are as follows:

According to the survey results, in 2010 half of SMEs in Slovakia tried to obtain credit financing, 8.4% of businesses sought to obtain equity financing and almost every fourth business (38.7%) tried to get other types of financing (Chart 42).

Slovakia was placed high in the number of entrepreneurs who tried to obtain the assessed types of financing. In case of credit financing, Slovakia was actually first in the number of entrepreneurs (50%) who tried to obtain that type of financing.

In 2010, more than three quarters (76.1%) of SMEs in Slovakia were successful in obtaining bank credit financing, which was however by 13.2 percentage points (p.p.) lower than in 2007.

In 2010, nearly one in three SMEs in Slovakia (29.6%) needed a guarantor (a person or company that would cover the risk in case of failure to repay a loan) to obtain loan finance.

In 2010, more than a quarter of SMEs in Slovakia (25.1%) were not successful in applying for a bank loan because of poor credit rating, which was by 6.5 p.p. more than in 2007. 24.0% of businesses were not successful due to lack of equity, 13.3% of businesses did not know the reason for their failure, and 12.4% of businesses did not have enough mortgage or guarantee.

In 2010, 8.4% of businesses in Slovakia attempted to obtain equity financing. The highest success rate achieved businesses in obtaining equity funding in 2010 from existing partners and shareholders (70.7%) and from banking institutions (62.9%).

¹⁰ The report assessing the results of the survey *Access to finance* is available on the website: http://www.nadsme.sk/files/Pristup_MSP_k_financiam-2007_2010.pdf

3.13 Analyses of SME environment implemented by NADSME

In March 2011, in addition to other outcomes, NADSME realised analytical studies aimed at the issues of family business and law enforcement in business relations. The studies have contributed to the fulfilment of the principles of the Small Business Act (SBA) – First Principle – Enterprise – Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded, and Second Principle – Second Chance – Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.

Family business in Slovakia

The issue of family business, even though that research and work on the subject occur sporadically, is not prepared by academia sufficiently. The aim of the prepared study *Family Business in Slovakia*¹¹ was therefore to map the state of the family business in Slovakia, compare its level with the situation abroad, to identify the most important problems of family businesses and recommend the implementation of concrete measures and arrangements to support the family business and its sustainability in Slovakia.

Family business is not defined in the law applicable in the Slovak Republic despite the fact that family businesses in Europe as well as in the world represent an important group of businesses with great influence. In the European Union about 70% to 80% of entrepreneurs run a family business and they employ about 40% to 50% of all employees. SMEs form a large proportion of family businesses and some of Europe's largest companies are also family businesses. In Slovakia, 99.9% of all enterprises are SMEs, and of that approximately 60% to 80% are family businesses, as presented in the study elaborated.

Specific issues related to the development of family businesses are connected in particular with penetration of family and private life of entrepreneurs. This interaction is a source of strength and importance of family business for entrepreneurs themselves. But it also can be a source of weakness, which can also bring a going company to extinction and could also threaten the very family and affect negatively relationships within it.

According to the study, in Slovakia as well as abroad the family business as a form of business has a similar composition, structure, and similar problems. The only different is the lack of support from regional authorities, the State and academia. In these areas it will be necessary to catch up with foreign countries, to learn from their mistakes and apply best practices in this field. Regarding support, there is no programme, scheme or organisation that focuses on these issues and regarding practice, there is no initiative or programme aimed at this target group.

¹¹ The study *Family Business in Slovakia* is available on the website:
http://www.nadsme.sk/files/Studia_Rodinne_podnikanie_na_Slovensku-fin.pdf

Law enforcement in business relations

Lack of law enforcement is one of the greatest shortcomings of the business environment in Slovakia. The study *Law Enforcement in Business Relationships*¹² is therefore aimed at assessing the state of law enforcement in relation to small and medium-sized enterprises (SMEs), analysing the root causes of weak law enforcement and the subsequent formulation of recommendations for improvement in this area.

According to the study, the main task of the courts, especially in commercial matters, should be fast and effective help to assert the rights of action (claims) of businesses against the defending will of an obliged subject. Therefore, a well-organised judicial system and properly set procedural rules are considered to be the basic conditions to ensure that the courts do not create a barrier to increasing the current low level of enforcement of rights of SMEs in Slovakia. As is clear from the data identified statistically and presented in the study, one of the main objectives of improving law enforcement in business relationships should also be the acceleration of civil proceedings.

The level of law enforcement in business relationships is also linked to the restructuring process. According to the study, restructuring should serve as a healing process that will enable the company to continue trading, maintain at least partial employment and will have a positive impact on the repayment of existing liabilities. In some EU countries, in terms of creditors, the yield of restructuring moves up to 40%, which is incomparable with the Slovak Republic, where we move around the level of the yield of bankruptcies, which is roughly 10%. Restructuring success depends primarily on whether the action started early.

In order to avoid delays in the proceedings, the change in the judges' approach (philosophy) was proposed from progressive hearing cases to hearing cases in a single trial, i.e. a departure from the current practice of continuous hearing to a comprehensive hearing on a case by case basis. The study contains also specific recommendations regarding the procedural law, substantive law, legislative activity and judicial activities.

¹² The study *Law Enforcement in Business Relations* is available on the website: http://www.nadsme.sk/files/Studia-Vymozitelnost_prava-mar2011.pdf

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

Creating quality business environment requires a coordinated approach by all departments. Just like in other EU countries, even in the Slovak economy it includes strengthening the role of small and medium-sized enterprises, because this sector is an important form involved in the creation of the national product with an irreplaceable role in the area of employment. The basic prerequisite for the long-term competitiveness and growth of small and medium-sized enterprises is just a favourable business environment that creates conditions for economic growth, and thus becoming a key task for the Government. Creating favourable conditions conducive to the development of SMEs should become part of the policies of all ministries and other public administration bodies and local authorities.

In addition to the global economic impacts, some long-term problems remain in the business environment in Slovakia. These problems include, for example, problematic law enforcement, high administrative burden on businesses, public sector inefficiency, insufficient supply of e-government services, high levies and administratively demanding mechanism for their payment, frequent changes in legislation, and the continued practice of cronyism and corruption. Solution or elimination of these shortcomings, however, is progressing very slowly.

A common feature of all the mentioned problem areas is their complexity and coherence on several functions of public administration. Therefore, any improvement in these areas require a comprehensive system approach, inter-ministerial coordination and, in particular, active cooperation of entrepreneurs themselves. In this respect, a positive step would be the adoption of a national plan/strategy for SME development, which would define the objectives of its development and aid frameworks and identify the roles of various bodies and institutions in order to ensure favourable conditions for the development of SMEs.

The new approach should also ensure the application of the Small Business Act (SBA) initiative, which is a key EU initiative for the development of the SME sector in the context of the objectives of Europe 2020. The concept should allow for the integration of ten SBA principles in Slovakia and their consideration in the development of legislation, policy and strategic documents, as well as support tools for SMEs. The new Government formed after the elections in March 2012 has joined this initiative and, upon the Manifesto of the Government of the Slovak Republic for 2012-2016, undertook to extend the application of the European principles of the development of small and medium-sized enterprises (SBA – Small Business Act), as small and medium-sized enterprises should be supporting framework of the development of regional employment and the ones that will appreciate especially domestic natural resources.

Some problems associated with data on SMEs still remain. In order to improve the availability of statistics for the SME sector, as well as for the purpose of consistent monitoring of SBA principles application, we suggest the Statistical Office of the Slovak Republic:

- to include, in the Register of Organisations, a codebook of size categories according to the revenues in accordance with European Commission Recommendation No. 2003/361/EC;

- to publish data on establishment and dissolution of enterprises by legal form (legal entities – businesses, natural persons – entrepreneurs);
- to perform a mass update of data in the Register of Organisations before the deadline of the annual processing of the organisation statistics;
- to process and publish indicators of structural statistics by size categories of enterprises (in line with European Commission Recommendation No. 2003/361/EC) and legal forms (legal entities – businesses, natural persons – entrepreneurs).

4.1 Proposed recommendations

Based on the recommendations given by NADSME, according to the conclusions of the analytical outputs of the programme Monitoring and Research of SMEs and upon expert opinions of organisations representing the business sector, this subchapter contains the measures proposed in order to improve the business environment and the conditions for sustainable development of SMEs, and thus for the development of the Slovak economy. The measures are identified in relation to particular SBA principles.

First Principle

Enterprise – Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

- Reorientation of the educational system to the system encouraging young people to assume more responsibility for themselves and their economic self-fulfilment;
- Supporting the development of entrepreneurial thinking, entrepreneurial culture and entrepreneurial skills at all levels of education, while it is necessary to combine the formal approach (modification of existing curricula) and informal approach consisting in a close contact with business practice;
- Increasing investment in education through special programmes for SMEs and their advisers in support structures and organisations representing the interests of SMEs;
- Better alignment of the educational system of secondary vocational education with the needs of SMEs and creating cooperative links between practice and educational institutions to reduce structural weaknesses of the labour market;
- Creating the system of incentives for investment in education and providing increased support for the schools, whose graduates are in demand in the labour market;
- Significant changes in the education system and access to the partnership of the private sector, public administration, educational institutions and scientific and research institutes;
- Issues of education and training of future generations of small trade licensees must create a system of lifelong learning; the school system needs to create the foundation for changing the philosophy of the society of employees to the society of employers and educate graduates of secondary schools and universities prepared for self-employment through increased knowledge in the field of business economics, law and informatics and

communications – it is important that prospective employees know the modern world of technology, methods/techniques and are able to use them flexibly and to improve them within global competitiveness;

- Recommending to regional governments and local government entities to incorporate the provisions of the Small Business Act (SBA) in their strategies and policies;
- Adopting the National Strategy for Promotion of Corporate Social Responsibility (CSR) in the Slovak Republic and the Action Plan for CSR at the national level and promoting principles of accountability in business, which should strengthen the sustainability and competitiveness of the SME sector;
- In relation to completed projects continuing to increase awareness of CSR among Slovak SMEs through the dissemination of information on the issue, and presenting/appreciating examples of good practice;
- Governing the family business by a special legal regulation – as a family business is a specific form of business it would be appropriate to govern it by a special law that would regulate both property and labour relations, as well as any inheritance and the intergenerational transfer of business;
- Using a previous organisational basis providing support to entrepreneurs and its completion so as to ensure the support of a family business with all its needs and particularities;
- Development of a guideline – a manual for entrepreneurs, which will deal with accounting, psychological and legal aspects of generational change in family businesses; following the example of the Netherlands we recommend distributing the guideline to all entrepreneurs over 55 years in family businesses;
- Amending the legislation in the field of inheritance law in the matter of succession in family business management with the possibility to exercise the cessionary's concepts and will in case of his death;
- In the field of trade business we propose to expand the range of the persons who can do business upon the trade license of a deceased person by other persons, in terms of the family definition, so to avoid the termination of the trade license ex offio upon the death of the founder, despite the interest of the family to continue in carrying on the business.

Second Principle

Second chance - Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

- Carrying out the analysis of the system of resolving insolvency of enterprises in Slovakia and proposing measures that should lead to an expeditious procedure associated with the termination of business and settlement of financial and property relationships in accordance with the recommendations proposed in the SBA Action Plan for promoting the

“second chance” for entrepreneurs, and limiting the period to settle outstanding debts for an honest entrepreneur at maximum three (3) years by 2013;

- In the case of insolvency, allowing the petition for bankruptcy order or dissolution of a company in relation to the entrepreneur’s own company or to himself ex offio;
- Removing long time in deciding commercial disputes;
- Ensuring that courts will report the facts that happened in committing a crime ex offio;
- Implementing a long-term awareness campaign to eliminate prejudice against bankruptcy.

Third Principle

Think Small First – Design rules according to the Think Small First principle

- Stabilising the regulatory framework for business, and in this context especially:
 - Defining the system of consultations between the public administration and the business sector, which can be implemented as part of the use of a single methodology to prepare standards that would be stable and would not require subsequent adjustments/corrections;
 - Establishing a system for assessing the impact of the upcoming legislative and administrative initiatives on SMEs (SME test) when preparing new legislation;
 - Analysing the existing regulatory framework and eliminating standards or measures that are obsolete and do not produce social benefits (have not fulfilled the objective followed by the standard in the past);

Applying these measures should significantly decrease costs incurred by SMEs in terms of time spent by studying regulatory changes and necessary literature, as well as additional technical support costs (for example, updating accounting software).

- Preparing a medium-term strategy for the development and support of SMEs, which would re-define the objectives for the development of the SME sector, a framework for the use of support tools for SMEs, their institutional arrangements and coordination, as well as the adaptation of the legal framework of the business environment in order to remove barriers to the development of SMEs in Slovakia. The strategy should be based on the principles defined in the document Review of the “Small Business Act” for Europe (COM(2011) 78);
- Reducing the administrative burden, reducing and simplifying the procedures for obtaining and using support for SMEs, which mainly in programmes financed by the structural funds are prohibitively time-consuming and administratively difficult; facilitating the refinancing of projects by implementation of advances to SMEs; excluding changes of rules beginning the tender announcement up to the completion of projects;
- Improvement of accounting implementing rules involving the business community in order to reflect the needs of the practice of accounting, which should contribute to a further reduction of the costs of accounting;
- Amending all laws on taxes, levies and contributions and other regulations in principle only once a year, as at 1 January of the next year;

- Considering suspending the provisions governing the sanctions in the amended provisions of laws so that changes can be used in practice;
- Enforcing that all taxes and levies are paid to the tax office and the tax office should then distribute them to the Social Insurance Agency and health insurance companies;
- Tax authorities should have a single information system where all applications for registration, deregistration and statements about employees would be sent in order to avoid double fulfilment of such obligations; the Social Insurance Agency and health insurance companies would receive any information from the system;
- We suggest to shorten the obligation of the premium payers to retain selected documents for ten (10) years to only five (5) years;
- Introducing the obligation of the presenter of a rule of law to develop, together with a draft, a simple, concise and easy-to-understand explanation of the rules and obligations arising from it;
- Based on the analysis of the implementation of the institute of a pre-binding opinion for institutions and selected laws, discussed by the Government on 29 June 2011, ensuring that the responsible department (the creator of the law) would be required to provide authoritative interpretation of the rules of the law; the above measure is designed to remove the inconsistent interpretation of legal regulations;
- For small trade licensees, independent farmers and entrepreneurs – freelancers receiving pension we propose voluntary paying contributions to old-age pension insurance, as such payments will be reflected only minimally in their total amount of pension; it would also motivate those groups of entrepreneurs to further economic activity, which would result in increased tax revenues;
- Joining legislative concerning occupational health and safety and related regulations into one act, in order to ease the orientation of employers in that area;
- Taking measures to reduce the administrative burden related to the employment of persons (recruitment, system of contributions to funds) and to reduce overall labour costs by reducing contributions to funds based on a comprehensive and objective analysis of the needs and possibilities of further reduction of tax burden in Slovakia;
- Removal of disproportionate penalties imposed by the State, municipal, and other public administrative bodies to SMEs in a single infringement (such as it was governed by Act No. 392/2011 Coll. on Trading with Defence-related Products and on amendments and supplements to certain acts, which amended Act No. 455/1991 Coll. on Trade Licensing), in particular the non-monetary ones; in minor deficiencies, establishing the principle that the imposition of a penalty will only be preceded by the possibility of a remedy by imposing a measure with a binding deadline for eliminating the shortage;
- Supervisory authorities should apply, especially to small businesses, prevention (e.g. imposing educational activities as a remedy) rather than repression;

- Establishing coordination of the procedure of particular public authorities in exercising control over businesses; several control authorities should inspect the entrepreneur at the same time, thus avoiding multiple checks of the same facts; in addition to saving time and administrative burden it would mean a reduction in costs incurred by the entrepreneur in association with the performance of control activities;
- In the area of commercial law, active promotion of the use of alternative methods of dispute resolution, particularly mediation and arbitration, and raising awareness of businesses in that area;
- Raising the awareness of SMEs through communication campaigns on the need for preparation in the case of the planned business transfer with an adequate interval of time; promoting the dissemination of information needed for the transfer of enterprises through training and databases in order to increase the number of successful transfers of companies.

Fourth Principle

Responsive Public Administration – Make public administrations responsive to SMEs' needs

- Reducing the administrative burden on business, eliminating duplication of submission of documents to the public administration, simplifying and reducing the scope of required reporting, and the like;
- When creating each rule of law, to apply the principle that public authorities and public institutions (the Social Insurance Agency, etc.) will not require, in the administrative or other procedures, documents, deeds, decisions and the like, which are issued by the State authority or public administration body or public institution (the Social Insurance Agency, etc.); in this context, to support the informatisation of the State authorities and public administration bodies and the rapid introduction of e-government in all areas where there is interaction between public administration and businesses, and thus eliminating several repetitive requests for information, documents and data from businesses;
- Improvement of the transition to electronic communications, the introduction of mandatory electronic reporting – technically it is handled very poorly (see the problem of the tax administration in early 2012; the Social Insurance Agency, and health insurance companies) – the fact that the smallest businesses may not deal with new things technically (the latest PC, network coverage, etc.) is not taken into account and therefore, we consider it a real if an alternative option will be given to small firms, or companies in the region to be able to submit reports by post for a transitional period;
- Based on the analysis of the options and the impact of the reduction in basic capital for selected types of legal entities negotiated by the Government on 7 March 2012 reducing the basic capital of joint-stock companies to half and the basic capital of limited liability companies to symbolic EUR 1;
- Based on the analysis of the National Security Authority named the Weaknesses in the Approach to the Use of Electronic Signatures and Advanced Electronic Signatures (Document No. 281/2012/IBEP/OEP-006) creating conditions to stimulate widespread use

of electronic signatures by businesses – in this context, it is necessary to simplify the Slovak legislation governing the issue of electronic signatures;

- Sending the current standard forms – it would also contribute to the reduction of the administrative burden on small and medium enterprises if, based on the measure implemented upon the Foreign Exchange Act No. 202/1995 Coll., within the electronic communications tax authorities send businesses a model of the respective form of a tax return in advance and notify them of the tax liability in such way;
- Alignment of function of the Commercial Register and the Trade Register in a single institution;
- Applying the court fee for entering a change in the register in the amount of EUR 66 even to first registration, or considering complete removal of charges related to the company establishment;
- Based on the analysis of the possible use of electronic extract from the Commercial Register of the Slovak Republic for legal purposes negotiated by the Government on 7 March 2012 ensuring that the electronic extract from the Commercial Register of the Slovak Republic may be used for legal purposes;
- We also recommend transfer of the obligation of a builder to provide a building office with documents for a building permit procedure in the form of statements of authorities – perspectively, creating an information system could be considered, which would connect all the authorities concerned in the respective territory (the authorities concerned in such way can be identified already in the planning inquiry) and allow to shorten the building permit procedure;
- Regarding black construction penalties, specifying, in the Construction Act, the cases of the breach of the Construction Act in which a financial penalty will be imposed on a builder and the cases of violation in which removing of black building will be ordered to the builder – it should be clearly addressed by the law, the current wording in general terms allows to circumvent the law;
- Within land planning and then within permitting structures, strict following industrial zones and residential zones, and within residential zones the areas of houses, high-rise residential zones and the like, under threat of sanctions for the building authority – such provision in the law would avoid confusion in explaining the provisions of the law in any way;
- We recommend to the Statistical Office of the Slovak Republic not to include micro enterprises in the statistical survey more than once every three years, except where the needs of statistical and other types of information require otherwise;
- We propose to “motivate” the courts to speed up taking decisions on the merits, for example, through the amendment to Act No. 71/1992 Coll. on Court Fees, as amended, upon which the following measures would be taken – if more than three (3) months lapse from the payment of the court fee for a motion to start proceedings to the first hearing date, the parties to the proceedings should be given back 50% of all fees paid.

Fifth Principle

Public Procurement and the State Aid – Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs

- Introducing the rules of transparency in the public procurement system at all levels of public administration;
- Creating more space for the application of quality criteria in the procurement process, particularly in the supply of services; the current legislative practice connected with a pronounced preference of price criteria causes problems in selecting the best offer in terms of the requirements of the contract; on the other hand, high-quality offers by entrepreneurs are often unsuccessful because of the submission of cheaper but lower quality offerings;
- Analysing the impact of existing State aid schemes for SMEs and adapting the conditions for their providing to the needs of SMEs;
- Training for public authorities in order to improve the quality of the procurement, not only in terms of formality, but also efficiency;
- Determining the limit of the proportion of small businesses in contracts to be financed from public funds at 30%, as is common in the European countries – it would also help eliminate corruption in the awarding contracts financed from public funds; the objective conditions of competition would also allow for the success of small businesses and small trade licensees and the funds from the public sources could be the engine of that segment – small business entities would employ more workers, pay taxes, levies, and expand;
- The requirement for the lowest price in the public procurement provides for a dishonest business; for the procurement of construction work we propose to ban the lowest price as the only criterion, unless the competitive work is defined by a detailed project, an accurate and comprehensive list of areas and proper realisation documentation or quantitatively and qualitatively comprehensive description of the work – using the lowest price as the sole and decisive criterion for selecting a winner of the tender for the construction work is a method distorting this market segment;
- Excluding bids with the highest and lowest price from tenders – this rule is applied in many EU countries to eliminate extreme variants.

Sixth Principle

Finance – Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions

- Improvement of providing information on financial support for SMEs and present more significantly existing support programmes at local, national or European level;
- Ensuring greater support for businesses through repayable forms of aid that have significantly less distorting effect on economic competition;

- Focusing greater attention on funding start-ups and small businesses and supplementing the financial aid in the form of grants or loans by the provision of training and consultancy services and connecting these supports with each other;
- Ensuring effective support for various types of SMEs by strengthening and better linking of existing financial support programmes (structural funds, guarantee and loan programs of the SZRB, EXIMBANKA SR, NADSME, lines of credit from commercial banks financed by the EIB, SLOVSEFF programme), as well as by the prepared initiative JEREMIE; special attention should be directed at facilitating access to finance for start-ups and micro enterprises, which represent the categories of businesses most affected by market failure; regular reviewing of the need for adding resources to these programmes;
- Carrying out market analyses, identifying market gaps and the need for funding for various types of businesses in order to set up an effective support for SMEs from the structural funds for the programming period 2014-2020 and, accordingly, identifying and preparing financial instruments based on a suitable combination of refundable and non-refundable support to eliminate gaps in the market and create conditions for improving the competitiveness of SMEs;
- Improving the financial situation of SMEs by encouraging potential investors to invest or lend funds to start-ups and businesses through tax relief, which the investor would be able to exercise at 2.5% of the loan amount – the advantage of such scheme is a simple principle of operation, which only minimally burdens the State budget and stimulates appropriately the market environment (e.g. the Win-Win loans in Belgium sets an example of a working model);
- Considering establishing a support scheme for reimbursement of claims for small and medium-sized enterprises towards government agencies and other subjects with the participation of the State – using this scheme, an entrepreneur would be reimbursed a substantial portion of the receivable (e.g. 80%); this measure would allow the entrepreneur to continue to grow as the funds would be available and would not be blocked in the form of receivables (the Casheo support scheme in Belgium sets an example of a working model);
- Supporting the creation of the so-called credit ombudsman to facilitate dialogue/communication between SMEs and credit institutions;
- Creating a loan and microloan scheme involving private and banking finances to respect the particularities of family business, i.e. they would provide long-term funds for acceptable interest.

Seventh and Tenth Principle

Single Market and Internationalisation – Help SMEs to benefit more from the opportunities offered by the Single Market, encourage and support SMEs to benefit from the growth of markets

- Increasing awareness of businesses of opportunities offered by the single market and continuing to encourage SMEs to the internationalisation of their activities;

- Following the transfer of commercial diplomacy agenda from the Ministry of Economy of the Slovak Republic to the Ministry of Foreign Affairs of the Slovak Republic improving coordination among institutions (Ministry of Foreign Affairs of the Slovak Republic, Ministry of Economy of the Slovak Republic, SARIO, EXIMBANKA SR, NADSME, business organisations) in order to ensure favourable conditions for the internationalisation of SMEs;
- Extending support of exports in commodity as well as in the territorial structure with an emphasis on commercial markets with potential for expansion of Slovak SMEs;
- Stronger support of consulting and training on business opportunities in the markets of the EU and third-country markets, improving the level of management of exporting SMEs – lack of experience in foreign trade transactions, lack of market knowledge and relevant regulations, obtaining trade partners, export financing, and the like represent significant barriers to greater export and import activities of SMEs;
- In the case of support focused on the acquisitions, allowing the drawing of funds by business groups and associations that can provide services to SMEs in organising exhibitions, especially in the common expositions, and utilise resources more effectively and comprehensively;
- Increasing the competitiveness of Slovak companies in foreign markets by promoting the reduction of domestic energy consumption and raw material intensity of production and the increase in added value of products and services;
- Greater use of the experience of large enterprises with foreign trade activities to strengthen the internationalisation of SMEs.

Eighth Principle

Skills and Innovation – Promote the upgrading of skills in SMEs and all forms of innovation

- Increasing awareness of businesses of the importance of SME innovation activities;
- System support of regional governments and regional entities created in previous periods to support innovation (e.g. technology incubators) in order to promote innovative ideas, dissemination of good practices and the development of lifelong learning (as part of building the knowledge economy and society);
- Application of effective motivational tools for a sustained increase in innovation activities of the business sector;
- Introducing practical tools to promote closer cooperation between the private sector and academia/research with using the best examples of the EU;
- Promoting the establishment of cluster organisations, which will increase the innovative capacity of companies – members of the cluster organisations and stimulate the development of the SME sector;

- Supporting expansion and innovative activities of firms having growth potential with using innovative financial instruments – in this context, preparing measures for the next programming period of the EU support;
- Reviewing the priorities of the State science and technology policy and determining the optimal number of priority directions of research and development in line with the expected economic growth; concentration of the State resources to the areas of research and development, where it is possible to achieve internationally acceptable and realistic results; verifying real results regularly and comparing them with intentions;
- Reviewing the system of support for applied research and development financed from the EU structural funds and ensuring comparable conditions for the use of those resources by organisations across all sectors of science and technology, including organisations operating in the field of science and technology.

Ninth Principle

Living Environment – Enable SMEs to turn environmental challenges into opportunities

- Improvement of information support for businesses in the area of environmental protection and environmental management;
- Raising awareness about green business as a business with a high added value in relation to the CSR concept;
- Supporting the implementation of green procurement in response to European Commission Communication COM (2008) 400 – it is a process, in which public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle compared to the goods, services and works with the same primary function that would otherwise be procured;
- Development of educational programs at all levels – in the field of lifelong learning with a focus on ecology;
- Increasing the stability and continuity of environmental strategies in the wider political and social context;
- Improvement of infrastructure for the deployment of eco-innovation in the business environment, particularly in the SME sector;
- Supporting the implementation of environmental management systems, EMS, EMAS and eco-labelling of products in small and medium-sized enterprises as a tool enabling to reduce negative environmental impacts;
- Stronger promotion of the need to implement energy savings and enforce reducing the energy intensity of production in the sector of small and medium-sized enterprises;
- Streamlined advise SMEs on environmental legislation (based on the website <http://www.go-eco.sk/>);

- Introducing incentives for organic products and cleaner production in the SME environment;
- Rising of awareness on the Europe 2020 strategy implementation, with a focus on the environment and corporate social responsibility (CSR) in Slovakia.

4.2 Proposed priorities and support measures for SMEs in the EU's cohesion policy for 2014-2020

On 6 October 2011 the European Commission adopted legislative proposals for cohesion policy for 2014-2020. Over the years 2012 and 2013, the Council and the European Parliament will express their opinion on the proposals, and new regulations should come into force in 2014.

Within the preparation of conditions for the implementation of the EU cohesion policy after 2013, priorities and measures to support SMEs in response to Europe 2020 strategy were identified. The measures are based on the thematic objectives defined in Article 9 of the draft Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the common strategic framework and laying down general provisions on the European Regional Development Fund, European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No. 1083/2006 (General Regulation), version of 14 March 2012.

In the interest of sustainable development of SMEs and solutions to existing problems and market failures, within the cohesion policy the following measures should be taken:

Thematic Objective 3: Increasing the competitiveness of small and medium enterprises

- Realising financial support for SMEs mainly through financial schemes (repayable assistance), as they have less distorting effect on competition and are also of a revolving nature allowing to multiply the number of beneficiaries;
- Increasing targeting of aid by creating specific financial instruments to assist the various categories of micro enterprises;
- A tool to support start-ups and micro enterprises – those types of companies are most exposed to gaps in the market; at the end of 2011, the category of micro enterprises accounted for 97% of all businesses in Slovakia and according to the study carried out by the European Commission in 2009 up to 60% of subjects represented the so-called *non-bankable* clients, i.e. companies that were unable to finance themselves by commercial loans; that group represents a market niche and microloan programmes implemented by non-bank institutions should focus just on that group; a microloan programme at a discounted rate providing loans up to EUR 25,000 for micro-entrepreneurs – in the case of start-ups it would be combined with a guarantee scheme, which would be aimed at eliminating the increased risk of default loans provided to such clients, so as to ensure sustainability of the program;

- A tool to support young people under 30 years of age – target groups should be people entering into the business (interested in business) and starting up a business (running their businesses less than three years) from the category of natural persons and micro enterprises; within the programme, loans in the range of EUR 1,500 to EUR 15,000 should be provided; a mentoring component should be part of the programme in order to encourage sustainable business concept as well as increase business skills and replacement of the lack of experience – prior to the approval of the loan the entrepreneur/person interested in doing business would acquire an advisor – mentor, who would provide him mentoring, counselling and advice throughout the entire period of the approval of the loan and its repayment;
- A tool to support innovative projects in the SME environment – a loan programme with a grant component (which would have been paid on the basis of meeting the objectives of the project) would be designed to support innovative business ideas, and alternatively the transfer of innovative technologies;
- A tool to support fast-growing innovative companies – Seed Capital Fund (Seed Fund) – the investment fund associating public and private funds providing investment for innovative business plans; with the help of the fund, in the pre-start phase of doing business investment should be provided for the projects with high potential for expansion; the strategy of the fund should be a requirement to create new jobs for young people; investment should be in the form of equity or combined with a loan and in the range of EUR 10 to 100 thousand with a flexible length (1 to 5 years) determined by the nature of a business plan; the tool should contain an element of coaching – to prepare business plans entrepreneurs should be able to use the services of the coach, who would guide them in the preparation and approval of the project;
- A tool to support informal individual investors – business angels, who combine providing (investing) funds with mentoring and management consulting – the programme should create a nationwide structure/support network enabling business angels investing in start-ups; business angels tend to invest in young companies, but are wary of investing in the pre-start business phase, so in this form it would be possible to provide the support in the next phase of business plans for start-ups supported by other instruments (microloan programme, Seed Fund);
- A tool to promote investments in the environment and energy efficiency in SMEs environment – the programme combining counselling, mentoring, and loan financing (for example EKO Profit Project implemented in several EU countries);
- Incentives to support the certification of environmental management systems EMAS/EMAS-Easy/ISO 14000, alternative implementation of ISO 26000 and principles of social responsibility in the SME environment combined with information campaigns and counselling;
- Support of the internationalisation of SMEs – in 2010, the share of SMEs in exports of the Slovak Republic was 31%, of which only 1/10 was directed outside the EU; the programme would be aimed to inform and advise on all matters relating to the start and

operation of SMEs in the EU internal market and the external markets, finding business and technology partners, organising cooperation events and business missions, support for participation in international fairs and exhibitions, promoting employment of experts on internationalisation within SMEs, who would help them with the expansion abroad;

- Innovative voucher programme to fund research, development and innovation in SMEs environment – the programme could be used to support established companies in business incubators.

Thematic Objective 8: Promoting employment and supporting labour mobility

- Education and counselling before starting business – providing training to develop entrepreneurial skills for those interested in doing business, implementation of lectures, seminars and discussions with students in the highest grades of secondary school and partially of universities in order to promote good business examples and models realised by entrepreneurs in Slovakia and other countries; it would also ensure the communication of business issues in the media (e.g. video series, which would promote business topics, discuss barriers to business, or present successful as well as unsuccessful start-ups from Slovakia and from abroad), online training programs and the like; it is assumed that successful entrepreneurs at a regional as well as national and international level may be engaged as lecturers in lectures and seminars; courses to enhance skills and abilities and their alignment with the needs of practice would be organised for those interested in self-employment (business start ups), or they would be able to participate in the coaching process aimed at enhancing the development potential, increase internal commitment to the business as well as the elaboration of a suitable business plan;
- Education and counselling after starting business – ensuring the lifelong learning environment for SMEs by providing vouchers to undergo training in order to improve business skills, changes in business conditions, learning new trends, internationalisation, social responsibility and more; making use of business mentors, who would provide expert advice and experience for start-ups based on successful projects;
- Supporting women's entrepreneurship – implementing guidance system for women entrepreneurs based on successful projects in the field of promoting women's entrepreneurship in Slovakia implemented within the framework of the European Network of Female Entrepreneurship Ambassadors initiative; representation of women in business has been low for a long term (at the end of 2011, women accounted only for 27.7%); counselling would be conducted in the form of mentors for women entrepreneurs, at the same time information and counselling services for women entering the business would be provided, including presenting examples of successful business through social awards;
- A programme for supporting innovative business ideas and start-ups through incubators and coworking centres – the programme would act as a subsidy scheme through which certain support services provided by business and technology incubators and coworking centres to their clients would be reimbursed.

5. Evaluation of programmes and activities to support SMEs

5.1 Ministry of Economy of the Slovak Republic

The Ministry of Economy of the Slovak Republic (MoE SR) is the central State administration authority of the Slovak Republic for industry, energy, heating, gas, protection and rational use of mineral resources, strategy of development and implementation of innovation in these areas, for the support of small and medium business development, strategy of a support of business environment, internal trade, foreign trade, consumer protection, occupational health and safety in mining, hallmarking, precious metal testing, control of development, production, stockpiling, use and trade of chemical weapons and their precursors, the coordination of economic mobilisation, and privatisation of State property.

In 2011, under the auspices of MoE SR the support for small and medium enterprises was provided according to the following State aid measures:

Operational Programme Competitiveness and Economic Growth

In the programming period 2007-2013, MoE SR performs the role of the Managing Authority for the Operational Programme Competitiveness and Economic Growth; the Intermediary Bodies are the Slovak Innovation and Energy Agency and the Slovak Tourism Board, which, since 1 November 2010, has fallen within the competence of the Ministry of Transport and Regional Development of the Slovak Republic.

In 2011, under the measures of **the Operational Programme Competitiveness and Economic Growth** (hereinafter referred to as OP C&EG), within which the support for SMEs is provided (in addition to SMEs, even large enterprises can be supported), the State aid in the amount of **EUR 80,331,485.28**, representing **11.78%**, was granted, and **EUR 154,804,782.27**, representing **22.70%** of the total budget for the measures, were drawn (the information about drawing includes data only from the aggregate payment requests, i.e. it does not include pre-financing and advance payments). The aim of support under the Operational Programme Competitiveness and Economic Growth is to preserve and foster the competitiveness and efficiency of the manufacturing potential of industrial production, energy industry, as well as potential of tourism and other selected services in terms of sustainable development, and thus to contribute effectively to improving the economic performance of Slovakia as a whole, and reduce disparities in economic performance in regions of Slovakia. Attention is given to support the activities having a positive impact on employment and innovation development.

Figure 5.1: Overview of drawing the Operational Programme Competitiveness and Economic Growth funds for SMEs in 2011

The measures of the Operational Programme Competitiveness and Economic Growth	Drawing – totally (EUR)	Drawing - SMEs (EUR)	Share in drawing - SMEs (%)
<u>Priority Axis 1</u> - Measure 1.1 07K 0E 01 Innovation and Technology Transfers	90,925,993.80	80,581,414.64	88.6
<u>Priority Axis 1</u> - Measure 1.3 07K 0E 02 Support of Innovation Activities in Enterprises	964,811.98	964,811.98	100
<u>Priority Axis 2</u> - Measure 2.1 07K 01 0D Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in Energy	24,227,058.47	23,732,806.98	98
<u>Priority Axis 3</u> – Measure 3.1 07K 03 0D Support of Business Activities in Tourism	38,686,918.02	38,686,918.02	100
TOTAL	154,804,782.27	143,965,951.62	93

The overview of the announced calls, signed contracts and drawing from the beginning of the OP C&EG implementation is given in Figure 3 of Annex B.

