



# Report on the State of Small and Medium Enterprises in the Slovak Republic in 2009

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# **Report on the State of Small and Medium Enterprises in the Slovak Republic in 2009**

## **1. Introduction**

Small and Medium Enterprises in Slovakia are an important part of the economy, both as a stabilizing element in the economic system and as the sector with the greatest potential for growth. The role played by small and medium enterprises is irreplaceable, especially in the areas of job creation, balancing regional development and the introduction of innovations into standard business practice. Small and Medium enterprises in the non-financial economy provide jobs for more than two thirds of the active labour force and contribute more than half of the creation of value added. However, they are increasingly sensitive to the quality of the business environment. Systematically improving the environment for business is therefore an important task for the government, which is subsequently reflected in improved competitiveness in the domestic and European markets.

Considering the previous expectations of small and medium enterprises, the major challenge in 2009 was expected to be the successful introduction of the euro. The process of introducing the euro took place smoothly and without major problems, due to conscientious preparation. Some of the positive effects of the euro, such as reducing transaction costs in cross-border business, better predictability, greater price transparency and credibility in relation to foreign partners were already visible during the course of 2009, although some Enterprises were negatively affected by the substantial weakening of the currencies of neighbouring countries. The euro's contribution to the increase in the inflow of foreign investment, improved export performance and the acceleration of economic growth is not yet possible to assess because of the impact of the economic crisis on the Slovak economy in this period as well as the longer-term nature of these effects.

Much larger problems than dealing with the introduction of the common European currency were caused for Enterprises by the global economic crisis, which arrived with full intensity right from the beginning of 2009. Although the Slovak economy was hit by problems in the financial sector, its high dependence on the development of major export markets was reflected in a sharp drop in demand.

Although small and medium enterprises are not directly connected to export markets to such a large degree in the Slovak Republic, the sector did not avoid the negative impact of the crisis. This was caused both by the connection of a significant part of the SME sector to the supply chains of the larger companies that were hit first by a decline in sales, and also by harder access to funding and the decline in the purchasing power of final consumers. A partial stabilization of the SME sector in the second half of 2009 was due to stabilization of the economic situation globally, the effects of measures taken by the government to overcome the impact of the economic crisis and adaptations made by Enterprises in response to the external conditions.

The economic crisis has further underlined the importance of the implementation of positive changes in the business environment that have the potential to streamline processes in the business sector, particularly in the field of enforcement of legal rights, reducing the administrative burden for enterprises, the high social and health insurance burden, developing

e-government services, avoiding the negative impacts on the business environment or legislation and the suppression of cronyism and corrupt practices. It has also heightened the importance of the euro as protection against the financial crisis and the introduction of the single currency in Slovakia helped to mitigate the effects of financial and economic crisis on the Slovak economy.

This report on the state of small and medium enterprises in Slovakia is aimed at helping to optimize the environment for the development of small and medium enterprises in the country. The report on the state of SMEs for the year 2009 includes, in its introductory parts, an assessment of the changes in the business environment over the past year, analysis of the state and development of small and medium Enterprises and recommendations designed to develop the SME sector. Other sections are devoted to the evaluation of individual measures to support SMEs by individual organisations.

This assessment of the state and development of small and medium enterprises and their support in the past year, which the Ministry of Economy and Construction of the Slovak Republic presents as part of its Report on the State of the Business Environment in Slovakia in 2009, is based on Government Resolution 792 of 17 July 2002. Comprehensive material on the state and development of SMEs and their support in the Slovak Republic in 2009 will be published and also used as a data source to inform the institutions of the European Union, OECD, European Commission and the UN as well as in the design and comparative analysis of different studies.

## **2. Development of the Business Environment in for the development of SMEs in 2009**

### **2.1 General Evaluation**

An important precondition for the development of the business sector is to create a healthy business environment. Small and Medium enterprises are particularly sensitive to the quality of business environment, and they play an important role in the Slovak economy, creating jobs, adding value and developing the regions.

The year 2009 was characterized for the business environment by a particularly successful changeover from the Slovak crown to the common European currency, the euro, and by escalating influences of the global financial and economic crisis in the Slovak economy.

By late 2008 Slovakia had successfully completed the preparations for the European common currency euro. Following the successful adoption of the euro on 1 January 2009, the Slovak Republic became the 16th member of the Eurozone, which was the culmination of the process of integration into the Economic and Monetary Union and fulfilled one of the economic policy objectives of the Slovak government.

The introduction of the euro made great demands for preparation in the business sector, especially concerning commerce and services, in which higher percentages of small and Medium enterprises are represented. Overall preparedness for the introduction of the euro in the business sector can be assessed positively, as the vast majority of Enterprises undertook this task responsibly. The positive approach of the business sector to the introduction of the euro stemmed primarily from the expected benefits, which may include in particular the reduction of transaction costs in international trade, price transparency, predictability and greater credibility with foreign partners.

The actual introduction of euro notes and coins into circulation, as well as in non-cash transactions took place smoothly, fluidly and without problems in all sectors, which fully applies also to the dual currency circulation period from 1 to 16 January 2009. Merchants and the banking sectors coped with this difficult period without any major system failures or problems. As regards the elimination of the risk of unjustified price increases, a complete system of measures to protect the consumer was prepared and activated, thus there were no extensive abuses of the currency changeover for unjustified increases in the prices of goods and services. Overall, therefore, the changeover can be evaluated as successful, smooth and problem-free.

The macroeconomic effects of the euro adoption and effects on increasing the competitiveness of Enterprises can not yet be assessed, because the immediate impact of the financial crisis on the economy is much stronger than the effects of the euro, which will be felt mainly in the medium term.

Already in the fourth quarter of 2008, at the time of the culmination of preparation for the introduction of the euro, the Slovak economy started to show the effects of the global financial and economic crisis, which significantly influenced economic development

throughout 2009. The intensity of the economic crisis can be shown by the fact that in hindsight, it is globally regarded as the deepest crisis since the Second World War.

The crisis hit the Slovak economy due to adverse developments in the external environment. The crisis began in the financial markets and gradually spilled over into the real economies of developed countries. The globalised economy facilitated its spread. Most developed economies entered deep recessions and emerging economies experienced a significant decline in economic activity. World trade fell and international flows of finance were considerably weakened.

Unlike the developed Western economies, the direct effects of global crisis on the Slovak financial sector were negligible, mainly due to the orientation of Slovak financial banks to the domestic economy. However, after a short interval, the effects of the global crisis were seen more fully in the real economy through a significant downturn in foreign demand and consumer confidence. Membership of the euro area proved to be an important element of stability in the crisis, as Slovakia avoided the strong exchange rate fluctuations that hit all the national currencies of neighbouring countries.

The government, in response to the worsening economic situation and in accordance with the call made in the Economic Recovery Plan as of November 2008, adopted a set of anti-crisis measures to support the real economy. Their aim was to avoid a deep recession and a sharp drop in employment and to restore economic growth as quickly as possible.

In the first three quarters of 2009, real GDP in Slovakia fell by 5.3%, in contrast with the results for 2008, when the economy grew by 7.8% during the first three quarters. The worsening economy and the fall in overseas demand started to have an effect on the Slovak labour market after a time-lag. While the fourth quarter of 2008 saw only a stop to the previous positive trend in employment growth and declining unemployment rates, data for the first quarter of 2009 already showed a sharp deterioration of the situation. In the first quarter of 2009, the economy shed the same number of jobs that had been created in the previous four quarters.

Having accepted the first set of measures to mitigate the effects of the financial and economic crisis adopted by the government on 6 November 2008 and the update on 17 December 2008, the Government continued to adopt new measures in 2009. On 2 February 2009, the second set of measures to promote employment we accepted and on 9 February 2009, the third package, which included measures focused on tax and accounting was passed.

On 11.3.2009, the government and employers' organizations (AZZZ, RÚZ, Klub500) in their joint memorandum of cooperation in addressing the impact of financial and economic crisis declared maintaining employment a common priority, while the Government committed to abstain from any measure which would increase the burden on Enterprises for the duration crisis and employers committed to not reduce employees' working conditions.

Throughout the year 2009, the Monitoring Committee, which had begun operating in November 2008, continued following the impact of the economic crisis on Enterprises. Its role was primarily to monitor the continuing impact of the financial and economic crisis on the business sector and to propose specific measures to minimize negative impacts. Committee members included representatives of the economic ministries, the National Bank of Slovakia, the Statistical Office, organizations of small and Medium and large Enterprises, unions and government. Based on the latest information on the economic situation in Slovakia

and abroad, the Board discusses possible solutions to the situation, while the proposals with potential application in the SR were further elaborated and presented by the Ministry of Economy to the Government or later for discussion by the newly established Council for the economic crisis.

The Slovak economy started to show signs of stabilization in the second quarter, when gross domestic product seasonally adjusted grew by 2.2% quarter-on-quarter, after a significant slowdown in the beginning of 2009, which was mainly due to lower foreign and domestic demand. By the end of 2009 the year-on-year fall in gross domestic product had been reduced gradually to 2.6% in the fourth quarter. Neither was negative growth the result in the industrial sector, where industrial production achieved a slight increase in November for the first time in the year, and ended the last month of the year with a double-digit increase year on year, mainly due to the recovery of foreign demand in the automotive sector.

Based on the expertise of organizations representing the business sector (Commerce and Industry, Chamber of Trade, Slovak Trade Association, Entrepreneurs Association of Slovakia, Slovak Union of Producer Cooperatives, Slovak Association of Small Enterprises) and comments by entrepreneurs themselves in SOPK surveys, we can conclude that problems in the business environment remained and were increased by the impact of the economic crisis of 2009 in the following areas: problematic enforcement of legal rights, characterized especially by lengthy process with no effectiveness for the plaintiff, complex, frequently changing legislation, passed without analysis of the effect on the business environment, high administrative demands of business and bureaucratic interference in business, public sector inefficiency, insufficient range of e-government services, continued high social security costs with an impact on the cost of labour, as well as complex and demanding administrative mechanism for payment of social security and submission of related documents, the persistent practices of clientelism and corruption, rising prices of inputs (energy, raw materials), which increases costs of companies and threatens their competitiveness, lack of resources for start-ups, deterioration of payment discipline of customers due to insolvency, deterioration in the availability of financial resources, non-functioning capital markets, lack of dialogue between the government and representatives of SMEs on current issues and fragmented framework for SME support.

Of the measure passed or begun in 2009, primarily the following are evaluated positively:

- The introduction of the euro as the official currency in Slovakia
- The increase in the turnover limit for VAT registration to 49 790 euros
- The shortening of the period for repayment of excess VAT to 30 days (for monthly VAT payers)
- JEREMIE had received funds totalling 68 million in support of SMEs as of 31.12.2009 on their transition account
- Accelerated depreciation, composite amortization, simplifying record-keeping for small Enterprises, as well as the possibility of group registration for VAT and deduction of VAT in a later fiscal period without penalty.
- The increase in the limit of the de minimis aid scheme from 200 thousand to 500 thousand euros.
- The provision of resources for the Slovak Guarantee and Development Bank and the Eximbank to improve SME access to finance and support of Slovak exports

The Government adopted 62 measures in 3 packages to combat the crisis that are aimed at ensuring the stability of the financial sector, providing funding for business, strengthening demand, maintaining employment and reducing the negative social impacts of the crisis.

A systemic tool whose wider application has the potential to provide a higher quality of legislation, would avoid the negative impact on the business environment and increase the stability of the legislative framework for business, is the introduction of mandatory assessment of the impact of legislation on the business environment. In May 2008, the Government approved the Proposal for a Unified Methodology to Assess Selected Effects, which contains an obligatory methodology for evaluating the impact on the business environment, which all departments will have to use when submitting legislative proposals to the Government.

A pilot project for uniform methodology to assess selected effects was launched in September 2008. Because of the fact that the pilot project was conducted in a period of economic crisis, it did not include draft legislation, which would be a real and effective trial of the uniform methodology, since most of the laws were passed in shortened legislative proceedings. To allow more effective testing of the uniform methodology, the pilot project was extended to 15 November 2009 with the agreement of the Government, and the deadline for launching a uniform methodology was set at 1 February, 2010. The pilot project considered materials of a legislative and non-legislative nature.

Responsibility for the assessment of individual impacts which are part of the group of potential impacts was divided based on the scope of the sectors (the environmental impact - Ministry of Environment, the effects on the general government budget, for the computerization of society - the Ministry of Finance, the social impacts - Labour Ministry and the effects on business environment - the Economy Ministry). In establishing a functioning system of preliminary evaluation of the impact of legislative and non-legislative measures, all 4 involved ministries created analytical centres whose role will be to progressively evaluate the effects of policies, conceptual and strategic documents and legislative and other measures within a single methodology for evaluation of selected impacts.

During testing of the uniform methodology, there were no serious problems and shortcomings. Based on the experience gained, only minor adjustments have been made to the methodology. Because the application of a uniform methodology requires harmonization of related standards i.e. Government legislative rules and guidelines for preparing and submitting materials to the Government, the deadline for the start of the general application of the uniform methodology was postponed to 1 April 2010.

Better regulation is crucial for economic growth and the competitiveness of firms and their potential to create new jobs. Entrepreneurs (or the private sector) are a group that is most affected by various requirements and obligations arising from legislation or regulations in general. One of the key aspects of better regulation is to reduce the administrative burden borne by Enterprises. The Action Programme for Reducing Administrative Burdens in Slovakia for 2007-2012, approved by Government Resolution No. 833/2007 was developed following a recommendation from the European Commission on the National Reform Programme of the Slovak Republic for 2006 - 2008 and also on the National Lisbon Strategy (National Competitiveness Strategy 2010), which defined the business environment as one of the priorities.

The drive to reduce administrative burdens is happening under the auspices of the Ministry of Economy, which collaborates with other central government bodies as part of the better legislation initiative. The Action Programme for Reducing Administrative Burdens in Slovakia 2007-2012 sets a target to reduce the burden caused to Enterprises by obligations arising from the implementation of legislation by 25%. It includes three sub-objectives:

- Develop tools and define the conditions for measuring the administrative burden in Slovakia;
- Quantify the administrative burden of the SR;
- Define the measures to reduce administrative burden and ensure their implementation.

Methodology to implement the program based on a standard cost model was prepared in 2008. Subsequently, for the purpose of mapping legislation in cooperation with representatives of relevant ministries, 48 laws were selected covering 12 areas (commercial law, civil law, accounting, bankruptcy and restructuring, market regulation, taxation, customs duties and fees, regulation of investment incentives, other financial regulations, work and employment, social security payments, environment, intellectual property). Particular attention in the implementation of the program was given to a group of individuals – sole traders and a group of legal entities - companies. Measurement and quantification of the administrative burdens were made in the course of 2009. Based on these results, specific measures were proposed to reduce the administrative burden of doing business in the Slovak Republic and thus fulfil the first part of the third objective, arising from Resolution No 833/2007.

The following section provides an overview of the most significant changes altering the legislative framework governing business that were approved or entered into force in 2009.

### **2.1.1 Most important legislative changes coming into force in 2009**

#### **The introduction of the euro**

From 1 January 2009, the Slovak Republic introduced the euro currency as the sole legal tender, i.e. the single currency and monetary unit according to legally binding texts of the European Communities. The measures and procedures related to preparation for the introduction and with the actual introduction of the euro in the Slovak Republic were enacted by Act no. 659/2007 Z. z. on the Introduction of the Euro in the Slovak Republic and on the Amendment of Certain Laws, which came into force on 1 January 2008, but the key provisions of this law were actually applied after the conversion rate was announced in July 2008 and particularly after the euro was introduced in Slovakia, or the provisions themselves came into force from the date of introduction of the euro in the Slovak Republic i.e. 1 January 2009.

The change of the Slovak currency to the euro brought with it certain responsibilities not only for Enterprises, public authorities and other bodies, but for all citizens. From the beginning of 2008, legal entities and sole traders had to prepare and implement measures, rules and procedures to carry out their activities ensuring a continuous and uninterrupted transition to the euro and gradually to prepare and adapt to allowing the assessment of the real value of income, expenditure, prices, payments and living costs in euros via the dual display of prices, payments and other values.

Among the most important requirements established by the General Law on the introduction of the euro with which entrepreneurs had to abide during 2009, were mainly the following:

- The Euro conversion process required careful preparation. Enterprises had to take the first steps before the period of dual circulation. This involved stockpiling plenty of euro banknotes and coins. Stockpiling was important so they could continue their activities from the first day of the new currency. This required monitoring the volumes of cash flows in Slovak crowns at the turn of the year and preparing a strategy of stockpiling euro cash in the first days of January 2009.

- A month after the date of the conversion rate, i.e. from 8 August 2008 until the end of 2009, the business sector was obliged to display prices of goods and services, payments and other values dually - both in Slovak crowns and euros. For this purpose it was necessary to prepare information systems that would be capable of the dual display of necessary information and were able, from 1 January 2009 to work in the euro area. Traders who employed five or fewer employees did not have display prices for all goods dually. It was enough for them to display prices in crowns and euros on a price list, which was placed in a visible and accessible place in the shop. That resulted from Decree of the Economy Ministry 97/2008 Z. z. on details of the dual display in the field of consumer protection. The obligation to show the total final amount dually on receipts from the cash register, however, was applicable to all traders.

- To ensure exact comparability of accounting data, kept in Slovak crowns for 2008 in euros for 2009, the official conversion rate had to be used to recalculate all values. Included in the conversion of all assets and liabilities to euros was also capital and shares. Right from the day the conversion rate was announced in July 2008, a legal entity which had contributions to capital or share capital denominated in the Slovak currency could pass a resolution changing the nominal value of contributions to capital and share capital from the Slovak currency to the euro. The transformation, conversion and rounding from Slovak crowns to euros of the nominal value of corporate capital and the nominal value of paid in capital (share capital) of legal entities - companies and cooperatives, including the nominal value of shares, if it were a public limited company, was required to be carried out by Enterprises under the applicable provisions of the umbrella law on the euro and in accordance with the order of the justice department on rules and procedures for the nominal value of contributions to capital and registered capital from crowns to euros within one year after the introduction of the euro, i.e. up to 31 December 2009. The obligation to carry out the conversion of the nominal value of contributions to the capital of a legal person registered in the register could be fulfilled by written agreement without expressing reservations with the method of calculation which was set out and announced (§ 12a of Act No. 530/2003 Coll. and carried out by the registering court.

- During the period of dual-currency circulation, i.e. 1 January 2009 to 16 January 2009 when it was still possible to pay in two currencies - Slovak crown and euro – merchants had to be ready to accept parallel payments in both currencies. However, change could be given in euros only during the dual-currency circulation period the issue.

## **Value Added Tax**

An important change to business legislation, which affected mainly small business and which could bring new requirements to their activities was conducted by law no. 465/2008, which amended the laws relating to the Ministry of Finance of the Slovak Republic in connection with the introduction of the euro in the Slovak Republic. That law amended Article III of the amended Act. 222/2004 on value added tax as amended. The amendment to the Law on Value Added Tax was to the effect that from 1 January 2009 a business would be required to register based on the rules dealing with taxable persons under Article 287 of Council Directive 2006/112/EC on the common system of value added tax, particularly if their turnover reached of EUR 35 000 EUR (the valid figure for sales up to 31 December 2008 was EUR 49 790.88). A taxable person who had turnover before 1 January 2009 but reached the end of December 2008 with turnover less than € 49 790.88, would be assessed for the first time for VAT registration requirement under the new limit for the first time based on their turnover up to 31 January 2009 (or later), if their turnover for the 12 months reached 35 000 Euros including sales from calendar months in 2008.

After half a year of this reduction there was an indirect amendment to the Act on Value Added Tax. Law 258/2009 amending and supplementing the Law 138/1991 on Municipal Property, and Amending Certain Laws to increase the VAT registration turnover limit to restore that which had been valid up to 31 December 2008, i.e. 49 790 euros. This constituted a turnaround from the registration requirement for taxable persons with turnover of at least 35,000 euros through the amendment to the Law on Value Added Tax, published under no. 465/2008, which had been in force only from 1 January 2009..

Amendments to the Law on Value Added Tax in Art. Act No. III. 258/2009 Z. z. entered into force on 1 July 2009 to taxpayers who have incurred an application for tax registration after 1 January 2009 on turnover of EUR 35 000, as soon as possible to apply for deregistration of the taxpayer.

Increasing the VAT registration threshold created favourable conditions for SMEs to overcome the crisis by reducing their administrative burden and more favourable conditions for them to supply goods and services to the market. At the same time it allowed for cancellation of registration for those entities that had to register after 1 January 2009 on the basis of sales exceeding 35 000 euros.

## **Minimum wage**

The government, in regulation no. 422/2008 on Setting the Minimum Wage, set the level of the minimum wage for 2009 for an employee paid a monthly salary at 295.50 euros per month.

## **Health Insurance Social Security**

Following the change in the minimum wage, which applied the figure of 295.50 euros per month from 1 January 2009, also from 1 January 2009 the minimum level of contributions for health insurance changed. For the purposes of Act no. 580/2004 on Health Insurance and Amending Act no. 95/2002 on Insurance and on the Amendment of Certain Laws and Act. 461/2003 on Social Insurance as amended; this minimum wage was in effect from 1 January

2009 to 31 December 2009. The maximum level for paying health insurance premiums also changed, which was three times the average monthly salary in the economy of the Slovak Republic established by the Statistical Office of the Slovak Republic for 2007.

In 2009, as well as in the previous three, the deadline for the implementation and administration of insurance premiums accounting for 2008 was moved by three months, on the basis of Act no. 581/2008, which in Art. II amended the Act. 580/2004 on health insurance and amending Act no. 95/2002 on insurance and on amendment of certain acts as amended, which came into force on 1 January 2009 and which sets binding deadlines for execution and filing of the annual health insurance reconciliation in 2009 for the previous year.

With effect from 1 September 2009 the Social Insurance Agency required employers who employ 5 or more employees, to submit individual registration cards (RLFO) and statements of premiums and contributions to superannuation to the responsible local branch of the Social Insurance Agency electronically through electronic data collection (EDC).

The employer may in appropriate cases, make a written request to a branch office for an exemption from the obligation to send RLFOs and statements of premiums and contributions electronically via the EDC, for example, if the employer has no active internet installation in the period of the obligation to send the RLFO or statement of premiums and contributions electronically via the EDC. Electronic reporting had previously been compulsory only for those firms employing more than 9 people.

## **Local taxes**

Taxpayers submitted their first car tax return for that tax in 2009 under the new rules introduced by Law no. 538/2007, which amends Act no. 582/2004 on local taxes and local fees for municipal waste and construction waste, as amended (hereinafter the "Law on Local Taxes"). The eleventh part of the law governing motor vehicle tax changed the provisions for payment of taxes from January 2008, introducing the obligation to pay monthly and quarterly tax advances according to the expected amount of tax in the current tax period, followed by settlement in the next tax period. The advance payment system of this local tax removed the previous administratively onerous system both for taxpayers and for tax administrators themselves.

## **Reporting obligation under the Foreign Exchange Act**

On 16 December 2008, the National Bank of Slovakia approved NBS Decree No. 634/2008 on Submitting Reports under the Foreign Exchange Act, which with effect from 1 January 2009 abolished the obligation for resident Enterprises and non-resident branches in the country to declare if they had set up an account and the balance of the account abroad. The value of foreign assets and liabilities, giving rise to foreign currency reporting requirement was also increased from 663 878.38 euros and more, up to 700 000 Euros and more.

To alleviate the economic crisis and boost the economy of Slovakia the Slovak Parliament approved the following measures:

**12 February 2009**

**Law no. 49/2009, which adds to the current form of Law no. 5 / 2004 on Employment Services and amending certain laws and which amends and supplements Law 311/2001, the Labour Code as amended.**

Article I of Law 49/2009 amended the current form of **Law 5/2004 on Employment Services** and amending certain laws:

- A contribution was introduced under § 50d, the **contribution for the maintenance of employment** in order to promote employment by keeping jobs with employers who had run into operational problems due to the impact of global financial crisis and economic crisis, and who therefore could not assign work to employees for their full working time. The contribution was made in pursuit of the goal of helping employers who had operational problems due to the impact of global financial crisis and economic crisis, reducing their operating costs by granting a subsidy to compulsory insurance contributions for health insurance and social security from the compensation for employees relating to the period of operational problems. The aim of this contribution was to eliminate the impact of the global financial crisis and economic crisis on the income situation of employees and their families and on the consumption levels of the population.

- In order to foster the emergence of new jobs, particularly for citizens who became job seekers because they were released from their original workplace during lay offs at their former employer because of the global financial crisis and economic crisis, but also to promote employment of citizens who were registered the job seekers for other reasons, a contribution was introduced to promote the creation of new jobs under § 50e, which is provided to an employer who gives a newly-created job to a jobseeker, who was a registered job seeker for at least 3 months. The allowance was to be for employers who had continuously operated for at least 12 months before taking on the jobseeker for the newly created role.

- To increase interest in self-employment among job seekers receiving benefits for material need, § 50g introduced a new **contribution to promote self-employment**. The purpose of this contribution was, that as an alternative to the financial resources paid by the state for insurance premiums for health insurance for jobseekers as an encouragement to job seekers to be satisfied with income from benefits in material need and contributions related to that benefit, and to begin to carry out autonomous activity which will give them a higher income than the benefit in material need, and thus improve their social situation and that of their families. Unlike contributions to self-employment under § 49 of the existing version of the Employment Services Act, which is designated for acquisition of fixed assets to start self-employment, this contribution is to support the implementation of self-employed activities in different areas undemanding of initial investment and special skills, particularly for low-skilled groups of jobseekers.

- A contribution under § 50h **allowance for self-employment in the processing and trading of agricultural products** was introduced to promote self-employment in the processing and trading of agricultural products for those citizens who have the skills, conditions and interest in carrying out self-employed work in the processing of agricultural products.

Contributions under § 50d and 50h were provided for a temporary period from 1 March 2009 to 31 December 2010.

- For the transitional period - until 31 December 2010 favourable legislative conditions for the emergence of social enterprises were created in that they were released from the requirement that the conditions for their creation be fulfilled, which monitored the increase in support for local and regional employment.

Article II of Law 49/2009 amended the current form of Law 311/2001, the Labour Code:

- To improve the situation in the labour market and to help employers tackle the impact of the global financial crisis and economic crisis during a temporary period from 1 March 2009 to 31 December 2012, it was stipulated that the employer, in the event of his having serious operational reasons due to global economic and financial crisis, has the possibility, in agreement with employee representatives, to give employees time off for at least a basic component of wages. When the employer has more work available, the employee must make up the missed working time.

## **17 February 2009**

### **Law 61/2009 amending Law 431/2002 on Accounting**

The improvement of the business environment during the ongoing global economic and financial crisis was to be supported by Law 61/2009 Z. z. amending and supplementing Law 431/2002 on Accounting as amended, was one of the immediate effective solutions that contributed to reducing the administrative burden on the business environment in order to prevent large financial losses for the economy of the Slovak Republic:

- It adjusted the levels of assets, net turnover and number of employees used to determine the obligation to have financial statements audited. Some smaller firms with effect from 1 March 2009 are no longer required to have their financial statements audited.

- In accordance with the Seventh Directive of the EU Council 83/349/EEC, the limit for the exemption from the obligation to prepare consolidated financial statements was increased.

### **Law 60/2009, amending and supplementing the current form of Law 595/2003 on Income Tax**

Article I of Law 60/2009 amended and supplemented the current form of **Law 595/2003 on Income Tax**:

- To support the development of small business, from 1 March 2009 a new form of keeping tax records for taxpayers who are not accounting units, but who will apply proven tax expenditure was introduced. This benefit was introduced for taxpayers with incomes not exceeding 170 000 euros. Entrepreneurs who are natural persons (i.e. self-employed) were granted an exemption from keeping accounts, provided they do not employ any employees and have a turnover of not more than 170 000 euros. The taxpayer must apply the tax expenditure in the framework of simplified tax records directly provided for by § 6 par 14 of

the amended Act. This taxpayer is not subject to the requirement to conduct an inventory or prepare financial statements, nor to the obligation to close and open accounting books and prepare financial statements, value assets at fair value, create an accounting plan or quantify foreign exchange differences. Given that this type of taxpayer is not considered to be an accounting unit, it cannot be sanctioned under the Accounting Act. In the immediately subsequent tax year, the taxpayer is allowed to decide whether to keep accounts according to the special regulation or to keep data according to § 6 par. 10 of the Act. The taxpayer is obliged keep tax records pursuant to paragraph 14 after the period during which the right to levy taxes or levy additional taxes ended.

- The claiming of expenses against tax for the fuel consumed (known as PHL) in connection with the use of motor vehicles was simplified whilst retaining the legal status in force before the amendment to the Law, i.e. before 1 March 2009. A taxpayer, whether a legal or natural person may designate for himself how he will calculate the expenditure incurred on fuel consumed, by choosing one of the possible ways listed from the first to the third point. The first point leaves in place the previous legal arrangement for the claiming of fuel. Under the second point, a taxpayer who uses a vehicle equipped with a satellite vehicle movement tracking unit that records driving records, can use the purchase of fuel consumed as a taxable expense. At the same time, the driving records under this facility serve as a record of on which roads the vehicle was used. In this case, the taxpayer doesn't need to recalculate consumption according to the vehicle's technical certificate or other document and can apply the proven costs of purchasing fuel. The third possibility allows for standard expenditure on fuel consumption of up to 80% of the total demonstrable purchase of fuel for the relevant tax period. At the same time, the taxpayer is still required to use as a basis for mileage those figures found on the tachometers at the beginning and end of the tax year for each vehicle separately. Despite the possible application of fixed expenditure on fuel consumption, it is still possible for the tax authorities to verify the accuracy of fuel consumption reported by the taxpayer, for example by monitoring the consumption from previous tax years. Under this method, it is not necessary to maintain logs to demonstrate fuel consumption.

- The input value for tangible assets and the technical valuation of tangible and intangible assets was increased from 996 euros to 1 700 euros, and the input value of the intangible assets from 1 660 euros to 2 400 euros.

- There was an increase in the tax allowance for each taxpayer, while there was a reduction in the level of the tax base below which it is not possible to apply this non-taxable part for the tax years 2009 and 2010. The overall increase in the level of tax allowance, under the terms of the Act, effective from 1 March 2009, is applicable after the reconciliation of annual accounts and for tax advances or when filing a tax return for 2009.

On 22 October 2009 parliament approved **Law 504/2009** on amending and supplementing the current form of Law 595/2003 Income Tax and other laws. This provided that the calculation of tax allowances for the tax period of 2010 should be based on the applicable "subsistence minimum" (a figure used to calculate many contributions, allowances and benefits) in force on 1 January 2009, so this amendment meant, paradoxically, the abolition of indexation non-taxable amounts.

- An adjustment was made to Annex 1 of the Act, namely the inclusion of fixed assets into depreciation groups, and in connection with them, the introduction of a new statistical classification of products by activities, which introduced the classification of items by new code numbers. At the same time the new annex lead to the reclassification of certain assets to

the lower groups in order to help the business sector. This mainly involved the transfer of production technology from the 2nd depreciation group to the first depreciation group.

**Law no. 56/2009, which amends Law 561/2007 on investment aid and amends and supplements some other laws**

- In order to facilitate investment aid the amendment removed the provision in the Law on Investment Incentives which limited the possibility to apply for investment aid for a further new investment plan by the same applicant to only after the exhaustion of the previous investment plan and investment aid. Under this amendment, the applicant may, in the period from 1 April 2009 until 31 December 2010, apply for investment aid for a new investment plan only under the conditions that they still carry out the original investment plan in accordance with the terms of the decision granting the investment aid under the original investment plan.

- The Amendment to the Law on Investment Aid adopted the following anti-crisis measures as a priority to ease the conditions for stimulating investment to a wider range of entrepreneurs, and to contribute to enhancing the possible number applicants entitled to apply for state aid as well to motivate them to become established, to invest, to expand and to employ in Slovakia:

- By lowering by half the minimum level of investment for acquisition of tangible assets and intangible assets to support smaller projects in industrial production

- By lowering the minimum investment amount for acquisition of tangible assets and intangible assets for projects in support of tourism development to 9.96 million euros or to 4.98 million euros.

- By reducing the minimum funds used for the acquisition of new production technology and equipment intended for manufacturing purposes to at least 40% of the total value of acquired tangible and intangible assets in industrial production and to at least 20% of the total value of acquired tangible and intangible assets in the tourism sector. This measure will enable the support of less sophisticated investment projects, in which is a crucial factor is the workforce.

- The changes also allowed for counting new machinery and technological equipment procured from related (in personal or property terms) companies as eligible costs provided the purchases take place at market prices.

The amendment created space for the opportunity to apply for state aid for a larger number of Enterprises, even among small and Medium enterprises. It increased the likelihood of obtaining aid and investment and at the same time may thus create new jobs.

The measures were to be in force for the period 1 April 2009 and to lose force from 31 December 2010.

**Law 83/2009, which amends the current form of Law 222/2004 on value added tax and amends and supplements the current form of Law 511/1992 on the administration of taxes and changes in the system of territorial financial authorities.**

Given the deteriorating economic situation due to the radically increasing manifestations of global financial and economic crisis, the adoption of amendment of **222/2004 on value added tax**, as amended, published under **no. 83/2009** from 1 April 2009 allowed the shortening of the period for the reclaim of VAT excess by taxpayers from 60 to 30 days. The amendment also included the adoption of further simplifications in the application of the law, for example, the introduction of the possibility for a group of several taxable persons to register as one taxpayer under a single identification number for value added tax. As members of the group represent a single taxable person, supplies of goods and services within the group among the members of the group are not taxable transactions, thus not taxed.

**Law no. 52/2009 which amends Law no. 105/2004 on excise duty on alcohol and amending Law no. 467/2002 on the production and marketing of alcohol as amended by the current form of Law 211/2003.**

To prevent the devastating effects of the financial and economic crisis in all areas of economic and financial life, an amendment to in Law no. 52/2009 which amends Law no. 105/2004 on excise duty on alcohol and amending Law no. 467/2002 on the production and marketing of alcohol as amended by the current form of Law 211/2003 was published under no. 52/2009, which created a positive legislative condition in the form of reducing administrative difficulty, which would contribute to improving the business environment. Merchants who sell consumer packaged alcohol in from 1 March 2009 are not required to submit notice to the customs office of the amount of alcohol received and issued or of the amount of alcohol in consumer packaging in current inventory.

**11 March 2009**

**Law no. 108/2009 which amends the current form of Law no. 461/2003 on social insurance and amends and supplements some other laws**

Article I of the Law 108/2009 amended the current form of **Law 461/2003 Z. z. on Social Insurance** as amended:

- From 1 January 2010, the amendment established the disconnection of economic indicators from the minimum wage in the law on social insurance and replaced references to the minimum wage with one-twelfth of the proportion of the “general base for measurement”, i.e. the average wage in the Slovak Republic, which at that time basically followed the minimum wage. As a result of social consensus, the minimum wage was replaced with 44.2% of one-twelfth of the general base, i.e. 44.2% of the average wage in the Slovak Republic as reported by the Statistical Office of the Slovak Republic, for the calendar year two years before the current calendar year.

- The period of payment for accident insurance by employers at a single rate of 0.8% of the measurement base was extended, and the regulatory basis for the classification of employers into danger classes to apply from 1 January 2012 was put in places. One reason was the need to maintain solidarity with employers who, although in terms of accident insurance were carrying out difficult activity, the crisis may have a greater impact on them. The application of danger classes in determining their rates for insurance could cause

liquidation during the financial and economic crisis and was not in accordance with the Slovak government's efforts to reduce social contribution obligations.

