



NATIONAL
AGENCY FOR
DEVELOPMENT
OF SMALL
AND MEDIUM
ENTERPRISES

**Annual report
2001
Slovak Republic**

Contents

Address by the Chairman, NADSME Board of Trustees	4
Address by NADSME's Director General	5
I. Co-ordination, information and legislation-related activities	6
II. Support programmes	9
1. Stimulation of the SME sector growth	9
2. Raising the competitiveness of SMEs	11
3. Internationalisation and penetration of new markets	14
4. Facilitation of the access to capital	15
III. Disbursement of funds to support SMEs, NADSME's financial and property standing as of 31 December, 2001	21
IV. NADSME's organisational structure	23
V. NADSME's statutory bodies and NADSME's management	24



Address by the Chairman, Board of Trustees

The National Agency for Development of Small and Medium Enterprises (NADSME) has been playing a crucial role in the system of institutional support of the small and medium enterprises sector. The Agency activities during the previous year were characterised by acceptance of, and interest in the services offered to the entrepreneurs, and on the other hand by efforts spent to seek and suggest better conditions to improve the existing support mechanisms, in particular in the form of state assistance programmes for small and medium-sized enterprises as well as individuals interested in starting business. All the activities of the National Agency for Development of Small and Medium Enterprises, starting from counselling and education, through provision of comprehensive information services, through co-operation support, through the implementation of financial support programmes, are being developed in co-operation with Regional Advisory and Information Centres and Business Innovation Centres; without their participation, no national-wide implementation in all the regions of Slovakia would be thinkable.



In the context of the implementation of support programmes, the preceding year meant the completion of the last stage of the financing of the Support Loan Programme as the carrying programme of SME support under PHARE Programme; in the future, this programme will be using revolving funds. On the other hand, the implementation stage of new programmes oriented toward e.g. the setting up of a network of business incubators and establishment of first contact centres for SMEs and those interested in starting business in the priority region Slovakia – East was started. The aim of this approach is to reduce the prevailing inter-regional differences. In the view of the fact that state's funds are limited also with respect to this area, support programmes and incentive strategies should be oriented above all toward improving the operations of the economy as a whole. Thus, priorities of the SME sector support should be oriented toward provision for optimum financial flows as well as toward a consequent monitoring of how the funds are being managed.

In the period to come, therefore require the setting up of a good and efficient monitoring system will be required that is still lacking in Slovakia. The efficient monitoring system is expected to serve not only to evaluate the efficiency of spending of funds made available year after year by the government and the EU funds to support the sector but also to provide a source of information that businesses could take advantage of, e.g. when drafting business plans, identifying additional opportunities for investments into their businesses, upon surveying market opportunities, as well as upon making estimates of potential threats presented to them by their competitors.

The most important requirements for further sound development of the small and medium enterprises sector include a high level of business-related skills of entrepreneurs starting new businesses, and expansion and/or further development of existing SMEs. The role of the NADSME therefore will be to make a pronounced positive contribution to the meeting of these requirements also in the future, and this will require shifts to a higher qualitative level in providing educational and information services oriented toward the improvement of the knowledge-related potential of entrepreneurs and their innovation-related skills.

In conclusion, in my capacity as Board Chairman, I wish therefore to express my gratitude to members of NADSME Supervisory Board and Board of Trustees for their positive action upon taking care of NADSME's activities; my thanks are also due to the staff of the Regional Advisory and Information Centres and Business Innovation Centres who made a contribution toward successful implementation of support programmes in 2001.

Address by NADSME's Director General

Small and medium enterprises represent an important component of the national economy, and their shares on the individual macro-economic parameters keep increasing. Such enterprises are carriers of progressive solutions, they flexibly respond to market requirements and successfully expand to other countries, as documented by the growth of the absolute volumes of exports by this segment of the business sector. Even if flexibility is the biggest advantage on the one hand, the sector also is most vulnerable, mainly because of the insufficient level of law enforcement, limited access to developmental funds, insufficient knowledge of the intricate legal framework related to business, as well as due to the significant administrative demands of the environment in which the enterprises do business. Huge reserves are also in the managerial skills of the entrepreneurs, in particular those in micro-enterprises.

The mission of the National Agency for Development of Small and Medium Enterprises is to respond to the needs of small and medium-sized businesses and to develop support programmes to enable to bridge the shortcomings of the environment within which the enterprises implement their business plans.

Similarly as during the preceding years, our activities were oriented toward the realisation of the whole range of programmes in also 2001. The programme responded to the pressing requirements on the part of the businesses. During the year, several programmes were adjusted, and this mainly concerned financial support programmes; in this way, we responded to changes of the situation in the financial market by reducing interest rates in all relevant programmes. A significant success was the expansion of the network of micro-loans centres by adding four additional centres. Currently, the micro-loans programme is already being implemented through twelve regional micro-loans funds, and our ambition for the period to come is to further expand this network and to come as close as possible to the entrepreneurs whom this programme has been intended for.

As a significant milestone in the support of SMEs development in Slovakia, we launched the construction programme "Incubator for Entrepreneurs" whose aim has been to assist entrepreneurs who start their business to implement their business plans. We started to set up two incubators in Martin and Banská Bystrica, and prepared projects for the setting up of additional 4 incubators; their construction will start in 2002.

Another area requiring enhanced attention has been the practical application of electronic commerce. This is an area where we significantly lag behind the neighbouring countries; the activities started in 2001 marked the commencement of a more extensive support of these new and progressive forms of trading in also our country.

This Annual Report, intended for all those interested in the field, represents a summary of the activities performed and results achieved in 2001.

Let me take advantage of this opportunity to express my gratitude to all institutions and individuals who were collaborating with us during the period monitored and were helping us to implement the scheduled tasks. Let me at the same time invite all those interested in actively participating to join us, and to help continuously raising the quality of the support tools for the development of small and medium enterprises.

Juraj Majtán
Director General





I. Co-ordination, information and legislation-related activities

Also in 2001, one of NADSME's activities was orientated towards co-ordination, information and legislation-related activities, in particular focusing on:

- NADSME's activities under the NPAA,
- co-operation in the implementation of state support and development of SMEs,
- co-operation with institutions associating entrepreneurs,
- activities to raise the efficiency of SME support,
- information activities
- monitoring of the business environment

NADSME's activities under the National Programme for the Implementation of the Acquis communautaire

Also in 2001, NADSME was providing for an amendment to the National Programme for the Implementation of the Acquis communautaire (NPAA) in the field of SMEs, and was performing under it. Background documents for the Report on Slovakia's Preparedness for EU Membership were drafted in July for the period September 2000 – June 2001. Mid-year evaluation of the NPAA status was developed in August, and evaluation of the actual status of the individual priorities was presented in November.

In addition, NADSME was taking care of the fulfilment of tasks under the Accession Partnership, was drafting background documents for the meetings of association subcommittees, 7th meeting of the SR/EU Association Council, and also drafted background documents for the drafting of the document Administrative Needs and New Institutions to Provide for EU Law Implementation, as well as to the individual meetings of the Main Negotiator Group. Also, the analysis of the status of meeting of commitments with respect to the closed negotiation chapter was prepared in November.

Co-operation in the implementation of state support and development of SMEs

Based on Slovak Government's Resolution No. 726/2000 NADSME drafted, also in 2001, a Report on the Status of SMEs and Their Support in the Slovak Republic that was reviewed by the government and subsequently also presented to the National Council of the Slovak Republic. As part of the Report, also the business environment and all the mechanisms that support SMEs development were evaluated. Based on negotiations and suggestions received from organisations of entrepreneurs, NADSME made a number of suggestions included in the Report; their implementation would strengthen SME development dynamics. The most important of all the suggestions (and accepted by the Slovak Government and the National Council of the Slovak Republic) was that to further reduce taxes for entrepreneurs. Co-operation with central authorities and organisations that associate entrepreneurs has also shown with respect to the drafting of the amendment to the Small Trade Act.