Official participation of the Slovak Republic in exhibitions and fairs abroad under the auspices of MoE SR / Support of programmes of MoE SR – 07L04

In 2011, the budget of MoE SR provided direct financial support amounting to EUR 392,000 for the implementation of MoE SR official participation in exhibitions. Within that aid, MoE SR paid the cost of renting space, the construction of a joint Slovak stand and technical connection of exhibits from its budget. Depending on the size of the area (30 to 100 square meters), Slovak entities can present themselves in the common stand within the approved list of supported exhibitions abroad. The number of participations in exhibitions is not limited and one company may participate in all approved exhibitions. Within 18 official participations, 120 businesses were supported.

Implementation of the official participation of MoE SR is a particular form of pro-export support for Slovak businesses, and it is evaluated by entrepreneurs positively, despite the limited budgetary resources, a constant amount of support over the past ten years, as well as the needs of entrepreneurs for a broader form of this support.

07K 04 03 Support of the development of strategic investments – Investment Incentives

According to Act No. 561/2007 Coll. on Investment Aid and on amendments and supplements to certain acts, as amended, in 2011 the Government of the Slovak Republic approved investment aid for the following investors meeting the characteristics of SMEs in accordance with Annex I to Commission Regulation (EC) No. 800/2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).

Figure 5.2: The type of aid provided, the number of SMEs supported by various types of aid and financial statement of approved investment aid

Beneficiary (SME)	Subsidy for investment fixed assets (EUR)	Tax relief (EUR)	TOTAL (EUR)
CELLTEX Hygiene s. r. o.	2,500,000	1,500,000	4,000,000
Gallai&Wolff s.r.o.	3,000,000	370,000	3,370,000
ASPEL SLOVAKIA s.r.o.	870,000	830,000	1,700,000
PLASTIFLEX Slovakia, spol. s r.o.	800,000	860,000	1,660,000

Evaluation of provided aid is not available because the approved investment aid has not been granted and investment plans are in the state of implementation.

5.1.1 Slovak Innovation and Energy Agency

The Slovak Innovation and Energy Agency (SIEA) is a contributory organisation in responsibility of the Ministry of Economy of the Slovak Republic with a focus on energy, rational use of energy resources and innovation. SIEA also acts as the Intermediate Body under the Managing Authority (MoE SR) in the implementation of the Operational Programme Competitiveness and Economic Growth. Since 26 October 2011, SIEA has been the only Intermediate Body in MoE SR.

Overview of the implementation of the Operational Programme Competitiveness and Economic Growth:

The call KaHR-111SP-0801, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2009 Contracts to Provide NFC were concluded for 30 projects in the total NFC amount of EUR 49,790,878.31. During 2010 and 2011, two beneficiaries withdrew from the Contract to Provide NFC.

As at 31 December 2011, the Contracts to Provide NFC were concluded for 28 projects in the total NFC amount of EUR 42,429,432.19, and as at 31 December 2011, EUR 24,742,888.00 were used as NFC, of that NFC drawing in 2011 (NFC refunded upon RfP)

amounted to EUR 7,986,234.54; 21 projects were duly completed and 7 projects were in execution.

The call KaHR-111SP-0902, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2011 Contracts to Provide NFC were concluded for 75 projects, while 2 beneficiaries did not sign the Contract to Provide NFC.

As at 31 December 2011, the Contracts to Provide NFC were concluded for 75 projects in the total NFC amount of EUR 100,247,542.68, and as at 31 December 2011, EUR 32,090,388.17 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 22,562,994.61; 21 projects were duly completed and 7 projects were in execution.

The call KaHR-111SP-1001, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting a non-refundable contribution in the form of a refund: Within this call, in 2011 Contracts to Provide NFC were concluded for 40 projects.

As at 31 December 2011, Contracts to Provide NFC were concluded for 40 projects in the total NFC amount of EUR 29,975,264.41, and as at 31 December 2011, EUR 0.00 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 0.00; no project was duly completed and 40 projects were in execution.

The call KaHR-21DM-0801, Measure 2.1 Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in the Energy Sector (De Minimis Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2009 Contracts to Provide NFC were concluded for 9 projects in the total amount of EUR 956,107.24.

As at 31 December 2011, Contracts to Provide NFC were concluded for 9 projects in the total NFC amount of EUR 948,216.38, and as at 31 December 2011, EUR 658,688.18 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 120,692.96; 7 projects were duly completed and 2 projects were in execution.

The call KaHR-21DM-0801, Measure 2.1 Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in the Energy Sector (De Minimis Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2010 Contracts to Provide NFC were concluded for 19 projects in the total amount of EUR 1,947,115.88.

As at 31 December 2011, Contracts to Provide NFC were concluded for 19 projects in the total NFC amount of EUR 1,946,627.82, and as at 31 December 2011, EUR 1,027,068.73 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 1,027,068.73; 12 projects were duly completed and 7 projects were in execution.

The call KaHR-21SP-0801, Measure 2.1 Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in the Energy Sector (State Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2009 Contracts to Provide NFC were concluded for 32

projects in the total amount of EUR 69,866,365.14. During 2010 and 2011, four beneficiaries withdrew from the Contract to Provide NFC.

As at 31 December 2011, Contracts to Provide NFC were concluded for 28 projects in the total NFC amount of EUR 63,940,715.19, and as at 31 December 2011, EUR 41,234,123.52 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 22,078,003.42; 19 projects were duly completed and 9 projects were in execution.

The call KaHR–21SP-0901, Measure 2.1 Increasing Energy Efficiency in Production and Consumption and Introducing Advanced Technologies in the Energy Sector (State Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, in 2011 Contracts to Provide NFC were concluded for 38 projects in the total amount of EUR 50,623,104.83 and one beneficiary did not sign the Contract to Provide NFC.

As at 31 December 2011, Contracts to Provide NFC were concluded for 38 projects in the total NFC amount of EUR 49,808,091.29, and as at 31 December 2011, EUR 225,169.92 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 537,570.39; one project was duly completed and 37 projects were in execution.

The call KaHR–13SP-0801, Measure 1.3 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting aid in the form of a refund: Within this call, in 2010 Contracts to Provide NFC were concluded for 21 projects in the total NFC amount of EUR 18,155,301.45. During 2010 and 2011, 6 beneficiaries withdrew from the Contract to Provide NFC.

As at 31 December 2011, Contracts to Provide NFC were concluded for 15 projects in the total amount of EUR 12,854,773.42, and as at 31 December 2011, EUR 964,811.98 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) amounted to EUR 964,811.98; no project was duly completed and 15 projects were in execution.

The call KaHR–13DM-0901, Measure 1.3 Support for Innovation and Technology Transfer (De Minimis Aid Scheme), the form of assistance – granting a non-refundable financial contribution in the form of a refund: Within this call, during the year Contracts to Provide NFC were concluded for 4 projects in the total amount of EUR 1,069,231.00.

As at 31 December 2011, Contracts to Provide NFC were concluded for 4 projects in the total NFC amount of EUR 1,069,231.00, and as at 31 December 2011, EUR 0.00 were used for NFC, of that NFC in 2011 (NFC refunded upon RfP) accounted for EUR 0.00; no project was duly completed and 4 projects were in execution.

The call KaHR-13SP-1001, Measure 1.3 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting a non-refundable contribution in the form of a refund.

The process of entering into the Contract to provide NFC was not completed as at 31 December 2011. 15 projects are prepared for the conclusion of the Contract to Provide NFC in the total NFC amount of EUR 10,842,286.26, entering into Contracts to Provide NFC is to commence in January 2012.

The call KaHR – 111SP/LSKxP-1101 was published on 30 September 2011 within the State Aid Scheme to support innovative and advanced technologies in industry and services with the relevance of local strategies for a comprehensive approach to the Measure 1.1, Sub-measure 1.1.1. The closing date is fixed on 29 February 2012 and therefore the information on contracts related to projects and subsequent disbursement of funds will be the subject of the Reports on the State of Small and Medium Enterprises for 2012.

The call KaHR 111DM-0801, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (De Minimis Aid Scheme); the form of assistance – granting a non-refundable financial contribution in the form of a refund: The call was published on 14 July 2008 and resources in the amount of EUR 33,193,918.87 were allocated to it. The objective of the scheme is to support projects aimed at improving the competitiveness of existing enterprises by introducing innovative and advanced technologies, creating an environment to increase the innovation potential of enterprises in industry and services, and the development of organic production as a necessity for the preparation of sustainable development in the industry.

As at 31 December 2011, Contracts to Provide NFC were concluded for 66 projects in the total NFC amount of EUR 8,739,221.52, and as at 31 December 2011, EUR 8,238,617.13 were used for NFC; 62 projects were properly completed and NFC granted amounted to EUR 8,214,894.63; 4 projects were in execution.

The call DOP 2008-SIP001, Sub-measure 1.1.2 (De Minimis Aid Scheme), the form of aid – granting a non-refundable financial contribution in the form of a refund: In case of this Sub-measure, it is cross-departmental cooperation, where the provider of aid for the activities under the European Regional Development Fund (hereinafter referred to as “ERDF”) is the Ministry of Economy of the Slovak Republic as the Managing Authority for the Operational Programme Competitiveness and Economic Growth and the Scheme Administrator and the Intermediate Body under the Managing Authority for the Operational Programme Competitiveness and Economic Growth is the Section of the Structural Funds for the Development of Small and Medium SMEs of SIEA, and the provider of aid for the activities under the European Social Fund (hereinafter referred to as “ESF”) is the Ministry of Labour, Social Affairs and Family of the Slovak Republic as the Managing Authority for the Operational Programme Employment and Social Inclusion and the Scheme Administrator and the Intermediate Body under the Managing Authority for the Operational Programme Employment and Social Inclusion is the Social Implementation Agency (SIA).

The call was published on 28 August 2008 and resources in the amount of EUR 19,916,351.32 were allocated to it (funds allocated for the entire call (i.e. OP C&EG + OP E&SI). All data within the Sub-measure 1.1.2 are presented solely for the OP C&EG.

As at 31 December 2011, Contracts to Provide NFC were concluded for 89 projects in the total NFC amount of EUR 8,011,929.39, and as at 31 December 2011, EUR 6,594,851.98 were used for NFC; 74 projects were properly completed and NFC granted amounted to EUR 6,489,733.85; 15 projects were in execution.

The call KaHR 111DM-0901, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (De Minimis Aid Scheme); the form of assistance – granting a non-refundable financial contribution in the form of a refund: The call was published on 15 June 2009 and resources in the amount of EUR 25,000,000 were allocated to it. The aim of the

scheme is improving the competitiveness of existing enterprises by introducing innovative and advanced technologies, creating an environment to increase the innovation potential of enterprises in industry and services, and the development of organic production as a necessity for the preparation of sustainable development in the industry.

As at 31 December 2011, Contracts to Provide NFC were concluded for 72 projects in the total amount of EUR 23,641,030.43, and as at 31 December 2011, EUR 17,046,085.26 were used for NFC; 49 projects were properly completed and NFC granted amounted to EUR 14,493,169.01; 23 projects were in execution.

The call KaHR 111SP/LSKxP-1101, Sub-measure 1.1.1 Support for Innovation and Technology Transfer (State Aid Scheme), the form of assistance – granting a non-refundable contribution in the form of a refund: The call was published on 30 September 2011 and resources in the amount of EUR 16,470,588.00 were allocated to it.

The call KaHR 113DM-0801, Sub-measure 1.1.3 Support for Participation of Slovak Manufacturers in Fairs, Exhibitions and Trade Missions (scheme promoting international cooperation (De Minimis)), the form of assistance – granting a non-refundable financial contribution in the form of a refund: The call was published on 12 March 2008 and resources in the amount of EUR 8,298,480 were allocated to it. The measure aims to aid small and medium-sized businesses that want to present themselves in the domestic and foreign markets and help manufacturing companies and companies working in services to involve more significantly in international cooperation and obtain a better place in the foreign market.

As at 31 December 2011, Contracts to Provide NFC were concluded for 16 projects in the total NFC amount of EUR 1,369,647.52, and as at 31 December 2011, EUR 1,299,746.90 were used for NFC; 13 projects were properly completed and NFC granted amounted to EUR 1,043,556.91; 3 projects were in execution.

The call KaHR 113DM-0901, Sub-measure 1.1.3 Support for Participation of Slovak Manufacturers in Fairs, Exhibitions and Trade Missions (scheme promoting international cooperation (De Minimis)), the form of assistance – granting a non-refundable financial contribution in the form of a refund: The call was published on 25 May 2009 and funds in the amount of EUR 4,000,000 were allocated to it. The measure aims to aid small and medium-sized businesses that want to present themselves in the domestic and foreign markets and help manufacturing companies and companies working in services to involve more significantly in international cooperation and obtain a better place in the foreign market.

As at 31 December 2011, Contracts to Provide NFC were concluded for 26 projects in the total amount of EUR 1,888,788.13, and as at 31 December 2011, EUR 886,092.07 were used for NFC; 14 projects were properly completed and NFC granted amounted to EUR 673,627.68; 12 projects were in execution.

5.1.2 Slovak Investment and Trade Development Agency

The Slovak Investment and Trade Development Agency (SARIO) is a contributory organisation of MoE SR funded from the State budget. The primary objective of SARIO is to raise the standard of living of citizens in Slovakia by increasing employment and reducing regional disparities. To support the development of trade and investment, it provides

promotion of benefits for the Slovak business and investment environment, acquires investors, organises activities to support trade with foreign countries, and provides consultations. Its other activities include participation in general and specialised exhibitions and fairs, implementation of trade missions abroad, receiving foreign missions, education programs for exporters, and providing consulting services at home and abroad.

In the field of investment promotion in Slovakia, SARIO ensures investment services and current information about the business environment for domestic and foreign investors and provides a choice of the most suitable localities and real estate for the implementation of investment goals. In 2011, SARIO, through the Foreign Direct Investment Section, completed successfully 26 investment projects in the amount of EUR 517.6 million, which together should create 3,634 to 4,354 jobs.

The Structural Funds Section of SARIO implemented measures under the OP Competitiveness and Economic Growth, within which the State aid was provided. However, upon Decision of the Minister of Economy of the Slovak Republic No. 55/2011 of 26 October 2011 on the transfer of activities, the Section was transferred to the Slovak Innovation and Energy Agency. Thus, since 26 October 2011, SARIO has not been implementing measures of the OP C&EG through the Scheme for the Promotion of International Cooperation.

SARIO is not a provider of investment aid – it is only one of the assessors of the submitted investment plans. The Foreign Direct Investment Section of SARIO prepares expertises on investment plans of the companies seeking investment aid under Act No. 561/2007 Coll. on Investment Aid, the providers of which are the Ministry of Economy of the Slovak Republic, Ministry of Finance of the Slovak Republic and the Ministry of Labour, Social Affairs and Family of the Slovak Republic. This support is not limited by the size of the applicant, i.e. the scheme is open to small and medium-sized as well as large enterprises. Applicants are not required to declare, within which size category they fall, and taking into account that they provide SARIO only with a limited range of data, it is not always possible to clearly declare that it is a small or medium-sized enterprise. From the list of successful applicants for investment aid in 2010 one company was selected, which could be classified as a small and medium-sized enterprise. In 2011, investment aid totalling EUR 4 million was approved for that company.

To support small and medium-sized enterprises, SARIO organises the Slovak Start-up Development Program, which serves as a support for young innovative and technically oriented Slovak companies in the high technology (high-tech) and research and development.

5.1.3 Innovation Fund, n.f.

Innovation Fund, a non-investment fund, is an independent, non-profit and non-State legal entity operating in the territory of the Slovak Republic, which was established by the Ministry of Economy of the Slovak Republic under Act No. 147/1997 Coll. on Non-investment Funds.

In accordance with its Statute, the Innovation Fund provides **repayable financial assistance** to support the creation of appropriate conditions for using the results of research, development, innovation, patents, industrial designs and utility models in close contact with scientific, research and technical institutions. The purpose of providing repayable financial assistance is to support subjects addressing projects in the field of research, development and innovation, use and protection of patents, industrial designs and utility models, resulting in

innovative products and services with high added value and the real hope of success in the domestic and European or the world market.

Repayable financial assistance is provided to address projects that qualified for granting assistance and is to facilitate access to financing at favourable interest conditions.

The Innovation Fund n.f. supported 4 projects in the form of repayable financial assistance, for which in 2011 it provided the amount of EUR 583,000. It was the support of projects of following subjects:

- PRVÁ ZVÁRAČSKÁ, a. s., Bratislava – the project named the Innovation of Laser Welding Technology Used for Absorption Cases for Storage of Spent Nuclear Fuel (Contract No. 1/2010); the second tranche in the amount of EUR 100,000.
- EVPÚ a.s., Nová Dubnica – the project named the Development and Experimental Verification of Efficient Gasification Process focused on Improving the Process of the Final Gasification Technologies and Gas Treatment Process (Contract 2/2010); the second tranche in the amount of EUR 245,000.
- ZTS – Výskumno-vývojový ústav Košice a.s., Južná trieda 95, 041 24 Košice – the project named the Innovation – Development of Particularly Precise Positioning Systems for Radioactive Environment (Contract 1/2011); the first tranche in the amount of EUR 68,000.
- BUKÓZA INVEST spol. s. r. o., Hencovská 2073, 093 02 Hencovce – the project named the Industrial Research of Production of Powdered Cellulose (Microcrystalline Cellulose), (Contract 2/2011); the first tranche in the amount of EUR 170,000.

5.2 Ministry of Transport, Construction and Regional Development of the Slovak Republic

The Ministry of Transport, Construction and Regional Development of the Slovak Republic (MTCRD SR) is a central public administration authority for track and transport on the railways, road and combined transport, roads, ports and inland navigation, maritime shipping, civil aviation, posts, telecommunications, public works, building code and land planning, except for environmental concerns, building production and construction products, development and implementation of housing policy, tourism, energy performance of buildings, the creation and implementation of urban development policy, as well as the authority providing the State premium for building savings and the State contribution for mortgage loans. It also coordinates the preparation of regional development policies and serves as the State transport authority and the Maritime Office.

From 1 January 2011, MTCRD SR has been coordinating the use of funds from the European Union.

In MTCRD SR, support of small and medium-sized enterprises is concentrated in three areas: construction, tourism, and transportation.

Construction

Subsidies under Decree No. MVRR-2005-8520 of 25 October 2005 on the provision of subsidies for research and development, according to Article 11 paragraph 2 subparagraph c) of Act No. 172/2005 Coll.

Providing support was aimed at increasing the competitiveness of businesses through the promotion of applied research and innovation activities of enterprises from public finances and private sector funds, i.e. through their co-financing. In 2011, the subsidy in the amount of EUR 104,145 was provided (minimum State aid) to 3 SMEs.

Subsidies from the State budget for scientific and technical services under Article 8a paragraph 8 of Act No. 172/2005 Coll.

In research and development projects solved by natural or legal persons being granted the State (minimal) aid in the form of subsidies, the recipients of the results are the solvers themselves, who improve the quality of their products and technologies used by carrying out research and development in the areas of their business.

In 2011, the subsidy in the amount of EUR 13,829 was provided to 1 SME. The grant was given to support the activities in accordance with Article 8 paragraph 2 subparagraphs b), d) and e) of Act No. 172/2005 Coll.

Tourism

Operational Programme Competitiveness and Economic Growth 2007-2013

Under Measure 3.1 Support of Business Activities in Tourism of the OP C&EG, in 2011 a call for proposals for granting a non-refundable financial contribution KaHR-31SP-1101 was published under the auspices of the Slovak Tourist Board (STB) being in the role of the Intermediary Body under the Managing Authority, and the date of completion of the call is fixed on 18 July 2012.

The purpose of the measure is to create conditions for the growth of tourism competitiveness by improving the quality and comprehensiveness of services of tourism provided all year round and improving the quality of services provided and used all year round and, within it, the reconstruction and development of cultural, historical and natural heritage related to the activities of tourism, as well as improving the presentation of Slovakia as a tourist destination. The support in financial terms: EUR 36 million. The number of supported SMEs and evaluation of aid provided should be known only after the completion of the call, i.e. after 18 July 2012.

Transportation

In the rail transport, MTCRD SR does not have any programme designed to support small and medium-sized enterprises. In 2010, support under Decree No. 491/M-2006 of 15 February 2006 as amended by Decree No. 3152/M-2007 of 7 December 2007 on the provision of subsidies for combined transport corresponded mostly to the criteria for small and medium-sized businesses. On the basis of the above revenues the support for combined transport ended in 2010 and for the years 2011 or 2012 no funds were allocated in the State budget to support

combined transport. Currently, measures are prepared to restore combined transport from 1 January 2013 in accordance with Article 22 of Act No. 514/2001 Coll. on Railways Transport.

5.2.1 Slovak Tourist Board

The Slovak Tourist Board (STB) is a State allowance organisation specialising in marketing and State promotion of tourism in the Slovak Republic. It performs marketing of tourism at the national level, provides information on tourism in Slovakia, promotes Slovakia as a tourist destination, contributes to the positive image of Slovakia abroad, and supports the sale of tourism products of the Slovak Republic. STB is authorised to perform a function of an official representative abroad and establish field offices at home and abroad. On 1 November 2010, STB was transferred under the competence of the Ministry of Transport, Construction and Regional Development of the Slovak Republic.

STB also acts as the Intermediary Body under the Managing Authority for the Operational Programme Competitiveness and Economic Growth 2007-2013, which is the Ministry of Economy of the Slovak Republic.

Under Measure 3.1 Support of Business Activities in Tourism of the OP C&EG, in 2011 a call for proposals for granting a non-refundable financial contribution KaHR-31SP-1101 was published, and the date of completion of the call is fixed on 18 July 2012.

The purpose of the measure is to create conditions for the growth of tourism competitiveness by improving the quality and comprehensiveness of services of tourism provided and used all year round and improving the quality of services provided and used all year round and, within it, the reconstruction and development of cultural, historical and natural heritage related to the activities of tourism, as well as improving presentation of Slovakia as a tourist destination.

By 31 December 2011 five calls were published, of those four calls for proposals for granting non-refundable financial contributions were completed, namely:

1. The call code KaHR-31SP-0801 – the State Aid Scheme to support business activities in tourism in integrated tourism products used all year round. The call lasted from 14 April 2008 to 18 July 2008; the amount allocated to the call was EUR 82,984,797.19. There were 19 contracted projects of SMEs in 2011 in the total amount of EUR 68,526,241.05.

2. The call code KaHR-31DM-0801 – the scheme to support business activities in tourism (De Minimis Aid Scheme). The call lasted from 9 June 2008 to 12 September 2008; the amount allocated to the call was EUR 16,596,959.44. There were 16 contracted projects of SMEs in 2011 in the total amount of EUR 2,816,043.40.

3. The call code KaHR-31SP-0802 – the State Aid Scheme to support business activities in tourism in integrated tourism products used all year round. The call lasted from 16 September 2008 to 13 February 2009; the amount allocated to the call was EUR 33,193,918.87. There were 6 contracted projects of SMEs in 2011 in the total amount of EUR 19,219,294.62.

4. The call code KaHR-31DM-0902 – the scheme to support business activities in tourism (De Minimis Aid Scheme). The call lasted from 20 July 2009 to 19 October 2009; the amount allocated to the call was EUR 24,500,000. There were 44 contracted projects of SMEs in 2011 in the total amount of EUR 17,310,564.13.

As at 31 December 2011, drawing at the project level was in the amount of EUR 71,783,359.07 for all calls, representing 66.54% of all funds contracted within Measure 3.1 of OP C&EG.

The overview of the calls under auspices of STB is given in Figure 4 of Annex B.

5.3 Ministry of Finance of the Slovak Republic

The Ministry of Finance of the Slovak Republic (MoF SR) is the central public administration authority in the area of finance, taxes and levies, customs, financial control, internal audit and government audit. MoF SR is also the central government body for informatisation of society, aid coordination and for the field of prices and price control, with the exception of prices and price control of goods provided by special laws. MoF SR ensures as follows:

- a) Development and implementation of policies in the areas mentioned above according to paragraph 1, including budgeting the total public budget deficit, development and implementation of the State budget, policy of financial markets, including consumer protection in financial services, and government property management policy in the general interest and public sectors;
- b) Public administration in matters of management of financial assets and liabilities of the Slovak Republic, mortgage banking, building savings, with the exception of providing the State premium to building savings, foreign exchange management and foreign exchange controls, uniform accounting and financial reporting, and gambling;
- c) The State supervision over the implementation of social security, compliance with the conditions for providing the State premium in building savings, compliance with the terms and conditions for providing the State's contribution to mortgage loans, activities of the Export-Import Bank of the Slovak Republic, and over the management of the Social Insurance Agency.

Supporting SMEs by MoF SR is carried out through the activities of the Slovak Guarantee and Development Bank (SZRB) and the Export-Import Bank of the Slovak Republic (EXIMBANKA).

5.3.1 Slovak Guarantee and Development Bank, a.s.

The Slovak Guarantee and Development Bank, a.s. (SZRB) is a specialised bank providing support particularly for the development of small and medium-sized enterprises in Slovakia, support of municipalities and support of housing stock recovery. The owner and the sole shareholder of the Bank is the Slovak Republic represented by the Ministry of Finance of

the Slovak Republic. To fulfil its mission, in addition to its loan products, the bank uses also its partnerships with commercial banks and other institutions supporting target segments.

In 2011, SZRB focused on supporting the development and stabilisation of the business, in particular

- **by granting loans** – mostly to small and medium-sized businesses as well as municipalities and legal entities established under special regulations (e.g. associations of flat owners);
- **by providing bank guarantees for loans** – especially to those entrepreneurs who do not have sufficient security for loans or are risky for commercial banks, but the banks are interested to finance them under certain conditions. The basic principle of providing guarantees for loans consists in risk distribution between the SZRB, client and partner.

5.3.1.1 Direct loans

In 2011, the bank approved 802 direct loans totalling EUR 181.90 million, and the average loan amounted to EUR 227 thousand. The volume of provided direct loans amounted to EUR 173.20 million, representing, compared to 2010, a growth by 35%. At the end of 2011, the direct loan portfolio (including assigned claims) net of amortisation amounted to EUR 338.37 million, and the bank recorded a nearly 20% annual growth in the portfolio.

Figure 5.3: Direct loans (data only for SMEs)

Period	2011		2010	
Indicator	Volume in thousand EUR	Number	Volume in thousand EUR	Number
Approved	124,517	614	87,695	511
Granted	110,983	622	84,532	532
Portfolio	235,223	1,333	201,348	1,341

Portfolio of loan guarantees programs as at 31 December 2011:

1. Direct loans

Support for financing investment and operational needs of small and medium-sized enterprises and financing development of regions, towns and municipalities.

2. Loans to farmers

“POLNOúver” – help for entrepreneurs who apply for direct payments to bridge temporary shortage of funds.

“Úver PÔDA” – a long-term loan for agricultural primary producers to purchase agricultural land, which they have mostly leased.

3. Recovery of housing stock

Funding for projects aimed at restoring apartment buildings, modernisation and reconstruction of common parts, equipment and accessories of apartment houses.

4. Microloans

Promoting the development of small businesses, helping women – entrepreneurs in developing their business activities, facilitating access to credit resources for young

entrepreneurs, providing initial capital to university students to develop their business while studying or after study completion.

5. Loans to support environmental and other projects

Co-financing of projects for the purchase of fixed assets, construction of infrastructure, energy supply, provision of drinking water supply, the construction of sewers and sewage treatment plant, promoting business investment of Nordic countries from the resources of the Nordic Investment Bank (NIB).

6. “INVESTúver” from the European Investment Bank

Making long-term funds accessible for small and medium-sized enterprises to finance their investment projects – the low-interest loans can be used not only to finance investment, but normal operating needs.

7. Loans funded with support from the EU, Kreditanstalt für Wiederaufbau and the Council of Europe Development Bank

Improving access to finance long-term projects for small and medium-sized enterprises, independent farmers and primary producers operating in rural areas of Slovakia.

Financing long-term investments related to construction, the renovation or improvement of small municipal infrastructure – e.g. repair of local roads, cultural centres, playgrounds, public lighting and the like.

8. SZRB and EU funds

Participation in funding projects supported by the structural funds and the Cohesion Fund – offer for financing of costs incurred by clients relating to the preparation and implementation of projects co-financed from the European Union funds.

5.3.1.2 Loan guarantee programs

In 2011, the bank approved 1,036 loan guarantees totalling EUR 91.02 million, of which 88.1% were quick loan guarantees for commercial banks. The volume of guarantees amounted to EUR 89.36 million, and the average loan guarantee was EUR 86 thousand. As at 31 December 2011, the total amount of the portfolio of bank guarantees amounted to EUR 204.96 million.

Portfolio of the guarantee programs as at 31 December 2011:

1. Fast bank guarantees

SZRB will guarantee loans for businesses in commercial banks of up to 55% of the loan principal as follows:

- for loan guarantees of up to EUR 340 thousand the bank cooperates with the Tatra banka, Slovenská sporiteľňa, VÚB banka, CSOB, UniCredit Bank, VOLKSBANK, OTP banka, Poštová banka, Prima banka and Prvá stavebná sporiteľňa;
- in case of loan guarantees of up to EUR 1 million the bank cooperates with the Slovenská sporiteľňa, Tatra banka, CSOB, VOLKSBANK, VÚB banka and UniCredit Bank.

2. Bank guarantees for financial loans

The bank also provides other types of guarantee products for loans to small and medium-sized businesses in commercial banks and special safeguards for flat and office space owners

associations as well as flat and office space owners represented by the administrator of a residential building and for towns and villages in loans for the construction of municipal rental houses.

Figure 5.4: Bank guarantees (data only for SMEs)

Period	2011		2010	
Indicator	Volume in thousand EUR	Number	Volume in thousand EUR	Number
Approved totally	84,249	1,018	69,275	844
- of that				
fast guarantees	80,153	1,008	64,217	834
State Housing Development Fund	-	-	-	-
others	4,097	10	5,058	10
Granted	84,263	1,018	69,680	848
Portfolio	135,028	1,379	123,068	1,181

5.3.2 Export-Import Bank of the Slovak Republic

The Export-Import Bank of the Slovak Republic (EXIMBANKA SR) is a specialised financial institution that was established to promote exports of Slovak producers and service providers in foreign markets, according to Act No. 80/1997 Coll. on the Export-Import Bank of the Slovak Republic, as amended. Its main objective is to promote the maximum volume of exports of sophisticated production especially in the countries of the European Union and OECD as well as developing countries, and ensure the return of funds by minimising the risks arising from insurance, credit, guarantee and financial operations.

In accordance with the export policy of the Government of the Slovak Republic, the EXIMBANKA SR focuses on the expansion of promoting export activities in small, medium-sized and large businesses to reduce the high level of dependence of export performance of the Slovak economy on a relatively small number of firms. Regarding imports, it is the import of technologies that ultimately allow the export of higher quality production with high added value.

In 2011, the EXIMBANKA SR, through its banking and insurance activities, supported exports in the total volume of EUR 3,228.5 million, which represented the fulfilment of its budgeted amount for 2011 (EUR 3,040.0 million) at 106.2%. The banking activities contributed to the above mentioned amount by EUR 2,221.2 million (fulfilment of the budget at 109.4%) and insurance activities by EUR 1,007.3 million (fulfilment of the budget at 99.7%). Compared to 2010, the support of the exports realised by the Slovak businesses provided by the EXIMBANKA SR increased by EUR 32.6 million, i.e. by 1.0%.

Banking activities

The total volume of exports supported by banking activities in 2011 amounted to EUR 2,221.2 million, representing 107.94% of the volume achieved in 2010 with an increase by EUR 163.47 million.

The EXIMBANKA SR ensured lending and guarantees by refinancing, direct financing, discounting of bills of exchange and letters of guarantee. Through its banking products the EXIMBANKA SR supported exports in the SME segment in the amount of EUR 77.97 million (3.51%).

The data on the support of exports in 2011 by the structure of the banking products, large clients (LC) and the segment of small and medium enterprises (SMEs) are given in Figure 1.

Figure 5.5: Support of exports through banking activities in 2011 by banking product, LC and SME in thousand EUR

	LC	Proportion	SMEs	Proportion	TOTAL
Refinancing loans to banks	621,447	97.55 %	15,640	2.45 %	637,087
Direct bill credits to customers	18,236	62.45 %	10,958	37.55 %	29,194
Direct export and import loans to clients	179,155	79.73 %	45,539	20.27 %	224,694
Bill credits for receivables from export	162,535	96.53 %	5,837	3.47 %	168,372
Bank guarantees	1,161,879	100.00 %	0		1,161,879
Total in 2011	2,143,252	96.49%	77,974	3.51 %	2,221,226

The support of exports by banking products in 2011 by SITC commodity and sectoral structure, large client (LC) and the segment of small and medium enterprises (SMEs) is given in Figure 5 and Figure 6.

Insurance activities

Insurance activities of the EXIMBANKA SR are focused on supporting export of Slovak businesses by providing insurance protection to exporters against short, medium and long-term risks. The EXIMBANKA SR monitors support of the SME export only within the short-term risk insurance (companies up to 250 employees).

Through insurance activities, in 2011 the EXIMBANKA SR supported the Slovak export in the total amount of EUR 1,007.28 million.

Even in 2011, the EXIMBANKA SR supported significantly the export activities of entrepreneurs from among small and medium-sized businesses, which accounted for 79.85% of the total number of clients using short-term insurance against the risk of default. During the period under consideration, their share in supporting exports increased slightly, exporters focused more on the supplies to riskier territories and provided customers with longer maturities.

Figure 5.6: Share of the SME segment in supporting exports through insurance activities, the insurance premium and the number of clients for 2007-2011 in the short-term risk insurance

Share of SMEs	2007	2008	2009	2010	2011
in export promotion	23.88 %	19.6 %	21.60 %	19.32 %	21.80 %
in the insurance premium	28.96 %	27.96 %	26.60 %	27.59 %	33.29 %
in the number of clients	76.20 %	76.80 %	78.20 %	77.70 %	79.85 %

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

The Ministry of Labour, Social Affairs and Family of the Slovak Republic (MLSAF SR) is a central government body for labour relations, health and safety at work, labour inspection, employment strategy and coordinating its creation, labour market policy, social insurance, State social benefits, social and legal protection of children, social guardianship and coordination of the State family policy.

Support for SMEs in 2011 was carried out mainly through the instruments of active labour market policies (ALMPs) in accordance with Act No. 5/2004 Coll. on Employment Services and on amendments and supplements to certain acts, as amended (the Act on Employment Services).

In 2011, for the purpose of placing and keeping on the labour market through the Act on Employment Services, job applicants, job seekers, employees and employers were provided the following active measures on the labour market:

a) Support for increasing the employability of job applicants and job seekers

- Information and advisory services (Article 42);
- Expert advisory services (Article 43);
- Education and training of job applicants and job seekers for the labour market (Article 46);
- Allowance for persons with disabilities during training for the labour market and preparation for employment (Article 48b);
- Allowance for training of disadvantaged job seekers (Article 49a);
- Allowance for graduate practice (Article 51);
- Allowance for activation activities through small municipal services for towns or villages or in the form of minor services for self-governing regions (Article 52);
- Allowance for activation activities through voluntary services (Article 52a);
- Training of persons with disabilities for employment (Article 55a).

b) Support for employment and job creation and maintenance

- Recruitment (Article 32);
- Education and training for the labour market (Article 47);
- Allowance for self-employment (Article 49);
- Allowance for the employment of disadvantaged job seekers (Article 50);
- Allowance to help maintain jobs for workers with low wages (Article 50a);
- Allowance to support the creation and maintenance of jobs in social enterprises (Article 50c);
- Allowance to help maintain employment (Article 50d);
- Allowance for promoting regional and local employment (Article 50i);
- Allowance for supporting employment to implement measures to protect against flooding and resolve the consequences of emergency (Article 50j);
- Allowance for commuting to work (Article 53);
- Allowance for moving for work (Article 53a);
- Allowance for transportation to work (Article 53b);
- Allowance for creating a new job (Article 53d);
- Pilot projects (Article 54);
- Allowance for the establishment of sheltered workshops and sheltered workplaces (Article 56);
- Allowance for keeping citizens with disabilities in employment (Article 56a);
- Allowance to persons with disabilities for self-employment or operating business (Article 57);
- Allowance for the renewal or technical valuation of tangible assets of sheltered workshops or sheltered workplaces (Article 57a);
- Allowance for the activities of a work assistant (Article 59);
- Allowance for the payment of operating costs incurred by sheltered workshops or sheltered workplaces and transport expenses for employees (Article 60).