- On the basis of requests from the business community in relation to the financial and economic crisis, for the period from 1 April 2009 until 31 December 2010 the premium to the reserve fund for mandatory pension insured self-employed people fell from 4.75% to 2% of their measurement base.

Article II of the Law 108/2009 amended the current form of **Law. 5 / 2004 on employment services** and on amendment of certain acts

It extends the scope of the committee on employment issues by establishing a commission, which will assess the effectiveness and feasibility of business plans, which are part of grant applications for self-employment or part of grant applications from persons with disabilities to operation or conduct of self-employed work. Thus, the commission also verifies the results obtained from vocational skills and practical training of applicants for the implementation or operation of self-employment. The aim of this treatment is to improve the selection of trades that have a real chance to succeed in the local labour market and verify the readiness of applicants to start self-employment, in order to prevent abuse of this contribution by those applicants who have no prospect or the real conditions to begin to conduct or operate as self-employed.

- The deadline for re-provision of the allowance for self-employment under § 49 was extended to three years from two years after operation or implementation of self-employment for which the contribution was granted. This was established in order to encourage more self-employed person to maintain their established trading and also in order to prevent abuse of this contribution.

- It was established that the allowance to persons with disabilities to operate or conduct self-employment would be provided only once a year for the calendar year, with the deadlines for applications to be 30 April of the calendar year following the calendar year for which contribution is sought.

The reason for this measure was high administrative complexity and considerable financial burden, which was associated with quarterly submission of requests for the contribution to the costs of a sheltered workshop or sheltered workplace and transport expenses for employees and showing compliance with the obligations of the applicant's contribution by the filing date.

- For a transitional period from 1 April 2009 until 31 December 2010 in order to support the speedy establishment of social enterprises an exemption was granted for legal persons or natural persons who apply for the status of social enterprise, from the obligation to meet other conditions and to enable social enterprises run by a municipality, autonomous region, an association of municipalities, counties or municipalities or the founding of social enterprises in which the founder or founders are a municipality or autonomous region, to receive a contribution to support the creation and maintenance of jobs in the social enterprise for employees who prior to their employment were jobseekers, not only disadvantaged job seekers.

Article III of the Law 108/2009 amended **Law 580/2004 on health insurance** and amended Act no. 95/2002 Z. z. on insurance and on amendment of certain laws in their current form:

- From 1 January 2010 there was to be the end of the minimum wage as a reference factor, which was the basis for calculating the minimum base for health insurance for the self-employed and the self-insured. The system used to determine the minimum base for self-employed and self-insured payers will be 44.2% of the average monthly salary in the economy of the Slovak Republic determined by the Statistical Office of the Slovak Republic for the calendar year two years before the reference period.

## **2.1.2 The most important legislative changes approved in 2009 (and coming into force in 2010)**

### **Income Tax**

On 22 October 2009 Parliament approved **Law 504/2009, which amends Law no. 595/2003 Income Tax** in current form and amends certain other laws, which comes into force from 1 January 2010. Among other changes, it amends the provisions for the establishment of deadlines for filing tax returns. These will be extended only upon notification by the taxpayer to the competent tax authorities no later than the last date for filing tax returns. With such a notification the taxable person himself may extend the deadline for filing the tax return not more than three full calendar months, and in the case of a taxpayer, part of whose income includes income derived from sources abroad, the period can be extended by notification by a maximum of six full calendar months provided that the taxpayer indicates this fact in the notice of extension for filing tax returns. However, if the taxpayer filing a tax return fails to include income derived from sources abroad, the tax authorities must apply the procedure under the Law on Tax Administration. Exceptions to this is are taxpayers in bankruptcy or liquidation, for whom, upon application to the tax administrator no later than 15 days before the deadline for filing tax returns for extension of the deadline, the administrator may decide to extend the deadline for filing tax returns by up to three calendar months. Such a decision to extend the deadline for filing tax returns is not subject to appeal.

According to § 52h - Transitional provisions for regulations effective from 1 January 2010, the provision for changing time limits for filing a tax return by notice, can be used by taxpayers for x can be used for the first time when submitting tax returns of the corporation for the tax period up to 31 December 2009 and for the administration of tax returns from personal income for the tax period up to 31 December 2010, i.e. in 2011.

The amendment also extended the deadline to deduct tax losses from 5 to 7 years. This provision applies to tax losses incurred after 31 December 2009.

### **Value Added Tax**

On 22 October 2009 parliament approved **Law no. 471/2009 amending the current form of Law no. 222/2004 on value added tax**. From 1 January 2010 this transposes three European Directives from the EC Council into Slovak legislation, to upgrade and simplify tax

rules regarding the cross-border supply of services and tax reimbursement for foreign tax persons and sets up effective measures to combat tax fraud, for example introducing a new requirement to register for a person who is not taxable and are changes the requirements for submitting a summary statement.

- Every taxable person identified for value added tax will be required from 1 January 2010 to submit to the tax office a summary statement with data on taxable persons and non-taxable legal persons registered for tax, to which it has provided services subject to reverse charge. Under the previously applicable legislation the summary statement included only an indication of goods delivered to another Member State exempt from tax.

- The introduction of new rules in assessing the place of delivery of services created provisions to ensure the payment of tax also in the case of taxable persons who receive services from a provider from another Member State, even though they themselves are not registered for VAT. For this reason, the competent tax authority will give those persons an identification number for tax purposes, which will be used in contact with the service provider when ordering services. Similarly, the amendment to the law imposed a duty to apply for an allocation of the tax identification number for tax purposes for persons who provide services to taxable persons in other member states.

- The obligations when submitting a summary statement have changed. After 1 January 2010 these statements also include information about the services provided to the place of delivery in another member state which is liable to tax paid by the service recipient in another member state. This means that the administration of summary reports will cover not only supplies but also supplies of services. A taxable person who supplies goods or services to another EU member state must submit a summary statement for each calendar month in which goods or services were supplied to another member state. At the same time it allows the taxpayer to submit a summary statement for the calendar quarter if the value of goods supplied by him do not ordinarily and have not over the previous four quarters, exceeded the value of 100,000 Euros. Taxable persons who are not VAT registered and are assigned a tax identification number, will be required to submit a summary statement with data on supply of services where VAT is payable by the service recipient in another member state every calendar quarter. The summary statement must be submitted electronically.

- Requests for refunds of value added tax between the EU member states will only be filable electronically in the state of residence of the applicant. A Slovak business registered for VAT who qualifies for the refund of value added tax from purchasing goods and services in another member state makes a request for such reimbursement of, for example, German value added tax electronically through the portal of the Tax Directorate or the Tax Office Bratislava I, who is competent to handle the applications, checks the application and sends it on abroad to the Member State, which returns the amount due the tax on value added.

On 1 December 2009 parliament approved a new Law **563/2009 Tax Administration (Tax Code) and amending certain laws**, which in Art. IV amends Law. No. 222/2004 on value added tax as amended. The Law from 1 January 2010 ended the ban on deductibility for the purchase and rental of cars belonging to class M1. The reason was to make the deductibility of VAT on these cars consistent with deductibility of VAT on the purchase and rental cars belonging to class N1.

## Minimum wage

The Government Regulation of 21 October 2009 No. 441/2009 fixed the level of minimum wages, setting the minimum wage for 2010 for an employee paid a monthly salary at 307.70 euros per month. Since minimum wages are already separated from the minimum insurance premiums paid by the self-employed from January 2010 the minimum wage is not part of the basis for calculating their contributions to social and health insurance.

## Excise taxes

On 22 October 2009 parliament approved the revision of five laws relating to excise duties: **Law 472/2009, Law 475/2009, Law 477/2009, Law 482/2009** that take effect from 1 April 2010, or from 1. March 2010 in the case of the amendment to the law on excise duties on alcohol, published under no. **474/2009**. Their common feature is the provision of a new type of legal entity or natural person, a registered sender entitled to send mineral oil, tobacco, beer, wine and spirits under “suspended tax”. The sender will be entitled freely send items subject to excise taxes after they have been released into free circulation in “tax suspension”, subject to the condition that the items subject to excise duty in tax suspension shall not be received or stored by them.

## Social Insurance

On 2 December 2009 Parliament approved **Law 572/2009, which amends the current form of Act no. 461/2003 Z. z. on social insurance** as amended and on amending some laws, on the basis of which the self-employed do not need to submit statements from their tax returns to the Social Insurance organisation for the previous year. In the interests of administrative simplification, the responsibilities of self-employed persons will be to state in their tax returns the length of time they were self-employed. Data from tax returns will be sent from the Tax Directorate of the Slovak Republic to the Social Insurance organisation. This solution is intended to relieve the burden from the social insurance organisation as well as self-employed persons who will not have to come personally by 1 July each year to submit statements from their tax returns, thereby avoiding the rush and long queues at branch offices. The Tax Directorate of the Slovak Republic will be obliged to notify the Social Insurance organisation about data on the term of employment for the self-employed for the first time in 2011 for the year 2010 in the period to 30 June, or by 31. October if the individual has extended the deadline for filing tax returns.

## Labour Code

**With the Law passed on 2 December 2009 No. 574/2009 Z. Laws, which amends the current form of Law no. 311/2001, Labour Code**, for the purpose of encouraging flexible solutions to workload, employers are able to agree temporary employment for a fixed period of not longer than two years and employment may be extended or re-arranged without giving reason only twice, staying within the two year period. The previously in force version of the Labour code (in force up to 1 March 2010) allowed temporary employment to be agreed for a maximum of three years and employment could be negotiated or re-arranged only once, staying within those three years.

## **Collective bargaining**

On 2 December 2009 Parliament approved **Law 564/2009 on amending and supplementing the current form of Law 2/1991 on Collective Bargaining**, which among other things, according to the explanatory clause, was intended to bring in the simplification of the possibility of extending sector collective agreements from 1 January 2010. A collective agreement at the higher level, under the amendment can be extended to all employers in the same industry, even if some of them did not participate in negotiations for such contract and are not members of employers' organizations, negotiating the contract. According to many employers, this rule is harmful because it worsens the business environment in Slovakia, interferes with their rights and because it forces them into something which they themselves have not agreed to.

## **2.2 Summary of the survey on the condition and the views of SMEs on the impact of economic crisis**

In May of 2009, the National Agency for Small and Medium Enterprises (NADSME) conducted a survey of the views of small and Medium enterprises (SMEs), in terms of the effects of the economic crisis on their operations. The survey involved a representative sample of 157 selected small and Medium enterprises (including individuals), which were selected through quota sampling so that they represented all sectors, regions, size category and legal forms of enterprises.

In view of its conclusions the research has confirmed the expected hypothesis. The economic crisis has negatively affected the vast majority of Slovak companies without distinction, and its impacts had the strongest momentum in early 2009. The main negative impacts, according to the survey results in particular are the loss of orders and the associated income loss or the deterioration of payment discipline. The following section lists the main findings from the survey:

### **Identification of the crisis**

- The crisis was felt in the form of negative impacts on their functioning by over 87% of small and Medium enterprises according to the survey findings.
- Relative the most often, companies with more than 50 employees had to cope with the manifestations of the crisis as well as industries and organizations providing social and personal services. In regional terms, the crisis was most frequently felt in Trencin and Nitra regions.
- The signs of crisis hit small and Medium Enterprises with varying levels of intensity: while 13% of them at the time of the survey had not yet felt any impact at all, for 24% there had so far been only minimal symptoms, 47% of companies had already experienced the crisis relatively strongly and the remaining 16% had experienced a hard blow to their business and operations.
- A hard blow to their business and operations was most frequently encountered by Enterprises in the transport and communications sectors, or business services. An above average strength of the impact of the crisis was also expressed in the survey by Enterprises without employees. From a regional perspective the harsh effects of the crisis particularly hit eastern areas: the Košice and Prešov regions. It was similar in the Trencin

region. The crisis was experienced with above average strength by small and Medium enterprises with the legal form of limited liability companies (s.r.o. companies).

- Partly as a result of the crisis, the research expressed dissatisfaction (or mostly dissatisfaction) with business conditions in Slovakia in up to 41% of small and Medium enterprises. Satisfaction (or mostly satisfaction) was expressed by 20% of the SMEs surveyed, while the remaining 39% reported a balance between satisfaction and dissatisfaction.
- In terms of time, the first signs of the crisis were felt among SMEs even before September 2008: they were felt by 5% of small and Medium enterprises. Gradual increases in the effects of the crisis in early autumn (the months of September-October) 2008, when its manifestations were encountered by another 7% of companies in this size category. At the end of 2008 (November-December) it got going – the effects were first felt by further 20% of Enterprises and peaked in early 2009 (January-February), when the crisis had affected a further 41% of business entities.

### **Areas of the effect of the crisis**

- 78% of survey participants encountered a decline in revenues during the crisis. 22% of firms had stable revenue, while not one firm declared an increase.
- The deterioration of loan availability was experienced in the context of crisis by 30% of SMEs in the sample. An unchanged state was found by 37% and on the other hand, improvements were experienced by 3% of respondents (and a further 30% could not say - perhaps those who had not come into contact with this possibility even before the crisis).
- The deterioration of payment discipline as a leading effect of the crisis was faced by 60% of companies in the survey. For the other 38%, the situation was unchanged.
- Secondary payment problems (delayed payments to suppliers) were admitted by 43% of research participants. The stability from this perspective also in times of the crisis was experienced by 52% of respondents.
- 49% of SMEs interviewed in this research met with pressure from trading partners to reduce the prices of delivered goods and services during the crisis. An unchanged situation was declared in this area by 48% of firms.
- Research participants also expressed their own assessments of which of the manifestations of the crisis were causing them most problems. For 45% it was a decrease in orders and customers. A further 22% of companies identified a decline in sales as the most serious phenomenon of the crisis. Only slightly fewer - 17% of respondents – expressed that the poor payment discipline of customers was the biggest problem. Worsening conditions for obtaining credit during the crisis was the biggest problem for only 2% of the sample.

### **Responses of small and Medium enterprises to the crisis**

- The most common step taken in the organization of manufacturing and production by companies in connection with the crisis had been the reduction or freezing of investments. Among the research participants 58% of subjects had done so. This was followed by tougher price negotiations with suppliers, which had already been applied by 52% of firms. For 49% one of the steps taken in the crisis was to purchase cheaper inputs into the business. Restrictions on advertising and marketing activities were chosen by 45% of research subjects. Also - 34% of companies – got on the road actively searching for new outlets. On the other hand, some chose a passive approach in the form of restrictions on manufacturing and reducing production. This passive approach was taken by 22% of Enterprises, this number having gone through reductions in their production programs, or by 17% of subjects, which had introduced temporary downtime in production. Last of all (by frequency) responses had included transferring production to another territory, which

was declared in research by 13% of respondents, and changing the production program, chosen by 12% of firms in the sample..

- In order to eliminate the impact of the crisis on its finances companies have been looking at payroll and staff costs. Already 50% of research participants had brought in the freezing or reduction of bonuses to employees. Leaving vacancies – untaken positions that had become vacant through voluntary redundancy, was a strategy used in the time of the crisis by 40% of surveyed firms. The reduction or outright cancellation of various employee benefits was chosen by 36% of subjects. Freezing or even reducing the basic salaries was decided by 33% of the enterprises involved in the survey. 25% of firms had chosen to make lay-offs. Moving staff wages into downtime mode (60% of full wages) was chosen by 18% of the surveyed SMEs. Transferring some activities to the external environment was the way 13% of respondents decided to face the crisis.
- One side effect of the crisis is often a lack of funds in cash or in bank accounts. More or less, liquidity problems were admitted by 65% of research participants. The first and most common way to address them was stronger recovery from debtors, which in the time of the crisis, was put in place by 37% of companies. Addressing the lack of cash was carried out by 26% of respondents by deposit their personal money into business. Deferral of payment obligations to customers was chosen by 21% of subjects. Loans from the bank were acquired by 18% of small and Medium enterprises in the sample. The second most frequent type of borrowing was money from family or acquaintances, something 13% of respondents had done. Getting cash from the sale of property was the way of addressing this problem chosen by 12% of firms. For 10% of companies' the lack of liquidity meant postponing the payment of wages to employees. 9% of the subjects solved the problem by borrowing from partner companies, or by deferring payment of liabilities to the state. The last in order of frequency was the taking of loans from non-banks, which was resorted to by 4% of the survey participants.

### **Expectations for the future**

- The median estimates of the expected duration of the crisis according to the survey results were around one year. The arithmetic average was higher, as those estimating the crisis at less than one year was 19%, while the percentage of sceptics (estimating the duration of the crisis at more than a year) was 23%.
- Improvement (compared to the current state) in terms of the size of orders, or the number of customers was expected 29% of small and Medium enterprises included in the survey sample. Another 43% thought that the current situation at the time of the survey would not change, while deterioration was predicted by 27% of research participants.
- Improvements in revenue were expected by the end of 2009 by as many as 28% of all the research participants. Stabilized revenues were expected by 38% of firms taking part in the survey with a deterioration expected by 33% of the small and Medium enterprises surveyed.
- An improvement in credit availability was expected by the end of 2009 by 13% of the small and Medium enterprises included in the survey sample. A continuation of the status quo in the area of loans was foreseen by 36% of respondents, while 23% of the sample projected deterioration.
- In the area of financial and payment discipline, only 9% of the sample was made up of optimists, the largest proportion of respondents - 49% believed that payment discipline of customers would not get any worse while 34% expected further complications with the payment of invoices.
- Improved overall financial performance in 2009 (compared to 2008) was expected by only 5% of SMEs in the sample. 19% of respondents expected the same results, while worse

results than the previous year were predicted 73% of subjects.

### **3. The development and state of SMEs in 2009**

A key prerequisite for sound development of the business sector is a favourable business environment. Changes in the business environment with a delay are also reflected in the quantitative characteristics of the business sector. Analysis of the state of the SME sector in chronological context allows identification of the existing trends, expected future developments and enables the preparation of measures to ensure optimal development. This chapter presents the quantitative characteristics of the SME sector in 2009 in the context of its development over the past few years and compares the available data on the business sector in Slovakia and the EU.

The categorization of enterprises according size used in this chapter is in line with the recommendation of the European Commission No. 2003/361/EC valid from 1 Jan 2005. The category of SMEs consists of enterprises with less than 250 employees, while the category of large enterprises consists of Enterprises with a staff of 250 and more. Within the SME category, there are micro enterprises (0-9 employees), small enterprises (10-49 employees) and Medium enterprises (50-249). In cases where no distinction made for the separate category of micro Enterprises, small enterprises are defined to include all firms with a staff of 0 – 49. In addition to the number of workers, to the categorization of Enterprises in accordance with the directive can be applied other criteria such as the turnover, asset value and ownership structure. In the following sections, we use the number of employees as the sole criterion for inclusion in the category of SME business. This categorization allows comparison of the SMEs in the Slovak Republic with the state of the business sector in the European Union.

Quantitative characteristics of the sector of small and medium enterprises including the development of business, sectorial breakdown, regional distribution, employment, production and foreign trade are discussed in detail in subsections 3.1 - 3.8.

Information on the dynamics of the development of legal and natural persons - entrepreneurs, i.e. the number of newly created and closed-down entities, are reported in section 3.7

Subsection 3.9 summarizes the data describing the position of SMEs in the Slovak economy, the next subsection 3.10 compares some characteristics of the SME sector in Slovakia and the European Union.

In 2009, NADSME conducted a survey of views and the situation of small and Medium enterprises (SMEs) in terms of the effects of economic crisis on their operations, whose main results are presented in Chapter 2.

The assessment of the state of the sector of small and Medium enterprises in this chapter is based on processing data from the statistical register and published data from the Statistical Office. The data source for EU countries is Eurostat. Graphic data, which is referred to in the following sections are listed in the Annex.

### 3.1 Natural persons

According to Statistical Office data, the year 2009 in Slovakia saw a decrease in the number of individuals conducting business; on a year on year basis the decline was 1%. In its register it found a total of 413,867 individuals at the end of 2009. The year of decline was mainly due to a decrease in the number of businesspeople by 4965 (1.3%) and self-employed farmers by 174 (2.1%). The number of persons doing business in “free professions” increased by 785 (4.6%). Of the total number of individual entrepreneurs 387 876 were self-employed businesspeople, 17 974 were persons doing business in the free professions and 8017 were self-employed farmers (chart. 1 and 2).

A relatively stable structure of what areas of business self-employed were engaged in is reflected in chart 3. In 2009 a year on year decline was recorded in the proportion of business people in manufacturing (1.1 pp), trade (by 1.1 pp) and other sectors (0.1 pp). The largest increase was in services (by 1.0 pp) and construction (by 0.7 pp). From 2008, the graph in question used the statistical classification of economic activities SK NACE, which replaced OKEČ the original Statistical classification of economic activities, and which is fully harmonized with the European version of NACE Revision 2.

The most important sectors according to the SK NACE classification the internal trade, with 109 017 businesspeople, construction with 88,442, industry with 64,660 self-employed businesspeople and business services with 49 693 (chart. 4).

The breakdown of businesspeople by region is shown in chart 19. Most traders are in the districts of Žilina (14,244), Nitra (12,566), in Bratislava (12153), Prešov (11,057) and Dunajská Streda (10,846). The smallest numbers of traders are in the districts of Medzilaborce (605), Sobrance (850) and Poltár (1030).

### 3.2 Gender and age composition of natural persons - entrepreneurs

#### Gender composition of natural persons – entrepreneurs

On the basis of elaborated data from the register of the Statistical Office, at the end of 2009 the total number of individuals / entrepreneurs was 72.3% men and 27.7% women. Within each of legal the forms of doing business, women entrepreneurs had the largest proportional representation of persons doing business in the free professions (54.7%). They were substantially less well represented among entrepreneurs (26.5%) and self-employed farmers (24.8%).

**Tab. č. 3.1: Gender composition of natural persons – entrepreneurs by legal form (%)**

Gender/ legal form	self-employed businesspeople	self-employed farmers	free professions	total natural persons – entrepreneurs
male	73,5%	75,2%	45,3%	<b>72,3%</b>
female	26,5%	24,8%	54,7%	<b>27,7%</b>

The highest proportions of women were found - in the areas (classified by SK NACE) of other public services (58.9%), business services (49.5%), commerce (39.7%) and hotels and restaurants (39.5%). Conversely, women had the smallest representation - in the construction

trades (1.9%), other sectors (10.6%), industry (13.7%) and transport and information (14.2%). The traders' gender composition by industry is shown in chart 25.

The regional representation of men and women doing business by individual regions of the SR is shown in chart 26. More than the averagely were women entrepreneurs represented in the Bratislava region (32.8%), Košice Region (31.0%) and Banská Bystrica region (29.6%). In other regions, women entrepreneurs ranged from 22.0% (Prešov region) to 25.9% (Nitra region).

From the point of view of assessing of the economic activity of men and women doing business in different regions Figure 27 shows the proportion of active traders in the total number of economically active population by sex and region.

### Age structure of natural persons – entrepreneurs

The age structure of natural persons - entrepreneurs listed in the Table 3.2 presents a picture of the age structure of the self-employed under different legal forms. The largest share of data processed by the register of the Statistical Office consists of natural persons - entrepreneurs in the age group 30 to 39 year olds (28.8%), followed by the category 40 to 49 year olds (27.3%) in the category of 50 to 59 years (21.5%) followed by the category of less than 30 years (16.1%). 6.3% of active entrepreneurs were aged 60 and over. A graphic representation of age structure is shown in chart 28.

From the perspective of different legal forms there is clearly a significant representation of older age categories of entrepreneurs as private farmers and individuals doing business in the free professions (share of 50 and over, 64.5% for farmers and 48.3% in the free professions). For business people, the proportion is 26.1%. Conversely representation of those aged 30 or less was most important among self-employed businesspeople (16.6%), reaching only 3.7% among farmers and 10.3% of the free professions.

**Tab. No. 3.2: Age structure of natural persons - entrepreneurs by legal status (%)**

Age/ legal form	self-employed businesspeople	self-employed farmers	free professions	total natural persons – entrepreneurs
less than 30	16,6	3,7	10,3	16,1
30-39	29,6	12,7	19,7	28,8
40-49	27,7	19,0	21,6	27,3
50-59	21,0	25,6	31,3	21,5
60-69	4,4	16,8	14,3	5,1
70-79	0,6	12,5	2,5	0,9
80 and more	0,1	9,6	0,2	0,3

The age structure of natural persons - entrepreneurs by gender in chart no. 29 shows a greater concentration of men in younger age groups, 39 or less and conversely a greater concentration of women in the 40 and over age groups.

The quite significant percentage those in the age group 50 and over, (27.8% of active individuals – entrepreneurs) will require increased attention because of the coming retirement of these businessmen. More than a quarter of the current business may therefore stop their activity in next 10 years. From the perspective of legal forms, the highest representation of the over 50s is in farming (64.5%) and free professions (48.3%).

### **3.3 Legal entities**

The register of organizations at the Statistical Office included 179 352 entities at the end of December 2009, of which 127 409 were Enterprises and 51 943 non-profit institutions. This was a year on year increase by 5.5% consisting of a growth in the number of non-profit institutions by 3.8% and a growth in the number of business enterprises by 6.2%.

The crucial part of the total number of profit-oriented organizations was made up of small Enterprises accounting for 97.2% of the total (including micro-enterprises having 0-9 employees with 80.8%). Medium enterprises accounted for 2.3% and 0.5% was made up of large enterprises. The number of small Enterprises grew by 7,589; the number of Medium enterprises fell by 99 and the number of large enterprises by 14.

There were 123825 small private companies with up to 49 employees (including those with unknown number of employees). Medium private enterprises employing 50 to 249 were found 2925 times. The development of small and Medium enterprises is shown in chart 5. Changes in the size of individual groups in the years 2001 - 2009 are shown in chart 6. Over the last year we can observe an increase in the share of micro enterprises (0-9 employees) by 1.6 percentage points and a decline in the share of small enterprises (10-49) by 1.3 percentage points, a decline in the share of Medium enterprises by 0.2 percentage points and that of large enterprises by 0.1 pp

The business area structure is shown in chart 7. Most small and Medium enterprises by SK NACE classification operated in trade (41,835), business services (35,597), industry (13,011) and construction (9723). The regional structure is shown in Figure 19 with a significant peak (33.8%) in the Bratislava region.

### **3.4 The employment share of SMEs**

According to the Labour Force Survey, in 2009 on average 2 365.8 thousand persons were working in the national economy of Slovakia, of whom 1 994.7 thousand were employees; 286.5 thousand were self-employed without employees, 81 thousand businessmen with employees and 3300 helping family members of business people.

Based on a year-on-year comparison, the year 2009 saw a fall in employment of 2.8%. The number of persons working was lower by 68 thousand, contributed to by a fall in the number of employees by 99.5 thousand (4.8%) to 1 994.7 thousand. persons. The number of entrepreneurs without employees increased by 32.2 thousand. (12.7%) to 286.5 thousand, Enterprises with employees increased by 3.1 thousand (4%) to 81 thousand. and helping family members increased by 0.3 thousand (10%) to 3.3 thousand. persons. The significant impact on the decline in employment was mainly the decrease of work in different branches of industry by 78.8 thousand people (11%), while in actual industrial production, employment decreased by 74.7 thousand. persons (11.7%).

On the basis of available data from the Statistical Office of the Slovak Republic one can assess the state of the individual size-categories of Enterprises from the point of employment as a result of the business survey for selected non-financial corporate sectors of the economy (industry, construction, wholesale, retail, road and freight transport markets and selected

services). According to the results of the survey in 2009 a year-on-year decline was recorded in employment in all size categories of enterprises. In the category of small and Medium enterprises including self employment it fell by 13.4% year on year, while among the self-employed it fell by 18.2%, in small enterprises by 11.3% and in Medium enterprises by 8.7%. In large enterprises in the selected sectors, employment declined by 9.6%.

The position of SMEs in employment in selected areas of non-financial business economy, according to the results of business survey is seen in chart no. 10. In 2009, small and medium enterprises, including the self-employed provided employment for 68.6% of the employed population in the selected areas of the non-financial business economy. This chart uses the OKEČ Statistical Classification of Economic Activities for 2008 and NACE Statistical Classification of Economic Activities for 2009. The position of SMEs in terms of employment according to the results of business survey is not comparable to those shown in last year's reports. The reason for changing the method of showing the role of SMEs in terms of employment is that the results from the enterprise survey provide a more reliable picture of the situation of SMEs in employment, even though it does not cover all sectors of the economy. Last year's data on employment by enterprise size categories are based on the methodology of quarterly statistical reporting, which in addition to profit-oriented Enterprises also include legal persons - non-profit organizations. For comparison, using the methodology of quarterly statistical reports referenced in the past, SMEs, including non-profit organizations, made up 70% share of total employment in 2009 (about 1.4 percentage points higher than under the corporate survey covering selected sectors).

The share of individual regions in total employment (chart no.11) according to the quarterly statistical reports for 2009 was in the range of 10.0% (Banská Bystrica region) to 20.3% (Bratislava region). The number of persons employed, most dropped in volume in the Nitra region (7.1%), the Trenčín region (4.2%), Žilina region (4.2%), Banská Bystrica Region (3.3%), Prešov Region (1.5%), Trnava region (1.4%) and Bratislava region (0.4%). Employment rose only in the Košice Region (0.5%).

Unemployment also developed negatively in 2009, describing the growing trend in unemployment over the year. On average in 2009 compared with 2008 the number of unemployed rose by 66.7 thousand persons (25.9%) to 324.2 thousand. persons (in 2008 was 11.8% growth was recorded). The average annual unemployment rate, according to the Labour Force Survey, increased by 2.5 pp to 12.1%. Unemployment rates higher than the national average were found in the region of Banská Bystrica (18.8%), Prešov region (16.2%), Košice Region (15.5%) and Nitra region (13%).

### **3.5 The share of SMEs of the production in selected industries**

It has been estimated by the Statistical Office that in 2009, gross domestic product in current prices was 63 331.6 million euros and compared to 2008 actually declined by 4.7% (in 2008 it had grown 6.4%). At current prices, Gross Domestic Product dropped by 5.8%. Decline in gross domestic product was mainly due to a reduction in foreign demand. The volume of exports of goods and services decreased by 16.5% and imports of goods and services by 17.6%. Domestic demand dropped by 5.8%. In terms of the individual quarters, GDP decline gradually moderated to 2.6% in the 4th quarter. Of the gross domestic product, added value created amounted to 57 547.7 million euros, a year on year decrease of 4.6%.

The total gross domestic product in current prices (according to the Statistical Classification of Economic Activities NACE) was most created by industry 23.2%, trade, hotels, restaurants and transport 22.1%, financial intermediation and real estate 19.9%, public administration, education, health and other services 15.3%, construction 8%, agriculture and fishing 2.4% and net taxes on products 9.1%.

The decrease in the volume of GDP was associated with a decrease in gross output by 10.8% to 138 670.2 million euros and a decrease in consumption by 14.8% to 81 122.5 million euros. The share of consumption as a share of gross output was lower by 2.7 p. b. and at the level of 58.5%.

The creation of gross domestic product was mainly influenced by the decline in value added in trade, hotels, restaurants and transport of 13.1%, industry 8.3% and construction by 1.8%. Conversely, at a higher level than in 2008, the value added in agriculture, fisheries and fish farms increased by 10.2%. In financial intermediation and real estate it increased by 3.8% and in public administration, education, health and other services by 2.9%.

The private sector created an estimated 93.4% of gross domestic product (by 0.5 percentage points higher than in 2008).

Industrial production on average decreased in 2009 by 14.6% (in 2008 it saw 2% growth), while in the 4th quarter growth of 1.1% was recorded. The decline in industrial production was affected mainly the decrease in industrial manufacturing by 16.1%, and in electricity and gas by 7.7%. Industrial production increased only in mining and quarrying (1.7%). The part of the manufacturing sector recording the biggest decrease was the production of means of transport (27.3%), production of machines (23.3%) and manufacture from rubber and plastics (22.4%).

Similarly to industrial production, sales of goods and services in industry declined year on year compared with 2008 (18%) and were at the level of 57 447 million euros. Sales of goods from industrial production dropped by 19.9% in mining and quarrying, by 12.4% in water supply and waste, by 8.5% in electricity and by 6.5% in gas supply. The results of operations of large enterprises accounted for a decisive share (69.3%) of total sales in industry (companies with 1,000 or more employees accounted for 48.7%). Medium enterprises accounted for 18.1% of sales, small Enterprises 7.2% and the self-employed 5.4%. The largest decrease was recorded in the sales of the self-employed (by 44.6%), small Enterprises decreased by 24.6%, Medium enterprises by 15.8% and large enterprises by 14.7%.

In 2009, construction output reached the level of 5 749.7 million euros in comparison with 2008, a decrease of 11.3%. The development of construction output was affected mainly by a contraction of 11.1% in domestic output which was at 5 527.6 million euros. The volume of work on new construction, modernization and reconstruction fell by 10.8% to 4 539.4 million euros, while work on repairs and maintenance decreased by 14.1% achieving the level of 950.5 million euros. Construction output abroad fell by 16.6%. The decline in construction output was associated with a decrease in labour productivity by 13% to 30 970.8 euros.

Of the total production of construction enterprises, more than a third was conducted by the self-employed (33.7%), 24.5% by small Enterprises, 23.5% by large enterprises and 18.3% by Medium enterprises. The overall decline in construction production caused declines in

construction output in small enterprises by 15.5%, in Medium enterprises by 14.2%, with sole traders by 11% and in large enterprises by 4.9%.

Receipts for goods and services in the retail trade declined compared to 2008 by 10.3% and their volume was 17 441.2 million euros. Of the total turnover in goods and retail trade 32.6% was with small Enterprises, with large enterprises 30.9%, 27.4% with the self-employed and with Medium enterprises 9.1%. The decrease in total revenues was associated with a decrease in turnover by 19.7% with sole traders, by 13.3% with Medium enterprises, by 5.8% with small enterprises and in the case of large enterprises the decline was 4.1%.

Receipts for goods and services in the sale and maintenance of motor vehicles decreased by 17.9% to 3 944.3 million euros. The decline in sales was associated with a decrease in sales of motor vehicles (19%) as well as a decrease in turnover in the repair and maintenance of motor vehicles (20.4%). Sales grew in the area of the sale of parts and accessories for motor vehicles (12.2%).

Receipts for goods and services in the accommodation decreased by 23.6% to 315.1 million euros, while sales in restaurants and pubs for goods and services declined by 27.7% to the volume of 857.5 million euros.

The sector of accommodation for tourism saw receipts for the accommodation of visitors achieve a volume of 230.5 million euros, of which 48.9% was from foreign visitors (by 7.6 percentage points less than in 2008). In comparison with 2008, sales in current prices fell by 18.1%.

In 2009 in transport and storage (including postal and courier services) turnover for goods and services reached 5 410.9 million euros, in comparison with 2008 a decrease in current prices of 13.6%. The largest decrease in sales was seen in air transport (24.1%), and decreased sales in warehousing and auxiliary transport activities (13.8%) and land transport and transport via pipelines (13.4%).

By size of enterprises total sales for goods and services in road transport were accounted for by small Enterprises with 30%, 28% came from Medium enterprises while large enterprises made up 24.2% and 17.8% from the self-employed. Sales in small Enterprises fell by 17.9%, with sole traders by 16.8%, in medium enterprises by 10% and in large enterprises by 5.7%.

Information and communication activities increased turnover for goods and services in comparison with 2008 at current prices by 3.3% to 4 883.8 million euros. The total volume of sales was accounted for by 46% from telecommunications and 27.9% from computer programming. In the sector of motion picture, video and television programs, receipts increased by 84.4%, in information services by 70.3% and in computer programming by 5%.