Activities to raise SME support efficiency

Being the PHARE Programmes Managing Unit, NADSME has the opportunity to take advantage of technical assistance programmes provided by foreign experts in suggesting new measures to support

and develop SMEs. A contract was drafted in 2001 on technical assistance for the development of medium-term state policy of SME support for the period of 2002 – 2005. As part of this project, also administrative demands connected with the meeting by small and medium enterprises of tax- and levies-related liabilities will be evaluated aiming at facilitating the whole process. After having been reviewed by all the stakeholders, the document will be officially presented to the Slovak Government via Ministry of Economy of the Slovak Republic.

Co-operation with institutions that associate entrepreneurs

Traditional has been the co-operation between NADSME and institutions that associate entrepreneurs, aiming at strengthening the infrastructure, technical backyard as well as supporting specific events and projects organised by the institutions.

In 2001, NADSME developed a grant scheme to support organisations that associate SMEs, under the 1999 PHARE Financial Memorandum. In accordance with EU terms of reference, a tender was opened for support granted to SME organisations. As a result of the public tender in which 23 applicants participated, 15 applications were awarded. Contracts were signed with the applicants in October, 2001 based on which implementation of the individual project started. The implementation is expected to be completed by the end of 2002.

The grants extended have been oriented mainly toward improvement of the strategy and structure of the organisations of entrepreneurs and on expansion of their membership base. A portion of the grants may also be spent on technical equipment.

Information activities

Timely and accessible information represent an important success factor of doing business. Aiming at providing such information, NADSME continued in 2001 to publish periodically a variety of information documents as well as periodical and non-periodical publications:

- Support of Small and Medium Enterprises – A Guide of Initiatives,
- Survey of Legal Regulations for Small and Medium Enterprises,
- Basic Administrative Steps upon Starting Business,
- List of State Legislation to Support Small and Medium Enterprises,
- booklet "Try to Start a Business" that briefly describes everything that is needed to be done upon starting business,
- journal "Podnikanie" (monthly).

Monitoring of the business environment

In the framework of the monitoring of small and medium enterprises, the Agency drafted the regular report on the business environment intended for the Slovak Government. Apart from basic statistical data, the report contains the results of the national survey in a representative sample of enterprises focusing on:

- problems of newly established enterprises,
- equipment with information technologies of small and medium enterprises,
- equipment with production technologies of small and medium enterprises,
- preparedness of small and medium enterprises for Slovakia's joining the European Union,
- the role of free occupations in Slovakia's economy.

The results of the surveys will be utilised to formulate the policy of support of the development of the business environment.



Outstanding Woman Entrepreneur 2001

In working together with the civil association Professional Women, NADSME organised the already 3rd year of the competition "Outstanding Woman Entrepreneur of the Slovak Republic 2001".

A total of 32 woman entrepreneurs from various regions of Slovakia participated. The candidates represented a variety of business sectors, including publishing, trade, jobbing tailoring, machine embroidery, teaching of dances, food industry, catering and accommodation services, agricultural production, agri-tourism, pharmacy, manufacturing and sales of gifts and flowers, counselling and education, design of landfills, production and assembly of plastic windows, manufacturing of stockings, patchwork.

The results of the competition were officially announced on 31 January, 2002 at the Mirror Hall of the Archbishop's Palace under the participation of numerous interesting personalities of the political life.

The Outstanding Woman Entrepreneur of the Slovak Republic Award was awarded to Erika Oravcová, working for the company ERCE in Bušince that deals in the production of pasta. The Starting Woman Entrepreneur Award was awarded to the company Katarína Gachová MODEL KA from Dolná Maríková dealing with jobbing tailoring and production of clothing. The evaluation commission awarded the Sympathy Award to Emília Fojtíková from company Emília Fojtíková from Lazy pod Makytou doing business in the field of machine embroidery.



II. Support programmes

The principal orientation of NADSME's activities in 2001 was support of business development during the EU pre-accession period. The principal document that lays down priorities of the development of the SME sector is the National Programme for the Adoption of the Acquis communautaire. The priorities shown in the document are of medium-term nature, and have been set for the period through the year 2003.

The National Agency for Development of Small and Medium Enterprises continued, also in 2001, implementing programmes of assistance oriented toward the support of the SME sector, aimed at improving business-related and managerial skills. In the majority of cases, the support programmes were financed under the Slovak State Budget. The intricacy of the creation of the legislative environment and failure to accept comments presented by the business sector have been untowardly impacting upon the implementation of support of SMEs. As an example of the administrative approach to support of enterprises, we may mention the adoption by the National Council of the Slovak Republic of Act No. 231/1999 Coll.LL. on state assistance that made the granting to enterprises of state assistance more complicated.

At the regional level, the programmes were implemented via the institutional support network of 12 Regional Advisory and Information Centres (RAIC) and 4 Business and Innovation Centres (BIC) distributed all over the territory of the Slovak Republic. RAICs/BICs were providing parties interested in doing business and existing small and medium enterprises with comprehensive counselling and information services in areas connected with doing business.

A number of projects were realised in co-operation with additional institutions and organisations involved, aimed at targeted support of the development of various regions, and at their involvement in international projects and activities at the international level.

NADSME's activities have been oriented toward 4 priority areas:

- stimulation of the SME sector growth,
- raising competitiveness of SMEs,
- internationalisation, penetration of new markets,
- facilitation of the access to capital.

1. Stimulation of the SME sector growth

Based on the assessment of available data it may be stated that the SME sector started showing signs of stability and gradual quality improvement since 2000. The expansion of small and medium-sized enterprises has shown in both an increased share on the generation of gross domestic product and increased shares on employment, total production, export performance and introduction of new technologies. Even in spite of this positive trend, the shares of SMEs on the most important parameters still remain below those achieved in EU Member States. This fact points to the need to keep paying increased attention to the SME sector to achieve conditions in this area similar to those prevailing in the EU Member States. This mainly concerns changes in the legislative environment, co-ordinated steps in developing policies to support SMEs, monitoring of the development and the status of the sector, as well as of impacts of measures taken upon the sector. As part of the strategy of strengthening of the SME environment, also counselling services and education of entrepreneurs have to be provided for. As integral part of this strategy, also an efficient information campaign is needed on existing support activities.

Counselling and information services

Support of SMEs through providing them with counselling services at favourable rates was also realised in 2001 via the institutional network of 12 RAICs and 4 BICs. The services were subsidised from 2001 State Budget funds. In 2001, the RAIC and BIC network provided SMEs with: 536 informative



consultations (in a total volume of 286 hours of counselling) on programmes and projects of SME support realised by NADSME and outside of it, and 2,226 technical consultations (in a total volume of 7,252 hours of counselling) concerning all areas needed for the development of business activities.

For the purposes of raising loans, either under financial support schemes or from commercial sources, RAICs and BICs developed 172 and reviewed 121 business plans. By their activities, the centres made a contribution toward the establishment of 322 new companies, creation of 1,107 new jobs, and helped to maintain 3,688 jobs.

Education

During the year, the regional centres organised 13 training courses for a total of 190 small and medium enterprises. The training courses concerned the following topics: support of business activities, accounting for businesses, access to credit sources, selected problems of financial management of SMEs, training course for internal auditors, workshops with representatives of State Trade Inspectorate and State Health Institutes, protection of intellectual property, and public procurement.

