

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

**2000**



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## *In the way of introduction*

*Small and medium enterprises fulfill an important and irreplaceable function in all market economies. The dynamic development of this sector is one of the principal prerequisites of a sound economic development of a country. This is the major reason why development of small and medium enterprises has remained among the principal priorities of Slovakia's economic policies. Thanks to the attention and support provided by the Slovak Government as well as by other sectors and institutions to small and medium enterprises through Ministry of Economy of the Slovak Republic, this important sector of the national economy can be stated to achieve gradually strengthened position both within the economy and in the society.*

*Based on an evaluation of available data it may be stated that the SME sector started to show signs of stability and gradual quality improvement in 2000. The growth of small and medium enterprises' business has shown as both, an increased share on gross domestic product and in n increased share of employment, overall production, export performance and introduction of new technologies. In spite of such a favorable trend, the share of SMEs on the most important parameters still remains below that reached in EU Member States. This fact suggests that the sector of SMEs has to be continued to be paid enhanced attention to in order to achieve a level in this area similar to that of the EU Member States. A more positive and dynamic growth of this sector however is still prevented by the overall framework of the business environment whose parameters still do not compare favorably with those seen in developed EU or OECD countries.*

*The present report is one of a series of measures intended to make a contribution towards the optimization of the environment to develop small and medium enterprises in the Slovak Republic. The objective is to monitor the level achieved, to compare it with the preceding period and, based in it, to suggest new efficient measures to maintain the positive trends and/or to improve the business environment in general.*

*This is the eight Report drafted by National Agency for Development of Small and Medium Enterprises based on an authorization by the Slovak Government. The Report is based on a broad database, time series, and offers the opportunity to analyze developmental trends; it evaluates numerous acti-*

*vities oriented towards the support of small and medium-sized enterprises. The Report thus documents the fact that there is a sector of small and medium enterprises established in the country despite all problems and troubles Slovakia's economy has been facing, and that this sector has been making a significant contribution towards the growth of the country's economy. The importance of this sector may be realistically expected to further grow and to make a marked contribution towards changes in the structure of the country's economy, its flexibility, growth in performance and competitiveness.*

*I firmly believe that the data published in the Report will represent a valuable source of information to all whom the Report has been intended to, and that it will help them in their future activities to the benefit of the development of small and medium enterprises in the Slovak Republic.*

A handwritten signature in black ink, appearing to read 'Eubomír Harach', written in a cursive style.

***Eubomír Harach  
Minister of Economy  
of the Slovak Republic***

# 1. Introduction

Small and medium enterprises (SMEs) make up today the most extensive area in developed economies. Its important benefits include flexibility, less demands on capital, opportunities for innovations, and coverage of increasingly differentiated market segments. In connection with Slovakia's efforts to join the EU, our getting closer to developed countries in this respect as well has to be sped up. It will therefore be necessary in future years to pay strong attention to this very category of enterprising.

Though being relatively young in Slovakia, this sector has been providing evidence, year after year, for its importance by enlarging its shares in the economy under transition. The development of this sector has been influenced by the slow shaping of the regulatory environment, despite the lowering of the tax-related burden last year that left financial burdens still relatively high, and this has been negatively reflected in particular with respect to natural persons.

The opportunity presented to a defined group of entrepreneurs to pay flat taxes without the need to keep complex accounts was a contribution towards a simplification of legislation and administrative demands put on SMEs. Last year brought to entrepreneurs also the long awaited amendment to the act on income taxes; as a result, the tax-related burden has eased while leaving business environment without any comprehensive solution as required by the business community.

The evaluation of the state of the development of small and medium enterprises and of its support during the last year, as presented in this Report, is based on Slovak Government's Resolution No.726 of 13 September 2000.

The front sections of the Report present a concise evaluation of the regulatory environment and an analysis of the state of SME development from a time aspect. Next sections deal with the evaluation of tools used to support SMEs under a variety of sources. The final chapter contains suggestions for improvements of the business environment, suggestions for institutional provision for supporting functions of state, and the principal aspects of the National Program for Adoption of the Acquis Communautaire in the area of SMEs. In the annexes, additional information, tables and diagrams may be found that the text of the Report makes references to in its individual chapters.

The figures shown in chapters 2 and 3 have been taken over from documents of the Statistical Office of the Slovak Republic and the National Agency for Development of Small and Medium Enterprises (NADSME). In accordance with the methodology used in the EU, the Report does not deal with business in agricultural primary production, forestry and fisheries.

The Report will be published in the form of a booklet and also on NADSME's web site.

## **2. Development of business environment in 2000**

The business environment could slightly stabilize in 2000, and its shaping was influenced by several positive measures taken by the government and the National Council of the Slovak Republic. Stabilization of SME development conditions partly showed in the area of credits granted to small and medium businesses; nevertheless, this does not mean that everything has been arranged in this respect. The condition still prevails that banks are willing to extend credits to SMEs after only rather intricate negotiations and having taken a number of measures. Another positive step in the development of the business environment was the enacting of a new act on income tax reducing the income tax rates for legal entities by 11%. Also, a slight reduction of tax rates within the individual income brackets concerned natural persons. The institute of flat taxes was adopted, and its background philosophy could be substantially improved even during the same year. A discussion was opened on an amendment to the Small Trade Act, and an amendment could be drafted that - thanks to the Slovak Association of Small Trade Businesses - separately defines the term of small trade entrepreneur as an entrepreneur - natural person. A general agreement was signed at the same time and the social dialog has been resumed. The communication between the government and the parliament on one hand and professional organizations of entrepreneurs on the other one has improved. As a significant success, Slovakia was given OECD membership, the import surcharge could gradually be eliminated, mandatory levies paid to the Foreign Trade Support Fund were abolished, unemployment could be temporarily reduced by introducing works of public benefit. The amendment to the additional insurance act enabled also small trade entrepreneurs to participate in this form of insurance.

Apart from the changes that had a marked positive impact on the shaping of the business environment, also changes were introduced during the last year that concerned almost all the key legislative standards that influence development of business and/or some changes in other legal standards impacted upon them. It may nevertheless be stated that the changes have not brought any more pronounced improvements to the business environment. Partly or in a one-time manner, they managed to resolve some principal problems; however, the need for a deeper change of the legislation making up the business environment remains, requiring the accounting for also opinions and suggestions on the part of the business community and/or the relevant institutions. Evidently, a majority of the legal amendments introduced in 2000 lacked a more systemic approach to the

solution of the remaining barriers to the development of business that keep being presented by analyses of various institutions dealing with the issue since long.

It follows from such analyses that the prevailing majority of the legislative barriers to the development of SMEs shows in a significant financial burden entrepreneurs are supposed to bear. One of the reasons is that regulatory measures are being taken without any more detailed analysis of their impact upon SMEs or that they are assessed but from a single aspect, e.g. from that of their benefits to the state budget. In this respect, the need should be underlined to take such measures only after the overall context has been considered since any legal standard directly influences some others. This is the case e.g. in relation to minimum wages and levies into funds.

Confirmation of the above mentioned facts may not only be found in the analyses mentioned but it also follows from comments made by the entrepreneurs themselves when asked to assess their own business activities. In 2000, the financial burden grew 1.5 percentage points.

The financial burden is inappropriately large with respect to all entrepreneurs; its impacts nevertheless are most unfavorable upon SMEs and in this category upon natural persons in particular (small trade people, self-employed individuals).

In this connection, the most serious problem represent levies into funds that - as a matter of fact - do not play the role of insurance funds at all, and are calculated based on previous year's tax base. This does not account for the changing situation in the market and the connected proportionality of payments. Moreover, the legislation also partly discriminates against the said category of SMEs since e.g.:

- there is inequality in respect to benefits in illness and injuries between entrepreneurs and employees,
- female entrepreneurs may not receive maternity benefits,
- per diem for domestic business trips may not be included in expenditures on securing and maintaining income,
- entrepreneurs are not allowed to generate social fund, etc.

Also, there is a number of other factors that increase the financial burden in an indirect manner. Most important among them, capital expenditures may not be deducted from taxable income base, inflation and price increases are not accounted for with respect to the classification of tangible and intangible fixed assets, but also depreciation policy that spreads depreciations over excessively

long time periods that does not at all correspond with the need to sophisticate investments and/or technologies. With respect to depreciations, also the system of expedite depreciations is also insufficient since it only impacts on a reduction of the tax base rather than on the total number of years during which assets are depreciated.

In the presence of the current shortage of credit sources, these policies do not allow SMEs to be able to provide for the development of the businesses from their own resources and for the associated competitiveness of their products and services.

The intricacy of the legal environment and the lack of conceptuality of its development, along with a complex of problems arising from inappropriate financial burden also reflects into other areas that negatively influence the development of SMEs.

As an example of the administrative approach towards support of enterprising, we may mention the adoption of the **NR SR Act No. 231/1999 Coll.LL. on state aid** that made the granting of state assistance to entrepreneurs more intricate. The positive aspect to it has been that the Act defines SMEs along the lines of the recommendations of the European Commission.

Also, a significant barrier is the insufficiently granted enforceability of law: SMEs perceive this as inappropriate protection of debtors, support of dishonest business practices and behaviors against good morals. In this context, the legislation and mainly the practices still do not provide for the implementation of the act on bankruptcy and settlement.

An important measure or a complex of measures whose action on opportunities to develop business is insufficient is the present legislative and practical framework of support of employment, in particular in relation to small and medium enterprises. It follows from the analysis presented in chapter 4 that funds intended to resolve the problem of unemployment are increasingly spent on the solution to consequences of unemployment, thus on passive labor market policy.

In connection with the tax reform under preparation, several prevailing problems should be pointed at that should have been tackled by the legislative measures already in place concerning tax issues. The present tax system is too intricate, thus:

- increasing direct government expenditures on the operation of the public administration,
- increasing indirect administrative costs of taxpayers.

An important element in the above context is also the downsizing of state bureaucracy in connection with corruption. This area may benefit from minimization of opportunities of subjective decision-making by state bodies, provision for access to information, and minimization of the various exceptions, thus a rather clear-cut wording of legal standards with unambiguously set rights and responsibilities of the individual entities.

A total of 156 legal standards were adopted in 2000 concerning small and medium enterprises; there nevertheless are numerous legal regulations in force that negatively impact on the development of businesses, and their long awaited amendments could substantially help improve the business environment. In the period to come, at least the following should be paid special attention to in addition to the legislative standards mentioned:

- a) **NR SR Act No. 289/1995 Coll.LL. on added value tax, as amended from time to time;** there were no substantial changes introduced to this act in last year, and entrepreneurs continue to efficiently provide credits to the state since they are liable to pay VAT upon issuing an invoice, whereas when claiming VAT returns, it takes at least 54 days to get it;
- b) **NR SR Act No. 366/1999 Coll.LL. on income tax, as amended from time to time;** the adoption of this act has brought certain minute improvements mainly concerning legal entities, foreign and larger business entities, with justified requirements on the part of small and medium enterprises remaining treated insufficiently, in particular concerning:
  - reduction of taxes on corporate income to the level of at least 25%,
  - change in income brackets for tax purposes for natural persons,
  - bringing tax rates on income of natural persons closer to those of legal entities,
  - making self-employed persons equal to employees with respect to some tax expenditure positions,
  - to classify tax payers - natural persons into employees and so-called self-employed persons and to differentiate taxes accordingly,
  - systemic change in the way of determining deductibles,
  - more realistic periods of depreciations,

- with respect to special method of taxation (flat tax), the income threshold of its application should be raised,
  - changing of the concept of redemption of losses so as to enable redemption any time during the period of business rather than according to the current limited method;
- c) **NR SR Act No. 446/2000 Coll.LL. that amends and supplements Act No. 100/1988 Coll.LL. on social security, as amended from time to time, and NR SR Act No. 467/2000 Coll.LL. that amends and supplements NR SR Act No. 274/1994 Coll.LL. on Social Insurance Company, as amended from time to time;** the adoption of the above acts introduced substantial discrimination against certain groups of entrepreneurs when it comes to the rights from illness insurance (this discrimination was moderated by Act No. 242/2001 Coll.LL.);
- d) **NR SR Act No. 273/1994 Coll.LL. on health insurance, financing of health insurance, on establishment of General Health Insurance Company, and on establishment of sectoral, branch, corporate and civil health insurance companies,** as amended from time to time;
- e) **SNR Act No. 455/1991 Coll. on small trade business,** as amended from time to time.



### **3. SMEs in 2000: development and status quo**

The business environment and changes in conditions for doing business, either economic, legislative or administrative, markedly show also in quantity and quality parameters of entities doing business. They may be used to make estimates of prevailing trends, and they also represent indices of the need for changes to provide for the desirable growth. Problems associated with such analyses include the exactness of the existing data with respect to the registration procedures, discipline of entrepreneurs and with that of reporting and competency of the staff at the corresponding registration authorities.

The NR SR Act No. 231/1999 Coll.LL. on state aid, defines small and medium enterprises according to the methodology of the European Commission, and enterprises are classified into small with 0 - 49, medium with 50 - 249, and large with 250+ employees. Moreover, additional criteria apply to classification, based on turnover and balance of the close of accounts. Statistical data of the above structure are available for the years beginning with 1996. The passage of the legislation to adopt this system of classification enables comparisons of the status of SMEs in the Slovak Republic with that of the business sector in the European Union, which may markedly help to disclose to what extent Slovakia's small and medium enterprises are prepared to enter the integrated market of the European Union. In addition, some key characteristics of SMEs are also subject to comparison between Slovakia and other V4 countries.

The evaluation of the status of small and medium enterprises as presented in this chapter has been based on the registry and data published by the Slovak Office of Statistics (ŠÚ SR). The registry data have been updated in accordance with the new methodology, with account taken of the activity of the enterprises. The analysis of exports by small and medium enterprises was developed based on data of the Ministry of Economy of the Slovak Republic (MH SR). The data for the evaluation of the numbers of small trade certificates issued and withdrawn have been provided by the Slovak Ministry of Interior (MV SR). Data for the European Union Member States have been taken from the publication The European Observatory for SMEs - Sixth Report. The present evaluation takes the size of the enterprise as the sole criterion for the classification under SMEs. Graphical data referred to in this Report are in the annex.

As of the end of December 2000, there were 60,920 businesses (organizations

oriented towards profit making), and 296,520 natural persons registered with the Register of Organizations of the Statistical Office of the Slovak Republic. Compared to the figures as of the end of December 1999, the number of enterprises and natural persons grew by 2,587 and 770, respectively (with the numbers of small trade licensees growing by 2,420, those of freelancers by 416, and the numbers of individual farmers decreasing by 2,066).

### **3.1 Natural persons**

The total number of 296,520 registered natural persons included 269,323 small trade licensees, i.e. natural persons doing business according to the Small Trade Act and being registered with the Small Trade Register; 11,647 persons doing business as freelancers; and 15,550 individual farmers.

As compared to 1999, the numbers of small trade licensees grew by 2,420, i.e. 0.9 %, with a growth for freelancers by 416, i.e. 3.7 %, and a reduction of individual farmers by 2,066, i.e. 11.7 %. Long-term data suggest (graphics 3.1) a stabilized number of small trade licensees. As far as freelancers are concerned, there a growth reappeared after the marked reduction during the last year (graphics 3.2), with the numbers of individual farmers keeping to decrease. This means that by the end of 2000, there were 296,520 economically active natural persons doing business independently, representing 12% of the economically active population.

There were no marked changes in the sectoral structure of small trade licensees either (graphics 3.3). Drop by 0.5 point was recorded in industrial production, and growth by 0.1 and 0.4 point in the building industry and domestic trade, respectively. The most important sectors include domestic trade with 103,421, small trade licensees, followed by industrial production and building industry with 48,358 and 37, 40 small trade licensees (graphics 3.4).

Graphics 20 shows the structure of small trade licensees by regions. Most licenses do business in the districts Bratislava V (11,209), Žilina (10,240), Nitra (9,407), Bratislava II (9,253), and Bratislava IV (8,183). The smallest numbers of licensees are in the districts Medzilaborce (392), Sobrance (505), and Poltár (567).

### **3.2 Legal entities**

As of 31 December, 2000, there were 60,920 profit-oriented organizations - legal entities registered with the Register of the Slovak Statistical Office. Compared to the preceding year, the numbers of legal entities were 5.6% higher.

Limited liability companies had the biggest share of all the for-profit organizations (78.5 %). Their number increased 1.1% compared to the preceding year to reach 47,810). The number of state enterprises dropped by 22.6 % to reach 75), that of cooperatives dropped by 3.1 % to reach 1,747). On the contrary, the number of joint stock companies grew 3.6% to reach 4,208). There were 98.1% for-profit organizations in private ownership. Graphics 3.5 shows the development of the numbers of legal entities by their legal status.

Small enterprises made up a prevailing portion of the for profit organizations (91.0 %; thereof micro-enterprises with 0 - 9 employees 76.9 %). Medium-sized enterprises and large enterprises made up 5.0 % and 1.1 %, respectively. In the EU, micro-enterprises and small enterprises make up as much as 99 %, medium-sized enterprises 1 %, and large enterprises less than 1 % of all businesses<sup>1</sup>. Compared to the preceding year, there were 2,898 small enterprises more, 231 medium-sized and 80 large enterprises less respectively.

There were 57,247 small private enterprises with up to 49 employees, 3,063 medium-sized privately owned enterprises with 50 to 249 employees. The development of the numbers of small and medium enterprises is shown in graphics 3.6. Graphics 3.7 illustrates changes that occurred in the individual size categories within 1996 - 2000. The graphics shows an increase by 2.7 points in micro-enterprises (0 - 9), a reduction of the proportions of small enterprises (10 - 49) by 1.9 point, and a reduction in the proportions of medium-sized enterprises by 0.6 point. The proportion of large enterprises dropped at the same time by 0.2 point.

Graphics 3.8 illustrates the structure by sectors. Most small and medium-sized enterprises were doing business in the sectors of trade (26,262), commercial services and finances (11,458), production of goods (8,877), and building industry (4,699). The structure by regions is shown in graphics 3.23, with a marked maximum for the region of Bratislava. In the EU, the predominating sectors include trade with 5,560,000 enterprises, followed by commercial services and finance (4,125,000), public services (4,040,000), building industry (2,775,000), industry (2,260,000), and transport and telecommunications (1,090,000)<sup>2</sup>.

<sup>1</sup> *The European Observatory for SMEs - Sixth Report, pages 388*

<sup>2</sup> *The European Observatory for SMEs - Sixth Report, pages 50 - 52*

### **3.3 SMEs contribution toward employment**

There were 2,101.7 thous. persons in average working in Slovakia's economy in 2000, being 1.4% less than in 1999. The drop was 1.6 percentage point less than that a year before. Reductions in labor continued in agriculture (by 11%) and industry (by 2.4%) at a more slowly rate than it was the case in 1999. Also, reductions continued in building industry (by 11.6%) and the education sector and health sector joined those with reducing numbers of employees (by 3.1% and 4.6%, respectively). Employment continued to grow in other public, social and personal services sectors (by 18.8%), real estate, leasing, commercial services, research and development (by 13.5%), and resumed in also sectors such as transport, storage, posts and telecommunications (by 0.7%), finance and insurance business (by 1.1%). Almost unchanged remained employment in sectors of trade hotels and restaurants (drop by 0.1%). The contribution of SMEs toward employment by sectors is shown in graphics 3.9.

Of the overall number of workers, there were 1,931 thous. employees, 164.5 thous. entrepreneurs, and 3 thous. assisting household members. As compared to the preceding year, the number of employees dropped by 1.7%, and those of entrepreneurs grew by 1.9%.

There were 452.5 thous. people employed within the category of small trade licensees, and 333.5 and 355 thous. individuals employed in small and medium enterprises, respectively. A breakdown by size categories of enterprises and developments during the recent 5 years is shown in Graphics 3.10.