In selected market services turnover for goods and services reached 7 983.2 million euros, a year on year decrease of 4.7%. More than half the total value (55.7%) was accounted for by sales of real estate, professional and technical activities. Sales declined most for architectural and engineering activities (12.9%) and conversely increased the most in advertising and market research (19.3%).

The total turnover was 53.8% from small enterprises, 19.8% from Medium enterprises, 14.1% from large enterprises and 12.3% from the self-employed. Sales development was associated with a decrease in turnover for sole traders (32%) in Medium enterprises (4.6%) and large enterprises (3.5%). Sales growth was recorded only by small Enterprises (4.5%).

SMEs' shares of revenues in selected industries are shown in chart 12.

### **3.6 Foreign trade**

According to preliminary results, the trade balance for goods and services in 2009 was a 59 million euro deficit. During the year 2009, according to the Statistical Office of the Slovak Republic, goods totalling 39 715.6 million euros were exported from the country. Total imports of goods amounted to 38 528.7 million euros. Compared with 2008, total exports of goods decreased by 19.8% and total imports of goods by 23.4%.

The export performance of the economy, expressed as the proportion of GDP represented by exports of goods and services fell in 2009 in current prices to 70.1% (by 12.9 pp). Import demand, expressed the proportion of imports of goods and services to GDP fell in 2009 to 70.4% (by 14.9 pp).

In commodity structure the major share of total exports were computers, electronic and optical equipment (21.7%, higher by 4.1 pp), motor vehicles, trailers and semi-trailers (21.7% lower by 1.9 percentage points year on year) base metals (7.7% year on year by 1.6 percentage points lower), machinery and equipment (6.5% year on year by 0.7 percentage points lower), electrical machinery and apparatus (5.7%, higher by 0.2 percentage points). The major share in the commodity structure of the total imports were computers, electronic and optical equipment (18.3% year on year, the proportion rose by 1.7 percentage points), motor vehicles, trailers and semi-trailers (12.8%, year on year by 2.1 percentage points lower), oil and natural gas (8.6% down by 0.7 percentage points year on year), machinery and equipment (7.3% lower by 0.5 pp year on year).

The highest positive balance of foreign trade was with Germany (1 528.7 million euros), France (1 300 million euros) Poland (1 297.4 million. euros) and Austria (1 197.8 million euros). The highest negative balance was seen between the Slovak Republic and the Republic of Korea (2 566.1 million euros), the Russian Federation (2 053.9 million euros) and China (1 696.2 million euros).

In terms of the main economic groupings, exports to EU countries decreased by 19.3% (accounting for 85.7% of total exports from Slovakia) and to OECD countries by 19.1% (amounting to 87% of total exports accounted from the Slovak Republic). From the perspective of individual countries exports to Germany were lower in particular, decreasing by 18.4% and to the Czech Republic, decreasing by 23.5%.

Imports from EU countries decreased by 23.4% (accounting for 67.6% of total imports) and from OECD countries by 16.4% (representing 17.1% of the total imports of the Slovak Republic). Lower than a year ago were mainly imports from Germany, decreasing by 30.3%, the Czech Republic, decreasing by 11.4% and the Russian Federation, decreasing by 36.3%. Imports increased particularly from the UK, by 52.2%.

From the geographical point of view there was a negative balance of trade in business with countries outside the EU of 6.5 billion euros. A trade surplus of 6.7 billion euros was achieved in trade with EU15 countries and 1.3 billion with the new member countries of the EU12. The structural import and export volume in 2009 by size-category and territorial area is shown in charts 13 and 14. The territorial structure of foreign trade is handled according to the national concept and without estimated data (estimated data on exports in 2009 accounted for 6.5% of the total value of exports and 7.2% of total imports during exit processing). Data on the import side is prepared on the basis of country of origin of imported goods and for unspecified imports by the shipping country.

As seen from the chart no. 15, the share represented by micro enterprises (0-9 employees) of total 2009 exports amounting to 8.1% or 2.8 billion euros, while this category included companies with an unknown number of employees exporting volumes of 0.3 billion euros 0.9% of total exports. Small enterprises (10-49 employees) accounted for 19.0% of total exports, or in absolute terms 6.5 billion euros while Medium enterprises (50-249 employees) made up 11.6% of exports or in absolute terms 4.0 billion euros. The largest share of 61.3% of total exports was accounted for by large enterprises, representing 20.9 billion euros. SMEs accounted for a total volume of exports of 38.7%, which were 13.2 billion euros and an increase of 3.9 pp in comparison with 2008. The structure of foreign trade by size-category of enterprise is calculated from the data without operations conducted by foreign persons (out of total exports this accounted for 8.0% share of total imports and 4.7% share) and without estimated data.

The development of exports in the years 2003 - 2009 by size-categories is shown in Chart 16. The most significant annual decline in exports was recorded by large enterprises (250 + employees) in 2009, by as much as 28.2% in absolute terms by 8.2 billion euros compared to 2008 Medium enterprises (50-249 employees) decreased by 23.9%, in absolute terms by 1.2 billion euros, small enterprises (10-49 employees) by 11.3%, in absolute terms by 0.8 billion euros and micro Enterprises (0-9 employees) declined by 9.1%, in absolute terms by 0.3 billion euros.

As can be seen from chart no. 17, the share of micro enterprises (0-9 employees), of the total import volume in 2009 was 14.7%, in absolute terms 5.0 billion euros, while this category included companies with an unknown number of employees importing a volume of 0.3 billion euros, representing 0.8% of total imports without estimated data. Small enterprises (10-49 employees) accounted for 16.1% of the total imports, in absolute terms 5.5 billion euros and medium enterprises (50-249 employees) contributed 14.9%, in absolute terms 5.1 billion euros. The largest share of 54.3% of total imports was accounted for by large enterprises, representing 18.5 billion euros. The SME share of total imports in 2009 was 45.7%, representing 15.6 billion euros, an annual increase of 2.9 pp.

The development of imports in the years 2003 - 2009 by size-categories is shown in chart 18. The most significant decline in imports in 2009 was recorded by large enterprises (250+ employees), as much as 29.9%, a decline in absolute terms of 7.9 billion euros compared to 2008 Medium enterprises (50-249 employees) decreased by 25.2%, in absolute terms by 1.7 billion euros while small enterprises (10-49 employees) imported 24.2% less, in absolute terms a decline of 1.8 billion euros. Micro enterprises (0-9 employees) imported 12.8% less in absolute terms, an increase of 0.7 billion euros.

In the period 2002 to 2008 the export volume (without estimating data) had grown year on year growth by an average of 12.2% and exports of SMEs had grown by an average of 14.7%. In 2009, however, this trend turned around when there was an inter-year decline in exports by 23.6% and 15.1% for SMEs. The share of SMEs as a percentage of total exports rose by 10.5 percentage points from 2002 to the level of 38.7% in 2009, while the year-on-year growth in the share of SMEs of 3.9 percentage points in 2009 was influenced by the particularly significant year on year reduction in export volume in the category of large enterprises by 28.2%.

From 2002 to 2008 the average annual growth of imports (excluding estimated data) was 10.2% with the category of SMEs growing by 9.5%. In 2009, however, as with exports, there was an inter-year decline in imports by 26.2% and 21.2% for SMEs. SME share of total imports in 2002 decreased by 0.9 percentage points and amounted to 45.7% in 2009. The year-on-year increase of 2.9 percentage points in the share of imports by SMEs in 2009 was mainly influenced by the significant decrease the volume of imports in the category of large enterprises (29.9%) than in the category of SMEs (21.1%).

### **3.7 Dynamics of the development of legal entities and sole traders**

Since 2007 the Statistical Office has published data on the number of economic entities created and defunct according to the methodology for business demography, by which newly created entities are defined as legal entities and sole traders who had sales or employees in the year concerned, and had neither revenues nor employees during the previous two years. Defunct operators are defined as legal entities and sole traders who were active in a given year, but had no sales or employees in the next two years. Legal persons other than Enterprises include non-profit institutions.

According to the methodology for business demography, the most recent data generated for newly-created and newly-defunct economic entities is that published for 2007. During 2007, using this methodology, a total of 49 859 entities (legal entities and sole traders) were created. There were 46 473 newly-formed entities in the size-category of 0-4 employees. The category of 5-9 employees had 1 949 entities, whereas the category of 10 or more employees had 1 436 entries. In comparison with 2006, the total number of newly established economic entities was 1833 higher. In terms of sectorial structure, (according to the statistical classification of economic activities - NACE Rev. 1.1) in 2007 most new entities originated in trade, manufacturing, construction, real estate and the other of their business activities.

Based on Eurostat data, the percentage of newly-formed entities compared to the total number of active entities according to the methodology for growth in new Enterprises in selected sectors (category NACE C to K) in Slovakia was 13.3% in 2007, remaining unchanged compared to 2006. Within each sector, this indicator ranged from 7.4% to 17.7%, with the highest values recorded in other community and social services (17.7%), manufacturing (17.0%) and financial intermediation (15.0%). Conversely the lowest values were in the education sector (7.4%), medical and social assistance (8.7%) and hotels and restaurants (9.4%). The percentage of newly-formed entities in selected industries (NACE category C to K) and EU countries is presented in chart 30.

**Tab. No. 3.3: Establishment of legal entities and sole traders in the SR by size category of workforce and economic activity (OKEČ)**

<b>Establishment of enterprises in the SR</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Size category</b>						
0 – 4	43 866	25 021	29 804	21 774	47 097	46 473
5 – 9	383	685	834	1 286	570	1 949
10 and more	413	564	639	950	358	1 436
<b>Total number</b>	<b>44 662</b>	<b>26 270</b>	<b>31 277</b>	<b>24 010</b>	<b>48 025</b>	<b>49 858</b>
<b>Economic activity (OKEČ)</b>						
Mining and quarrying	11	6	9	14	5	20
Manufacturing	7 015	3 652	4 037	3 306	10 533	11 072
Electricity, gas, water	7	7	19	13	29	38
Construction	6 666	3 833	4 264	3 549	8 338	8 840
Trade	15 780	10 210	11 644	7 327	15 603	13 995
Hotels and restaurants	1 808	1 252	1 428	1 263	1 014	1 488
Transport, Post, Telecommunications	1 596	982	1 315	934	1 434	1 657
Financial intermediation	295	72	95	69	1 033	597
Real estate, renting, commercial.	8 507	4 347	6 080	5 483	6 829	7 511
Education	444	296	481	409	480	493
Health care, social assistance	493	436	479	737	1 091	1 037
Other community, soc. and personal services	2 040	1 177	1 426	906	1 636	3 110
<b>Selected industries together</b>	<b>44 662</b>	<b>26 270</b>	<b>31 277</b>	<b>24 010</b>	<b>48 025</b>	<b>49 858</b>

**Source:** Statistical office of the Slovak Republic, Slovstat database

The latest figures on the numbers of newly defunct entities are those published for the year 2006, which are interim data. In 2006, according to the given methodology 52 157 subjects (legal entities and sole traders) became defunct. Of the total number of closed Enterprises 50 787 entities were in the category of 0-4 employees, 711 subjects were in the category of 5-9 employees, while 659 Enterprises had 10 or more employees. In comparison with 2005, the total number of newly defunct Enterprises was 16267 higher. In terms of sectorial structure (according to statistical classification of economic activities - NACE Rev. 1.1) most subjects in 2006 had become defunct in the trade, manufacturing, construction, real estate and other business activities sectors.

According to Eurostat data, the proportion of newly defunct players as a percentage of the total number of active entities, according to the demographic methodology for growth in new Enterprises in selected sectors (OKEČ categories C to K) in Slovakia was 14.3% in 2006, an increase of 3.7 percentage points compared to 2005. Within each sector, this indicator ranged in terms of value from 6.3% to 16.1%, with the highest values seen in the trade sector (16.1%), financial intermediation (15.5%) and other community and social services (14, 8%). Conversely the lowest percentage values were seen in the medical and social assistance sector (6.3%), the electricity, gas and water sector (6.7%) and the education sector (9.9%). The proportion of newly defunct entities in selected sectors (OKEČ categories C to K) and EU countries is presented in Chart 32.

**Tab. No. 3.4: Newly defunct legal entities and sole traders in the SR by size category of workforce and economic activity (OKEČ)**

<b>Business Closures in the SR</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Size category</b>						
0 – 4	29 417	29 900	25 337	14 705	33 603	50 787
5 – 9	346	221	1 086	228	1 136	711
10 and more	365	349	1 304	219	1 151	659
<b>Total number</b>	<b>30 128</b>	<b>30 470</b>	<b>27 727</b>	<b>15 152</b>	<b>35 890</b>	<b>52 157</b>
<b>Economic activity (OKEČ)</b>						
Mining and quarrying	20	5	15	2	5	12
Manufacturing	4 583	6 077	4 220	2 053	5 196	8 548
Electricity, gas, water	24	8	11	5	12	18
Construction	3 544	5 940	3 180	1 626	5 170	7 559
Trade	13 315	10 002	12 243	6 397	12 667	19 366
Hotels and restaurants	1 308	936	1 174	748	1 662	1 975
Transport, Post, Telecommunications	1 315	976	1 076	780	1 487	1 814
Financial intermediation	153	265	292	147	152	538
Real estate, renting, commercial.	4 495	4 660	3 914	2 427	6 216	8 501
Education	191	348	215	169	482	664
Health care, social assistance	202	40	210	190	546	719
Other community, soc. and personal services	978	1 213	1 177	608	2 295	2 443
<b>Selected industries together</b>	<b>30 128</b>	<b>30 470</b>	<b>27 727</b>	<b>15 152</b>	<b>35 890</b>	<b>52 157</b>

**Source:** Statistical office of the Slovak Republic, Slovstat database

According to Eurostat data, of the total number of newly established entities in the selected sectors, 73.8% of Enterprises were active at the end of their first year since inception, and this percentage decreases each year until it is down to 42.6% at the end of the fifth year since the inception of the business. The proportion of active entities two years after their creation in selected sectors and in EU countries is shown in chart. 31.

**Tab. No. 3.5: Percentage of active entities after each year since their inception (i.e. survival rate) in selected sectors in Slovakia in 2007 (in %)**

<b>Business area (NACE Rev. 1.1)</b>	<b>1 year</b>	<b>2 year</b>	<b>3 year</b>	<b>4 year</b>	<b>5 year</b>
Industry	75,4	69,7	61,6	53,8	42,1
Construction	74,9	66,0	60,9	50,9	42,6
Services	72,7	64,9	58,7	48,8	42,7
<b>Selected business areas total</b>	<b>73,8</b>	<b>65,9</b>	<b>59,4</b>	<b>49,9</b>	<b>42,6</b>

**Source:** Eurostat, Business demography statistics

Newly established Enterprises in selected industries at the end of their first year since inception make up 9.7% of the total number of active entities. Enterprises at the end of the fifth year since their establishment make up only 5.2% of the total number of active entities (4.5 percentage points lower when compared with the first year).

**Tab. No. 3.6: Share of newly-started Enterprises for different number of years after their inception as a percentage of the total number of active business in SR in 2007 (in %)**

<b>Business area (NACE Rev. 1.1)</b>	<b>1 year</b>	<b>2 year</b>	<b>3 year</b>	<b>4 year</b>	<b>5 year</b>
Industry	12,2	7,8	3,8	3,0	4,5
Construction	10,3	9,2	4,3	3,2	4,7
Services	8,8	8,4	5,6	3,8	5,6
<b>Selected business areas total</b>	<b>9,7</b>	<b>8,4</b>	<b>5,0</b>	<b>3,6</b>	<b>5,2</b>

Source: Eurostat, Business demography statistics

### 3.8 Regional perspective

The regional breakdown of number of entrepreneurs and SMEs in various regions of the SR is shown in Figure. 19. From the point of view of assessing a region's economic activity, the number of active Enterprises as the proportion of the number of the economically active population has a greater ability to explain. This comparison is shown in chart. 20. This indicator reaches emphatically the highest values in the Bratislava region, the disproportion is more pronounced for Enterprises are legal entities. The overall level of economic production of the regions divided into various sectors of the economy is shown in chart. 21.

By territorial division at the end of December 2009, the largest number of Enterprises was registered in the Bratislava region (43 034). In other regions the numbers ranged from 11 107 (Trenčín region) to 13 296 (Košice region). There was a year-on-year increase in the number of enterprises in all regions, most markedly in the region of Bratislava (9.7%), with the lowest increase in the Trenčín region (1.1%).

The most sole traders were operating in the Bratislava (63 227) and Prešov (60 066) regions, with the least in Košice region (42,859). The number of sole traders decreased in all regions. The highest loss of Enterprises was seen in Košice region (2%), while the lowest decline was in Trenčín region (0.2%).

Broken down by region, the most significant portion of revenues was in industrial Enterprises headquartered in the Bratislava region 33.2%. The shares of other regions were in the range from 4% (Prešov region) to 16.8% (Trnava). Revenues declined year on year in all regions, with the largest declines in the Banská Bystrica (28%) and Prešov regions (about 25.6%).

More than a quarter of production of construction enterprises was the result of the activities of traders in the Bratislava region (27.0%). Their share exceeded by more than ten percent that of the Žilina region (15.5%) next were the Košice (11.4%) and Prešov (10.8%) regions. All regions experienced an annual decline construction output, with the biggest falls in the Trenčín (18.1%) and Trnava regions (3.9%).

In wholesale, the highest proportion of total revenues was taken by Enterprises located in Bratislava region (43.2%). Other regions accounted for a share of 3.7% (Banská Bystrica region) to 11.5% (Košice region). Wholesalers' turnover declined year-on-year in all regions, but by most in the Banská Bystrica region, which saw a fall of 55.1%.

In the retail sector, in terms of region, the highest share of revenues was gained by Enterprises headquartered in the Bratislava region (40.8%). Other regions contributed from 6.3% (Prešov region) to 10.7% (Nitra region). There was a year-on-year fall in retail sales in all regions, with the largest fall in the Trenčín region (19.7%).

In 2009, in the sale and repair of motor vehicles almost half of the total amount of revenues was for operators located in Bratislava region (48.8%). Other regions accounted for from 4.8% (Prešov region) to 10.6% (Košice region). Year-on-year sales declined most in Prešov (about 29.1%) and Bratislava (25.3%). Sales rose year on year in Košice (9%) in Nitra (8.6%) and Trnava Region (5.8%).

In transport and storage (excluding postal and courier services) 62.8% of revenues for goods or services were made by entities located in the Bratislava region. The share of other regions ranged from 4.1% (Košice region) to 7.1% (Nitra). Year-on-year sales fell in all regions, except Prešov (growth of 7.5%) and Trenčín (2.3%). Sales fell most in Banská Bystrica Region (by 23.6%).

In selected market services entities established in the Bratislava region accounted for 57.8% of total revenues. The share of other regions was 4.4% (Prešov) and 7.3% (Trnava and Košice regions). Sales fell in all regions except Žilina (increase of 2.5%) and Trnava (growth of 2.4%). Year-on-year sales fell most in Prešov region (17%).

### **3.9 Position of SMEs in the economy of Slovakia - summary.**

In 2009, as estimated by the Statistical Office, gross domestic product in current prices was 63 331.6 million euros an actual decline of 4.7% compared to 2008 (in 2008 it had grown by 6.4%). At current prices, the volume of Gross Domestic Product had dropped by 5.8%.

Value added generated 57 547.7 million euros of the gross domestic product. This was a year-on-year decrease of 4.6%. The private sector created an estimated 93.4% of gross domestic product (by 0.5 percentage points higher than in 2008).

The decline in gross domestic product was mainly a result of a reduction in foreign demand. The volume of exports of goods and services decreased by 16.5%, and imports of goods and services by 17.6%. Domestic demand dropped by 5.8%. The year-on-year decline in domestic demand was contributed to by all of its main constituents. One significant aspect was the decline in expenditure on gross capital formation (21.4%), mainly due to a decline from high stock levels. Household final consumption decreased by 0.7% and consumption of non-profit organisations by 1.7% (constituting 1% of GDP). Annual growth of 2.8% was recorded in the final consumption of government.

The decrease GDP was associated with a decrease in gross output by 10.8% to 138 670.2 million euros and a decrease in intermediate consumption by 14.8% to 81 122.5 million euros. The share of intermediate consumption as gross output was lower by 2.7 percentage points making up 58.5%.

According to preliminary data from the Statistical Office of the Slovak Republic Enterprise Survey, the share of small and Medium enterprises (legal persons - non-financial

corporations) in the basic economic indicators in the non-financial sector has not changed significantly. The share of small and Medium enterprises (legal persons - non-financial corporations) in the non-financial corporate sector compared to the gross domestic product increased by 0.9 percentage points to 43.1%, the share of value added declined by 0.5 percentage points to 54.8% and profit before tax fell by 1.2 percentage points to 57.1%.

The share of gross domestic production in non-financial corporations was 22.9% by small Enterprises (growth of 1.0 percentage points) and for in Medium enterprises the figure was 20.2% (down 0.1 pp) and for large enterprises 56.9% (down 0, 9 pp) (Chart no. 22). At current prices the fall in gross output for SMEs is 13.3% and in large enterprises the decrease is 16.5%. The share of created added value in non-financial corporations was 33.5% for small Enterprises (a decrease of 0.8 percentage points), for Medium enterprises 21.2% (growth by 0.3 percentage points) and for large enterprises 45.2% (an increase of 0.5 percentage points) (Chart no. 23). At current prices value added in SMEs fell by 9.8% and in large enterprises by 8.0%.

The share of profit before taxation of non-financial corporations for small enterprises was 44.6% (an increase of 2.2 percentage points), for Medium enterprises it was 12.5% (down 3.4 pp) and for large enterprises it was 42.9% (an increase of 1.2 percentage points) (Chart 24). The year-on-year decline in profit in SMEs was 31.9%, while the figure was 28.6% for large enterprises. According to the methodology of the Statistical Office of the Slovak Republic, non-financial corporations are regarded as profit-oriented Enterprises registered in the commercial register in all areas of activity, except financial activities. This also includes organizations receiving state money that cover more than 50% of their expenses with their own revenues.

According to the Labour Force Survey, in 2009, on average 2 365.8 thousand people worked in the national economy of the Slovak Republic, of whom 1 994.7 thousand were employees, 286.5 thousand were sole traders without employees, 81 thousand sole traders with employees and 3 300 workers helping family members. As an annual comparison, in the year 2009 there was a fall in employment of 2.8%. The number of persons working was lower by 68 thousand. This was caused by a fall of 99.5 thousand in the number of employees (4.8%) to 1 994.7 thousand. persons. There was an increased number of entrepreneurs without employees by 32.2 thousand (12.7%) to 286.5 thousand, and of businessmen with employees by 3.1 thousand (4%) to 81 thousand and in workers helping family members by 0.3 thousand (10%) to 3.3 thousand. persons.

Based on the results of the monthly business survey in selected branches of the non-financial business economy (industry, construction, wholesale, retail, freight road transport and selected market services) employment in SMEs in these sectors dropped by 13.4% year on year, with the numbers of self-employed falling by 18.2%, employment in small enterprises by 11.3% and in Medium enterprises by 8.7%. There was a decline of 9.6% in employment in large enterprises in the selected sectors.

In the foreign trade of goods and services there was, according to preliminary results, a deficit (in current prices) of 59 million euros. For the year 2009, goods totalling a value of 39 715.6 million euros were exported from the Slovak Republic. Total imports of goods amounted to 38 528.7 million euros. Compared with 2008, total exports of goods decreased by 19.8% and total imports of goods by 23.4%. The export performance of the economy, expressed as a proportion of products and services to total GDP fell in 2009 in current prices

to 70.1% (down 12.9 pp). Import demand, expressed as the proportion of imports of goods and services to total GDP fell in 2009 to 70.4% (down 14.9 pp).

### 3.10 Comparison with available EU sources

The structure of the business sector in Slovakia is largely similar to the patterns in other EU countries. To compare the structure of the business sector and its share in employment in the Slovak Republic and countries of the EU-27 in terms of size structure data published by Eurostat and the Statistical Office of the Slovak Republic has been used. These data show some differences, which needs to be taken into account during mutual comparison.

Data for the EU - 27 is compiled using Eurostat methodology for Structural Business Statistics and covers the non-financial corporate sector of the economy (industry, construction, trade, services - i.e. the NACE Rev. 1.1. C to I and K). In the data for the EU-27 in the case of Slovakia, unlike for other countries, only data for legal entities doing business is included. The statistics also show that of the total number of nearly 21 million Enterprises in the non-financial business economy in the EU, 99.8% are SMEs (with a strong representation for micro with 93.7%) and they provide 67.1% .of employment.

Data for Slovakia in the table below covers the selected sectors non-financial enterprise economy (industry, construction, wholesale, retail, road and freight transport and selected market services - by SK NACE), in which, according to results of company surveyed the available employment data according to size categories of Enterprises (including sole traders). According to data presented are SMEs in Slovakia from the total number of Enterprises in selected sectors of the non-financial business economy, 99.9% share (micro representation is 94.1%) and participate in employment 68.6%.

**Tab. No. 3.7: Size structure of enterprises in the non-financial business economy**

		Size of business					SME	Total
		micro	small	medium	large			
		(0-9)	(10-49)	(50-249)	(250+)			
EU - 27 (2007)	number of enterprises in the non-financial business economy (000 s)	19 556	1 053	227	44	20 836	20 876	
	<i>share of total number of Enterprises</i>	93,7%	5,0%	1,1%	0,2%	99,8%	100,0%	
	number of employees in the non-financial business economy (000 s)	44 498	22 482	22 743	43 985	89 723	133 751	
	<i>share of employment</i>	33,3%	16,8%	17,0%	32,9%	67,1%	100,0%	
Slovakia (2009)	number of enterprises in selected areas of the non-financial business economy	418 156	23 197	2 394	589	443 747	444 336	
	<i>share of total number of Enterprises</i>	94,1%	5,2%	0,5%	0,1%	99,9%	100,0%	
	number of employees in selected areas of the non-financial business economy	326 216	226 210	209 981	349 782	762 408	1 112 190	
	<i>share of employment</i>	29,3%	20,3%	18,9%	31,4%	68,6%	100,0%	

Source: Data for Slovakia: Statistical Office, a business survey, Register of organisations  
Data for EU 27: Eurostat, Structural business statistics

#### **4. Recommendations for further improvement in the business environment and for the development of SMEs**

A favourable business environment is a prerequisite for long-term competitiveness and economic growth in a market economy. Development in the sector of small and Medium enterprises is particularly sensitive to the quality of business environment and is involved to a great degree in the creation of GDP and with an irreplaceable role in the field of employment.

As was presented in previous chapters, the business environment in Slovakia still has problems in certain areas, such as problematic enforcement of legal rights, often changing legislation, passed without an analysis of the effect on the business environment, high administrative burden for business, public sector inefficiency, a poor range of e-government service, high social and similar insurance costs and an administratively demanding mechanism for paying those sums, continuing practices of cronyism and corruption. The process of addressing these shortcomings is progressing very slowly or even not at all.

A common feature of those problem areas in the business environment is their complexity and dependence on multiple functions of government. For this reason, any further improvement in these areas requires a systematic approach, interdepartmental coordination and active cooperation of the entrepreneurs themselves. In order to achieve improvements in business, several key documents are being put into practice, which not only point out these problems, but also propose measures to address them. They are mainly the documents: *Slovakia 21 Modernization program*, *Concept of reform of tax and customs administration with the aim of unification of tax, duty and insurance charges*, and *proposal for a methodology for the evaluation of selected impacts*, which builds on the *better regulation agenda in Slovakia*.

Those materials represent significant progress, as we noted in the preceding paragraph, in that not only do they identify problem areas in the business environment but also propose solutions to these problems together with the dates for their implementation.

The economic crisis in Slovakia has brought some impetus to intensify the search for solutions to the most sensitive problems in the business sector. In the coming time it is necessary to focus on the adoption of policy measures for the long term continuation of the systematic improvement of the business environment, which has the potential to restart economic growth and create a competitive advantage for our Enterprises. Some guidance for improving the business environment is the *Small Business Act for Europe* (SBA) initiative, whose objective is to permanently embed the attitude of "think small first" in the process of policy making from regulation to public service, and to support the growth of SMEs by providing assistance in coping with problems which hamper their development. In Slovakia, it is essential that this attitude and the 10 principles set out in SBA are embraced by all authorities with a significant impact on the business environment, i.e. also by non-economic authorities.

Following the adoption of SBA, in the near future the Government of the Slovak Republic should prepare a new concept for the promotion and development of small and Medium enterprises that would ensure the application of the principles of the SBA in the development of legislative, policy and strategic materials by different authorities and re-define the

objectives of developing the SME sector, the framework for the use of support mechanisms for SMEs and their institutional arrangements.

Based on findings from previous chapters, in order to improve the business environment and to improve conditions for long-term development of SMEs, we propose taking the following measures.

#### **4.1 In the area of legislative and administrative barriers**

- Minimize changes to laws in order to improve legal certainty and thereby stabilize the regulatory environment for SME activities. In order to eliminate the inconsistent interpretation of legislation ensure that the responsible department (the creator of legal norms) is required to provide an authoritative interpretation of the wording of the law.
- Use all the elements of better regulation policy in the legislative process ("Better regulation"), as defined by the OECD or the European Commission. The process of preparing legal regulations needs to be carried out in consultation with stakeholders at an early stage of the preparation of legislation (representatives of business, enforcers of regulations et cetera) and the impact of the proposed regulation on the business environment needs to be assessed using a binding and common methodology. The system for impact assessment must bring quality to this process and provide methodological support to the ministries in carrying out the analysis. The staff of government bodies involved in the preparation of legislation should be trained to be able to objectively evaluate the impact of regulation on the business environment and apply methods to eliminate unnecessary burden for the business sector.
- Set a reasonable time between the adoption of regulation and its entry into force when adopting legislation affecting the SME sector, so that they come into force on only one date in the year (e.g. 1 January), or alternatively on two dates at the start and middle of the year.
- Submit proposed laws in as simple and clear form and content as possible. Introduce an obligation for the proposer to present, along with the draft law, a simple, concise and easy to understand explanation of the rules and obligations arising from it.
- Introduce an obligation for the respective ministry to evaluate the real impact of the legislation a certain time after its adoption and in the case of the identification of an adverse negative impact on the business environment, to make the necessary adjustments.
- Follow up on the carried-out analysis of the administrative burden on business, resulting from existing legislation. Based on this analysis to identify opportunities to reduce administrative burdens and to proceed to their systematic reduction.
- Remove disproportionate penalties from state, municipal, and other public administrative bodies against SMEs for single infringements, particularly non-financial. In the case of minor deficiencies to introduce the principle of the requirement of prior notification of sanctions. The supervisory authorities should apply, especially for smaller Enterprises, the principle of prevention before repression, i.e. educational activities for the target audience to ensure a higher degree of compliance. Establish the coordination of the processes of

several supervising authorities in relation to the supervised entity in order to avoid multiple checks of the same facts by different bodies.

- Continue to create the conditions for a just resolution of disputes without unnecessary delay to improve the quality and efficiency of court system, increase the enforcement of rights by modifying the civil court procedure codes, notably by streamlining procedures, including laying down deadlines for action by the court hearing a particular matter. Lengthy enforcement of legal rights during the economic crisis could lead to the rapid spread of secondary insolvency and threaten viable Enterprises.
- In the field of commercial law actively promote the use of alternative methods of dispute settlement and increase awareness of Enterprises in this area.
- Change the rules for the functioning of the courts in terms of personnel and technical (greater specialization of courts, judges qualifying professional examinations of the new rule-making, electronic records and files, et cetera.)
- Increase accountability of executors for their conduct during the exercise of their activity executor.
- Shorten the time for issuing business licenses to an “on-line” (i.e. while you wait) basis.
- Shorten the time for the registration of a company in the commercial registry to two working days.
- Broaden the scope of single contact points (SCP) to also include Enterprises doing business on a basis other than business license, and to allow Enterprises to complete administrative procedure carried out by commercial courts at an SCP. Continue to simplify administrative procedures for starting a business. Shorten the administrative time needed for start-ups in line with EU requirements (maximum 3 working days). Gradually expand the scope of SCPs to include the provision of the most common authorization and licensing procedures.
- Simplify the administrative procedure for payment of payroll deductions by introducing the common collection of taxes and deductions and their accounting, to simplify the calculation of payroll deductions by unifying the calculation bases for social insurance, health insurance and other charges.
- Abolish the system of submitting accounts for contributions to health insurance and replace it with a system, by which health insurance companies will obtain all the information necessary for accounting from the tax and social insurance offices, alternatively to introduce a uniform payroll-tax return.
- Remove the application of the VAT deduction co-efficient on inputs when making supplies to exempt entities. Enable the application of VAT deduction for all goods and services, thereby simplifying the submission of VAT returns.
- Establish the repayment of excess VAT within 30 days for quarterly payers from time of enforcement without retroactivity in conditions. We see no reason for the application of the 30 day limit only for monthly payers and not the quarterly.

- Allow the use of the tax allowance for sole traders who are beneficiaries of retirement pensions.
- For the regulation of insolvency proceedings, it is necessary to continue looking for opportunities to empower bankruptcy creditors and to accelerate and streamline bankruptcy proceedings, defining the basis for calculating the remuneration of trustees in bankruptcy and adjust the procedures for earning money from bankruptcy to avoid excessive reductions, with the aim of a higher level of satisfying creditors,
- Informatization of state and public administration to remove several repetitive requests for information, documents and data on Enterprises. Accelerate the introduction of e-government services to make processes in all areas more efficient, where government interacts with Enterprises.
- Create conditions to stimulate the widespread use of electronic signature by Enterprises.
- Propose and adopt measures to remove barriers to the greater involvement of SMEs in public procurement of goods and services, to limit their possible exclusion from tenders, or the abuse of formal tenders in government and in local government. The system of electronic procurement should be extended, which would subsequently largely replace the traditional public procurement process for the purchase of goods by the public administration.
- Establish a duty on public authorities to publish any form of public procurement contracts below the minimum threshold at one central website, which will greatly facilitate the access of SMEs to public procurement contracts.

## **4.2 In the area of access to capital and support programs**

- Prepare a medium-term strategy of development and support of SMEs, which would redefine the aims of development of the SME sector, redefine the framework for the utilization of support tools for SMEs, redefine their institutional support and coordination as well as modify the legal framework of the business environment in order to eliminate the barriers to the development of SMEs in Slovakia. The strategy should follow the guidelines defined in EC Document *Small Business Act for Europe*.
- Ease the access to start-up funds for new entrepreneurs by increasing the number of loans on favourable terms or guarantees, as the banking system always considers such clients as a risk. It is especially necessary to strengthen the SZRB guarantee programmes and the NADSME micro loan programme, while in future it will be necessary to evaluate regularly the need to add resources to such programmes.
- In order to increase the survival rate of start-ups it is necessary to link support for new and small enterprises through providing grants and micro loans with the provision of education and counselling services.
- Support start-ups with contributions for self-employment activity not dependent on the entrepreneur having been on the unemployed lists and having remained on them for a certain time.