Implementation of selected instruments of active labour market measures in 2011 is shown in the following figure.

Figure 5.7: Instruments of active labour market measures in 2011

Instrument of ALMM	The number of created – filled jobs, or the number of people enrolled, or the number of supported jobs	The agreed amount of funds (in EUR)
Article 32	6,524	71,150.60
Article 43 paragraph 7	924	11,855.72
Article 43 paragraph 10	184	4,548.66
Article 43 paragraph 11	0	0.00
Article 46	1,332	182,565.62
Article 47	0	0.00
Article 48b	11	3,248.80
Article 49	12,271	41,883,191.90
Article 49a	195	108,223.85
Article 50	523	1,196,439.60

Article 50a	4,357	18,522,206.65
Article 50c	187	1,087,714.05
Article 50d	5,892	413,290.83
Article 50i	3,724	11,897,397.90
Article 50j	10,420	30,717,763.57
Article 51	18,592	18,772,951.22
Article 52	22,542	4,231,553.87
Article 52a	5,794	6,451,017.17
Article 53	17,778	5,152,572.03
Article 53a	61	61,591.95
Article 53b	20	1,120.00
Article 54	1,354	252,083.32
Article 55a	0	0.00
Article 56	2,014	17,354,592.92
Article 56a	305	627,464.12
Article 57	513	4,516,818.90
Article 59	537	3,700,405.16
Article 60	21,225	13,563,526.58
Total	137,114	180,592,762.36

Source: Central Office of Labour, Social Affairs and Family

Within the meaning of the Act on Employment Services, active labour market measures in 2011 were aimed at increasing employment, reduction of regional disparities, reducing long-term unemployment and the associated support for job creation as the most effective means of ensuring revenue growth of population. Measures were taken to support the motivation of unemployed to accept jobs, incentives for employers to create jobs for the long-term unemployed and to implement other measures to create a motivating environment not only for domestic but also for foreign employers.

The majority of active labour market measures were implemented through national projects funded by the European Social Fund and co-financed from the State budget.

In 2011, more than 137 thousand of job applicants, jobseekers, or employees – jobs were supported in the total amount of the agreed funds of more than EUR 180 million. The most used tools in terms of the number of created – occupied jobs, the number of people enrolled, or the number of jobs supported included as follows:

Allowance for self-employment (Article 49)

The allowance is provided to cover the costs of self-employment. In terms of supporting job creation, it helps job seekers entering the labour market as entrepreneurs.

In 2011, creation and occupation of 12,271 jobs was supported through the allowance. Of the total, the allowance was provided to 6,053 disadvantaged job seekers (49.32% of the total number of supported job seekers), the largest share accounted for long-term registered job seekers (31.91% of the total number of supported job seekers). The allowance was used by 4,486 women (36.56% of the total number of supported job seekers). The total agreed amount

was EUR 41,883,191.90. Most of the created jobs were in the Žilina Region (2,539), representing 20.69% of the total number of jobs created through self-employment.

Allowance to help maintain employment (Article 50d)

The allowance is provided to the employer who can not assign work to employees for the serious operational reasons and provides employees wage compensation in the amount of at least 60%. The allowance is intended to cover the mandatory contributions to insurance funds for health insurance and social insurance paid by employers and employees, and in case of employees it will be added to the provided wage compensation. The allowance is provided for up to 60 calendar days in total per year. With effect from 1 December 2010, the validity of that measure was prolonged by the end of 2011.

In 2011, 14 agreements with employers, particularly in the field of industrial production, were concluded. Maintaining 5,892 jobs were supported through that allowance. Most jobs were supported in the Banská Bystrica Region (2,878). The total amount of agreed funds was EUR 413,290.83.

Allowance for supporting employment to implement measures to protect against flooding and resolve the consequences of emergency (Article 50j)

The allowance is provided to the employer that fills a newly created vacancy with a person registered as a job seeker for at least three months with the proviso that the employment is agreed within the scope of provided weekly working time and for the type of work related to the implementation of measures for flood protection or to deal with the aftermath of an emergency.

The allowance is provided monthly in the amount of 95% of the total price of the work of the employee, most of the total labour costs calculated based on the amount of twice the subsistence provided to one adult person valid on the first day of the calendar month for which the allowance is provided. The allowance is provided for the calendar month during which the agreed type of work is performed at the vacancy created. The employer, who is a municipality or a legal person whose promoter or founders is a municipality, creating jobs in the district, where the average registered unemployment rate calculated from the available number of job seekers published by headquarters for the calendar year immediately preceding the calendar year, in which agreement is concluded, is higher than 25%, is provided the allowance for a maximum of six months. The employer shall be provided a one-off allowance to cover part of the costs of working tools needed to implement measures for flood protection or dealing with the consequences of emergency in the amount of 95% of documented costs of working tools, most of EUR 40 per job created.

In 2011, 10,420 job seekers were supported in the total agreed amount of EUR 30,717,763.57. Most job seekers using the tool were supported in the Prešov Region, i.e. 36.28% of the total number of job seekers.

Allowance for graduate practice (Article 51)

The aim of graduate practice is to acquire professional skills and practical experience with the employer, which correspond to the achieved levels of education of the graduate, as well as acquiring and improving professional skills and practical experience that should expand opportunities for the graduate in the labour market, which should have a direct impact on employability of job seekers. Graduate practice is one of the successful and effective

instruments of active labour market measures. Organisations of the State and public administration preferring graduates having a school-leaving certificate at economic education or graduates of grammar schools are the employers showing the greatest interest to exercise graduate practice. Also business entities carrying out service activities are highly interested in it. Graduate practice helps graduates to look for work in their profession. It allows them to get a first contact with the practice to acquire necessary skills.

In 2011, there were **18,592** job seekers enrolled at the graduate practice. The largest number of job seekers enrolled at the graduate practice was in the Prešov Region – **3,558** job seekers, i.e. 21.28% of the total number of the enrolled job seekers. In 2011, the total agreed allowance amounted to EUR 18,772,951.22.

In terms of evaluating the effectiveness of this measure, the indicator of placement of job seekers into employment after graduation practice completion is important. In 2011, graduate practice was completed by 18,315 job seekers, of that 22% of job seekers found an occupation within one month after the graduate practice completion (3,989 graduates), 2,995 job seekers found an occupation within three months, 1,394 job seekers within six months, and 3,231 job seekers after six months.

Allowance for commuting to work (Article 53)

The allowance is provided monthly to cover part of travel expenses for coming from place of residence or place of temporary residence of the employee to the place of employment provided for in the employment contract and back or to reimburse travel expenses for commuting from the permanent place of residence or temporary residence of a citizen to the place of performing self-employment and back.

In 2011, the allowance was provided to 17,778 persons. The largest number of beneficiaries (3,474 persons) was in the Prešov Region. The share of women in the total number of beneficiaries accounted for 53.21%. The total agreed amount of the provided allowances was EUR 5,152,572.03.

The assistance provided to micro, small and medium-sized enterprises (SMEs)

The assistance provided to micro, small and medium-sized enterprises by the Ministry of Labour, Social Affairs and Family of the Slovak Republic as the Managing Authority for the Operational Programme Employment and Social Inclusion is provided through the National Projects of the Central Office of Labour, Social Affairs and Family (COLSAF) via demand-driven projects of Intermediate Bodies under the Managing Authority, which are the Social Implementation Agency and the Social Development Fund.

Assistance was provided to businesses within the respective State aid schemes and De Minimis Scheme. In 2011, the Ministry of Labour, Social Affairs and Family of the Slovak Republic the Managing Authority provided the State aid totalling **EUR 21.01 million** within co-financing from the European Social Fund, of that the volume of the aid provided from own funds (the State budget) totalled **EUR 9.68 million**.

The total share of the State aid granted in 2011 to small and medium-sized enterprises accounted for **50.1%** of the total State aid granted by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

Figure 5.8: Distribution of the State aid granted by the Ministry of Labour, Social Affairs and Family of the Slovak Republic by size category of enterprises

Assistance to businesses	Total State aid		21.01 million EUR	100 %
	of that SMEs	Assistance for micro enterprises	3.77	18.0 %
		Assistance for small enterprises	3.47	16.5 %
		Assistance for medium-sized enterprises	3.28	15.6 %
	Assistance for large enterprises		10.49 million EUR	49.9 %

The assistance for SMEs was provided in particular under the State Aid Scheme for Support of Employment (X 754/2009) within the implementation of COLSAF National Projects and under the State Aid Scheme for Support of Training and Adaptability of Workers (X 531/2009) within the demand-driven projects of the Social Implementation Agency.

The aid for support of employment for SMEs in 2011 was given in terms of the minimal help within implementing the terms of the Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis within the Scheme for a temporary provision of small aid in the Slovak Republic during the financial and economic crisis No. N 222/2009 (General Scheme).

Only the Intermediate Body under the Managing Authority – the Social Implementation Agency – used the possibilities of application of the Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis and the Scheme to provide temporary small aid in the Slovak Republic during the financial and economic crisis in 2011 within the implementation of demand-driven projects, where applications for the aid were submitted in 2010 and the total assistance under the general scheme was granted in 2011 amounting **EUR 4.54 million**, of that **EUR 0.68 million** were provided from the State budget. The assistance was provided to a total of **107** eligible beneficiaries.

Evaluation of the contribution of the State aid to SMEs provided by the MLSAF SR – the Intermediate Body under the Managing Authority – the Social Implementation Agency

Within the demand-driven projects, through the State aid for training for SMEs in terms of the measure – the State Aid Scheme for Support of Training and Adaptability of Workers (X 531/2009), within demand-driven projects, the Social Implementation Agency supported activities that focused on the adaptability of employees to the new market environment through educational activities, training, or full courses. In all projects, educational activities were of a general nature and no project focused on specific training.

Selected measurable indicators of projects were the data on beneficiaries, mainly the number of persons trained in the project, number of persons trained in the project – men, women and total, and in some cases where the topic of education was also training in the field of acquisition, or upgrading of Information Technology skills and knowledge, also the number of persons trained in ICT skills, or the number of persons using ICT.

The Social Implementation Agency has no evidence of qualitative assessments of the educational level within the evaluation of the effectiveness of granting funds, as well as data

on the number of completed trainings related to the aid granted in 2011 bound to this measure with available data broken down by micro, small and medium-sized enterprises.

The estimation of new projects contracted in 2011 under the above mentioned measure has expected the plan to train approximately 1,500 to 2,000 employees – beneficiaries.

Of the total amount of the aid granted in 2011 under the above mentioned measure, the aid granted to the group of SMEs accounted for 64% for small and medium-sized enterprises and 36% for large enterprises.

Figure 5.9: The State Aid Scheme for Support of Training and Adaptability of Workers (X 531/2009)

Measure – State Aid Scheme for Support of Training and Adaptability of Workers (X 531/2009)	By the type of SME		7.79 million EUR	share in %
	of that	SMEs	4.99 million EUR	64.1 %
		Large enterprises	2.80 million EUR	35.9 %
Form of aid	Non-refundable financial contribution (ESF + the State budget)			

Within the measure – the Scheme for a temporary provision of small aid in the Slovak Republic during the financial and economic crisis No. N 222/2009 (General Scheme), the Social Implementation Agency provided assistance focused on the adaptability of workers to the labour market, particularly for the creation of new jobs associated with training of employees, while the primary indicator was the number of newly created jobs.

Under this measure (General Scheme) assistance within the De Minimis Scheme was provided to support the creation and maintenance of jobs in the form of support for self-employed and the creation and retention of jobs in micro, small and medium-sized enterprises, while within the demand-driven projects the Social Implementation Agency supported applicants from the group of small and medium-sized enterprises.

Figure 5.10: Scheme for a temporary provision of small aid in the Slovak Republic during the financial and economic crisis No. N 222/2009 (General Scheme)

Measure – Scheme for a temporary provision of small aid in the Slovak Republic during the financial and economic crisis No. N 222/2009 (General Scheme)	By the type of SME		4.54 million EUR	share in %
	of that	SMEs	4.54 million EUR	100 %
		Large enterprises	0 million EUR	0 %
Form of aid	Non-refundable financial contribution (ESF + the State budget)			

The Social Implementation Agency assessed positively the overall provision of the State aid provided under both measures. In 2011, some subjects withdrew from the Contracts to Provide Non-refundable Financial Contribution (or terminated them unexpectedly), and no State aid was granted, as the subjects withdrew from the contracts prior to the proper implementation of the project.

In 2011, the group of SMEs formed a significant part of employers, which in 2011 was assisted by the Social Implementation Agency within these two measures.

Evaluation of the effectiveness of the aid provided to SMEs

Providing assistance to SMEs in 2011 was subject to a period of the financial and economic crisis, when employers reconsidered and rationalised the number of their employees, which had an impact on increasing the number of registered unemployed. Therefore, the effectiveness of the State aid provided for support of employment and education remained primarily affected by the implementation of active labour market measures within the meaning of Act No. 5/2004 Coll. on Employment Services and on amendments and supplements to certain acts, as amended, which were and still are implemented through the National Projects of COLSAF.

The State aid granted to SMEs to promote employment especially helped to create and sustain new jobs, with an emphasis and focus especially on the long-term unemployed, people with disabilities and disadvantaged groups in the labour market, which constitute the dominant group among registered unemployed.

Therefore, the biggest positive of the aid provided to SMEs is still promoting employability of the largest risk group of job seekers, the inclusion in the labour process and the renewal of their work habits and skills, while even the positive impact of their success in the labour market contributes to the above mentioned.

The State aid for the support of employment for SMEs was focused primarily on regions with low employment rates and regions with a lower educational level.

Just like in 2010, the aid for the support of employment for SMEs was realised primarily within the minimum aid through the National Projects of COLSAF, as it allows several possibilities to implement new measures to support the maintenance of employment and creation and retention of new or existing jobs, which thus reflect the actual needs of the labour market, particularly in the financial and economic crisis.

The State aid granted under the calls for demand-driven projects to support training of employees through general education helped especially to increase qualification of employees, enhance their professional skills and to increase the professionalism of staff performance and build human capacities. It also supported continuance of such persons in the labour market and facilitating their access to the labour market in the future.

5.5 Ministry of Agriculture and Rural Development of the Slovak Republic

The Ministry of Agriculture and Rural Development of the Slovak Republic (MARD SR) is the central body of the State administration for agriculture, forestry, landscaping and protection of agricultural land, irrigation and drainage systems, health checks, veterinary inspection and veterinary supervision, plant health care, breeding supervision, fishing in aquaculture and marine fishing, hunting, food processing and food inspection, wood processing, including biotechnology, and regional development, as well as coordinating the use of funds from the European Union. It also carries out tasks related to rural development.

In terms of Act No. 543/2007 Coll. on Powers and Responsibilities of the State Administration Authorities in the Provision of Assistance to Agriculture and Rural Development, as amended, the Ministry of Agriculture and Rural Development of the Slovak Republic manages and directs the provision of subsidies in agriculture, food processing, forestry and fisheries from the State budget and performs financial management of subsidies provided by the European agricultural funds and the European Fisheries Fund. All support mechanisms in the agriculture sector are administered by the Agricultural Paying Agency. The Agricultural Paying Agency covers co-financing of projects of small and medium-sized enterprises through two funds of the European Union, namely the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).

Rural Development Programme 2007-2013

The Rural Development Programme 2007-2013 is a document that Slovakia was obliged to prepare in order to use aid from the European Agricultural Fund for Rural Development (EAFRD). The priorities of the Programme of Rural Development 2007-2013 include support for modernisation, innovation and efficiency of agricultural, food and forestry operations, maintenance and protection of environmental values of the country, cultural heritage preservation, job creation, increasing skills of the rural population and improvement of the quality of life in rural areas.

Within Measure 123 Adding Value to Agricultural and Forestry Products and Measure 311 Diversification into Non-agricultural Activities, the support of small and medium-sized businesses is anchored by determining final beneficiaries. They are legal and natural persons (micro, small and medium-sized enterprises within the meaning of Commission Recommendation 2003/361/EC). Also within Measure 313 Encouragement of Rural Tourism – Part A – only micro-entrepreneurs and small and medium-sized enterprises may apply for the aid, as final beneficiaries of the programme are determined natural persons authorised to conduct business in the tourism industry.

123 Adding value to agricultural and forestry products

- The type of aid provided – non-refundable financial contribution;
- The amount of support from public resources (50% of eligible expenditure under the Convergence objective, 40% in other areas);
- In 2011, no contract was concluded for the provision of NFC, as in that year no call for submission of applications for NFC was announced;
- The total volume of aid approved from the beginning of the programme implementation accounted for EUR 186.462 million ;
- Payments realised in 2011 amounted to EUR 36.374 million.

311 Diversification into non-agricultural activities

- The type of aid provided – non-refundable financial contribution;
- The amount of support from public resources (50% of eligible expenditure under the Convergence objective);
- In 2011, 189 Contracts to Provide NFC were concluded for the aid amounting EUR 76.631 million;
- The total volume of aid approved from the beginning of the programme implementation was EUR 107.963 million;
- Payments realised in 2011 amounted to EUR 13.002 million.

313 A Encouragement of Rural Tourism

- The type of aid provided – non-refundable financial contribution;
- The amount of support from public resources (50% of eligible expenditure under the Convergence objective, 30 % in other areas);
- In 2011, no contract was concluded for the provision of NFC, as in that year no call for submission of applications for NFC was announced;
- The total volume of aid approved from the beginning of the programme implementation was EUR 13.280 million;
- Payments realised in 2010 amounted to EUR 2.367 million.

Operational Programme Fisheries of the Slovak Republic 2007-2013

Within the framework of the **Operational Programme Fisheries SR 2007-2013** (OPF), applicants from the category of micro, small and medium-sized enterprises have the opportunity to draw in particular from the Priority Axis 2 – Measure 2.1 Investments in Aquaculture and Measure 2.2 Investments in Processing and Marketing. The provided assistance takes the form of a non-repayable financial contribution (NFC). The aid intensity for both measures varies depending on the size of the enterprise, while micro and small enterprises can be provided with NFC from public resources up to 60% and medium-sized enterprises up to 50% of the total eligible costs. In accordance with Council Regulation (EC) No. 1198/2006 on the European Fisheries Fund, in providing support micro and small enterprises are preferred, so that the mentioned category of enterprises is scored within the scoring criteria and the points are used where demand for funds exceeded the amount of available funds allocated in the call for submitting applications for NFC. In 2011, two calls for submitting applications for NFC (hereinafter referred to as the “call”) were published for both measures under the Priority Axis 2. 41 Contracts to Provide NFC were concluded with applicants falling within the SME category. The total amount of approved funds was EUR 7.7 million, while EUR 1.5 million was paid.

Operational Programme Bratislava Region

Within the **Operational Programme Bratislava Region**, two separate measures under the Priority Axis 2 Knowledge Economy – Measure 2.1 Innovation and Technology Transfers and Measure 2.2 Informatisation of Society are aimed to support small and medium-sized enterprises. The aid is aimed mainly at promoting all types of innovation in the business sector, support of the introduction of advanced technologies as well as the effective use of access to information and communication technologies.

Measure 2.1 Innovation and Technology Transfers is primarily focused on building physical infrastructure for innovative business activities and promoting research and development in small and medium-sized enterprises in order to increase their innovation activities. The assistance is channelled into new technology transfer projects and process and product innovation in enterprises. Support for small and medium-sized enterprises is mainly oriented to the creation and development of new companies based on new technologies, as well as the activities related to the protection of intellectual property, standardisation, accreditation and quality assurance. Process innovation is supported by obtaining quality certification and international accreditation.

In the area of supporting small and medium-sized enterprises, **Measure 2.2 Informatisation of Society** is focused on improving and expanding access to information and communication technology, improving services and applications (in-house information systems, e-commerce, networking, etc.) and their effective use.

In 2011, to support small and medium-sized enterprises two following calls were announced:

1. The call for submitting applications for non-refundable financial contributions under the Operational Programme Bratislava Region, the call code: OPBK/2010/2.2/06, Priority Axis: 2 – Knowledge Economy, Measure: 2.2 Informatisation of Society, the deadline – 11 April 2011, the scheme for support of micro, small and medium-sized enterprises within the Operational Programme Bratislava Region (De Minimis Aid Scheme), as amended by Supplements 1, 2, 3 and 4. Eligible applicants for the call were micro, small and medium-sized enterprises (SMEs) – natural or legal persons carrying out business in production and licensed doing business within the meaning of Article 2 paragraph 2 subparagraphs a) and b) of Act No. 513/1991 Coll., Commercial Code, as amended, registered in the territory of the Slovak Republic. The type of aid provided: non-refundable financial contribution, the number of SMEs supported in 2011: 16, financial expression (contracted projects – NFC): EUR 955,867.47.

2. The call for submitting applications for non-refundable financial contributions under the Operational Programme Bratislava Region, the call code: OPBK/2010/2.1/06, Priority Axis: 2 – Knowledge Economy, Measure: 2.1 Innovation and Technology Transfer, the deadline of the call: 11 April 2011, the scheme for support of micro, small and medium-sized enterprises within the Operational Programme Bratislava Region (De Minimis Aid Scheme), as amended by Supplements 1, 2, 3 and 4. Eligible applicants for the call were micro, small and medium-sized enterprises (SMEs) – natural or legal persons carrying out business in production, licensed doing business within the meaning of Article 2 paragraph 2 subparagraphs a) and b) of Act No. 513/1991 Coll., Commercial Code, as amended, registered in the territory of the Slovak Republic. The type of aid provided: non-refundable financial contribution, the number of SMEs supported in 2011: 44, financial expression (contracted projects – NFC): EUR 7,465,625.08.

On the ground of the fact that the projects are monitored for five years after the project completion, evaluation of the aid provided is not available. Because the contracting process with NFC beneficiaries has not been completed in 2011, the data include financial resources and the number of supported SMEs for the entities that have entered into the Contract to Provide NFC.

5.6 Ministry of Education, Science, Research and Sport of the Slovak Republic

The Ministry of Education, Science, Research and Sport of the Slovak Republic (MESRS SR) is the central body of the State administration for kindergartens, primary schools, secondary schools and universities, school facilities, lifelong learning, science and technology, and the State care for youth and sport. It has established two agencies for the

intermediation of financial support, namely the Agency of MESRS SR for the European Union Structural Funds and the Slovak Research and Development Agency.

In 2011, MESRS SR continued to fund 15 projects of science and research within 15 decisions about approving the provision of incentives to the subjects, with which it entered into contracts for the provision of incentives in accordance with Article 7 paragraph 12 of Act No. 185/2009 Coll. on Research and Development Incentives and on amendments to Act No. 595/2003 Coll. on Income Tax, as amended (hereinafter referred to as the “Act on Incentives”).

Of that 5 decisions were approved in 2009 and 10 decisions were approved in 2010. Financing of the projects was carried out based on the results of the check of the use of incentives granted in 2010 and through opponency of the results achieved within the science and research projects addressed within the provided incentives, which took place during March 2011. In all 15 cases, the opponent boards, opponents and economic rapporteur advised to continue in funding the science and research projects in the amount approved for 2011.

In accordance with the Act on Incentives, semi-annual check of compliance with the approved intensity of incentives in 2011 was carried out during the months of August and September 2011. The overall proportion of the incentive recipients’ own funds in 2011 was 22.27% of the eligible costs of research and development projects, including tax relief. It means that the average intensity of the incentives for the supported projects in 2011 in the form of direct subsidies from the State budget and tax relief accounted for 77.73%.

Figure 5.11: The amount of the State budget resources and tax relieves obtained by individual organisations in Slovakia in 2011

Serial No.	Name of the organisation – R&D	The amount of funds from the State budget (in EUR)	The volume of tax relief (in EUR)	The amount of private co-financing (in EUR)
1.	DECOM, a. s., Trnava	396,624	3,656	115,000
2.	VÚPaC, a. s., Bratislava	560,750	7,101	167,130
3.	IMUNA PHARM, a. s., Šarišské Michalany	266,990	0	0
4.	VÚSI, s. r. o., Košice	114,288	0	0
5.	CEIT SK, s. r. o., Žilina	443,336	4,939	112,000
6.	Prvá zväračká, a. s., Bratislava	598,898	13,169	204,244
7.	DB Biotech, s. r. o., Košice	544,779	0	0
8.	DB Biotech, s. r. o., Košice	225,540	0	0
9.	MicroStep, s. r. o., Bratislava	450,937	105,300	476,124
10.	Medicproduct, a. s., Lipany	348,896	0	0

11.	IMUNA PHARM, a. s., Šarišské Michalany	298,215	1,500	100,000
12.	CEIT Košice, a. s., Košice	986,503	0	0
13.	VIPO, a. s., Partizánske	596,313	6,500	198,772
14.	Slovanet, a. s., Bratislava	537,734	0	0
15.	VVÚ ZŤS Košice, a. s., Košice	628,787	9,218	219,195
Total		6,998,590	151,383	1,592,465

In the programming period 2007-2013, MESRS SR performs tasks of the Managing Authority for the Operational Programme Research and Development and the Operational Programme Education as well as the role of the Payment Unit. The Intermediate Body under the Managing Authority for the Operational Programme Research and Development is the Agency of the Ministry of Education, Science, Research and Sport of the Slovak Republic for the Structural Funds of the EU (ASFEU), and for the Operational Programme Education it is ASFEU and the Ministry of Health of the Slovak Republic.

5.6.1 Agency of the Ministry of Education, Science, Research and Sports of the Slovak Republic for the Structural Funds of the EU

The main task of the Agency of the Ministry of Education, Science, Research and Sport of the Slovak Republic for the Structural Funds of the EU (ASFEU) is to support the implementation process of the structural funds of the EU for the programming period 2007-2013. ASFEU acts as the Intermediary Body under the Managing Authority, i.e. it carries out activities within the scope of the tasks delegated by MESRS SR as the Managing Authority for the Operational Programme Education and the Operational Programme Research and Development.

The aim of ASFEU is to ensure a continuous process of receiving, evaluation, financial management and monitoring of projects, so that their execution is carried out in accordance with the schedule and funds for the programming period 2007-2013 are drawn to the maximum possible extent.

Operational Programme Education

In 2011, ASFEU did not provide any new assistance under the De Minimis Aid Scheme; however, in 2011, it continued to implement projects under the calls codes OPV-2009/2.1/01-SORO, OPV-2010/2.1/02-SORO and OPV-2009/4.2/02-SORO, where aid was granted in 2010.

All projects implemented by ASFEU within the above calls are subject to the rules of the De Minimis Aid Scheme, i.e. projects must comply with all the conditions and criteria of the scheme to promote the development of modern education for the knowledge society as amended by Supplement 1 (De Minimis Aid Scheme) and the rules of the Scheme N222/2009 for a temporary provision of small aid in the Slovak Republic during the financial and economic crisis.

Assistance under the De Minimis Aid Scheme within the Operational Programme Education is implemented through non-refundable financial contributions. Co-financing accounted for 95% of the public funds, while the amount of co-financing from EU funds was 80.75% and from the national public funds 14.25%.

Eligible applicants under the De Minimis Aid Scheme were natural or legal persons authorised to conduct business in accordance with Article 2 paragraph 2 subparagraphs a) and b) of the Commercial Code, registered in the territory of the Slovak Republic that met the definition of micro, small and medium-sized enterprises, or large enterprises within the meaning of Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty on establishing the EC (General Block Exemption Regulation).

The calls OPV-2009/2.1/01-SORO and OPV-2009/4.2/02-SORO

The OPV-2009/2.1/01-SORO and OPV-2009/4.2/02-SORO calls were published by ASFEU on 2 August 2009. Those two calls were aimed to promote education responding to the changing demands of employers on the quality of human resource and effectiveness of their management. Activities of the calls were also focused on the scope of activities for the lifelong development of competences and qualifications in accordance with Recommendation 2006/962/EC of the European Parliament and the Council of 18 December 2006 on Key Competences for Lifelong Learning – the European Reference Framework. The eligible activity was the development and implementation of training programs for those involved in the activities of further education and for teachers of further education, with a focus on deepening and enhancing qualifications, proficiency and the development of core competencies for construction, textile, electronics, machinery and chemical sectors due to new technology, innovative processes and their application in practice.

In April and May 2010, within the calls with codes OPV-2009/2.1/01-SORO and OPV-2009/4.2/02-SORO, ASFEU concluded a total of 8 Contracts to Provide NFC. The total amount of the contracted NFC was EUR 3,286,665.23, while the volume of total eligible expenditure amounted to EUR 3,459,647.61 and co-financing by the beneficiaries represented EUR 172,982.38.

The call OPV-2010/2.1/02-SORO

The call with the code OPV-2010/2.1/02-SORO was announced by ASFEU on 31 May 2010. Activities of the call were designed to promote continuing education in the field of tourism. The aim was to create conditions for launching the tourism and hotel industry in order to increase the share of that economic sector in the gross domestic product of the Slovak Republic through economic incentives and financial instruments in order to improve the quality and comprehensiveness of services provided. The eligible activity within the above mentioned call for submission of requests for NFC was the development and implementation of accredited training programs for those involved in the activities of further education with a focus on deepening and enhancing qualifications, proficiency and the development of core competencies for the sector of tourism services and services related to tourism due to new technology, innovative processes and their application in practice.

In December 2010, 9 Contracts to Provide NFC were concluded. The total amount of the contracted NFC was EUR 3,504,155.20, while the volume of total eligible expenditure amounted to EUR 3,688,584.42 and co-financing by the beneficiaries represented EUR 184,429.22.

Overview

Within the De Minimis Aid Scheme, ASFEU is currently implementing a total of 17 projects with the total eligible expenditure of EUR 7,148,232.03. Projects implemented under the De Minimis Aid Scheme were co-financed from EU funds in the amount of 80.25%, which in 2011 represented a total of EUR 5,772,197.36, and from the State budget funds amounting to 14.25%, which in 2011 represented a total of EUR 1,018,623.07.

Figure 5.12: The total amount of aid provided in 2010 for the OP Education¹³

The call code	Provision of aid	EU funds	The State budget funds	Private funds	NFC
OPV-2009/2.1/01-SORO	2010	2,423,815.91	427,732.21	150,081.49	2,851,548.12
OPV-2009/4.2/02-SORO	2010	369,849.54	65,267.57	22,900.89	435,117.11
OPV-2010/2.1/02-SORO	2010	2,978,531.91	525,623.29	184,429.22	3,504,155.20
TOTAL FOR the OP E	x	5,772,197.36	1,018,623.07	357,411.60	6,790,820.43

Due to the fact that in 2011 no new Contracts to Provide NFC were concluded or no withdrawal from the Contract to Provide NFC incurred, compared to 2010 no change in the total amount of aid granted was recorded.

As at 31 December 2011, within the De Minimis Aid Scheme funds totalling EUR 820,023.96 were used, EUR 662,167.58 were paid from EU funds, EUR 116,854.73 were paid from the State budget funds and the amount of beneficiary private funds was EUR 41,001.65. During the reporting period, the assistance under the De Minimis Aid Scheme was paid to fifteen beneficiaries operating in consultancy services in the areas of business and management as well as in other areas of education. Compared to 2010, when used funds totalled EUR 26,060.13, in 2011 an increase in spending the funds by EUR 793,963.83 was recorded.

In terms of localisation of the total aid granted under the De Minimis Aid Scheme, the majority of projects have the place of project activities implementation in several regions at NUTS III. One project has been carried out exclusively in the Bratislava Region; the total amount of aid granted is EUR 458,018.00, of that EUR 369,849.54 from the EU funds and EUR 65,267.57 from the State budget.

¹³ In 2011, no new support was provided within the De Minimis Aid Scheme, but there was significant drawing within the projects arising out of the calls listed in Figure 1.

One project has been carried out exclusively in the Nitra Region; the total amount of aid granted is EUR 524,902.97, of that EUR 423,859.15 from the EU funds and EUR 74,798.67 from the State budget. Another project has been carried out exclusively in the Banská Bystrica Region; the total amount of aid granted is EUR 470,908.24, of that EUR 380,258.40 from the EU funds and EUR 67,104.42 from the State budget. Two projects have been carried out exclusively in the Prešov Region; the total amount of aid granted is EUR 780,868.56, of that EUR 630,551.36 from the EU funds and EUR 111,273.77 from the State budget. Two projects have been carried out exclusively in the Žilina Region, the total amount of aid granted is EUR 835,062.74, of that EUR 674,313.16 from the EU funds and EUR 118,996.44 from the State budget. Activities of 10 projects have been carried out exclusively in the NUTS III regions, except for the Bratislava Region, and the total amount of aid granted is EUR 4,078,471.52, of that EUR 3,293,365.75 from the EU funds and EUR 581,182.20 from the State budget.

According to Article 2 paragraph 1 and paragraph 2 of Annex 1 to Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation), micro enterprises accounted for 76.47% after rounding (13 beneficiaries) and small businesses accounted for 23.53% (4 beneficiaries) of the total number of successful beneficiaries.

Operational Programme Research and Development

In 2011, ASFEU announced 2 calls for submission of applications for non-refundable financial contribution (hereinafter referred to as the “application for NFC”), designed to support SMEs within the Operational Programme Research and Development according to the Research and Development Grant Scheme (State Aid Scheme).

1. The CALL OPVaV-2011/2.2/07-SORO named Support of Research and Development Centres for the Operational Programme Research and Development – Research and Development Grant Scheme (State Aid Scheme)

The call for submission of applications for NFC was announced on 28 April 2011 and the deadline was on 1 August 2011. The total amount of money allocated to the call was EUR 40,000,000. Signing contracts with 21 successful applicants under the call was expected in April to June 2012.

2. The CALL OPVaV-2011/4.2/07-SORO named Support of Research and Development Centres for the Operational Programme Research and Development – Research and Development Grant Scheme (State Aid Scheme)

The call for submission of applications for NFC was announced on 28 April 2011 and the deadline was on 1 August 2011. The total amount of money allocated to the call was EUR 20,000,000. Signing contracts with 10 successful applicants under the call was expected in April to June 2012.

Figure 5.13: Overview of funds contracted with SMEs under the Operational Programme Research and Development

Type of the enterprise	Contracted amount attributable to SMEs as at 31 December 2001 – in EUR			
	EU funds	The State budget funds	NFC	Private funds
Small enterprise	31,294,393.92	5,524,128.34	36,832,622.26	10,710,017.61
Medium-sized enterprise	16,388,258.59	2,891,987.07	19,280,245.66	6,772,581.91
TOTAL	47,682,652.51	8,416,115.41	56,112,867.92	17,482,599.52

Figure 5.14: Overview of funds used by SMEs under the Operational Programme Research and Development

Type of the enterprise	Used amount attributable to SMEs as at 31 December 2001 – in EUR			
	EU funds	The State budget funds	NFC	Private funds
Small enterprise	1,538,725.37	271,541.21	1,810,266.58	649,864.29
Medium-sized enterprise	2,690,238.29	474,909.77	3,165,148.06	1,379,554.52
TOTAL	4,228,963.66	746,450.98	4,975,414.64	2,029,418.81

In terms of localisation of total aid granted to small and medium-sized enterprises within the Research and Development Grant Scheme (State Aid Scheme), we can conclude that as at 31 December 2011, aid was located in all NUTS III regions, i.e. in all regions of Slovakia. The total amount of aid granted to small and medium-sized enterprises within the State Aid Scheme can not be quantified clearly within a particular region because most of the projects implemented under the Operational Programme Research and Development have the location of the project activities in several NUTS III regions.