Co-operation continued in 2001 with the association CEPAC Slovakia. The Association takes care of the Comprehensive Programme of Education and Training (CPET) for the unemployed interested in establishing own businesses. In addition to the delivery of the training and counselling activities for parties interested in doing business from among the unemployed, the Association also organises technical workshops for lecturers and CPET advisers. A total of 35 training courses for 528 individuals who completed CPET were organised in 2001 (there have been 235 training courses for 3,299 participants organised since the start of the programme). A total of 8 courses for 133 participants were organised in the framework of training courses for lecturers who participate in the CPET programme. Four exhibitions were organised via CEPAC, in which 25 participants were involved.

First contact centres

Since the current institutional support of SMEs in Slovakia, represented by also the network of Regional Advisory and Information Centres and Business Innovation Centres (RAICs/BICs) is not comprehensive from the geographical aspect, there is a clear-cut need to supplement the network by so-called first contact centres (FCC) that would fulfil the role of the basic source of information, in particular to the smallest enterprises that mostly have insufficient access to information and counselling services. They are scheduled for the district towns of the regions Slovakia – East (Prešov, Košice and a portion of the region Banská Bystrica) where there is no RAIC/BIC or Regional Development Agency (RDA) in place. FCCs will be established in co-operation with the local governments and other entities (chambers of crafts, guilds, civil associations, etc.).

During 2001, a commission comprising representatives of NADSME, Ministry of Construction and Regional Development, ZMOS, and Delegation of the European Commission (observer status) selected 9 district towns of the above mentioned region (Bardejov, Brezno, Medzilaborce, Michalovce, Poltár, Sabinov, Snina, Veľký Krtíš and Levoča). The project is being financed from PHARE, State Budget and local budget funds.

Technical assistance – accreditation for counselling

Based on 1999 PHARE Financial Memorandum and under the SMEs development project, sub-project Counselling and Education, technical assistance was prepared aimed at improving the quality of counsellors and lecturers who act under SME programmes. As a result, a central training programme for counsellors and lecturers will be set up, along with an accreditation system, as well as minimum requirements will be defined concerning the organisation that is expected to undertake the role of the counselling centre co-operating with NADSME.

Setting up business incubators

The core activity of business incubators is support of starting SMEs upon starting their business, as well as provision of assistance to existing SMEs in their further development, through creating suitable conditions for doing business (provision of spaces and technical infrastructure) and through provision of comprehensive counselling and training services (development of business plans, implementation of

workshops, mediation of business contacts, information on opportunities of becoming involved in state support programmes and European Union programmes). For enterprises with higher levels of technology (high-tech), also special spaces will be available, such as laboratories and testing rooms. Construction works started in 2001 on a business incubator in Martin (administration building and production hall, parking spaces, etc.) and rehabilitation works of a building at Banská Bystrica that is expected to serve as a business incubator and technology centre. The projects are being implemented with the financial support under the PHARE Programme. The Martin incubator is being co-financed by the Flemish government. Aiming at raising the competitiveness of small and medium enterprises within the priority region Slovakia – East, with unemployment rates ranging around 30%, the most appropriate locations of local self-governments were selected to be rehabilitated from PHARE funds and to serve as business incubators. This concerns the towns of Rožňava, Košice, Prešov and Spišská Nová Ves.

Also, a state programme of high-tech project support was prepared in 2001 using the method of research-based spin-off in newly established technological incubators. The suggested programme envisages the construction of pilot technological centres in Prešov and Košice. The implementation of the research-based spin-off method in newly constructed technological incubators will enable support of the realisation of the outputs of research and development, inventions, patents and industrial designs, in close link with scientific and technical institutions.

2. Raising the competitiveness of SMEs

Raising the competitiveness of Slovak entities belongs to the hottest topics of the current economic policy in the context of the forthcoming joining by Slovakia of the EU. This also requires new approaches to support of SMEs oriented toward quality management systems, development and introduction of new technologies, specialised counselling services and training programmes that will make a contribution toward the raising of the competitiveness of our SMEs in a new, qualitatively improved and larger competitive environment.

Quality management system implementation programme – QUALITY

Under the state support programme of the implementation of quality management systems "QUALITY" whose aim is to strengthen the competitiveness of the SME sector through improving the quality of products and services and growth in the numbers of SMEs certified according to the ISO 9000, VDA, BS, QS, and ISO 14 000 standards, a total of 73 applications from 45 companies were awarded in 2001, including 36 applications for grants on counselling and training (C&T) and 37 on certification process (C). Grants were paid to 22 companies from the industrial production sector, 12 companies from the construction sector, 2 counselling companies, 5 research, development and design companies, 4 transport companies (see graphics No. 1). Graphics No.2 illustrates the volumes of funds received under the programme by the individual regions. Graphics No.3 provides the overview of the numbers of companies within the individual regions that received grants.

A total of 125 grants (including 64 C&T and 61 C) have been paid since the launching of the programme (in 1999) until 31 December, 2001; 78 companies received a total of Sk 7,664,227.

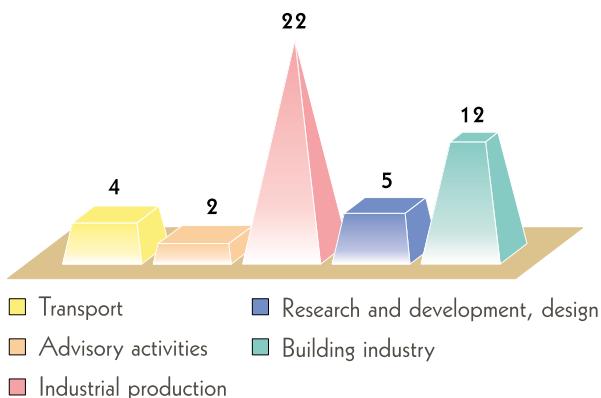
Technology Transfer

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

As part of the Technology Transfer programme, also an information system for technology transfer has been set up and is being updated, that includes selected enterprises and institutions with a marked

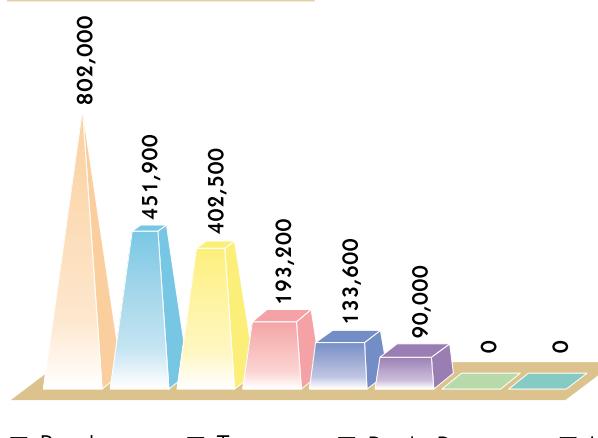


Quality 2001 Programme – overview of the numbers of companies that received grants, by sectors