- Improve the access to risk capital for innovative start-up Enterprises through the establishment of systems based on the involvement of private and public resources while keeping to market principles. Consider the possibility of tax advantages for people investing into funds of risk capital or directly into starting innovative companies. Carry out programmes to improve readiness of SMEs to use risk capital (“investment readiness” programmes).
- Identify and eliminate legislative barriers in the area of capital market development and ensure its functioning.
- Improve conditions for new small and Medium enterprises to find suitable premises for doing business in business incubators or industrial parks. Provide further support for building incubators should be focused on the establishment of incubators oriented to support innovative enterprises in the areas with high added value, connected to universities or scientific research centres.
- Move the focus of support for companies in incubator care away from providing premises and connected services in favourable conditions towards specialized counselling and gaining finance so that they can grow as quickly as possible and successfully become established in the market.
- Systematically support the establishment and development of clusters to strengthen the links of SMEs to industry leaders, their involvement in networks and connection to research-development and innovation centres in promising sectors (machine engineering, automotive industry, electronics industry, and information technologies) in order to increase their competitiveness.
- Enable SMEs’ success on the single EU market and international markets by devoting more attention to the support of the export activities of SMEs. Specific support programmes should be developed to eliminate the typical weak points of SMEs in international markets such as insufficient experience with foreign-market transactions, insufficient knowledge of the market and adequate regulations, finding business partners, export financing and so on.
- Provide wider access to counselling services for SMEs through support programmes. Counselling services supported should focus on general counselling for start-up Enterprises and persons interested in entrepreneurship as well as specialized counselling about how to increase the competitiveness of SMEs in the areas of efficient management of small enterprises, innovative management, foreign trade et cetera.
- At present the most widely used form of support for foreign trade by SMEs is focused on customer-acquisition activity (participation at trade fairs, preparation of presentation materials) through time-limited events, which is inflexible and administratively demanding. It is necessary to change the conditions to make it possible for associations and unions to draw funds, so they can provide organisational services for SMEs at fairs, especially joint exhibitions so that they are able to use the resources more efficiently and comprehensively.

- Reduce administrative difficulty, shorten and simplify the procedures to get and use support for SMEs, which, especially in the case of programmes financed from structural funds, are inappropriately long and administratively demanding. Ease the financing of projects by using advance payments for SMEs. Exclude changes of rules from the publishing of requests for tenders through to the completion of projects.

### **4.3 In the area of education, consulting and awareness**

- The education system, which is at present focused particularly on preparation of young people to be employees, should be redirected to educate and encourage them to take more responsibility for themselves and others, by taking the path of being an entrepreneur.
- Support the development of business thinking, business culture and business skills in all levels of the school system, where the combination is needed of a formal approach (reform of the existing teaching curriculum) as well as an informal approach, including close contact with business in practise (known as student microfirms).
- The questions of educating and training future businesspeople should be the basis for creating a system of lifelong education. The foundation for changing the philosophy from an employee to an employer society must be created in the school system, to prepare high school and university graduates to be ready for self-employment by increasing their knowledge in the areas of business economics, law, information science and communications.
- Improved coordination between the educational and training system of secondary vocational schools and the needs of SMEs and create cooperation by linking practise and education institutions to reduce structural shortages in the labour market.
- Create a motivational system for investments into education; provide a higher level of support to schools whose graduates are in demand in the labour market.
- Introduce the provision of a compulsory minimum of economic and legal education at all levels and types of schools and definitively increase the quality of language education with the goal of improving the quality of the education system and adapting the content of education to long-term needs of the labour market.
- Increase investment in education through special programmes for SMEs and SME counsellors in support structures and organizations representing the interests of SMEs.
- Complete the network of Single Contact Points (SCP), which enable a person interested in doing business to carry out all administrative procedures to start trading, widen their function to provide advice for start-ups.
- Improve support for counselling and education to include opportunities of doing business in EU markets and those of third countries.

- Increase the transparency of the business environment by providing an on-line version of commercial register, which would allow free access over the internet to electronic versions of papers placed in the register of documents.
- Ensure permanent dialogue between the government and business about matters connected with the business environment. We suggest reactivating the council of the government for SMEs to intensify the dialogue between the Government and small enterprises.

#### **4.4 In the area of employment**

- Take steps to reduce administrative burden related to employing staff (hiring employees, the system of making contributions to funds) and adopt measures to decrease total labour costs by reducing the level of contributions to social and health funds based on a comprehensive and objective analysis of needs and of the possibilities for further reduction of the social and health insurance burden in the SR.
- Simplify the system of annual accounting by harmonising the basis for income tax, social security and health insurance payments, and by selecting a single deadline for submission at the tax office.
- Introduce an “allowance” before payments for social and health insurance are due, reducing the total labour costs for low income groups of employees and supporting their employability.
- Orient the system of active intervention in the labour market more towards supporting the creation of employment opportunities in small and Medium Enterprises, which show high capacity to absorb labour supply.
- With the aim of increasing the employability of the long-term unemployed, we suggest implementing a support system for employers in which the state would participate for certain period in social and health insurance payments for the business employing such a person. The length of the period of support should take into account necessary retraining of the newly-employed person or acquisition of regular working habits.
- Abolish the legal limit on overtime work in the presence of a voluntary agreement between the employee and employer.
- Add to the Labour Code a definition of gross breach of working discipline.
- Abolish the compulsory extension of the binding nature of higher-level (industry-wide) union agreements over company union agreements between employees and employers who are not members of the organization which concluded the relevant higher-level union agreement.
- Support self-employment using counselling services and education financed by state budget programmes for people interested in business.

- Change the basis of social support from a focus on people starting a business because of material hardship under certain economic pressure on unemployment benefits towards active support for those starting a business.
- Place emphasis on developing programmes and pilot projects to support the employment of high-risk groups in the labour market.
- For new firms and micro entrepreneurs, which do not employ any employees, the creation of first position for an employee means a significant increase in the administrative burden; therefore many enterprises without employees do not even consider employing somebody. As there is significant potential to create jobs in such enterprises we suggest concentrating all administrative procedures for employing workers in one place, which would also provide comprehensive information about the responsibilities of employer (similar to SCPs for starting a business).

## 5. State support for SMEs

### 5.1 The Economy Ministry of the Slovak Republic

The Ministry of Economy of the Slovak Republic (MoE SR) is a central body of the state administration of the Slovak Republic for industry, power, heat and gas, the mining, processing and preservation of minerals, **support for small and Medium Enterprises, strategy for the creation and support of the business environment, domestic trade, foreign trade, tourism and consumer protection**, health and safety in mining, hallmarking, testing of precious stones, monitoring the ban on development, manufacture, storage, the use and trade in chemical weapons and their precursors, coordination of economic mobilization and the privatization of state property.

In 2009, the responsibility of the MoE was granted a budget of EUR 164.84 million euros, of which the European Union funded 101.98 million euros, which represents 62% of total help provided. The Sectorial Operational Programme: Industry and Services (eligibility period to 30.6.2009), state aid was paid in the form of non-returnable grants totalling 7.99 million euros. Within the Operational Programme: Competitiveness and Economic Growth, aid was provided in the form of non-returnable grants according to the scheme for state aid totalling 114.91 million euros. Additionally, aid provided within the framework of the following measures:

- N 324/2005 State aid for the Slovak coal industry for the years 2005 - 2010 amounting to 4.99 million euros,
- N 659/2006 State aid scheme for large companies amounting to 8.95 million euros,
- XR 84/2008, Law No 561/2007 on Investment Incentives and amending certain laws (the state aid scheme) amounting to 2.57 million euros,
- XR 158/2007 State aid scheme to promote regional development No. 1621/2007- 1000 of the sum of 0.37 million euros,
- Individual aid totalling 25.06 million euros.

In 2009, under the provisions of the Sectorial Operational Programme: Industry and services (SOP IS) 31 556 547.00 euros was drawn - 97.35% of the total budget of the SOP IS.

**Tab. No. 5.1: Utilisation of provisions in the Sectorial Operational Programme Industry and Services**

<b>Provision of SOP Industry and services</b>	<b>Drawn in Euros</b>
07K 01 01 Support for the development of new and existing Enterprises and services (Measure 1.1)	11 780 928
07K 01 02 Support for energy saving and the use of renewable energy (Measure 1.4)	3 960 982
07K 01 03 Support for the construction and renewal of infrastructure (Measure1.2)	1 467 879
07K 02 01 Support for the promotion of entrepreneurship, innovation and the application of research (Measure1.3)	397 323
07K 03 01 Support for business activities in tourism (Measure 2.2 )	2 049 459
07K 03 02 Support for the construction and renewal of infrastructure for tourism (Measure 2.1)	7 062 118
07K 03 03 Support of the public promotion of tourism and the creation of an information system (Measure 2.3)	2 975 274
07K 04 01 Development of international cooperation and the image of tourism	842 982

(Measure 1.5)	
07L 01 Technical support for both priorities and feasibility studies	1 019 602
<b>Total</b>	<b>31 556 547</b>

In 2009, under the provisions of the **Operational Programme: Competitiveness and Economic Growth** (the OP CEG) a total of 64 429 309.00 euros was drawn - 7.09% of the total budget. The goal of support within the framework of the OP Competitiveness and economic growth is to maintain and develop competitive and effective manufacturing potential for industrial production, energy and the potential for tourism and other selected services in terms of sustainable development and thus contribute effectively to raising the economic performance of Slovakia as whole, and reduce disparities in economic performance across the regions of Slovakia. Attention is paid to promoting activities with a positive impact on employment and innovative development.

**Tab. č. 5.2: Utilisation of provisions in the Operational Programme: Competitiveness and Economic Growth**

<b>Provision of the Operational Programme: Competitiveness and Economic Growth</b>	<b>Drawn in Euros</b>
07K 0E 01 Innovation and technology transfers (Measure 1.1)	7 108 115
07K 02 1C Support of common services for entrepreneurs (Measure 1.2)	10 003 411
07K 0E 02 Support for innovative activities in Enterprises (Measure 1.3)	35 294 118
07K 03 0D Support for business activities in tourism (Measure 3.1)	5 645 087
07K 03 0E Support of the development of information services for tourism, presentations of regions and Slovakia (Measure 3.2)	3 597 217
07L 09 Technical support for the Operational Programme: Competitiveness and Economic Growth	2 781 361
<b>Total</b>	<b>64 429 309</b>

**07K 0B INTERREG IVC** –the aim of the programme INTERREG IVC is to strengthen inter-regional cooperation between European regions during the programme period of 2007 to 2013. Within the framework of the projects to provide funding to cover the mandatory contribution to the Joint Technical Secretariat of the INTERREG IVC, the funds were drawn under the terms of their intended use. Following a requested from the JTS in Lille the treasury paid a total of 10 073 euros as a compulsory contribution for 2009.

In the MoE program **Business Support 2009** with a budget of 5,684,326 euros, funds of the sum of 5,682,926 euros were drawn in 2009. Funds were used to operate NADSME, to provide for the activities and tasks of the agency in accordance with concluded agreements on cooperation, to provide the National Programme for Increasing Productivity and Competitiveness, as well as for the Action Plan to Reduce the Administrative Burden.

### **5.1.1 SLOVAK INVESTMENT AND TRADE DEVELOPMENT AGENCY (SARIO)**

The Slovak Investment and Trade Agency (SARIO) is a non-profit organization of the MoE SR financed from state budget funds. The strategic goal of SARIO is to increase the standard of living of Slovak citizens through increasing employment and decreasing regional differences. Within the area of investment and trade support it promotes the advantages of the Slovak business and investment environment, attracts investors for important investments, organizes activities to support foreign trade, and provides counselling. Its other activities

include participation at general and specialized expositions and fairs, trade missions to foreign countries, receiving of foreign missions, export training programmes, provision of counselling services at home and abroad, and compilation of marketing studies.

**In the area of investment support** in Slovakia SARIO provides investment services and up-to-date information about the business environment for domestic and foreign investors, provides choice of most appropriate locations and real estate for implementation of investment aims. In 2009 SARIO's foreign investment support division successfully implemented 8 investment projects, ensuring investment flows of a total planned sum of 244,430,000 EUR, creating 2 625 to 4 450 new jobs .

**In the area of support for foreign trade** the implementation and application of program conclusions for pro-export policy through the Section for Foreign Trade (hereinafter referred to as SFT) was focused on small and Medium Enterprises directed at improving their sustainability and competitiveness during the time of the impacts of the economic crisis. The SFT, based on a worldwide analyses of the impact of economic crisis on the Slovak economy, implemented its findings into the business environment through activities that should strengthen and maintain the position and competitiveness gained so far for Slovak products in international markets based on greater flexibility in corporate governance, solutions and adaptations of products to customer requirements with the emphasis on improving quality, on innovation and the application of high technology and modern working methods, economic efficiency. The SFT targeted its activities towards industrial sectors that were hardest hit by the crisis: energy, mechanical engineering, the automotive industry, the electrical industry, the chemical industry and wood processing. The section focused on events that created space for direct presentation of Slovak exporters to foreign markets, to actively seek and facilitate contacts, and the creation of intergovernmental and mixed commissions for economic cooperation, economic forums, business missions, specialized workshops.

In implementing the **Sectorial Operational Programme Industry and Services 2004 - 2006** SARIO is fulfilling the role of the intermediary body under the managing authority and it is responsible for implementing measures 1.2 Support for construction and renewal of infrastructure (section on industrial parks) and 1.5 development of international cooperation and the image of the SR (a measure designated for SMEs). Under **measure 1.2 of SOP IS** a total of 7 closing payment requests for a sum of 1 072 608.00 euros were submitted to SARIO. In total by the year-end 14 projects had been completed. Under **measure 1.5 of SOP IS** 15 beneficiaries drew a total of 653 654.50 euros in 2009, as non-returnable financial contributions.

Within the framework of the implementation of the **Operational Programme Competitiveness and Economic Growth 2007 - 2013** SARIO as an intermediate body under the managing authority, provisioned activities within the process of open calls for projects during 2009.

Under **Measure 1.2 of OP Competitiveness and Economic Growth - Promotion of common services for entrepreneurs** – Support for the development of brownfield industrial parks had already been declared in 2008 by the managing authority in cooperation with SARIO, issuing a call for applications for non-repayable grants (code KaHR - 12VS - 0801). Processes related to the call ran over into the year 2009, i.e. the receipt of grant applications through to their approval was carried out in 2008. In 2009 successful applications for the non-returnable financial contribution were in the development process and then subsequently in

the contract-signing phase. The indicative amount of funds allocated for this call was 46.5 million euros. In the first stage 9 grant applications were received (delivered to SARIO) totalling 66 626 188.60 EUR and the total requested amount of grants was 62 970 263.71 euros. After the formal and physical checks and technical evaluation, the decision of the Selection Committee was to approve five grant applications, for which the contracts were signed in 2009 by the beneficiaries.

Under Measure 1.2 Support of common services for entrepreneurs – support for building brown and green industrial parks the second call for applications for non-repayable grants was declared in October 2009. The amount of funds allocated for this call was 50 million euros. A maximum limit of 40% of the allocation, i.e. 20 million euros has been set for the support of green industrial parks.

**Measure 1.1 - Innovation and technology transfers** - Sub-measure 1.1.3 - Support for participation of Slovak producers at trade fairs, exhibitions and as part of trade missions. In the new program period 2007-2013, the SARIO Operational Programme Competitiveness and Growth is implementing sub-measure 1.1.3, designed to "promote the participation of Slovak producers at trade fairs, exhibitions and as part of trade missions " for the private sector. Under this sub-measure, on 12 March 2008, a call: C & EG-113DM - 0801 for submission of grant applications was made, ending on 13.6.2008. The indicative amount of funds allocated for this call was 8 298 479.72 euros. By the deadline for applications in 2008, 41 grant applications totalling 8 287 161.42 euros had been received with a total requested amount of grant of 3 749 556.80 Eur. In 2009, after approval by the Selection Committee, contracts were drawn up for subsequent signature for 28 grants totalling the sum of 2 213 401.20 euros. Of the 28 approved projects, 26 projects were contracted, as in the case of one project, the recipient decided not to sign the contract for the NFC in a second case there was an "agreement to cancel obligations" Currently 25 projects are at the "implementation" phase and one project is classed as "Completed".

## **5.1.2 SLOVAK INNOVATION AND ENERGY AGENCY (SIEA)**

SIEA is subsidized organization in the Ministry of Economy, focusing on energy, efficient use of energy and innovation. SIEA acts as an intermediate body under a managing authority (MoE) in the implementation of the Sectorial Operational Programme Industry and Services and also the Operational Programme Competitiveness and Economic Growth.

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

**Call for applications C & EG - 1.1.1 SP-0801 "Promotion of innovation and technology transfer"**, with an indicative allocation of 49 790 878.31 euros. The call was declared on 31 March 2008, under the above measure. It closed on 4 July 2008. As part of this call, 308 applications for grant assistance (hereinafter referred to as "NFC") were received for grants totalling 250 045 362.66 euros. On 27 October 2008, 32 applications for NFC were approved with the total amount of grants at 47 092 632.80 euros, with 30 applications from SMEs for the NFC were chosen with the final amount of grant at 49 790 878.31 euros. Of the 32 successful applications for NFC three applications were not contracted. From the reserves, one request for NFC (Tuco, s.r.o.) was additionally contracted during the period with 5 877 795.90 Eur. In total 24 applications with total grant 22 178 529.67 euros were approved. Of

the projects involved in this call, by 31 December 2009 four recipients had physically completed the project, and within the study period only 1 project (Boto spol. s r.o.) was refunded, for 941 835.48 euros. No further requests for closing payments in 2009 had been reimbursed.

**Call for applications C & EG - 1.1.1 SP-0902 "Promotion of innovation and technology transfer"**, with an indicative allocation of 85 000 000.00 euros. The call for tenders was written out on 3 August 2009 deadline was 2 December 2009. In framework of the above call 169 applications for the grants of a total of 204 934 234.39 euros were received.

**Call for applications C & EG - 21DM-0801 "Increasing energy efficiency in production and consumption and introducing advanced technologies in energy"** - Scheme to promote sustainable development (de minimis aid scheme), with an indicative allocation of 23 235 743.21 euros. On 12 March 2008, the call was announced within the framework of the above measures. The deadline was 13th June 2008. As a result of this call 36 applications for grants requesting a total sum of 4 389 873.16 euros were received. Of those requests, on 4 September 2008, 11 applications for NFC totalling the sum of EUR 1 365 796.03 were approved, with 9 requests (SMEs) for NFC were contracted with the final grant amount standing at EUR 956 107.24. Within the framework of this call, by 31 December 2009, 4 beneficiaries completed the project physically, and within the study period no request for payment had yet been reimbursed.

**Call for applications C & EG – 21SP-0801 "Increasing energy efficiency in production and consumption and introducing advanced technologies in energy"** - Aid scheme for increasing energy efficiency in the production and consumption and introducing advanced technologies by direct aid, with an indicative allocation of 82 984 797.19 euros. On 11 August 2008 the call was announced within the framework of the above measures. The deadline was 16th January 2009. As a result of this call 87 applications for grants requesting a total sum of 147 650 025.60 euros were received. Of those requests, on 29 July 2009, 32 applications (SMEs) for NFC totalling the sum of EUR 69 866 365.14 euros were approved, with 32 applications for NFC were contracted with the final grant amount standing at EUR 69 866 365.14 euros. Within the framework of this call, by 31 December 2009, no beneficiaries had physically completed the project.

**Call for applications C & EG - 21DM-0901 "Increasing energy efficiency in production and consumption and introducing advanced technologies in energy"** - Scheme to promote sustainable development (de minimis aid scheme), with an indicative allocation of 15 million euros. On 4 May 2009 the call was announced within the framework of the above measures. Applications closed on 3 August 2009. As a result of this call 45 applications for grants requesting a total sum of 4 702 340.38 euros were received.

**Call for applications C & EG – 21SP-0901 "Increasing energy efficiency in production and consumption and introducing advanced technologies in energy"** – Aid scheme for increasing energy efficiency in both production and consumption and introducing advanced technologies using direct aid with an indicative allocation of 57 million euros. The call was announced on 26 October 2009 with the deadline for receiving applications for NFC set as 22 March 2010.

### 5.1.3 SLOVAK TOURIST BOARD

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

It also carries out the function of an Intermediary Body under the Managing Authority for the Sectorial Operational Programme Industry and Services 2004 – 2006 and the Operational Programme Competitiveness and Economic Growth 2007 – 2013.

Under the **Operational Programme Competitiveness and Economic Growth, Priority 3 - Tourism, measures 3.1 Support of business activities in tourism** the following calls for grant applications were announced:

- Call code KaHR-31SP-0801, duration of call 14.04.2008 - 18.07.2008, the amount allocated to the call was 82 984 797.19 euros - Scheme to promote entrepreneurial activities in tourism with comprehensive tourism products available all year round. The number of contracted projects with SMEs in 2009 was 22, involving a total amount of 76,039 439.75 euros.
- Call code KaHR-31DM-0801, duration of call 09.06.2008 - 12.09.2008, the amount allocated to the call was 16 596 959.44 euros - Scheme to promote entrepreneurial activities in tourism (de minimis aid scheme). The Number of contracted SME projects in 2009 was 20, involving a total amount of 3,526,369 euros.
- Call code KaHR-31SP-0802, call duration 16.09.2008 - 13.02.2009, the amount allocated to the call was 33 193 918.87 euros - Scheme to promote entrepreneurial activities in tourism in the comprehensive tourism products available all year round. The number of contracted projects with SMEs in 2009 was 9, totalling 35 628 409.92 euros.
- Call code KaHR - 31DM - 0902, call duration 20.7.2009 - 19.10.2009, the amount allocated to the call was 24.5 million euros.

### 5.1.4 INOVAČNÝ FOND n. f. (INNOVATION FUND)

Inovačný fond (Innovation Fund, non-investment fund), is an independent, non-profit, non-governmental legal entity which works in the territory of the Slovak Republic. It was established by the Ministry of Economy of the SR pursuant to law No. 147/1997 on non-investment funds. **The innovation fund aims at supporting sustainable development of intellectual values in the area of science, research and development and thereby to accelerate innovative growth in the SR.** It supports access to internal and foreign science, technical, economic and financial information, supporting the protection of internal intellectual property and know-how of Slovak entities and development of subsidiary tools of technical policy.

The Innovation fund is a non-investment fund which works on the principle of revolving (recoverable) financing. Since its establishment it supported the implementation of projects in the areas of machines, electronics and the chemical industry. To ensure that financial support

provided flows back to the fund, the Innovation Fund's contracts give it the right to use the applicant's property as security.

**The Innovation Fund supported 4 projects with returnable financial help, to which it provided the sum of 481 399.63 euros during 2009.** This involved supporting projects from the following companies:

- EVPÚ – ZVS, a. s., Dubnica nad Váhom, for the project "Building a technological base for higher level manufacture of stereometric AI workpieces, frames and manipulator carriers and of stable platforms for the sophisticated application of controlling and visualizing optical-electrical stations" (contract 1 / 2008) second tranche of EUR 44 811.79..
- PRVÁ ZVÁRAČSKÁ, a. s., Bratislava, for the project "Innovation of automated electron beam welding suite for industrial applications" (Contract 2 / 2008) second tranche of EUR 66 387.84 Euros.
- VÝVOJ Martin, a. s., to tackle the project "Intelligent measuring equipment" (contract no. 1 / 2009) first tranche of EUR 108 000.
- hameln rds, a. s., Modra, to address the project "Development of new production technology for medicinal products" (contract 2 / 2009). The first tranche of 200 000 euros was provided on 6 May 2009 and the second tranche of the sum of 62 500 euros was provided on 14 October 2009.

## **5.2 Ministry of Finance of the Slovak Republic**

**The ministry of finance of the Slovak Republic (MF SR)** is the central body of the state administration of the Slovak Republic in the area of finance, taxes and duties, customs activities, finance control and internal audits. It is in charge of:

- a) the development and implementation of finance, customs and prices policy (in accordance with policy including calculating the total deficit of the state budget, adoption and implementation of the state budget, administration of the financial assets and liabilities of the Slovak Republic, of capital markets, of insurance activities, of policy on taxes and duties, and of the financial and economic measures related to business,
- b) the action of the state administration in the areas of banking; building societies, additional old age pension insurance; foreign exchange administration and foreign exchange controls; unified accounting and accounting reporting; lotteries and similar gambling activities; in matters of the administration of state properties and in public and non-entrepreneurial areas of activities;
- c) the role of state supervision in relation to: the labour market, sickness insurance, retirement insurance, health insurance, the activities of additional private old age pension insurance agencies; meeting the conditions for the provision of the state bonus in relation to building savings; meeting the conditions for the provision of the state bonus with regard to mortgages and the financial management of the Social Insurance Agency.

Support for small and medium sized Enterprises from the MF SR is carried out through the activities of the Slovak Guarantee and Development Bank (SGDB) and the Export and Import Bank of the Slovak Republic (EXIMBANKA).

### **5.2.1 SLOVAK GUARANTEE AND DEVELOPMENT BANK (SZRB)**

Slovenská záručná a rozvojová banka, a.s. (Slovak Guarantee and Development Bank - SZRB) is a specialized bank, whose sole shareholder is the Ministry of Finance, which is governed by the Law on Banking and supervision is carried out by the National Bank of Slovakia. In conducting its activities it carries out the intentions of the government in promoting small and medium enterprises, as well as other national economic objectives. The Bank plays an important role in the banking system and the system of mechanisms and instruments of the state.

The target client segment for SZRB, which is mainly small and medium enterprises, has expanded strongly because of the need to address the impact of global financial and economic crisis. During the study period the Bank recorded a greater interest in products from clients as well as from cooperating banks. This development was influenced by the fact that commercial banks reconsider the criteria for additional funding of customers, and had undertaken a tightening of credit conditions for companies, whether large Enterprises or SMEs, and also eliminated some of areas of financing.

The Bank through its products provides unlimited possibilities for the financing of any areas of the economy, currently there are no sectors specified as not being subject to the bank's interest in providing financing. The support of major development projects is currently quiet.

SZRB maintains an important position and role in the banking sector, as it helps to finance entrepreneurs in solving liquidity problems, their stabilization, development and increasing competitiveness.

SZRB implements the intentions of state policy, such as funding for projects from cities and municipalities, regional authorities, but also much-needed renewal of housing stock. With a specific focus on the financing of riskier business groups (from less developed regions, start-ups or small and medium enterprises otherwise unsatisfactory to commercial banks, etc.), SZRB is able to accept higher risk and focus in particular on smaller deals (to spread risk), as well as compliance with the principles of prudence, and qualified assessment of the client, or project.

Throughout the year 2009, SZRB focused primarily on the performance of its primary mission of supporting small and medium enterprises. The Bank is fully aware of its mission and vision, and related responsibilities, which also coincides with the need to improve cash flows between banking and business.

In 2009 SZRB also pursued activities in the area of obtaining financial resources from foreign sources. Activities in this area were focused on the successful completion of the approval process, credit lines from the EIB and their subsequent utilization, credit lines from CEB and the preparation for the implementation of innovative financial instruments under the JEREMIE and related functioning of its subsidiary, the Slovak Guarantee and Development Fund. In this way, the bank has expanded the possibilities for small and medium enterprises and in terms of source-coverage.

A loan agreement between the EIB and SZRB was signed in July, and in September 2009 first tranche of EUR 25 million from the EIB's credit line was drawn. By 31.12.2009 using the credit line from the EIB, 16 loans had been approved totalling 5.9 million euros.

In 2009 an addendum was signed to the Framework Loan Agreement concluded between SZRB and CEB, which allowed the use of the remaining amount of credit of EUR 8.3 million euros for the renewal of the housing stock in Slovakia.

In March 2009, the SZRB established a subsidiary, SZRF, s.r.o. (The Slovak Guarantee and Development Fund). to implement the JEREMIE initiative and for innovative financing instruments from Structural Funds in Slovakia.

In order to contribute to the possibility of clients obtaining funds and to propose solutions aimed at improving the financing of small and Medium enterprises during the ongoing crisis, the SZRB continuously responded to the requirements of the market for the provision of existing products and to update them.

#### **6.1.1.1 Guarantee programs**

The year 2009 in the area of guarantees was marked by the extension of cooperation with commercial banks in providing fast bank guarantees in accordance with the signed Memoranda – “Memorandum on cooperation between SZRB, Eximbank and commercial banks represented by the SBA” and “Memorandum on cooperation in addressing the financial and economic crisis on the Slovak company between the Government and the Slovak Banking Association”.

Mutual cooperation between SZRB and commercial banks through the provision of fast bank guarantees helped, in the time of the global economic crisis, to create possibilities for accessing funds, also for entrepreneurs who did not have sufficient capital, or sufficient security, enabling the mitigation of the impacts of the crisis on business.

Guaranteed loans are designed to promote entrepreneurship in all sectors of the economy, for covering the operational needs of clients, as well as for investment purposes.

Framework contracts for bank guarantees I were signed in 2009 with the following banks: Slovak savings bank, Volksbank Slovensko, UniCredit Bank, Všeobecná úverová banka, the Československá obchodná banka, Dexia Bank Slovensko, Poštová banka, Prvá stavebná sporiteľňa, OTP Banka cooperation with Tatra banka also and continued.

As regards the fast bank guarantees product (II), in 2009 framework agreements were signed with Volksbank Slovensko, Slovenská sporiteľňa and with Tatra banka, while negotiations with other banks for this product were not completed during the study period.

#### **Bank guarantees for financial loans**

In 2009, SZRB supported clients with the following guarantee products:

- **Fast bank guarantees**

Guarantees I and II – for marketing purposes labelled as Classic and Premium guarantees. The SZRB provides guarantees for loans to commercial banks for small and medium enterprises, and up to 55% of the loan principal. This model is applied in two stages, namely:

- fast bank guarantees I, of up to 55% of the loan, max. 340 thousand euros.
- fast bank guarantees II, of up to 55% of the loan, max. 1 million euros.

In 2009, 853 fast bank guarantees were approved, with a total value of 59 360 120 euros. Using fast bank guarantees a wide range of bank loan products can be covered, whether for normal operations or to cover business investment plans.

- **Bank guarantees for financial loans**

Other types of guarantee products were offered for loans to small and medium enterprises in commercial banks and special guarantees for owners of apartments and office spaces as well as condominiums and office space including the apartment houses and for towns and villages with loans for the construction of municipal rental buildings.

In 2009, the Bank approved 937 guarantees amounting to more than 83.3 million euros, of which 91% were fast loan guarantees for commercial banks. The overall portfolio of bank guarantees as of 31.12.2009 was 208.4 million euros.

### **6.1.1.2 Loan programs**

During the ongoing economic crisis, commercial banks have tightened the conditions for granting new loans to Enterprises and tightened the criteria for renewal of provided credit lines, particularly for the operational needs of Enterprises. This has resulted in a general decline in the stock of loans in the banking sector. In this period SZRB registered the largest increase in loans (year on year) among standard among commercial banks.

As of 31.12.2009 the Bank's portfolio included 1776 direct loans of EUR 265 million euros. The average sum of a direct loan provided in the bank's portfolio is 149 thousand euros, witness to the fact that SZRB really supports small Enterprises, whether sole traders or small companies. Of the total loans, 83.3% was accounted for by investment loans with maturities typically up to 10 years and operating loans, or loans for a temporary shortage of funds with a maturity of one year or a term of a maximum of three years accounted for 16.7%.

During 2009 635 new loans worth 117 million euros were granted for small and Medium clients. When compared to 2008, the year 2009 saw an increase of 20.2% in the volume of new loans.

In 2009 SZRB supported its clients through the following products:

- **Direct Loans**

SZRB supported the financing of investment and operational needs of small and medium enterprises, and financed the development of regions, towns and villages.

- **Loans to farmers**

Assistance for those applying for direct payments to overcome a temporary shortage of funds. Providing long-term loans for agricultural producers to purchase agricultural land, which is mostly rented.

- **Renewal of the housing stock**

SZRB financed projects aimed at the residential buildings, in particular repair, modernization and refurbishment of the common areas, the equipping and fitting out of residential buildings.

- **Microloans**

The Bank supported the growth of small Enterprises, helping women-entrepreneurs in developing their Enterprises, simplifying young entrepreneurs' access to credit resources, and provided starting capital for university students to develop their Enterprises even while studying, or after graduation.

- **Loans to support environmental and other projects**

From the resources of the Nordic Investment Bank (NIB), the SZRB co-financed projects for the construction of infrastructure, implementation of energy projects, provision of drinking water, and for the construction of sewers and sewage treatment.

- **Loans financed with the support of the EU, Kreditanstalt für Wiederaufbau and the European Development Bank**

The SZRB improved access to long-term funding for projects by small and medium enterprises, self-employed farmers and primary producers who do business in rural areas of Slovakia. It also financed long-term investment for the construction, renovation or improvement of small municipal infrastructure - repair of local roads, cultural centres, playgrounds, public lighting and so on.

- **INVEST from the European Investment Bank**

Access was enabled to long-term funds for small and medium enterprises to finance their investments and also their normal operating costs with low-interest.

The SZRB increased its volume of loans compared to 2008 by more than 20%. From 1.1.2009 to 31.12.2009 the Bank provided 635 loans totalling 116.6 million euros. The average loan amount was more than 183 000 Euros. The total volume of loans at the end of 2009 had reached almost 265 million euros, which means an annual increase of 2.5%.

## **5.2.2 EXPORT-IMPORT BANK OF THE SLOVAK REPUBLIC (EXIMBANKA SR)**

EXIMBANKA SR is a specialized state agency, which was established to promote exports by Slovak producers of goods and services to foreign markets, according to Law 80/1997 as amended. Its main aim is to increase the competitiveness of Slovak exporters and promote mutual economic exchange between the Slovak Republic and foreign countries in accordance with state and foreign trade policy and in line with the international commitments to which it is bound.

EXIMBANKA Slovakia, in accordance with the pro-export policy of the government of the Slovak Republic, focuses on expanding support for the export activities of small, medium and large enterprises to reduce the high level of dependence of the Slovak economy's export performance on a relatively small number of firms.

**EXIMBANKA SR in 2009, supported**, using its banking and insurance activities, exports totalling the sum of EUR 2 790.0 million euros, which represents a 75.4% fulfilment of its targeted amount (3 700.0 million euros). The stated amount was contributed to by banking activities with 1 957.1 million euros, and insurance activities with 832.9 million euros. In comparison with 2008, the export support for Slovak business entities by EXIMBANKA SR was lower by 1 086.7 million euros, in other words lower by 28.0%. According to Statistical Office data for 2009, EXIMBANKA Slovakia supported 7.0% of the total exports of the Slovak Republic.

## **Banking activities**

EXIMBANKA SR provided credit and guarantee activities through refinancing, direct financing, discounting promissory notes and the issue of guarantees, which in 2009 supported the export volume of 1 957.1 million euros. This represented a 77.1% of the targeted sum for 2009 (2 540.0 million. Eur) and a decrease compared to 2008 of 689.6 million euros (i.e. about 26.1% lower).

In 2009, through its banking products EXIMBANKA SR supported **exports from the SME segment of a total volume of 166.40 million euros.**

## **Insurance activities**

**The Insurance activities** of EXIMBANKA SR were oriented towards promoting exports of Slovak business entities by providing insurance protection to exporters against short-term tradable risk, short-term non-tradable risks, and medium and long term risks.

Through its insurance activities in 2009, EXIMBANKA SR **supported exports of 832.9 million euros**, representing 71.8% utilisation of the budget (1 160.0 million. Eur) a decrease compared to 2008 of 397.1 million (i.e. by 32.3%). %).

More details on support through EXIMBANKA SR are listed in Annex B, Table 1

## **5.3 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 the central body of state administration of the Slovak Republic for the area of labour-law relationships, employment, collective negotiation, salaries and other compensation for labour, social insurance, social legal protection of children and the young, care for the family and other areas of social policy.

Support for SMEs is a part of the activities of the Central Bureau of social affairs and the family and is mainly carried out through measures of active policy in the labour market.

### **5.3.1 CENTRAL OFFICE OF LABOUR, SOCIAL AFFAIRS AND FAMILY**

Active Labour Market Policy (hereinafter ALMP) is an important factor, which helps to integrate job seekers into the labour market. The tools of ALMP under the law of services to employment were provided by the Central Office of Labour, Social Affairs and the Family (LSAF) and the other offices of the LSAF.