Figure 5.15: Overview of funds contracted with SMEs under the Operational Programme Research and Development in terms of the location of the project

Location of the project NUTS III	NFC contracted for the project as at 31 Dec 2011	Contracted amount attributable to SMEs as at 31 December 2001 – in EUR			
		EU funds	The State budget funds	NFC	Private funds
BA	47,711,801.75	17,536,044.87	3,094,537.87	20,630,682.43	6,222,523.39
TT	2,015,635.85	980,529.16	173,034.56	1,153,563.72	751,431.73
NR	3,970,948.81	2,998,160.80	529,087.20	3,527,248.00	881,812.00
TN	2,083,013.73	1,537,149.52	271,261.68	1,808,411.20	805,572.80
BB	2,992,842.72	844,972.00	149,112.71	994,084.71	52,320.25
ZA	7,062,357.81	3,391,617.44	598,520.73	3,990,138.17	1,284,511.14
PO	3,967,110.08	1,195,981.19	211,055.50	1,407,036.69	197,633.50
Projects implemented in more than one	56,398,738.95	19,198,197.53	3,389,505.47	22,601,703.00	7,286,794.71

region					
TOTAL	126,202,449.70	47,682,652.51	8,416,115.41	56,112,867.92	17,482,599.52

Of the 56 projects, in which small and medium-sized companies acted as a principal beneficiary or as a partner, 20 projects were implemented exclusively in the Bratislava Region, 4 projects exclusively in the Žilina Region, 2 projects in the Nitra Region, 2 projects in the Trenčín Region, 2 projects in the Trnava Region, 2 projects in the Prešov Region, and 1 project exclusively in the Banská Bystrica Region. The other 23 projects were implemented in more than one region. In 2011, we recorded the growth by 3 projects in the Bratislava Region, by 1 project in the Banská Bystrica Region and by 8 projects with the place of implementation in more than one region. We also recorded a loss of 1 one project in the Žilina Region and 1 project in the Trnava Region.

Figure 5.16: Overview of drawing funds by SMEs under the Operational Programme Research and Development in terms of the location of the project

Location of the project NUTS III	Used amount attributable to SMEs as at 31 December 2001 – in EUR			
	EU funds	The State budget funds	NFC	Private funds
BA	1,765,354.80	311,693.49	2,077,048.29	769,507.83
TT	269,903.46	47,630.10	317,533.56	132,658.22
NR	0.00	0.00	0.00	0.00
TN	604,212.64	106,625.84	710,838.48	457,314.93
BB	41,141.55	7,260.28	48,401.83	2,547.47
ZA	245,855.75	43,386.76	289,242.51	104,503.88
PO	41,380.98	7,302.56	48,683.54	2,562.30
Projects implemented in more than one region	1,261,114.48	222,551.95	1,483,666.43	560,324.18
TOTAL	4,228,963.66	746,450.98	4,975,414.64	2,029,418.81

While in 2010 we had only minimal use of funds by SMEs in projects implemented in the regions of Bratislava, Trenčín and Prešov and in the projects implemented in more than one region, in 2011 we recorded drawing of funds by SMEs even in the projects implemented in the regions of Trnava, Banská Bystrica and Žilina.

Overview

As at 31 December 2011, under the Operational Programme Research and Development under the Research and Development Grant Scheme (State Aid Scheme), ASFEU implemented a total of 73 projects, which was by 10 projects more than as at 31 December 2010 (in 2011, Contracts to provide NFC were concluded for 15 projects and 5 projects were terminated extraordinarily, which means that 5 beneficiaries withdrew from the contract for various reasons). Of that, in 56 projects – NFC totalling EUR 126,202,449.70 – 56 small and medium-sized enterprises acted as a beneficiary or as a partner, and the sum of NFC in the

contracts concluded with small and medium-sized enterprises totalled EUR 56,112,867.92. In 2011, 10 projects in the total NFC amount of EUR 48,340,155.30 were added, in which 13 SMEs acted as a beneficiary or as a partner.

Overall drawing increased by 1,233.15% year on year, of that within small businesses it was an increase by 750.48% and regarding medium-sized enterprises the growth by 1,873.86%. High percentage increases in using the non-refundable contribution reported as at 31 December 2011 is evidence that evolution was incomparably more dynamic than in 2010, which resulted in increased activity in the implementation of particular projects of small and medium-sized enterprises.

5.6.2 Agency for Support of Research and Development

The Agency for Support of Research and Development (hereinafter referred to as the “agency”) was established by Act No. 172/2005 Coll. on Organisation of State Support for Research and Development and on supplements to Act No. 575/2001 Coll. on Organisation of the Activities of the Government and Organisation of the Central Public Administration, as amended (hereinafter referred to as the “Act No. 172/2005 Coll.”) for the purpose of promoting research and development and is included in the budget of the Slovak Republic through the MESRS SR chapter by providing funds to address research and development projects.

The main objective of the agency is to promote cutting-edge basic and applied research and development in all fields of science and technology carried out by the public sector, universities, businesses and non-profit sector within public calls announced by the agency. Support for research and development is carried out through research and development projects selected by the agency bodies in open tenders announced by the agency. The agency supports individual projects or projects within the agency’s programmes. Research and development projects are submitted by domestic legal or natural persons. The starting point of promoting research and development is the quality of the submitted project proposals.

Another objective of the agency is to encourage participation of subjects in research and development in the Slovak Republic in international and European programmes and initiatives, as well as to promote bilateral and multilateral cooperation in science and technology, through simple financial support schemes. To support research and development in the business sector, the agency has approved the Research and Development Grant Scheme. Under the scheme, the agency may provide aid to small and medium-sized enterprises for dealing with research and development projects as well as for the development of technical feasibility studies. The agency provides funding upon the application submitted by the applicant on the basis of a public call for submission of applications announced by the agency.

The programme Support of Research and Development in Small and Medium Enterprises – VMSP 2009 and VMSP 2009 – II

The programme **Support of Research and Development in Small and Medium Enterprises – VMSP 2009 and VMSP 2009 – II** is realised in the form of projects. It is a special-purpose form of support for research and development under Act No. 172/2005 Coll., as amended, provided by the agency to fulfil the goals and objectives selected in accordance with the long-term intent of the State science and technology policy.

In 2011, within the Grant Scheme VMSP 2009, **88** projects were financed in the amount of **EUR 4,210,897.50**. Within the Grant Scheme VMSP 2009 – II, **22** projects were financed in the amount of **EUR 810,002.00**.

5.7 Ministry of Environment of the Slovak Republic

Ministry of Environment of the Slovak Republic (ME SR) is a central public administration authority covering the development and protection of the environment, including nature and landscape protection, water management, protection of air, the ozone layer and the Earth's climate system, ecological aspects of land use planning, waste management, assessment of impacts on environment, ensuring a unified information system on environment and area monitoring, geological research and exploration, protection and regulation of trade in endangered species of wild fauna and flora, and genetically modified organisms.

Support of small and medium-sized enterprises is realised within the ME SR budget section only through projects funded by the EU and co-financed from the State budget. No funding to support small and medium-sized enterprises is provided from the ME SR budget section.

Operational Programme Environment 2007-2013

Regarding support for small and medium-sized enterprises in Slovakia, ME SR as the Managing Authority for the **Operational Programme Environment 2007-2013 (OP E)** has not prepared any special programme or scheme to support the business. Within the OP E, small and medium-sized enterprises (SMEs) are one of several types of eligible beneficiaries for the Priority Axis 3 Air Protection and Minimisation of Adverse Impacts of Climate Change and the Priority Axis 4 Waste Management.

Within the Priority Axis 3, there were 7 projects of direct investment support for SMEs. Financial contribution to SMEs amounted to EUR 14,386,737.44.

Currently, the interest of businesses in implementing projects for reducing air pollution in excess of the applicable regulations is declining. Also due to the fact that the biggest polluters are great sources, which means large enterprises, the potential of SMEs to contribute to the fulfilment of the Priority Axis 3 objectives is limited.

In percentage terms, within the Operational Objective 3, SMEs account for about 10% of the total amount of funds previously contracted under this Operational Objective.

Within the Priority Axis 4, there were 32 projects of direct investment support for SMEs (planned 30 projects). In this case, the objective has been exceeded. The financial contribution for SMEs amounted to EUR 90,091,156.36.

7 jobs were created within the direct investment support for SMEs (planned 25 jobs).

Support of activities in separated waste collection is support for SMEs limited so that in accordance with applicable legal regulations in the area of waste management, as well as the municipal establishment, separated waste collection is the responsibility of municipalities. In the Operational Objective 4.3 Environmentally Friendly Hazardous Waste Treatment, there is a space for the support of businesses. In percentage terms, within the Operational Objective 4, SMEs account for about 25% of the total amount of funds previously contracted under the Operational Objective.

5.7.1 Environmental Fund

ME SR is an administrator of the State special-purpose fund – the Environmental Fund, which also provides support for small and medium-sized enterprises. In 2011, the Environmental Fund provided **support** in the form of **loans** and **grants** as follows:

Figure 5.17: Overview of financial support from the Environmental Fund

Type of support	Number	Amount of support in EUR	Area of the support provided	Name of the support applicant	Name of the project
Loan	1	1,330,000.00	Protection of air and ozone layer	Crow Arena, s.r.o., Košice	Zimný štadión Kavečianská ul. - Modernisation and Reduction of Energy Consumption
Grant	0	0.00	-	-	-

5.8 Slovak Office of Standards, Metrology and Testing

The Slovak Office of Standards, Metrology and Testing (SOSMT) is a central public administration authority in the field of technical standardisation, metrology, quality assurance, conformity assessment and accreditation of conformity assessment bodies. SOSMT elaborates the concept of the State policy, carries out methodological work and supervises the execution of the tasks in the field of standardisation, metrology, quality, conformity assessment and accreditation of conformity assessment bodies.

Providing information in the SUTN Infocentre

In 2011, the Infocentre of the Slovak Standards Institute (SUTN) provided advice and consultation to 3,124 SMEs – the users of the STN-online database, which in financial terms means the work of six employees.

In 2011, the information were available to the entrepreneurs even on the website of the Office <http://www.unms.sk/?metrologia> and in the Office's magazine "Metrológia a skúšobníctvo" (Metrology and Testing) issued totally four times in 2011 (http://www.sutn.sk/eshop/public/magazine_items.aspx?cat=18).

Library and information services

The object of these activities is making available the documents (presentation) and information (in person, by telephone, by e-mail) in the field of standardisation. In 2011, through the information line customers were provided complex information in the field of library and information and search services.

Figure 5.18a: Access to documents and information in the Infocentre

Year	Users				Borrowings		
	External	Internal	By phone/by e-mail	Total	Take ups ¹⁴	Presentation	Total
2011	818	287	2,276/551	3,932	852	3,660	4,512

Within the presence study, the SUTN Infocentre made available the following documents for the engineering community: applicable standards – STN, abolished standards – STN, trade standards (void), European and international standards, foreign standards, catalogues of European, international and foreign standards, electronic products (catalogues of European, international and national standards bodies, and the STN-online service).

In the area of improved access to technical standards through the STN-online, the priority of the Small Business Act, the Slovak Standards Institute supplemented, through a user-friendly environment, the information in the online store of the Slovak technical standards by free-of-charge factual summary of the content of a standard specifying the way in which the technical standard supports and fills the content of legal regulations and acts and the way in which the compliance with it paves the way for the European Union market or the market of the European Economic Area.

During 2011, the commercial model of the STN-online was reassessed several times, fees were differentiated according to the individual requirements of users, however, due to the ever decreasing contribution from the State budget for the development of standards, as well as the fact that the majority of enterprises in Slovakia belongs to the category of SMEs, no nationwide reduction in fees took place. Introduction of SME access to the full-text version of the STN database in the read-only system focusing on the type of SME is planned for the years 2012 and 2013.

Upon Government Resolution No. 74/2004, SOSMT has established the **Central Unit for Directive 98/34/EC** and ensures the exchange of information in the field of technical regulations and standards for the Slovak Republic under Directive 98/34/EC.

In order to ensure better access for SMEs and other economic operators to draft regulations of other EU Member States, the European Economic Area and Turkey, SOSMT sends, at request, draft technical regulations of all EU Member States and other periodic information translated into the Slovak language.

¹⁴ **Borrowings to professionals in SUTN and SOSMT.**

Figure 5.18b: The total annual volume of information intermediated by the Central Units for Directive 98/34/EC for SMEs (economic entities)

	2009	2010	2011
Number of all notifications under Directive 98/34/EC	4,329	4,667	3,235
- of that number of sent summary notifications prepared by the Central Unit of the Slovak Republic at SOSMT	189	203	178

In addition to providing information to SMEs, the objective of this procedure is also support of the possibility to comment on draft technical regulations of the EU Member States, EEA countries and Turkey.

Since 2009, the **National Contact Point for Products** has been established at SOSMT that provides information to SMEs and other economic entities on technical rules and requirements arising out of prior authorisations applied in the EU Member States to products, on the application of the principle of mutual recognition and the application of Regulation (EC) No. 764/2008 on mutual recognition and contact data of the competent authorities, which can be contacted directly in order to obtain more detailed information. In 2011, the National Contact Point for Products answered a total of 168 applications for information. Most applications were sent by domestic entities (a total of 141), in particular by SMEs.

5.9 Industrial Property Office of the Slovak Republic

The Intellectual Property Office of the Slovak Republic (IPO SR) is a central public administration authority in the field of industrial property. IPO SR carries out the central public administration in the field of protection of inventions, utility models, designs, topography of semiconductor products, trade marks, designation of origin of products and geographical indication of products. It also keeps the central fund of patent literature and provides exchange and accessing information in the field of industrial property rights.

In 2011, IPO SR supported 49 small and medium-sized enterprises within the programme named **Pre-diagnostics of Industrial Rights**.

The programme aims to raise awareness of industrial property, promote innovation, creativity and competitiveness of SMEs. Pre-diagnostics is aimed to analyse the situation in the company, to acquaint it with the possibilities of industrial legal protection, highlight the possible effects of unfair competition, and to provide free and objective recommendations. IPO SR provides a service for SMEs within the project of collaboration with the European Patent Office free of charge.

During 2011, the Office staff visited 49 mainly innovative companies from Slovakia. Overview of regions in terms of the number of visited companies: Banská Bystrica (12), Trenčín (11), Žilina (9), Bratislava (6), Prešov (5), Nitra (3) and Trnava (3).

Evaluation of aid provided

The reflection of this public service is 33 applications received from the companies analysed in 2011, i.e. 18 trademark applications, 1 Community trade mark application, 6 patent applications, 9 applications for utility model and 1 design application. Overall, during 4 years since launching the service, 107 applications for industrial right subjects have been received from the analysed companies as a result of pre-diagnostics of industrial rights.

5.10 Programme of the European Bank for Reconstruction and Development to support sustainable energy in Slovakia – SLOVSEFF

Since the end of 2007, through selected commercial banks, the European Bank for Reconstruction and Development (EBRD) has carried out the SLOVSEFF programme (Slovak Sustainable Energy Finance Facility) to promote energy efficiency projects in the residential sector, industrial sector and renewable energy sources projects in Slovakia. Private companies, including small and medium-sized enterprises, can obtain investment loans in the amount of EUR 20 thousand to EUR 2.5 million from the credit line of the SLOVSEFF in one of five Slovak banks (Slovenská sporiteľňa, a.s., VÚB, a.s., Tatra banka, a.s., ČSOB, a.s., UniCredit Bank Slovakia, a.s.) to implement their business plans aimed at reducing energy consumption in the industrial production or renewable energy sources. Total credit facilities in the SLOVSEFF programme in the amount of EUR 150 million are supplemented by a grant component from the Block V1 Bohunice Nuclear Power Plant International Decommissioning Support Fund (BIDSF – Bohunice International Decommissioning Fund), totalling EUR 30 million by now. Upon the successful implementation of projects, entrepreneurs will be paid the non-refundable contribution of 7.5% of the amount drawn down for projects of energy efficiency in industrial production and from 5% to 15% of the amount drawn down for projects of renewable energy sources, depending on the type of renewable energy and expected annual production.

After the successful first phase of the programme (SLOVSEFF I – 2007-2010) with the provided volume of credit facilities totalling EUR 60 million, of which EUR 15 million were provided to the business sector, in the second phase (SLOVSEFF II – 2010-2012) with the amount of funds of EUR 90 million, as at 30 April 2012 loans in the amount of EUR 68 million (304 projects) were provided, while the remaining EUR 22 million have already been allocated to applications with the assumption of full drawing during 2012. As at 30 April 2012, the business sector participated in the implementation of the SLOVSEFF II programme in the volume of EUR 20 million, and energy efficiency projects in industry amounted to EUR 12.7 million (28 projects) and renewable energy projects EUR 7.3 million (6 projects). The average amount of energy savings in the industrial sector reached 20% from baseline, saving heat of 114,642 GJ per year, reduction in electricity consumption of 601 MWh per year, and the share of the sector in the total amount of reduced CO₂ emissions was 26% (9,045 tons per year of total 34,797 tons per year). Installed capacity for renewable energy projects reached 5.43 MW, production of energy 45,714 MWh per year, the share of the sector in the total amount of reduced CO₂ emissions reached 37% (12,837 tons per year of the total 34,797 tons per year).

6. Evaluation of support programmes implemented by NADSME

6.1 Training and counselling programme for the selected group of those interested in business

In 2011, NADSME implemented support for those interested in business through providing subsidised counselling and educational services via a collaborative regional network of 10 Regional Advisory and Information Centres (RAIC), 3 First Contact Centres (FCC) and 2 business incubators (BI).

These centres provided 385 information consultation totalling 363 hours in areas needed to establish especially a small business and start business, and 586 professional consultations totalling 1,600.50 hours in various areas needed for the development of business activities. For the purpose of obtaining funds to start business, regional consultants developed 291 business plans. The programme paid for the organisation of 41 courses for 782 participants totalling 1,450 hours. The organised trainings were focused on topics of basics of business or development of a first business plan. Services provided were financed from the State budget in the amount of EUR 85,656.68. Through subsidised regional service providers, 724 new businesses were created.

Figure 6.1: Subsidised consultancy and training services for those interested in doing business within the Training and counselling programme for the selected group of those interested in business realised through the network of regional service providers and funded from the State budget provided in 2011

Centre	Information consultation		Expert consultation		Business plans	Training	
	Number	Hours	Number	Hours	Number	Number	Hours
BIC TI Prievidza	22	11	22	108	21	3	107
FCC Brezno	4	4	10	27.5	0	0	0
FCC Medzilaborce	15	14,5	18	57.5	2	0	0
FCC Veľký Krtíš	15	15	31	106	16	0	0
BI Spišská Nová Ves	26	17	42	54	0	4	78
RAIC Dunajská Streda	49	49	92	296	8	0	0
RAIC Komárno	18	17.5	28	106	43	3	46
RAIC Košice	18	18	4	9	17	4	73
RAIC Lučenec	19	19	25	88	10	5	82
RAIC Nitra	10	10	43	60	3	4	88
RAIC Poprad	7	6	9	18	6	9	139
RAIC Považská Bystrica	15	15	38	85.5	8	2	34
RAIC Prešov	0	0	0	0	0	2	49
RAIC Trebišov	6	6	14	66	5	1	19
RAIC Trenčín	161	161	210	519	152	4	67
Total	385	363	586	1,600.50	291	41	782

2011 was the fourth year during which client satisfaction with the provided advisory and training services was monitored. The aim was to study the quality of services provided by the contracting centres, verify the scope and implementation of the objectives of the programme,

obtain an overview of the impact of the programme, check the customer satisfaction, and to use and redistribute efficiently the funds allocated to the programme. The survey addressed 46.32% of the total number of clients (1,183), of them 544 were involved in the monitoring of the client satisfaction. Evaluation carried out by clients and the assessment of short-term impacts showed good performance of the services provided and efficiency of the State programme.

6.2 Support scheme of counselling and training of SMEs (De Minimis Aid Scheme)

Counselling

NADSME implemented support for SMEs even by providing the beneficiary counselling and information services through professional advisors in the regional centres RAIC, FCC, business and technology incubators (BaTI) and the Young Entrepreneurs Association of Slovakia (YEAS). Services were partially funded from the State budget.

Figure 6.2: Subsidised consultancy services for small and medium-sized entrepreneurs within the Support scheme of counselling and training of SMEs (De Minimis Aid Scheme) realised through the network of regional service providers and funded from the State budget provided in 2011

2011	Information consultation		Expert consultation		Business plan
	Number	Hours	Number	Hours	Number
BIaTC Banská Bystrica	10	16	105	407	0
BIC TI Prievidza	28	30.5	61	417	11
FCC Brezno	43	62.5	60	179.5	0
FCC Medzilaborce	10	13	20	148	0
FCC Michalovce	5	6	0	0	0
FCC Poltár	14	19	0	0	0
FCC Veľký Krtíš	21	32	12	30	12
RAIC Dunajská Streda	51	73	24	97	4
RAIC Košice	1	1	0	0	0
RAIC Lučenec	11	20	11	67	0
RAIC Nitra	35	51	0	0	0
RAIC Považská Bystrica	6	8	22	128	2
RAIC Prešov	18	24.5	21	94.5	0
RAIC Trebišov	5	5	5	22.5	1
RAIC Trenčín	9	12	7	23	1
Scientific and Technological Park (STP) Žilina	16	20	93	392	0
YEAS Bratislava	4	4,5	139	528	2
Total	287	398	580	2,533.50	33

Entrepreneurs were provided with 287 information consultation totalling 398 hours focused mainly on programmes and projects to support SMEs and 580 professional consultations in various fields necessary for the further development of business activities totalling 2,533.5 counselling hours. 33 business plans were developed and reviewed in order to obtain loans within the financial support schemes or from commercial institutions. Counselling services provided to small and medium-sized enterprises were financed from the State budget in the total amount of EUR 53,311.02.

Training

Support in the field of training of small and medium-sized enterprises and their employees was provided in order to enhance their professional potential, management and soft skills, access to current information in the field of business management and entrepreneurship, increasing competitiveness, as well as mitigating the impact of the financial and economic crisis and increasing survival rate of businesses.

In accordance with Commission Regulation No. 1998/2006 the support within the De Minimis Aid Scheme was provided through non-refundable financial contributions (NFC). The call for NFC applications was announced on 16 December 2010. By the closing date 15 February 2011, a total of 147 applications were received, and the evaluation process was completed on 1 March 2011. Contracts to Provide NFC totalling EUR 175,958.66 were concluded with thirteen businesses. All activities and withdrawal of funds from the State budget performed by the beneficiaries as well as by NADSME were completed in accordance with Act No. 523/2004 on Budgetary Rules in Public Administration by 31 March 2011. At the end of the period under consideration, all thirteen projects were completed and the total drawing amounted to EUR 164,893.78.

6.3 Support of SMEs through incubator care

Business and technology incubators are an important part of the support infrastructure for start-up small and medium enterprises. Their mission is to provide the start-ups with comprehensive support in one place and create suitable starting conditions for the operation of their business, in principle for three (3) years from the start of their business.

The basis of provided services is renting offices and manufacturing and warehouse premises at prices lower than the current commercial market prices and administrative support to the companies (such as providing meeting and presentation rooms, selected secretarial services, technical infrastructure, etc.). In addition to business premises and basic infrastructure, incubators provide their clients with training and consultancy according to their needs, such as development of business plans, advice on obtaining reimbursable or non-reimbursable funds for business, support in the basic legal issues and protection of intellectual property, development of marketing strategies, providing contacts, and the like. The extent and form of support in the incubators varies according to the type, orientation and professional staff capacity. Compared to technology incubators that are linked to academia and research base, traditional business incubators provide different services with local impact.

Building a network of incubators in Slovakia started in 2002. In various regions of Slovakia establishment of 17 incubators was supported by the State budget, pre-accession programmes Phare, cross-boundary collaboration programme, structural funds and funds of

other donors (e.g. the Flemish Funds, or municipalities). Half of them are located in the districts of eastern Slovakia, in regions with high unemployment rate and a lower rate of SMEs. To enable new incubators to fulfil their mission and objectives, through the State aid the MoE SR in cooperation with NADSME invested funds to maintain their serviceability. Since 2004 (with the exception of the year 2006 when no funds from the State budget were allocated for operating costs) 13 business and technology incubators have been supported in such way in different contractual periods. The total support of operating costs of those entities is almost EUR 890 thousand paid from the State budget.

Support from the State budget in 2011

In 2011, within the programme Promotion of SMEs through Incubators and the Implementation of Research-based Spin-off, two incubators were supported from the State budget (SB 2010 and SB 2011) in the total amount of EUR 14,771.83. The funds provided to the incubators were used to cover part of the operating costs and a loss that they suffered as a result of providing rent at prices lower than commercial market prices and due to the provision of additional services for companies using the incubator care.

Figure 6.3: Overview of the amount of money spent to support the operation of incubators in 2011

Incubator	Town	Grant in EUR
Business Incubator ASTERION	Handlová	7,541.17
Incubator House	Moldava nad Bodvou	7,230.66
Total from the State budget		14,771.83

As at 31 December 2011, the occupancy of the *Business Incubator ASTERION Handlová* was 95%, and incubated companies accounted for 76%. Compared to the previous period, the number of incubated companies in the incubator decreased from 14 to 13, which employed a total of 48 persons, while their subjects were particularly business consulting, trade, sales and services. Regarding services provided to the incubated companies, the incubator focused primarily on advising, economic, office and conference services, discount rental, internet and telecommunication services, joint marketing and promotion, protection and maintenance of the premises.

The occupancy of the *Incubator House Moldava nad Bodvou* increased to 87% as at 31 December 2011. Incubator activities and services were rental of premises and equipment, providing secretarial services, promotion of activities of the incubator and rental companies, work on projects, and consulting provided to start-ups.

As at 31 December 2011, the two incubators placed a total of 17 start-ups in their premises which created 60 jobs, and another 10 persons were employed in the management and administration of the incubators. During the year, 20 new enterprises with 65 jobs came to the incubators, and 8 businesses left the incubators for various reasons. Average total occupancy in the two incubators, which in 2011 were granted from the State budget, was 91%.

Details of the network of incubators

As at 31 December 2011, 88 companies, 20 of which were innovative, which together created 602 jobs, were placed in 13 business and technology incubators. Other 37 jobs were created in the management and operation of the incubators. The incubated company means a company whose period of existence at entering the incubator is maximum three (3) years and which uses the services provided by an incubator under favourable conditions only during the first three (3) years after entering the incubator. During 2011, 71 new start-ups with 247 jobs entered the incubators, of which 23 left the incubators. Average occupancy in 13 incubators was 89%.

Figure 6.4: Details of occupancy and the number of firms and jobs in incubators as at 31 December 2011

Technology / Business Incubator	Total area for rent in m2	Overall occupancy in m2	Overall occupancy in %	Number of incubated companies (IC)	Number of jobs in IC	Number of jobs in the management and operation of the incubator
Business Incubator and Technology Centre in Banská Bystrica	1,066.27	863.97	81%	4	4	3
University Technology Incubator, STU Bratislava	790.00	746.96	95%	12	43	2
Business Incubator in Gelnica	2,600.00	2,501.00	97%	6	321	1
Business Incubator in Handlová	951.00	918.31	95%	13	48	10
City Business Incubator in Martin	517.60	517.60	100%	4	15	0
Business Incubator in Spišská Nová Ves I and II	740.00	713.00	96%	2	2	0
	1,230.00	1,037.00	84%	0	0	0
Incubator House in Moldava nad Bodvou	445.00	385.00	87%	4	12	0
Technology Incubator Centre in Prešov	889.80	847.10	95%	8	28	5
Business and Innovation Centre – Technology Incubator in Prievidza	1,032.00	958.00	96%	10	42	5
Business Incubator in Rožňava	1,779.00	1,690.00	95%	13	50	2
Technology Incubator Inovatech in Sládkovičovo	1,158.55	641.37	55%	5	11	5
Science and Technology Park in Žilina	810.00	650.00	80%	7	26	4
TOTAL	14,009.22	12,469.31	89%	88	602	37

* Statistics are given for incubators, which provided information.

6.4 Venture capital funds

NADSME has been implementing support for growth-oriented business projects by providing venture capital (contribution to the registered capital of companies) through a specialised subsidiary company – the Fund of Funds s.r.o. The long-term mission of the Fund of Funds s.r.o. is regulating the activities of the particular funds in order to stimulate the development of the SME sector in the whole territory of the Slovak Republic, to increase the

amount of financial resources of particular funds, and to use made profits to implement the long-term goal of supporting small and medium-sized enterprises.

In 2011, the company Fund of Funds s.r.o. managed 4 venture capital funds without legal personality (Seed Capital Fund, Regional Seed Capital Fund, INTEG Fund and SISME Fund) and 3 venture capital funds with independent legal personality (Fond Seed Capital, k.s., Slovak Development Fund, a.s. and Slovak Growth Capital Fund, a.s.). The establishment of funds with the independent legal personality created the conditions for the entry of institutional investors into the funds in order to increase the amount of funds available for SMEs, to manage funds by professional management companies and also cover a wider range of requirements on the amount of investment for the target SMEs. The INTEG Fund is currently inactive.

According to preliminary data, in 2011, within all venture capital funds in the portfolio of NADSME/Fund of Funds s.r.o., 25 investments were realised totalling EUR 11,470,545.00 as shown in Chart 44.

In 2011, the largest investment was directed to the area of information technology. The volume of financial resources of the fund invested in that segment reached EUR 5,000,000. Even the energy segment recorded a high volume in the amount of EUR 4,149,610. In addition to the above, investment proposals focused on health care were realised in the amount of EUR 827,203, production services in the amount of EUR 443,668, woodworking in the amount of EUR 191,314, the food processing industry in the amount of EUR 43,000 and the chemical and pharmaceutical industry in the amount of EUR 35,000. The sectoral structure of the investment is shown in Chart 45.

The volume of divestment in 2011 reached EUR 9,494,574. The Slovak Development Fund a.s. recorded the highest divestment activity in the amount of EUR 3,736,698. The largest volume of divestments was recorded in the energy segment in the amount of EUR 3,623,000. The volumes of divestments broken down by fund and industrial structure are shown in Chart 46 and Chart 47.

Figure 6.5: Overview of realised investment in the portfolio of NADSME / Fund of Funds s.r.o. in 2011 by investment phases

Investment phase	Amount of investment in EUR
Seed	872,467
Start up	4,798,078
Development	5,800,000
Total	11,470,545

A total of 9 complete and 4 partial divestments were realised. Distribution of divestments by individual funds is shown in Figure 6.6

Figure 6.6: Distribution of divestments in 2011 by fund

Fund	Amount of divestment in EUR	Status of the divestments
Fond Seed Capital, k.s.	2,213,808	4 complete, 3 partial
Slovak Development Fund, a.s.	3,736,698	2 complete + assignment of claims
Slovak Growth Capital Fund, a.s.	3,225,000	1 complete
SISME Fund	319,068	1 complete, 1 partial

Currently, in the lingering economic crisis, the offer of venture capital helps firms to fund promising projects that could not be realised due to the restricted access to financial resources.

6.5 The national website for small and medium businesses www.msponline.sk

Electronic information retrieval is currently the fastest evolving service of all. A number of small and medium-sized, as well as potential businesses often visit the Internet to obtain the most current and accurate information. In order to meet the needs of the target group of the National Agency and to facilitate their access to information in 2001 the programme Website for SMEs was approved.

From that moment the website has undergone renovation and updating in order to adapt to constantly changing conditions of the business and Internet environment. During 2011, www.msponline.sk underwent minor changes aimed to make the web portal more simply and clear for its visitors. Main objective of the programme is to ensure and maintain the quality of providing a comprehensive package of information for SMEs in one place.

Within the project, free business counselling can be found on the website, through which in 2011 businesses we provided with advice and answers to their questions. During the year we answered 300 business queries.

Obchodnypartner.sk

The part of the web portal www.msponline.sk is also the website www.obchodnypartner.sk. It has two main functions:

1. It serves as a contact point for business cooperation;
2. It also serves as a database of business companies.

It allows simple B2B trading. After free registration, SMEs may publish their demand and supply on the website. The website Obchodnypartner.sk operates so that the Slovak entrepreneurs may themselves update offers of their goods and services and seek actively their own business partners.

Monthly Entrepreneurship

An integral part of the programme is a specialised online magazine named the Monthly Entrepreneurship, which can be found on <http://mp.msponline.sk/>. In 2011, the magazine was

distributed to about 5,000 e-mail addresses each month. Symbolic annual fee of EUR 4.98 is paid for the entry into the system, in which entrepreneurs can find the current issue and archives of all issues of the magazine.

Monthly Entrepreneurship is issued on a monthly basis and includes everything that entrepreneurs running small and medium businesses need to know:

- Current news concerning taxes and levies;
- Changes and amendments to the relevant legislation;
- Legal and financial counselling;
- News from the web environment, social networks, and marketing;
- News from the EU;
- Seminars, exhibitions and fairs;
- Calendar and responsibilities of an entrepreneur;
- Current calls addressed to businesses.

Figure 6.7: Overview of the NADSME web portal visit rate in 2011

Indicator	Website	Monthly average in 2011	Total in 2011
Number of visits	http://nadsme.sk/	6,642	79,707
	http://msponline.sk/	11,458	137,498
	http://mp.msponline.sk/	3,122	37,472
	www.obchodnypartner.sk	1,099	13,188
Viewed pages	http://nadsme.sk/	23,537	282,447
	http://msponline.sk/	19,137	229,653
	http://mp.msponline.sk/	5,752	69,020
	www.obchodnypartner.sk	1,959	23,506

6.6 Projects to support entrepreneurship

During 2011, NADSME participated in the continued implementation of national and international projects in the environmental field, in the area of involvement of Slovak entrepreneurs in European policy-making, promotion of female entrepreneurship in Slovakia, and support of innovative activities.

The project GO ECO! Environmental Services for SMEs

Since 1 March 2010, within the Enterprise-Europe-Network, NADSME was involved in the implementation of an international project aimed at internationalisation of activities in key areas of environmental strategies and policies of the European Union in relation to SMEs in the regions of Slovakia. For this purpose, an international consortium GECKOS was created consisting of organisations from France, Czech Republic, Sweden, Spain and Slovak Republic. The consortium prepared a joint proposal for a pilot project GO ECO! Environmental Services for SMEs, which aims to assist SMEs in environmental issues in the sectors of the food processing industry, surface treatment and metal processing, and waste management. The focus of the project is cross-sectional, oriented to the implementation of current environmental policies and programmes. Activities and their implementation were

opened as a feedback on the initiative from the SME environment. In the project, we focused on comprehensive advisory services and facilitating orientation in the issues of environmental legislation and standards as well as the practical realisation of audits and diagnostic of energy losses in individual SMEs. Implementation of the project will be completed in 2012 after fulfilment of all planned activities and indicators.

The project outcomes are also feedback for the planning and implementation of environmental policies of the European Union. On the other hand, services provided allowed SMEs to implement European standards in key areas of environmental requirements and programmes carried out in the regions of Slovakia. Within the project, free services were provided to SMEs through seminars and training as well as direct consultation with SMEs or through the NADSME communication tools.

The project Participation of Slovak SMEs in European Policy-making

The European Commission has long been trying to strengthen the participation of small and medium-sized enterprises in shaping European legislation. It therefore decided to act actively, and in April 2009 it published the call named SME Panel – Communication with SMEs that involved 11 European countries (Belgium, Greece, Czech Republic, Bulgaria, Germany, the Slovak Republic, Lithuania, Italy, Spain, Romania and Ireland). NADSME together with the RAIC Prešov responded to the call by preparing the project Participation of Slovak Small and Medium Enterprises (SMEs) in Shaping European Legislation.

The project was designed not only to introduce Panels for Small and Medium Enterprises (SMEs) as an effective means of feedback, but mainly to improve communication channels between small and medium-sized businesses, the Enterprise Europe Network partners and the European Commission. The aim was to involve Slovak small and medium-sized enterprises in active participation in the process of preparing and implementing EU legislation by phone or e-mail or through active participation in seminars. By obtaining their views, inspirational ideas or feedback on the upcoming EU legislation they contributed effectively to the development of the business environment in the EU.

Implementation of the two-year project began in March 2010 and continued throughout 2011. The topics of panel discussions addressed the harmonisation directives, alternative dispute resolution, patent valorisation and electronic signature. A total of 74 Slovak small and medium-sized enterprises involved in the project (15 SMEs and 18 contributions or completed questionnaires in the panel concerning the harmonisation directives, 16 SMEs in the alternative dispute resolution, 16 SMEs in patent valorisation, and 27 SMEs in electronic signatures), which is admittedly only a very small sample, but it suggests that the Slovak small and medium-sized enterprises wish to participate in creating a favourable business environment in which they are the main actors. Results of particular panel discussions can be found on the website www.enterprise-europe-network.sk, and the pan-European results of particular panel discussions will be incorporated into the prepared European legislation.

The project Support for Research and Development in SMEs (Making Progress and Economic enhancement a Reality for Small-to-Medium Enterprises - MaPEeR SME)

The international project funded by the EU was launched in late 2009, and after two years of implementation it was successfully completed on 31 December 2011. Its aim was to obtain a comprehensive view of the content, implementation and impact of existing programmes and

initiatives on the support research and development for SMEs at the European, national and regional level and to convey the results in easy understandable form to SME representatives and policy-makers in that area.