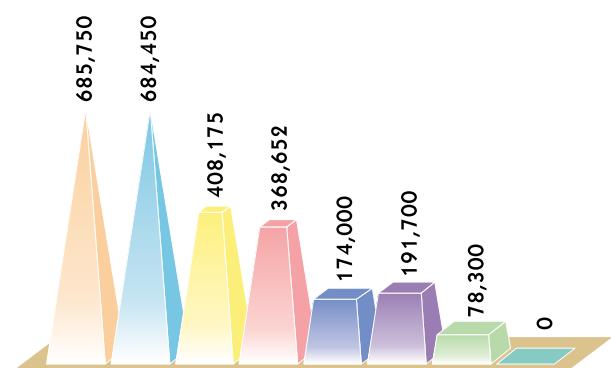


Programme Quality 2001 – volume of 2000 State Budget funds, by regions

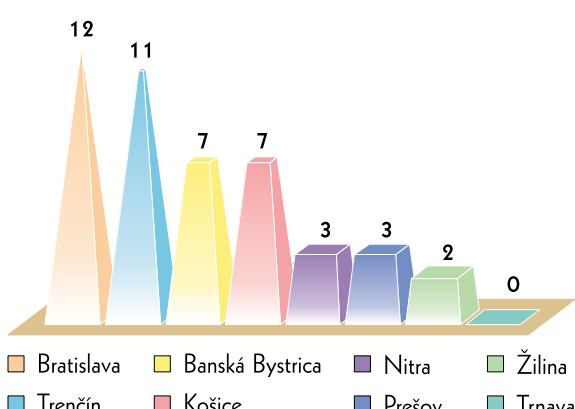
Counselling and training, (in Sk)



Certification, (in Sk)



Programme Quality 2001 – number of companies receiving funds under 2000 State Budget, by regions



share of development and utilisation of progressive innovative technologies. The database also contains offers of new technologies and inquiries concerning technologies to supplement more comprehensive technological systems. The system of the presentation of the database in English language has also been developed. The information system was presented on CD ROM at a workshop for SMEs.

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

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

5th EU Framework Programme

The European Commission attaches extraordinary importance to the provision for economic growth, in particular that achieved through innovations. This is also the orientation of the 5th Framework Research and Development Programme. A significant section is devoted to the application of the most recent results in the production realised by small and medium enterprises. Also, the National Agency directly participates in this Programme. In addition to that, we also organise information workshops for SMEs providing them with information on the opportunities to participate in the Programme, and we also provide counselling to enterprises upon identifying partners and developing projects.

Spin-off

In an attempt to assist the restructuring of Slovak industrial companies, NADSME has been providing for the delivery of specialised counselling under the spin-off programme implemented under the various PHARE financial memorandums since several years.

In 2001, NADSME prepared, under the 1999 Financial Memorandum, tender for the subsequent cycle of this specialised counselling oriented toward the establishment of independently running operations spun off from large state companies or already privatised enterprises.

A tender opened in July 2001 for the submission of bids for the implementation of the spin-off programme. A contract was signed, with the tender winning company, for performing spin-off project in the time span of 15 months. Subsequently, 120 industrial companies were approached, from among them 23 preliminary project carriers were selected. Two selected projects, including WWTP Žarnovica and SKIPARK Brezovica, were already implemented in 2001.

Programme Transform – “Strengthening of the offer of counselling for small and medium enterprises in the Slovak Republic”

The Transform Programme has been in realisation in co-operation with the foundation SEQUA from the Federal Republic of Germany since May, 1997. During the second phase of the project (January 1999 – June 2001), 23 Slovak counsellors from the centres RAIC Považská Bystrica, RAIC Poprad, BIC Spišská Nová Ves, RAIC Nitra and BIC Banská Bystrica were trained to be able to deliver counselling services in the field of quality management systems. A total of 18 contracts were made with enterprises on consultations and counselling on quality management, certification, establishing contacts, mediation of business relationships, establishment of joint ventures, VDA 6.1, and marketing.

The third, last phase of the project started in November 2001. Its objective is to expand the offer for counselling delivered by centres involved in the programme (the above mentioned centres except of RAIC Nitra) and at the same time to increase the demand by small and medium enterprises for counselling services.

The training programme GRETA

NADSME continued in 2001 to co-operate with the French training institution GRETA Laon-Hirson-Chauny in developing the training programme GRETA intended for Slovak francophone



managers from Slovak enterprises. Through this programme, new knowledge can be acquired from the field of management and marketing, and the command of the French language can be improved. Among the programme objectives, also establishing of co-operation with French companies is being attempted. Ten candidates were selected in 2001 to be given the opportunity to familiarise themselves with the French management style during theoretical preparation in Bratislava and during a study stay in France where they could experience the real business environment.

3. Internationalisation, penetration of new markets

Establishment of conditions for Slovak small and medium enterprises penetrating new markets abroad and support of their export capabilities represent a significant contribution toward the whole national economy. Consequently, a substantial portion of Agency's activities has been focused on this very area. An active role in this respect is played by Euro Info Centre (EIC) that is part of the European Commission's information centres network.

EIC Information Network

Efficient interconnection within the EIC network is provided for by the communication extranet system VANS. VANS is an electronic communication system that enables searching for information on business environment in the EU, identifying co-operation partners, and it provides for electronic communication between the individual Euro Info Centres.

Identification of co-operation partners has also been using the database system of offers and requests of business co-operation. This information system operated by the European Commission enables efficient co-operation of small and medium enterprises in various countries. At regular monthly intervals, EIC was monitoring more than 500 offers of business or production co-operation. Of the total yearly numbers of 1,480 offers for European countries outside of the EU, some 200 offers relevant for Slovakia were selected in average and translated. The periodicals and the WWW site of the National Agency brought 338 of them. A portion of the offers were distributed directly to identified specific interested parties. Slovak companies sent 24 offers to the system in 2001, and 32 addresses of Slovak companies were requested.

E-business

Together with EIC Prešov, EIC SK-672 Bratislava submitted a project for support of electronic business worth EUR 20,000. The project was approved by DG Enterprise and implemented during 2001. The project included press conferences, seminars and workshops. This provided for the presentation in the media of EIC. The events were used to provide the widest business community with information about EIC activities as well as to provide SMEs with information on the opportunities to use e-business for their development. In this connection, EIC published the booklet Starting e-business, and organised three workshops during which enterprises received the opportunity to get knowledge of the principal steps of the implementation of electronic forms of business in their companies and to directly test the basic procedures on model examples.

Support and involvement of enterprises in international and domestic events

Participation in two co-operation events was organised last year for SMEs. Being the national co-ordinator, NADSME organised a delegation of 9 Slovak companies to attend the Baltic Sea Partenariat Riga 2001 that took place in May, 2001. Moreover, preparatory works for the organisation of the event IBEX ENTEX 2002 were started, to take place in Magdeburg. We took part in the meeting of the co-ordinators and organised a preparatory meeting of Slovak participants with the German organisers in Bratislava. This will enable more efficient negotiations in Magdeburg. The participation on this event represents an opportunity for the enterprises to directly negotiate with foreign partners, to enter co-operation contracts and to acquire access to new technologies as well as to distribution networks.

Also part of the preparation of the above mentioned events are workshops for participants and other enterprises, during which information is presented about the conditions prevailing in the EU single market.

Subcontracting programme

Based on the demand on the part of foreign companies for production co-operation, a total of 197 requests and 98 price quotations were handled last year, and experts of the Subcontracting Exchange of Slovakia (SES) made 23 direct visits to Slovak SMEs together with foreign interested parties. The majority of the requests concerning production co-operation related to the mechanical industry sector, production of plastic materials and moulds, production of semi-products of timber, and manufacturing of furniture. Most requests for manufacturing co-operation in the mechanical industry sector came from France, the Netherlands, Germany and Belgium.

Support to establishment of Italian-Slovak joint ventures

Under a joint project by NADSME and the Italian Ministry of Foreign Trade, Slovak SMEs were selected via the association Simest for the purpose of identification of appropriate Slovak SMEs to establish joint ventures with Italian companies in the sectors of mechanical, woodworking, textile, and food industries. Involved in the project have been 99 Slovak SMEs, from among which the Italian partner selected 42 SMEs as being appropriate to establish joint ventures with Italian companies.