A year-to-year increase of employment by 17.1% was noted for the category of small enterprises that for medium enterprises reduced by 7.3%, with the overall employment in SMEs, including small trade licensees increasing 2.5%. Certainly, these figures have been also influenced by black labor. The role SMEs play with respect to employment is obvious from Graphics 3.11. In 1997, SMEs offered jobs to 59.4% of the population employed, dropping to 57.1% and 56% in 1999 and 1999 respectively, and increasing again to 57.7% in 2000. This trend is not satisfactory since it is SMEs that are expected to create new job opportunities.

Graphics 3.12 illustrates the shares of the individual regions on the overall numbers of employees.

### **3.4 SMEs contribution toward production by some sectors**

Gross domestic product in industry witnessed a year-to-year increase by 2.5% to reach Sk 233.1 bn. The development reflected a 5.5% increase in production of goods and 18.3% and 11.2% reductions in the production of mineral raw materials and generation and distribution of electricity, gas and water respectively.

The year-to-year increases in the production of goods and services that started in 4th quarter of 1999, continued also throughout 2000. The rate increased from 7.3 % in 1st quarter to 11.4 % in 4th quarter.

As compared with 1999, industrial production increased 9.1% (whereas a 3.6% drop was recorded in 1999). The favorable results were mainly connected with a positive breakthrough in the development of the production of goods with a subsequent 10.3% increase (a reduction by 5.6% recorded in 1999). The growth of production continued with respect to generation and distribution of electricity, gas and water (by 7 %). Worsening concerned production of mineral raw materials with the production dropping 2.5 % (growth by 6.5% in 1999).

Production of goods in all industrial sectors was above the 1999 levels (production increased in only three sectors in 1999). The most pronounced revitalization-concerned production of products of resin and plastics (a 33.5% growth), manufacturing of transportation vehicles (31.9%), woodworking and manufacturing of wooden products (22.1%), manufacturing of electric and optical equipment (18.7%), and production of coke and refined oil products (17.1%). Production kept growing in leather processing and manufacturing of leather products, paper products, publishing and printing, production of food, drinks, and tobacco processing industries.

The increasing production with a parallel reduction of employment projected into a growth of the productivity of labor: it has grown 12.6% for the industrial sector as a whole, including production of goods (3.6%), generation and distribution of electricity, gas and water (11.1%), and production of mineral raw materials (6.7%).

The year-to-year reduction of gross domestic product generation in building industry slowed down from 22.9% for the 1st quarter to 0.1% in the 4th quarter. Building industry in 2000, being 15% less than in 1999 generated gross domestic product worth Sk 42.3 bn.

Small enterprises and small trade licensees realized the largest proportion of the overall production of building industry (28.5% and 16.9% respectively). The share of the medium enterprises was 21.8%, and that of the large ones 22.8%. The development of building production was affected by a smaller production volume contributed by medium enterprises (by 7.1%) and small trade licensees (by 4.9 %). Small and large enterprises realized volumes of construction works that were 9.6 % and 1.3% larger than in 1999 (whereof enterprises with 500+ employees contributed 13.3% more).

The year-to-year growth rates of gross domestic product generated by commercial services overall increased from 0.2% in the 1st quarter to 12.4% during the 4th quarter. Gross domestic product worth Sk 388.2 bn was generated by commercial services in 2000 with a year-to-year growth by 5.1%. The development was influenced by growths in trade, hotels and restaurants (by 11.7 %) and in other services (by 4.9 %). Preceding year's levels could not be achieved in transport (by 1.7%) and posts and telecommunications (by 6.3 %).

Small enterprises and small trade licensees realized the largest portion of revenues (41.3 % and 27.5 %, respectively). Medium enterprises contributed 19.8 % and large enterprises 11.4 % of the overall revenues. The year-to-year reduction was due to smaller revenues made by small trade licensees (by 31.1 %) and small enterprises (by 16.4 %). The revenues of large enterprises increased 184.8 % and those of medium ones by 34.9 %.

As compared to 1999, retail sale revenues increased 2.3% to reach Sk 481.1 bn. The growth rates were 7.5 percentage points more slowly than in 1999. The development dynamics was influenced by a reduction noted during the 1st half-year and a growth during the 2nd half-year (with the rates increasing from 3.6 % during Q.3 to 7.9 % during Q.4).

Small trade licensees and small enterprises accounted for the largest portions of the overall revenues made by commercial entities (42.9 % and 26.5 %, respectively). The shares of medium and large enterprises reached 15.6 % and 15 %, respectively. The year-to-year development was mainly affected by the growth of revenues of large enterprises (13.5%). The growth rates for the other size categories were more moderate. The revenues of small enterprises, small trade licensees and medium enterprises increased 2 %, 1.1 % and 1 %, respectively.

Revenues from transport of goods and passengers increased 18.4% as compared to 1999 (in current prices) to reach Sk 4 bn, with revenues from haulage increasing 18.5% and those for passenger transport 17.9%.

In the road transport, small trade licensees accounted for more than half of the revenues (56.5%). Small, medium and large enterprises contributed 22.4 %, 20 % and 1. %, respectively. The development of revenues was mainly influenced by marked increases of the latter in small trade licensees and small enterprises (by 40.1 % and 33.7 %, respectively). The year-to-year volumes of revenues dropped only for large enterprises (by 61.6 %).

Revenues from sales of services of posts and telecommunications reached Sk 40.5 bn. The private sector accounted for 46% of services.

Of the overall volume of revenues, small enterprises and small trade licensees accounted for 47.8 % and 26.4 %, respectively. Medium and large enterprises contributed 16.5 % and 9.3 %, respectively. The year-to-year growth of revenues was influenced by larger revenues made by medium enterprises (by 14.5 %) and small enterprises (6.1 %). The most pronounced drops in revenues from services concerned small trade licensees (12.1%). Graphics 3.13 illustrates the shares of SMEs on revenues by sectors.

### **3.5 Shares of SMEs on exports and imports**

For the second year in row, the negative balance of the foreign trade reduced in 2000. Compared to 1999, the volume reduced by Sk 2.9 bn to reach Sk 42.4 bn. The improved balance was mainly due to rapid growth of exports (by 29.4%). Marked dynamics could be kept throughout the year, exceeding previous year's rates by 17.3 percentage points. At the same time, the passive balance was achieved in the presence of much higher rates of imports than in 1999 (by 24.2 percentage points to reach 26%).

Exports in 2000 were worth Sk 548.4 bn, and imports represented Sk 590.7 bn; also, small and medium enterprises contributed to them. Graphics 3.14 illustrates the development of exports by size categories of enterprises. SMEs had an overall share on exports of 27.8% (Graphics 3.15). SMEs have been proportionally represented in exports to the most important destinations (Graphics 3.16). The relative share of SMEs on exports (from 45.3 % in 1998 to 30.5 % in 1999 and to 27.8 % in 2000) was due to a rapid expansion of exports by some large enterprises, such as VW Bratislava. The reduction of imports by SMEs can be considered as a positive feature from the viewpoint of the foreign trade balance: in 1999, the 1998 level of 43.7% dropped to 43.7%, with a further reduction to 40.2% in 2000. Graphics 3.17 and 3.18 show the year-to-year

development of imports and the contributions to imports by the size category of enterprises.

### **3.6 Dynamics of SMEs development**

A total of 32,171 natural persons started business activities and 30,954 natural persons terminated them. Most individuals started business in trade (13,868), production of goods and building industry (4,410 each), and in real estate, research and other commercial services (3,957). The largest numbers of individuals discontinuing activities concerned trade (11,411), production of goods (4,624), building industry (4,342), agriculture and fisheries (3,249), and real estate, research and other commercial services (3,060).

There were 1,748 new enterprises established in 2000, and 524 enterprises that were closed. The most marked changes concerned trade (697 and 165 enterprises established and closed, respectively), followed by real estate business, leasing and other commercial services (374 and 102), and production of goods (264 and 94).

There were 32,171 and 2,158 new small trade licensees and small and medium enterprises, respectively, registered in 2000. The newly issued small trade licenses make up 11.9% of all licenses issued so far to small trade licenses and 16.6% of all licenses issued to legal entities. Disproportions exist however concerning the numbers of small trade licenses and numbers of active legal entities registered with statistical registry of enterprises. In our opinion, this - to a significant extent, is due to the fact that a substantial portion of applicants for small trade licenses do not at all start any business or - when it comes to legal entities - they are not registered with the courts, The Graphics 3.19 showing SMEs - legal entities by the year of their establishment suggests that the long-term growing tendency changed into a decrease in 1998. In 2000, a total of 27,239 small trade licensees were cancelled.

### **3.7 The regional aspect**

Graphics 3.20 shows percentages of small trade licenses, small and medium enterprises by regions. From the viewpoint of economic activities of regions, the meaningful aspect is the ratio of enterprise numbers to numbers of economically active individuals. Such a comparison is presented by Graphics 3.21, sug-

gesting a markedly high ratio for the region of Bratislava. This corresponds to the overall economic level reached by the individual regions expressed in terms of production volumes by the individual sectors (see Graphics 3.22).

### **3.8 Equipment of SMEs with information technologies**

The rapid development of information technologies and their general availability provides SMEs with a tool to raise the effectivity of their activities. Internet and the principal elements of e-business enables even small enterprises to catch up with the handicap they used to have compared with large enterprises with respect to marketing and exports.

In working with Statistical Office of the Slovak Republic and Infostat, NADSME organized a survey of the use of information technology on a representative sample of SMEs. The survey was organized between 19 and 25 May, 2000. The results suggested that 91% of the enterprises are equipped with PCs, and 42.8% have Internet connectivity. Moreover, the following basic notions are of importance:

- in the companies reviewed, the most spread information technologies are PCs with no connection to internal computer networks. The survey mentioned recorded increased proportions of PCs connected to external computer network (Internet)(Graphics 3.23),
- small and medium-sized enterprises use information technologies above all for the purposes of economic agenda (85 %) including wages, accountancy, stock management, less for electronic mail (36%), management of a portion of operations or production (29%), e-business (14%), and for comprehensive management of operations or production (13 %) (Graphics 3.24),
- small and medium-sized enterprises that utilize information technologies also for the purposes of e-business, predominantly focus on monitoring of movements in bank accounts and electronic payments (72 %); 52 % of them used their own web site to advertise their products, and the same proportion of them keep their own company and products listed in databases available on the Internet network (Graphics 3.25).

### **3.9 SMEs in the process of Slovakia's accession to the EU**

An important issue connected with the planned accession of Slovakia to the EU is the attitude of the business community to this step. A survey on this top-

ics was conducted by the National Agency for Development of Small and Medium Enterprises together with Institute for Surveys of Public Opinion (ÚVVM) and Institute of Information Technologies and Statistics (Infostat) on 7 - 16 November 2000 in the whole territory of Slovakia; the survey subjects were small and medium-sized enterprises. The expectations identified at the same time characterize the current problems of the business environment in Slovakia.

The main **objectives** of the survey included:

- mapping of attitudes of the representatives of small and medium-sized businesses toward benefits and potential risks of Slovakia's integration into the EU with respect to this area of the economy,
- investigation of the level of small and medium-sized enterprises from the aspect of specified criteria (technological standard of production, reliability as a business partner, availability of qualified labor, payment ability, solvency) as reflected in auto-assessments by their representatives,
- finding out the potential role of the state and other institutions in assisting in the overcoming of the initial barriers to the full-fledged incorporation of our small and medium enterprises into the environment of the EU single market.

The following findings ensued from the results of investigations of the representative sample of SMEs:

- more than a third of the representatives of the companies investigated approached (35 %) assumed the expected accession of Slovakia to the EU to mean to their companies more opportunities to cooperate with EU firms. An almost identical proportion of the representatives of the companies investigated (34 %) do however believe that the expected integration will not influence the activities of their firms,
- the most frequent expectations with respect to Slovakia's joining the EU and the advantages associated concerned expansion and improvement of the conditions for the purchase of inputs (40 %), development of cooperation relations with partnership companies in the EU (33 %) and a facilitated access to funds (32 %). The most frequently expected disadvantages, problems following the joining of the EU included mainly sharpened competition in the domestic market (47 %), increased requirements for quality of production (34 %), and draining of qualified labor (30 %),
- in assessing the position of the respective firms represented by the respondents, reliability as business partner and availability of qualified labor were mentioned as being identical with those in similar companies in the EU by 57 % and 50 %, respectively. In assessing the technological standard of their

companies, the opinion prevailed (38 %) that the standard is lower; when it comes to the assessment of ability to pay in particular, 60% of the entrepreneurs felt significant shortcomings as compared to similar companies in the EU,

- a priority interest of our small and medium enterprises after the accession is to seek business partners in the EU member states (38 %),
- representatives of small and medium enterprises investigated claimed that if their business activities should be oriented towards EU Member States, they would need from governmental institutions and NGOs in Slovakia mainly financial and legal or legislative assistance (58 % and 50%, respectively),
- when it comes to the administrative conditions, more than seven out of ten small and medium enterprises in the Slovak Republic believe that it is mainly provision of information by the state that should be made the same as it is in the European Union,
- when it comes to legislative conditions, almost seven out of every ten representatives of small and medium enterprises believe that it is mainly laws regulating conditions of doing business and legal certainty that should be harmonized with the European Union,
- as to the economic and financial conditions, the Slovak Republic needs harmonization with the European Union of mainly accessibility of bank credits; this was claimed by more than eight out of every ten respondents,
- a majority out of the third of representatives of small and medium-size enterprises who use the common currency of the European Union (EUR) to make payments to EU Member States claimed having no problems in using this currency.

### **3.10 SMEs' position within Slovakia's economy - summary**

The share on gross production dropped for small and medium enterprises and increased for large enterprises (Graphics 3.26), with SMEs showing an absolute increase. With respect to the generation of added value, the share of small enterprises increased, that of medium enterprises dropped, while the share of large enterprises increased (Graphics 3.27).

When it comes to employment, it markedly reduced for large and medium enterprises, while slightly increasing for small trade licensees and small enterprises (Graphics 3.28).

Profits before taxes show increases as compared to the preceding year for all groups of enterprises (Graphics 3.29). The development of investments for small and medium enterprises recorded a stagnating trend, not reflecting the need for restructuring and transition to new technologies (Graphics 3.30).

Overall, based on an evaluation of the parameters available, it may be stated that for the period under consideration, the SME sector showed signs of stability and a gradual quality improvement. The insufficient growth of employment in the sector may be considered as an unsatisfactory parameter; however, it has been due to intricate and unfavorable conditions for employment. An overall more positive and rapid development of this sector is prevented by the general framework of the business environment that so far does not compare favorably with that prevailing in developed EU or OECD Member States.

### 3.11 Comparison with V4 countries

The situation in the business environment in Slovakia (with a population of 5.4 m) can also be characterized by a comparison with other V4 countries (the Czech Republic, 10.3 m; Hungary, 10.0 m; and Poland, 38.6 m) that were going through a similar development. In the Czech Republic, there are 1,907,909 small enterprises (including small trade licensees) with up to 50 employees, the corresponding figures for Hungary, Poland and Slovakia being 1,037,645; 3,061,775; and 357,219, respectively. The following Table shows the data expressed in terms of 1,000 economically active persons.

	<b>SK</b>	<b>PL</b>	<b>HU</b>	<b>CZ</b>
<b>0-49</b>	138.8	178.0	248.4	367.6
<b>50-249</b>	1.4	1.6	1.0	1.9
<b>250+</b>	0.3	0.3	0.2	0.4

This provides a picture on the business activities prevailing in the individual countries. It certainly is an important factor that influences unemployment levels (8.7 %; 6.4 %; 16.1 %; and 18.6 % in the Czech Republic, Hungary, Poland and Slovakia, respectively). The most pronounced differences concern the category of small enterprises. The following Table presents a further analysis in this respect.

	<b>SK</b>	<b>PL</b>	<b>HU</b>	<b>CZ</b>
<b>0</b>	93.7	10.1	178.8	302.7
<b>1-9</b>	39.5	161.5	62.9	56.2
<b>10-49</b>	5.7	6.4	6.6	8.7

In small enterprises with up to 50 employees (Graphics 3.31) we see the largest differences in enterprises with no employees, mostly representing the category of small trade licensees. Poland partly stands out of this picture, because of some legislation-related specificities.

The fact that the differences mentioned in numbers of small enterprises per 1,000 economically active persons represent general barriers to the establishment of enterprises (administrative and financial intricacies) is also due to the fact that the breakdown of enterprises by sectors is rather similar for all the countries investigated (Graphics 3.32).



## **4. State support to SMEs**

### **4.1. Ministry of Economy of the Slovak Republic**

In 2000, the Slovak Ministry of Economy was in charge and coordinated numerous activities concerning small and medium-sized enterprises. Activities in this area followed the NR SR Act No. 231/1999 Coll.LL. on State Aid that came into force on 1 January 2000. In this connection, in 2000 the Slovak Ministry of Economy launched 17 programmes of state aid to small and medium-sized enterprises.

#### **a) Strategy and development of small and medium-size enterprises**

Activities developed by the Slovak Ministry of Economy in the field of SMEs support in 2000 were following the Programme Declaration of the government that set forth the major objectives of the SMEs support through the year 2002. SMEs development was underpinned in last year also through state development programmes intended to support and develop SMEs in various sectors of the economy, such as in the field of tourism, in the field of promotion of exports, improvement of product quality, etc.

#### **b) Cooperation with international institutions**

The Slovak Ministry of Economy represents Slovakia in several international organizations (e.g. OECD, SEI, UNIDO, EEC), in a variety of economic integration types and integration groupings, in the framework of which it has been participating in projects and programmes directed towards the support of the private sector, transfer of technologies, the power sector, cooperation in trade, etc.

#### **c) Building up the institutional environment to support SMEs**

The Slovak Ministry of Economy guides the activities of the National Agency for Development of Small and Medium Enterprises (NADSME) as well as the development of the Regional Advisory and Information Centres (RAIC) and Business and Innovation Centres (BIC) aimed at supporting managerial, marketing, financial and technical skills of individuals to be applied in the field of SMEs. Moreover, the Slovak Ministry of Economy is one of the founders and owners of Slovak Agency for Development of Investments and Trade, whose main activity includes promotion of investments and exports. In the field of investment promo-

tion, the Agency is a so-called one-stop-shop providing investors with comprehensive services from counselling to finalizing of business projects.

#### **d) Legislation and regulatory measures**

An important step in the last year's drafting of legislation and regulatory measures was the drafting of the "Act on the Support to Establish Industrial Parks and on Amendment to NR SR Act No. 180/1995 Coll.LL." whose adoption (the Act was adopted but in 2000) is expected to create legislative preconditions for the establishment of industrial parks and at the same time it will set principles and criteria for their establishment. Draft measures to eliminate barriers to investing are contained in a document developed by the Slovak Ministry of Economy together with the Office of the Slovak Government entitled "Improvements of the Legal and Regulatory Framework to Promote Business and Investments". The content and the material focus of the document concern making the process of establishing and registering enterprises more efficient, speeding up the issuance of small trade licenses, visas and working permits to foreign nationals, adjustment of the currently inoperational institute of retention right, improvement of the protection of minority shareholders, making the taxation system, the activities of cadastre offices and arbitration courts more effective.

#### **e) Raising funds for SMEs**

One of the rather important activities of the Ministry of Economy is provision of funds for SMEs. The funds required by the sector of economy every year to support SMEs from State Budget are intended for the coverage of the financial needs of state Aid programmes to SMEs. State Aid programmes launched for 2000 - 2005 were approved by the Slovak Government in accordance with the applicable legislation in this field, and they were implemented by the National Agency for Development of Small and Medium Enterprises and by the Slovak Guarantee and Development Bank, and Slovak Agency for Promotion of Investments and Trade as professional guarantor of some programmes. In connection with the draw down and/or uses of funds allocated, Minister of Economy regularly submits to the Slovak Government Progress Reports on the Implementation of Financial Support Programmes for the respective half-year that assess the current state in the area of draw down of funds, state Aid to SMEs as well as the benefits of state Aid to this sector of economy.