During the two years of the project, NADSME in cooperation with Czech partners (as we covered also that region within the project) evaluated a total of 70 specific questionnaires from small and medium-sized enterprises. Within 2 months, 11 personal visits to SMEs were realised in Slovakia in order to get views, comments and suggestions on the operation of programmes and initiatives to support research and development in SMEs. Based on the evaluation of the survey and personal meetings a comprehensive analysis of the needs and existing barriers to SMEs to participate in projects in research and development was prepared. A comparative analysis of six Slovak programmes to support research and development in SMEs was also prepared, which, at the end of 2011, along with other studies covering all EU Member States, was presented at the European level and to the European Parliament and contained various recommendations of experts in the field of support programmes as well as SMEs that, after being considered, will be incorporated into the upcoming programme HORIZON 2020 as the successor to the Seventh Framework Programme. During 2011, two meetings of the so-called European Panel of Experts were held. The panel brings together experts in research, development, preparation and implementation of programmes to support research and development for SMEs and SMEs themselves. Outcomes and recommendations of the expert body will also be used for the European Commission by the European Parliament and the national authorities to remove future barriers and difficulties to SMEs in accessing programmes to support science and research. More information and results of the project can be found on the website www.mapeer-sme.eu.

The project Promoting Women's Entrepreneurship in Slovakia (Boosting the Female Entrepreneurship in Slovakia – BFES)

On 31 July 2011, the project Boosting Female Entrepreneurship in Slovakia was completed, which started a new wave of support for female entrepreneurship in Slovakia. In the two-year duration of the project, NADSME together with its partners addressed a thousand mothers on maternity leave, unemployed, students, but also employed women, who were thinking about becoming independent and their own business career. Our women Ambassadors motivated and encouraged 639 participants of motivational and superstructure seminars as well as many students and participants outside the project activities by their entrepreneurial stories, advice and mediation of their experience.

Project activities were not concentrated only in the Western Slovakia, on the contrary, seventeen superstructure and motivational seminars, five meetings with students, as well as other events organised within and even beyond the framework of the planned project activities covered evenly throughout Slovakia. In each region of Slovakia a motivational seminar and a superstructure seminar for potential women entrepreneurs in the respective region were held. In the initial motivational seminars, 448 women participants could learn the ideas, in which area to carry out a business, how to get motivated, where to find funding and the courage to start a business, and the basic steps to get started. Based on the evaluation questionnaires, ladies saw lack of funds, lack of courage or information, as well as a deterrent bureaucracy being the biggest obstacles to business. Nothing changed in this regard, even after evaluating the superstructure seminars. Within their programme, they focused on creating a business plan, financial plan, or the area of marketing and advertising. Just the specification of the

programme required that the 182 participants were only women who had a realistic idea of the area in which they wanted to start a business.

Retail, salon for dogs, pre-school education, accounting and consulting, graphic design, expert translation, tourism, manufacturing of candles, gifts and clothing, teaching foreign languages, online jewellery sales, third sector projects and the like – these are only a few business ideas that potential women entrepreneurs decided to realise. And some of them were really successful – according to a survey conducted even thanks to the activities of the project Boosting Female Entrepreneurship in Slovakia about 39% of the women surveyed started their own business. In the previous two-year period, through their business stories and practical tips the Ambassadors of the women entrepreneurs in Slovakia stimulated more than a thousand of women not to hesitate and start their own business career.

However, support for women's entrepreneurship by NADSME has not ended by completion of the project. On the contrary, whether in person or via the website www.ambasadorka.sk, the Ambassadors continue to inspire by their stories and advise how to start a business. NADSME also continues to seek the development of ideas and the feasibility of future projects for women start-ups.

The project Guardian Angel for Women Start-ups (Guardian Angels for Female Entrepreneurs – GUARD4FEMENT)

NADSME, in cooperation with its partners, continues to deal with the advertising and promotion of women's entrepreneurship in Slovakia, as evidenced by the launch of the new two-year project entitled Guardian Angels for Female Entrepreneurs – GUARD4FEMENT funded by the European Commission.

Following the initial stimulus in support of women's entrepreneurship in Slovakia, which were Ambassadors for women entrepreneurs, now mentors and women mentors, some kind of “guardian angels”, have taken over the baton to the new project. They will mentor, guide and advise women start-ups in times of their business beginnings. During one year, fourteen experienced businessmen and businesswomen will be responsible for leading their mentees – women start-ups that have decided to embark on their own business career, and helping them, free of charge, to solve specific problems associated with the business, whether it is management of a company, managing employees, reconciling work and family life, the courage, or lack of support from family and friends. Mentors are entrepreneurs or women entrepreneurs who run their business successfully for more than 5 years, are aware of the challenges that women entrepreneurs face in the early years of the business and are willing to advice and share their experience and business know-how with the women entrepreneurs.

During the first months of the project, in addition to 15 mentors, the evaluation committee selected 33 novice entrepreneurs who have undertaken to participate in that pilot project. After initial training and conferences organised within one year, they will meet their mentors personally at least once a month and get the opportunity to move their business forward.

Even the general business public will come into its own that, through its participation in 3 regional seminars, will learn many interesting facts from the world of mentoring, and new possibilities for being mentored by more experienced colleagues will open up for it. More information about the project can be found on the website www.podporapodnikaniazien.sk.

The project CluStrat (Boosting innovation through new cluster concepts in support of emerging issues and cross-sectoral themes)

On 1 October 2011, the National Agency for Development of Small and Medium Enterprises (NADSME) started implementing the international project *Boosting innovation through new cluster concepts in support of emerging issues and cross-sectoral themes*, which is known as the CluStrat and is implemented within the Operational Programme Central Europe. It has become a part of the team of 18 expert and professional organisations from Central Europe under the leadership of the Steinbeis-Europa-Zentrum in Germany, aimed at promoting innovation through new cluster concepts.

Clusters are one of the essential tools to support the development of small and medium-sized enterprises (SMEs). The aim of their existence is to promote cooperation between SMEs in a particular sector. Automotive, engineering and tourism clusters are the most popular in Slovakia, which incurred despite a difficult situation – Slovakia has not any appropriate legislation to define and support clusters as well.

The existence of clusters not only in Slovakia but also in other EU countries and especially in Central Europe is subject to their traditional form – cooperation only within a particular industry and focusing on traditional sectors (machinery, automotive, tourism). Therefore, the aim of the project CluStrat will be to change the view of operating clusters and transferring best concepts to cluster policies of individual countries. In addition, it will prepare and test new forms of operation of clusters in Central Europe.

The project Responsible Small and Medium Enterprises in Slovakia

Last year, NADSME continued implementing the project Responsible Small and Medium Enterprises (ReSMEs). Along with the lead partner – the Pontis Foundation and another partner – CSR Europe, also the Slovak Chamber of Commerce, University of Economics in Bratislava and the Ministry of Economy of the Slovak Republic cooperated on the project.

The ReSMEs project has three main objectives. The first objective is to raise awareness of corporate responsibility (hereinafter referred to as “CR”) among the Slovak SMEs by disseminating information on corporate responsibility and experience in Europe. The second one is to increase the competitiveness and sustainability of SMEs by implementing corporate responsibility strategy and enforcement responsibilities in supplier relations. The third one, but equally important objective is to build capacity in the area of corporate responsibility strategy for key stakeholders involved in the development of SMEs in Slovakia. The target groups of the project are mainly Slovak small and medium-sized enterprises and entrepreneurs, key regional and national organisations focused on the development of SMEs in Slovakia, large enterprises and multinational companies as well as university students and academic institutions.

The project objectives are fulfilled by several activities, while NADSME implemented the following three objectives. A representative survey among small and medium-sized enterprises about the perception of corporate responsibility was implemented and evaluated even in 2010. In 2011, NADSME prepared three regional trainings in the cities of Banská Bystrica, Košice and Bratislava for professional advisors, consultants and trainers from organisations supporting the development of SMEs in different regions of Slovakia. A total of 36 experts were trained about the concept of corporate responsibility, the implementation

process and advantages of CR in companies. Even the results of a survey conducted among 1,001 SMEs as well as comparison of attitudes of entrepreneurs and the public to corporate responsibility were presented.

Training and information of entrepreneurs about the topic of corporate responsibility and the introduction of that concept into the strategies and processes of small and medium-sized enterprises was the subject of 12 seminars in different cities in Slovakia designed primarily for entrepreneurs. The participants of the seminars named “How to be successful? Carry out business responsibly!” – one of the most important activities of the project, were also representatives of non-profit making organisations, local authorities, teachers and university students. Some events were specialised, focusing on sectors specific for the respective region, such as automotive industry, agriculture, electronics and energy industry, or they were accompanying events within the nationwide and sectoral exhibitions devoted to different areas of economy, such as the International Engineering Fair. A total of 295 participants received basic information and explanations about corporate responsibility, how it can help the company to carry out the business better and more efficiently, how to have satisfied employees, be positively perceived by the surrounding, but also how to save and protect the environment. Participants were familiar with several examples of responsible Slovak SMEs and certain established and best practices of corporate social responsibility.

In the first quarter of 2012, education of entrepreneurs continued at regional seminars in 6 other towns in Slovakia.

7. Enterprise Europe Network

The Enterprise Europe Network (EEN) with more than 500 contact points in 44 countries and nearly 4,000 experienced employees is the largest structure in providing expertise and business services with a primary focus on small and medium-sized enterprises not only in Europe but also globally.

EEN in Slovakia is represented by the project BISS Slovakia (Business and Innovation Support Services in Slovakia), which was initiated following a call for proposals for CIP with a deadline in April 2007. The BISS Slovakia project coordinator is the BIC Bratislava and the other partners are the National Agency for Development of Small and Medium Enterprises, the Slovak Chamber of Commerce and Industry, the Regional Advisory and Information Centre Prešov (RAIC Prešov), the BIC Group and EurActiv.sk.

Despite being designed in particular for SMEs, EEN services are available to companies of all sizes, regardless of whether they operate in manufacturing or providing services. Furthermore, they are intended for research institutes, universities, technology and business centres, and innovation and development agencies. The network assists clients in finding business partners, especially in countries that they do not know, providing individual on-site visits to assess the needs of society and provide advice on a wide range of business issues. An extensive and well-maintained database enables different contact points to stay in constant communication and gather offers and requests to establish a partnership.

The aim of EEN is to help especially small and medium-sized enterprises to develop their innovative potential and to raise their awareness on the policies of the Commission. This initiative of the European Commission gives entrepreneurs the contact points (one stop shop), where they can seek advice and a wide range of easily accessible services to support business.

The main objectives of the network are as follows:

- Strengthening the synergies between the network partners through the provision of integrated services;
- Maintaining and continually improving access, proximity, quality and professionalism of the integrated services provided by the network;
- Raising awareness, especially among SMEs, regarding policies of the Community and services offered by the network, including raising environmental awareness and energy efficiency of SMEs, as well as awareness of the cohesion policy and structural funds;
- Consulting with businesses and getting their opinions on Community policies;
- Ensuring complementarity between the network and other providers of services for SMEs;
- Reducing the administrative burden for all parties.

Website

Comprehensive information on the activities of the Enterprise Europe Network in Slovakia is available on the website: www.enterprise-europe-network.sk.

Current information directly into your e-mail box

Registered entrepreneurs were regularly informed through e-mail about news from the European business environment – current articles, tenders and calls for proposals for projects, upcoming events (courses, seminars, information and consultation days, training for entrepreneurs, international cooperation events and business mission), the offers for partnerships in both member and non-EU countries, as well as new projects for businesses.

Databases for businesses

The EEN website contains specialised sections dedicated to finding business and technology partners through databases that are connected to the databases of other 51 network partners.



Database for commercial cooperation of enterprises (BCD – Business Cooperation Database): It includes cooperative company profiles from more than 51 countries worldwide, which promote their offers for business cooperation and seek cooperation partners in this way. The website currently contains offers for cooperation (automatically sent to registered clients), as well as the conditions of registration.



Database of technological cooperation (BBS – Bulletin Board Service): It is focused on technology and innovation transfer. Each technology offer and technological request is entered in the database through a regional unit of the network (e.g. NADSME) at the initiative of the entity (SME), which wants it to be advertised. Subsequently, through the BBS database all technology offers and requests within Europe get to the end entity, where they encounter each other based on a technological code (technology demand meets supply and vice versa). Simply stated BBS is designed to facilitate the transfer of innovation in member and associated countries of the European Union.



Database for SME feedback (FBD – Feedback Database): It is used to send suggestions, comments and proposals of entrepreneurs related to the application of EU legislation and policies in practice. The European Commission is informed through it of improper approximation of the laws and interpretation and acceptance of European legislation directly by businesses. Contacts and an electronic form is available on the website www.een.sk, in the part FBD.



Research and development results (RTD – Research and Technology Development): The RTD database contains the results of research and development arising out of projects funded by the EU through framework programmes for research, technological development and demonstration activities. It is an important base of new technologies and services ready for commercial application. It contains hundreds of actual project results usable in practice or further research. It also provides information on the current state of technology development in selected areas.

Activities undertaken in 2011:

In 2011, the BISS Slovakia project partners carried out the following activities:

- **Providing information, feedback and services to support internationalisation and business cooperation:** This area is aimed at disseminating information and raising awareness of the policies and legislation of the European Union, the European single market of goods and services, presentation of European initiatives for SMEs and survey of feedback from target groups, the increase of SME participation in the formulation of new EU policies, support of the development of cross-border activities to acquire new markets in the EU and third countries, trade cooperation between SMEs and finding adequate partners. It represents a continuation of the activities of the Euro Info Centre (EIC) network.
- **Promoting innovation and technology and know-how transfer services:** This part focuses on the dissemination of information on the possibilities for innovation in the EU, the promotion of international technology-oriented cooperation, transfer of technology and know-how, analysis of the technological situation in enterprises, organisation of partnership events in selected technology sectors, the use of research and development results and increasing the innovative capacity of SMEs, including creating links to appropriate national and European funding schemes. It represents a continuation of the activities of the Innovation Relay Centre (IRC) network.
- **Services to promote SME participation in the Seventh Framework Programme for research, development and demonstration activities (FP7):** This area is aimed at disseminating information and raising awareness about FP7, identifying research and development needs and finding adequate partners, increasing participation of Slovak companies (especially SMEs), universities and research institutes in European research programmes, including the preparation of projects in FP7. It is connected to the cooperation with national contact points for FP7 (NCP).

Activities carried out in 2011 in terms of statistics:

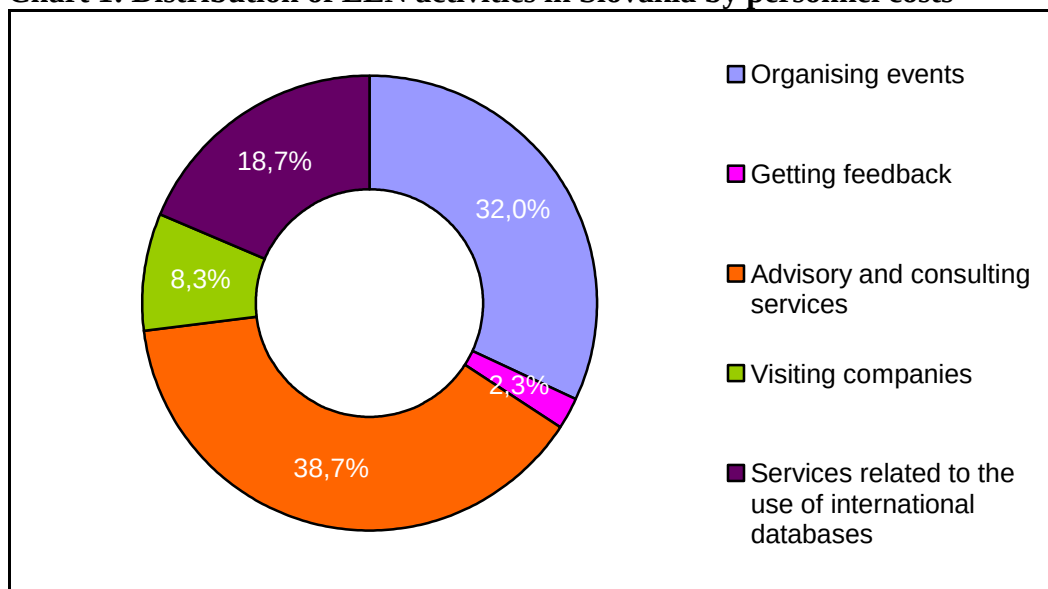
In 2011, EEN supported more than 4,000 Slovak enterprises in the above mentioned areas and activities. 51 events organised by 6 partners were attended by 1,353 entrepreneurs, representatives of universities and public institutions. They were mainly seminars, trainings, information days, business meetings and missions. 18 companies were involved in the mechanisms for providing feedback to the European legislation. We provided 1,801 counselling services in the field of international cooperation, innovation, technology transfer and research. In Slovakia, 131 entities were involved in international trade business and technology databases and 534 international contacts were exchanged among entrepreneurs. All those activities led to a successful outcome. The main indicator of the successful results is entering into 32 international agreements on cooperation between Slovak and foreign companies, universities and research and development institutions (a total of 32 cooperation agreements, of that 16 in the area of trade cooperation, 12 in technological cooperation, and 4 subjects were involved in research and development projects).

In the period from the network launch (the beginning of 2008 until the end of 2011) the Slovak representation was able to achieve the following results:

- 144 local events with 3,374 participants;
- 837 meetings with new clients of the network and 254 audits;
- 69 partnership events and business missions with 950 participants and 2,387 executed meetings;
- 90 international cooperation agreements, compared to the EU average doubling per capita.

Slovakia is the first country within EEN, which began to build a platform of cooperating organisations – major players in the field of business support, which aims to provide more effective services for entrepreneurs, mutual support in promoting, organising events and creating dialogue in the field of international cooperation, innovation and research and development. The platform works on the basis of the information exchange and the event – the so-called networking meeting – taking place annually.

Chart 1: Distribution of EEN activities in Slovakia by personnel costs



Source: Enterprise Europe Network Internal Reporting Tool

These results put the Slovak representation of EEN to the 6th place in the evaluation of the effectiveness of all the network member countries.¹⁵

Activities carried out in 2011 in terms of finance:

Funding of the Slovak representation of the network in 2011 varied in the amount of approximately EUR 500,000, which was used for carrying out activities provided by 6 organisations and 30 employees. The budget totalling EUR 1,017,939 is scheduled for the years 2011 and 2012. Financial statement of activities is presented as indicative, since detailed data would require more accurate analysis, however, in this document we state at least the analysis of personnel costs (total staff costs for the years 2011 and 2012 is planned in the amount of EUR 682,784.51) in 5 major packages of provided services: organising events, which accounted for 32%, receiving feedback 2.3%, advisory and consulting services 38.7%, visits to companies 8.3%, and support of internationalisation through databases 18.7%.

¹⁵ According to the internal document Partnership Agreements Overview 2011, Enterprise Europe Network, and the results of calculations in proportion to the number of persons employed within EEN in different countries.

7.1 NADSME activities within the Enterprise Europe Network

In collaboration with organisations focused on the same areas, NADSME provides businesses essential information and advice on the EU common market as well as third-country markets. Comprehensive services in this area help businesses to predict the market changes and flexibly and quickly adapt to them, which increases the businesses' competitiveness.

Small and medium-sized enterprises need help particularly in the process of internationalisation, when they first attempt to get into new markets, especially abroad. And this is one of the NADSME priorities – to help SMEs to get into new markets both in the EU and in third countries. Through intermediation of participation in specialised and sectoral cooperation events, SMEs obtain the possibility to participate in international fairs and exhibitions as well as to find a partner for trade or technological cooperation.

We achieve these objectives primarily through our active participation in international projects co-financed from EU funds and the implementation of government programmes aimed at increasing innovation and competitiveness of Slovak companies. One of them is the national programme Promoting SMEs in the EU Market. Its purpose is to provide indirect support to SMEs in the already mentioned form of advice and providing information on all matters related to their operation in the EU internal market and also by supporting the development of SMEs cooperation in the EU internal market and beyond (internationalisation and increasing the competitiveness of European SMEs). The purpose is to increase competitiveness, promote innovation and ensure effective international cooperation of SMEs. Support for SMEs through the above mentioned national programme lies in the co-financing of the activity costs incurred by NADSME – the workplace of the Enterprise Europe Network in Slovakia.

Information, advice and services to support collaboration and internationalisation of SMEs

In 2011, there were about 1,000 requirements relating to obtaining information on the internal market. Questions concerning the establishment of a business, cross-border provision of services, particularly in Austria and Germany, sending workers to business trips and stays, issues of funding and creating business plans and the like were dominant.

In 2011, NADSME continued in the successful organisation of free information seminars, consulting days and trainings for businesses to inform them about the business issues within and outside the EU. In cooperation with our partners, we organised 44 such events on different topics (how to conduct business in the EU market, business plans and financial planning, sources of financing, marketing and promotion of companies, finding business partners and access to third country markets, cross-border supply services and sending personnel to business trips and stays, technology transfer and intellectual property protection, internationalisation, CE marking, safety and health at work, tourism business, chemical legislation REACH, recycling and waste management, new calls within the Operational Programme Environment, electronic signature, corporate social responsibility, alternative dispute resolution – mediation, public procurement, etc.) in various regions of Slovakia. A total of 1,096 entrepreneurs participated in the events.

SMEs were provided with information about business, the latest European legislation, events, activities, calls, databases, as well as on engagement in new projects in the form of 16 information sheets and newsletters, which were distributed to NADSME clients directly to their e-mail boxes or published on the website www.enterprise-europe-network.sk. A total of 99 papers and 159 notifications of currently announced calls for tenders and calls for proposals for projects were published in 2011.

Services to support collaboration and internationalisation of SMEs

Database for business cooperation

In 2011, NADSME helped entrepreneurs in search of manufacturing, commercial and project cooperation partners through the network-wide database for business cooperation of entrepreneurs (BCD), internal correspondence network First Class, as well as organising the participation of Slovak entrepreneurs in international cooperation events.

In 2011, 887 offers for cooperation from foreign companies were translated into the Slovak language, published in various newspapers and on websites and distributed through information sheets, automated system or at events. Further 3,031 offers were published in English. 34 profiles of Slovak entrepreneurs were registered in the BCD database. Slovak entrepreneurs looking for foreign partners requested 89 contacts, and 56 foreign companies requested contact data of Slovak companies.

Cooperation events for SMEs across Europe

NADSME organised participation of Slovak entrepreneurs in various sector-oriented cooperation events across Europe that were realised mostly within trade fairs and exhibitions. Within the events, bilateral negotiations of potential business or technology partners were held. Potential partners were determined by their own choice, i.e. after preparing and entering their profiles, and also based on the pre-established, software-generated schedule. Registered representatives of companies arranged meetings either by themselves or with the assistance of the NADSME staff. Participants were provided the participation in the cooperation event, trade fair and other additional, assistance and interpretation services by NADSME free of charge.

In May 2011, NADSME organised the international cooperation event PRO ECO in Banská Bystrica. The meeting was attended by 29 entrepreneurs from Slovakia, Hungary, Austria, the Czech Republic and Italy. The participation of Slovak companies was also ensured in further international cooperation events – ExpoEnergy in Wels in Austria, in Gouangzhou in China, the fair Furniture and Housing in Nitra (bilateral negotiations with Austrian businessmen), the WATENVI Fair in Brno (with Dutch entrepreneurs), and the Business Rendezvous in Ostrava with the Czechs. Negotiations of Slovak companies with Bavarian firms took place during the International Engineering Fair in Brno. Slovak entrepreneurs did not miss even participation in Budapest, namely in the cooperation event HOVENTA aimed at hotel and restaurant management and in the event organised within “Ekoinustria” – the fair aimed at renewable energy sources. The event was attended by a total of 69 companies, which carried out 326 negotiations.

Innovation and transfer of technology and know-how

NADSME supports SMEs also in the area of innovation of their manufacturing technologies, processes or services. It provides advice through the so-called technology audits and business audits, in which the NADSME staff pursues in-site analysis of demand and supply of the company, makes familiar with technology and its potential for innovation as well as the conditions of the company for research and development. In 2011, NADSME carried out 12 audits of Slovak SMEs to identify their needs and potential for innovation.

The BBS database, within which innovative offers and requests are published, is an equally important tool in the area of technological cooperation. In 2011, 4 profiles of Slovak SMEs were published, and 22 partners from foreign countries responded to them.

The negotiations of Slovak and foreign partners about cooperation in the field of innovation can result in various forms of cooperation, such as licensed production, joint venture, transfer of technology, and the like. In 2011, NADSME noticed 2 such agreements between partners.

In the fall of 2011, NADSME organised a business mission of Czech entrepreneurs from the engineering sector in Slovakia. 6 Czech SMEs met 12 Slovak partners and completed a total of 42 negotiations. Czech entrepreneurs also visited two Slovak companies.

Increasing the participation of SMEs in EU policy making

Slovak SMEs can inform the European Commission through NADSME about their problems in applying legislation and policies of the European Community in practice. Comments, suggestions, opinions, and insights pertaining to mainly non-transparent, poorly applied, whether existing or forthcoming legislation in areas of the business environment in the EU, constitute feedback to the European Commission.

In 2011, the feedback database was used by two entrepreneurs who announced problems in applying EU legislation. Slovak businesses are not indifferent to the business environment that surrounds them, and therefore they also engaged in the panel discussion on the directive on the transparency of measures regulating the pricing of medicinal products and their inclusion in the national health insurance systems. Via the website they were also informed about 36 ongoing consultations, in which they could express their opinion on the creation or modification of EU legislation.

8. Conclusion

After major changes in the business environment in Slovakia in previous years characterised mainly by the introduction of the common European currency Euro and escalating manifestations of the global financial and economic crisis, signs of economic recovery continued in 2011. The economy recorded a GDP growth by 3.3%, representing an above average result in the EU, compared to 2010, however, a decrease by 0.9 percentage points. The lower rate of growth of GDP was affected by a lower growth in foreign demand, as well as domestic demand that has declined by 1.5% year on year. In 2011, the average number of persons employed in the national economy has increased by 1.9%, while employment in the profit-oriented corporate sector has increased by 2.6% year on year.

Of the total number of businesses (natural and legal persons), 96.1% were in the category of micro enterprises (0-9), 3.2% in the category of small enterprises (10-49), 0.5% in the category of medium-sized enterprises (50-249) and 0.1% in the category of large enterprises. Compared to the other EU countries, representation of micro enterprises in Slovakia achieved a higher proportion (by 3.9 p.p.) of the total number of businesses, as well as of the total number of employed persons (by 10.6 p.p.).

In 2011, the different tendency of the development of particular legal forms of SMEs continued. For the third consecutive year the category of natural persons – entrepreneurs recorded a fall – their numbers declined by 1.9% year on year. The number of legal persons – companies continued to increase, with a year-on-year increase of 7.6%. The number of SMEs – legal entities grew up mostly in the business services (by 4,809 / 11.5%) and trade (by 1,766 / 3.9%), in the case of largest category of natural persons - small trade licensees the greatest decline was seen in trade (by 3,799 / 3.6%) and industry (by 1,939 / 3.1%).

Development of SME revenues in 2011 recorded a positive development in all considered sectors of the economy of the Slovak Republic. The share of SMEs (legal entities – non-financial corporations) in gross production decreased by 0.5 p.p. year on year, in the value added by 0.4 p.p. and the share of profit before tax declined by 1.2 p.p. On the contrary, SMEs strengthened their position slightly in the foreign trade exchange of goods, when the share of SMEs in total exports rose by 0.2 p.p. and in total imports by 0.6 p.p. year on year.

The trend of the growth in the number of emerging businesses (by 10.7% year on year¹⁶), as well as the number of dissolutions (by 4.1%¹⁷) continued, and in both categories Slovakia has one of the highest proportions within the EU countries.

In 2010, 55.6% SMEs¹⁸ keeping accounts in double entry bookkeeping made profit. Micro enterprises (0-9) accounted for 53.7%, small businesses (10-49) 67.3% and medium-sized enterprises (50-249) 73.9%. In that year, debt asset ratio of SMEs totalled 67.6% (gearing ratio of total assets).

¹⁶ For the latest available reporting period: 2009.

¹⁷ For the latest available reporting period: 2008.

¹⁸ Data from anonymised individual financial statements – Balance Sheets and Profit and Loss Statements – for the accounting entities in the Slovak Republic for 2010.

In 2010, SMEs settled their short-term and long-term liabilities to non-bank creditors on average within 143.9 day¹⁹ (mean value), which was almost the same number of days as in 2009. Compared to the pre-crisis year 2008, the time of the settlement of SMEs' liabilities has prolonged by more than 20 days. The worst own payment discipline reached micro enterprises, which settled their liabilities towards non-bank creditors even within 153.6 days.

In terms of the legislative and regulatory environment, along with other modifications of the tax system and the health and social insurance system, major changes occurred in 2011 as a result of the reform of the Labour Code. Other measures related to the introduction of electronic services for tax administration by tax, customs and municipal authorities, streamlining public procurement, increasing transparency in the justice system, measures for public reporting, such as putting into service the electronic central register of contracts, purchase orders and financial statements. Functionality of single contact point services within the network of trade licensing offices was extended and several key measures were taken to reduce the administrative burden when starting a business, as well as in the course of business.

In the last year, support for SMEs was funded mainly by the European Union and the State budget, partly from other sources (European Bank for Reconstruction and Development). The State aid was realised mainly through the MoE SR, MF SR, MoLSAF SR, MTCRD SR, MARD SR, MESRS SR and ME SR. Within the framework of the Operational Programme Competitiveness and Economic Growth, which is the most important support tool, in 2011 the aid amounting EUR 154.8 million was provided. To support SMEs credit facilities in the amount of EUR 110.9 million and bank guarantees amounting EUR 84.3 million were provided from the SZRB funds. In 2011, through its banking and insurance activities EXIMBANKA SR supported SME exports in the total volume of EUR 78 million and, through insurance activities, in the volume of EUR 219.6 million. Last year investment aid (investment incentives) for 4 investors falling within the SME category was approved. As part of measures to encourage agri-entrepreneurs, the Agricultural Paying Agency implemented support in the amount of EUR 53.2 million.

Through the contribution for self-employment provided within active labour market measures in 2011 creating and filling of 12,271 jobs was supported (49.32% were disadvantaged job seekers). The total sum granted amounted to EUR 41.8 million. Most of the jobs created were in the Žilina Region (20.69% of the total).

In 2011, NADSME continued to implement counselling and education programmes that were designed for SMEs and persons interested in doing business. As part of the Training and counselling programme for the selected group of those interested in business, 385 information consultations and 586 professional consultations were provided totalling 1,963.50 hours, 291 business plans were developed, and 41 trainings for 782 participants were organised totalling 1,450 hours. As part of the Training and counselling programme for the selected group of those interested in business, 287 information consultations and 580 professional consultations were provided totalling 2,931.5 hours, 35 business plans were assessed and 13 SMEs were supported by educational grants in the amount of EUR 164,893.78. Within the scheme Support of SMEs through Incubators and the implementation of research-based spin-off

¹⁹ **Data from anonymised individual financial statements – balance sheets and profit and loss statements – of the accounting entities in the Slovak Republic for 2008 to 2010.**

method, 2 incubators were supported that placed a total of 17 start-ups in their premises, which created 60 jobs, and 10 more persons were employed in management and administration. At the end of 2011, 88 incubated companies, 20 of which were innovative, that created a total of 602 jobs, were placed in 13 business and technology incubators. Other 37 jobs were created in the management and operation of incubators. Average occupancy in the incubators was 89%. Within the Venture Capital Scheme, investments in the amount of EUR 11.5 million were made, which were used to support 17 SMEs.

To create quality business environment for SMEs in the Slovak economy, a coordinated approach by all sectors involved is necessity. The Government of the Slovak Republic plays a key role in this area and has to focus primarily on long-term problems, such as frequent changes in legislation, high levies, persistent insufficient supply of e-government services, lack of support for the family business, harmonisation of vocational education and the needs of SMEs (business practices), improvement of the financial situation of SMEs, and more. The appropriate tool to address these problems is the SBA initiative. Upon its Manifesto for the Years 2012-2016, the Government of the Slovak Republic undertaken to apply the initiative. In that process, NADSME as the institution for the promotion of SMEs plays a key role, which is based on its mission and experience of nearly 20 years of working in the business environment of the Slovak Republic, and which was confirmed last year by entrusting Director General of NADSME with the office of the Envoy for SMEs (SME Envoy) for Slovakia.

An important part of the support system is formed also by the activities of the Enterprise Europe Network, in which Slovakia achieves very good results in international comparison. Network activities can be used for information and advice on the EU agenda and to promote the internationalisation of SMEs not only within the EU single market, but also in third country markets, which is a key prerequisite for the further development of SMEs in Slovakia.