Presentation at subcontracting fairs of Slovak SMEs

In 2001, SES organised the participation of Slovak SMEs in machine subcontracting fairs Subfornitura –Italy and the machine fair MIDEST in France. As a result of a successful presentation, SES plans a wider participation of Slovak SMEs in subcontracting fairs in 2002.

Presentation at international co-operation events of Slovak SMEs

In working together with the commercial section of Slovakia's Embassy in Switzerland, Slovak SMEs were presented at the commercial day in Lugano in March, under the participation of 16 Swiss companies. Requests for co-operation in the mechanical and textile industry sectors were mediated to Slovak SMEs.

Slovak SMEs were presented at the international meeting Country Days organised in Clermont Ferrand, France, in May. As a follow-up of SES's participation in this meeting, French SMEs attended business meetings with Slovak SMEs organised in Bratislava in September. The result of this meeting has been the establishment of two joint French-Slovak ventures (production of moulds, production of small metal casts).

Francophone Trade Centre (FTC)

FTC successfully continued the development of production co-operation between Slovak SMEs and enterprises from francophone regions. It organised regular trade club meetings for its members (a total of 11), and took care of the organisation of trade missions for French enterprises and professional associations. The promisingly developing contacts between Slovak and French SMEs include co-operation between FTC and Chambre des métiers (the counterpart of the chamber of crafts) from the French region of Auvergne. As a specific example of co-operation, we can mention the stake of the French company Bongrainé at Slovak diary companies (Diary Liptovský Mikuláš, Zvolen, and Milex Bratislava). With respect to the co-operation of Slovak companies and companies from francophone countries it may be stated that the strongest interest in partnership co-operation in the production and commercial activities prevails with respect to mechanical, woodworking and textile industries. FTC regularly co-operates with the Commercial Section of the French Embassy in identifying appropriate partners; FTC has very good working contacts with also the Embassy of Belgium, via the representation of the Valonian region in Bratislava.

4. Facilitation of the access to capital

At present, the financial market undergoes important changes: the privatisation of the largest banks culminates the privatisation process and the recovery of the banking sector. Even in spite of these positive trends, SMEs still have uneasy access to developmental funds. The banking institutions



Basic information on Support Loan Programme (status as of 31 Dec., 2001)

	Nos. of credits	Total amount of credits (in Sk M)	Average amount of credits (in Sk M)
Poľnobanka, a.s.	357	1,241.078	3.480
Slovenská sporiteľňa, a.s.	382	1,074.631	2.810
Istrobanka, a.s.	120	434.277	3.620
Tatra banka a.s.	166	638.020	3.840
Ľudová banka, a.s.	89	240.311	2.700
Total	1,114	3,628.317	3.260

consider this segment as excessively risky, and behave in a rather conservative manner. They are not willing to extend credits to starting companies, put high demands in guarantees for business plans. This has been stated in the most recent evaluation report drafted by the EU Commission with respect to small and medium enterprises. It is therefore desirable to attempt strengthening of all forms of access of SMEs to capital, either in the form of credits, micro-loans, and risk capital.

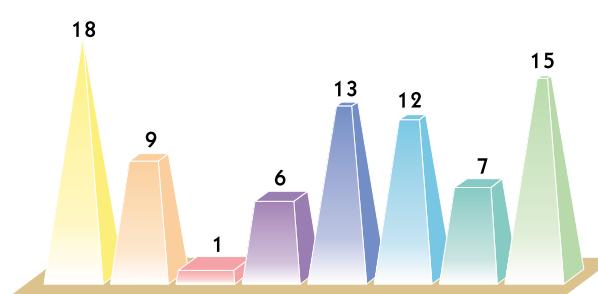
Support Loan Programme

The main objective of the Support Loan Programme has been to enable small and medium enterprises access to investment and operating capital in the form of medium-term credits under conditions more advantageous than granted usually by the commercial sector. The Support Loan Programme has been intended for small and medium enterprises employing up to 250 persons that do business in the area of manufacturing, crafts, services and active tourism.

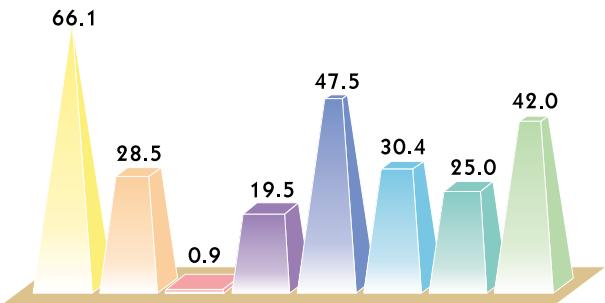
Enterprises that meet the Programme criteria may apply for credits up to a maximum amount of Sk 5 M, with a tenure of 5 years.

Overview of credits granted under SLP in 2001, by regions

Nos. of credits granted in 2001

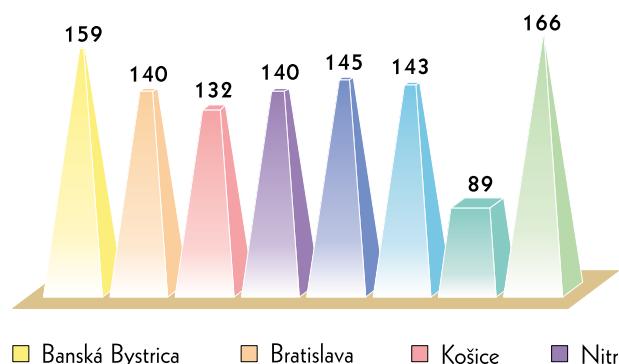


Amounts of credits granted, (in Sk M)

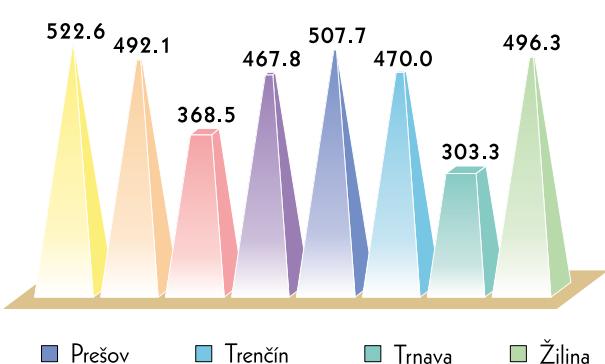


Overview of credits granted under SLP in total as of 31 Dec., 2001, by regions

Total Nos. of credits granted

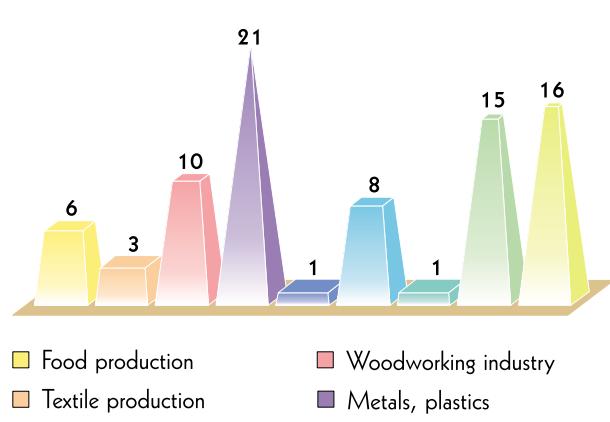


Amounts of credits granted, (in Sk M)

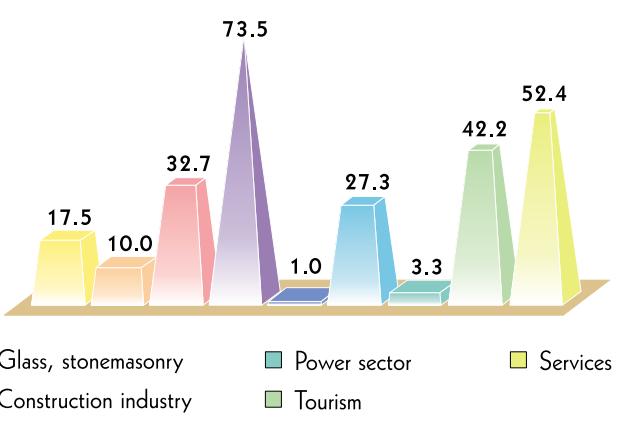


Overview of credits granted under SLP in 2001, by sectors

Nos. of credits granted



Total amounts of credits, (in Sk M)



Sk 1.8 BN have been contributed gradually since the beginning of the implementation of the Programme in 1994; credits may be extended also from repayments of previous credits.