## **f) Foreign trade and promotion of exports**

The Slovak Ministry of Economy has been paying focused attention to support the penetration of Slovak small and medium-sized enterprises in foreign markets, it has been creating conditions for the establishment of joint ventures and co-operations. The topics of SME support in this area are being dealt with by also regularly organized Mixed Commissions for Cooperation in Trade, Economy, Science and Technology. In the field of foreign trade and exports promotion policies, the Slovak Ministry of Economy has been guiding and controlling the activities of commercial sections at Diplomatic Missions of the Slovak Republic abroad (OBEO). SMEs contact OBEOs requesting assistance in establishing commercial, production or cooperation contacts in the territories of their interest. As part of the pro-export oriented assistance, the Slovak Ministry of Economy has been regularly launching competitions for the "Best Exporter of the Slovak Republic" in category Small and Medium-sized Enterprises since 1994.

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

NARSP has been coordinating activities focusing on the support of SMEs development, and has been fulfilling the role of a general information centre for business people at both the domestic and the international level, of the organizer of training and counselling programmes, and of the implementator of a wide variety of financial support programmes for SMEs. In this respect, it is rather important to monitor the developments and the status of the business environment as well as of the SME sector itself, and this remains a permanent responsibility of National Agency for Development of Small and Medium Enterprises.

An important part of NADSME's activities remain support programmes implemented under financial participation of State Budget as well as funds of the EU Commission.

The new pilot programmes, including support of implementation of quality management systems or transfer of innovative technologies, met with a significant interest on the part of the business community. Counselling services as well as training of entrepreneurs remained bearing and rather justified programmes intended for starting businesses. Their implementation helped eliminate barriers of insufficient managerial experiences of entrepreneurs as well as poor knowledge of the intricate legal framework for doing business.

In 2000, the implementation of the support programmes received a new frame due to the application of the new State Aid Act; the implementation of existing as well as newly prepared programmes will have to be based on a consequent application of the principles of state Aid as regulated by the new standard.

During the preceding year Slovakia was developing its activities also in the framework of the Third Multi-year Programme for SMEs approved by the EU Council in December 1996 for the period 1997 - 2000. The responsibility for the implementation of this Programme is with NADSME. With respect to 2000, NADSME was interested in providing SMEs with information technologies through EIC and in organizing the Europartenariat and Interprise events.

Lists of laws and legislative amendments of relevance to SMEs was continuously updated; it is being used in counselling offered by NADSME and by the RAIC and BIC networks to small and medium-sized enterprises.

NADSME activities were based on disposable resources of the State Budget for 1999 and 2000, as well as on the PHARE-COP 97 and COP 99 programme.

### **4.2.1. State support for SMEs**

The National Agency for Development of Small and Medium Enterprises (NADSME) continued in 2000 to implement assistance programmes oriented towards counselling services, training and workshop for SMEs, as approved by the government in September 2000 aiming at improving the business and management-related skills of SMEs and at assisting them to successfully face the harsh competition of domestic and foreign companies. The support programmes were mostly financed under Slovakia's State Budget.

#### **a) Institutional support network of small and medium enterprises**

At the regional level, the programmes were implemented via an institutional support network comprising 12 regional advisory and Information Centres (RAICs) and 4 Business Innovation Centres (BICs) located throughout the territory of the Slovak Republic. The principal objective of the activities of RAICs/BICs is to make a contribution toward the setting up of a SME network in the individual regions of the country, in particular through provision of coun-

selling, information and education services. Moreover, BICs also provide care for incubator companies, in the form of comprehensive counselling and training services, processing and reviewing of business plans, mediating domestic and international business contacts, leasing spaces and using office and computer technologies,

Apart from the above, BICs/BICs have also been participating in additional activities oriented towards the support of SMEs as well as towards the development of entire regions. Such projects concerned support of business activities according to the needs of the respective regions. They have been cooperating with the association CEPAC Slovakia, self-governments, regional and/or district labor offices, financial institutions, and have also been involved in crossborder cooperation projects.

### **b) Counselling and information services**

Counselling and information services are covered by two state programmes: SMEs Counselling Programme and Training, Workshop and Counselling Programme for Selected Groups of Individuals Interested in Starting Business. The objective of the counselling programmes is, above all, to increase the proportions of viable SMEs, to make a contribution toward maintaining employment, and toward the creation of new jobs.

Since, pursuant to NR SR Act No. 23/1999 Coll.LL. only SMEs may be beneficiaries of state aid, the SMEs Counselling Programme had to be redrafted so as to only relate to SMEs in terms of the above-mentioned Act. Support of counselling services for individuals interested in starting business was incorporated into the Programme of Training, Workshops and Counselling for Individuals Interested in Starting Business. The Programme was approved by the government for the period 2000 - 2005 and received financial support from 1999 State Budget under which services for the target group mentioned were financed through May 2000. No funds were allocated for this programme in 2000. In the preceding year, state aid was narrowed to only flow to SMEs, making up 40 hours of counselling services and 50% subsidies under the programme. In spite of this fact, in 2000 expert counselors within the RAIC/BIC network provided 1,549 expert consultations to individuals interested in starting business including the unemployed, and 1,912 expert consultations to existing businesses. BICs/BICs drafted or completed 354 and reviewed 228 business plans for purposes of credits, either under financial support programmes or from commercial sources.

### **c) Training and education**

The purpose of the education and training programmes is to enable SMEs to acquire theoretical knowledge and practical habits in the most important areas of market economy. The programmes have been focusing on hot problems of newly established as well as existing companies (see Graphics 4.2).

The Programme of training and education for entrepreneurs consists of financial subsidy to workshops and training sessions amounting up to 50% of the expenditures actually spent on training. Under this Programme, 21 workshops were organized for SMEs in 2000, attended by 265 entrepreneurs. The topics of the workshops were focusing on computer technologies in business, development and support for business activities, drafting of business plans, accounting, quality management systems, etc.

During 2000, regional centres organized a total of 39 workshops for individuals interested in doing business, attended by 622 persons. The topics of the workshops and training sessions mainly concerned preparation for doing business for a variety of social groups (unemployed, young people, school graduates, women, etc.), basics of computer technologies, drafting of business plans, etc. A positive fact concerns the success rates of the workshops organized for those interested in doing business, ranging at the 40% level: about the same proportion of the workshop attendees could find employment or start up a new business.

### **d) Quality management systems state support programme- QUALITY**

An important element of the assistance to small and medium-sized enterprises (SMEs) that wish to successfully face the harsh competition of foreign companies has been the new state support programme Quality. The programme has been pursuing the following objectives: support for the implementation of quality management systems in accordance with the international standards ISO 9000, VDA, BS, QS, and ISO 14000 in the SME sector, quality improvement of products and services, as well as raising the numbers of SMEs certified according to the above mentioned standards.

The beneficiaries of state support are economically independent small and medium-sized enterprises. State support is being granted in the form of direct assistance, being a financial grant for training and counselling services provided at the owners and employees of SMEs, amounting up to 50% of expenditures actually spent or Sk 100 thous. whichever is smaller, as well as for the process of certification, up to the smallest of 50% of actual expenditures or Sk 120 thous.

A total of 102 companies applied for grants by 31 December, 2000, submitting a total of 163 applications, including 85 for counselling and training (CT) and 78 for certification process (C). Commission that is in charge of the decision-making concerning grants reviewed 104 grant applications (54 TC + 50C) from 65 companies. The commission approved 90 grants (48 TC+ 42C) for 57 companies. It did not approve 14 grant applications (6 TC + 8C) from 8 companies, with 5 applications conclusively rejected because of not meeting the conditions for grants, and 9 applications intended for repeated review by the commission after the submission of relevant documents (see Graphics 4.3).

Activities of regional advisory and information centres (RAICs) and business innovation centres (BICs) for the period January - December 2000																					
	kIA	kIB	koA	koB	ihA	ihB	ohA	ohB	pNp	pNh	poNp	poNh	pip	pih	pi	now	partic	np	ip	nm	um
RPP	41	29	226	286	20,5	14,5	342	1050,5	8	162,5	10	96	23	34	0	8	106	19	-	219	62
RMT	188	27	175	42	94	13,5	227,5	79	20	148	45	238	81	354,5	0	21	397	33	-	64	614
RNR	80	8	83	50	40	4	245,5	204,5	11	356,5	19	149,5	4	63	0	4	47	2	-	61	2
RZV	83	0	99	147	41,5	0	254	875	0	0	12	120	0	0	0	0	0	0	-	100	229
RUC	40	9	40	43	20	4,5	120	217	0	0	14	140	2	23,5	0	4	48	1	-	369	362
RPX	120	0	123	111	60	0	206,5	332	22	369	20	196	0	0	0	3	36	24	-	297	1295
RPO	106	50	115	93	53	25	301,5	263,5	5	114,5	25	195,5	7	144	0	3	29	2	-	2	661
RTN	73	45	81	89	36,5	22,5	170,5	369,5	80	1024,5	14	70,5	0	0	0	0	0	2	-	359	960
RTV	43	1	50	152	21,5	0,5	161	843	5	31	3	12	0	0	0	3	39	3	-	10	11
RKE	67	0	83	39	33,5	0	139,5	97	0	2	8	0	0	0	0	5	66	8	-	0	123
RKN	101	62	113	79	50,5	31	300	145	10	299	16	114,5	1	38	0	0	0	6	-	25	94
RDS	80	68	90	122	40	34	161,5	256	10	285	1	8	3	17,5	0	0	0	3	-	19	208
BPD	62	78	65	78	31	39	116	99	26	767	26	64,5	0	0	0	3	50	4	3	7	5
BKE	28	99	48	418	14	49,5	88,5	934	2	58,5	4	35	4	102	1	0	0	35	4	638	1649
BBB	15	0	30	118	7,5	0	118	668	6	188	0	0	13	372	0	0	0	4	0	48	105
BSS	24	21	128	45	12	10,5	178	90	2	27	16	92	0	0	0	6	69	17	1	24	46
<b>Total</b>	<b>1151</b>	<b>497</b>	<b>1549</b>	<b>1912</b>	<b>575,5</b>	<b>248,5</b>	<b>3130</b>	<b>6523</b>	<b>207</b>	<b>3830,5</b>	<b>227</b>	<b>1539,5</b>	<b>138</b>	<b>1148,5</b>	<b>1</b>	<b>60</b>	<b>887</b>	<b>163</b>	<b>8</b>	<b>2242</b>	<b>6426</b>

Total number of informative consultations 1648.0  
 Total number of expert consultations 3461.0  
 Total number of consultations for group A 2700.0  
 Total number of consultations for group B 2409.0

Total number of hours - info consultations 824.0  
 Total number of hours- expert consultations 9653.0  
 Total number of hours - consultations group A 3705.5  
 Total number of hours - consultations for group B 6771.5

RPP RAIC Poprad  
 RMT RAIC Martin  
 RNR RAIC Nitra  
 RZV RAIC Zvolen  
 RLC RAIC Lucenec  
 RPX RAIC Považská Bystrica  
 RPO RAIC Poprad  
 RTN RAIC Trenčín  
 group A individuals interested in doing business  
 group B existing enterprises

RTV RAIC Trebišov  
 RKE RAIC Košice  
 RKN BCIC Komárno  
 RDS RPC Dunajská Streda  
 BPD BIC Prievidza  
 BKE BIC Košice  
 BBB BIC Banská Bystrica  
 BSN BIC Spišská Nová Ves

kIA number of informative consultations for group A  
 kIB number of informative consultations for group B  
 koA number of informative consultations for group A  
 koB number of informative consultations for group B  
 ihA number of hours of inf. consultations for group A  
 ihB number of hours of inf. consult. group B  
 ohA number of hours of expert consultations, group A  
 ohB number of hours of expert consultations, group B  
 pNp number of business plans drafted for NADSME, in hrs  
 pNh number of business plans drafted for NADSME, in hrs

poNh business plan for NADSME, reviewed, in hours  
 poNp number of business plans for NADSME reviewed  
 pip number of business plans drafted, except for NADSME  
 pih business plans drafted, except NADSME, in hours  
 pi number of business plans reviewed, except NADSME  
 now number of workshops  
 partic number of workshop attendees  
 np number of newly established enterprises  
 ip number of innovative enterprises within BIC  
 nm number of newly created jobs  
 um number of jobs maintained

Of the total number of applications approved, 52 grants were paid (28 TC + 24 C) to 33 companies, thus spending the 1999 State Budget allocations amounting to Sk 3m (see Graphics 4.4); 8 grants were subsequently cancelled or the companies themselves withdrew their grant application because they were not able to provide evidence for their having settled all their liabilities vis-a-vis tax offices, Social Insurance Company, Health Insurance Company, and National Labor Office. Additional 30 grants (15 TC + 15 C) will be paid under the 2000 State Budget, amounting to approx. Sk 2,049,750.

Taken by the nature of business, grants were paid to 11 companies doing business in industrial production, 7 building industry companies, 7 companies involved in counselling and other services, 5 research, development and design companies, 2 transportation companies, and 1 company from the motor vehicles and other consumer goods repairs and sale company (see Graphics 4.5).

According to our previous experience, it may be stated that the programme was successfully launched and has gradually become a living programme that companies show active interest in. Every company that meets conditions and definition of SME, is economically independent and presents relevant proof on the plan and system implementation progress, will have its application reviewed by commission that makes decisions on grant awards. Evaluation reports of the companies show what financial effects were brought to them by the implementation of quality system, how their approach to the customer has changed, how their responsibility for work has changed, what reductions have been brought about in overhead expenditures, how faults and reworks could be eliminated, how volumes of revenues and profits could be increased, how competitiveness of products could be raised, foreign markets penetrated and, consequently, how many jobs could be maintained and/or newly created, etc.

### **c) CEPAC Slovakia**

The mission of the association CEPAC Slovakia is to make a contribution toward the development of small and medium enterprises in Slovakia, in particular through Comprehensive Training and Counselling Programme (CTCP) intended to serve the registered unemployed. The association has been taking care of specific tasks connected with the provision of training and counselling to those unemployed who are interested in starting up a business, as well as through organizing professional seminars for lecturers and counselors involved in CTCP.

The content of training courses is based on knowledge and experience of the French association CEPAC Soissons, Picardie. CTCP is oriented towards the

field of establishment of micro enterprises and small enterprises, and comprises 4 stages: selection of appropriate registered unemployed persons, training, guidance and monitoring.

In 2000, cooperation of the founding members of the association, including NADSME, National Labor Office, and CEPAC Soissons went on. The programme was above all financed from resources of the National Labor Office and the PHARE programme. The following was organized during 2000:

- professional consultations and counselling for the unemployed - 44 courses for 619 CTCP attendees were organized (totaling 200 courses for 2,771 participants since the start of the project). As of 31 December, 2000, 610 CTCP attendees could find employment, 1119 CTCP attendees successfully established a new business, and 363 additional jobs were created. Approximately 50 enterprises dissolved (see Graphics 4.6 - 4.8),
- training courses for lecturers who participate in the CTCP programme - 9 courses for 99 participants,
- the Association provided for teaching materials for 16 centres - Business Information Sheets and 101 cases of single-entry accounting,
- 8 SME representatives could present themselves at the For Habitat exhibition at Banská Bystrica (2 - 5 May, 2000) through CEPAC.

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

In accordance with the competencies laid down by Act No. 347/1990 Coll., as amended from time to time, the Slovak Ministry of Finance is the drafter and - through its tax offices - also the enforcer of tax regulations. Within this competence, its support function with respect to the development of SMEs is rather important. This is mainly reflected in the authorization to grant some tax concessions exemptions and/or special form of taxation, including mainly:

- concessions and exemptions from income tax, pursuant to Act No. 366/1999 Coll.LL., as amended from time to time,
- special form of taxation pursuant to Act No. 366/1999 Coll.LL., as amended from time to time,
- exemption from income tax, pursuant to Slovak Government's Ordinance No. 192/1998 Coll.LL.

According to information received from the Slovak Central Tax Directorate as well as the Slovak Ministry of Finance, data on such concessions for 2000 were not comprehensively processed at the time this Report was being compiled.

Based on information received from the Central Tax Directorate, the following tax concessions were applied for in 2000 tax returns by 31 March, 2001:

	Natural persons		Legal entities	
	No.	Amount, in Sk m	No.	Amount, in Sk m
Pursuant to Act No. 366/1999 Coll.LL., Section 35	-	-	4	157.3
Pursuant to Act No. 366/1999 Coll.LL., Section 58(2)	834	11.3	-	-
Pursuant to Act No. 366/1999 Coll.LL., Section 15	1723	-	-	-
Pursuant to Act No. 366/1999 Coll.LL., Section 16	131	0.7		
Pursuant to Gov. Ordinance No. 192/1998 Coll.LL.	-	-	28	57.7

A total of 1394 decisions on extension of the deadline for tax returns on income tax to 30 June, 2001 were issued pursuant to Section 38 of Act No. 511/1992 Coll.LL., as amended from time to time. Data from these tax returns will be processed as of 30 July, 2001.

## 4.4 Ministry of Labor, Welfare and Family of the Slovak Republic

The labor market policy that the Ministry of Labor, Welfare and Family is responsible for through executive bodies of the National Labor Office, being district and regional labor offices, has been using several tools of economic and social policy. The source of the financing of these tools has been the budget of the National Labor Office whose funds were used for the purposes of the active and passive labor market policies. From the aspect of the support of small and medium-sized enterprises, the most important tools are those of the active labor market that have witnessed a markedly declining trend in recent years. Their development since 1995 (being still funds intended for active employment policy) is documented by the following figures on the proportions of spending of labor market policy and/or employment policy-related funds:

Parameter	1995	1996	1997	1998	1999	2000
Expenditures on active labor market policy, in Sk m	3,899	4,290	3,099	2,289	474	1,570*
Expenditures on labor market policy implemented through labor offices, %	64.1	58.3	43.7	29.4	6.1	20.3

The decreasing trend in the development of the proportions spent on active policy is documented by the absolute amounts spent on passive and active labor market policy during the recent years:

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

\*Data for 2000 include the highest proportion of expenditures on works of public benefit (as much as Sk 1,273,540 thous.) that represented extraordinary allocations from State Budget.

This was mainly due to an absolute growth in the numbers of the unemployed as well as to an absolute increase in the amount of the support paid in unemployment.

Also marked in 2000 was the development (decrease) of the volume of funds spent on agreed jobs as compared to expenditures on socially purposeful jobs pursuant to the legislation applicable in the preceding period:

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

<i>SPJ/agreed jobs</i>	1995	1996	1997	1998	1999	2000
<b>No of jobs</b>	46,866	25,685	18,775	22,793	3,693	1,133
<b>Amount of grants (Sk thous.)</b>	2,698,649	2,256,913	1,072,750	926,979	133,082	32,690

It is obvious from the above that expenditures on agreed jobs no more made up the most significant portion of the active labor market policy funds, being 28.1% of the total volume of expenditures on active labor market policy in 1999 and dropping to only 2.1% in 2000.

When it comes to the volume of funds spent, grants paid toward agreed jobs of public interest ranked second among the tools: 22.2% of the overall volume of active labor market policy expenditures were used for this purpose in 1999 and as much as 81.1% in 2000. The development of this parameter has been as follows:

*Coverage of costs on agreed jobs of public interest (JPI)*

<i>JPI</i>	1995	1996	1997	1998	1999	2000
<b>No of jobs</b>	44,342	35,856	29,305	34,214	8,630	67,653
<b>Amount of grants (Sk thous.)</b>	788,993	1,332,013	740,200	674,309	105,332	1,273,540

Active labor market policy also uses other tools that make a contribution, direct or indirect, toward supporting and/or developing SMEs. Above all, these include expenditures on retraining, expenditures on maintaining jobs, expenditures on employment of individuals with handicaps, expenditures on development of projects of revitalizing employment, and expenditures on business projects of employment.

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

In working together with the Slovak Guarantee and Development Bank, State financial institution (SZRB, š.p.ú.), MDPT SR has been implementing the Combined Transport Development Support Programme; under it, guarantees can be granted to businesses for credits and/or grants to cover a portion of interest on loans. A total of Sk 3.5m were granted in 1999 to two business entities in the form of a financial grant. No support was provided under this programme in 2000.