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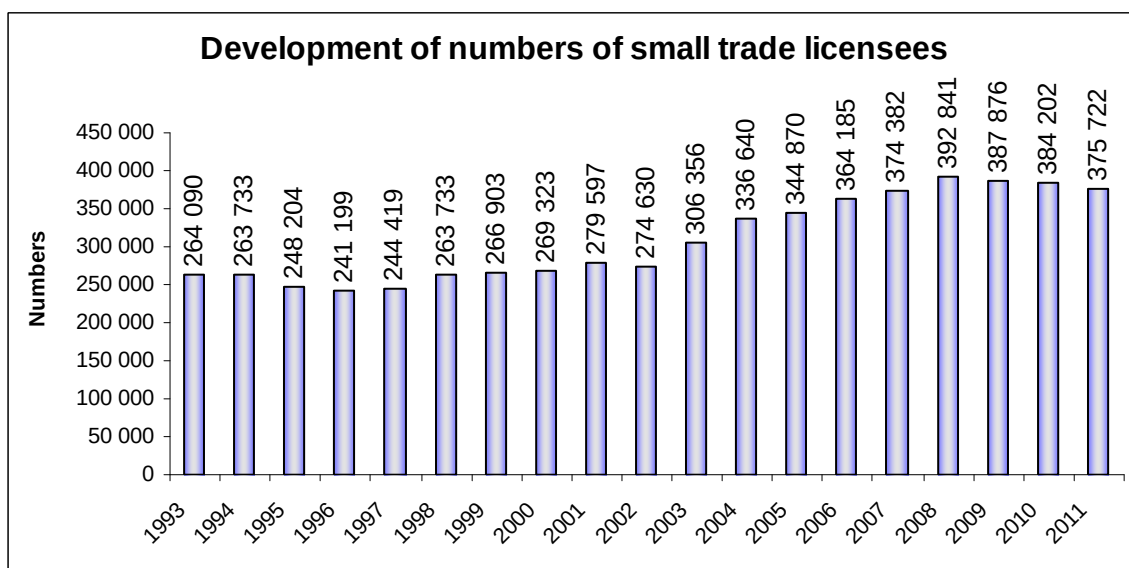


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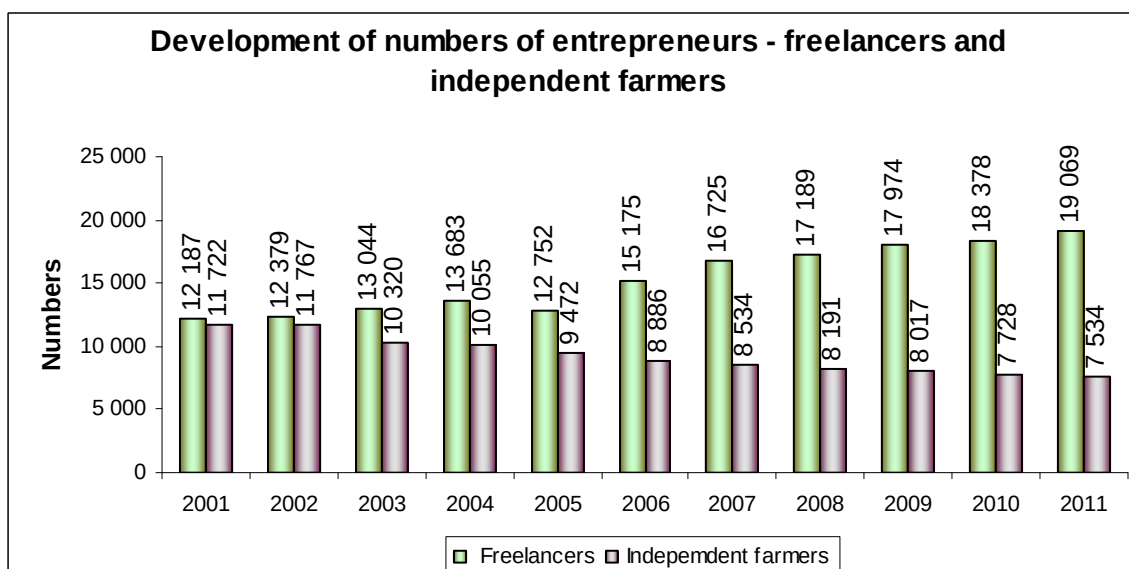


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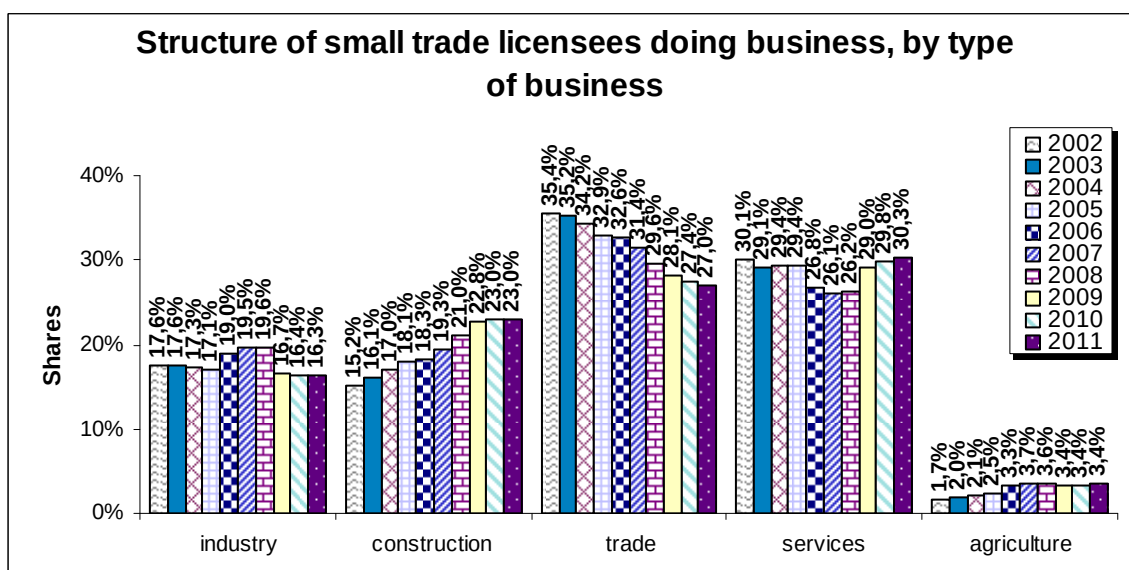


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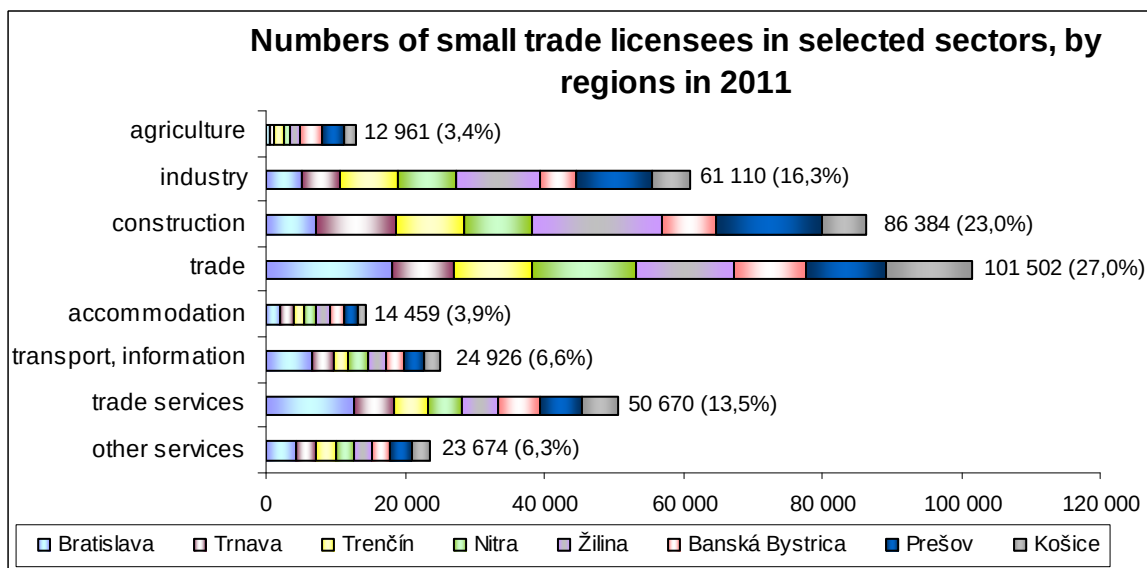


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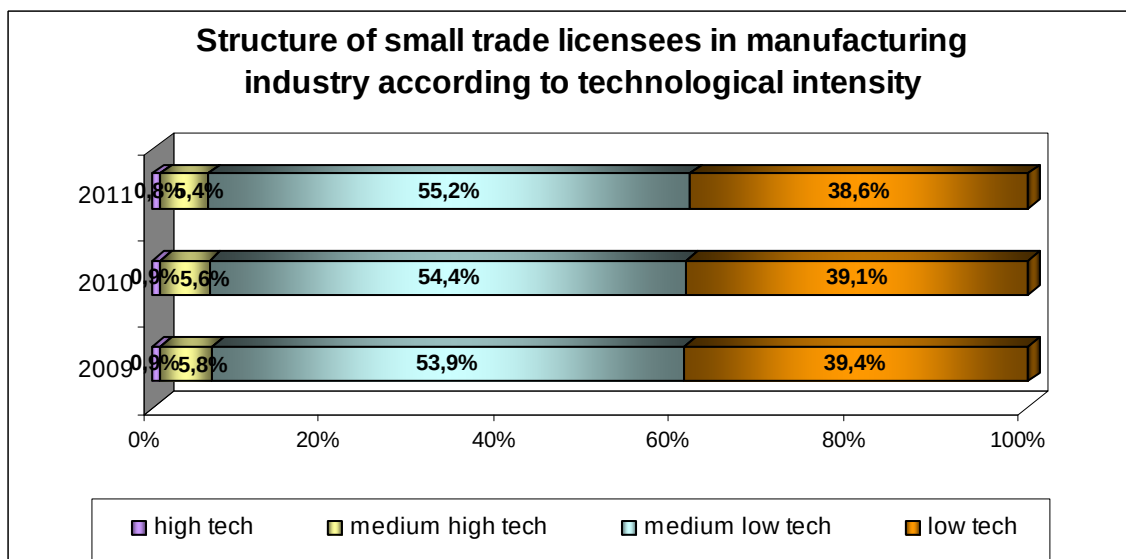


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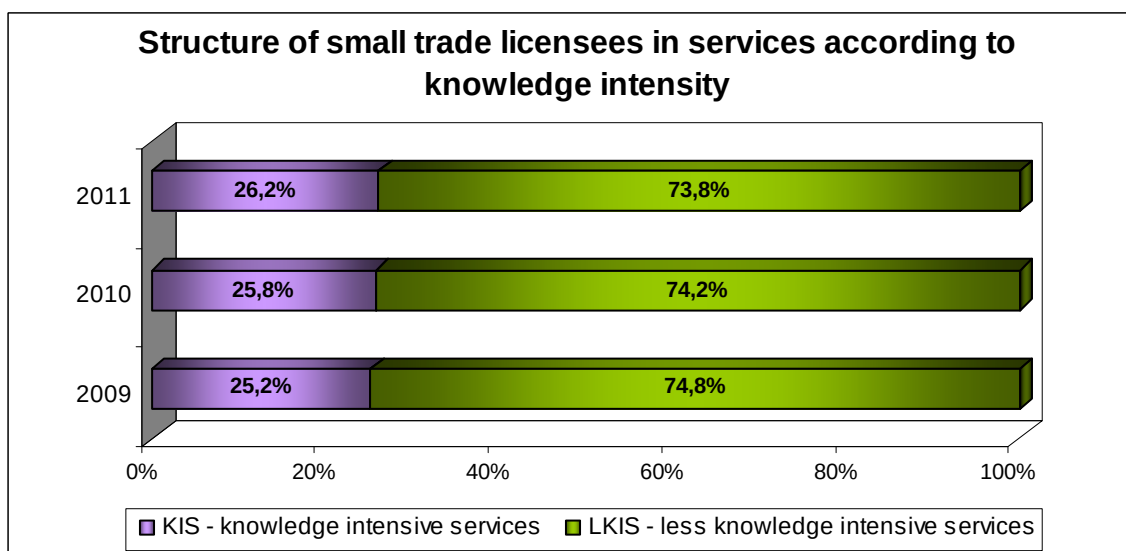


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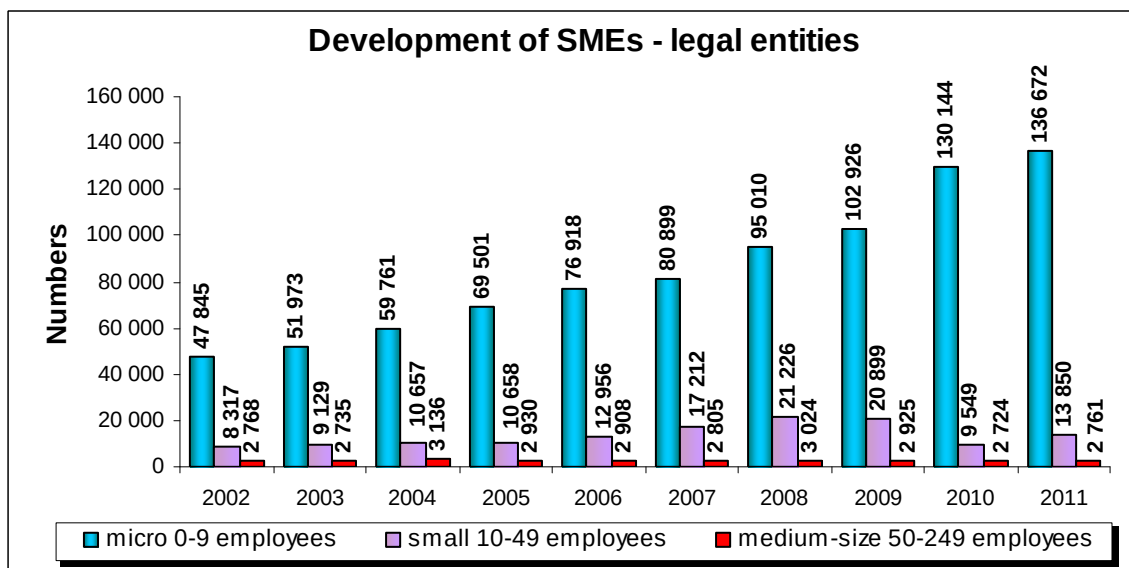


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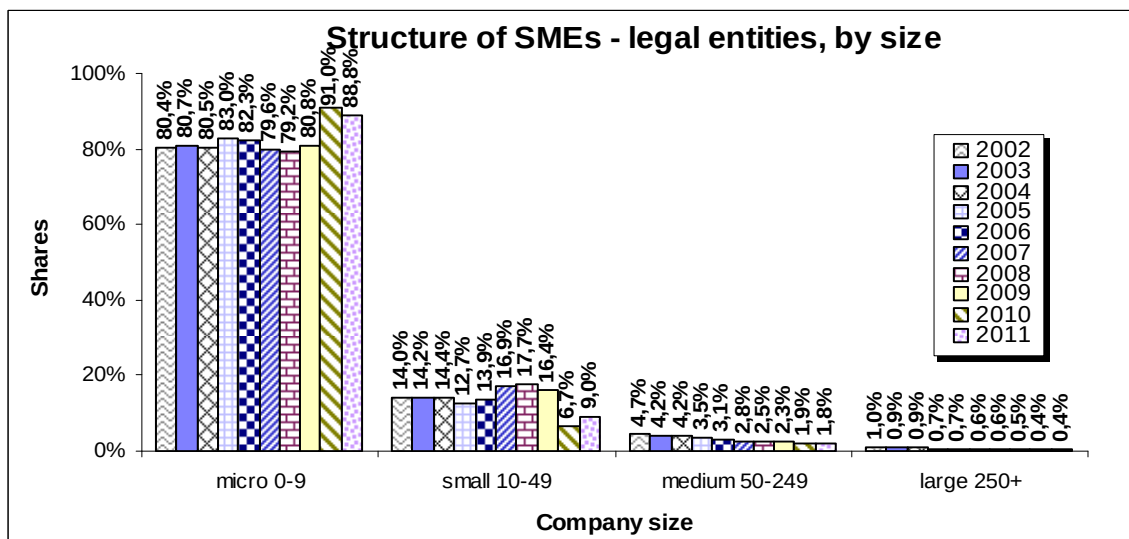


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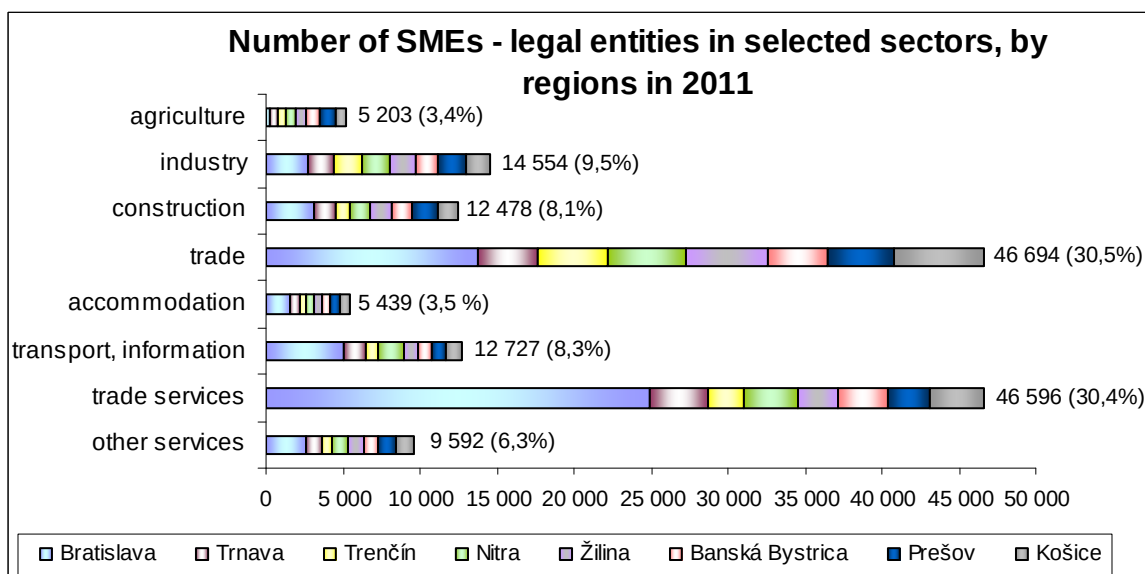


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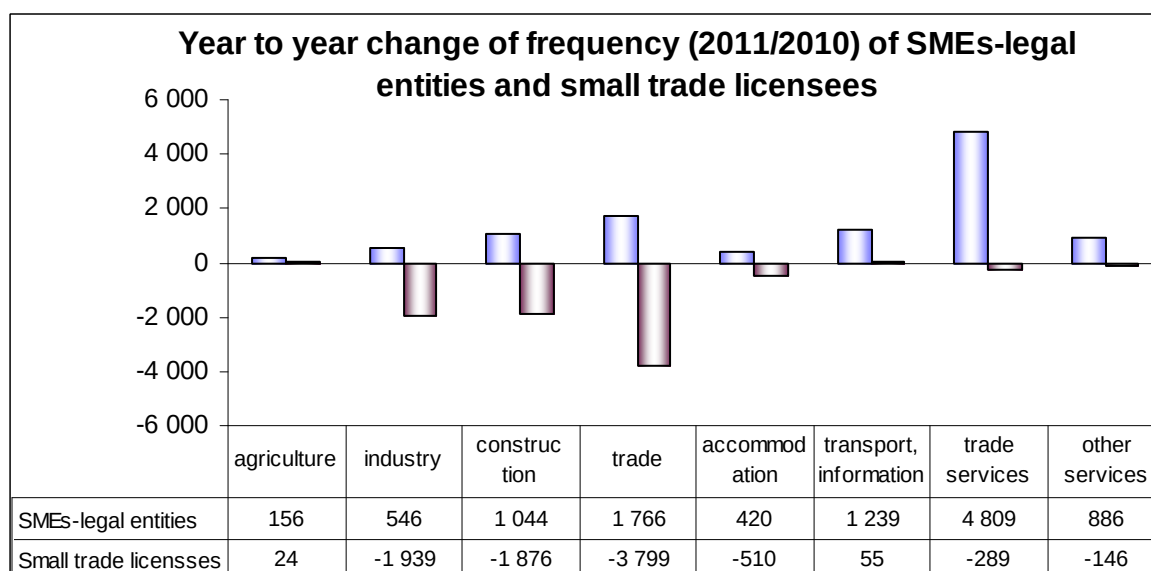


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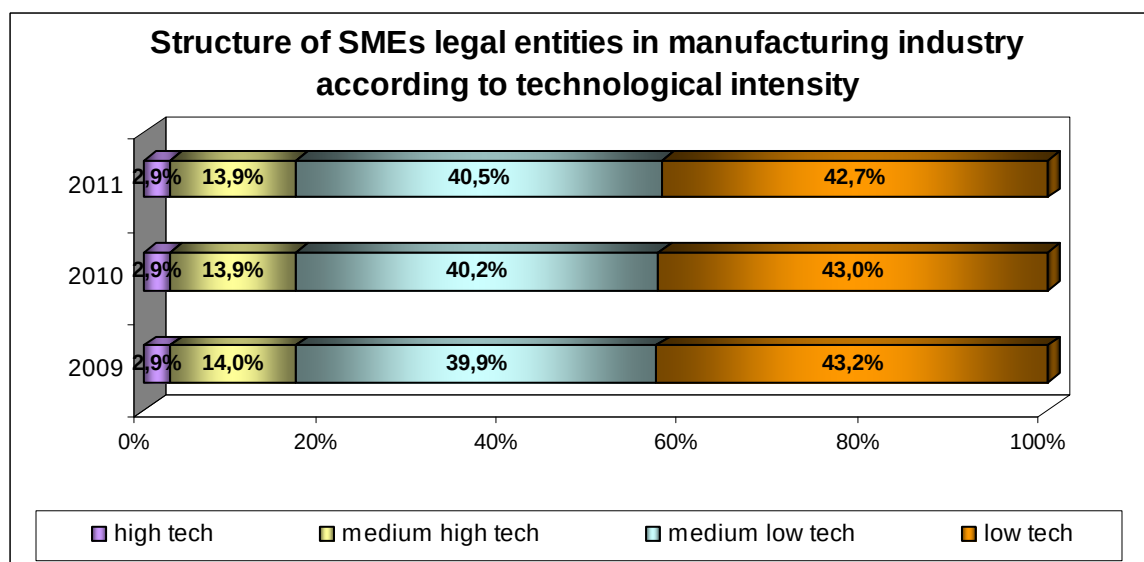


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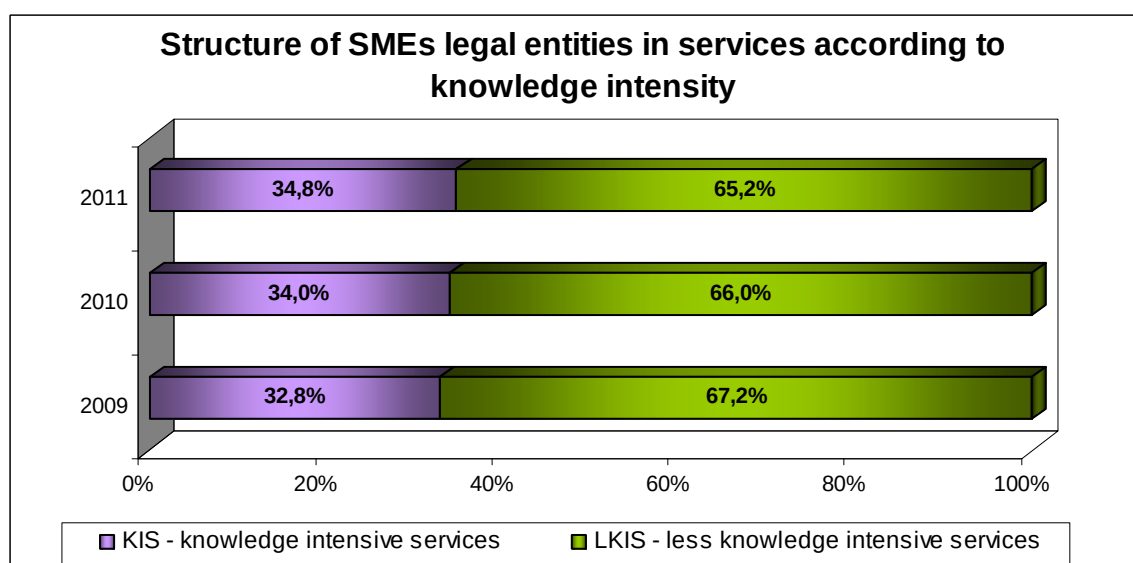


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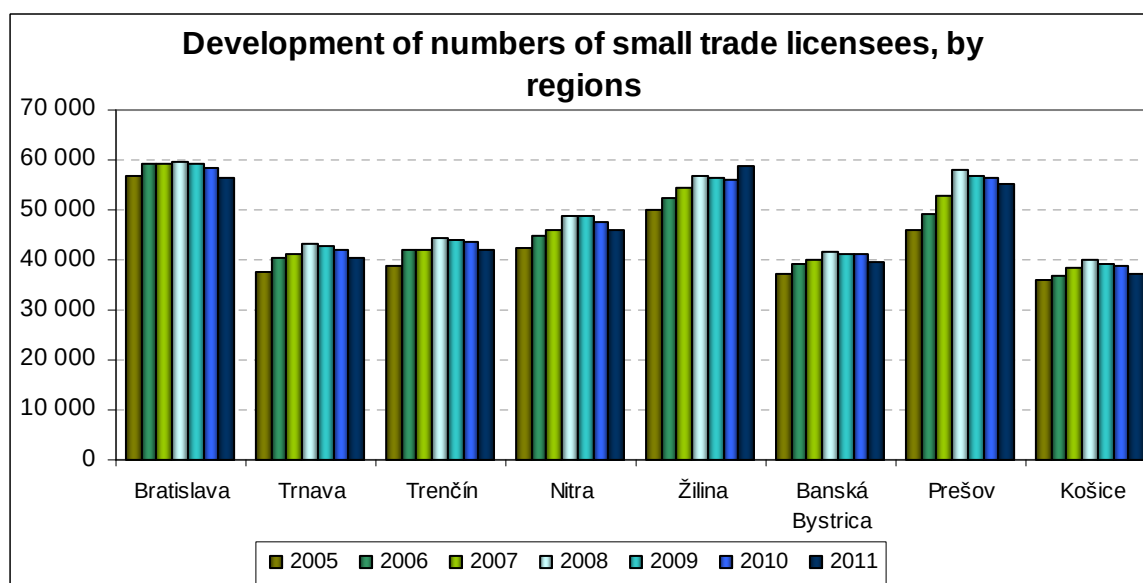


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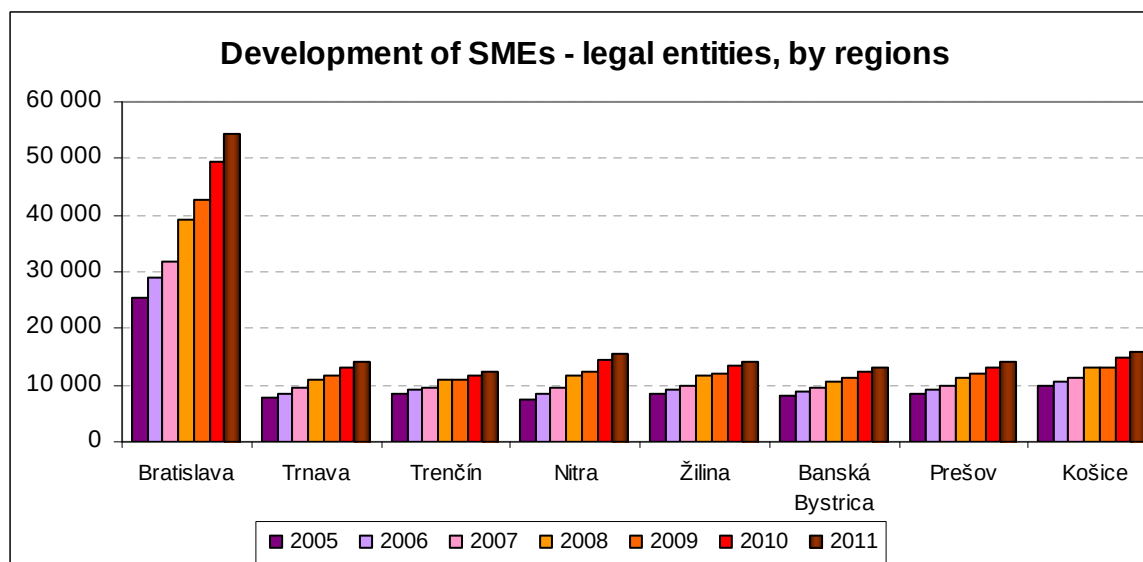


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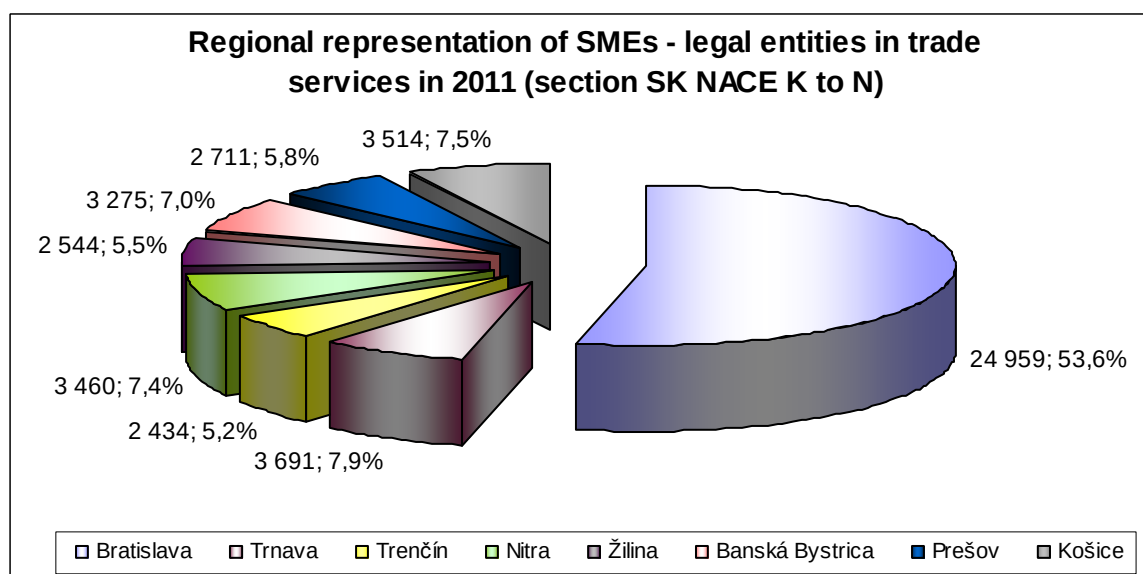


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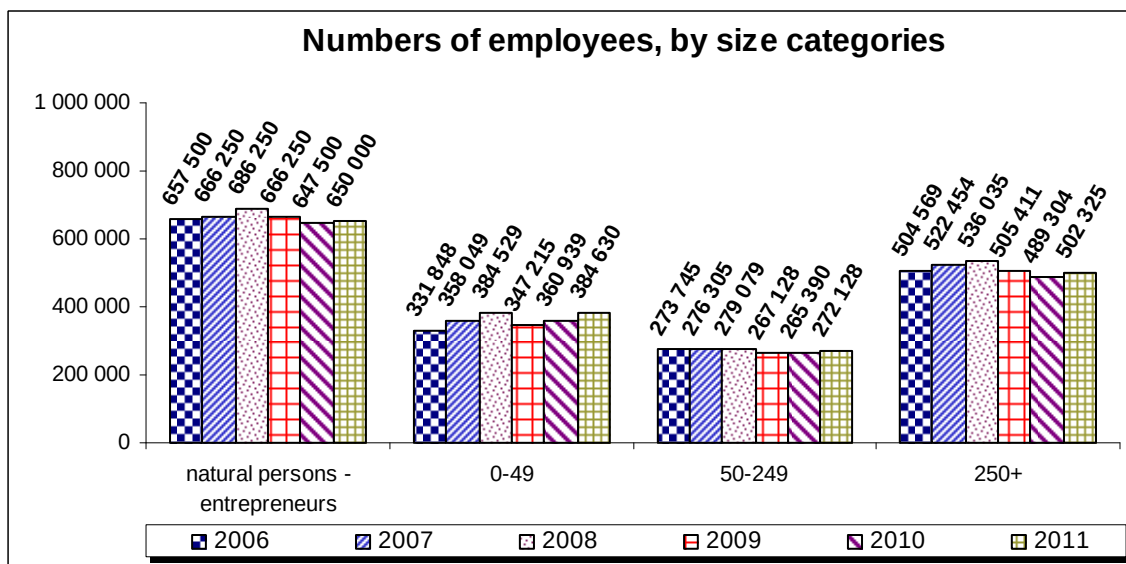


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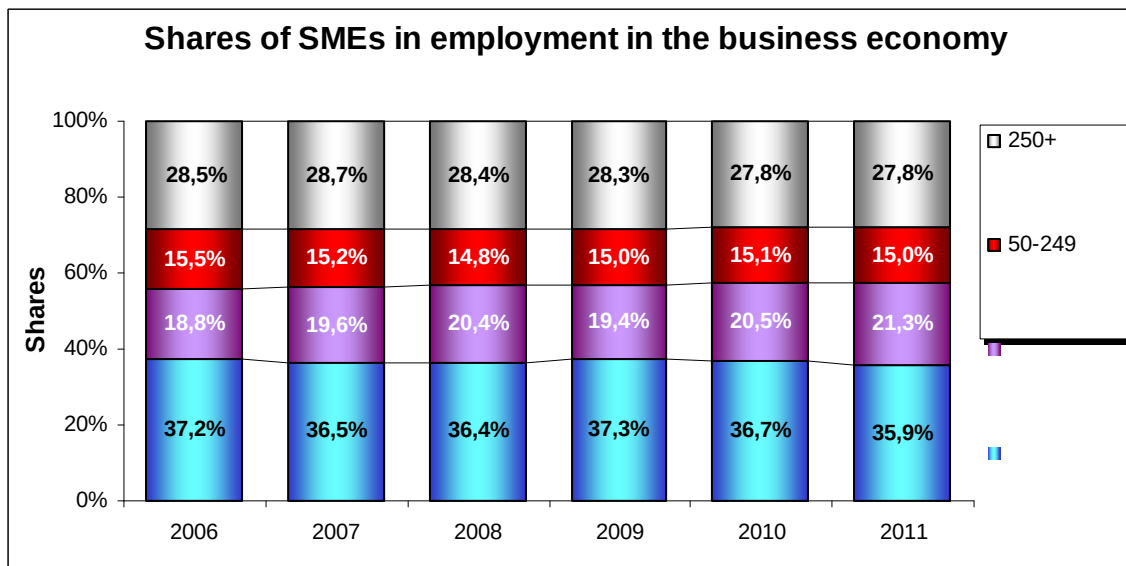


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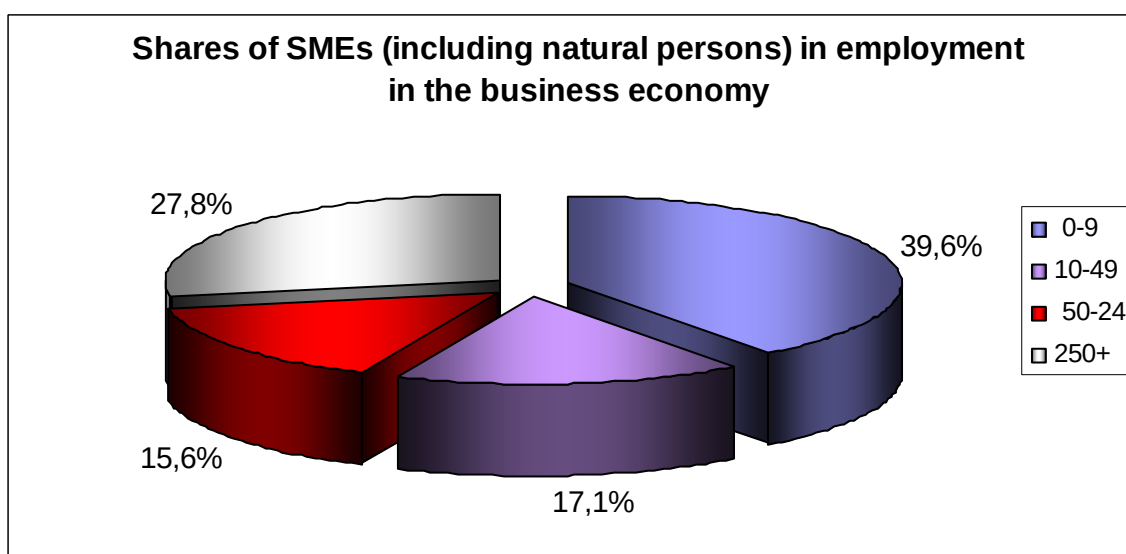


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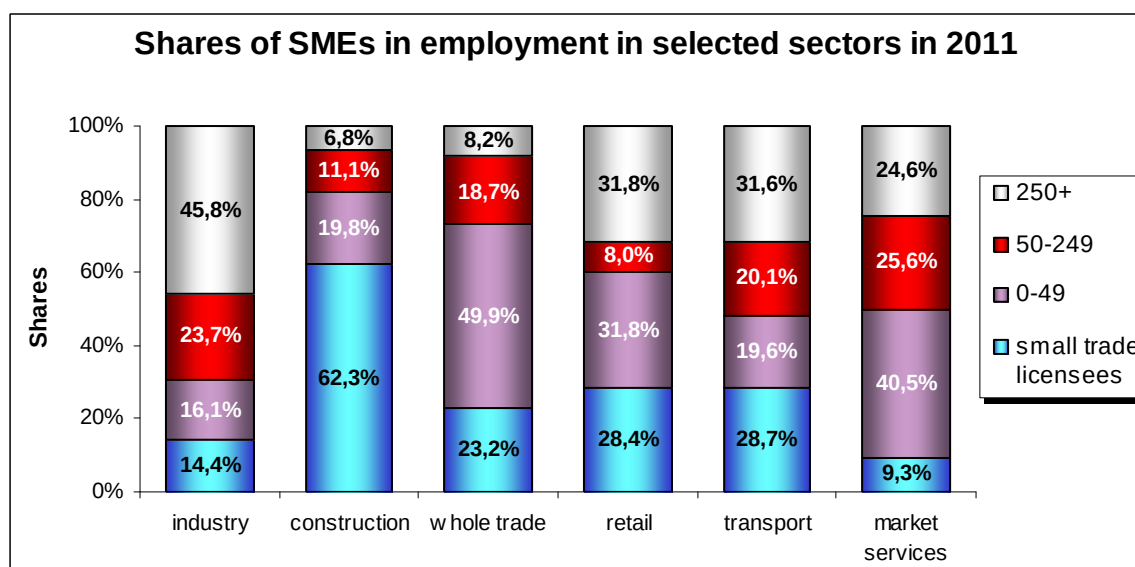