A total of 81 credits were granted in 2001 in a total volume of Sk 259.834 M. A total of 1,114 credits in a total volume of Sk 3,628.317 M have been granted since the launching of the Programme until 31 December, 2001. A total of 508 credits had been repaid by 31 December, 2001.

Micro-loans programme

In 2001, the National Agency for Development of Small and Medium Enterprises started to implement the pilot programme of the micro-loans scheme, through three Regional Advisory and Information Centres in Považská Bystrica, Zvolen, and Prešov. The Programme has been intended for small enterprises employing up to 10 people. The funds were provided by the European Union under the PHARE Programme, and also State Budget funds were contributed in 2001. The main objective of the Programme has been to assist with the problem small enterprises have to access small credits in the regions.

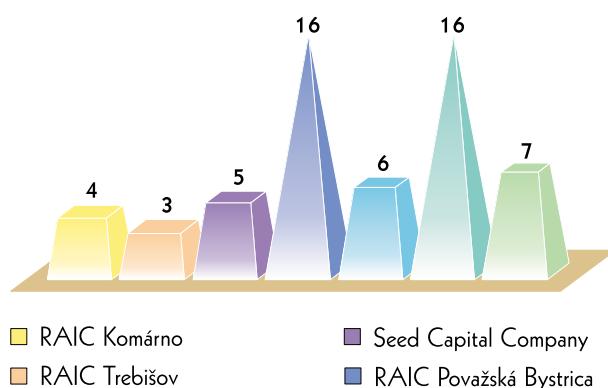


The interest of the enterprises in micro-loans highly exceeded the volume of the available resources. A positive evaluation of the utilisation of micro-loans by a foreign expert represented a recommendation to the EU to continue granting them at four new centres (in 1999) – RAIC Spišská Nová Ves, Trebišov, Komárno and Bratislava; the Martin centre joined in the second half of 2001. Overall, the granting of micro-loans was expanded to cover eight centres distributed all over the territory of Slovakia. The loans can be used to purchase movable and immovable fixed assets, to rehabilitate operating rooms or to purchase necessary inventories and raw materials. The maximum amount of the loan is Sk 500 thous., the minimum amount is Sk 50 thous. The payoff period has been set at between 6 months and 3 years. Also, there might be a grace period of up to 6 months for the principal.

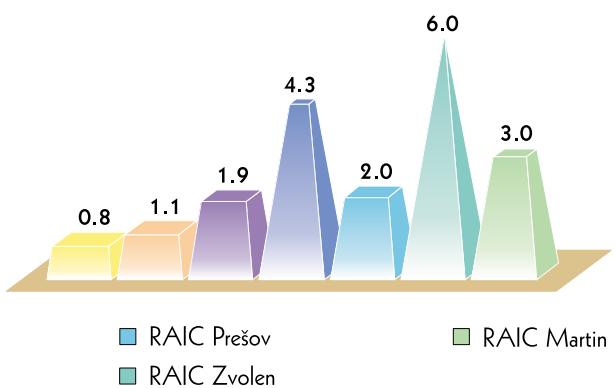
A total of 57 micro-loans were granted during 2001, in a total volume of Sk 18,955,223. Since the launching of the micro-loans programme, a total of 284 loans have been extended in

Overview of micro-loans extended in 2001, by centres

Nos. of micro-loans extended in 2001

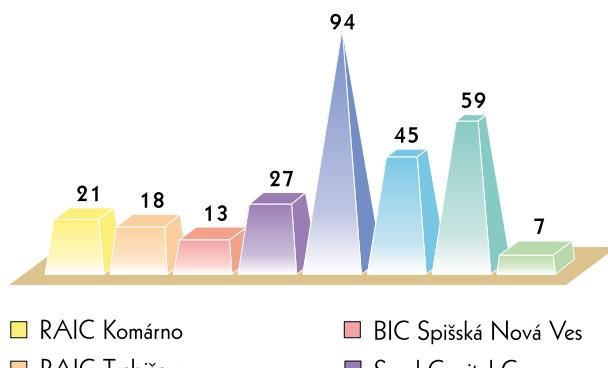


Amounts of micro-loans, (in Sk M)

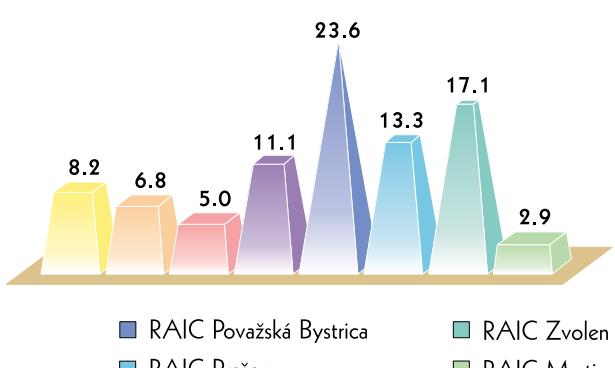


Overview of micro-loans extended in total, by centres

Nos. of micro-loans extended in total



Amounts of micro-loans, (in Sk M)



a total volume of Sk 88,025,554 (including the five new centres). The average amount of the loan is Sk 309,949.

The micro-loans scheme has a direct impact on employment in the individual regions. Overall, 467 and 503 jobs could be created and preserved, respectively.

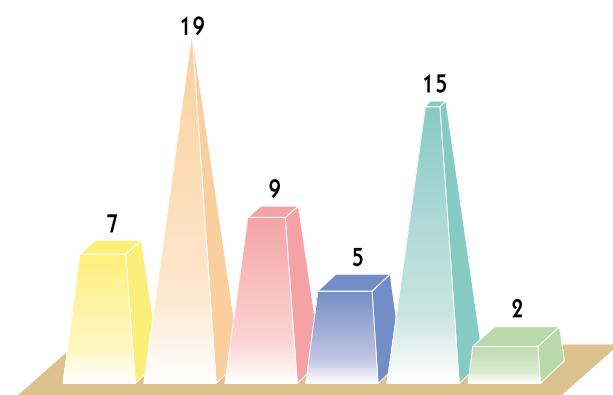
During the period of its operation, the micro-loans programme met with an exceptionally favourable welcome on the part of the enterprises, in particular because it represents the only source of funds available to small enterprises that require small loans.