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

Based on Slovak Government's Resolution No. 673/1999, the Housing Construction Development Support Programme has been implemented through granting bank guarantees for loans. The purpose of the Programme is to grant bank guarantees for financial loans to SMEs and municipalities that have no sufficient collateralization instruments available. Funds were allocated from 2000 State Budget for the implementation of the said Programme amounting to Sk 92m.

Based on Slovak Government's Resolution No. 578/2000, the State Aid Programme of the Development of Districts with High Unemployment Rates has been implemented. The objective of the Programme is to enhance economic activities in selected 29 districts through supporting small enterprises. State Aid has been granted based on fixed criteria: eligible projects must create at least 2 jobs that will be kept over five years.

A total of 130 applications for such assistance were approved in 2000, amounting to Sk 138.4m. A total of 764 jobs are expected to be created through the implementation of the projects approved.

## **4.7 Ministry of Agriculture of the Slovak Republic**

Working together with SZRB, š.p.ú., the Ministry has been implementing two specialized guarantee programmes for entities doing business in agriculture, and was running the state sectoral support programme for SMEs in agriculture. Under these programmes, 33 guarantees were granted in 2000 amounting to Sk 68.2m.

## **4.8 Banking institutions and funds**

### **4.8.1 Slovak Guarantee and Development Bank, State financial institution**

In 2000, the Slovak Guarantee and Development Bank, State financial institution (SZRB) realized 7 guarantee and 7 grant programmes to support business entities, in cooperation with Slovak Ministry of Economy, Slovak Ministry of Agriculture, Slovak Ministry of Transport, Posts and Telecommunications, and Slovak Ministry of Environment. In working together with commercial banks, SZRB realizes loan products under 2 loan-based programmes. On 1 December, 2000, it launched the marketing of a new loan product under which loans are granted to clients directly.

#### **a) Guarantee programmes**

In terms of the new guarantee mechanism of SZRB applicable since 2000, bank guarantees could have been granted to cover up to a max. of 65% of eligible costs of acquisition of tangible fixed assets, and up to a max. of 40% of costs of acquisition of intangible fixed assets provided that state aid has been provided to small and medium-sized enterprises doing business in a district pursuant to Section 6(1) of NR SR Act No. 231/1999 Coll.LL. on State Aid. The maximum amount of a loan extended by the lending financial institution is Sk 100m, the maximum amount of the guarantee is Sk 65m, and the tenure is 10 years.

**GUARANTEES as of 31 December 2000**

		MSP	PHARE	Agric.	Leasing	Green c.	CT	CG	TOTAL
Nos of guarantees granted	R	9	0	0	0	33	0	0	42
	K	500	110	50	9	1,574	2	2	2,247
Volume of guarantees granted, Sk thous.	R	48,013	0	0	0	68,238	0	0	116,251
	K	3,290,967	206,915	157,128	50,650	3,025,060	48,570	50,000	6,829,290
Volume of loans supported with guarantees, Sk thous.	R	95,450	0	0	0	90,060	0	0	185,510
	K	5,353,456	330,398	224,108	68,821	3,857,627	57,141	370,173	10,261,724

Legend:

**MSP** - Support for Small and Medium Enterprises Programme

**PHARE** - PHARE Programme

**Agric.** - Support Programme of Small and Medium Agricultural Entities Through Granting Guarantees and Grants

**Leasing** - SME Support Programme Through Granting Guarantees for Domestic Financial Leasing

**Green c.** - Support Programme of Seasonal Agricultural Works Through Guarantees

**CT** - Combined Transport Development Support Programme

**CG** - Support for Enterprises Programme Through Counter guarantees for Foreign Credits

**R** - Since the beginning of 2000

**K** - Cumulative figure since the start of activities /1 September, 1991)

## b) Grant programmes

Under these programmes SZRB uses financial grants in the framework of government-launched development programmes, thus helping to reduce the interest-related burden upon businesses in areas that are considered most significant with respect to the stability of the economy.

**GRANTS as of 31 December 2000**

		PC	PP	CT	SAD	OZÓN	START	Alt.	REG	EXP	P. compl.	TOTAL
Nos of grants promised	R	43	0	0	0	5	1	4	3	0	0	56
	K	434	54	3	34	5	5	4	9	0	125	673
Volume of grants paid, Sk thous.	R	29,938	0	0	7,870	1,310	2,710	3,591	3,268	0	924	49,610
	K	317,297	20,457	28,784	28,565	1,310	7,083	3,591	8,030	0	264,039	679,156

Legend:

**PC** - Support for Tourism Development in the Slovak Republic

**PP** - SME Development Programme in the Field of Agriculture

**CT** - Combined transport - Combined Transport Development Support Programme

**SAD** - Programme to Support Renewal of the Vehicle Fleet of Slovak Bus Transport

**OZÓN** - The Ozone Programme

**START** - Support Programme for Small Entrepreneurs Starting Business

**Alt.** - Alternative Energy Sources - Alternative Energy Sources Support Programme

**REG** - SMEs Support Programme Through Granting Guarantees in Selected Regions

**EXP** - Exports Promotion Programme

**P. compl.** - Programmes from previous years completed

**R** - Since the beginning of 2000

**K** - Cumulative figures since the start of activities (1 Sept.1991)

### c) Loans-based programmes

The loans-based programme PODPORA (Support) is a programme governed by NR SR Act No. 231/1999 Coll.LL. on State Aid, and has been implemented in cooperation with Slovak Ministry of Finance. It offers entrepreneurs loans up to a maximum amount of Sk 7m with a maximum tenure of 7 years at a fixed interest rate of 10.5% p.a. with a grace period for the principal of one year since the first draw down of the loan.

The loans-based programme ROZVOJ (Development) to support the development of small and medium-sized enterprises, financed from the credit line of Kreditanstalt für Wiederaufbau was founded based on cooperation and assistance on the part of the foreign bank. It offers entrepreneurs the opportunity to acquire an investment and operating loan, at a maximum amount of Sk 58m. The interest rate for this type of loans is 13.5% p.a. The loan can be used to finance 75% of projected costs. The maximum tenure of the loan is through 31 March, 2008, with a grace period for the principal of one year.

*LOANS-BASED PROGRAMMES as of 31 December, 2000*

		Indirect loans				Direct loans			Ind-&dir. loans total
		POD.	ROZVOJ	EKOL	Total	SMEs	Municipi.	Total	
No of applications for loans received	R	56	20	1	77	61	12	73	150
	K	290	106	1	397	61	12	73	470
No of applications accepted by SZRB	R	42	18	1	61	2	0	2	63
	K	201	76	1	278	2	0	2	280
Amount of total applications for loans accepted (SZRB+UPU), Sk thous.	R	200,140	341,460	25,000	566,600	2,500	0	2,500	569,100
	K	999,560	973,001	25,000	1,997,560	2,500	0	2,500	2,000,000
Amount of applications for loans accepted by SZRB, Sk thous.	R	133,427	341,460	25,000	499,887	2,500	0	2,500	502,387
	K	666,373	973,001	25,000	1,664,374	2,500	0	2,500	1,666,874
Average amount of loan in acc. loans, total (SZRB+UPU), Sk thous.	R	4,765.24	18,970.00	25,000.00	9,288.52	1,250.00	0.00	1,250.00	9,033.33
	K	4,972.93	12,802.64	25,000.00	7,185.47	1,250.00	0.00	1,250.00	7,143.07

Legend:

**POD.** - PODPORA

**Municipi.** - Municipalities

**R** - Since the beginning of 2000

**K** - Cumulative figures since the start of activities (1 Sept.1991)

#### **d) Direct loans**

The direct loans-based programme for small enterprises has been intended to provide direct loans to small enterprises. It offers the enterprises the opportunity to acquire loans of investment and operating nature, of a maximum amount of Sk 3m. For investment loans and operating loans the tenure is 5 and 2 years, respectively. The minimum amount of a loan granted to one client is Sk 100 thous. The interest rate on these loans is based on NBS discount rates, with a fixed deviation up to 2%. The Programme has been in effect since 1 December, 2000.

### **4.7.2 Foreign Trade Promotion Fund**

The Foreign Trade Promotion Fund (FPZO) was established by NR SR Act No. 379/1996 Coll.LL. as a non-state special-purpose fund. Based on comments and practical experience, it was amended by NR SR Act No. 162/1998 Coll.LL., thus providing a legislative frame for an improved functionality of the Fund oriented toward the development of foreign trade relationships, in particular in the field of exports and, above all, to the benefit of small and medium-size enterprises which, at the end of the day also the whole Slovakia's economy is expected to benefit from. The Fund associates funds of the business sector with a contribution from State Budget to promote foreign trade based on the solidarity principle.

The funds could have mainly be used for the following purposes:

- grants helping to cover the participation in foreign fairs and exhibitions,
- coverage of expenditures on advertising abroad,
- financial support for trade missions and delegations of the various unions and associations,
- financing of analyses and studies on world and regional markets,
- coverage of costs of domestic exporters associated with the certification of goods to be exported.

In 2000, the Fund granted business entities with funds in a total amount of Sk 141.9m, whereof only 46% were used by the category of small and medium-sized enterprises, representing a 32% reduction as compared to the preceding year.



## **5. Support under the PHARE Programme**

### **5.1 NADSME as Phare Programme Managing Unit**

The year 2000 was the last year of the implementation of the 97 Financial Memorandum. National Agency for Development of Small and Medium Enterprises (NADSME), working together with the PHARE Programme, acted as programme managing unit of the latter. In 2001, cooperation with the PHARE Programme will be going on, with NADSME becoming implementing agency for support programmes for small and medium enterprises.

Also in 2000, PHARE programmes were directed toward financial support programmes, education, training and counseling, as well as policy and development of small and medium enterprises. In accordance with the National Programme of Acquis Communautaire, the support programmes were however divided into 4 priorities shown below.

The overall volume of support under PHARE funds in 2000 was EUR 2,659 thous., representing Sk 116,985 thous. (exchange rate as of 31 Dec., 2000).

By 31 Dec., 2000, a total of EUR 29,736 thous. (Sk 1,308,284 thous. calculated at the rate by 31 Dec., 2000) had been used through five financial memorandums since the start of the implementation of PHARE programmes of aid to SMEs.

The following is an overview of the utilization of PHARE funds in 2000, by priorities:

	EUR	Sk
I. <u>Facilitation of access to capital</u>	2,402,622	105,705,757
thereof: Support loan programme	2,402,622	105,705,757
II. <u>Strengthening of the SMEs sector position</u>	99,252	4,366,690
thereof: Support for SMEs	10,307	453,467
Policy development	5,429	238,854
RAIC/BIC - counseling	28,611	1,258,769
RAIC/BIC - education&training	54,905	2,415,600
III. <u>Improved competitiveness of SMEs</u>	23,529	1,035,182
thereof: spin-off	23,529	1,035,182
IV. <u>Internationalization of SMEs and penetration of new markets</u>	8,923	392,576
thereof: Subcontractor Exchange	4,058	178,535
Euro Info Centre	4,865	214,041
<b>Programmes total ( I-IV)</b>	<b>2,534,326</b>	<b>111,500,205</b>
<b>National Agency for Development of SMEs</b>	<b>125,118</b>	<b>5,504,692</b>

## 5.2 Utilization of PHARE Programme funds to support SMEs

### 5.2.1 Regional projects

Aiming at supporting development of Slovakia's regions, NADSME financed from PHARE funds a project of the booklet Guide of the Zips-Gemer Gothic Route, with a total circulation of 5,000 copies. The booklet was printed in Slovak, Hungarian, German and English languages.

The main goal of the project was to raise the level of tourist services through provision of better information services to visitors of the Gothic Route, as well as the opportunity to use the Guide on exhibitions of tourism in Slovakia and abroad. The booklet published may thus provide visitors with better information on the huge tourism-related potential, cultural and historical heritage, as well as on natural beauties of Zips and Gemer.

## **5.2.2 Professional and technical support for special-interest and professional organizations of SMEs**

NADSME has been actively collaborating with institutions that associate business people and/or small trade licensees. As an expression of this collaboration in the field of professional and technical support for special-interest and professional organizations of SMEs, several projects under the support of the PHARE programme were running that were intended to assist associations of business people in mainly setting up of their infrastructure and technical equipment. During the preceding year, such projects were implemented together with:

- Slovak Chamber of Small Trade Licensees,
- Guild of Toy Manufacturers

The objective of this collaboration was to profile out activities of the individual institutions, to improve the promotion of their activities, as well as to train and educate the members, to support establishment of international contacts, as well as to develop strategies of defense of the interest of the membership base.

In 2000, NADSME prepared also background documents for a grant-based scheme of support for associations of entrepreneurs, in particular with respect to the setting up of their infrastructure and technical equipment, under PHARE Programme 1999 Financial Memorandum that continued the preceding PHARE Programme and that will be implemented during 2001 and 2002.

## **5.2.3 Spin-off Programme**

The spin-off method focuses on splitting off small and medium-size enterprises from big state and privatized, mostly industrial enterprises. By getting spun-off, these centres become independent legal entities, and thus have the opportunity to do business also outside of direct commercial collaboration with the parent company.

Also in 2000, there was strong interest in the Spin-off Programme. A total of 4 carriers of projects out of seven applicants participated in the Programme, and implementation of the spin-off method made 5 small and medium-size enterprises establish themselves by splitting off of their parent companies.

Every project carrier attended 2 professional workshops led by NADSME. The first workshop provided project carriers with information about the basic responsibilities with respect to the business environment, the second workshop focused on the evaluation of business plans developed by the corresponding RAICs/BICs.

By using the spin-off method, 392 jobs could be maintained in the newly established business entities.

## 5.2.4 Support Loan Programme

Loans from the Support Loans Programme amounting to a max. of Sk 5m have been intended for small and medium-sized enterprises doing business in the field of manufacturing, crafts, services or in the field of active tourism. The interest rate is 11.3% (2.5% over the discount rate of the National Bank of Slovakia). A total of 1,033 loans amounting to Sk 3.368bn in total have been granted since the launching of the programme in 1994, thereof 186 loans amounting to Sk 653m in 2000. As of 31 December, 2000, Sk 1.8bn had been invested into the programme, the overall amount of the loan portfolio, including revolving funds, had reached Sk 3.368bn. The number of jobs newly created or maintained within the SMEs sector during the implementation of the SL Programme represents 30,737.

As of 31 December, 2000, a total of 340 loans had been paid off. Graphics 5.1 presents information on areas of business activities to which loans have flown into.

<b>SUPPORT LOANS PROGRAMME</b>	<b>Poľno-banka, a.s.</b>	<b>Slovenská sporiteľňa, a.s.</b>	<b>Istro-banka, a.s.</b>	<b>Tatra banka, a.s.</b>	<b>Ľudová banka,a.s.</b>	<b>Total</b>
Nos of loans	329	375	101	150	78	1,033
Total amounts of loans (Sk m)	1,141.378	1,053.811	367.663	587.02	218.611	3,368.483
Average amount of loans (Sk m)	3.47	2.81	3.64	3.91	2.80	3.26

National Agency for Development of Small and Medium Enterprises

Overview of loans granted under SL Programme in 2000, by districts

District - Region	Nos of loans granted by 31 Dec., 2000	Amount of loans granted (Sk m) by 31 Dec., 2000	Nos of loans granted in 2000	Amount of loans granted in 2000
<b>Region Banská Bystrica</b>	<b>141</b>	<b>456,501,000</b>	<b>20</b>	<b>71,450,000</b>
Banská Bystrica	32	121,240,000	7	24,100,000
Banská Štiavnica	3	4,700,000	-	-
Brezno	6	15,820,000	2	10,000,000
Detva	6	22,693,000	-	-
Krupina	3	3,800,000	-	-
Lučenec	38	124,981,000	4	10,050,000
Poltár	-	-	-	-
Revúca	4	13,800,000	-	-
Rimavská Sobota	7	13,000,000	1	3,000,000
Veľký Krtíš	3	14,000,000	2	9,000,000
Zvolen	31	105,767,000	2	10,000,000
Žarnovica	-	-	-	-
Žiar nad Hronom	8	16,700,000	2	5,300,000
<b>Region Bratislava</b>	<b>131</b>	<b>463,630,690</b>	<b>13</b>	<b>38,533,000</b>
Bratislava I - V	102	363,580,690	12	36,533,000
Malacky	9	32,600,000	1	2,000,000
Pezinok	15	51,150,000	-	-
Senec	5	16,300,000	-	-
<b>Region Košice</b>	<b>131</b>	<b>367,633,310</b>	<b>20</b>	<b>60,650,000</b>
Košice I - IV, outskirts	52	171,100,000	8	26,050,000
Gelnica	1	1,500,000	-	-
Michalovce	6	22,000,000	2	5,400,000
Rožňava	20	40,203,310	2	3,000,000
Sobrance	1	4,000,000	-	-
Spišská Nová Ves	36	100,650,000	3	13,000,000
Trebišov	15	28,180,000	5	13,200,000
<b>Region Nitra</b>	<b>134</b>	<b>448,296,000</b>	<b>22</b>	<b>79,960,000</b>
Nitra	41	143,170,000	6	25,400,000
Komárno	20	52,207,000	5	14,500,000
Levice	22	92,409,000	3	13,000,000
Nové Zámky	26	82,900,000	4	16,500,000
Šaľa	4	15 500 000	-	-
Topoľčany	20	57,110,000	4	10,560,000
Zlaté Moravce	1	5,000,000	-	-
<b>Region Prešov</b>	<b>132</b>	<b>460,192,000</b>	<b>28</b>	<b>110,816,000</b>
Prešov	47	192,778,000	13	56,500,000
Bardejov	11	45,100,000	2	10,000,000
Humenné	5	17,500,000	1	1,000,000

National Agency for Development of Small and Medium Enterprises

District - Region	Nos of loans granted by 31 Dec., 2000	Amount of loans granted (Sk m) by 31 Dec., 2000	Nos of loans granted in 2000	Amount of loans granted in 2000
Kežmarok	4	14,000,000	-	-
Levoča	1	2,000,000	-	-
Medzilaborce	-	-	-	-
Poprad	43	137,273,000	5	16,000,000
Sabinov	2	5,400,000	-	-
Snina	-	-	-	-
Stará Ľubovňa	9	22,016,000	3	14,336,000
Stropkov	2	10,000,000	1	5,000,000
Svidník	1	1,400,000	1	1,400,000
Vranov nad Topľou	7	12,725,000	2	6,580,000
<b>Region Trenčín</b>	<b>131</b>	<b>439,659,863</b>	<b>36</b>	<b>121,003,000</b>
Trenčín	34	100,880,000	10	26,900,000
Bánovce nad Bebravou	2	10,000,000	-	-
Ilava	2	8,900,000	-	-
Myjava	7	16,700,000	1	2,000,000
Nové M. nad Váhom	10	35,638,336	5	19,000,000
Partizánske	3	10,900,000	-	-
Považská Bystrica	15	50,000,000	3	12,000,000
Prievidza	52	188,641,527	14	52,103,000
Púchov	6	18,000,000	3	9,000,000
<b>Region Trnava</b>	<b>82</b>	<b>278,264,000</b>	<b>18</b>	<b>65,150,000</b>
Trnava	23	75,460,000	2	10,000,000
Dunajská Streda	29	116,159,000	6	27,000,000
Galanta	11	34,300,000	4	12,300,000
Hlohovec	1	2,400,000	-	-
Piešťany	5	13,595,000	1	3,000,000
Senica	12	35,550,000	4	12,050,000
Skalica	1	800,000	1	800,000
<b>Region Žilina</b>	<b>151</b>	<b>454,307,611</b>	<b>29</b>	<b>105,200,000</b>
Žilina	39	111,464,000	7	25,000,000
Bytča	2	3,300,000	-	-
Čadca	7	15,620,000	2	8,000,000
Dolný Kubín	14	42,550,000	4	17,000,000
Kysucké Nové Mesto	4	10,500,000	-	-
Liptovský Mikuláš	22	70,631,000	4	11,000,000
Martin	49	161,811,970	8	33,900,000
Námestovo	4	12,200,000	2	5,700,000
Ružomberok	7	17,030,641	2	4,500,000
Turčianske Teplice	1	5,000,000	-	-
Tvrdošín	2	4,200,000	-	-
<b>Total:</b>	<b>1,033</b>	<b>3,368,484,474</b>	<b>186</b>	<b>652,762,000</b>

## 5.2.5 Micro-loans Programme

The programme has been intended for small enterprises employing up to 10 persons. The main objective of the programme has been to deal with the problem of the access of small enterprises in regions to loans up to Sk 500,000; the smallest amount of the loan is Sk 50,000, with a tenure of up to three years, at 11.3% interest rate (2.5% over the discount rate of the National Bank of Slovakia) for capital investment projects; an interest rate of 17.6% (twice the NBS discount rate) is charged for projects involving purchase of goods of commercial nature.