During 2009, Active Labour Market Policy (ALMP) was implemented especially through Active Labour Market Measures (ALMM) under the current form of Law No. 5/2004 on Services to Employment and Amending and Adding Other Laws. With the aim of mitigating the impact of the global economic crisis on the labour market, which saw an increase in the number of endangered jobs lasting throughout 2009, along with an increase in the numbers of

unemployed, a number of amendments to the Law on Services to Employment were adopted to contribute to the maintenance of existing jobs and to support the creation of new jobs.

## 1. Support for the creation new jobs

Within the area of supporting the creation of new jobs, the following ALMM tools were used during 2009:

- § 49 Contributions for self-employment
- § 49a Contribution for the training of a disadvantaged job seeker
- § 50 Contribution to support the employment of disadvantaged job seeker
- § 50c Contribution to support the creation and keeping of jobs in a social enterprise
- § 50e Contribution to support the creation of a new job
- § 50g Contribution to support self-employment
- § 56 Contribution for the establishment of a sheltered workshop or sheltered workplace
- § 57 Contribution to physically disabled citizen to run own business or for self-employment in a workshop or protected workplace
- § 59 Contribution for work assistant

## 2. Support for the maintenance of existing jobs

In the area of supporting the maintenance of existing jobs, the following ALMM tools were used during 2009:

- § 47 Education and preparation of an employee for the labour market
- § 50a Contribution to support maintenance of employment for low salaried employees
- § 50d Contribution to support maintenance of employment
- § 50b Contribution for transport to work
- § 56a Contribution for the maintenance of a disabled citizen in work.
- § 60 Contribution to payment of running a protected workshop or protected workplace and payment of transport expenses of employees

**Tab. č. 5.1:** Active Labour Market Measures (funded during 2009, by individual measure sum for SMEs):

ALM Measure	Number of created-filled jobs or number of people covered	Agreed financial sum (euros)
§ 47	29 921	30 642 711
§ 49	12 870	39 383 574
§ 49a	250	136 393
§ 50	128	287 325
§ 50a	1 502	5 847 572
§ 50c	437	2 732 523
§ 50d	38 197	2 555 404
§ 50e	6 559	20 822 633
§ 50g	3	2 509
§ 53b	6 521	37 682
§ 56	1 417	11 284 044
§ 56a	297	459 186
§ 57	439	3 580 255

§ 59	275	1 622 147
§ 60	12 668	9 186 743
<b>Total</b>	<b>111 484</b>	<b>128 580 701</b>

In 2009, the Offices of Labour, Social Affairs and Family (LSAF), through the active labour market measures under the Law on Services to Employment, funded measures supporting 280 016 jobs or job seekers or candidates for employment, with the total amount of 162.18 million euros. The average contribution agreed was the sum of 779 EUR.

Active labour market policy in terms of the Employment Services Act is implemented mainly through national projects and pilot projects. The Central Office for Labour, Social Affairs and Family is the largest beneficiary from the European Social Fund, which implements state policy in the field of employment in relation to the Law on Services to Employment and the state policy in the field of social affairs and family.

The largest share of funding of individual instruments of ALMM in 2009 went to the **contribution for self-employment (§ 49)** with 39.38 million euros. 12,870 jobs were created, which is 774 more than in 2008. Under this instrument a contribution is provided to cover documented costs associated with self-employed activity.

The structure to help disadvantaged job seekers is used most by the long-term unemployed, people over 50 years of age and also graduates who have problems with the getting into the labour market.

The take up of the **contribution for citizens with disabilities to operate or conduct self-employment (§ 57)** in 2009 was by 439 job seekers, for which a total sum of funds amounting to 3.58 million euros was agreed. The contribution for persons with disabilities is provided to initiate the operation or conduct of self-employed activity.

The second most used tool for active intervention in the labour market by total sum of money provided was that for the education and preparation for the work of an employee (§ 47). During 2009, this instrument was used for 29 921 employees. The total sum of drawn funds, including co-financing was 30.64 million euros.

Demand - driven projects and global grants for the adaptability of workers and enterprises and business support projects and interdepartmental cooperation within the programming period 2007 - 2013 are financed by the European Social Fund through the Operational Programme: Employment and Social Inclusion. Its implementation is carried out by the Ministry of Labour, Social Affairs and the Family, which performs the role of the Directing Body and by two intermediary bodies – the Social Implementing Agency and the Social Development Fund.

In 2009, the social implementing agency, together with the Ministry of Economy and the National Agency for the Development of Small and Medium Enterprises launched a call for the creation of jobs, which is scheduled to create 603 jobs. A total of 107 projects were contracted for non-repayable grants of 5.35 million euros. As of 31.12.2009, 179 jobs had actually been created. To support SMEs through the education and training of their staff, the Social Implementing Agency announced two calls in 2009, while in total these calls include the contracting of 162 projects, which are expected to train 5,730 employees. A non-repayable grant was contracted for the sum of 22.39 million euros.

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

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

Programmes to support small and medium enterprises, which are implemented by the Agency for Regional Development in the framework of the Operating Program for Bratislava Region:

### **1. Number of applicants for support from the Operating Program for Bratislava Region 2007-2013.**

In 2009 within OPBR, the following calls were completed:

- **Call Code OPBK/2009/2.1/03** (for measure 2.1 Innovation and technology transfers), 63 applications for grants were received (the volume of received applications was 9 336 469.30 EUR) from 59 applicants. The Selection Committee at its meeting recommended the approval of 40 applications and recommended the rejection of 23 applications.
- **Call Code OPBK/2009/2.2/03** (for Measure 2.2 the Informatization of Society), 47 grant applications were received (the volume of received applications was 3 372 533.59 EUR). The Selection Committee at its meeting recommended the approval of 33 applications and recommended the rejection of 14 applications. Both of the open calls were open only for micro, small and medium enterprises.

### **2. Number and amount of guarantees, including figures for small and medium enterprises.**

In 2009, the Agency for Regional Development in the support programs did not provide guarantees for business.

### **3. Number and amount of subsidies granted from the state budget, or other forms of support, including figures for small and medium enterprises.**

Under measure 2.1 Innovation and technology transfers in 2009 it was decided to provide grants to eight Enterprises, which in the case of 5 subjects also led to contracts to provide non-repayable grants of 3 964 663 Euros. Under Measure 2.2, Information Society it was decided in 2009 to provide grants to four business entities, while all the players were contracted to provide non-repayable financial contributions of 224,918 Euros. For both of these measures, the grants were provided exclusively to micro, small and medium enterprises.

### **4. Number of jobs created or jobs maintained.**

In 2009, the contracted projects under Priority Axis 2 - the Knowledge economy created 9 jobs among beneficiaries from the private sector (SMEs).

## **5.5 Ministry of agriculture of the Slovak Republic**

**The Ministry of Agriculture of the Slovak Republic (MP SR)** is the central authority of state administration of the Slovak Republic implementing state administration and state expert supervision in the Department of Agriculture. It manages, directs and controls state administration undertaken by the State Veterinary and Food Administration of the SR, the Breeding Control of the SR, Central Control and Testing Institute in Agriculture, National Forestry Centre, The Technical and Testing Institute of Agriculture SKTC-106 in Rovinka, The Agricultural Payment Agency and the authorities of specialized state administration in their varying scopes.

In 2009, the Ministry of Agriculture of the Slovak Republic (hereinafter the "Ministry") and the Agricultural Payment Agency ("PPA") provided state and minimal (de minimis) aid in the form of subsidies on the basis of the following existing legislation: Law no. 596/2008, the State Budget for 2009 as amended by Law. 448/2009, the current form of Law no. 523/2004 Financial rules of public administration and on amendments to certain laws, the current form of Law no. 543/2007 on the jurisdiction of government agencies in providing support in agriculture and rural development, the current form of Law no. 231/1999 on State aid, the current form of Law no 39/2007 on veterinary care, the Regulation of the Government of the Slovak Republic no. 369/2007 on some support measures in agriculture, Government Regulation no. 159/2008, regulations of the Slovak Republic no. 264/2009 on support measures in agriculture, as amended, Government Regulation no. 347/2009 Z. z. on the granting of temporary aid for growers of sugar beet. The state regulations of the Government of the Slovak Republic are laws that have been developed pursuant to § 2. paragraph 1 point k) of Law no. 19/2002, which establishes the conditions for issuing secondary legislation of the Slovak Republic as amended by Law no. 207/2002. Using these regulations, the Slovak Republic has transposed European Union rules on state and de minimus aid for agriculture into the Slovak legal system.

The beneficiary of state and minimum aid were in 2009 enterprises acting in agricultural primary production, in the sector of fisheries and forestry, and enterprises which are active in the area of processing agricultural products etc.

The Initial budget funds intended to provide a state and de minimus aid in the form of subsidies in 2009 amounted to 32,961,894 euros. Of this amount, a portion of the funds were used by budgetary measures for unprovided for expenses of the Ministry of Agriculture of the Slovak Republic.

State aid in the department of Agriculture of the Slovak Republic is provided through the Agricultural Payment Agency.

### **5.5.1 AGRICULTURAL PAYMENT AGENCY (PPA)**

The roles of the payment agency for 2009 were set by the Law no. 543/2007 on 25 October 2007 on the Competencies of the State Administration Authorities in the Provision of Support in Agriculture and the Development of Rural Areas. The Act sets out the scope of the Ministry of Agriculture in the Slovak Republic as the managing authority and the scope of the Agricultural Paying Agency as executive authority making grants from EU funds as well as

the conditions for granting subsidies from the means of state budget for Agriculture, Development of Rural Areas and Fisheries.

Under the aforementioned Act related EU and Slovak Republic legislation in force in 2009, the paying agency undertook administrative work to provide support for agriculture, food and the forestry industry, fisheries and for development of rural areas using EU funds and the state budget and subsidies for agriculture, rural development and fisheries. At the same time it participated in the preparation of program documents and their implementation in the conditions of the Slovak Republic.

In the programming period 2007 – 2013, the PPA fulfilled the role of the Intermediate Body under the Managing Authority for the **Rural Development Programme and the Operational Programme for Fisheries**.

The main emphasis in the **Rural Development Programme SR 2007 - 2013** in addition to investment in primary agricultural production and processing industry, is also placed on the support of the environment and disadvantaged areas. The program also addresses the increasing economic value of forests, education, landscaping, farms' diversification into other activities and support for community development. The rural development strategy it is built on four axes: improving competitiveness for farming and forestry, improving the environment and landscape, quality of life in rural areas and diversification of rural economy, LEADER - improving administration (management) and management and mobilization of development potential in rural areas. The Rural Development Programme SR 2007-2013 (RDP 2007-2013) - Project measures RDP 2007-13 covers the whole territory of Slovakia and is implemented by PPA in particular by Council Regulation (EC). 1698/2005 on support for rural development by the EAFRD and by Commission Regulation (EC). 1974/2006 laying down detailed rules for the implementation of RDP measures. The implementation of the PPA program began in 2008. By 31.12.2009 calls had been declared for grant applications for all the provisions of this program. Within the 14 calls 8,832 projects were received, of which 2,562 were approved for a total amount of public expenditure 868 001 thousand euros, which represents more than 66% contracting of the limits of available project means (excluding technical assistance). By the end of 2009, 1541 had been completed and payments of EUR 256 507 thousand of public expenditure had been made. Under RDP 2007-2013, ongoing multi-year measures under contracts concluded under the RDP 2004-2006 are financed. In 2009, the RDP 2007-2013 in the framework of the ongoing measures paid out 113 180 thousand euros of public expenditure (1534 payments) and therefore the total sum paid out of public expenditure in 2009 was 369 687 thousand euros.

Data on the number of small and Medium enterprises supported in 2009 through the measures of the Rural Development Programme 2007-2013, in which the category of enterprises is followed are given in Appendix B, Table. 2.

The **Overall objective of the Operational Program Fisheries SR 2007 - 2013** is based on the National Fisheries Strategic Plan 2007 - 2013 approved by Government Resolution No. 933 of 8 November 2006. The program was approved to address the strengths and weaknesses in accordance with the principles of sustainable development of the Common Fisheries Policy. It complements the strategy for rural development, agricultural, food and forestry sectors described in the National Strategic Plan for Rural Development for the programming period 2007 - 2013 and developed in the Rural Development Programme of Slovakia for the years 2007 - 2013 co-financed by the European Agricultural Fund for Rural Development.

Overall it builds on the National Strategic Reference Framework for the years 2007 - 2013, which is based on operational programs financed by the European Regional Development Fund, Cohesion Fund and European Social Fund. The main objectives of OP Fisheries SR 2007 - 2013 include: modernization, innovation and restructuring of aquaculture, enhancing the competitiveness of enterprises processing fisheries products and of aquaculture with emphasis on promoting the processing of domestic production and market development in the fisheries sector. OP Fisheries covers the entire territory of Slovakia and as of 31.12.2009 1 call to receive applications for grant application had been declared, covering two measures. In total 37 applications were received of which 5 were projects under the technical assistance measure. By the end of 2009, 35 contracts were awarded for the total amount of public expenditure of 4 429 thousand euros.

Data on the number of SMEs supported in 2009 for measures in the Fisheries Operational Programme 2007-2013, which follows the category of enterprises, are listed in Appendix B, Table. 3.

## **5.6 Ministry of the Environment of the Slovak Republic**

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

Promoting Small and Medium Enterprises is within the chapter of The Ministry of Environment of the Slovak Republic realized only by means of projects financed from the EU means and co-financed from the Slovak Republic.

In 2009, the Ministry of Environment through the Operational Programme Environment supported the private sector (small, medium and large enterprises) through three schemes: The scheme for the improvement and development of infrastructure for atmospheric protection for the program period, the state aid scheme to protect the environment in the area of protecting the atmosphere, and to minimize the adverse impacts of climate change for the programming period (group exception) and the Scheme for the improvement and development of waste management infrastructure for the program period (years 2007 to 2013).

Under the state aid scheme for the improvement and development of infrastructure for the protection of air, 4 SME projects were supported with funds totalling the sum of 7 037 214 euros, and under scheme for state aid for the improvement and development of waste management infrastructure 26 projects totalling 66,631,775 euros were supported. In 2009, the Environment Fund gave support in the form of loans to three projects for a total of 3 135 446 euros and in the form of grants to 4 projects totalling 260 548 euros.

## 5.7 Ministry of Education of the Slovak Republic

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

The Ministry carries out state support for research and development by means of programmes announced by the Agency for the Support of Research and Development. Support using resources from the Structural Funds (the Operational Programme for Education and the Operational Programme for Research and Development) are provided by the Agency of the Ministry of Education of the Slovak Republic (MEd SR) for the Structural Funds of the EU. In 2009, the section for science and technology of MEd SR provided subsidies totalling 1,285,088 euros to five entities from the state budget under §3 paragraph 1 part a) of the Law on stimuli for R & D. No. 185/2009 and the amendment of Law 595/2003 on Income Tax,. These are projects with a solution period of 3 years.

### 5.7.1 AGENCY OF THE MINISTRY OF EDUCATION OF THE SLOVAK REPUBLIC FOR EU STRUCTURAL FUNDS (AMEDSFEU)

The agency's main task is to organise the process of implementation of aid from EU structural funds for the program period 2007 - 2013. The agency performs the function of an intermediate body under managing authority, i.e. it carries out activities in the range of tasks delegated by the Ministry of Education as the Managing Authority for the Operational Programmes of Education and Research and Development.

The Agency's objective is to ensure a continuous process of receipt, evaluation, financial management and monitoring of projects so that their implementation is carried out in accordance with the schedule and so that funds for the program period 2007 - 2013 are exhausted to the greatest possible extent.

The agency of MEd SR for EU Structural Funds announced a call for applications for grant assistance (NFC applications) aimed at encouraging SMEs within the Operational Programme for Research and Development - under scheme to support R & D / state aid scheme. These are the following calls:

**Call OPVaV – 2009/2.2/03-SORO** entitled "Support for applied research, development and technology transfer". The date of the call for applications for grant assistance was 28.04.2009, the deadline being 10.8.2009. The total amount of finance allocated for this call was 40 million Euros. The number of approved grant applications was 32 and the approved volume of grants was EUR 38 443 905.46.

**Call OPVaV – 2009 /4.2/03 – SORO** entitled "Support for applied research, development and technology transfer". The call was announced on 28.04.2009 and the closing date for application under this call was 10.8.2009. The total amount of finance allocated for this call was 20 million Euros. The number of approved grant applications was 16 and the approved amount of grant was EUR 18 448 522.54. The place of implementation of the projects is Bratislava Region.

**Call OPVaV – 2009/2.2/05-SORO** entitled "Supporting the development of research and development centres". The date of the call for applications for non-repayable grant was 21.12.2009 and the deadline was 19.04.2010. The total amount of finance allocated for the call is 45 million Euros.

**Call OPVaV – 2009/4.2/05 – SORO** entitled "Supporting the development of research and development centres. The call was announced on 21.12.2009 with a deadline of 19.04.2010. The total amount of finance allocated for the call is 25 million Euros. The place of implementation of the projects is Bratislava Region.

Financial assistance under the above mentioned challenges is designated under the scheme for individuals or legal persons authorized to do business in accordance with § 2. paragraph 2 of the Commercial Code, registered in Slovakia, and which carry out research and development and planning to carry out individual types of eligible projects.

The Agency of MEd SR for EU Structural Funds announced a call for grant applications aimed at supporting SMEs in the **Operational Programme Education** (the "de minimis aid scheme") this involves the following calls:

**Call OPV - 2009/2.1/01-SORO** entitled "**Support for training in selected sectors**". The date of the announcement of the call was 12 8. 2009 and the closing date for receiving applications for non-repayable grants was 13. 10. 2009. The total amount of finance allocated to the call was 7.5 million euros. Within the framework of this call 20 applications for grants were registered. The selection panel recommended the approval of 9 projects with a grant volume of 3 575 791.11 euros.

**Call OPV – 2009 /4,2/02-SORO “Promoting continuing education in selected sectors”**. The call was declared on 12 8. 2009 and the closing date for receiving applications for grant assistance was 13.10.2009. The total amount of finances allocated for the call was 500 000 Euros. Within this call, 2 requests were registered for the NFC. The selection panel recommended approval of 1 project with a grant volume of 436 048.10 euros. The location of the project was Bratislava Region.

Eligible applicants under these calls are natural and legal persons authorized to conduct business under § 2. paragraph 2, points a) & b) of the Commercial Code, registered in the Slovak Republic, which meet the definition of micro, small and medium enterprises given in the text of the call and who are planning to carry out individual types of eligible projects.

## **5.7.2 AGENCY FOR THE SUPPORT OF RESEARCH AND DEVELOPMENT (ASRD)**

The agency's main objective is to promote cutting-edge theoretical and applied research and development in all fields of science and technology carried out by public sector, universities, business sector and the non-profit sector in the programs of the Agency. Support for research and development is carried out through research and development projects, chosen by the agency authorities in an open tender announced by the agency. Research and development projects are submitted by resident legal or natural persons. The basic starting point for promoting research and development is the quality of project proposals. Another objective of the agency is to stimulate participation of research and development entities in

Slovakia in international and European programmes and initiatives, as well as to promote bilateral and multilateral co-operation in the areas of science and technology.

The recipients of the grants are: the organizations of the sector of universities, research and development state sector, research and development the business sector, non-profit research and development sector and natural persons doing research and development under the Trade Act. The assessment and funding for projects starting in 2009 is as follows:

**General call 2007, 2006, 2005** - the target group is the submitters of individual projects in the areas of theoretical and applied research and development. During 2009, the Agency funded ongoing projects under the general calls. Financial support in 2009 for ongoing projects (in thousands of euros) was as follows:

- GC 2005 - 491.70 Eur
- GC 2006 - 4 902 Eur
- GC 2007 - 17 315.90 Eur

The agency program **to support of research and development in small and medium sized enterprises "(VMSP 2009)** - aims to stimulate innovation in SMEs by supporting their own research and development or the transfer of such solutions from research and development organizations. The **Call for VMSP 2009** – The window for submission of applications was from 15.1.2009 to 16.3.2009. A total of 168 applications were submitted, and 34 applications were excluded during the formal and technical control. The period for the beginning of the project was September 2009. The total number of funded projects was 94 and the amount of the funds provided was 15 473 376 Euros. The average amount of funding per application was 164 610 Euros. The average percentage (ratio of number of projects funded to the number of the projects submitted) in the call VMSP 2009 was 60%.

In 2009 a call was declared for the program "Promoting research and development in small and medium sized enterprises" / **VMSP 2009-II** / aimed at supporting start-up and spin-off companies, which aims to stimulate innovation by promoting their own research and development. This call corresponds to the effort to create a favourable environment for the creation of technology incubators, which should create a supportive environment for small Enterprises of the start-up and spin-off types. The window for submission of applications was from 30.09.2009 to 30.11.2009. The total number of applications submitted and considered was 43. During the formal and technical control 7 applications were excluded. A total of 36 applications were assessed with the requested amount of funds at 3,868,291 euros.

**Program "Support for project preparation for the 7th Framework Programme for research and development for the years 2007 - 2013"** (PP7RP) – has as its main objective the encouragement of the participation of Slovak entities in FP7, in particular by promoting the active participation of the leading Slovak R & D staff in the coordination of FP7 research projects. In 2009 in connection with the abovementioned program the PP7RP agency declared its third call for applications for registration and reimbursement of expenses for the preparation of projects under the 7th Framework Programme of the European Union - PP7RP 2009 (20.3.-31.12.2009). A total of 46 applications were submitted, of which 2 requests were eliminated by the formal commission. The amount of funding required was 73 366 Euros (for applications received by 1.9.2009). In 2009 15 applications were supported (applications received by 1.9.2009) and the number of claims paid in 2009 was 13. The amount of approved funding was 57 093 euros and the amount of money paid was 53 225 Euros.

The provision of financial support from public funds to Enterprises (aid) serves to promote the efficient recovery process of research, linking research to the market and the resulting economic and social development of the country. It contributes to increasing the competitiveness of enterprises, increasing their production and the quality of their products and services, creating new jobs and the like. The agency annually monitors the benefits to each individual implementer of the project through annual reports and again three years after project completion.

Overall, in 2009 state aid was provided to 120 Enterprises and the total amount of state aid was 9 431 539.11 EUR (the proportion of Community Funds was 0%). In comparison with 2008 (201.191 million Slovak Crowns) this is an increase of 41.22%. This increase was due to grant aid financing of new projects approved under the call for applications for "Supporting research and development in small and medium sized enterprises" in 2009. State aid granted under the state aid schemes is 98.69% of the total aid granted by the agency (one case of individual state aid).

State aid granted to SMEs constitutes 92.25% of the total state aid granted in 2009 by the Agency.

State aid provided through the scheme for the regions eligible under Article 87 (3) (a) of the EC Treaty (SK02 Western Slovakia, Central Slovakia SK03, SK 04 Eastern Slovakia) is 54% of the total aid provided through the schemes. State aid granted through schemes for regions eligible under Article 87 (3) (c) of the EC Treaty (SK01 Bratislava region) constitutes 46% of the total aid provided through the schemes.

## **6 Evaluation of support programmes implemented by NADSME**

### **6.1 NADSME as an implementation agency for structural funds**

The National Agency for Development of Small and Medium Enterprises plays a role of the Intermediary body under the Managing Authority of the Sectorial Operational Programme Industry and Services (SOP IS) and for the Operational Programme Competitiveness and Economic Growth (OP CaEG) based on the Contract on delegation of power from the Managing Authority (the Ministry of Economy of the Slovak Republic) to Intermediary body and carries out the call process, evaluation, implementation, financial management, monitoring, and inspection of requests for provision of non-returnable financial contributions (NFC) within these operational programmes.

#### **6.1.1 SECTORIAL OPERATIONAL PROGRAMME INDUSTRY AND SERVICES – MEASURE 1.1**

##### **6.1.1.1 Measure 1.1 “Support of Development of New and Existing Enterprises and Services” SOP IS Call – 2004 – 1.1 dated 15 June 2004, Code: 1111010-041 (state aid scheme)**

With regard to the finalization of the programme period, all project activities under contract conditions within individual projects were finished already in 2008. All beneficiaries of the state aid submitted the Final application for payment along with the Report on finalisation of the project implementation and all of 50 projects were successfully implemented and completed in the total amount of NFC 37 805 268.10 euros. At present all projects are in the process of monitoring.

##### **6.1.1.2 Measure 1.1 “Support of development of new and existing enterprises and services” SOP IS Call – 2006 – 1.1, 16 August 2006, Code: 1111015-061 (de minimis aid scheme)**

In 2009, due to extension of the programme till 30 June 2009, within de minimis aid scheme, further 23 beneficiaries were supported from the standby package in the amount of NFC 1 512 976.65 euros.

As to 31 December 2009, all projects were implemented and completed. Final balance of the projects supported in monitored period within the framework of de minimis scheme is 217 in the total amount of NFC 17 809 222.91 euros.

#### **6.1.2 SECTORIAL OPERATIONAL PROGRAMME INDUSTRY AND SERVICES – MEASURE 1.2**

##### **6.1.2.1 Measure 1.2 “Support of Building and Reconstruction of Infrastructure”; SOP IS Call – 2004 – 1.2 dated 7 April 2004, Code: 1111021**

Within the Call for support of building of incubators the Agency supported 6 projects (NFC 4 859 103.34 euros). In 2009 only monitoring was carried out, as all projects were completed in 2007.

#### **6.1.2.2 Measure 1.2 “Support of Building and Reconstruction of Infrastructure”; SOP IS Call – 2004 – 1.2, Code: 1111027-051**

Implementation of the National Project “The Set-up of Network with Information Link among Science, Academic, and Specialised Libraries, including their Modernisation” is a part of the Measure 1.2 SOP IS “Support of Building and Reconstruction of Infrastructure”.

Its goal is to modernise and interconnect science, academic, and technical libraries with business practice. At the end of the monitored period the amount of contracted NFCs was 6 304 361.75 euros.

In 2009, we paid the amount of 18 102.30 euros in the form of refund under the National Project. The project was completed and now it is in the process of monitoring.

### **6.1.3 OPERATIONAL PROGRAMME COMPETITIVENESS AND ECONOMIC GROWTH**

#### **6.1.3.1 Submeasure 1.1.1 “Support of Introduction of Innovations and Technological Transfers”**

##### **The Call CaEG-111DM-0801 dated 14 July 2008 (de minimis aid scheme)**

The aim of the aid is to support the projects focused on increase of competitiveness of existing enterprises by introducing innovative and advanced technologies, the creation of environment increasing the innovation potential of enterprises in industry and services, development of ecological production as a necessity for the preparation of sustainable development in industry. The aid is aimed at the projects in the field of introduction of innovative and advanced technologies in industry and services, which are focused on some of the following activities:

- tangible and intangible investments for the purchase of innovative and advanced technologies, machines, devices and equipment,
- tangible and intangible investments for the purchase of technologies for effective evaluation of natural resources with the aim to reduce negative impact on the environment.

The process of professional assessment of the requests for NFC was completed on 28 January 2009. Subsequently, the evaluation committee met and recommended to approve 87 projects. However, as a consequence of lasting economic crisis, only 71 contracts on provision of NFC were signed with entrepreneurs and the contracted amount of NFC is 9 513 225.46 euros. By the end of the monitored period 25 projects in the amount of NFC 3 037 198.54 euros were completed.

#### **Table No. 6.1:**

**Financial implementation of Submeasure 1.1.1 “Support of Introduction of Innovations and Technological Transfers”, Call KaHR-111DM-0801, by regions**

Call	Region	Amount of contracted contributions	Amount of drawn contributions	% of drawn contributions
KaHR-111DM-0801	Western Slovakia	3 315 989.38 EUR	1 648 581.58 EUR	49.72
	Central Slovakia	2 607 104.03 EUR	770 027.26 EUR	29.54
	Eastern Slovakia	3 590 132.05 EUR	618 589.70 EUR	17.23
<b>Total</b>		<b>9 513 225.46 EUR</b>	<b>3 037 198.54 EUR</b>	<b>31.93</b>

**The Call KaHR-111DM-0901 dated 15 June 2009 (de minimis aid scheme)**

Announcement of the call, aimed at the purchase of innovative and advanced technologies, was accompanied by 5 principal changes in comparison with the call from the year 2008 (KaHR-111DM-0801):

- the maximum amount of aid was changed to 500,000 euros
- primary wood processing was excluded from the scope of the aid,
- it was possible to implement the project from the day the call for proposal was announced,
- building work expenses were ineligible,
- the requests for NFC were to be filled in by means of the public section of the ITMS portal.

September 14, 2009 was set as a deadline for the submission of requests for provision of NFC under the above-mentioned call. It was necessary to deliver the requests for provision of NFC in a required time via mail to the NADSME as well as send it electronically via the public section of the ITMS portal.

169 requests for NFC were delivered to NADSME before the deadline, out of which 4 projects were not registered in NADSME, due to the fact that they were registered in the ITMS under a different call. 1 request was not evaluated upon the request of the applicant. The total amount of requested NFC reached the sum of 46,161,431.80 euros. The reception was carried out fluently, without any delay.

The process of inspection of formal correctness of requests for NFCs started on 16 September 2009 and was successfully completed on 4 December 2009. Out of the total number of 169 submitted requests, 109 met the requirements of formal correctness inspection and were forwarded to professional assessment. On 7 December 2009 the ballot was carried out as well as the assigning of projects to external and internal evaluators. The specialised assessment of the requests started on 10 December 2009 and the end of the process was planned for the year 2010.

**6.1.3.2 Submeasure 1.1.2 “Support of Creation of Jobs through Development of Entrepreneurship”; Call DOP2008-SIP001 dated 28 August 2008 (de minimis aid scheme)**

This Submeasure involves intersectoral cooperation where:

- the Ministry of Economy of the Slovak Republic as Managing Authority of the Operational Programme Competitiveness and Economic Growth is an aid provider for activities within the framework of the European Regional Development Fund (hereinafter referred to as “ERDF”) and NADSME is the Scheme Administrator and also Intermediary body under Managing Authority of the Operational Programme Competitiveness and Economic Growth
- the Ministry of Labour, Social Affairs, and Family of the Slovak Republic as Managing Authority of the Operational Programme Employment and Social Inclusion is a provider of aid for activities within the framework of the European Social Fund (hereinafter referred to as “ESF”) and Social Implementation Agency (hereinafter referred to as SIA) is the Scheme Administrator and also Intermediary body under Managing Authority of the Operational Programme Employment and Social Inclusion.

The Social Implementation Agency was in charge of call administration. All data given in this chapter are provided exclusively by OP CaEG.

The aim of the provision of aid in the form of the support of individual eligible projects is to increase the support rate for starting entrepreneurs, increase creation of jobs, competitiveness of entrepreneurs, employment and adaptability of employees.

The aid is aimed at the projects focused on some of the following activities:

- construction, extension or reconstruction of operational premises designated for industrial production, craft production and activities supporting the development of services,
- tangible and intangible investments, i.e. purchase of machines, devices, equipment and other intangible or tangible assets designated for industrial production and services, in combination with the following activities:
  - creation of jobs or self-employment,
  - training of employees, self-employers with respect to the job requirements,
  - counselling and supporting services necessary for start-up.

On 18 February 2009, the specialised assessment of the requests for NFC was completed and subsequently the evaluation committee met and approved allocation of NFC to 108 beneficiaries and another 21 were integrated into the standby package.

106 enterprises signed the contracts on provision of NFC in the total amount of 9 672 926.80 euros. By the end of the monitored period 8 projects were completed in the amount of NFC 281 460.84 euros.

**Table No. 6.2:**

**Financial implementation of Submeasure 1.1.2 “Support of Creation of Jobs through Development of Entrepreneurship”, Call DOP2008-SIP001, by regions**

Call	Region	Amount of contracted contributions	Amount of drawn contributions	% drawn contributions
DOP2008-SIP001	Western Slovakia	2 206 843.83 EUR	46 065.00 EUR	2.09
	Central Slovakia	2 345 500.52 EUR	159 081.84 EUR	6.78

	Eastern Slovakia	5 120 582.45 EUR	76 314.00 EUR	1.49
<b>Total</b>		<b>9 672 926.80 EUR</b>	<b>281 460.84 EUR</b>	<b>2.91</b>

## 6.2 Programme of education, training, and counselling for selected groups of those interested in entrepreneurship

In 2009, NADSME implemented the support of those interested in entrepreneurship by means of providing the advantaged counselling and educational services via cooperating institutional network, which consists of 11 Regional Advisory and Information Centres (RPIC), 2 Business Innovation Centres (BIC), 6 First Contact Centres (FCC) and 2 incubators (PI/TI).

The Centres provided 1 734 information consultations in the total volume of 1 071 hours focused on the areas necessary for the start-up and development of business and 2 905 professional consultations in the total volume of 8 356 hours focused on all areas necessary for the start-up and development of business activities. For the purposes of granting the loans, whether within the financial support scheme or commercial resources, the regional centres elaborated 1 057 business plans. The Programme also covered the expenses connected with organisation of 161 trainings in the total volume of 5 461 hours for 3 558 participants. The organised trainings were oriented on the topics such as Essentials of Entrepreneurship or Elaboration of Business Plan. The services were financed from the state budget funds in the volume of 346 173.16 euros. The Centres helped to set-up 3 819 new companies.

### Tab. No. 6.3:

**Subsidised counselling and training for those interested in entrepreneurship within the framework of the Programme of Education, Training, and Counselling for selected groups of those interested in entrepreneurship carried out by RAIC/BIC/PI-TI/FFC in 2009, financed from the state budget**

Centre	Information consultations		Professional consultations		Business plans and references	Trainings	
	Number	hours	number	hours	number	number	participants
BIC/BIC-TI Prievidza	354	177	562	2141.5	341	45	1281
BIC/PI Spišská Nová Ves	123	73	248	347.5	44	14	336
FCC Brezno	16	8.5	39	56.5	2	1	10
FCC Levoča	11	5.5	24	75	6	0	0
FCC Medzilaborce	6	3	9	35	0	0	0
FCC Michalovce	4	2	15	43	1	0	0
FCC Poltár	37	22	30	24.5	0	0	0
FCC Veľký Krtíš	179	118.5	292	893	172	0	0
RAIC Dunajská Streda	131	87.5	270	907	130	1	13
RAIC Komárno	116	67.5	143	345	33	5	79
RAIC Košice	113	63.5	45	65.5	3	12	201
RAIC Lučenec	107	73	227	579.5	33	19	369
RAIC Nitra	50	29	110	419	23	2	47
RAIC Poprad	9	6	13	15	0	31	643

RAIC Považská Bystrica	93	61	200	645	70	10	186
RAIC Prešov	120	62.5	171	273	3	6	160
RAIC Trebišov	10	5	27	164.5	9	2	46
RAIC Trenčín	237	188.5	444	1236.5	174	9	131
RPIC Martin	18	18	36	90	13	4	56
<b>Total</b>	<b>1734</b>	<b>1071</b>	<b>2905</b>	<b>8356</b>	<b>1057</b>	<b>161</b>	<b>3558</b>

The year 2009 was the second year of monitoring on satisfaction of clients with delivered counselling and educational services. The aim was to get the information on the quality of services delivered by the contracted Centres, verify the service range and fulfilment of programme goals, obtain a survey on impacts of the programme, verify satisfaction of the clients, and use and reallocate the programme funds effectively. 73 % of the clients from the total number of 5 326 were addressed, of which 3 118 participated in the monitoring of satisfaction. Evaluations of the clients and short-term impacts pointed on excellent results of the services delivered and effectiveness of the programme.