Seed Capital Company

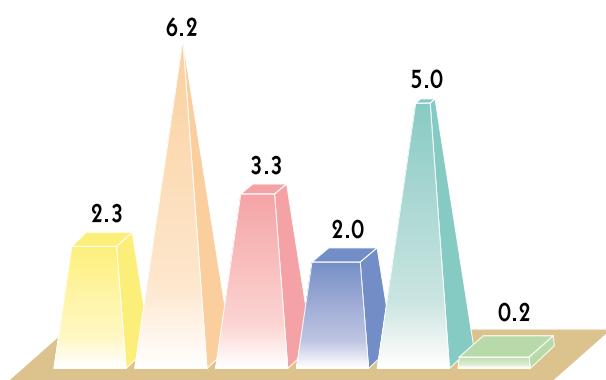
The Seed Capital Company (SCC) established by the National Agency in 1994 has as the major characterisation investing into the equity of companies. The Company manages a seed capital fund under which investments of small and medium enterprises in Slovakia may be financed up to Sk 5 M.

Overview of micro-loans extended in 2001, by sectors

Nos. of micro-loans extended

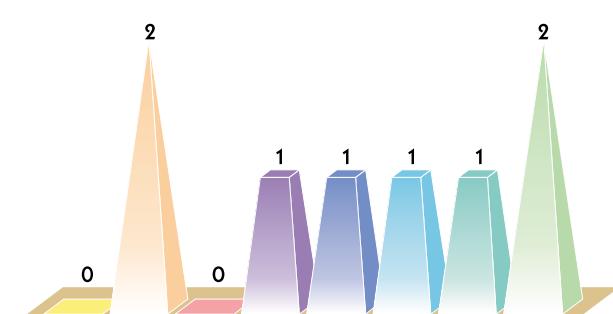


Amounts of micro-loans, (in Sk M)

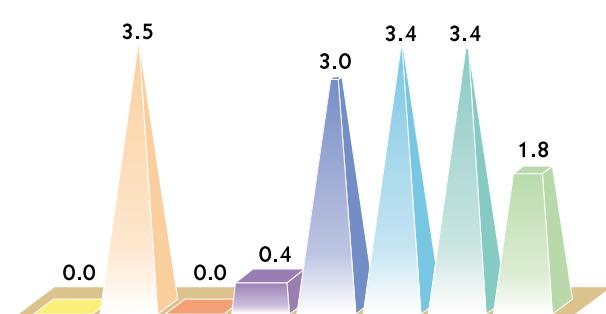


Overview of investment funds provided in 2001, by regions

Nos. of investments realised



Amounts of investments realised, (in Sk M)



Legend: Banská Bystrica, Bratislava, Košice, Nitra, Prešov, Trenčín, Trnava, Žilina



The Programme has been financed under PHARE Programme funds. The objective of the Company is to enable, by providing funds for financial investments, new enterprises to be established, and existing enterprises to develop activities. In particular investments into projects are preferred from the sectors of industrial production, production services and active tourism.

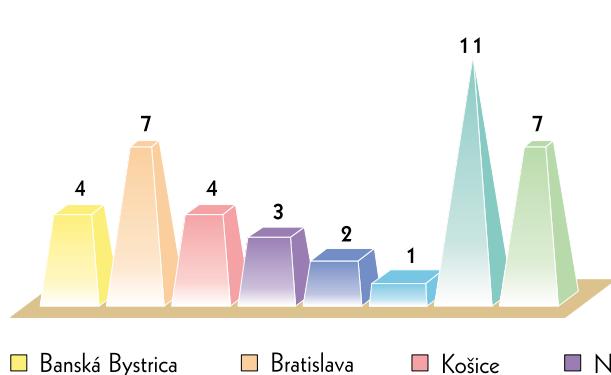
Investment Board met three times in 2001, to approve a total of 7 investments in a volume of Sk 15.5 M. The other activities of the fund were oriented toward monitoring of 20 enterprises comprised in the portfolio of the Company.

As of 31 December, 2001, the Investment Board had met 23 times to review 46 investment proposals, of which 36 were approved, 9 were conditionally approved, and 1 was turned down. Actually implemented have been 38 investments into 20 companies. The overall amount of Sk 87.09 M has been invested into these companies in the SCC, Ltd. portfolio, thereof Sk 53.46 M into equity and Sk 33.63 M were granted in credits.

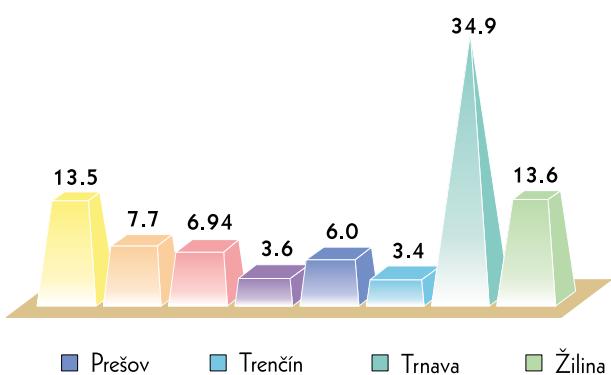
As of 31 December, 2001 two companies remained with a promise of credits amounting to Sk 1.8 M. One promise of a credit amounting to Sk 4 M was cancelled because of the failure of the enterprise to meet the conditions.

Overview of investment funds provided in total, by regions (as of 31 December, 2001)

Nos. of investments realised as of 31 Dec., 2001

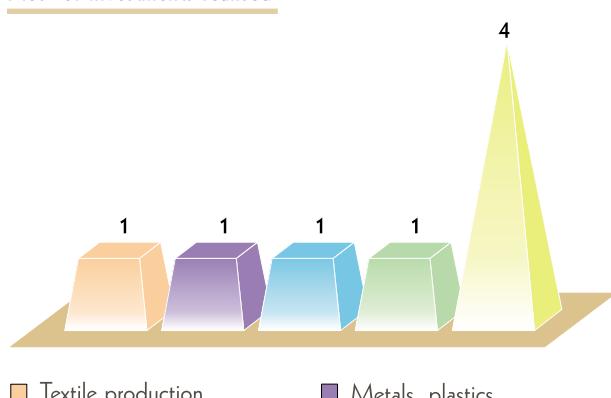


Amounts of investments realised as of 31 Dec., 2001, (in Sk M)

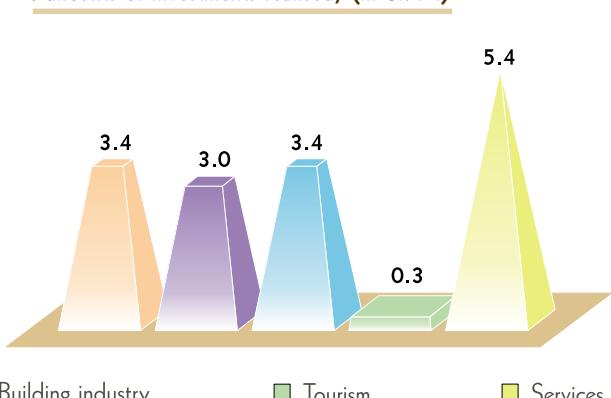


Overview of investment funds provided in 2001, by sectors

Nos. of investments realised



Amounts of investments realised, (in Sk M)



III. Disbursement of funds to support SMEs

I. Utilisation of State Budget funds for support programmes of small and medium enterprises in Slovakia in 2001

PRIORITY/SUPPORT PROGRAMME	Amount in Sk
I. Facilitating SMEs's access to capital	9,000,000
thereof: – Micro-loan programme	9,000,000
II. Reinforcing SME sector's position	5,104,030
thereof: – Counselling for SMEs	5,000,000
– Training for SMEs	104,030
III. Raising the competitiveness of SMEs	9,534,227
thereof: – Implementation of quality management systems	4,664,227
– Technology transfer	4,870,000
IV. Internationalisation of SMEs and penetration of new markets	3,643,000
thereof: – Subcontracting	2,000,000
– 3 rd Multi-year Programme	1,643,000
Programs total (I. – IV.)	27,281,257

II. Utilisation of the European Union PHARE funds to support small and medium enterprises in Slovakia in 2001

Utilisation of Funds	Amount in EUR	Amount in Sk
I. Facilitation of access to capital	109,064	4,727,924
thereof: – Technical assistance for financial programmes	109,064	4,727,924
– Support loan programme	0	0
– Micro-loans	0	0
– Seed Capital Company	0	0
II. Reinforcing SME sector's position	320,000	13,872,000
thereof: – Development of SME policy – grants	320,000	13,872,000
III. Raising the competitiveness of SMEs	212,858	9,227,395
thereof: – Spin-off	33,639	1,458,251
– CEPAC	35,200	1,525,920
– Counselling and training - grants	144,019	6,243,224
Programs total (I. – III.)	641,922	27,827,319



Financial Memorandum 99 started in 2001; consequently, the major portion of disbursement will be transferred to 2002.