NADSME started implementing the scheme in 1997 via the regional Advisory and information centres. For the time being, micro-loans are being granted by seven centres covering the whole territory of the Slovak Republic. The sources for the scheme have been provided by the European Union under the PHARE Programme.

During 1997, being the first implementation year of this financial scheme, all resources allocated to the fund were spent. New loans granted during the second half-year of 1998 were already based on repaid amounts, suggesting the viability of the programme. Of the loans granted since the launching of the programme, 34 have already been fully repaid.

A total of 177 parties interested in micro-loans applied with all the centres in 2000, 70 loans were granted amounting to Sk 24,235,400 in total. Since the launching of the programme, 209 micro-loans amounting to Sk 67,649,322 have been granted.

Over the period of its operation, the micro-loans programme has met with an extraordinarily positive welcome on the part of entrepreneurs, in particular as it has represented the only possible financial source of support from public funds intended for small enterprises needing small loans.

*Overview of micro-loans granted, by centres*

Centre	Nos of loans, total	Amount of loans, Sk total	Nos of newly created jobs
RAIC Komárno	17	7,340,000	80
RAIC Trebišov	15	5,690,000	46
BIC Spišská Nová Ves	14	5,550,000	53
Seed Capital Company	22	9,200,000	128
RAIC Pov. Bystrica	58	17,350,612	116
RAIC Prešov	39	11,350,000-	128
RAIC Zvolen	44	11,168,710	84
<b>TOTAL:</b>	<b>209</b>	<b>67,649,322</b>	<b>635</b>

Overview of micro-loans granted, by sectors

Sector	Total amount	Thereof in 2000	Total numbers	Thereof in 2000
<b>Food processing</b>	4,250,000	2,650,000	12	11
<b>Textile production</b>	3,890,000	1,750,000	11	5
<b>Woodworking industry</b>	6,570,000	2,890,000	19	7
<b>Metals, plastics</b>	4,800,000	1,350,000	11	3
<b>Glass, stonemasonry</b>	1,570,000	270,000	5	2
<b>Building industry</b>	2,300,000	400,000	7	1
<b>Power sector</b>	1,000,000	0	2	0
<b>Polygraphy</b>	750,000	0	3	0
<b>Chem.&amp; pharm.industries</b>	1,000,000	0	2	0
<b>Tourism</b>	3,425,000	1,750,000	11	5
<b>Trade</b>	16,333,365	7,030,000	57	20
<b>Services</b>	18,810,957	4,345,400	63	14
<b>Other</b>	2,950,000	1,800,000	6	2
<b>Total</b>	<b>67,649,322</b>	<b>24,235,400</b>	<b>209</b>	<b>70</b>

## 5.2.6 Seed Capital Company

The main characteristic of the Seed Capital Company programme has been investing into the equity of small and medium-sized enterprises. Investments can be made up to a maximum amount of Sk 10m, or up to a maximum of Sk 5m during the first round. The objective of the programme is to enable the establishment and development of small and medium-sized enterprises, and to develop the activities of existing enterprises. Preference is given to projects from the field of industrial production, production services, and active tourism.

A total of 9 applications presented by Slovak enterprises were approved in 2000, with a total requirement of Sk 19.2m. Since the launching of the programme, the Investment Board of the Company has reviewed 40 investment suggestions, 31 investments into 17 companies have been made, at an overall volume of Sk 76.39m. The Company received 46 business plans and applications for financial investments during 2000. Within 1995-2000, there were 349 plans and applications for financial investments received in total. Thereof,

	2000	1995-2000
<b>turned down for not meeting investment criteria</b>	27	233
<b>projects under review as of 30 June, 2000</b>	9	15
<b>turned down because of incompleteness</b>	1	61
<b>Investment Board-approved investments</b>	6	30
<b>projects conditionally approved</b>	3	9
<b>projects not approved by Investment Board</b>	0	1
<b>Total</b>	<b>46</b>	<b>349</b>
projects approved but not implemented		5

Structure of applications received, by sectors

Sector	Number	
	2000	1995-2000
<b>Chemical industry</b>	1	18
<b>Machine engineering</b>	3	45
<b>Food processing</b>	2	42
<b>Woodworking</b>	10	34
<b>Tourism</b>	5	41
<b>Production services</b>	10	55
<b>Trade</b>	3	18
<b>Textile production</b>	2	12
<b>Electrical engineering</b>	-	5
<b>Production of consumer goods</b>	2	41
<b>Agriculture</b>	-	5
<b>Repairs</b>	3	6
<b>Transport</b>	2	4
<b>Electricity generation</b>	-	4
<b>Shipbuilding</b>	-	1
<b>Building industry</b>	3	9
<b>Glass industry</b>	-	7
<b>Goldsmithery</b>	-	2
<b>TOTAL</b>	<b>46</b>	<b>349</b>

## 5.2.7 Subcontractor Exchange of Slovakia

Subcontractor Exchange of Slovakia (SES) provides foreign companies - based on their cooperation requests - with high-standard exact information and services, in particular with respect to the seeking for, and identifying of appropriate partners for manufacturing and commercial cooperation, presentation of

price bids, organizing of direct visits of purchasers from foreign companies at potential Slovak suppliers, selection of appropriate sites for construction of operations and establishment of joint ventures or new companies in Slovakia. During 2000, SES dealt with 194 requirements from abroad, whereof about 20% were of informative nature. During 2000, 37 firms from abroad paid visits to Slovak businesses.

In early 2000, SES organized the participation of Slovak SMEs at the international subcontractor machinery fair ESEF in Utrecht, The Netherlands. Under the Subcontracting Programme, Slovak SMEs (PFS Brezová pod Bradlom s.r.o., Topos Továrniky s.r.o. and R.R.Wusam s.r.o.) that participated at the fair as co-exhibitors received financial support amounting to 50% of the costs associated with the participation. During the fair, SES established cooperation with Dutch subcontractor associations NEVAT and MKB. Based on contracts with the US company Pemstar and the Dutch company F.I.B., potential contractor of electronics and pressed metal parts were identified and visited during February - April, 2000.

In April, SES presented its services at the event called Country Days in Paris, devoted to the opportunities of cooperation between French and Slovak SMEs.

In July, SES staged in Bratislava Slovak-Czech-Swiss Commercial Day; it was organized in cooperation with the Chamber of Commerce Switzerland - Central Europe. Eight Swiss companies attended, SES took care of direct bilateral negotiations with Slovak SMEs.

In cooperation with the French partner Chambre de Commerce Puy, SES organized a visit of seven French SMEs in September, for whom bilateral meetings with Slovak SMEs and a visit of the machinery fair in Brno were organized.

October was the month of the already sixth year of the Slovak Subcontractor Conference SESE '2000 under the participation of directors of purchase from foreign machinery companies Sanden Europe France, DAF Trucks Netherlands, Leyland Trucks United Kingdom, Ingersoll Rand USA, Textron Europe Netherlands, Julien France.

SES participated as exhibitor in a common stand with Slovak SMEs (ELTEC, s.r.o., and Atlantic Energy, s.r.o.) in the November international subcontractor fair MIDEST '2000, Paris. During the fair, SES representatives participated in the worldwide meeting of directors of subcontractor exchanges concerning the implementation of new computer software intended to interconnect the countries.

The main goals of the Subcontractor Exchange of Slovakia:

- to work out requirements for cooperation received and to enable foreign companies to find appropriate partners for industrial cooperation with Slovak companies,
- participation of SES staff as well as of directly Slovak firms in international fairs, specialized events, and presentation of SES' activities and the various services offered to foreign main contractors, regular participation in the world's biggest international subcontractor fairs: Hannover-Messe, Germany and Midest, Paris, France,
- organization of international cooperation exchanges, contractor meetings and visits of foreign firms based on previous identification of appropriate Slovak cooperation partners, support for the development of the automobile industry through regular organization of Slovak Automobile Subcontractor Exchange - SASE with international participation. Purchasers from the biggest European car making companies participated in SASE, thus enabling Slovak participants to present their production potential,
- close contacts and stimulating bilateral collaboration with French companies and business organizations have prompted the development of relationships with businesses from French speaking countries and the establishment of the Francophone Trade Center (FSO). In the framework of its activities, FSO has been organizing regular club meetings for member firms to develop mutual collaboration.

Requirements regarding industrial cooperation, mostly in the form of technical documentation, were continuously worked out by the SES staff. Slovak companies were invited to present more than 142 proposals and technical information (and/or replies to cooperation requests). A total of 63 Slovak entities identified by the SES staff have been involved in this process.

Another rather important component of SES' activities have been visits by foreign firms. The visits were organized based on prior identification of appropriate Slovak cooperation partners. The objective of such visits was to enable potential foreign partners, based on their requirements, to learn about the specific conditions prevailing in Slovak companies and to meet with the staff responsible for future cooperation.

## **5.2.9 Euro Info Centre**

Activities of the Euro Info Centre (EIC) concern provision of information to small and medium-sized enterprises, taking care of the activities of systems mediating collaboration between domestic and foreign business entities, organization and support of the participation of Slovak companies in professional events both at home and abroad, and monitoring of the business environment. With respect to the provision of services and counseling to businesses, the strongest interest concerns services in the field of seeking for cooperation partners, participation in business exchanges, and up-to-date information on events focusing on assistance to businesses.

EIC continued the mechanism of seeking for cooperation partners through the BRE network that towards the end of the year was included under the Directorate General Enterprises. It has been monitoring several thousands of foreign offers from abroad monthly, selecting offers of interest, translating and publishing them in NADSME periodical *Podnikanie (Doing Business)* and other Slovak periodicals. In this way, also Slovak offers of collaboration become included in the system. Also, EIC processes requests from other Euro Info Centres of the network (about 270). The requests come also directly from SMEs, by mail, fax or in electronic form, and an average of 100 of such requests are processed and replied every month. EIC expands and enriches its activities through its Internet Information Workplace that enables and facilitates entrepreneurs that do not have technical means to communicate within the Internet global network, access to commercial and cooperation-related information.

A campaign was organized during the first quarter to make activities and services provided by EIC to small and medium-sized businesses more visible. Workshops were organized on EIC network activities and on CE-marks, and fliers and booklets were printed on the topics mentioned, in Slovak and English languages.

In April, EIC prepared the first Slovak Interprise in the field of food processing and catering under the heading *Gastra-Alimenta 2000*. The event took place in Nitra, on the grounds of the *Agrokomplex Fair*. More than 50 companies from Slovakia, and almost 70 companies from the Czech Republic, Hungary, Poland, Slovenia, Austria and Italy participated in contracting talks.

Two contractor events of the *Europartenariat* type took place in 2000: 17 Slovak companies participated in the May event organized in Denmark and 13 companies in the December event taking place in Sicily.

EIC has been building a library of documents on activities, programmes and objectives of the European Commission, and selecting and publishing documents of interest in its periodical Podnikanie as well as on the NADSME's web site.

EIC has been actively participating in collaboration with Austria and the Czech Republic in developing regional information system under the EC Interreg IIA programme, and in the development of the information system for SMEs in regions close to the boundaries to support cross-border cooperation.

## 5.2.9. Efficiency evaluation of NADSME's support programmes

### a) Efficiency evaluation of the Support Loan Programme

A total of 1,033 loans were granted since the launch of the programme in 1994 until 31 December, 2000, totaling Sk 3.268bn, whereof 186 loans amounting to Sk 653m were granted in 2000. A total of Sk 1.8bn had been allocated to the programme by 31 December, 2000. The overall amount of the loans portfolio of Sk 3.368bn suggests a high success rate of the programme and a perfectly operating revolving mechanism of the resources.

The number of newly created and/or maintained jobs for the period of the SL implementation represents 30,737 job opportunities in the sector of small and medium-sized enterprises.

On the figures mentioned, 9,221 jobs were newly created and 21,516 were maintained.

*Contributions of the various cooperating banks toward loans granted*

<b>SUPPORT LOAN PROGRAMME</b>	<b>Poľno-banka, a.s.</b>	<b>Slovenská sporiteľňa, a.s.</b>	<b>Istro-banka, a.s.</b>	<b>Tatra banka, a.s.</b>	<b>Ľudová banka,a.s.</b>	<b>Total</b>
Nos of loans	329	375	101	150	78	1,033
Total amounts of loans (Sk m)	1,141.378	1,053.811	367.663	587.02	218.611	3,368.483
Average amount of loans (Sk m)	3.47	2.81	3.64	3.91	2.80	3.26

## **b) Efficiency evaluation of the Seed Capital Company**

Nine projects amounting to Sk 10.2m in total were approved in 2000. The other Fund activities were oriented towards monitoring of 17 companies in the Company portfolio.

By 31 December, 2000, 40 investment plans had been reviewed in total, whereof 30 were approved, 9 were approved conditionally, and 1 was rejected. Actually, 31 investments into 17 companies have been implemented. A total of Sk 76.39m have been invested into companies in the SCC, s.r.o. portfolio, whereof Sk 39.26m were investments into the equity in the form of loans. Three investments approved by Investment Board have not yet been implemented at all or have only been implemented partly, a total of Sk 21.12m have been allocated to them.

The following overview lists the companies that received support from Seed Capital Company, s.r.o., by 31 December, 2000, along with the amounts of funds granted, activities of the individual companies, investment stage, numbers of job opportunities newly created and maintained.

<b>Nos of firms</b>	<b>Funds made available by 31 Dec., 2000, in Sk</b>	<b>Type of investment</b>	<b>Nos of jobs maintained</b>	<b>Nos of jobs newly created</b>
17	76,390,000	seed, start-up, early stage, development	476	325

Investments received from Seed Capital Company, s.r.o.

- caused last year's turnover of companies included in the portfolio to increase to reach Sk 420m,
- made financial health of the firms, payment discipline, and the meeting of financial liabilities vis-a-vis the state and other partners to improve,
- made the financing of the firms by commercial banks to improve; every 1 Sk invested by SCC enabled SCC portfolio enterprises to raise Sk 2.42 in the form of newly granted loans from commercial banks,
- helped to maintain 476 existing jobs and to create 325 new job opportunities (thereof 265 permanent, and 60 seasonal).

## **6. Support from other sources**

### **6.1 Cooperation with France**

In 2000, NADSME cooperated with the French institution GRETA to organize the second year of the successful training programme GRETA intended for Slovak French speaking managers of SMEs. The objective is above all to establish cooperation with French companies. The programme is financed mostly under the funds of the French Ministry of Foreign Affairs, a portion of the costs is borne by the participants themselves.

The programme has 3 stages: corresponding course, workshops with French lecturers at NADSME, and study stay in France. During the first half-year of 2000, stage 1. was implemented, and stages 2 and 3 were implemented during the second half year. French professionals lectured at NADSME premises, presenting with rich experience with lecturing directly in enterprises, and knowledge of the reality of the French business environment. Topics were covered such as marketing, personnel management, financial management, organization systems, and production control, quality, etc. The most interesting part of the programme was no doubt the study stay of 10 participants in France, where they visited enterprises, listened to lectures by experts from practice organized in the premises of GRETA, as well as to presentations of French regional institutions.

### **6.2. Cooperation with Germany**

#### **Counseling programme TRANSFORM**

The second stage of the project was completed under the Transform Programme in 2000, entitled "Strengthening of Counseling Offer To Small and Medium Enterprises in Slovakia". The project is financed by the Bonn-based German Credinanstalt für Wiederaufbau (KfW). KfW entrusted the Bonn-based Foundation for Economic Development and Professional Qualification (SEQUA) to cooperate with NADSME in exercising the project of counseling. SEQUA's role is to make available German experts and qualify, based on practical corporate counseling, advisors from selected regional centres including RAICs Považská Bystrica, Poprad and Nitra, and BICs Banská Bystrica and Spišská Nová Ves. The objective of the project is to strengthen regional Advisory centres in the area of provision of counseling services and at the same

time to raise demand for the given type of counseling on the part of the business sector. SEQUA provides for the required professionalism through cooperation with the Trier-based Chamber of Crafts. On the Slovak part, counselors for the individual counseling plans are being provided for via regional centres.

A total of 17 counseling sessions for 15 selected firms were organized under stage II by 31 December, 2000, mostly in the field of setting up of quality management systems according to standards ISO 9000, VIDA 6.1 (standards for the automobile industry), marketing, controlling, establishment of cooperation with German partners, etc. Due to organizational and material reasons, stage II will be extended through 31 March, 2001; at this point also the amount of the support for the third project stage, if any, will be decided upon.

## **6.3 Foreign credit lines**

The development of small and medium-sized enterprises in Slovakia has been supported by the National Bank of Slovakia since 1993, i.e. since its establishment, through special foreign credit lines. NBS signed, within 1993-1997 two agreements with the European Investment Bank (Apex Global Loan and Apex Global Loan II) and three agreements with the EXIM Bank of Japan (Two Step-Loan, Two-Step Loan II, and Two-Step Loan III). Funds from these loans have been intended for support for private business in Slovakia. Specific projects have been financed by selected commercial banks also in 2000, based on brokerage contract made with the NBS.

### **a) AGL II Credit Line from EIB**

The European Investment Bank signed a contract on Apex Global Loan with the National Bank of Slovakia on 17 February, 1993. The loan was intended for the financing of small and medium projects ranging between ECU 40 thous. and 20m, the loans being granted to cover up to 50% of the investment expenditures. The source of financing of the remaining 50% investment expenditures on projects should come from investor's own resources and/or from loans from other financial institutions. The loans are denominated in ECU, and may be drawn down in any currency requested by the entrepreneur, with the currency exposure being borne by the debtor. EIB and NBS signed, on 18 July, 1995, another loan agreement on Apex Global Loan II, amounting to ECU 50m. VÚB, Tatra banka, Creditanstalt (now BACASK), Istrobanka, and Ludová banka were gradually approved by the European Investment Bank as the lending banks.

A total of 5 projects worth EUR 22.05 m (Sk 948.15m) have been financed under the AGL Credit Lione so far, and 6 projects in a volume of DM 27.343m (Sk 601.546m) under AGL II. Moreover, National Bank of Slovakia approved the option of drawing funds under AGL II credit line in also Slovak currency, thus speeding up the process of the loan implementation. An overview of the disbursements is shown in the Table below.