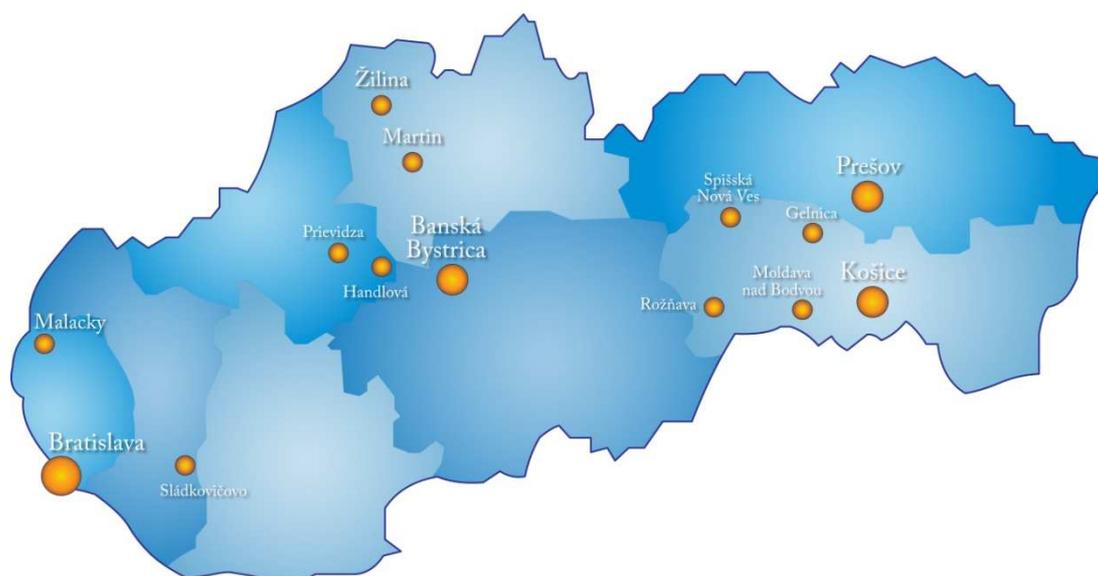
### 6.3 Support of SMEs by means of incubators

Business and technological incubators form an important part of support infrastructure for small and middle enterprises start-ups. Their mission is to provide the starting companies, usually for the period of 3 years from the commencement of business, with complex support on one spot and create favourable starting conditions enabling the operation of their enterprise.

The base of services provided is lease of office, production, and storage premises at prices lower than usual commercial market prices and administration support for the companies (e.g. providing of conference and showroom premises, certain clerical services, technical infrastructure and others). Apart from business premises, the incubators provide their clients with educational services and counselling (e.g. creation of business plans, counselling related to acquisition of funds for entrepreneurship, elaboration of marketing strategy, mediation of contacts, and alike). Extent and form of support in individual incubators varies depending on type, specialisation and capacity.

Building of incubators network in Slovakia started in 2002. By 2009, 16 incubators were established in various regions of Slovakia with the state budget support, pre-accession Phare Programmes, and structural funds. Apart from the above, 1 training (virtual) incubator was established in Rimavská Sobota, which was closed in 2009.

Picture: 6.1 Incubators Network in Slovakia



### Support from the state budget in 2009

In 2009, the Programme “Support of SMEs via the network of incubators and implementation of the research-based spin-off method” supported 5 incubators in the total amount of 53 598.04 euros from the state budget. The remaining incubators did not receive financial contribution, because they achieved profit in the monitored areas or the period of their operation exceeded five years, and thus their eligibility to acquire the financial contribution expired. The incubators covered with the provided financial contributions a part of operational costs and loss incurred due to provision of lease for the prices lower than commercial market prices and due to provision of additional services for lessees.

**Table No. 6.4:**  
**Overview of funds expended for support of operation of incubators in 2009**

Incubator	City	Contribution in EUR
Business incubator	Handlová	13 355.27
Incubator	Moldava nad Bodvou	9 604.43
Technological incubator	Prievidza	6 523.21
Technological incubator INOVATECH	Sládkovičovo	16 293.30
Technological incubator VTP	Žilina	7 821.83
<b>Total sum from the state budget</b>		<b>53 598.04</b>

*Business incubator in Handlová* reached occupancy rate of 76% as of 31 December 2009, of which occupancy rate of incubated companies was 87 %. In comparison with the previous period the number of incubated companies was reduced from 13 to 12, employing 42 employees. Activities/services of the incubator: IT courses, counselling for starting entrepreneurs, e.g. related to income tax returns or annual financial statements, consultations related to requests for micro-loans and creation of business plans. At the same time, the incubator leased the premises and technology to incubated companies, provided clerical service and promoted the services offered by the incubator.

*Incubator in Moldava nad Bodvou* reached occupancy rate of 55 % as of 31 December 2009, of which occupancy rate by incubated companies was 100 %. The number of incubated companies was 11 with 14 jobs created. Administration of incubator involves 1 person – an administrator with full-time employment. Activities/services of the incubator: lease of premises, promotion of the incubator activities, working on projects.

*Technological incubator in Prievidza* reached occupancy rate of 72% as of 31 December 2009, of which occupancy rate by incubated companies was 85 %. Within the monitored period the number of incubated companies was reduced to 22 and the number of jobs was reduced to 98. Activities/services of the incubator: implementation of trainings, providing of counselling for starting companies and the companies in long-term care, counselling related to provision of micro-loans, various project activities and lease of premises, technology, and classrooms.

*Technological incubator INOVATECH Sládkovičovo* reached an occupancy rate of 57% as of 31 December 2009 (of which occupancy rate by incubated companies was 58 %), placed 10 incubated companies with 36 jobs. Activities/services of the incubator: lease of premises, lecture halls with equipment, and conference room; providing the access to PC room, counselling and cooperation in creation of business plans and in the process of acquisition of the funds, administration services for incubated companies, promotion of the services provided by the incubator. The incubator became a network partner of the “Microsoft’s BizSpark” Programme, which is designed for “start up“. Several meetings, seminars, and presentations related to entrepreneurship took place in the incubator. The incubator started cooperation with Academy of Education in Galanta, a potential partner for education and counselling.

*Technological incubator VTP Žilina* reached an occupancy rate of 89 % in the monitored period, of which occupancy rate of incubated companies was 84 %. In comparison with the previous period, the number of incubated companies lowered to 34 and the number of jobs in incubated companies to 99. Activities/services of the incubator: lease of premises and providing administration services, counselling, enlightenment in the field of SME, creation of the project for construction of new incubator building, a member of the first IT cluster in the Slovak Republic - Z@ICT, a member of cluster in automobile industry TPI-TEC, presentation of companies in the incubator, creation of design of technological transfer model at University of Žilina to prepare the conditions for effective commercialisation of research and development results, organisation of events for students, for example a campaign “Do you have an idea?” with the aim to address new clients, cooperation in preparing the new selective subject for the university students “Occupation: Entrepreneur”.

The number of incubated enterprises is a significant factor of fulfilment of goals of the incubators as well as the national programme. As of 31 December 2009 the aforementioned 5 incubators placed in their operational premises together 89 starting enterprises, which created 289 jobs. Another 16 workers were employed in management and administration of these incubators. The average total occupancy rate in five incubators, to which a contribution was provided in 2009, was 69 %, of which average occupancy rate by incubated companies was 81 %.

### **Activity of incubators in 2009**

By 31 December 2009, 177 incubated companies, which created together 688 jobs, were placed in 14 business and technological incubators. Another 39 jobs were created in management and administration of incubators. Average total occupancy rate in incubators was 79 %, proving the interest of starting entrepreneurs in incubator services and importance of investments for their establishment and operation.

**Table No. 6.5:****Occupancy rate, number of companies and jobs in incubators as of 31/12/2009**

<b>Incubator</b>	<b>Total area for lease in m<sup>2</sup></b>	<b>Occupancy rate in m<sup>2</sup></b>	<b>Occupancy rate in %</b>	<b>Number of incubated companies (IbF)</b>	<b>Number of jobs in IbF</b>	<b>Number of jobs in management and administration of incubator</b>
Business Incubator and Technological Centre Banská Bystrica	1 066	866	81%	14	43	2
Incubator Bratislava	197	114	58%	0	0	1
University Technological Incubator STU Bratislava	780	623	80%	12	45	3
General Business Incubator Gelnica	2 600	2487	96%	6	126	1
Business Incubator Handlová	951	724	76%	12	42	3
Scientific-Technological Incubator Košice *	X	X	x	X	X	x
INKUBÁTOR MALACKY, Malacky	2 412	2002	83%	24	65	8
Martin- Flemish Business and Incubator Centre Martin	1 075	541	50%	0	0	0
City Incubator Martin *	X	X	x	X	X	x
Business Incubator Spišská Nová Ves, Part 1	740	665	90	5	3	0
Business Incubator Spišská Nová Ves, Part 2	1233	1037	84%	3	10	0
Incubator House, Moldava nad Bodvou	735	403	55%	11	14	1
Technological Incubator Centre Prešov	898	893	99%	12	31	5
Business and Innovation Centre - Technological Incubator, Prievidza	1084	780	72%	22	98	4
Business Incubator Rožňava	1877	1376	73%	12	76	3
Technological Incubator Inovatech Sládkovičovo	1159	656	57%	10	36	5
Science and Technology Park Žilina	770	685	89%	34	99	3
<b>Total</b>	<b>17 577</b>	<b>13 852</b>	<b>79%</b>	<b>177</b>	<b>688</b>	<b>39</b>

\* statistical data for these incubators are not available

## 6.4 Micro-Loan Programme

In 1997, the NADSME with help of RPIC in Považská Bystrica, Prešov and Zvolen started to implement a pilot project, Micro-Loan Programme, the aim of which was to solve the problem of access of small entrepreneurs in the regions to the funds in the form of small loans. In 2009, the Micro-loan Programme was still implemented pursuant to Decree of the Slovak Republic Government No. 701/2002. It was designated for small entrepreneurs employing less than 50 employees and meeting of definition of SME on the basis of the European Commission Recommendation 2003/361/ES. In 2009, the Programme was implemented by 15 partnership regional centres, covering the entire territory of Slovakia.

At the same time, in collaboration with the Ministry of Economy of the Slovak Republic, the modification of conditions and provisions of the existing programme was elaborated further to the task resulting from Decree of the Slovak Republic Government No. 141/2009 Article C.3 on use and disposal of revolving funds. After the annotation process, the material was submitted at the session of the Government of the Slovak Republic at the end of the year.

The micro-loan could be used by entrepreneurs for acquisition of tangible and intangible fixed assets, reconstruction of operation premises, as well as purchase of necessary stock, raw materials or goods. In 2009, minimum amount of the micro-loan was 1 659.70 euros and maximum amount was 49 790.88 euros. The interest rate for micro-loans was derived from the basic rate of the European Central Bank, which changed several times during 2009. At the beginning of the year the interest rate was 4.99 % p.a., at the end of the year it was decreased to 3.00 % p.a. The maturity period varied from 6 months to 4 years, with the maximum grace period for the principal instalments repayment of 6 months.

In 2009, 237 SMEs submitted the requests for provision of micro-loan, 162 micro-loans were granted in the total amount of 4 599 938 euros. From the viewpoint of legal forms, 70 micro-loans were granted to the companies with limited liability and 92 to self-employers. The average amount of the micro-loan reached 28 395 euros. All in all, since the launch of the Micro-Loan Programme 1 790 micro-loans were provided in the volume of 30 208 548 euros.

When implementing the Micro-Loan Programme, its impact on employment rate in the regions was an important factor. In 2009, 366 jobs were created and another 960 were maintained thanks to the financial support of the programme. Since the start of the programme, the total amount of 2,897 jobs was created and other 4,792 were maintained.

**Table No. 6.6: The overview of micro-loans provided by individual centres**

Centre	Year 2009		Cumulatively as of 31 December 2009	
	Number	Amount in EUR	Number	Amount in EUR
Fond fondov s.r.o. Bratislava	20	759 068	148	2 931 925
RPIC Dunajská Streda	10	197 241	72	1 231 059
RPIC Komárno	15	315 704	132	2 265 416
RPIC Košice	9	357 590	49	1 288 657
RPIC Lučenec	14	320 535	97	1 861 586
RPIC Martin	5	159 744	88	1 441 919
RPIC Nitra	10	266 300	134	1 565 775
RPIC Poprad	12	485 416	26	931 245
RPIC Považská Bystrica	13	366 279	192	2 518 029
RPIC Prešov	9	268 526	199	3 314 964
BIC Prievidza	15	423 380	203	3 797 809
BIC Spišská Nová Ves	16	264 413	112	1 568 022
RPIC Trebišov	6	220 914	97	1 666 056
RPIC Trenčín	8	194 828	82	1 757 384
RPIC Zvolen *	0	0	159	2 068 702
<b>Total</b>	<b>162</b>	<b>4 599 938</b>	<b>1790</b>	<b>30 208 548</b>

The overview of provided micro-loans according to individual sectors, regions, and categories of the entrepreneurs in 2009 is given in graphs No. 33 through 35.

## 6.5 Venture Capital Funds

NADSME implements the support of growth-oriented business projects in the form of a provision of venture capital (an investment into the equity of a company) through the specialised daughter company Fond fondov s.r.o. A long-term mission of Fond Fondov, s.r.o. is to manage the activity of individual funds in such a way to stimulate the development of SMEs at the whole territory of Slovakia, to appreciate the amount of funds and thus to use profits gained for the implementation of a long-term support of SMEs.

In 2009, the company Fond Fondov s.r.o. managed 4 venture capital funds without legal personality (Fond štartovacieho kapitálu – the Start-up Fund, Regionálny fond štartovacieho kapitálu – the Regional Start-up Fund, Fond INTEG – the INTEG Fund, and Fond SISME – the SISME Fund) and 3 venture capital funds with independent legal identity (Fond Seed Capital, k. s., Slovenský Rozvojový Fond, a. s. – the Slovak Development Fund, and Slovenský rastový kapitálový fond, a. s. – the Slovak Growth Capital Fund). The set-up of funds with independent legal identity provided for the entry of institutional investors into the funds with the aim to increase the amount of funds available for SMEs, the management of

funds by professional management companies, and also the coverage of a wider spectrum of requests for the amount of investment for the target SMEs.

During 2009, 26 investments in the amount of 13.9 Million euros were made within all venture capital funds in the portfolio of the NADSME / Fond Fondov s.r.o., and the investment activity of funds increased significantly in comparison with the year 2008. At the present period of economic crises, the offer of venture capital helps to finance the perspective projects of companies that would not otherwise be realised due to a more difficult access to funds.

## **6.6 Enterprise Europe Network**

Small and middle enterprises are in need of assistance when placing their products and services at new markets especially when trying to introducing their products or services abroad for the first time. Therefore one of the NADSME priorities is to assist SMEs with internalisation and introduction to new markets, whether it is a case of the common European market or non-EU countries markets. The NADSME enables the participation of the Slovak entrepreneurs in specialised and sector-oriented cooperation events. The aim is not only to present the entrepreneurs at exhibitions and fairs, but especially to provide active assistance when searching for new partners.

The European Commission Directorate-General for Enterprise and Industry officially launched an international counselling network for entrepreneurs called **Enterprise Europe Network** in February 2008. The Network gathers the most important agents from the field of support of small and middle-sized enterprises, i.e. almost 570 organisations with approximately 3000 experienced professionals, who provide their services in more than 45 countries of the world. The aim of Enterprise Europe Network is to provide the small and middle entrepreneurs with complex and easily accessible information, counselling and support in business, innovations, and research. The support network builds on experience of former networks of the Euro Info Centres (running since 1987) and the Innovation Relay Centres (opened in 1995).

In Slovakia, the Enterprise Europe Network associates, apart from NADSME, the following partners under a common project BISS Slovakia (Business and Innovation Support Services in Slovakia): BIC Bratislava, s.r.o. (Business Innovation Centre), Regional Advisory and Information Centre Prešov (RPIC Prešov), Slovak Chamber of Commerce and Industry (SOPK), BIC Group, s.r.o., I-Europa, s.r.o.

NADSME, as a member of the Enterprise Europe Network, provided entrepreneurs with a number of services that can be divided into the following three categories:

### **1. Information, counselling and services for support of cooperation and internationalisation of SMEs**

- informing and increasing awareness on policies, legislation, and initiatives of the European Union aimed at and influencing especially small and middle entrepreneurs,
- providing counselling services and information on opportunities offered to the entrepreneurs by the common European market of goods and services,
- increasing the participation of SMEs in the EU policy creation,

- obtaining the feedback from entrepreneurs for the European Commission by means of on-line consultations and panel discussions,
- supporting the development of cross-border activities and cooperation of SME.

## **2. Support of innovation, technology and know-how transfer**

- the dissemination of the information on how to support innovations in the EU,
- the support of international, technologically oriented co-operation,
- technology and know-how transfer,
- the analysis of technological situation of enterprises,
- organisation of partnership events in selected technological sectors,
- exploitation of research and development results,
- increase of innovation capacity of SME, including the establishment of connections to adequate national and European financial schemes.

## **3. Services for support of participation of SMEs in the Seventh Framework Programme of the EU for research, development, and demonstration activities (7RP)**

In cooperation with national 7RP contact points, Enterprise Europe Network provides the following:

- information and raising the awareness of 7RP,
- identification of research and development needs and searching for adequate partners,
- increasing participation of Slovak enterprises (especially SME), universities and research institutes in European research programmes,
- supporting the preparation and implementation of 7RP projects.

## **Information and counselling**

In 2009, we received requests for information related to internal market from 791 companies via e-mail, phone or in person.

Also in the year 2009 NADSME continued in organisation of informational seminars and trainings with the aim to make entrepreneurs familiar with the issue of enterprising within the EU. Cooperating with our partners, we organized 37 events of this type in various regions of Slovakia, which were attended by 739 entrepreneurs.

Articles and newsletter on information on enterprising, events, activities, and databases were published by the Department of Services for SMEs as well as on website [www.enterprise-europe-network.sk](http://www.enterprise-europe-network.sk). Together with the partners of the Enterprise Europe Network, 17 newsletters were sent. In 2009, more than 1 000 articles and 200 notifications on currently announced tenders and calls for proposals for the projects were published.

In cooperation with the Office for Official Publications of the European Communities, a lot of publications for SMEs were placed at website [www.enterprise-europe-network.sk](http://www.enterprise-europe-network.sk), in the section “Library“. They were divided into three categories according to their topic: the EU legislation and documents; analysis, studies, and manuals; programmes and financing. Publications were released in various languages (official languages of the EU), in which they were prepared by the EU offices and institutions.

## **Database for cooperation among entrepreneurs**

In 2009, NADSME assisted the entrepreneurs in the process of searching for cooperation partners (production, business, and project partners) by means of the European database and communication system - Database for cooperation among entrepreneurs (Business Cooperation Database – BCD), an internal correspondence network, as well as by organising the participation of the Slovak entrepreneurs in international cooperation events. In 2009, 889 offers for cooperation from foreign companies were translated into the Slovak language. Another 4 281 offers were published in the English language. All offers were published in various periodicals as well as at Enterprise Europe Network's website. Slovak entrepreneurs searching for foreign partners demanded 481 contact information. The Department of Services for SMEs provided 43 Slovak entrepreneurs with BCD services. 43 profiles of Slovak entrepreneurs were registered in the BCD Database. Foreign companies demanded 202 contact information of Slovak companies.

### **Cooperation events for small and middle entrepreneurs from all over the Europe**

NADSME organised the participation of Slovak entrepreneurs in various sector-oriented cooperation events in the whole Europe, which mostly took place within fairs and exhibitions. Bilateral meetings of potential partners took place according to a timetable prepared in advance. The registered company representatives booked the meetings via Department of Services for SMEs. Subsequently, applications in the form of company profiles, under the respective requirements, were processed by program, which generated a preliminary timetable of meetings. The timetable could be flexibly modified directly on the spot according to other requirements and possibilities. The participation and other additional services of the Department of Services for SMEs were provided to the participants mainly free of charge.

NADSME participated also in projects, the aim of which was the preparation of cooperation events for enterprises from the machinery and similar sectors, energy industry, protection of environment and waste management in the cross-border areas of the EU. NADSME also participated in international cooperation events, such as the International Fair of Crafts in Celje in Slovenia, WOOD TECH in Brno, and the Meeting of Slovak and Czech Entrepreneurs in Ostrava. In Slovakia NADSME organised international cooperation events during fairs such as ELO SYS in Trenčín and PRO ECO in Banská Bystrica. In cooperation with the Slovak Chamber of Commerce and Industry in Trenčín, during International Fair of Machinery in Brno MSV 2009, the cooperation event was organised, attended by 73 companies with participation of foreign entrepreneurs from the Czech Republic, Poland, Austria, Germany, Sweden, and Hungary. All in all, in 2009, NADSME assisted the Slovak companies with organisation of 423 business meetings with foreign partners.

### **Increasing involvement of SMEs in the EU policy creation**

One of the main goals of the Enterprise Europe Network is to inform the European Commission on the problems of the entrepreneurs when putting the EU legislation and the European Community policies into practice. NADSME was one of the contact points where entrepreneurs could report their problems or remarks related especially to legislation of the EU business environment. Feedback was received via online consultations and panel discussions. We provided 47 consultations for entrepreneurs who were solving problems connected with incorrect application of the EC laws.

## **Project “Boosting the Female Entrepreneurship in Slovakia“**

The project “Boosting female entrepreneurship in Slovakia” originated as a reaction of NADSME to the specific call for proposals of the European Commission “EU Network of Female Entrepreneurship Ambassadors”. The call for proposals was announced by the Executive Agency for Competitiveness and Innovation within the Framework Programme Competitiveness and Innovations 2007 – 2013 for the member of Enterprise Europe Network.

In cooperation with the Regional Advisory and Information Centre Prešov (RIPC Prešov), the project was prepared aimed at the promotion of female entrepreneurship in Slovakia. The effort to promote entrepreneurship as an opportunity to develop female career was supported by the following associated partners: Top Centrum Podnikateliek (Top Centre of Businesswomen), Nadácia Integra (The Integra Foundation Slovakia), Materské centrum MACKO (The Mother Centre MACKO), Ekonomická univerzita v Bratislave (The University of Economics in Bratislava), Ústredie práce, sociálnych vecí a rodiny (The Central Office of Labour, Social Affairs, and Family).

The aim of the project is to inspire and motivate the women in Slovakia as well as in the EU to start their own business by creating a network of successful female entrepreneurs, so-called Ambassadors. The network in Slovakia includes 9 Ambassadors who come from various regions of Slovakia. By their success stories they will inspire women in their region as well as in other parts of Slovakia. The target group consists of potential female entrepreneurs, especially: mothers on maternity leave, unemployed women, employed women who are considering becoming independent, and students. The Ambassadors should become their role models and inspiration. By organising seminars and meetings they will encourage them to change their destiny, make their business dreams come true and to start their own business. The Ambassadors will present their authentic stories and experience, thus creating the space for direct comparison of opinions, ideas, and knowledge on entrepreneurship with business reality and there will be a chance to make contacts with community and institutions focused on support of female entrepreneurship in Slovakia.

Since its start in August 2009, there has been high public interest in the project. 37 businesswomen decided to take part in a call for the nomination of Ambassadors. Nine Ambassadors were selected and had an opportunity to take part in an official opening ceremony of the European Businesswomen’s Network, which was held with the presence of the Sweden’s Crown Princess Victoria in October 2009 in Stockholm. The project and the Slovak Businesswomen-Ambassadors were introduced to the Slovak public during the opening conference of “Boosting Female Entrepreneurship in Slovakia”, which took place in November 2009 in Bratislava.

## **Project “Support of Hungarian-Slovak cooperation between SMEs”**

In 2009, NADSME started the project “Support of Hungarian – Slovak cooperation of SMEs” implemented within the framework of the “Hungary – Slovakia Cross-border Cooperation Programme 2007 – 2013”. The project is financed from EU funds. The Hungarian organisations Theodore Puskas Foundation and ITD Hungary Zrt are project partners.

In 2009, during the 4 months of the project implementation, the website [www.sme-husk.eu](http://www.sme-husk.eu) was created and launched, being a communication platform for SMEs. It enables the

registered users to access the catalogues of foreign companies, filter these contacts on the basis of pre-entered criteria and subsequently address them online with a specific offer for cooperation. In November NADSME together with our partners organised the first event of the project, a cooperation meeting of Hungarian and Slovak entrepreneurs in Miskolc, where 73 meetings and negotiations were held among 19 companies. At the same time, the first part of the analyses of the economic environment of the common cross-border region was elaborated, with the aim of identifying potential areas of cooperation among SMEs. The manual “Business in Slovakia and Business in Hungary” was issued in the English, Hungarian and Slovak languages. The project implementation will also continue in 2010.

### **Project “Global Education of Entrepreneurs“**

In 2009, NADSME started the implementation of the project “Global Education of Entrepreneurs” using funds from SlovakAid, Slovak official development assistance. The aim of the project is to overcome the wrong perception of developing countries by Slovak entrepreneurs, by means of raising their awareness of challenges and opportunities offered by these countries. By organising scientific and entrepreneurial conferences with the presence of many important representatives from Slovakia and from abroad and by issuing conference proceedings, NADSME wishes to create a platform for the exchange and application of experience and know-how of the relevant participants and thus increase the public awareness of less developed countries, focused mainly on SMEs.

Since June 2009, scientific and business conferences have been organised within the project, attended by more than 150 participants. Experts from academia, the governmental sector (the Ministry of Economy of the Slovak Republic, the Ministry of Foreign Affairs of the Slovak Republic, and the Slovak Investment and Trade Development Agency), private as well as non-governmental sectors, and representatives of individual target countries, actively participate in three professional conferences prepared free of charge for SMEs last year:

- Perspectives on Doing Business in India, 23 June 2009, Bratislava
- Perspectives on Doing Business in Balkan Peninsula (Albania, Bosnia and Herzegovina, Montenegro, Macedonia, and Serbia), 28 September 2009, Nitra
- Perspectives on Doing Business in the European countries from The Commonwealth of Independent States (Belarus, Moldavia and Ukraine), 19 November 2009, Prešov

The project also included the issuing of conference proceedings for every conference organised.

## 7. Conclusion

The submitted report on the status and development of small and medium enterprises in Slovakia presents a comprehensive insight into the development of the business environment, of small and medium Enterprises and of their forms of support in 2009, including identification of current problems along with suggestions for their solution.

The Economic Development of Slovakia in 2009 was marked by significant impacts of the global financial and economic crisis on the Slovak economy, which saw a drop in the economy and growth in unemployment. The gross domestic product of Slovakia decreased by 4.7% in 2009, mainly due to reductions in domestic and foreign demand. Due to the economic downturn employment decreased in 2009 by 2.8% on an inter-year basis. Signs of improvement began to manifest themselves in the Slovak economy in the last months of the year, which was mainly due to increased foreign demand bringing growth in industrial production.

The consequences of the economic crisis were also seen in small and Medium enterprises. The growth of small and Medium enterprises registered as legal entities was similarly dynamic to the growth in previous years, but the number of individual entrepreneurs (sole traders) saw an annual decrease of 1%. The share of the SME sector in terms of gross production slightly increased, whereas it decreased in terms of value added or profits. The fall in employment was reflected in the category of SMEs just as with large enterprises, while the share of the SME sector in terms of employment in the non-financial business economy also fell slightly.

The year 2009 was extremely difficult for Slovak entrepreneurs, also considering that, having mastered the difficult preparation for the changeover to the introduction of the single European currency, they had to deal with the consequences of economic crisis, which was expressed in terms of an overall decline in demand and revenues, which in turn caused problems for Enterprises with repaying loans and liabilities to suppliers and employees. It also gradually began to cause a wave of secondary problems with payments threatening the functioning of other Enterprises. Slovak banks responded to this situation with increased caution when providing credit resources, which has worsened the access of SMEs to finance.

This time of difficulty for SMEs to gain access to bank financing because of the economic crisis brings to the forefront the importance of aid from European funds for the program period 2007-2013 for the implementation of investment and human resources development and to increase the competitiveness of the business sector. To fully exploit this potential it is necessary to simplify and accelerate SMEs' access to these resources, particularly through reducing the administrative burden, and speeding the evaluation and actual provision of funding. The general improvement in access to finance for SMEs should be helped by the foundation of the Slovak Guarantee and Development Fund s.r.o., a subsidiary of the SZRB to implement the JEREMIE initiative and for innovative financing instruments from Structural Funds in Slovakia.

The economic crisis forced most Enterprises to look for internal reserves and new approaches to streamlining their activities. Those who have successfully managed this process are better placed to achieve growth again. Achieving a competitive advantage for Slovakia in post-crisis period and starting long-term and sustainable growth can only be achieved by introducing positive changes in the business environment. One of the preconditions for sound

economic development of a country is the development of small and Medium enterprises. This report also contains comprehensive proposals for further improving the business environment, aimed at contributing to maintaining the dynamics of the SME sector in Slovakia and increasing its competitiveness.

## **APPENDIX**

# Appendix A: Charts

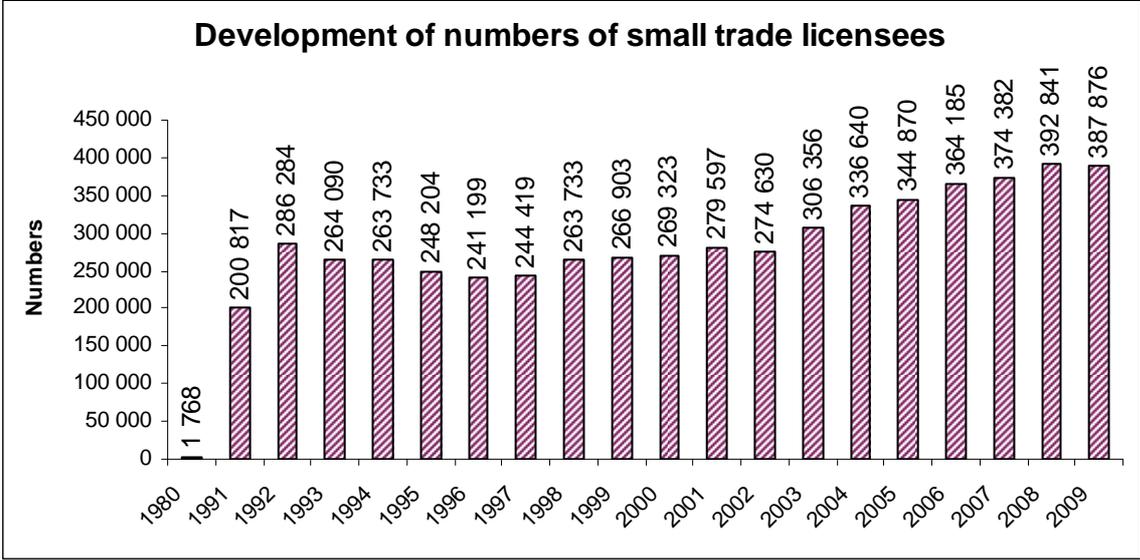


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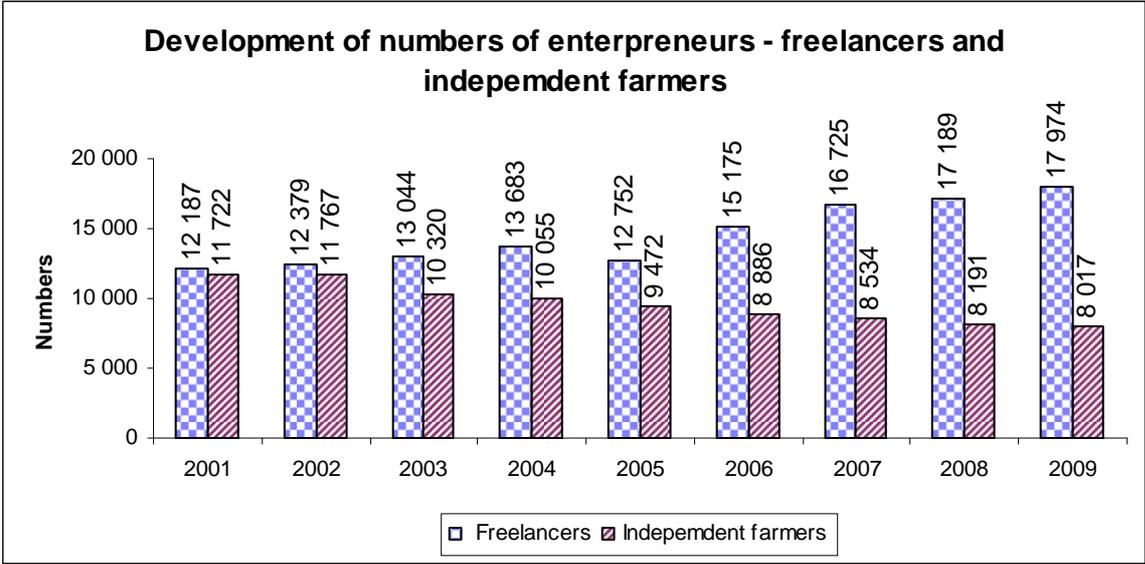


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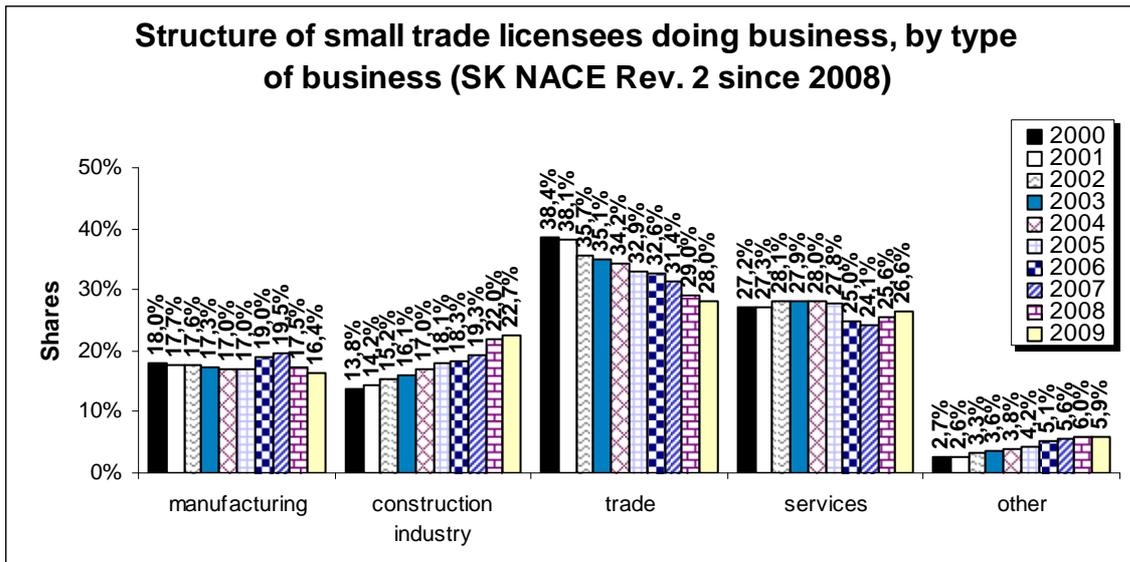