III. Utilisation of revolving funds to implement financial support programme (in thous. Sk)

Support loan programme	260,034
Micro-loans	12,112
Total	272,146

In excess of Sk 327,254,576 were used to finance SME support programmes in 2001 (I.+II.+III.).

NADSME's Balance sheet (in Sk thous.)

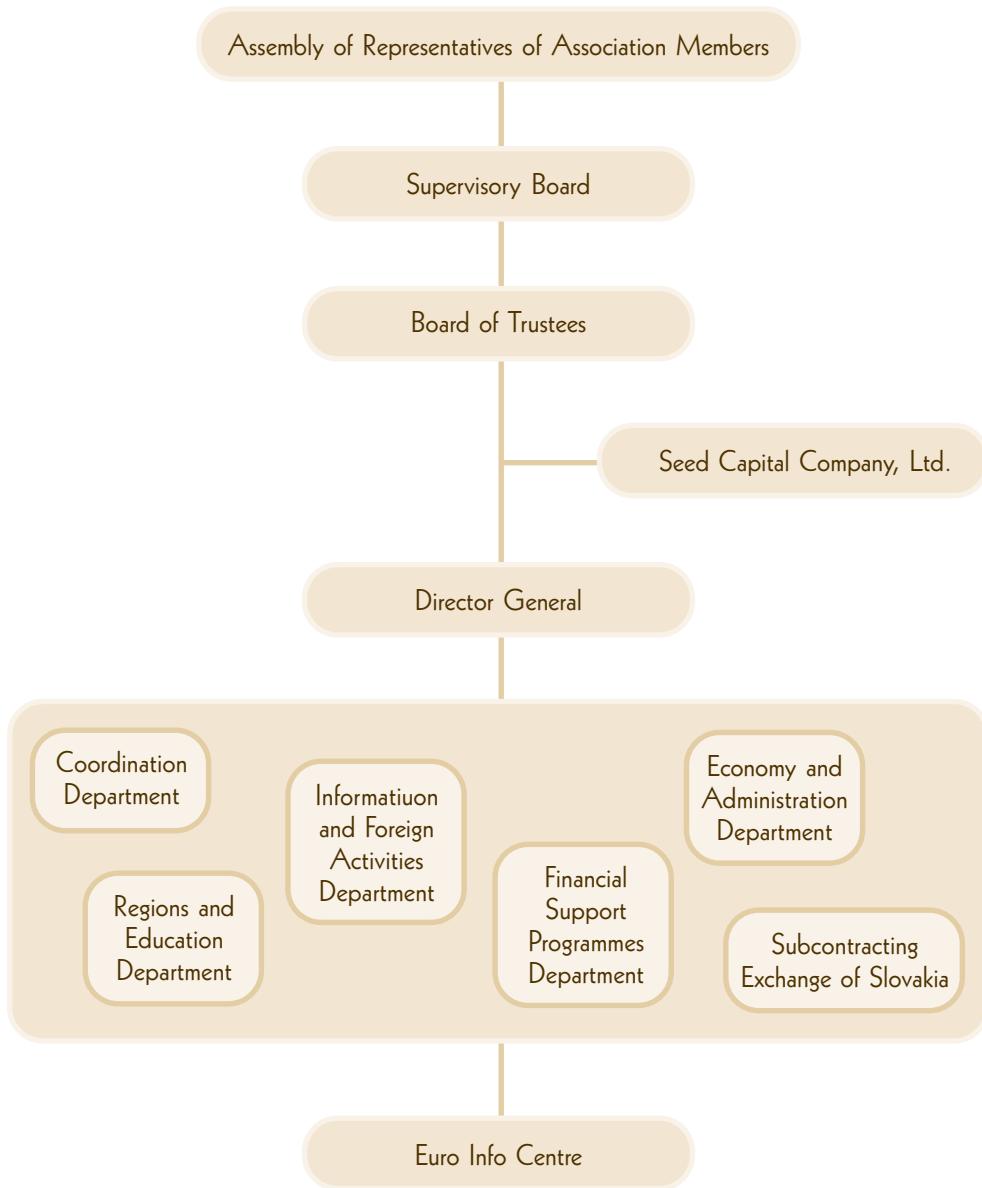
Total assets	1,995,646
1. Fixed assets	41,586
thereof: — intangible fixed assets, including adjustments	254
— tangible fixed assets, including adjustments	2,179
— financial investments	39,153
2. Current assets	1,954,060
thereof: — financial assets	1,693,205
— receivables	260,245
— estimated receivables	324
— inventory	286
Total liabilities	1,995,646
1. Own funds	1,992,020
2. Not-own short-term resources	3,626

Disbursement of funds to support SMEs, financial and property standing of NADSME as of 31 december, 2001

In 2001, the operating costs of NADSME and funds to finance its programs were covered from two sources: state budget and other own resources. (The year 2000 was the last year in which operating costs were also covered under the PHARE Program.)

Source	thous. Sk	% of total
State Budget	5,437	28.08
Other	13,923	71.92
Total	19,360	100.00

NADSME's organisational structure





NADSME's statutory bodies

NADSME Supervisory Board

Karol Pavlú, Chairman, Association of Entrepreneurs of Slovakia
Pavol Prokopovič, Vice-Chairman, National Council of the Slovak Republic
Ján Sabol, Ministry of Economy of the Slovak Republic
Elena Bašková, Ministry of Economy of the Slovak Republic
Milan Kuzma, Slovak Chamber of Crafts
Peter Masár, Slovak Union of Crafts
Eva Michalová, Government' Office of the Slovak Republic
Anton Bonko, Slovak Chamber of Commerce and Industry
Daniel Piatnica, Slovak Union of Production Co-operatives
Vladimíl Podstránsky, Ministry of Finance of the Slovak Republic
Michal Balog, Ministry of Transportation, Posts and Telecommunication of the Slovak Republic

NADSME Board of Trustees

Ján Oravec, Chairman, Ministry of Economy of the Slovak Republic
Miroslav Poláček, Vice-Chairman, Ministry of Economy of the Slovak Republic
Ladislav Ondriš, Association of Entrepreneurs of Slovakia
Miroslav Fuksa, Slovak Union of Crafts
Ján Vančík, Ministry of Finance of the Slovak Republic

NADSME Management

Juraj Majtán, Director General
Zuzana Cigánková, Director, Economy and Administration Department
Darina Kalužníková, Director, Financial Support Programmes Department
Katarína Kellenbergerová, Director, Regions and Education Department
Igor Kováčik, SBS Manager
Juraj Poledna, Director, Information and Foreign Activities Department
Karol Stráňai, Director, Co-ordination Department