*AGL II credit line from EIB - disbursements in Slovak currency*

	Nos of approved projects financed from NBS		Volume of funds released from NBS, in Sk	
	2000	Cumulative by 31 Dec., 2000	2000	Cumulative by 31 Dec., 2000
<b>VÚB, a.s.</b>	0	6	0	45,953,484
<b>TATRA BANKA, a.s.</b>	1	7	62,500,000	451,500,000
<b>ISTROBANKA, a.s.</b>	2	7	55,000,000	517,228,361
<b>ĽUDOVÁ BANKA, a.s.</b>	1	1	38,451,325	38,451,325
<b>BACASK, a.s.</b>	1	5	40,000,000	274,450,000
<b>TOTAL</b>	<b>5</b>	<b>26</b>	<b>195,951,325</b>	<b>1,327,583,170</b>

### **b) TSL III Credit Line from JEXIM**

On 12 September, 1997, the Export-Import Bank of Japan signed with the National Bank of Slovakia Two-Step Loan III Agreement. The loan is intended to support the development of small and medium-sized private enterprises and joint ventures. For the purposes of this loan, small enterprise has been defined as an enterprise with 1 to 150 employees, and medium-sized enterprise as one with 151-600 employees. The funds can be employed to finance new projects or to expand existing projects, including modernization, rehabilitation, renewal, optimization, restructuring, and any type of investment to improve productivity or efficiency of an existing project. The proceeds of the loan may be used to finance up to 70% of total project costs. The amount covered under this loan with respect to individual projects must not exceed the equivalent of 750 million Yen in Slovak currency (about Sk 200m).

The Table below shows the disbursement of TSL III funds. Apart from this, also revolving sources were disbursed in 2000, and used to finance, under all the three trenches, 51 projects in an overall amount of Sk 473,975,000.

TSL III credit line from JEXIM

	Nos of projects approved and financed in NBS		Volume of funds released from NBS, in Sk	
	2000	Cumulative by 31 Dec., 2000	2000	Cumulative by 31 Dec., 2000
<b>VÚB, a.s.</b>	0	204	0	2,152,324,966
<b>POĽNOBANKA, a.s.</b>	3	72	41,753,975	1,016,175,421
<b>TATRA BANKA, a.s.</b>	0	15	0	921,000,000
<b>SLSP, a.s.</b>	0	14	0	323,167,184
<b>ISTROBANKA, a.s.</b>	0	28	0	1,037,681,764
<b>POŠTOVÁ BANKA, a.s.</b>	0	6	0	74,800,000
<b>TOTAL</b>	<b>3</b>	<b>339</b>	<b>41,753,975</b>	<b>5,525,149,335</b>

By 31 December, 2000, a total of 1,045 projects in a total volume of Sk 15.001bn had been financed cumulatively from proceeds of the above-mentioned loans from EIB and EXIM Bank of Japan.

## **7. Development of SMEs in 2002: Suggested measures**

### **7.1. Access to capital**

Access to capital represents one of the most significant barriers to development of SMEs. It should nevertheless be admitted that the situation in this respect improved in 2000, though it still is far from being satisfactory. There is much to improve also in this area, including:

1. Provision for adoption of a law on securities in form of pledging rights on movable assets and property of SMEs.
2. Enhancement of the flexibility of the banking sector in granting loans to SMEs.
3. Creation of conditions for risk capital to be able to establish itself with respect to support for SMEs development.
4. The system of active policy of the labor market should be oriented towards the support for creation of job opportunities with SMEs.
5. Appropriate conditions should be established to enable the operation of the capital market in Slovakia.

### **7.2 Legislative and administrative barriers**

Based on what has been stated above in Section 2, and supported by also statistical data in Section 3, measures have expediently to be taken in the field of legislation that will help to eliminate the major legislative and administrative barriers to the development of small and medium-sized enterprises.

With respect to income taxes, the tax-related burden imposed on businesses should be reduced, thus helping to resolve the following problems:

1. Elimination of limiting positions newly introduced into the new Act, to be recognized as deductibles (such as limits to expenditures on fuels, limits to depreciations of tangible and intangible assets acquired from subsidies, etc.).
2. Allowing recognizing a portion (e.g. 30% of the total price) of investments as tax deductibles.

3. Respecting comments by professional and business community on so-called lump tax, and consider increasing the upper limit of eligibility for such tax.
4. Making depreciation policy with respect to tangible fixed assets more realistic (e.g., by shortening the depreciation periods for group 1 to 2 years max, etc.). Reconsidering the annex to the Income Tax Act concerning the classification of tangible fixed assets into depreciation classes and enabling starting depreciations for tax purposes according to the decision of the taxpayer.
5. Making self-employed individuals equal with employees with respect to some tax deductible items.
6. Making natural persons equal with legal entities with respect to income tax rates.
7. Implementation of a systemic change with respect to the determination of the amounts of tax deductibles.
8. Dividing taxpayers - natural persons into employees and self-employed individuals.
9. Implementing the suggestions to improve legal and regulatory frameworks of support for doing business and investments as stated in the document of the Slovak Ministry of Economy.

The following should be dealt with respect to the contributions to funds pursuant to the NR SR Act Nos. 273/1994 Coll.II and 274/1994 Coll.II., as amended from time to time:

1. Inequality concerning sickness benefits and benefits paid with respect to injuries to business people compared to employees.
2. The option to generate social fund also by business people.
3. Systemic review of the amounts of contributions to funds for business people.
4. Contributions to funds should only flow into a single collection point (center), thus substantially reducing the administration-related demands put on SMEs.

The amendment to Act No. 366/1999 Coll.LL. on Income Tax, as amended from time to time, that is about to be drafted, suggests, effective of 1 January, 2002, also further raising of the non-taxable amount per tax payer, from the previous Sk 38,760 to Sk 47,780.

Concerning indirect taxes, an amendment to Act No. 289/1995 Coll.LL. on Value Added Tax, as amended from time to time, was prepared to be reviewed by the Slovak Government in July 2001, with expected effective date 1 January, 2002. The draft law submitted is based on the National Programme for the Adoption of the Acquis Communautaire, the negotiation position of Chapter 10 - Taxes, draft tax reform and the 2001 Plan of Legislative Tasks of the Slovak Government.

In accordance with the harmonization process of the domestic legal system with EU law, Act No. 239/2001 Coll.LL. on Excise Tax on Mineral Oils was recently enacted.

An additional legal standard drafted concerns amendment to the Wine Excise Tax Act that has been presented to the National Council of the Slovak Republic for second reading (in August 2001).

Systemic changes contained in the amendment to Act No. 231/1999 Coll.LL. on State Aid that has been presented to the National Council of the Slovak Republic for first reading will be to the benefit of the business environment.

### **7.3 Training, education and counseling**

The current institutional support network for SMEs comprises (with the exception of Bratislava) 12 RAICs and 4 BICs. Even if the centres provide information and counseling services to several districts within their area, the distance between the seat of the centre and the respective district represents a barrier to the acquisition of detailed information and good quality counseling services, in particular if it comes to interested persons from among the unemployed. A project of expansion of counseling institutions for the region Slovakia - East was suggested under the PHARE 2000 programme. However, the situation has to be dealt with concerning regions that are not falling under the priority region NUTS II.

During the preceding period, provision of information on a range of support programmes for SMEs was free of charge up to 0.5 hour. The adoption of NR SR Act No. 231/1999 Coll.LL. on State Aid has made this practice unacceptable any more. Business people either have to pay for this service or the counseling institutions have to provide the service free of charge, at their own account, and this further worsens their uneasy financial situation.

Compared to the neighboring transition countries, the incubator form of support has not yet been satisfactorily developed in Slovakia, in particular when it comes to enterprises during the start-up stage of their development. There are but few incubator centres (3), and their work under unsuitable conditions. There are no technological incubators at all. The situation is partly covered by projects under PHARE 1999 and suggested projects for PHARE 2000. What is important however is to secure support for, and co-financing of such projects also from Slovakia's national funds.

Emphasis has to be laid on the evaluation of the impacts and efficiency of the implementation of the support programmes, in particular of those that represent direct financial support for businesses (loans-based support programme, micro-loans, grant programmes). It is therefore crucial to take care of their monitoring within the regions through the RAIC/BIC network.

In the view of the above, we suggest to take the following measures:

1. To expand the RAIC/BIC network and add new centres to be supported under programmes financed from State Budget so as to balance the coverage of the individual regions as far as numbers of business entities are concerned (regions Žilina and Trnava).
2. To take care for financing of counseling and training services to SMEs, in particular for those starting up and those interested in doing business, being also under support programmes from State Budget; in this respect it is important to have funds from State Budget on such programmes released early in the year.
3. Aiming at taking care of the monitoring of the efficiency and impacts of support programmes in the individual regions, state resources should be available to finance 2 workers at each RAIC/BIC centre. Their responsibility will be to also take care of as broad as possible spread of information to SMEs and parties interested in doing business on support options under state and other programmes.
4. Support for enterprises at the start-up stage of their development should also be granted in the form of incubator care, i.e. to provide them with a one-stop-shop professional counseling and training combined with premises for doing business during the first three years of existence. The incubator project should be extended gradually to the individual regions of Slovakia; important will be to provide for subsidies to cover operating costs during the first three years of operation of the incubator.
5. To expand innovations and technological development in the SME sector through establishing technological incubators and through financial support for innovative enterprises located within incubators.

## 7.4 National Programme for the Implementation of the Acquis Communautaire (NPAA)

Based on the outcome of the screening negotiations and comments on the part of the EU, the Programme was reassessed in also 2000 to make it more efficient. The principal priorities at the basis of it have remained the pillar for this area. Specifically, the following priorities were concerned:

- strengthening of the position of SMEs and stimulation of their growth,
- raising the competitiveness of SMEs,
- expedient internationalization and penetration of new markets.

The above priorities are oriented toward elimination of existing discrepancies that may cause serious problems to our SMEs upon Slovakia's EU accession. They are of **medium-term nature**, and are being incorporated into specific state programmes on an annual basis.

Within the framework of negotiations on Slovakia's accession of the European Union, the negotiation chapter No.16 Small and Medium Enterprises was preliminarily closed in May 2000. The Ministry in charge of the chapter is **Ministry of Economy of the Slovak Republic** that implements its activities in the area of support for small and medium-sized enterprises (SMEs) through **National Agency for Development of Small and Medium Enterprises**.

In several parameters such as contributions toward GDP and employment, SMEs could achieve results close to those existing in EU Member States<sup>1</sup>.

The legal environment for the small and medium enterprises sector in the Slovak Republic is regulated by

- Act No. 231/1999 Coll.LL. on State Aid,
- Act No. 366/1999 Coll.LL. on Income Tax,
- Commercial Code No. 513/1991 Coll.,
- Act on Small Trade Business (Small Trade Business Act) No. 455/1991 Coll.

Act No. 231/1999 Coll.LL. on State Aid has been in effect since 1 January, 2000; it specifically defines forms and types of state aid for the business sector. The Act is being implemented through Office for State Aid. During the preced-

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<sup>1</sup>In Slovakia, SMEs contribute about 58% and 56% to GDP and employment respectively. In the EU, the corresponding figures are approximately 60% and 66%.

ing year, the implementation of the Act was also associated with practical problems and shortcomings that are currently attempted to be resolved by drafting an amendment to the Act.

The State Aid Act re-defines also SME categories. The classification is fully identical with the recommendations of the European Commission No. 96/280/ES of 3 April, 1996 concerning small and medium-sized enterprises<sup>2</sup>. In this way, the definition of SMEs has been fully harmonized between the Slovak Republic and the EU.

**Act on Income Taxes** No. 366/1999 Coll.LL., in effect since 1 January 2000 reduced the tax burden rates and introduced the option for a specified group of entrepreneurs to pay lump tax without the necessity to keep detailed accounting records. This simplified the legislation and eased the administrative demands put on SMEs. Entrepreneurs who started their activities after 1 January 2000, may claim 100% concession on lump tax during the first two years, and a 50% concession during the third year of activities.

The adoption of Act No. 466/2000 Coll.LL. that amended and supplemented Act No. 366/1999 Coll.LL. on Income Tax, as amended from time to time, made inputs of foreign investments more attractive through reducing income tax rates provided that the share of the foreign investor is at least 60% and the investment amounts to EUR 4.5m, 3m or 2m, according to the criteria defined in the Act.

Three amendments to Act No. 366/1999 Coll.LL. on Income Tax (**Act No. 358/2000 Coll.LL., Act 385/2000 Coll.LL., and Act No. 466/2000 Coll.LL.**) came into effect on 1 January, 2001.

On 13 September, 2000, the Slovak Government adopted Resolution No. 762/2000 on **Report on the State of Small and Medium Enterprises and its Support in the Slovak Republic in 1999.**

Grant programmes and guarantee programmes to support small and medium enterprises are being implemented through Slovak Bank for Guarantees and Development, š.p.ú. On 27 September, 2000, the Slovak Government approved, by its Resolution No. 759/2000, the following guarantee and loans-based programmes of the Slovak Bank for Guarantees and Development, š.p.ú., in terms of Act No. 231/1999 Coll.LL. on State Aid:

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<sup>2)</sup> Classification of SMEs is described in detail in List A for bilateral screening that took place in Brussels on 4 March, 1999.

1. Support programme for small and medium enterprises through granting of bank guarantees for financial loans.
2. Support programme for small and medium enterprises through granting counter-guarantees for foreign loans.
3. Support programme for small and medium enterprises through granting bank guarantees for "pre-mortgage loans".
4. Support programme for construction of housing through granting of bank guarantees for loans.
5. Loans-based programme Podpora (Support).
6. Loans-based programme Región.

By its Resolution No. 779 of 27 September, 2000, the Slovak Government approved the following **state programmes for the development of small and medium enterprises for 2000 - 2005**:

1. Support loans programme
2. Programme of micro-loans
3. Participation of the Slovak Republic in the "3rd Multiannual Programme for Small and Medium Enterprises in the EU"
4. Technologies transfer programme
5. Counseling programme for small and medium enterprises
6. Quality management systems implementation programme - QUALITY
7. Support programme for international cooperation - SUBKONTRAKTÁCIA
8. Training and education programme for small and medium enterprises
9. "Monitoring and Research in the SME Sector"
10. Education, training and counseling programme for specified groups of parties interested in doing business and for entrepreneurs during the start up stage

### **Short-term priorities**

The following **short-term priorities** will be implemented during 2001-2002 in connection with the implementation of recommendations from Partnership for Accession:

1. **Technical assistance** - preparation of state policy of SME support and simplification of fund contributions. The objective of technical assistance is to evaluate the efficiency of the various tools of the State Medium-term Policy of SME Support for 1997-2000, and suggestions for new tools and measures of this policy for the period 2001-2005 that should be oriented mainly towards the approximation of the business environment to conditions

prevailing in the EU in connection with the expected accession of Slovakia, and development of a suggestion for easing the administrative complexities connected with payments of contributions to the individual funds by establishing a single collection point.

2. **Grant scheme** - support for organizations associating entrepreneurs. The main objective of grants is to support non-for-profit institutions that associate small and medium enterprises on professional or special-interest basis, at the national, regional or local level. The support should be oriented towards improving strategy, structure and managerial skills of various associations of SMEs, unions and guilds, expanding their membership base, improving their infrastructure, strengthening the internal and external capabilities to support their interests and their internationalization.

### **Medium-term priorities**

The Slovak Republic adopted 3 state programmes to strengthen the position, and to stimulate the growth of SMEs:

1. **State programme 1:** Support loans programme - the programme is intended for small and medium enterprises employing up to 250 persons, that do business in the field of production, crafts, services, and active tourism. Entrepreneurs meeting the programme criteria may apply for loans up to Sk 5m with tenure of 5 years. The interest rate is 11.3%. The volume of funds expected to be available for 2001 is Sk 600m (200m - State Budget, 200m - PHARE, 200m commercial banks) + revolving approx. Sk 350m.
2. **State programme 2:** Micro-loans programme - the programme is intended for small enterprises - micro-enterprises employing up to 10 persons. The main objective of the programme is to resolve the problem of access of small enterprises in regions to small loans. The maximum amount of a loan is Sk 500,000, the lower limit is Sk 50,000, the tenure is three years, at an interest rate of 11.3%. The volume of funds expected to be available for 2001 is Sk 90m (15m - State Budget, 75m - PHARE).
3. **State programme 3:** Counseling services for SMEs - NADSME provides SMEs with counseling services through the network of 12 regional counseling and information centres (RAICs), 4 business and innovation centres (BICs) that provide starting and existing enterprises with comprehensive professional counseling services in all areas that concern business activities. The volume of funds expected to be available for 2001 is Sk 33.9m (11m - State Budget, 22.9m - PHARE). The above state programmes are expected to continue through 200-2004.

To improve competitiveness of SMEs, the Slovak Republic adopted the following programmes:

1. **State programme 4:** Technologies transfer programme, stages 2 and 3 - the objective of the programme is to establish an efficient mechanism to support the development and application of progressive environmentally friendly technologies. As part of the project, also an information system will be set up to provide for information on the existence and availability of innovative technologies as well as on the recent status of development in the individual areas. The volume of funds expected to be available for 2001 is Sk 5m from 2000 State Budget.
2. **State programme 5:** Quality management systems implementation programme - the objective of the programme is to improve the quality of products and services in the small and medium enterprises sector and growth of numbers of SMEs certified according to standards ISO 9000. The volume of funds expected to be available for 2001 is Sk 5m from 2000 State Budget.
3. **Seed Capital, s.r.o.** - the risk capital fund is a 100% daughter company of NADSME. The objective of the programme is to give new small and medium enterprises the opportunity to become established, and to existing enterprises to expand their activities. Innovative projects from industrial production, production services and active tourism are given preference to. No funds have been allocated for 2000 and 2001.

The state programmes are expected to also continue in 2002-2004.

Speeding up of internationalization and penetration of new markets are supported by:

1. **Subcontractor Exchange of Slovakia (SES).** It provides foreign companies - based on their requirements concerning cooperation - with exact information and high-standard services in seeking and identifying appropriate partners for production and commercial cooperation. The volume of funds expected to be available for 2001 is Sk 2m from 2000 State Budget.

In the framework of the 3rd multiannual programme for SMEs in the EU, the Slovak Republic has been participating in the **Euro Info Centre** programme. The activities of the Euro Info Centres (EIC) in Bratislava and Prešov consist in the provision of information to small and medium-sized enterprises, in mediating cooperation between domestic and foreign business entities, organization and support of participation of Slovak enterprises in professional events both at home and abroad, and in monitoring the business environment.

**National Agency for Development of Small and Medium Enterprises (NADSME)**, together with the network of **Regional and Advisory Information Centres (RAICs) and business and innovation centres (BICs)** that make up the basic institutional tool of support and development of SMEs fulfill the tasks of the coordination of all activities to support small and medium enterprises at the international, national, and local level. They coordinate activities oriented towards the support for SME development, and fulfill the function of a comprehensive information centre for entrepreneurs, of an organizer of education and counseling programmes, and implementer of a scope of financial support programmes for SMEs. At the national level, there are associations and unions such as the Slovak Chamber of Small Trade Licensees, Association of Entrepreneurs, Slovak Union of Small Trade Licensees (an umbrella organization of associations of entrepreneurs - guilds). At the regional level, there are regional development agencies, Regional Advisory and Information Centres.

**Foreign Trade Support Fund (FTSP)** was established in 1996 (<http://www.fpzo.sk>) as a non-state special-purpose fund. It makes contributions towards the development of foreign trade relationships, in particular in exports and to the benefit of small and medium-sized enterprises. The fund associates resources of the business sector and also receives a contribution from State Budget to support foreign trade on the solidarity principle.

In October 1999, the Foreign Trade Support Fund established the **WIC database (Web Information Centre)** that plays the role of a communication channel between foreign territories (delegations of the Slovak Republic) and Slovak exporters. It provides information about the territories, about the demand for goods to potential exporters, and information on public tenders. This information system has capabilities for automated matching of demand and supply between Slovak and foreign company. The Fund pays access to WIC system for one year to 4000 SMEs.

In connection with the amendment to the Act on the Foreign Trade Support Fund No. 162/1998 Coll.LL., the Foreign Trade Support Fund is going to be transformed, with its organizational structure and orientation being changed.

**Slovak Government's Council on Small and Medium Enterprises** was established in 1999. It was established as an advisory body to the Slovak Government and its task is to coordinate SME support at the level of government bodies. Represented on the Council are economic ministries, the parliament, as well as associations of entrepreneurs and institutions dealing with sup-

port for SMEs. The objective of the Council is to provide for simplification of the legislation and of the administrative environment for SMEs in Slovakia.