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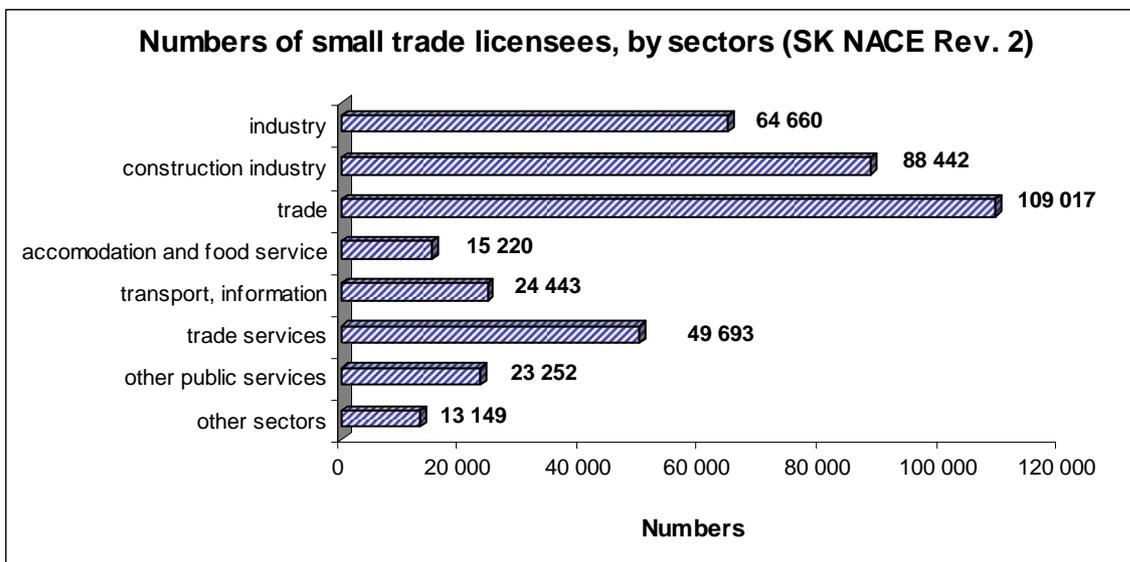


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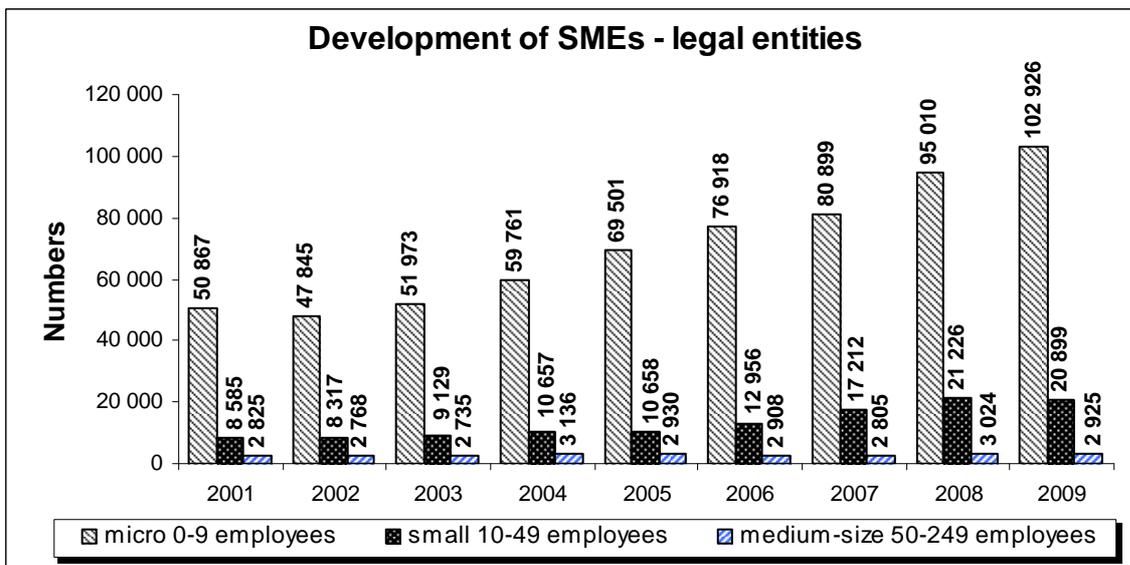


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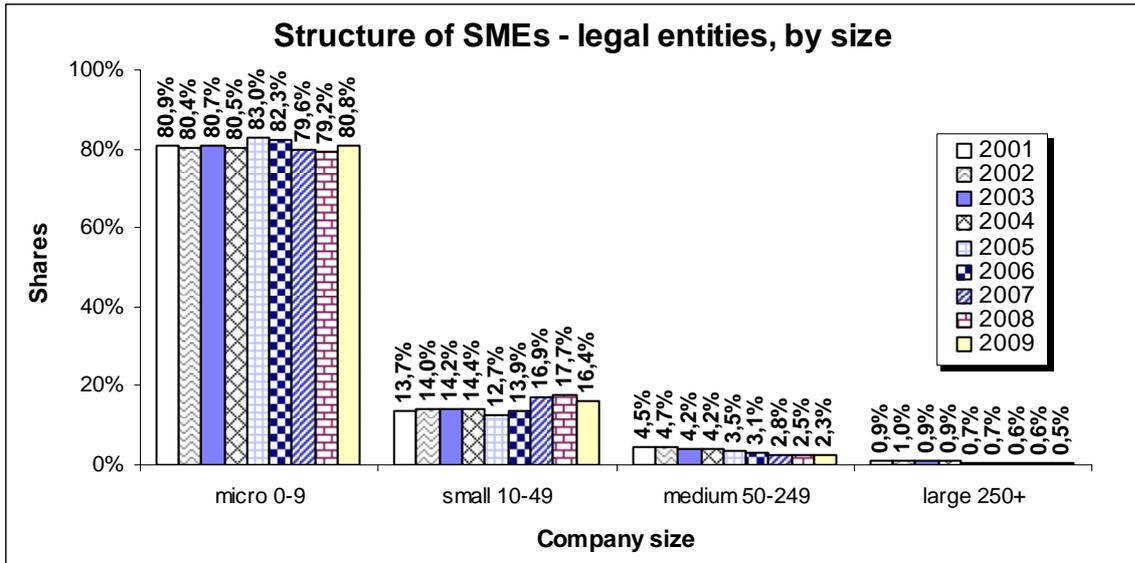


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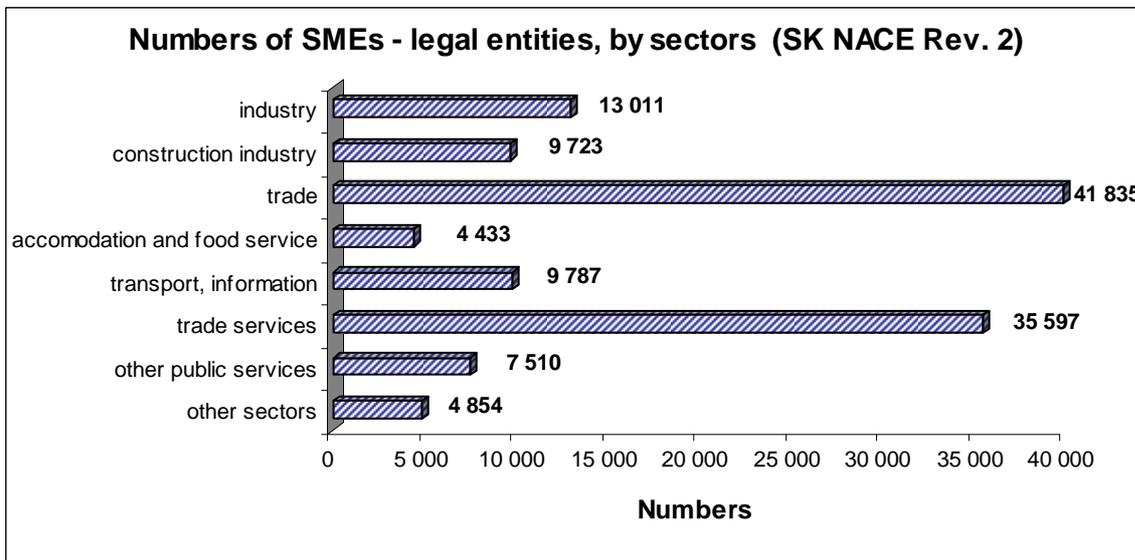


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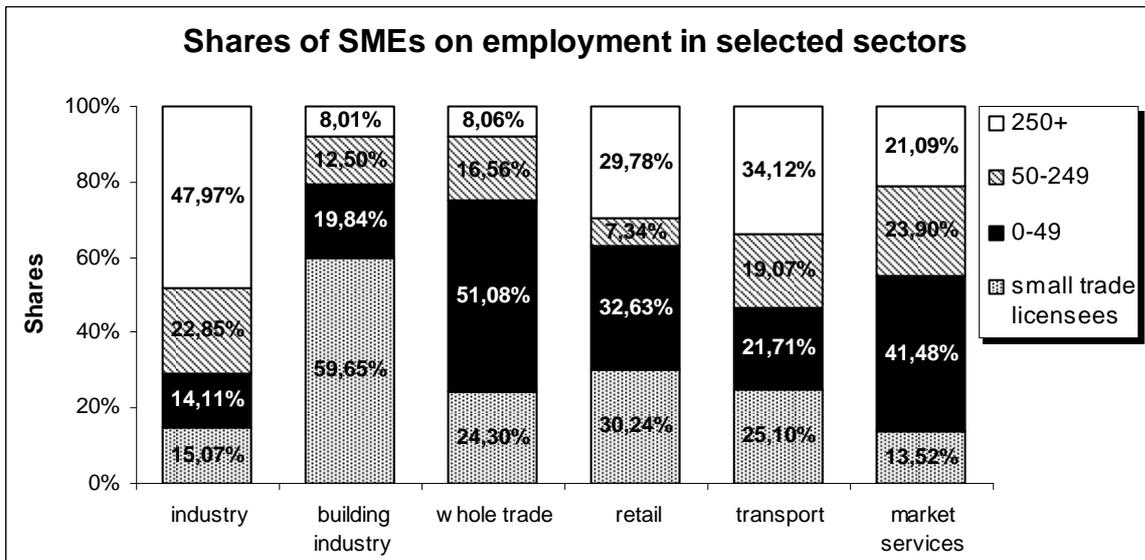


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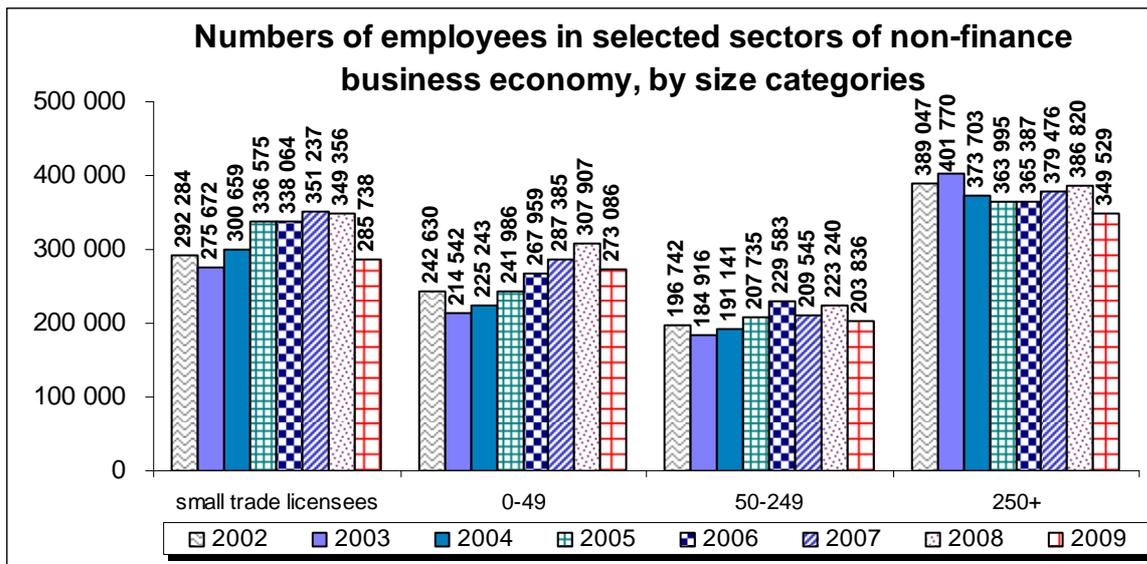


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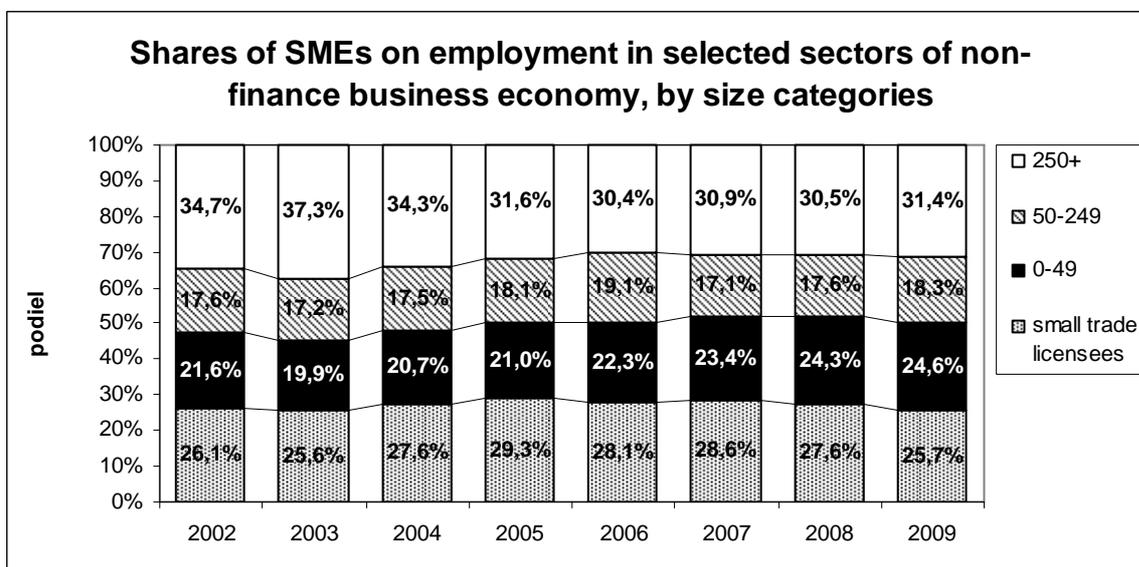


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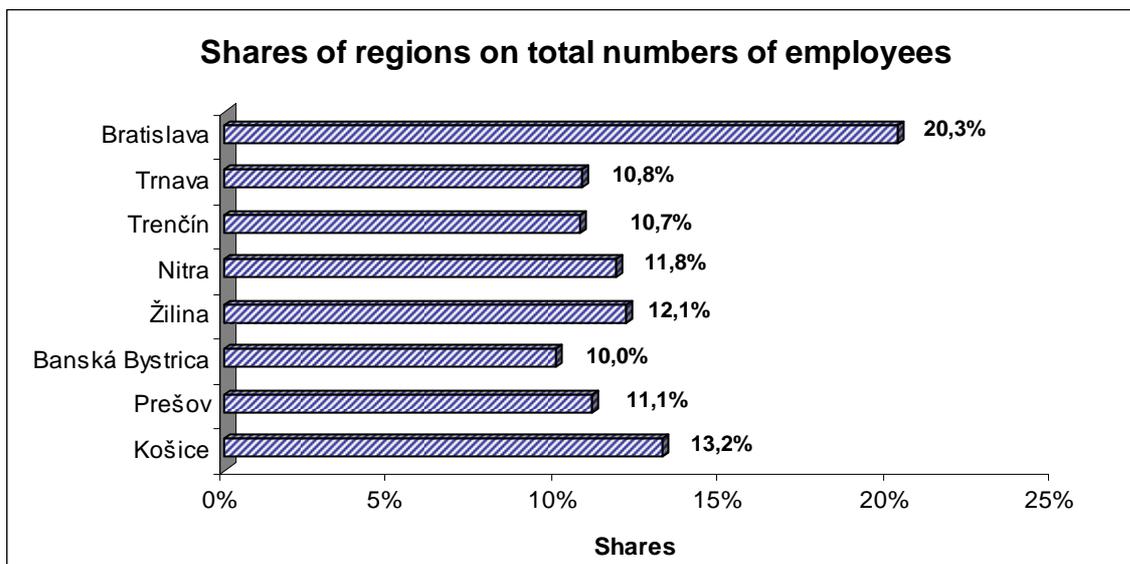


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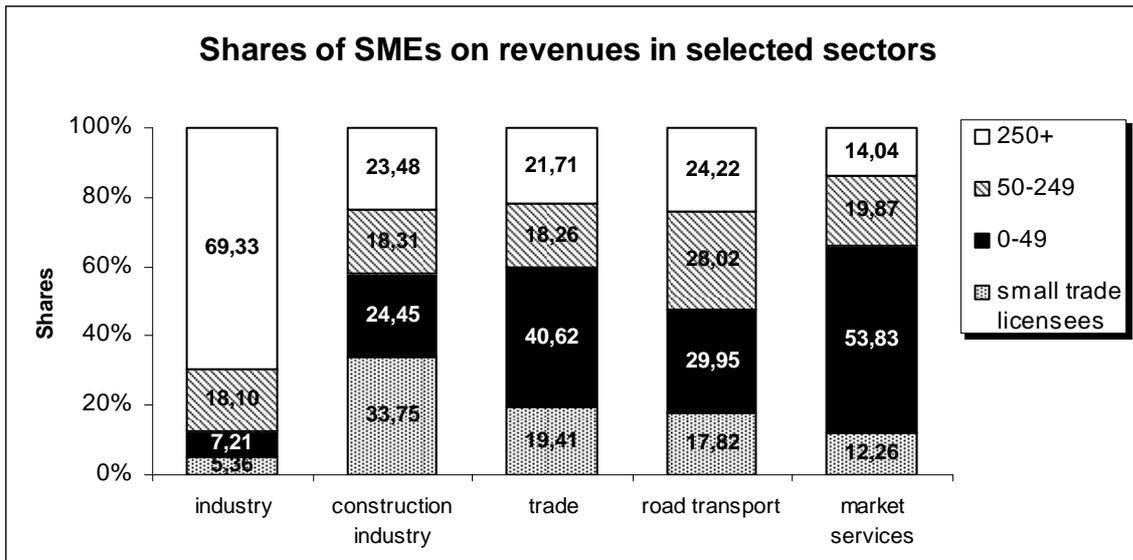


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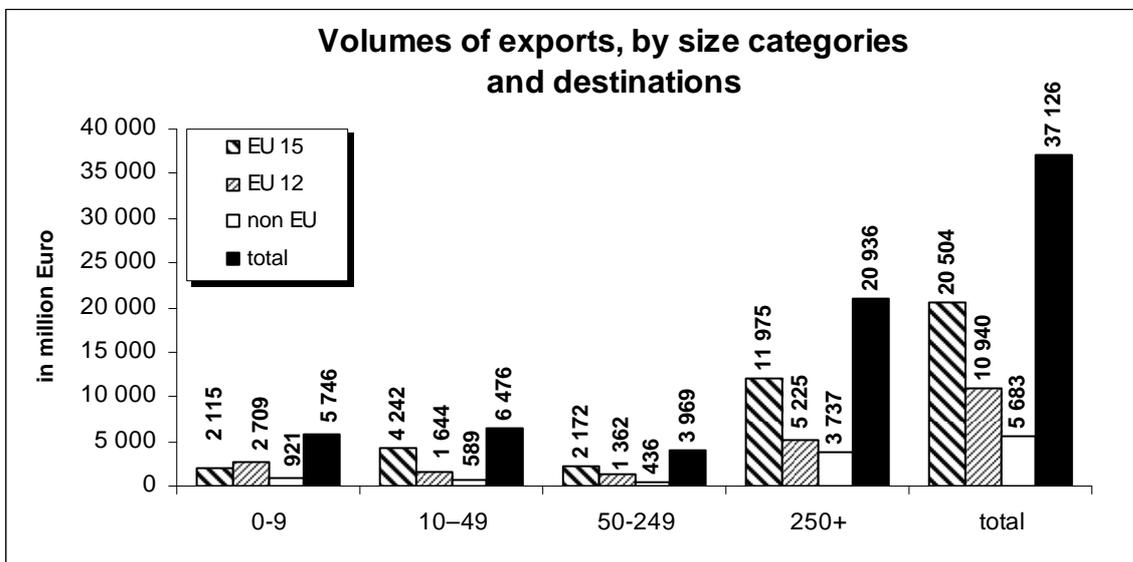


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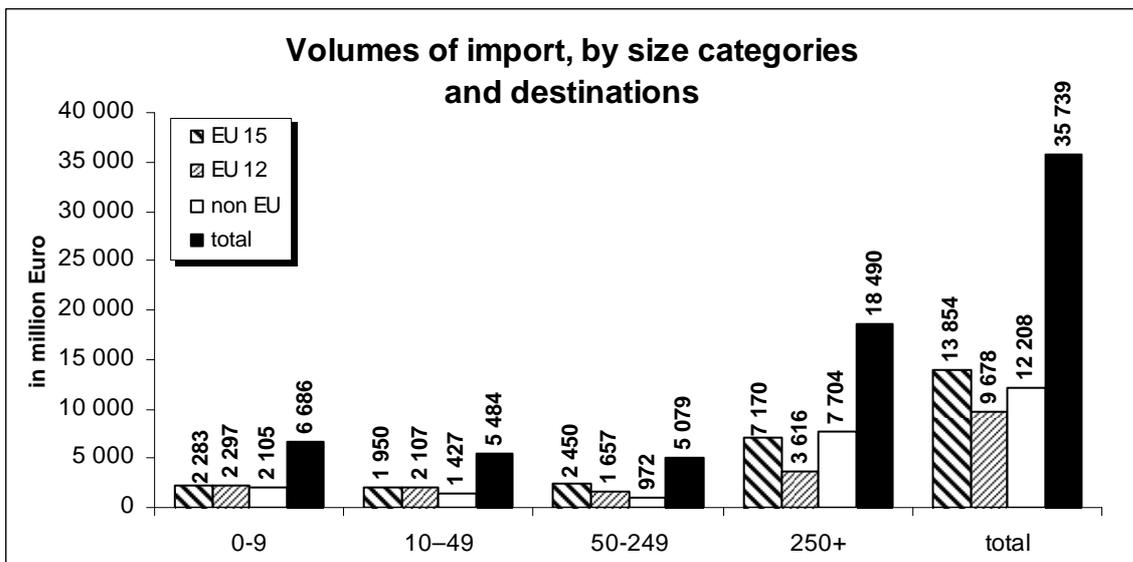


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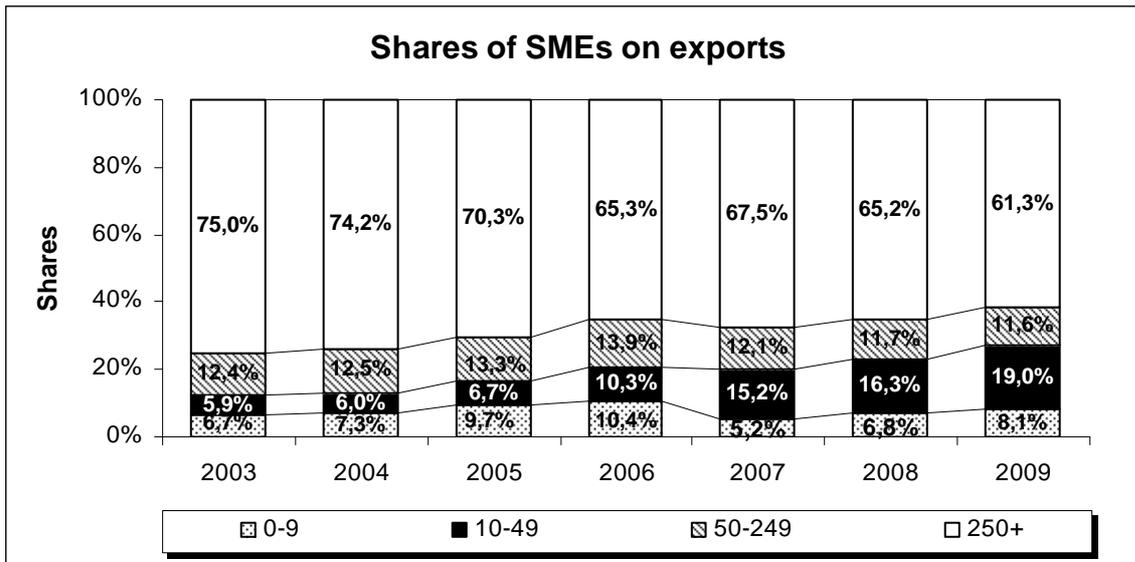


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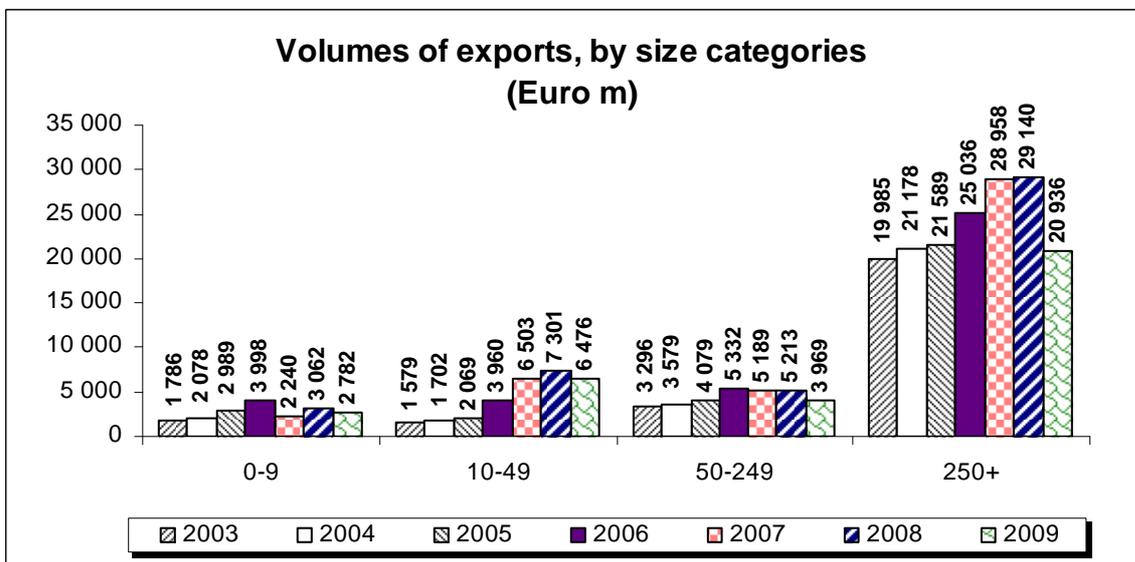


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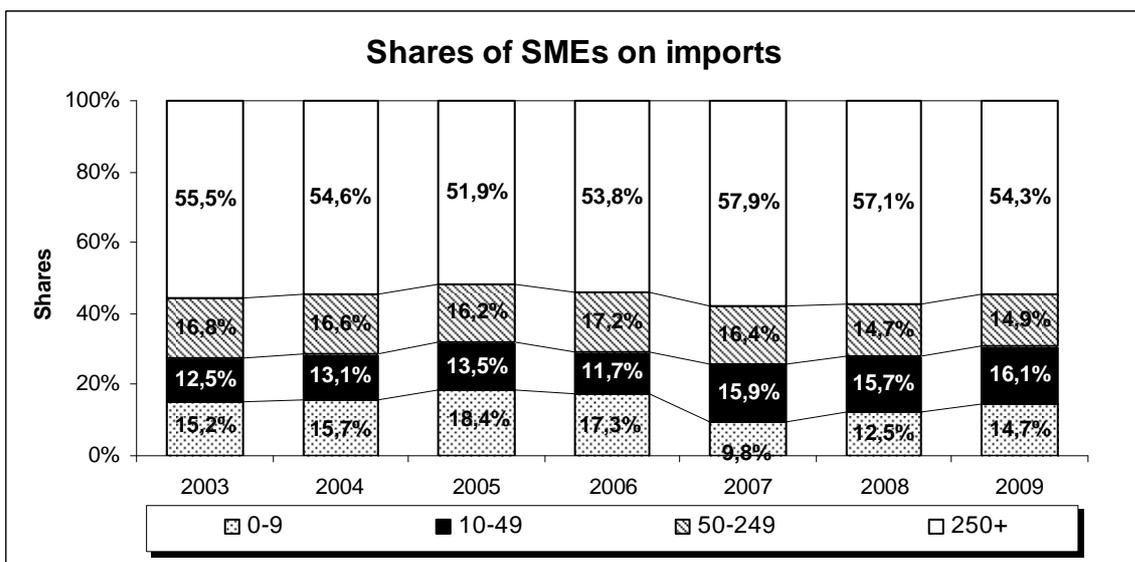


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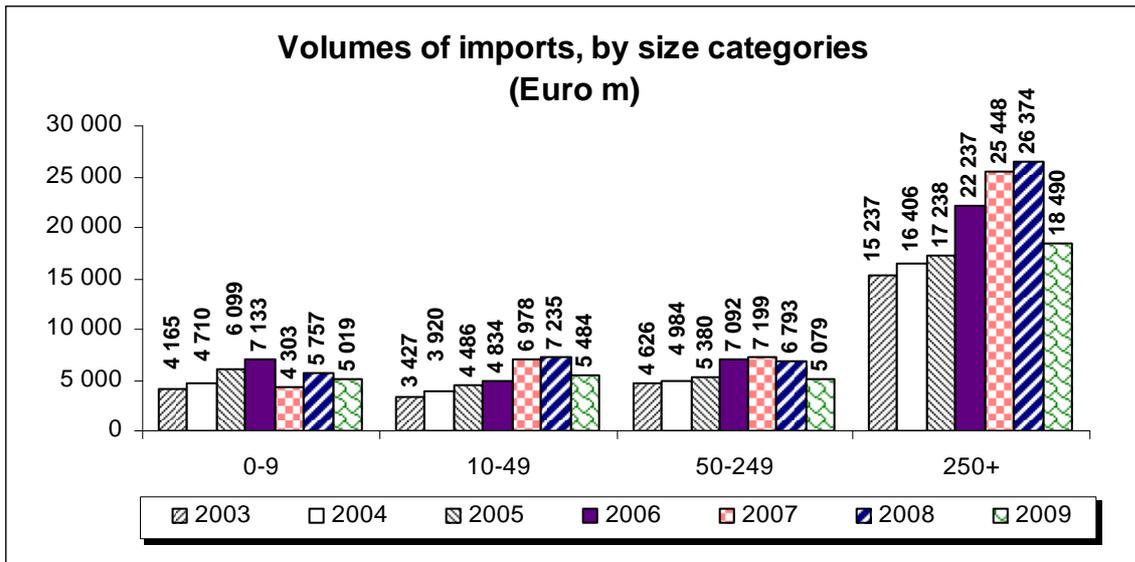


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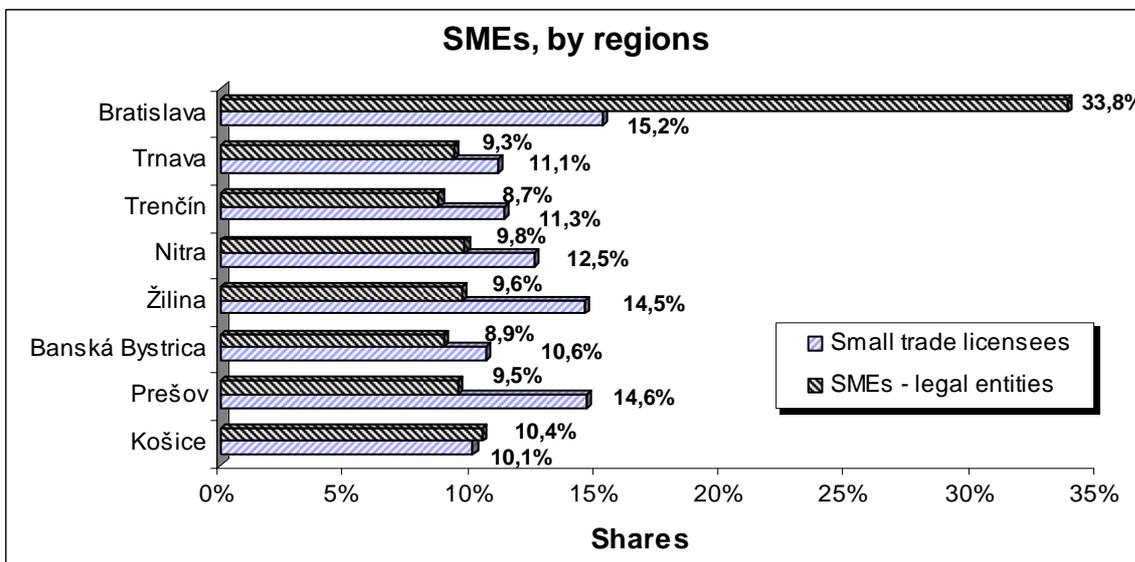


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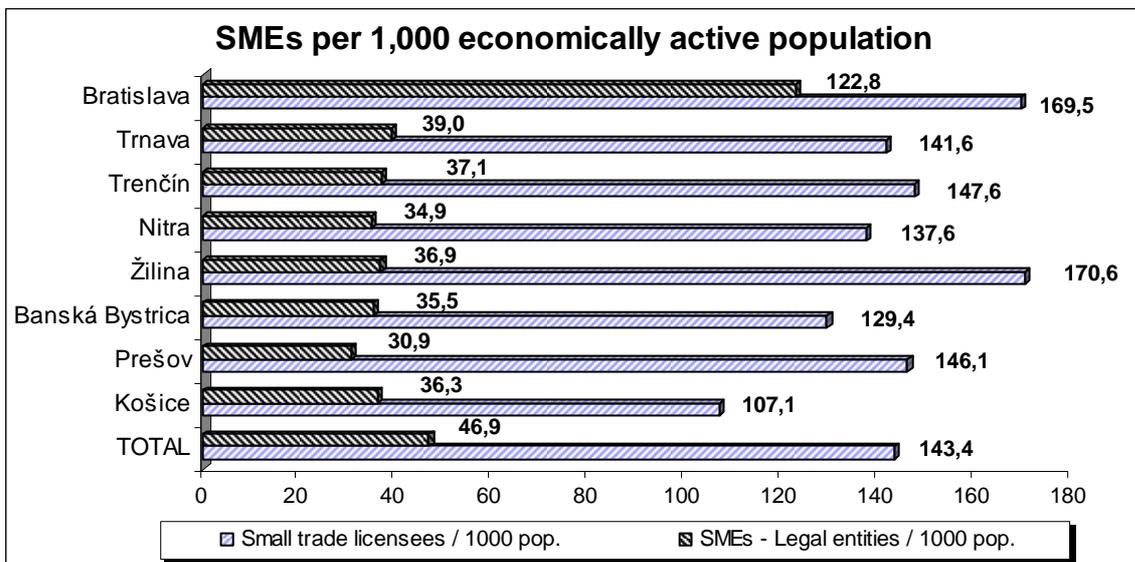