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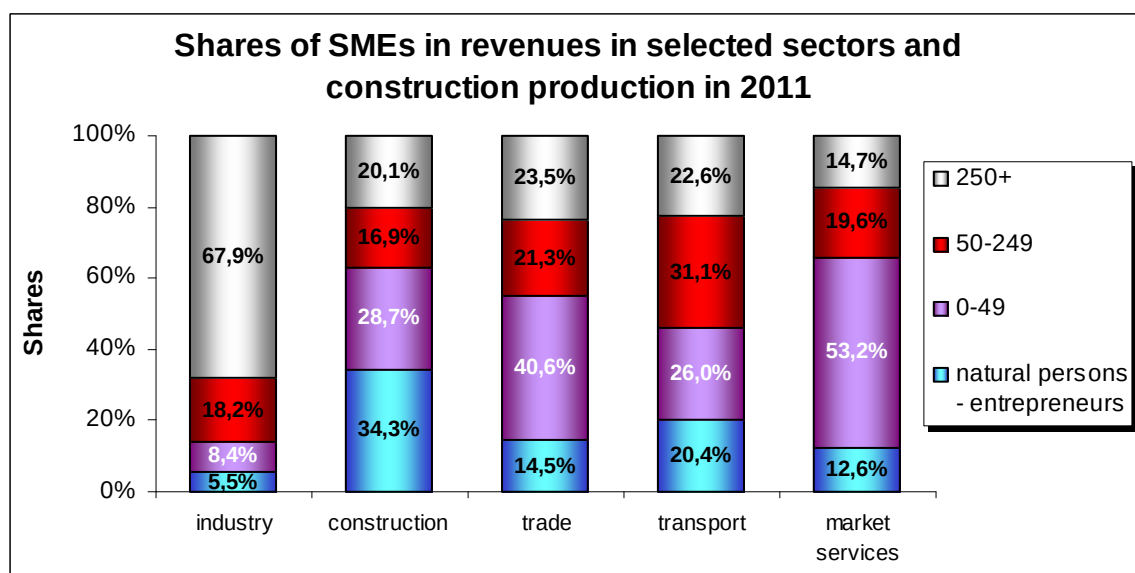


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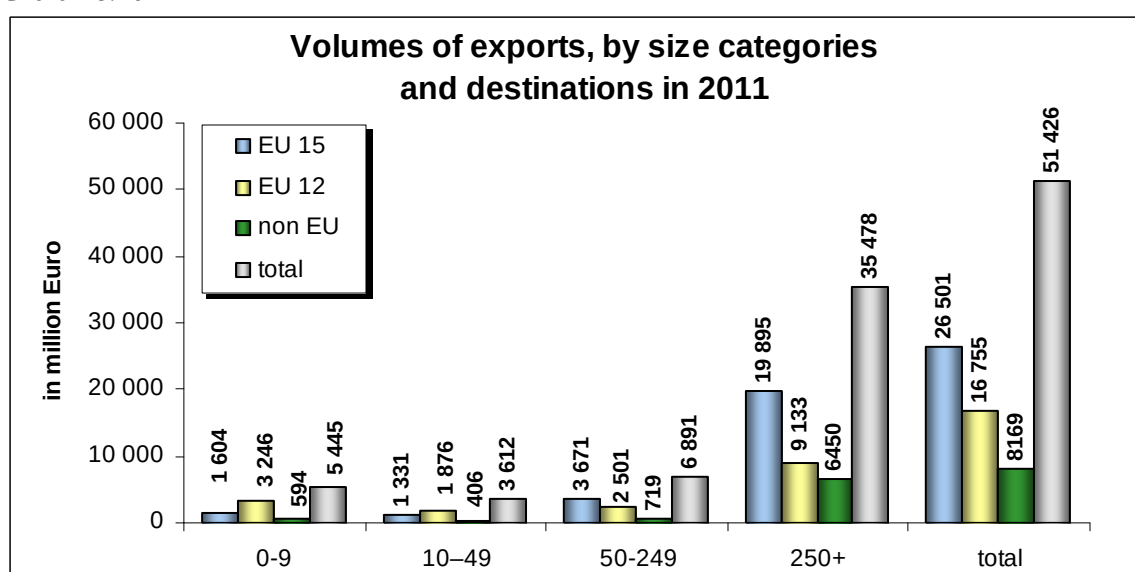


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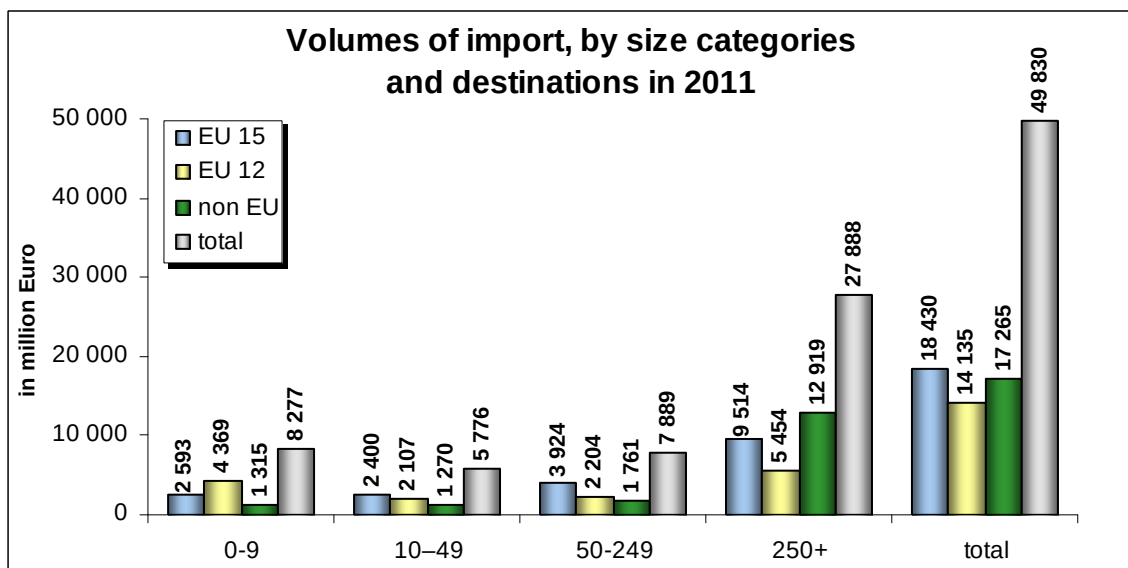


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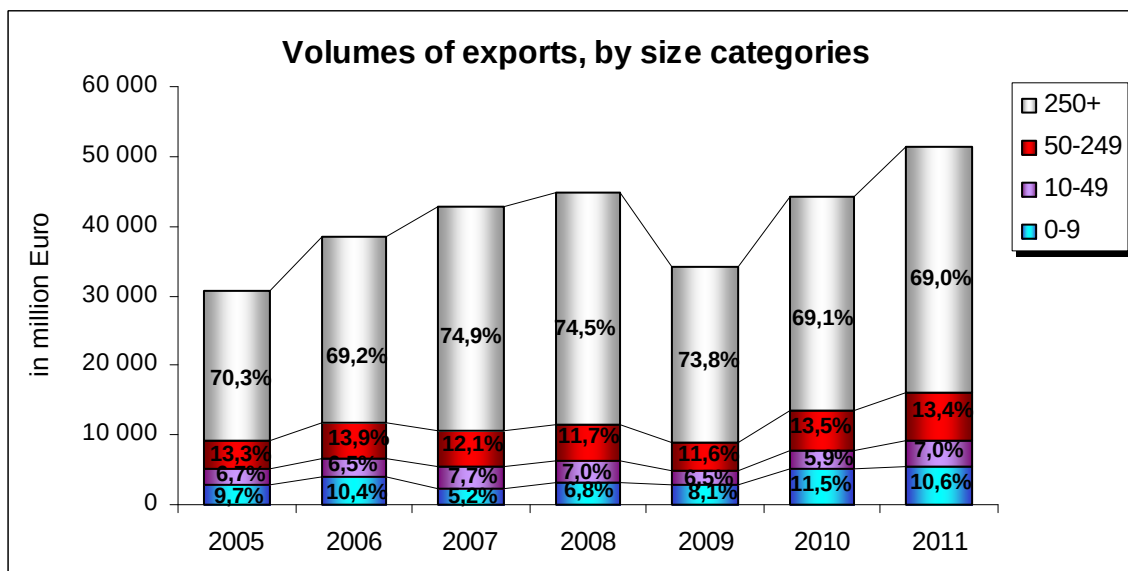


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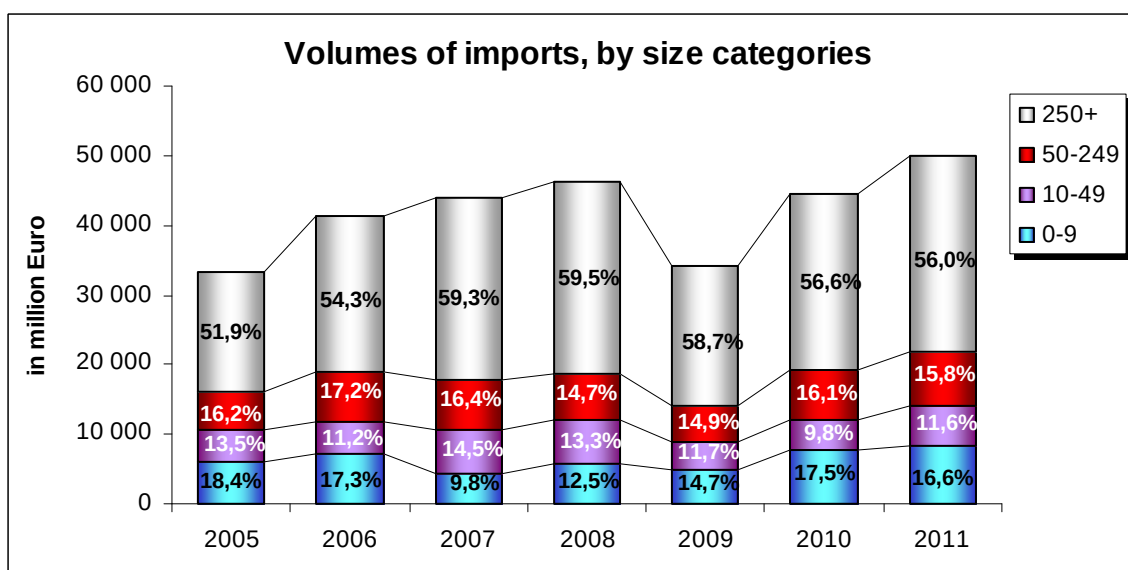


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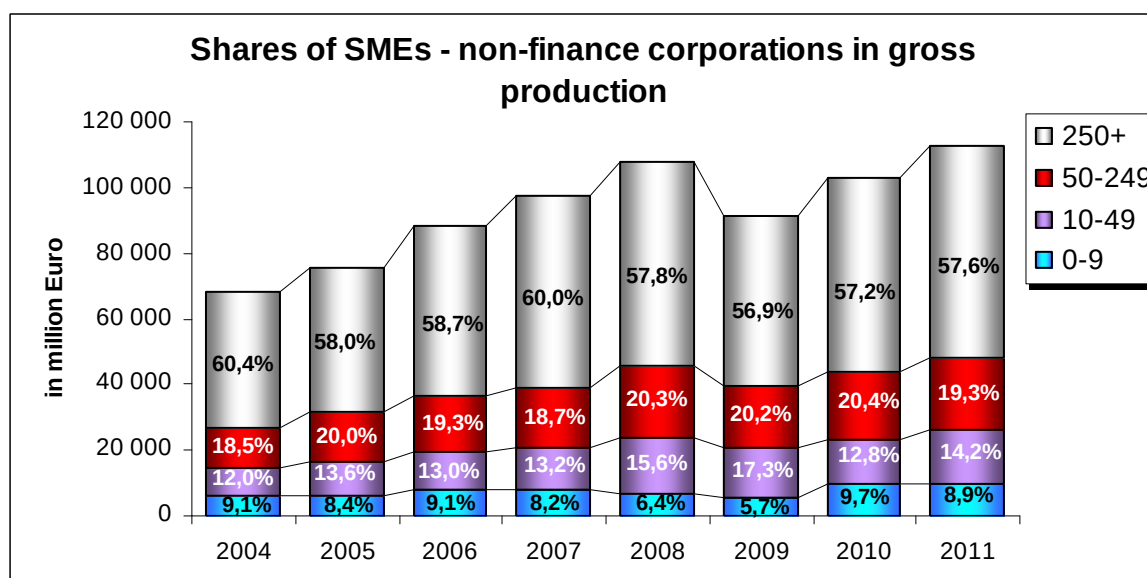


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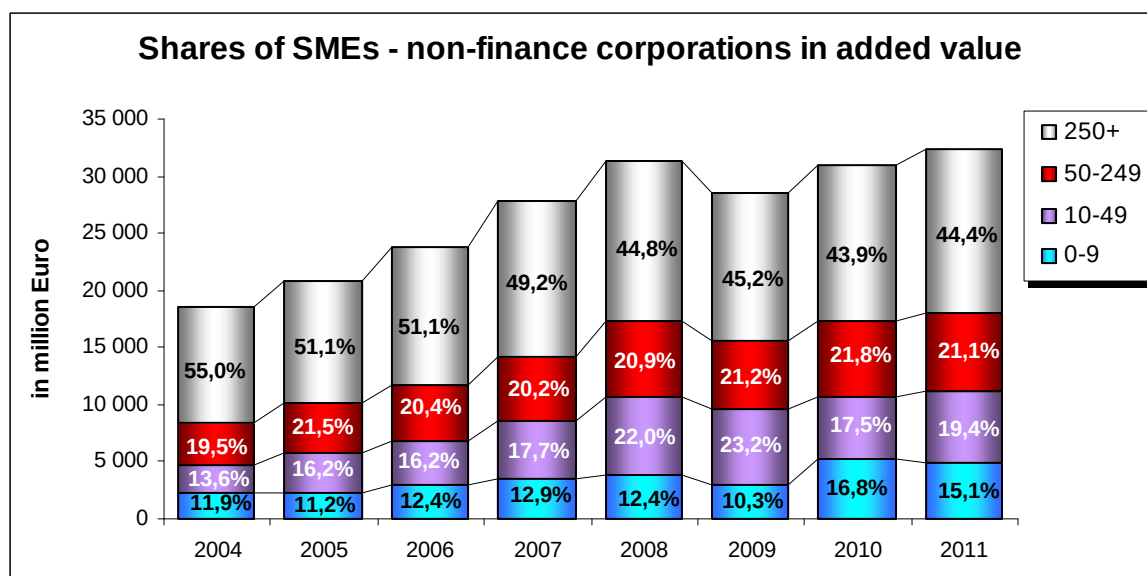


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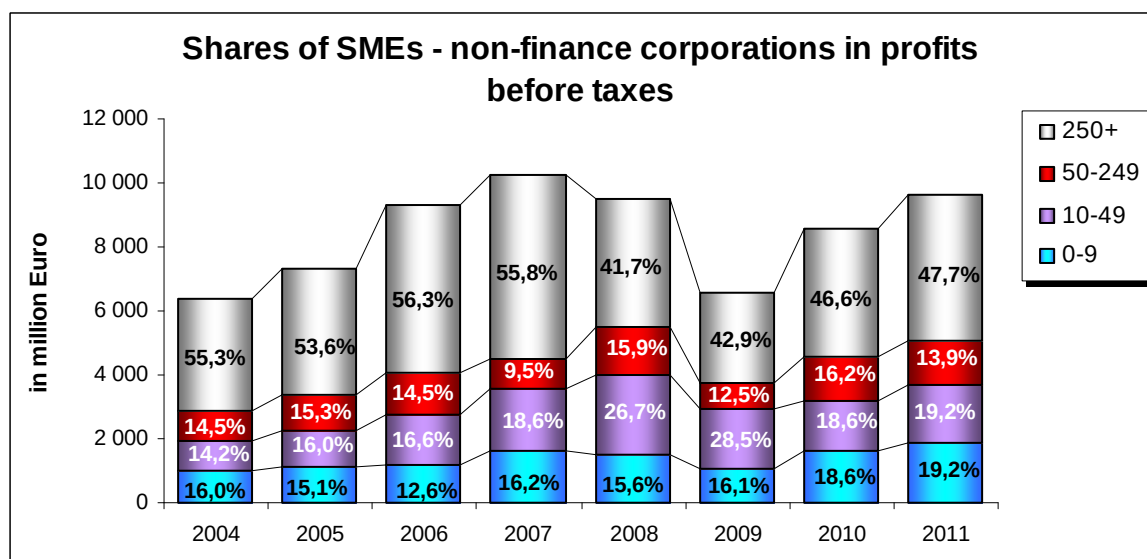


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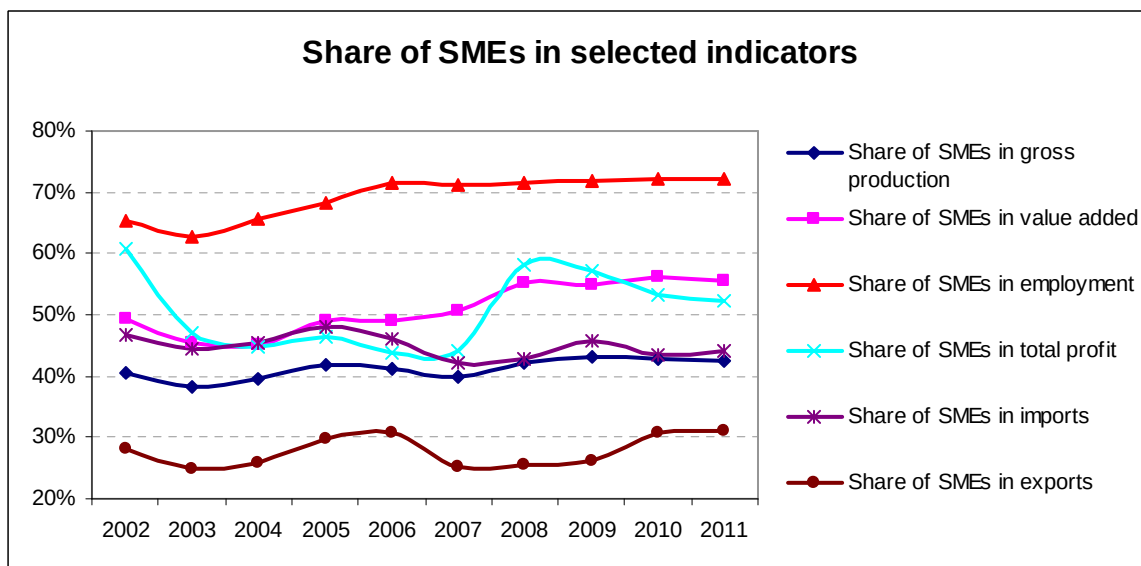


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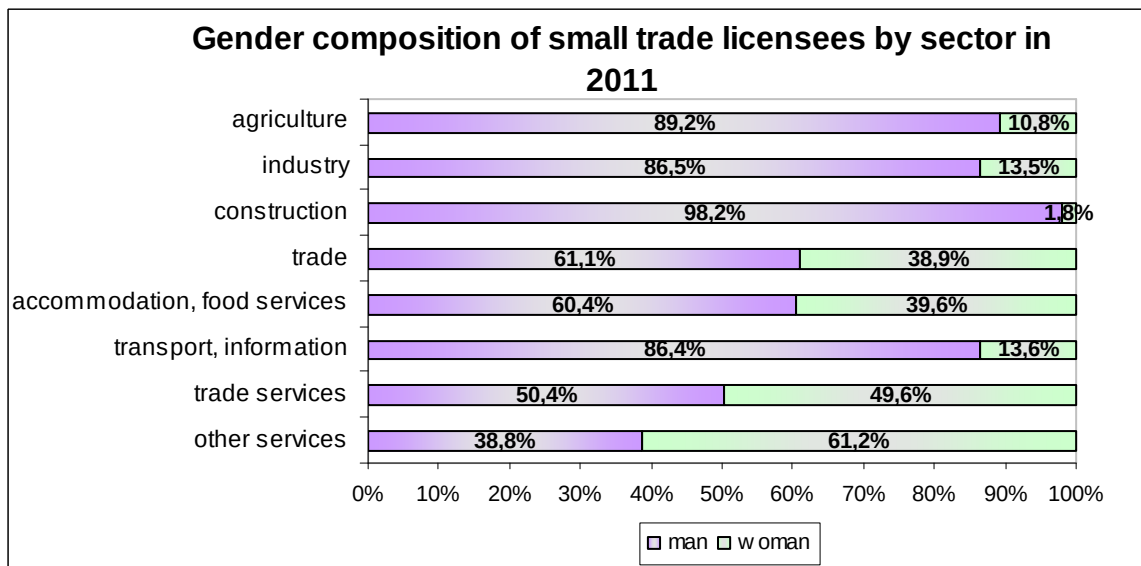


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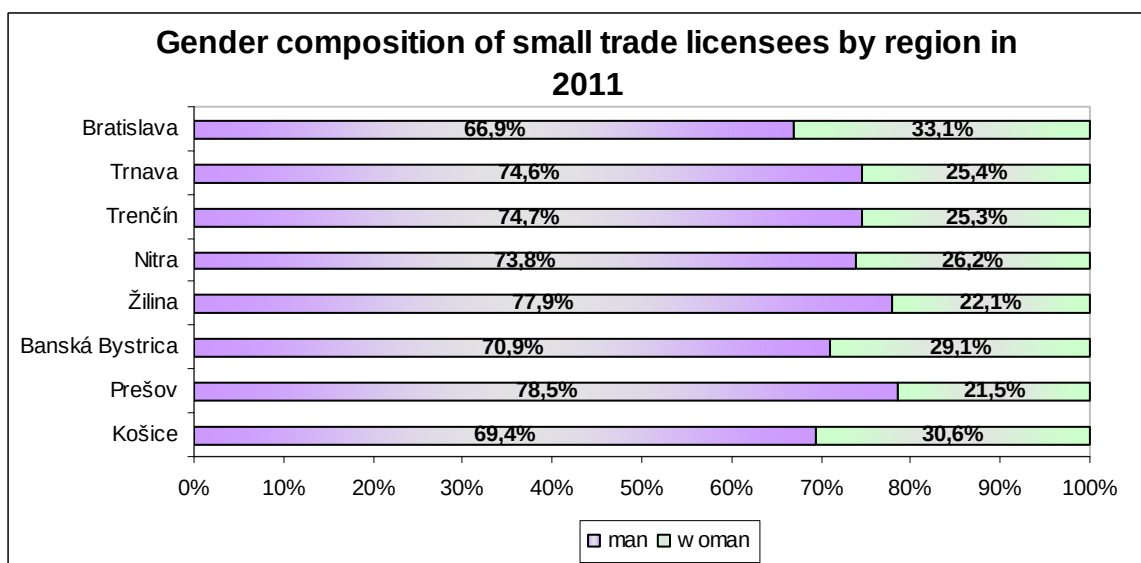


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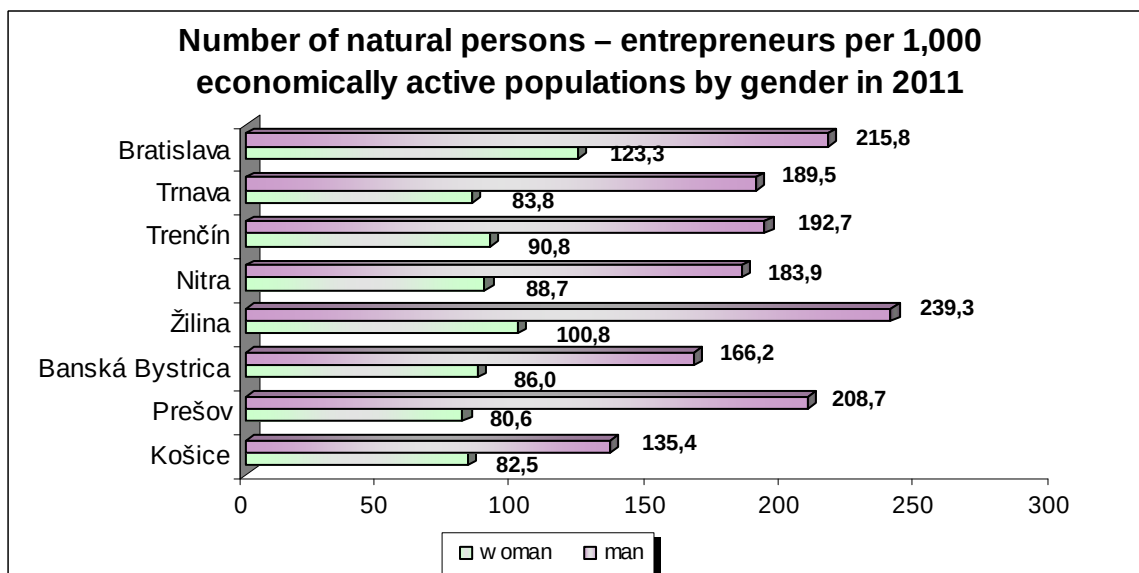


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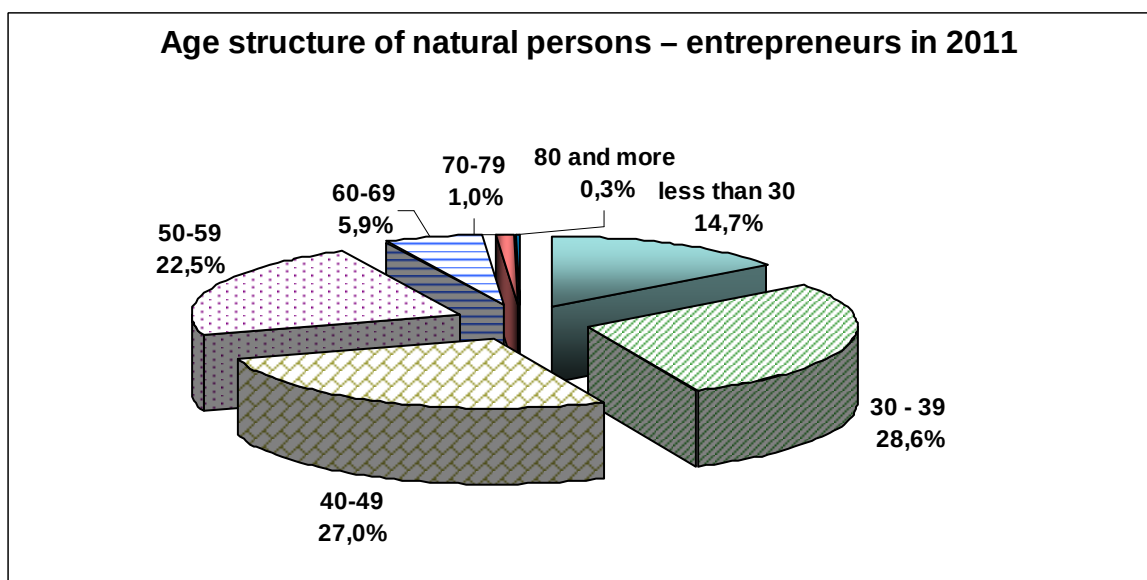


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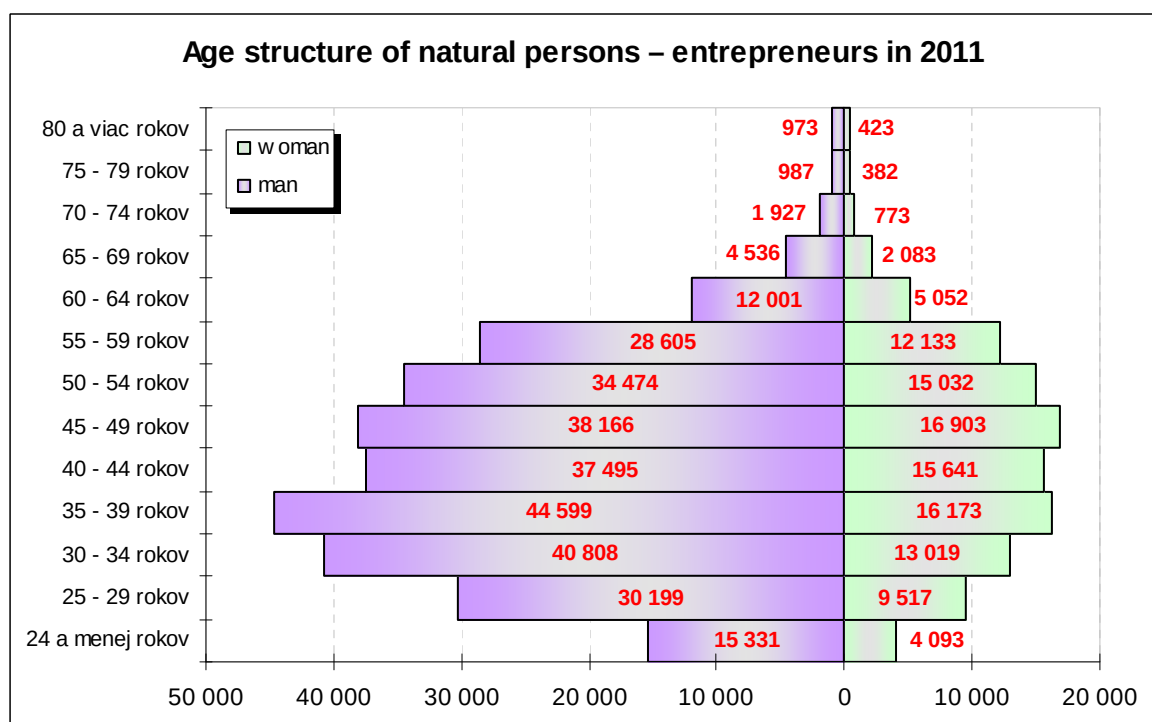


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Share of newly established legal entities and natural persons – entrepreneurs in selected sectors and countries in 2009

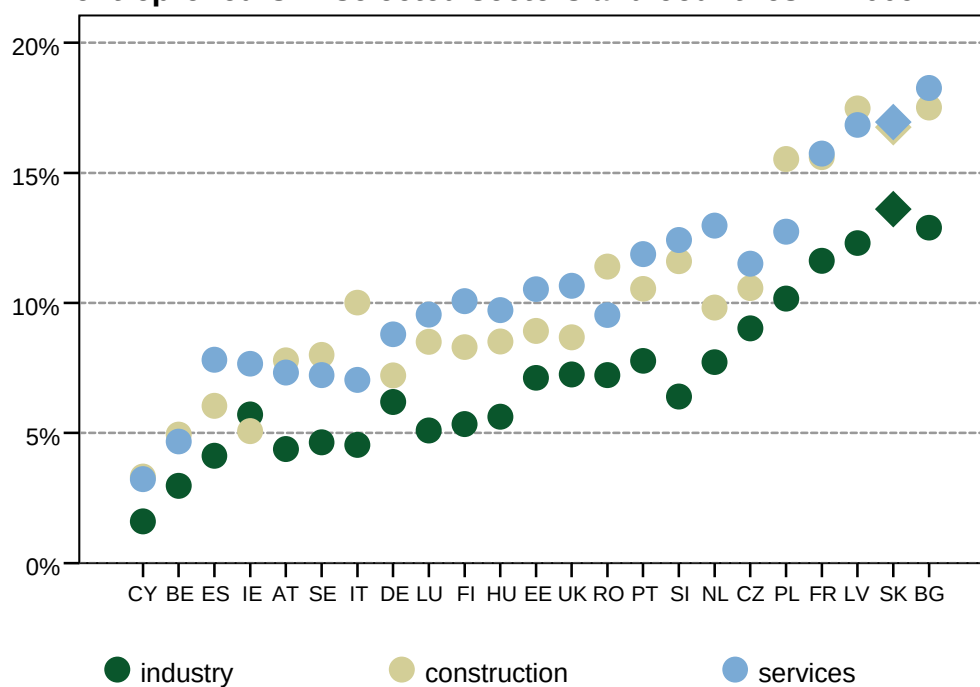


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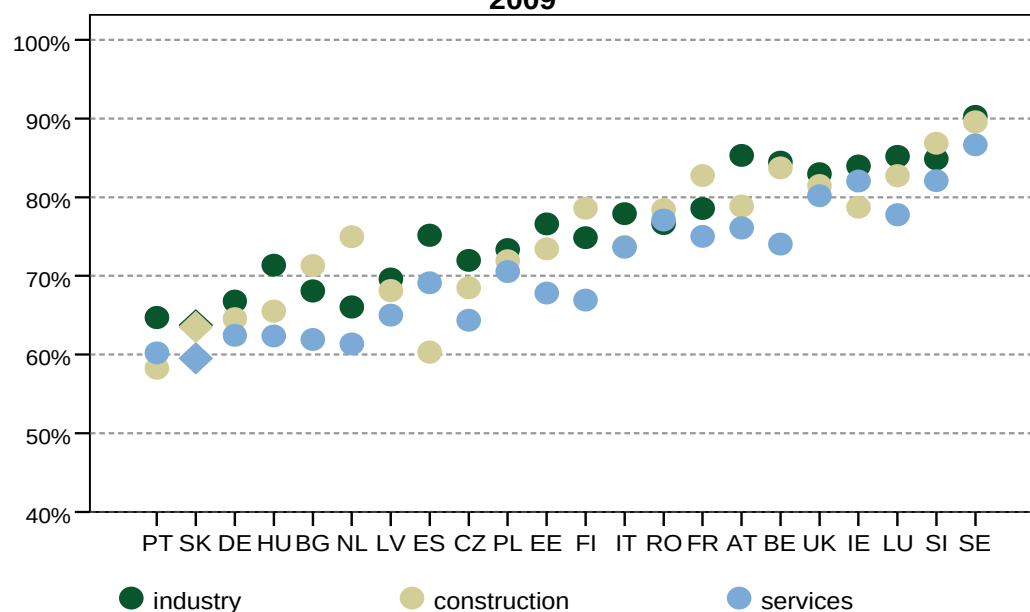


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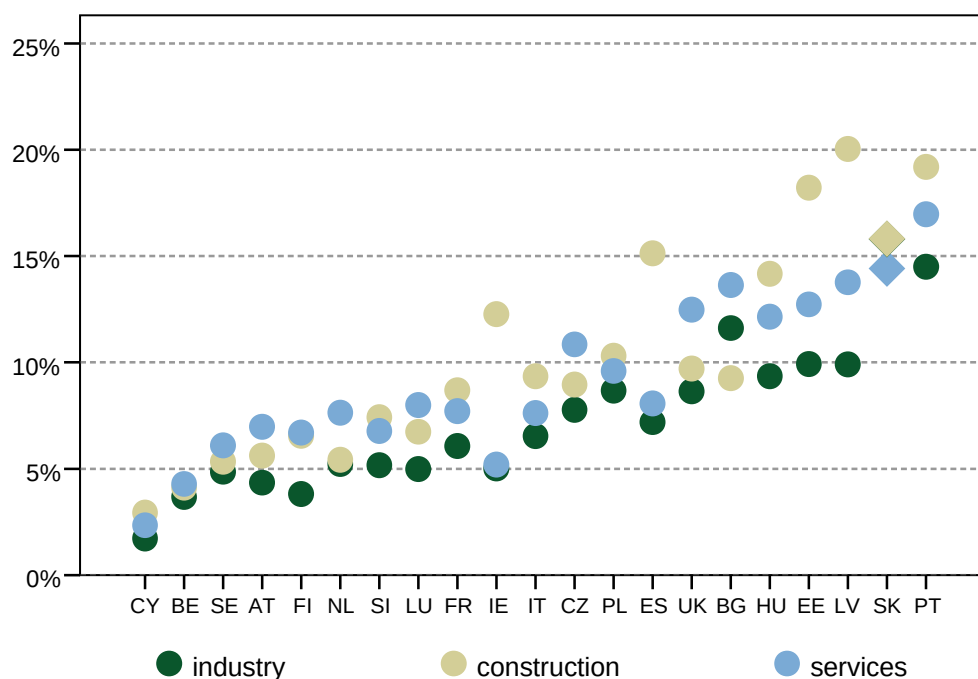