**Export-Import Bank** was established on 1 July, 1007, based on Act No. 80/97 Coll.LL. on Export-Import Bank of the Slovak Republic. The EXIM-BANK supports export and import activities of exporters and importers through financing export credits, aiming at improving the competitiveness of domestic manufacturers and supporting mutual economic exchange between the Slovak Republic and other countries. As of 1 January, 2000, the EXIMBANK expanded the volume of financing under a special programme suggested for SMEs.

### **Administrative needs**

The National Agency, being the national centre for coordination of all types of support for SMEs, monitoring of the business environment and development of SMEs, needs a reliable information base for purposes of presenting suggestions for improvement of the business environment, development of prognoses and evaluation of measures adopted for the government, as well as for provision of relevant data from the field of SMEs to international institutions (EU, OECD, UNIDO, etc.).

The project of the setting up of the **Centre for Research of SME Environment** at the National Agency for Development of Small and Medium enterprises envisages starting programme implementation with a staff of 6 and a budget of Sk 8.4m during the first year of activities. The staff would participate in the following activities:

- concentrating of all available information on SMEs, using cooperation with the Slovak Office of Statistics, DataCentre, Customs Directorate of the Slovak Republic, Central Tax Directorate, and the corresponding registers,
- data processing and analysis from aspects required,
- suggesting optimization of collection of data necessary for evaluation,
- processing of surveys on SMEs,
- gathering of data from unofficial sources and inquiries, their analysis and comparison with official data,
- cooperation with research teams in this area from universities and research agencies.

These activities are expected to prepare conditions for partner negotiations with foreign institutions to create opportunities for participation in international projects within the EU. This would also allow access to additional resources to expand and intensify the activities.

Allocation of funds from 2002 State Budget has been requested under the state programme "Monitoring" for the purposes of the setting up of the Centre for Research of SME Environment. It is expected that the Centre would be set up in stages during 23002-2004 as funds will be released from State Budget.

### Financial needs

The financing of support for SMEs fully fits into the overall context of state budgetary expenditures. The problem that remains however is the sufficient volume of resources for this sector.

Requirements for financial resources to cover priorities under way and to set up the Centre for Research of SME Environment are précised on an annual basis and presented to the government and the parliament. For 2001, funds amounting to Sk 275m are available for the approved state programmes (Sk 50m from 2001 State Budget and Sk 225m from 2000 State Budget).

The disposable funds of FM 99 (SME) have been taken as the basis in specifying resources under the PHARE Programme for 2000 - 2002.

State support programmes	Financial needs, in Sk m					
	2000		2001		2002	
	SB	PHARE	SB	PHARE	SB	PHARE
3rd multiannual programme for SMEs in the EU	8	-	8	-	8	-
Loans-based support programme	200	200	*	*	*	*
Micro-loans scheme	-	-	15	75	15	7
Counseling services	5	3.6	6	19.3	15	9
Technologies transfer programme	5	-	-	-	40	-
Quality management system implementation programme	5	-	-	-	7	-
Seed Capital	-	-	-	-	40	42
Subcontracting	2	-	-	-	7	-
Information centre for entrepreneurs	-	-	6	-	-	-
SME support through incubator network and through research-based spin-off method	-	-	15	-	-	-
Funds for institutional provision						
Centre for research of SME environment (Monitoring)	-	-	-	-	8.4 0.5**	-

\* In the view of the capital accumulated, the programme will be implemented from revolving within 2001-2002.

\*\* capital expenditures

## **8. Conclusion**

This Status Report on small and medium-sized enterprises provides a comprehensive picture of their development, forms of their support and on the development of the business environment in 2000, including existing problems and suggestions for their resolution.

Development of small and medium-sized enterprises is only possible through a versatile support for them that enables starting as well as developing enterprises to overcome the initial periods of business activities, and the funds spent project into numbers of business entities and their contributions toward GDP and employment. During the past year, resources for such a development were derived above all from PHARE Fund and from State Budget. State support that keeps slightly increasing year after year, was mainly implemented through state bodies that participate in a variety of forms on support for SMEs. State developmental programmes to support SMEs and guarantee programmes were implemented through SZRB, š.f.ú.

The year 2000 also marked the completion of an important stage on our way to European Union accession, meaning the closure of the chapter Small and Medium Enterprises. This fact opened up further prospects and underlined the topicality of the tasks connected with the process of accession.

On the other hand, the preceding year also brought some problems concerning the application of the State Aid Act. The practical implementation of the Act caused delays in the implementation of several programmes and raised working demands on their implementation. It is therefore necessary to amend the Act as soon as possible, however in close cooperation with the business sector to provide for a better implementation into the routine life.

Comparing the preceding year with 1999, a certain positive trend becomes visible. The contribution of small and medium-sized enterprises towards gross production increased, numbers of legal entities further increased, with 93.5% made up by small enterprises, and although being small, the growth of small trade licensees also stabilized. There was a substantial drop in numbers of state enterprises meaning that there were 98.1% of profit generating organizations, with key proportions among them (93.5%) being small enterprises; medium-sized enterprises and large enterprises accounted for 5.4% and 1.1% respectively. Comparing this structure with that prevailing in the EU, it becomes evident that Slovakia effectively reached the EU level as far as large enterprises are concerned. To also reach sim-

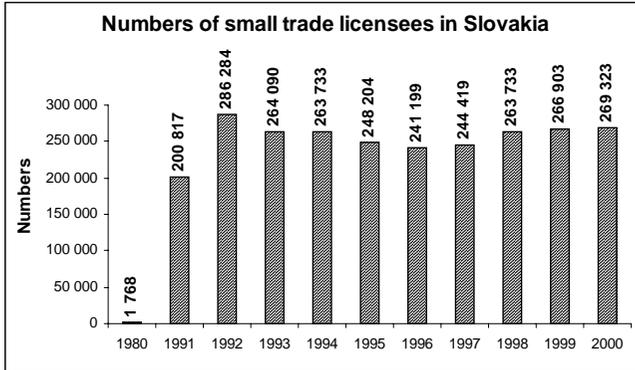
ilar levels for other categories of enterprises, the proportions of small (mainly micro) enterprises will have to be increased since micro- and small enterprises account for as many as 99% in the EU; in other words, mainly the business conditions for small trade licensees will have to be improved.

The issue of employment remains a problem: even if employment could be somehow increased in small enterprises and with small trade licensees, reluctance to employ people still prevails due to the administrative demands and high costs connected with employment (levies). Also, the fact is not very favorable that development of investments in small and medium-sized enterprises shows stagnation and does not reflect the need for restructuring and transition to new technologies, being one of the key factors with respect to penetration of foreign markets.

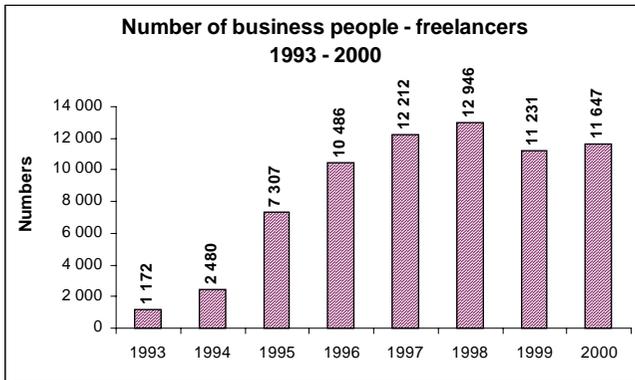
As the preceding year showed us, the major problem of not only small trade licensees but of the whole sector of small and medium-sized enterprises remain still insufficiently favorable conditions for doing business. Establishment of favorable conditions for doing business in the SME sector means creation of a business environment whose parameters enable development of small and medium-sized enterprises and their efficient operation. The Report presented therefore includes, in its Chapter 7, also a complex of suggestions for improvements of the business environment whose implementation might help kick up SME development dynamics in Slovakia. It should be stated that a majority of such suggestions has already been included in the 1999 Report, there however were not implemented during 2000.