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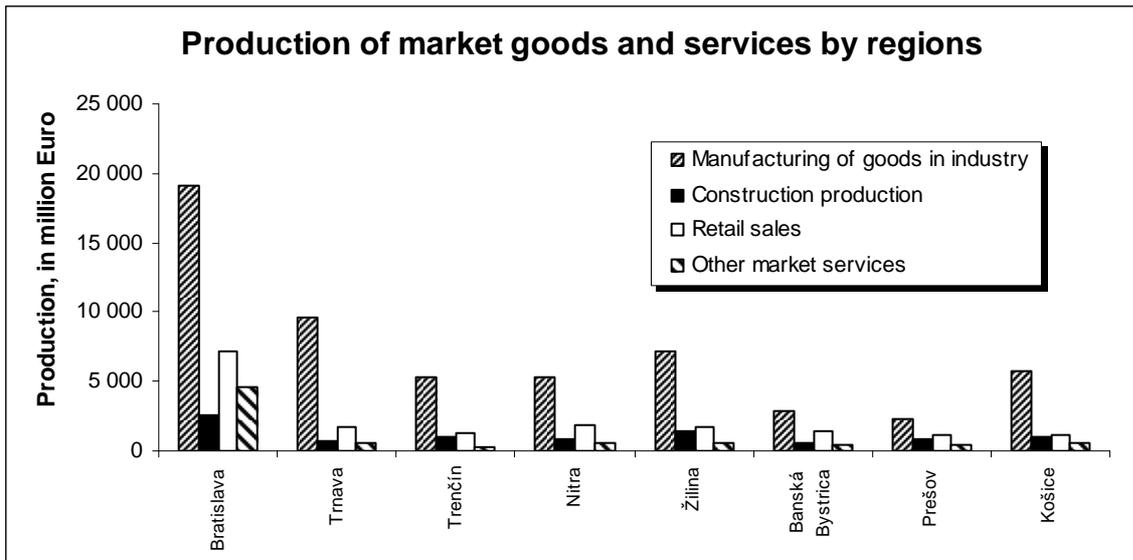


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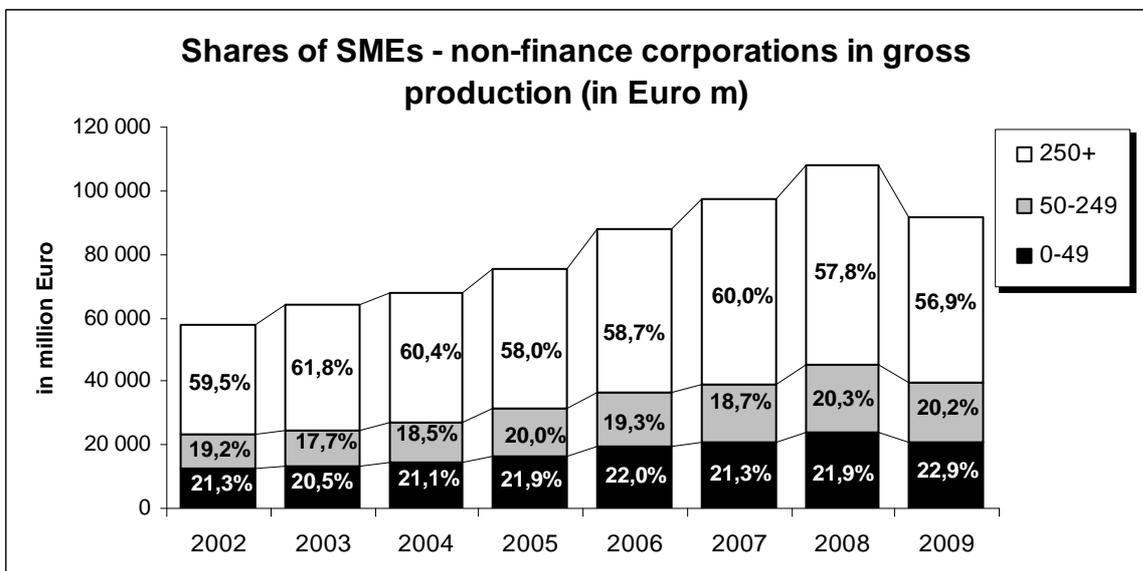


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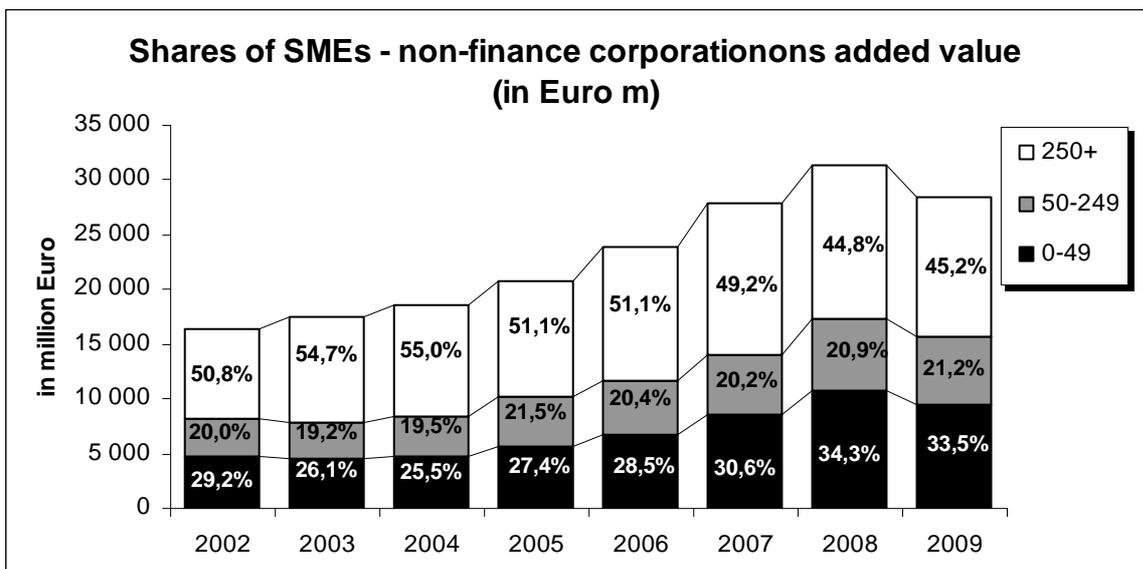


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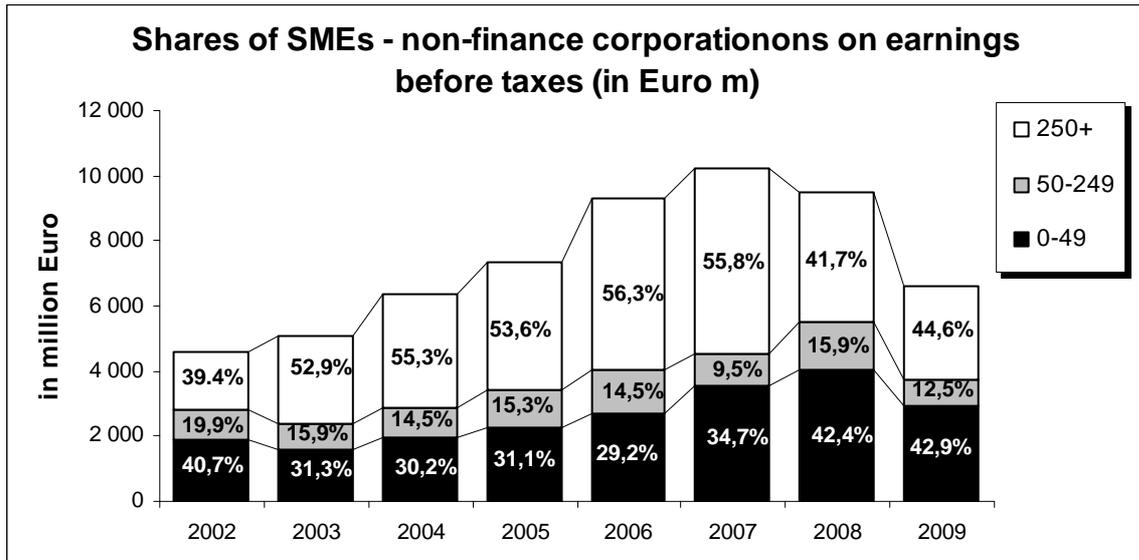


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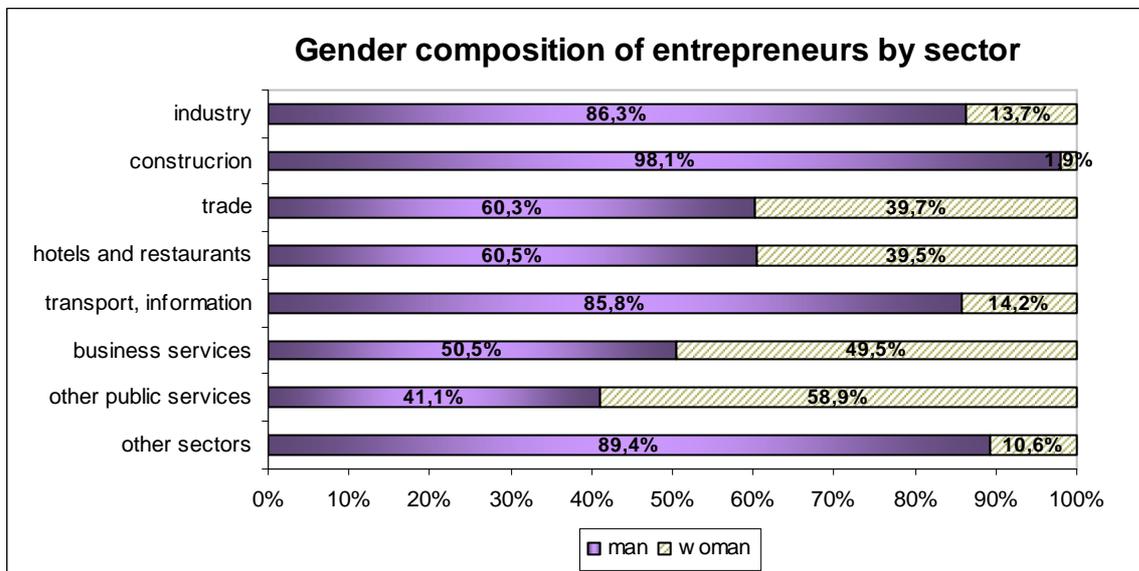


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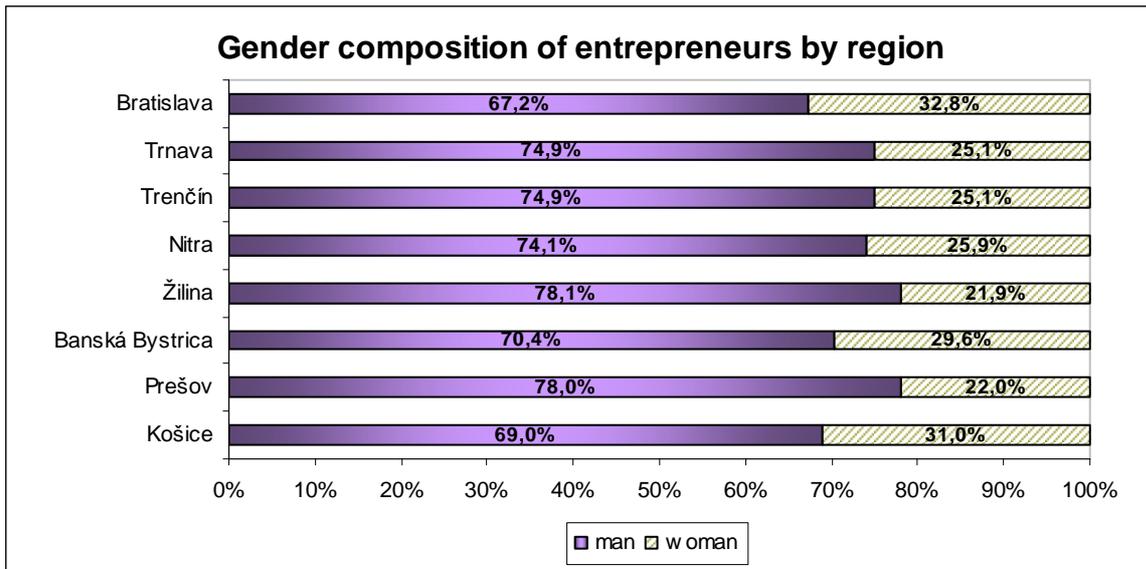


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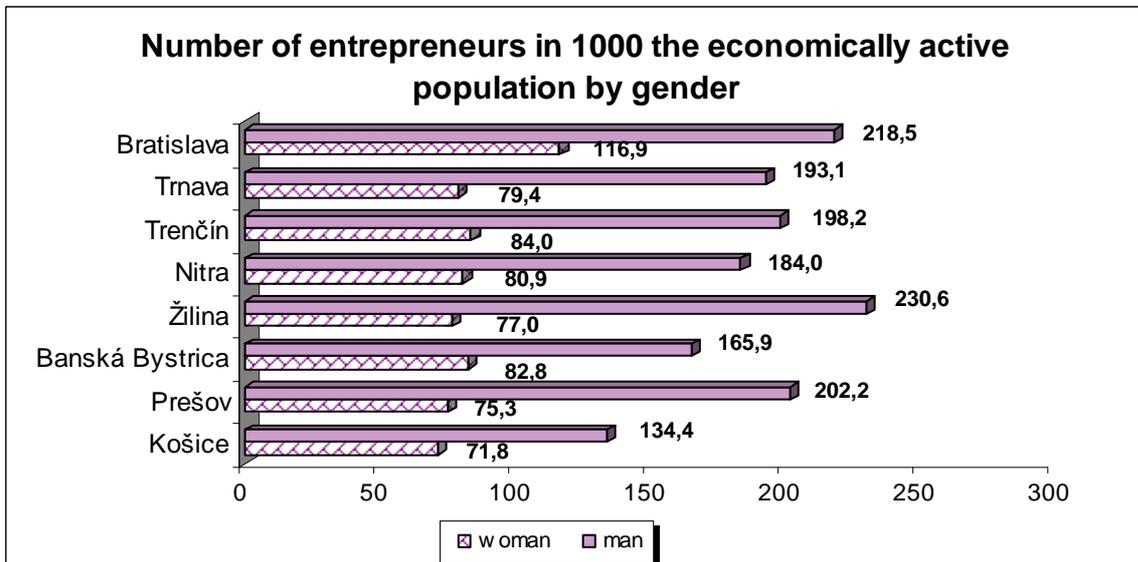


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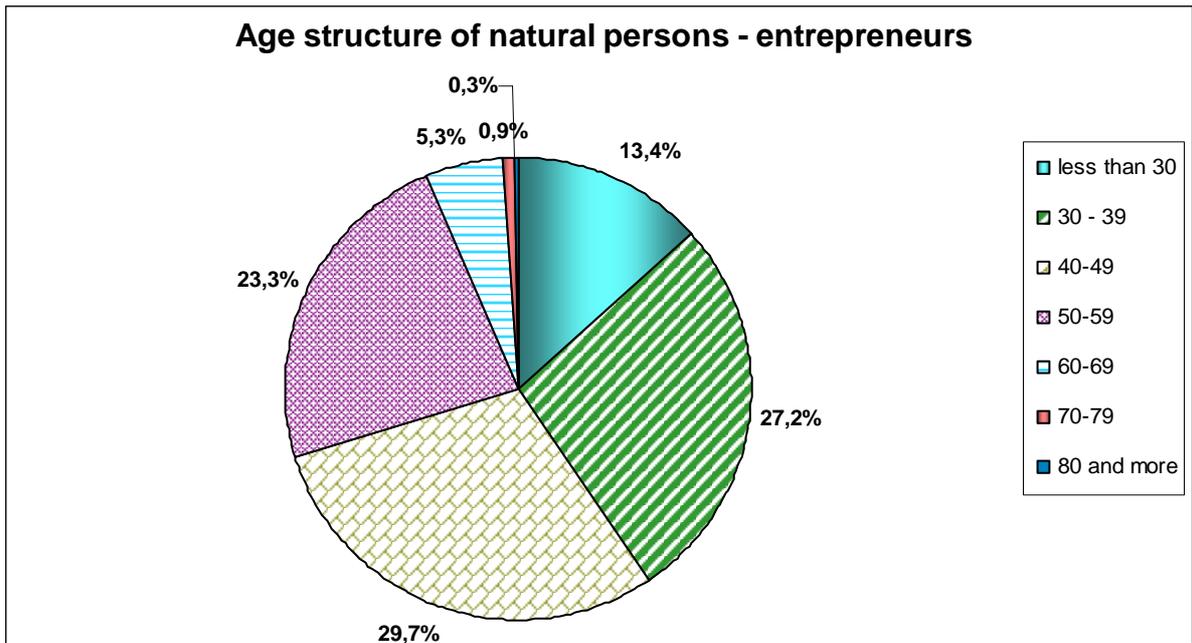


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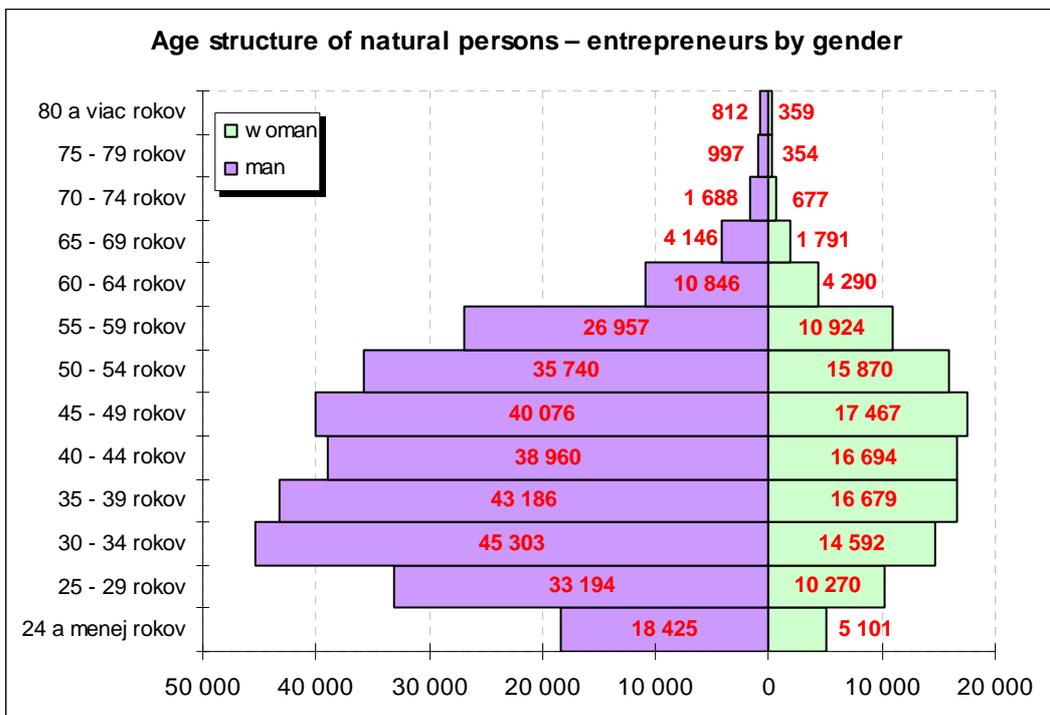


Chart no.29

**Birth rate in selected sectors and countries in 2007 (according to NACE Rev. 1.1)**

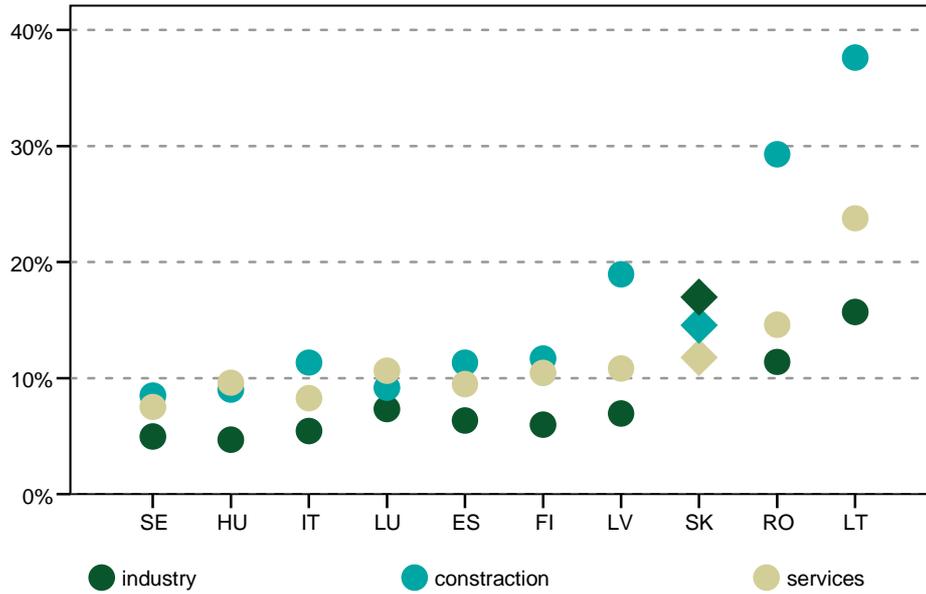


Chart no.30

**Two years survival rate in selected sectors and countries in 2007 (according to NACE Rev. 1.1)**

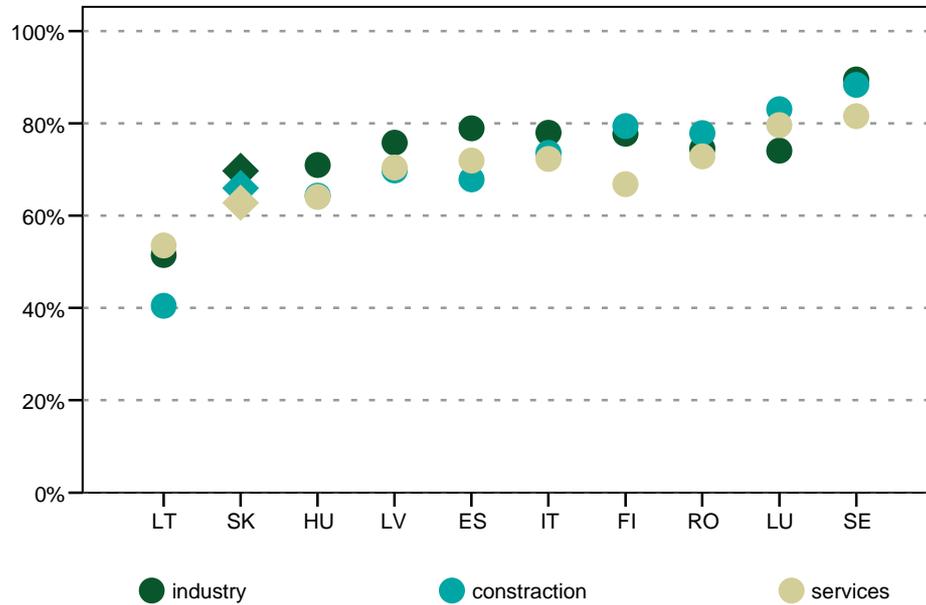


Chart no.31

**Death rate in selected sectors and countries in 2006 (according to NACE Rev. 1.1)**

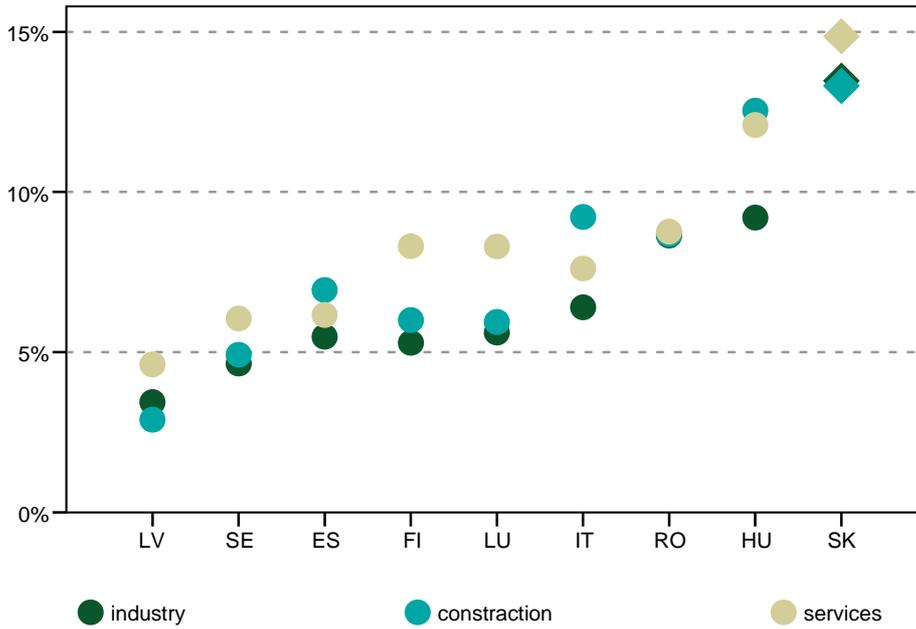


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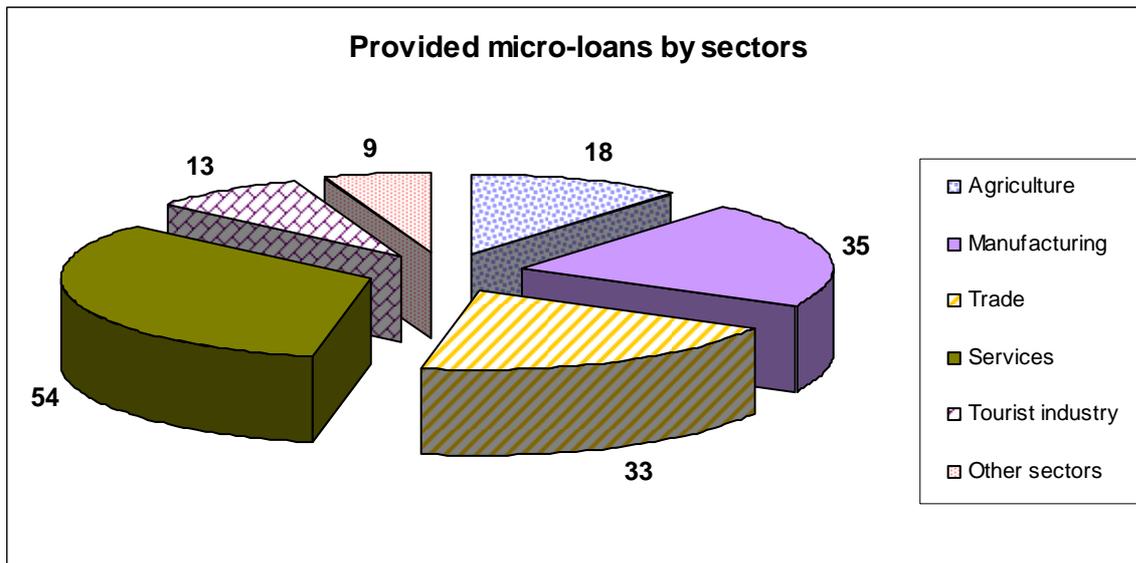


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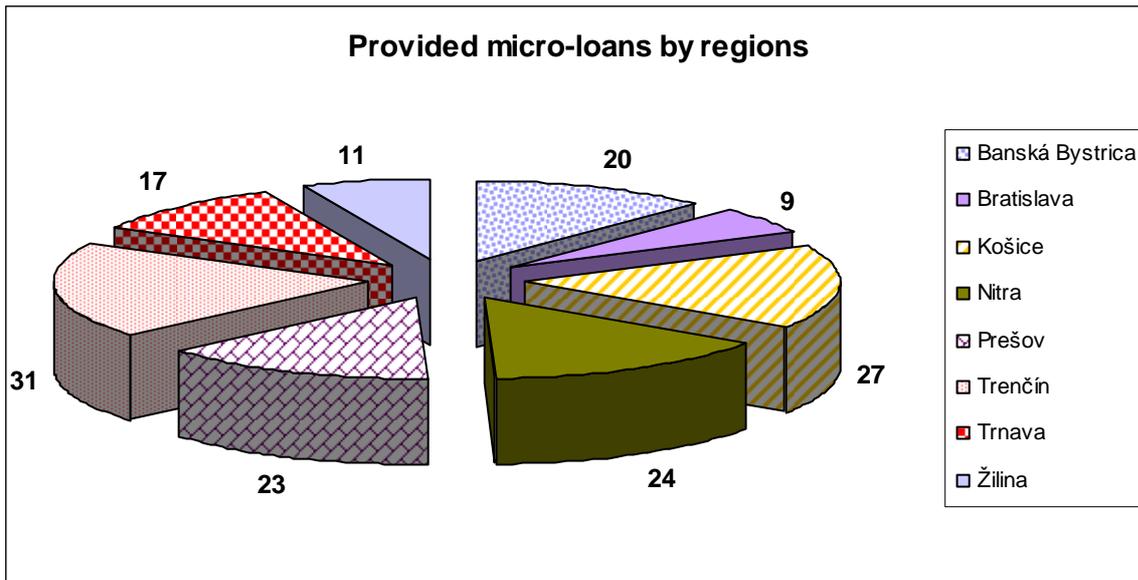


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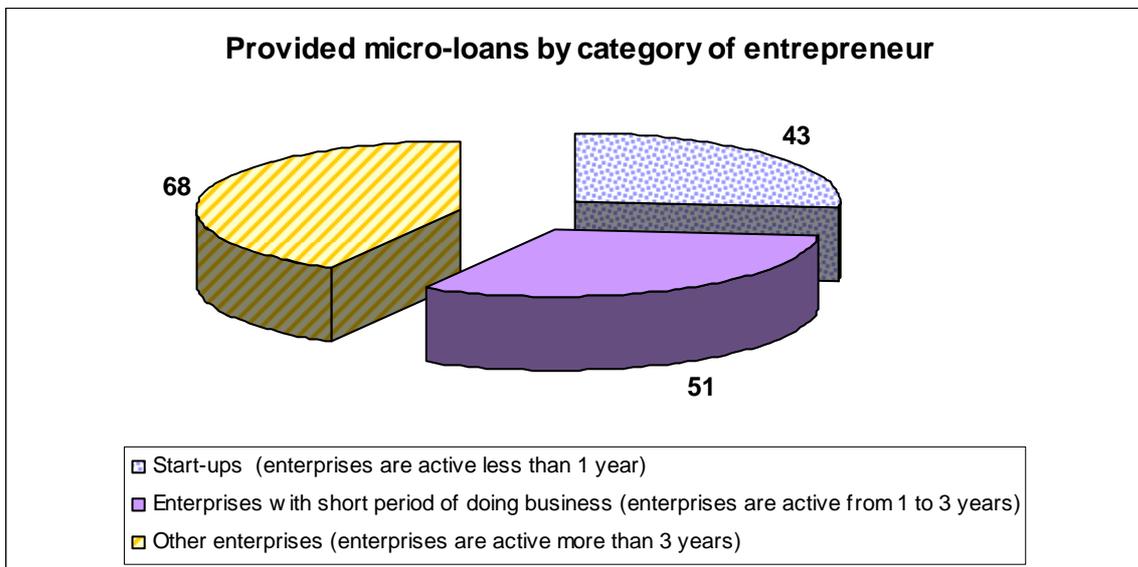


Chart no.35

## Appendix B: Tables

**Table no. 1:** The support of SMEs' export by EXIMBANKA SR

The product structure of export support by banking activities in 2009

PRODUCTS	Export support (in EUR)		
	Total	of which SME	share of SME in %
Bank Guarantees	364 493 639,12	10 643 316,94	2,92
Direct ZMO	118 996 399,48	31 472 539,95	26,45
Direct Loans	50 310 343,49	6 546 193,27	13,01
Refinancing Loans	1 357 131 397,00	83 351 638,00	6,14
Refinancing ZMO	4 786 106,42	4 786 106,42	100,00
Bill Loans of Receivables	61 426 362,12	29 597 817,90	48,18
<b>Total</b>	<b>1 957 144 247,63</b>	<b>166 397 612,48</b>	<b>8,50</b>

The SITC structure of export support by banking activities in 2009

S I T C	Export support (in EUR)		
	Total	of which SME	share of SME in %
Raw material	15 191 081,74	15 191 081,74	100,00
Oils and fats	291 393 023,50	0,00	0,00
Others	63 692 632,65	21 347 484,00	33,52
Foodstuff	97 374 993,23	11 218 025,66	11,52
Chemicals	93 107 254,82	87 392,25	0,09
Industrial products	405 821 272,49	36 759 528,52	9,06
Machinery and equipment	235 126 833,29	43 496 522,59	18,50
Manufactured goods	755 437 155,91	38 297 577,72	5,07
<b>S P O L U</b>	<b>1 957 144 247,63</b>	<b>166 397 612,48</b>	<b>8,50</b>

The sectoral structure of export support by banking activities in 2009

SECTORS	Export support (in EUR)		
	Total	of which SME	share of SME in %
Light Industry	429 401 779,88	17 571 767,88	4,09
Electrotechnic Industry	142 471 263,35	15 545 503,14	10,91
Woodworking Industry	293 924 704,06	18 796 481,06	6,39
Other industry	80 184 468,95	11 018 855,69	13,74
Chemical Industry	509 548 821,82	2 962 218,75	0,58
Food industry	96 203 754,23	10 046 786,66	10,44
Construction Industry	35 811 953,34	4 083 009,34	11,40
Machine Industry	250 415 338,46	55 392 548,76	22,12
Rubber Industry	81 588,33	0,00	0,00
Metallurgical Industry	90 714 858,00	2 594 724,00	2,86
Metal Products industry	128 178,94	128 178,94	100,00

Retail trade, except of motor vehicles	570 961,17	570 961,17	100,00
Wholesale trade	25 725 780,98	25 725 780,98	100,00
Other business services	1 960 796,12	1 960 796,12	100,00
<b>Total</b>	<b>1 957 144 247,63</b>	<b>166 397 612,48</b>	<b>8,50</b>

The territorial structure of export support by banking activities in 2009

TERRITORY	Export support (in EUR)		
	Total	of which SME	share of SME in %
EU	1 750 563 550,53	143 094 023,60	8,17
OECD	48 898 167,15	792 695,15	1,62
Former CIS countries	49 567 813,31	13 059 796,73	26,35
Southeast Asia	18 941 659,30	596 100,30	3,15
Other countries	22 825 666,92	3 678 645,28	16,12
CEFTA	2 177 241,99	2 177 241,99	100,00
EZVO	60 264 802,00	1 939 204,00	3,22
Near and Middle East	3 905 346,43	1 059 905,43	27,14
<b>Total</b>	<b>1 957 144 247,63</b>	<b>166 397 612,48</b>	<b>8,50</b>

Short-term insurance - the share of SMEs

Period	Export support – short-term insurance (EUR)		
	Total	of which SME	share of SME in %
<b>01 - 03/2009</b>	166 960 826,22	33 767 919,19	20,23
<b>01 - 06/2009</b>	324 569 150,81	68 620 781 59	21,14
<b>01 - 09/2009</b>	525 127 845,50	117 276 263,11	22,33
<b>Total year 2009</b>	<b>752 451 189,69</b>	<b>161 234 968,78</b>	<b>21,43</b>

**Table no. 2:** Data for the measures of the Rural Development Programme 2007-2013, in which the business category is monitored, in 2009

Measure	Number of supported SMEs in 2009 (With approved projects during the year 2009)					Total assistance approved from the RDP SR 07-13 EUR for SMEs
	total	Micro Enterprises	Small enterprises	Medium-sized enterprises	Other enterprises	
1.2 Adding value to the Farm. products and products LH	<b>62</b>	12	18	31	1	<b>60 864 494</b>
3.1 Diversification into non-agri. activities	<b>0</b>					
<b>Total</b>	<b>62</b>	12	18	31	1	<b>60 864 494</b>

**Table no. 3:** Data for the measures of the Fisheries Operational Programme 2007-2013, in which the business category is monitored, in 2009

Measure	Number of supported SMEs in 2009 (With approved projects during the year 2009)					Total assistance approved from the FOP SR 07-13 EUR for SMEs
	total	Micro Enterprises	Small enterprises	Medium-sized enterprises	Other enterprises	
2.1 Investments in aquaculture	<b>21</b>	9	7	5	0	<b>2 502 597</b>
2.2 Investments in processing and marketing of fishery and aquaculture products	<b>9</b>	0	3	6	0	<b>1 383 299</b>
<b>Total</b>	<b>30</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>0</b>	<b>3 885 896</b>