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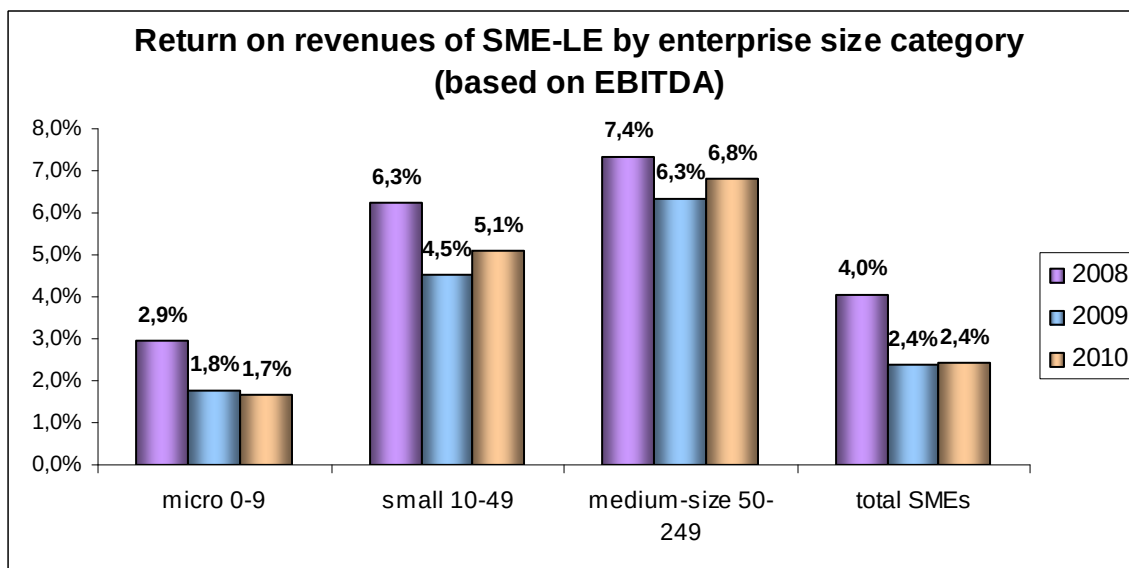


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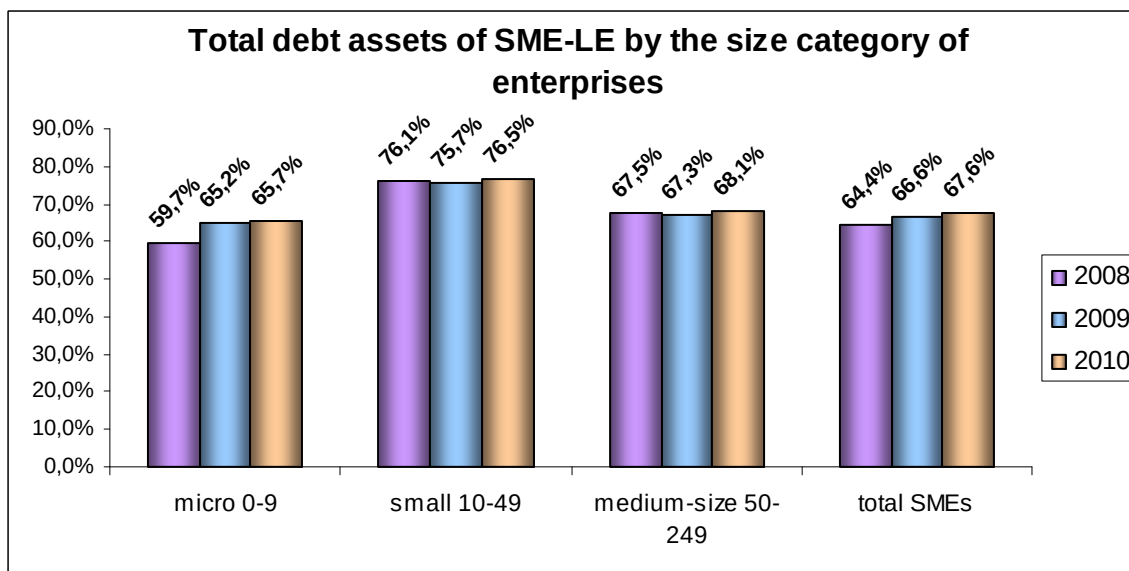


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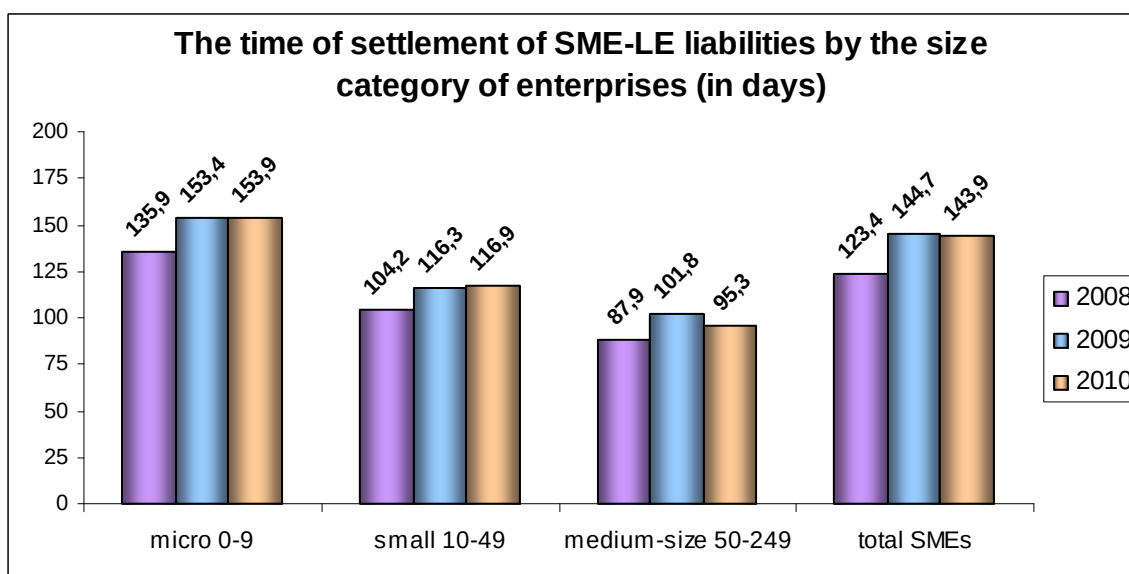


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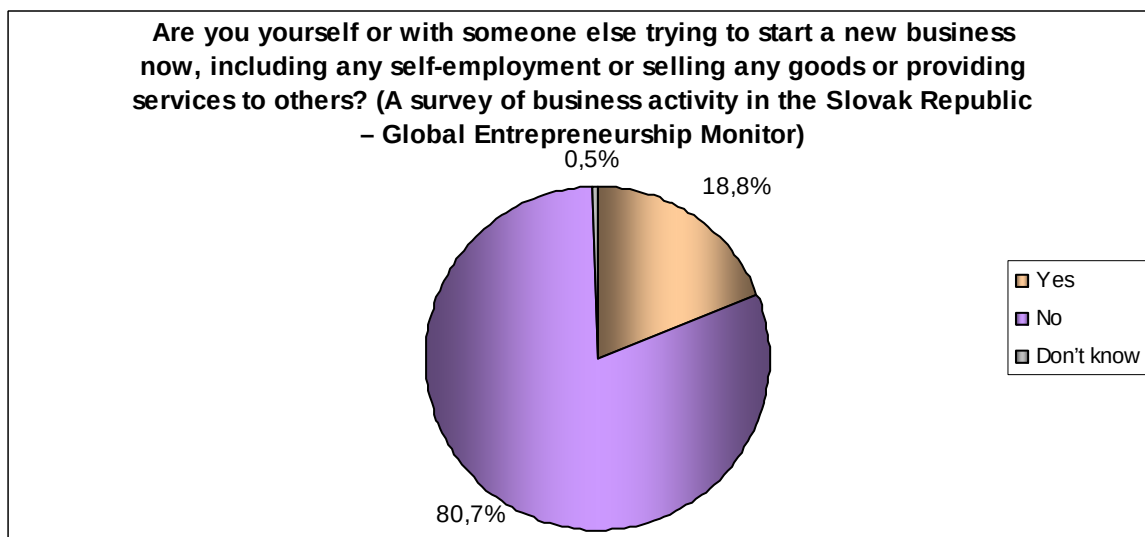


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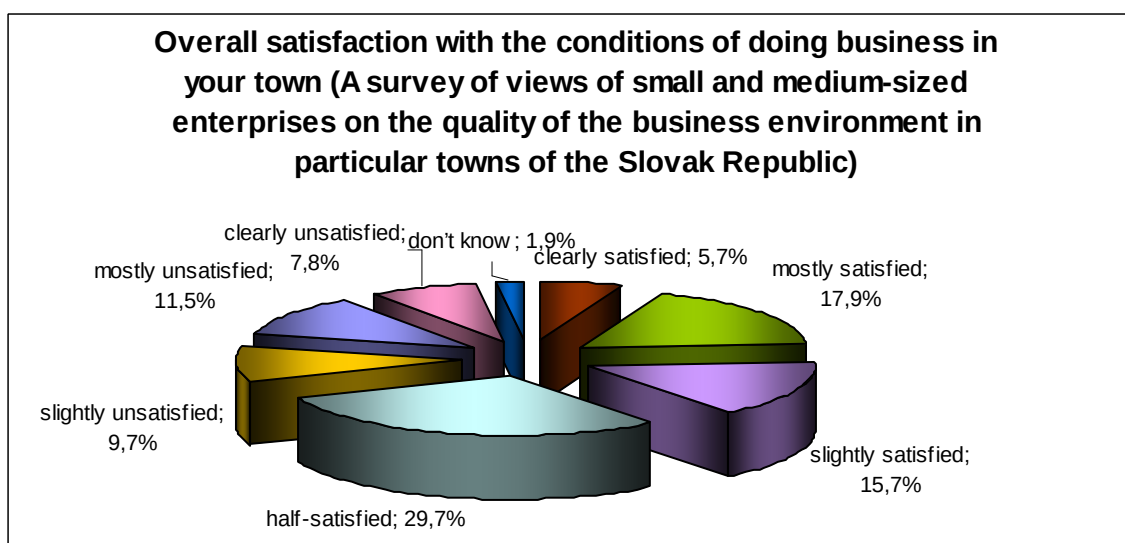


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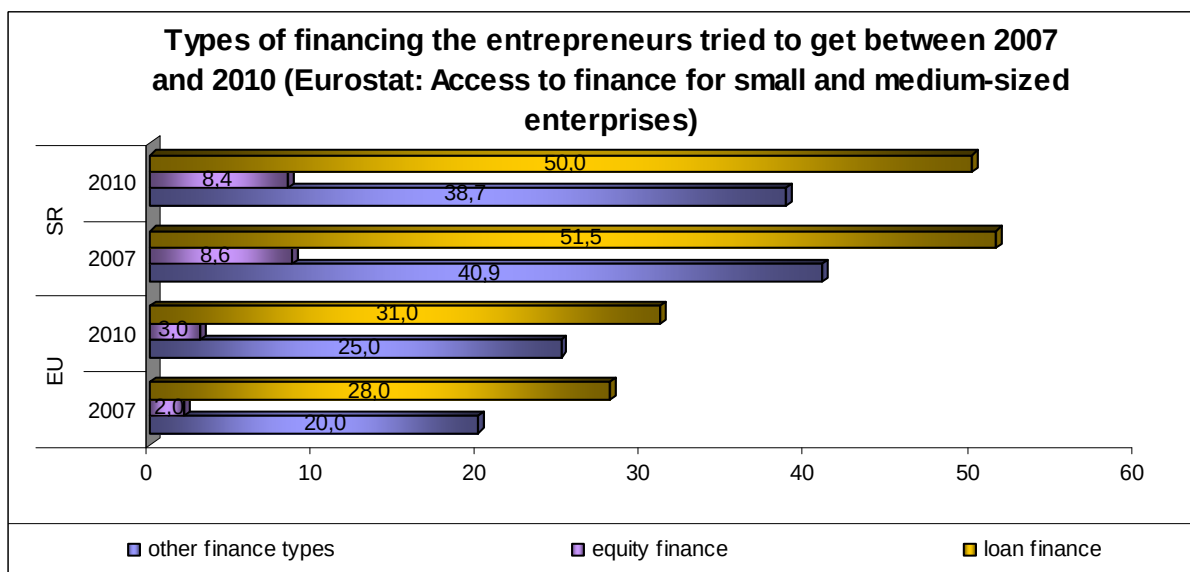


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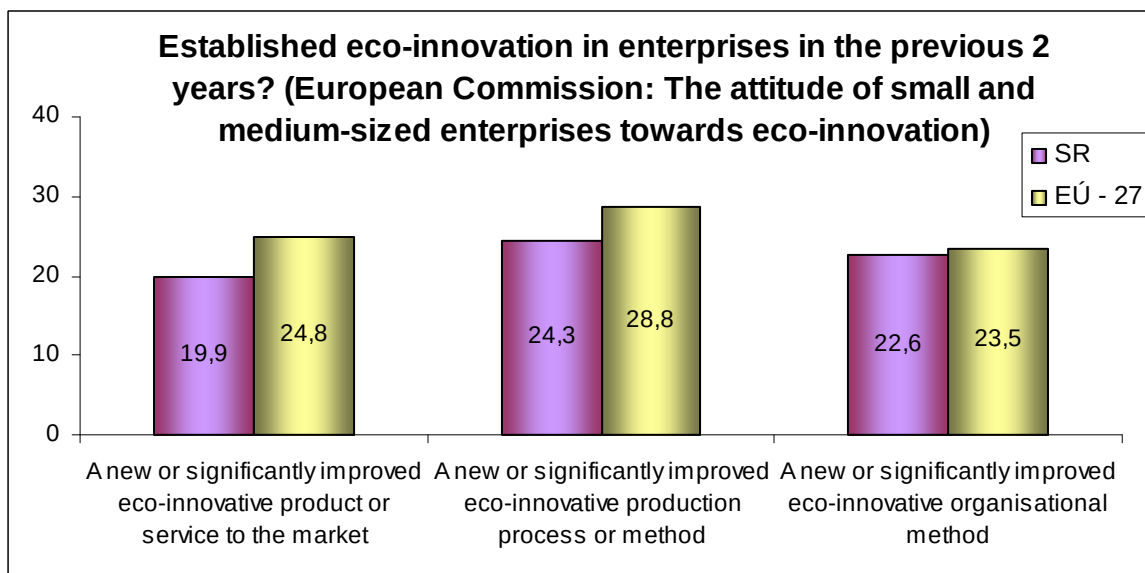


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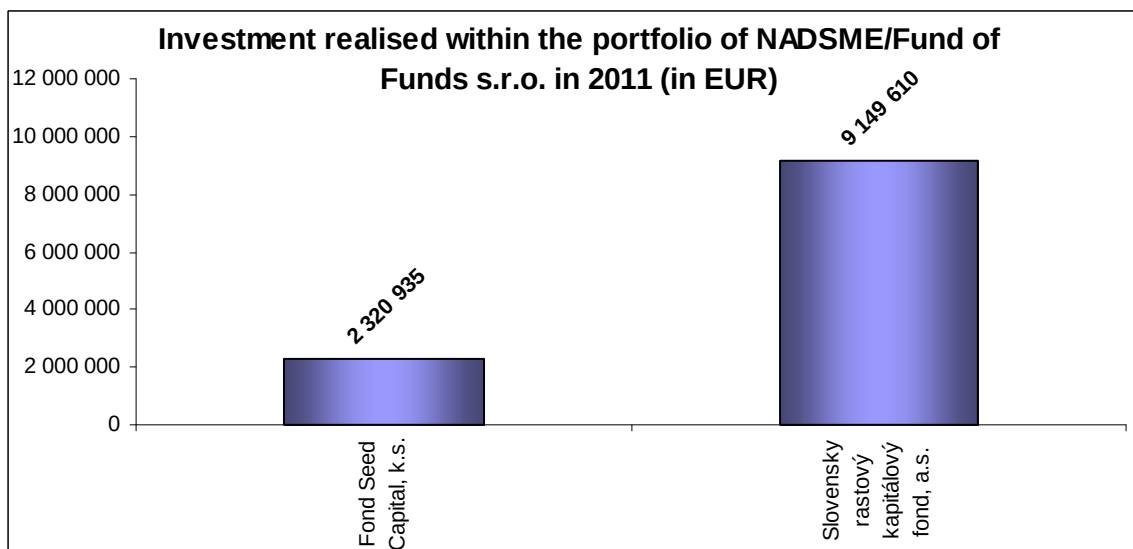


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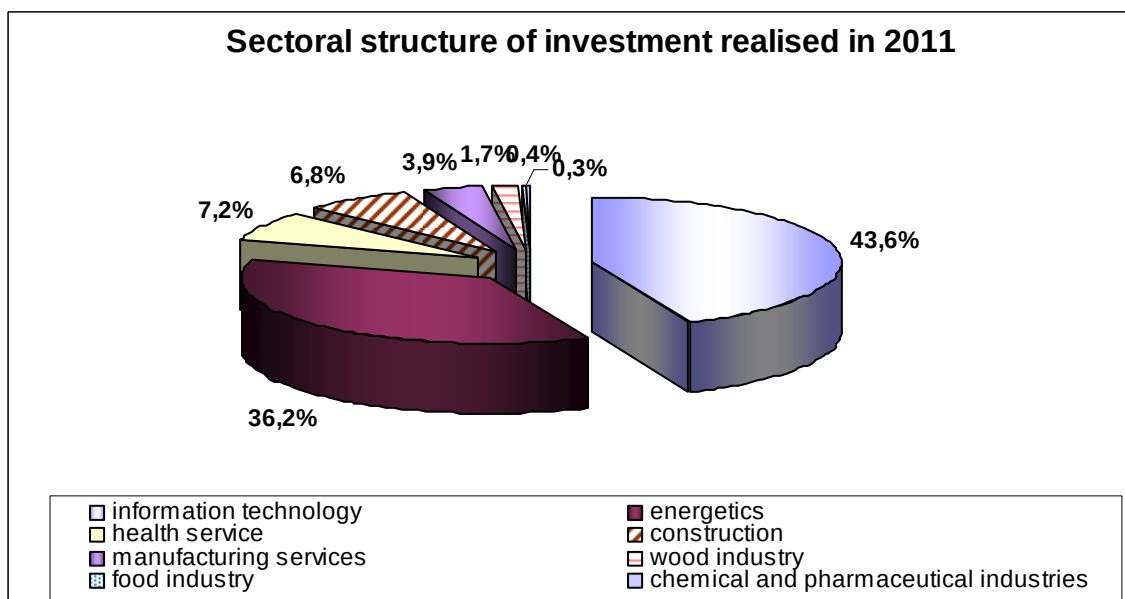


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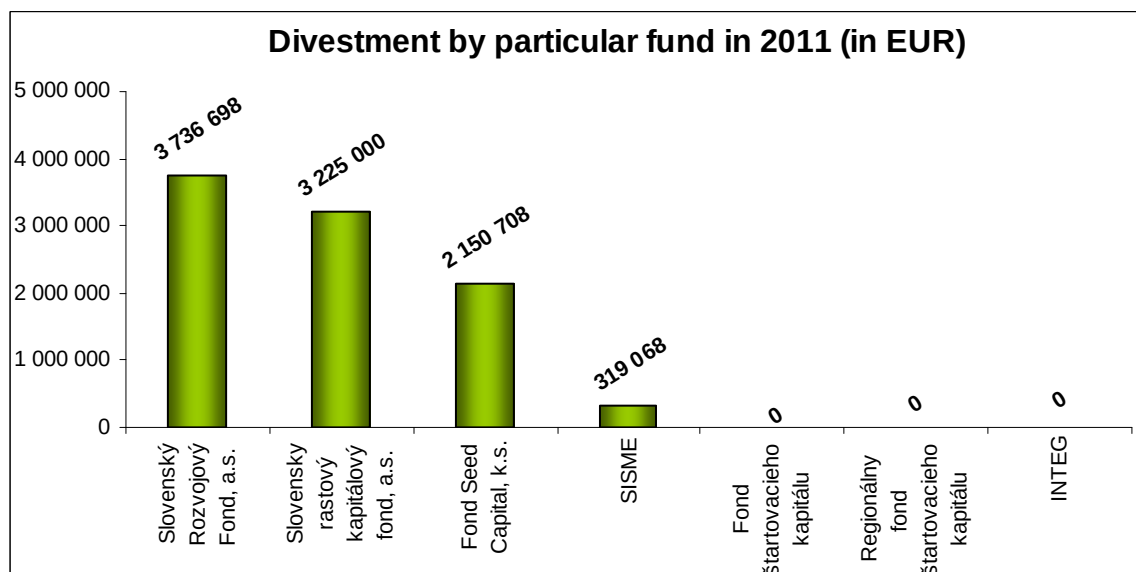


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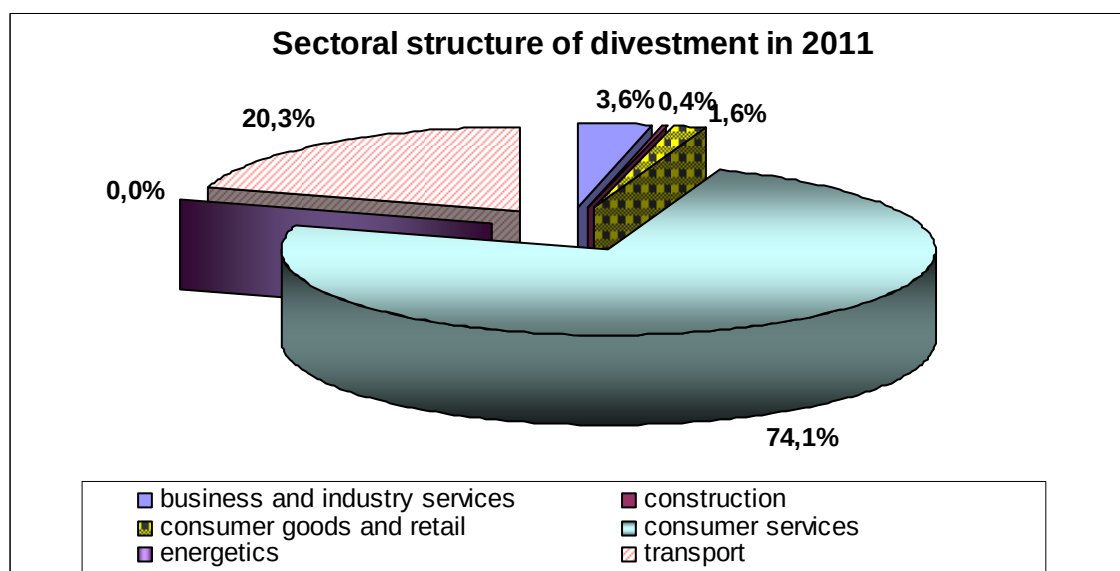
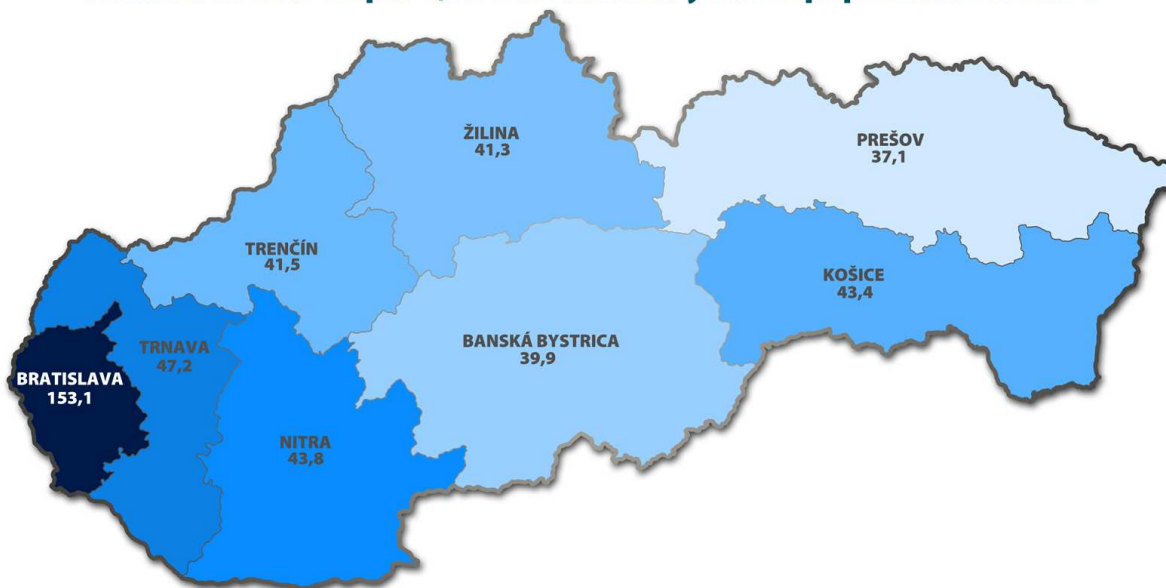


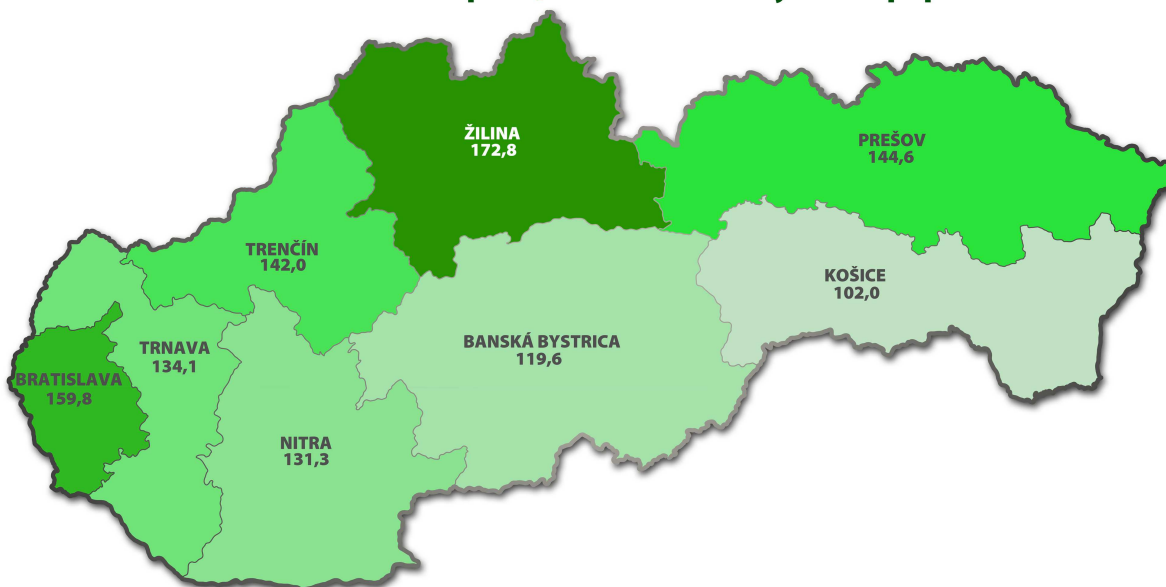
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Number of SME-LE per 1,000 economically active populations in 2011



Map No. 1

Number of small trade licensees per 1,000 economically active populations in 2011



Map No. 2

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Figure 1: The number of SME-LE by sector and region in Slovakia

SK NACE sectors	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice
agriculture, forestry and fishing	311	486	558	654	637	831	1 065	659
industry	2 735	1 667	1 844	1 806	1 663	1 489	1 832	1 516
construction	3 119	1 368	1 013	1 199	1 499	1 243	1 688	1 343
trade	13 771	3 951	4 508	5 045	5 319	3 854	4 267	5 967
accommodation and food service	1 596	603	409	490	525	588	655	571
transport, information	5 070	1 443	806	1 680	844	994	791	1 096
trade services	24 959	3 691	2 434	3 460	2 544	3 275	2 711	3 514
other services	2 643	940	752	1 052	962	952	1 118	1 173

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

Figure 2: The number of small trade licensees by sector and region in Slovakia

SK NACE sectors	Bratislava	Trnava	Trenčín	Nitra	Žilina	Banská Bystrica	Prešov	Košice
agriculture, forestry and fishing	581	679	1 276	952	1 445	3 089	3 231	1 708
industry	5 153	5 448	8 300	8 392	12 074	5 160	10 967	5 616
construction	7 052	11 531	9 872	9 888	18 734	7 591	15 381	6 335
trade	18 185	8 733	11 432	14 970	13 914	10 392	11 454	12 422
accommodation and food service	1 990	2 000	1 550	1 530	2 151	1 960	2 181	1 133
transport, information	6 690	2 971	2 182	2 835	2 573	2 664	2 810	2 201
trade services	12 652	5 847	4 783	4 940	5 253	5 949	6 039	5 207
other services	4 278	3 013	2 758	2 613	2 468	2 851	3 069	2 624

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

Figure 3: Overview of the announced calls, signed contracts and drawing from the beginning of OP C&EG

Measure	The call	Date of the call	Deadline of the call	Allocation to the call (ŠF + ŠR)	Received the projects		Approved projects		Contracts concluded		Projects in execution	Projects completed	Amount of drawing (ŠF + ŠR SZoP)
					Number	Amount of applied contribution (ŠF + ŠR)	Number	Amount of approved contribution ŠF + ŠR)	Number	Amount of concluded contribution (ŠF + ŠR)			
1.1	JEREMIE (KaHR-11JER-1101)	24.6.2011	29.6.2011	31 764 706,00	1	31 764 706,00	1	31 764 706,00	1	31 764 706,00	1	0	120 756 941,61
	schéma ŠP (111SP-0801)	31.3.2008	4.7.2008	49 790 878,31	308	250 045 362,66	32	47 092 632,80	28	43 105 166,27	10	18	
	schéma ŠP (111SP-0902)	3.8.2009	2.12.2009	124 905 887,00	169	204 934 234,39	77	101 979 354,86	75	100 245 002,26	44	28	
	schéma ŠP (111SP-1001)	25.1.2010	11.5.2010	39 000 000,00	157	130 604 612,91	40	29 975 264,41	39	29 475 344,41	33	0	
	schéma DM (111DM-0801)	14.7.2008	17.10.2008	33 193 918,87	205	26 995 367,42	87	11 886 992,71	66	8 739 221,52	4	62	
	schéma DM (111DM-0901)	15.6.2009	14.9.2009	25 000 000,00	165	46 161 431,80	74	24 623 852,14	72	23 641 030,43	23	49	
	schéma ŠP (111SP/LSKxP-1101)	30.9.2011	29.2.2012	16 470 588,00									
	schéma ŠP (111SP-1101)	16.12.2011	19.3.2012	44 000 000,00									
	schéma DM (DOP2008-SIP001)	28.8.2008	28.11.2008	9 958 175,66	220	16 515 079,25	108	9 921 776,32	89	8 011 929,39	15	74	6 710 278,47
	schéma DM (113DM-0801)	12.3.2008	13.6.2008	8 298 479,72	41	3 749 556,80	28	2 213 401,20	18	1 496 710,34	5	13	2 389 153,88
	schéma DM (113DM-0901)	25.5.2009	24.8.2009	4 000 000,00	52	4 755 070,70	30	2 511 504,23	28	2 087 204,39	20	8	
1.3	schéma ŠP (13SP-0801)	19.12.2008	17.4.2009	82 984 797,19	46	42 556 437,56	21	18 155 301,02	16	12 854 773,42	16	0	36 258 929,98
	schéma DM (13DM-0901)	3.9.2009	27.1.2010	15 000 000,00	17	3 645 204,77	4	1 106 481,00	4	1 069 231,00	0	0	
	schéma ŠP (13SP-1001)	26.4.2010	26.10.2011	51 226 064,00	150	124 891 979,81	15	10 842 286,26					
	JEREMIE (KaHR-13JER-0902)	21.10.2009	26.10.2009	35 294 118,00	1	35 294 118,00	1	35 294 118,00	1	35 294 118,00	1	0	
2.1	schéma ŠP (21SP-0801)	11.8.2008	16.1.2009	82 984 797,19	87	147 650 025,60	32	69 866 365,14	28	59 343 604,61	10	18	45 947 827,67
	schéma DM (21DM-0801)	12.3.2008	13.6.2008	23 235 743,21	36	4 389 873,16	11	1 365 796,03	9	948 216,39	2	7	
	schéma DM (21DM-0901)	4.5.2009	3.8.2009	15 000 000,00	45	4 702 340,38	19	1 947 115,49	19	1 946 627,82	10	9	
	schéma ŠP (21SP-0901)	26.10.2009	22.3.2010	57 000 000,00	89	114 311 352,05	39	50 624 304,83	38	49 786 909,87	29	0	
3.1	schéma ŠP (31SP-0801)	14.4.2008	18.7.2008	82 984 797,19	156	373 913 132,84	23	82 975 539,16	19	68 526 241,05	13	6	75 632 416,10
	schéma DM (31DM-0801)	9.6.2008	12.9.2008	16 596 959,44	62	9 858 677,51	25	4 526 762,71	16	2 816 043,40	7	9	
	schéma ŠP (31SP-0802)	16.9.2008	13.2.2009	40 219 472,87	158	362 651 759,56	10	38 363 847,53	6	19 219 294,62	5	1	
	schéma DM (31DM-0902)	20.7.2009	19.10.2009	29 988 706,00	204	75 442 373,84	46	18 465 521,95	44	17 310 564,13	32	12	
	schéma ŠP (31SP-1101)	16.12.2011	19.3.2012	36 000 000,00									
Spolu				954 898 088,65	2 369	2 014 832 697,01	723	595 502 923,79	616	517 681 939,32	280,00	314	287 695 547,71

Figure 4: Overview of the announced calls in responsibility of SACR

The call	Date of the call	Deadline of the call	Allocation to the call	Received the projects		Approved projects		Contracts concluded		Projects in execution	Projects completed	Amount of drawing (ŠF + ŠR SŽoP)
				Number	Amount of applied contribution (ŠF + ŠR)	Number	Amount of approved contribution (ŠF + ŠR)	Number	Amount of concluded contribution (ŠF + ŠR)			
KaHR-31SP-0801	14.04.2008	18.07.2008	82 984 797,19	156	373 913 132,84	23	82 975 539,16	19	68 526 241,05	13	6	71 783 359,07
KaHR-31DM-0801	09.06.2008	12.09.2008	16 596 959,44	62	9 858 677,51	25	4 526 762,71	16	2 816 043,40	7	9	
KaHR-31SP-0802	16.9.2008	19.02.2009	40 219 472,87	158	362 651 759,56	10	38 363 847,53	6	19 219 294,62	5	1	
KaHR-31DM-0902	20.07.2009	19.10.2009	29 988 706,00	204	75 442 373,84	46	18 465 521,95	44	17 310 564,13	32	12	
KaHR-31SP-1101	16.12.2011	18.7.2012	36 000 000,00	-	-	-	-	-	-	-	-	

Figure 5: Export support through banking activities of EXIMBANKA SR in 2011 – the sectoral structure, the breakdown by large clients and SMEs in thousand EUR

Sector	Large companies	Share	SME	Share	Total
Light industry	25 783	1,20	5 498	7,05	31 281
Electrical engineering	55 610	2,59	215	0,28	55 825
Wood-processing	26 116	1,22	19 037	24,41	45 153
Other industries	3 355	0,16	17 030	21,84	20 385
Chemicals	1 256 456	0,06	6 326	8,11	1 262 782
Food-processing	80 672	3,76	2 814	3,61	83 486
Machinery engineering	200 075	9,34	20 249	25,97	220 324
Metallurgical industry	46 192	2,16	0	0	46 192
Two-track motor vehicle, trailer and semi-trailer manufacturing	362 297	16,90	0	0	362 297
Retail trading, except motor vehicles	0	0	511	0,66	511
Wholesale trading and trade brokerage	72 195	3,37	3 292	4,22	75 487
Other business services	14 500	0,68	3 003	3,85	17 503
Total	2 143 252	96,49	77 974	3,51	2 221 226

Figure 6: Export support through banking activities of EXIMBANKA SR in 2011 – the breakdown by SITC commodities, large clients and SMEs in thousand EUR

Commodities	Large companies	Share	SME	Share	Total
Food and live animals	80 671	3,76	2 748	3,52	83 419
Crude materials	0	0	22 835	29,29	22 835
Mineral fuels	1 018 970	47,54	0	0	1 018 970
Chemicals and related products	94 870	4,43	6 239	8,00	101 110
Manufactured articles	291 799	13,61	17 463	22,40	309 262
Machinery and transport equipment	555 229	25,91	8 438	10,82	563 667
Miscellaneous manufactured articles	83 858	3,91	20 250	25,97	104 108
Other commodities	17 855	0,83	0	0	17 855
Total	2 143 252	96,49	77 974	3,51	2 221 226