# **Annex**

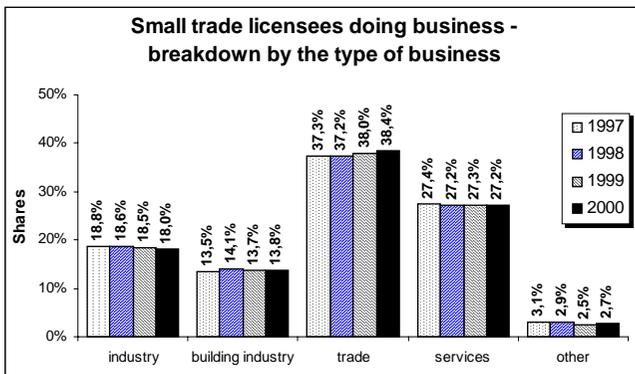




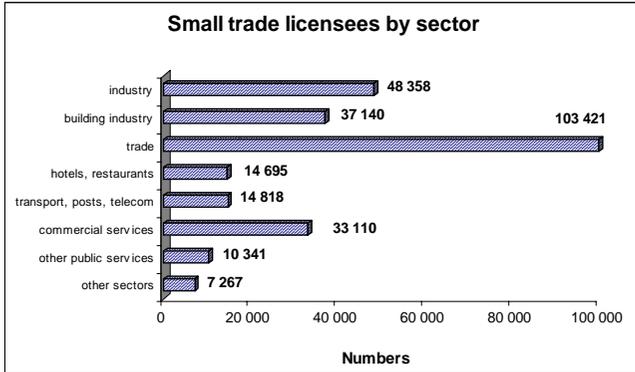
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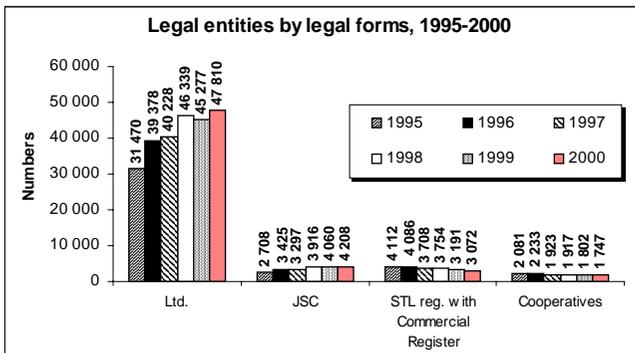
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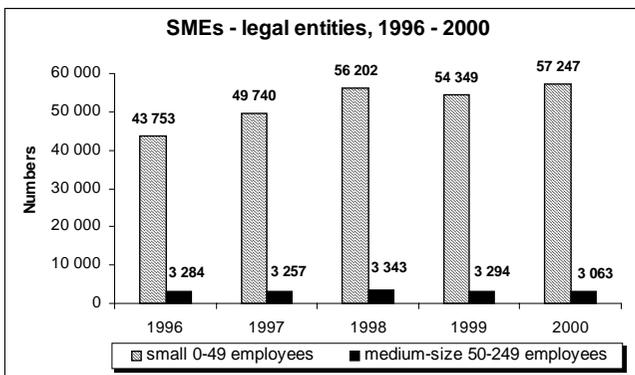
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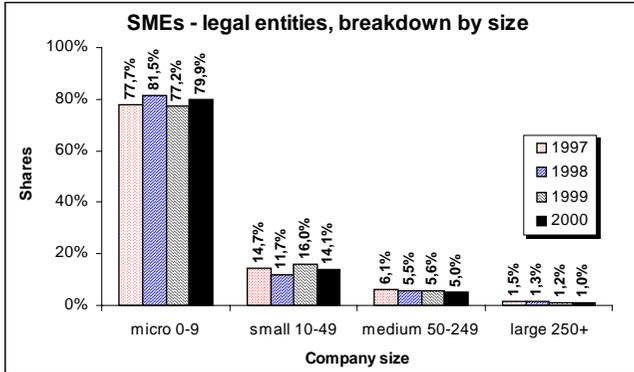
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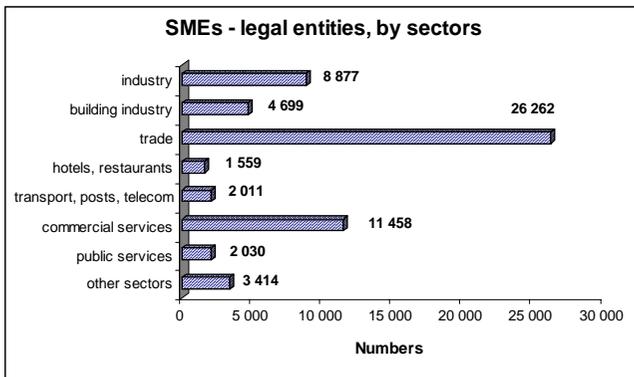
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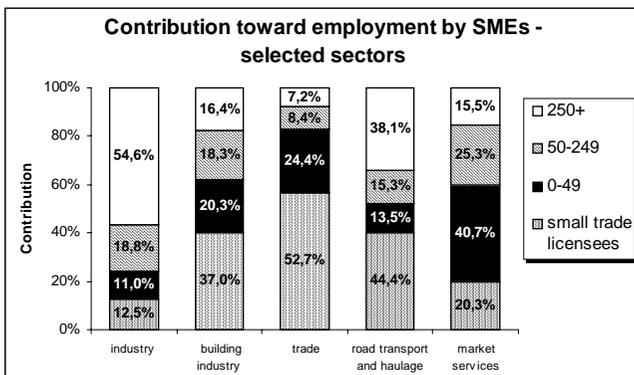
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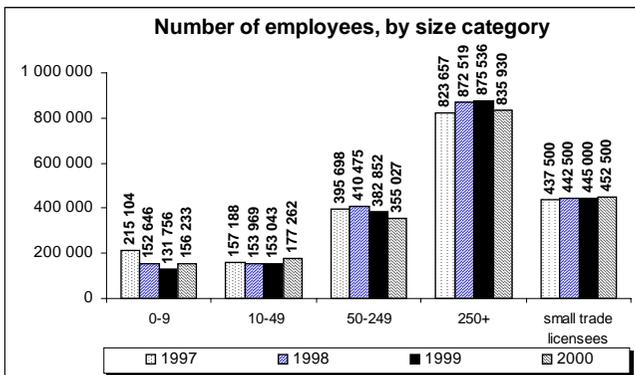
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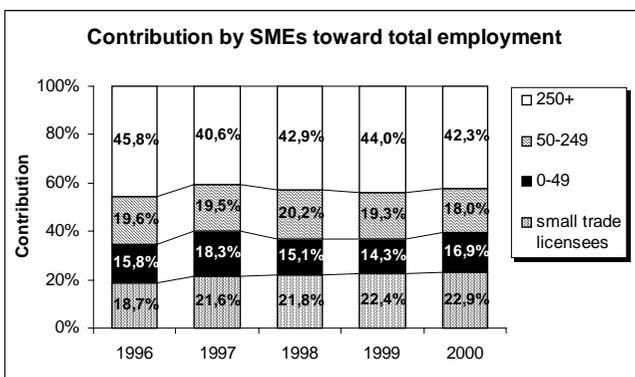
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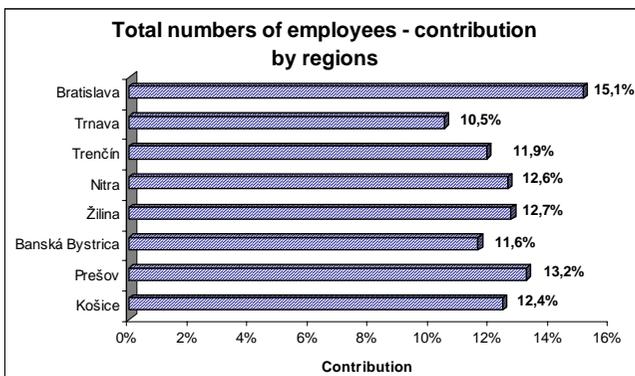
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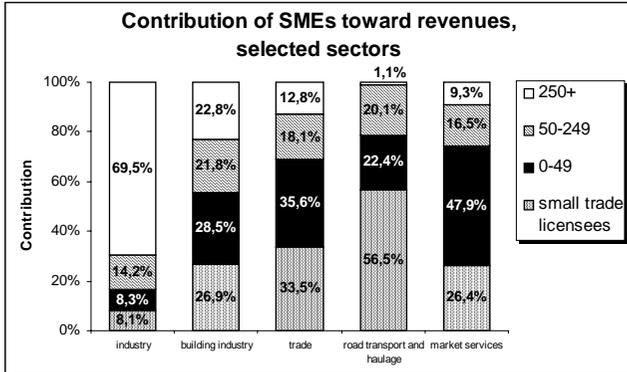
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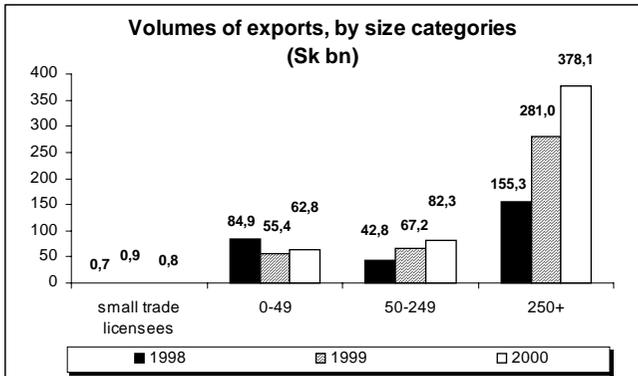
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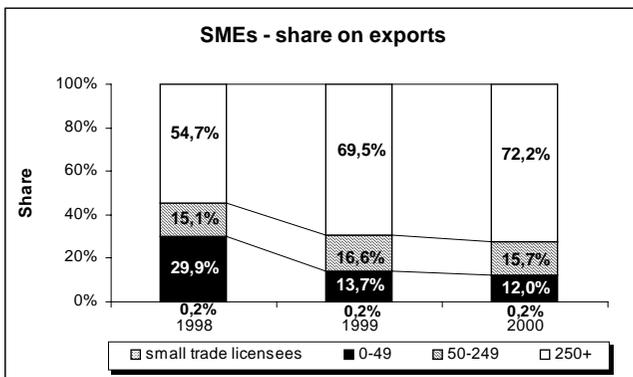
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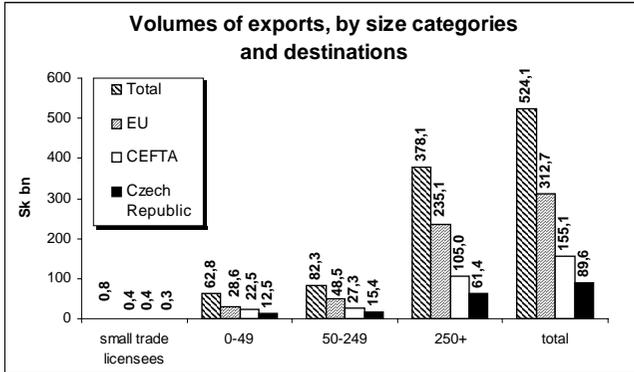
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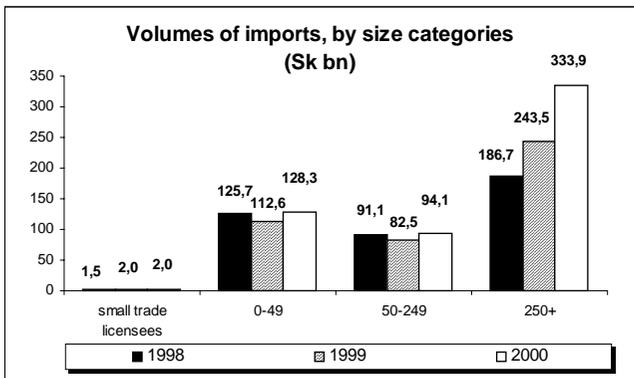
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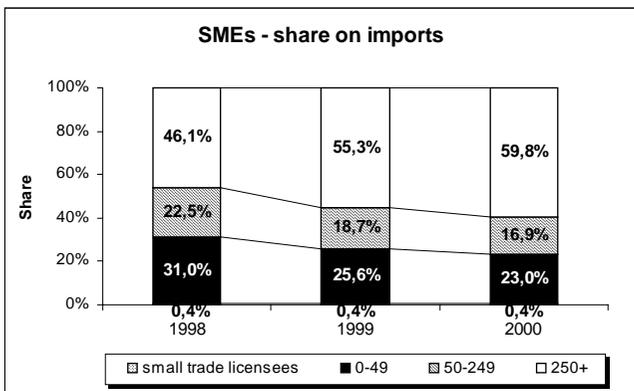
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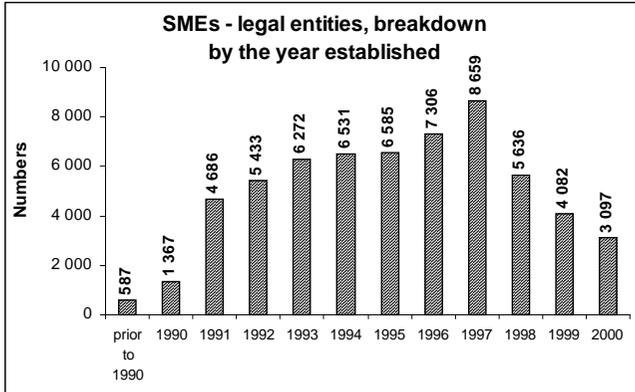
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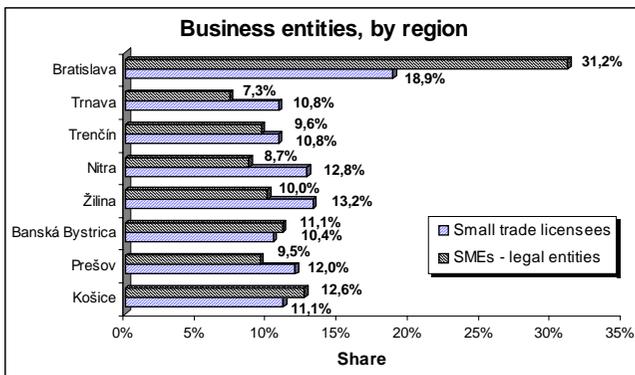
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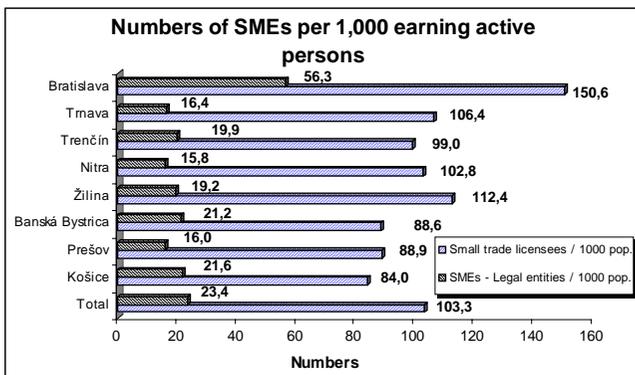
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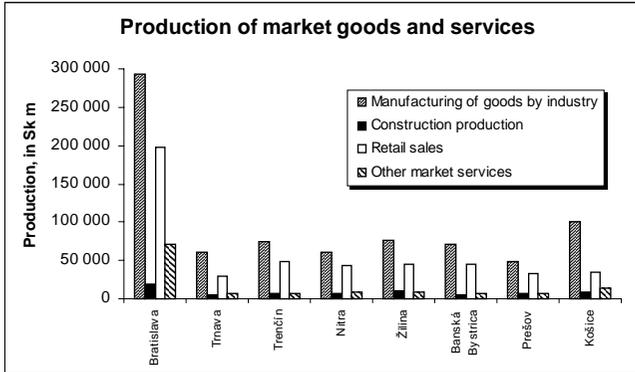
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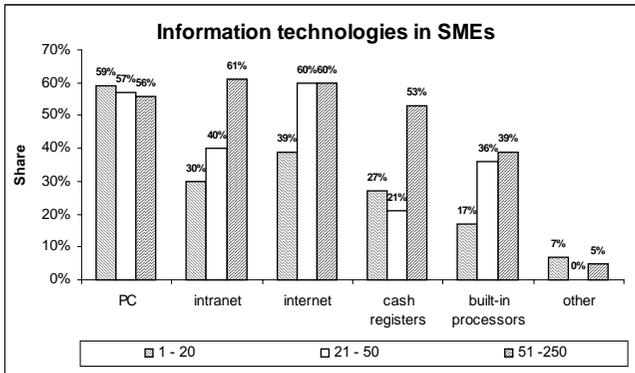
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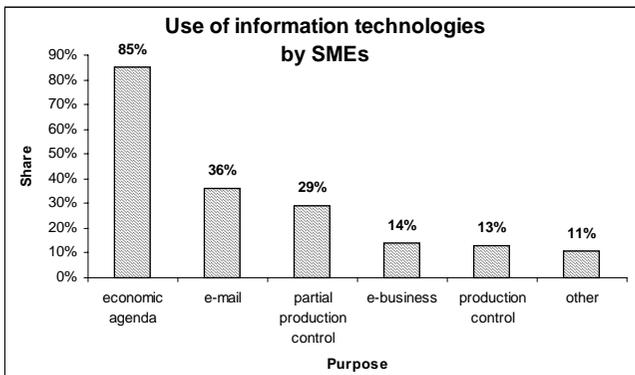
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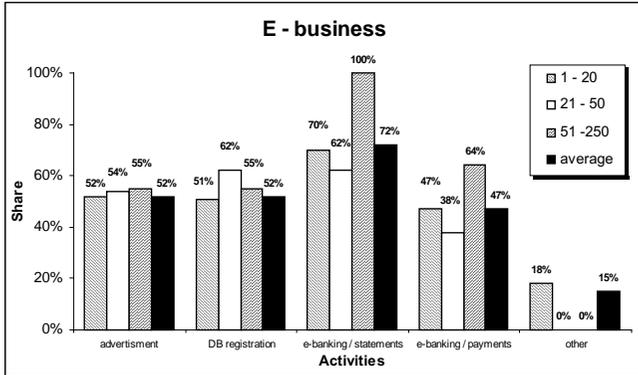
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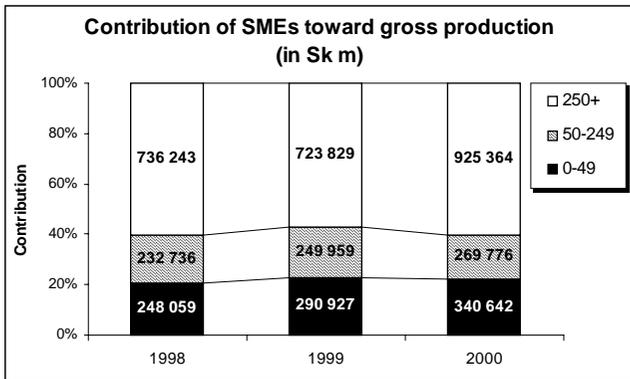
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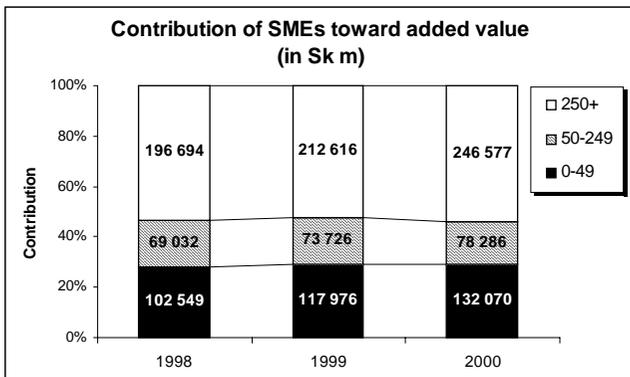
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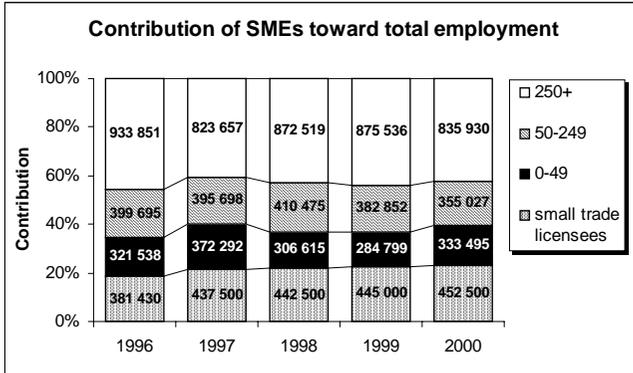
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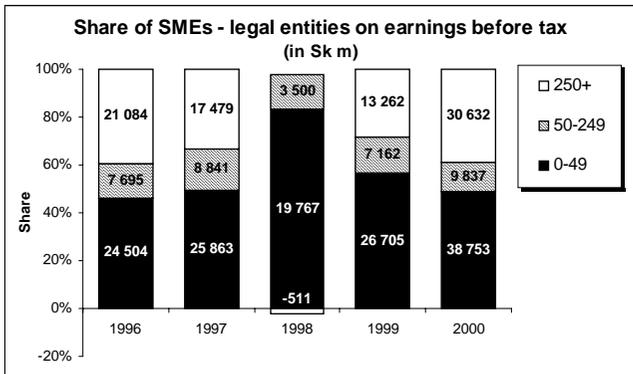
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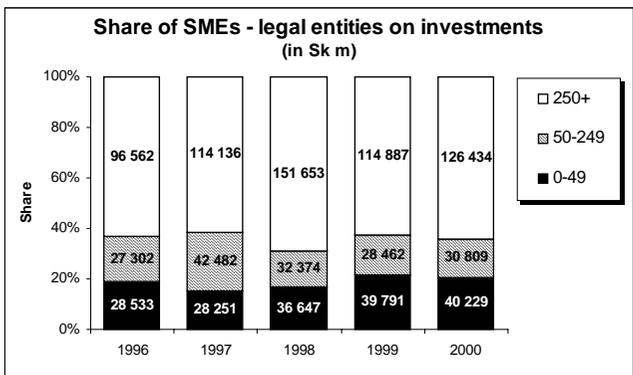
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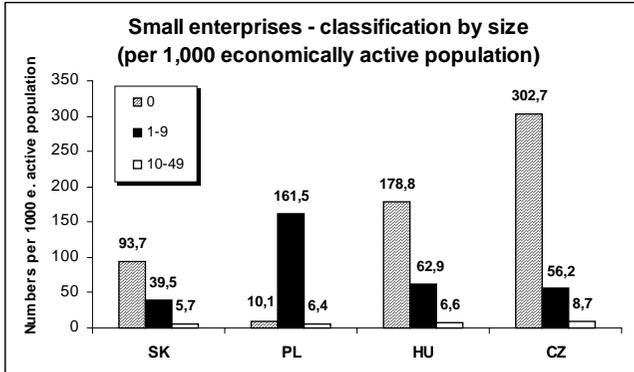
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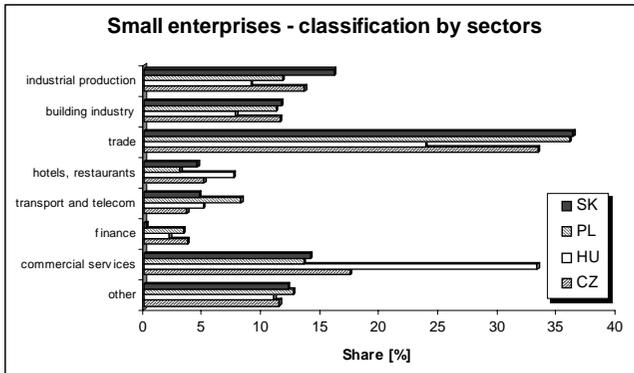
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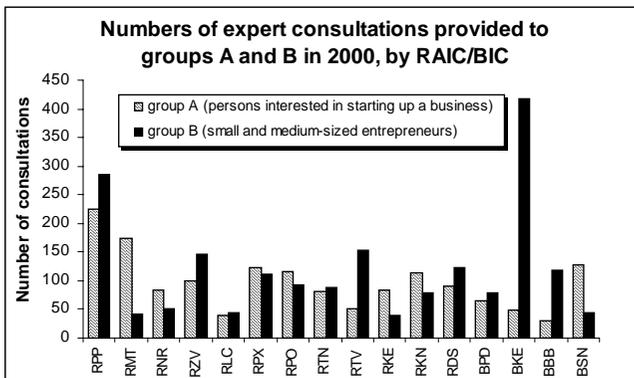
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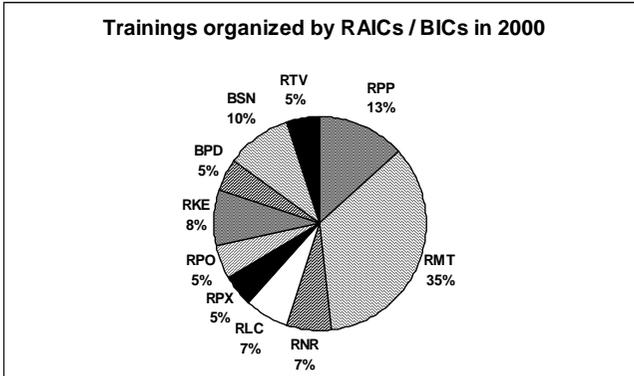
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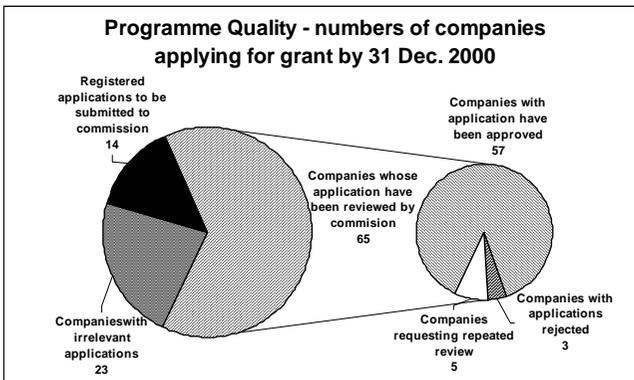
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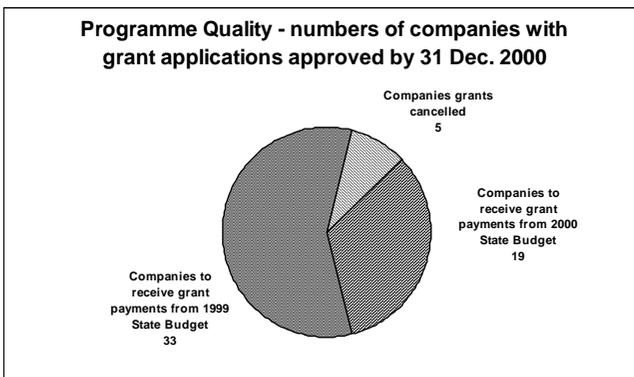
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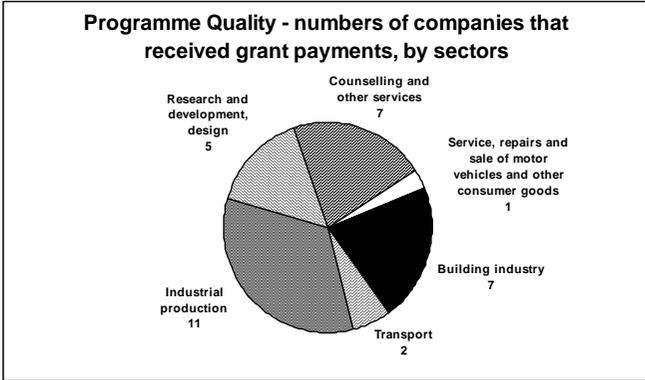
Graphics 4.2



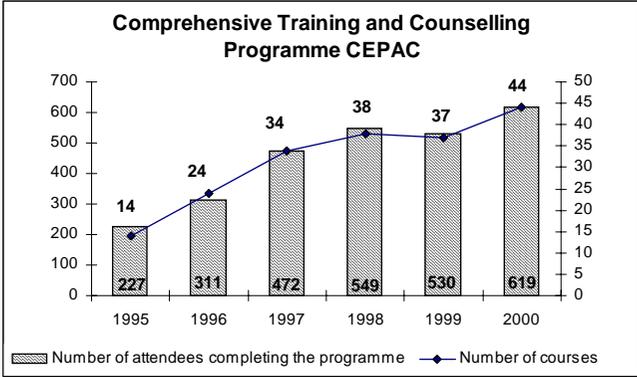
Graphics 4.3



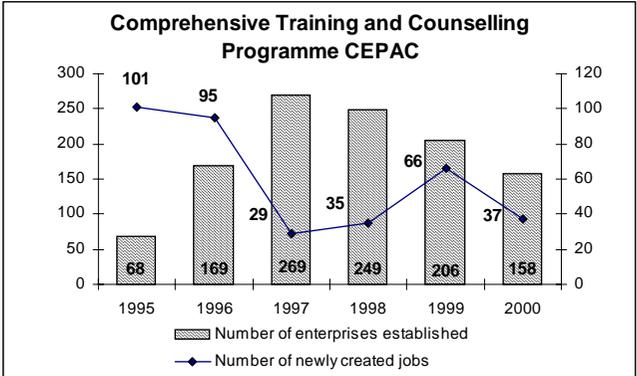
Graphics 4.4



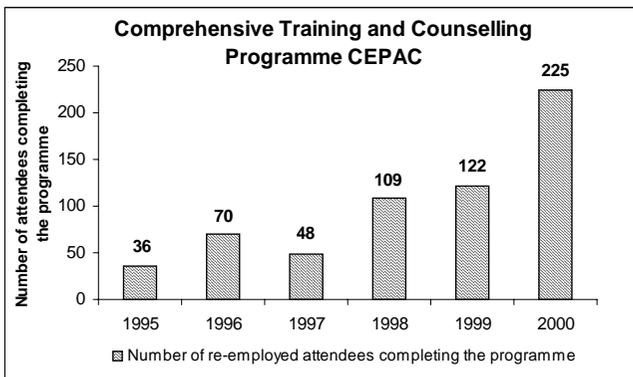
Graphics 4.5



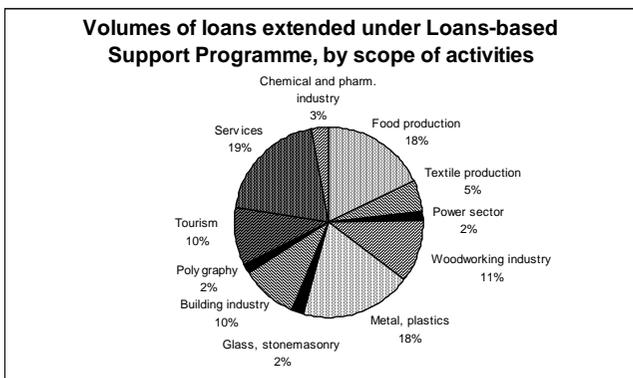
Graphics 4.6



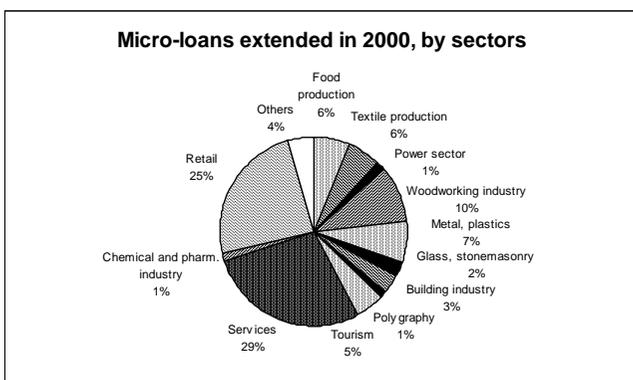
Graphics 4.7



**Graphics 4.8**

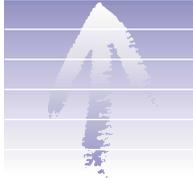


**Graphics 5.1**



**Graphics 5.2**





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