



N A T I O N A L
A G E N C Y F O R
D E V E L O P M E N T
O F S M A L L
A N D M E D I U M
E N T E R P R I S E S

THE ANNUAL REPORT 2003

NATIONAL AGENCY FOR DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES



TABLE OF CONTENTS

Address by NADSME Director General	4
I. Co-ordination, information and legislation-related activities	5
II. Support programmes	8
1. Stimulation of the SME sector growth	8
2. Improvement of the competitiveness of SMEs	9
3. Internationalisation, penetration of new markets	14
4. Facilitation of access of SMEs to capital	17
III. Discharge of funds to support SMEs, financial and property standing of NADSME as of 31 December 2003	24
IV. Organigram of NADSME	26
V. NADSME Statutory Bodies and Management	26

Address by NADSME Director General

The year 2003 was marked by the spirit of the preparations for our country's accession to the EU whose full-fledged Member State we shall become as early as in May 2004.

This fact has been markedly influencing the developments in our society. The pressure upon the implementation of reforms in all areas of the economic and social life thoroughly aired the political as well as societal structures, and undoubtedly has brought numerous innovations to all areas of our life.

Important measures taken towards the end of the year to facilitate and improve the business environment confirmed the correctness of the trends pursued by the political structures since 2002. The conditions of Slovakia's business environment become the focus of the attention of experts from economically stable and developed countries of the world.

The interest in Slovakia also grows on the part of big investors. The forthcoming EU accession is a guarantee for their big investments.

Also, the year 2003 was significant from the aspect of the preparations for the discharge of EU aid from structural funds after our accession. Concerns relating to the lack of good projects have been replaced by apprehensions about the ability to prepare administrative structures and legislative conditions for drawing such funds. There are certain gaps in this respect which will have to be filled by spending enhanced efforts, to enable applicants for aid from the EU to efficiently use all disposable resources.

The launching of new types of pre-accession PHARE grant programmes in 2003 for industry and tourism represented a certain test and at the same time preparation for the drawing of the funds. The conditions set out in these programmes were very similar to those to apply with respect to structural funds. The significant interest in such programmes and the numbers of applications received convinced us that enterprises have a sufficient potential to present good developmental projects, and this will enable them to cope with the pointing competition in the EU market.

Naturally, also proven programmes funded from State Budget had their firm position, be it in the area of competitiveness improvement or support of the penetration by our businesses of foreign markets.

The year 2003 was also important from the aspect of the completion of the supporting infrastructure for the development of enterprises: 4 new business incubators were completed in Eastern Slovakia. In parallel, the system of support of access of micro-enterprises to developmental funding was completed also via micro-loans centres which are currently as many as 15 in number in Slovakia.

The aim of the present Report is to provide the professional public as well as any other interested parties with a holistic picture of the activities of the National Agency for Development of Small and Medium Enterprises in 2003, and of their financial base.

I should like to take this opportunity to thank all those who made a contribution by their work to a successful meeting of our intentions in 2003, for their co-operation, and to invite all those interested to participate in an open co-operation upon the implementation of support activities to the benefit of the development of small and medium enterprises in Slovakia in 2004, the first year of our EU membership.

Juraj Majtán
Director General



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

National Agency for Development of Small and Medium Enterprises (NADSME) promotes initiation, development and growth of small and medium enterprises in the Slovak Republic, while respecting the structural, industrial, technical, regional and social policies of the government.

Based on appointment by Ministry of Economy from 1993, the Agency has been co-ordinating and implementing supporting activities oriented towards the small and medium enterprises sector in Slovakia.

The scope of Agency's activities also includes co-ordination, legislation and information issues which can be summarised as follows:

- NADSME activities under the National Programme for the Implementation of the Acquis Communautaire (NPAA)
- co-operation in the implementation of the state policy of SME support and development
- activities to improve SME support efficiency
- co-operation with institutions associating entrepreneurs
- information activities
- monitoring of the business environment

NADSME activities under the National Programme for the Implementation of the Acquis Communautaire

National Programmes for the Adoption of the Acquis Communautaire are documents existing in every associated country aiming at EU accession. The aim of the programme is to achieve comprehensive integration of Slovakia into the Union in accordance with the legislation applicable in the European Union. For the Slovak Republic, it represents a strategic tool in the development of the relationships with the European Union.

Basic texts entitled „Benefits and Risks of EU Accession“ were drafted under the National Programme in 2003, along with „Reports on Slovakia’s Preparedness for EU Membership“. Monitoring tables for the European Commission were updated, and Update of the Progress Editor Database was made with respect to the chapter on SMEs; moreover, the part of the Accession Agreement addressing issues of small and medium enterprises was commented upon. The signing in May 2003 of the Accession Agreement completed the mission of the working group, and its activities were subsequently officially terminated.

Co-operation upon the implementation of state support and SME development

The Report on the Status of SMEs and Their Support in the Slovak Republic drafted based on resolution of the Slovak Government No.726/2000 and presented to the sessions of the Slovak Government and the Parliament assessed the business environment and the forms of SME support. The Report made some suggestions concerning measures to be taken to improve the business environment and to strengthen the developmental dynamics of SMEs. The key area where business environment improvements were suggested is the financial burden upon enterprises and administrative barriers to business. The suggestions served as the basis for business environment adjustments in 2003.

Activities to improve efficiency of SME supports

At the occasion of the 10th anniversary of our activities among the business entities, an international conference was organised in September 2003 on the „The Role of Institutions Supporting SMEs after the Entry into the European Union.” The conference was held in Bratislava under the auspices of Minister of Economy. The objective was to present practical experiences acquired by partner institutions with various systems of support of small and medium enterprises in EU Member States and associated countries expected to join the EU in 2004.

The conference was attended by representatives of SME support institutions from 6 EU Member States and Accession Countries (Poland, Hungary, Czech Republic, Austria, Slovenia and Germany), and 102 participants from among Slovak enterprises, business unions, chambers and associations.



6

From the left: B. Marot and V. Hazl – Small Business Development Centre (Slovenia) , L. Vávra – Business Development Agency (Czech Republic), J. Poledna - NADSME (Slovakia), Z. Felföldi – Hungarian Foundation for Enterprise Promotion (Hungary), M. Marek – Polish Agency for Enterprise Development

Co-operation with institutions associating entrepreneurs

A close co-operation between organisations associating entrepreneurs and institutions supporting enterprises in joint actions and events results in a better understanding between both parties concerned.

In the past year, we took an active part in the event entitled Euroclubs, organised by the Slovak Chamber of Commerce and Industry (SCCI) and Office of the Government of the Slovak Republic. A number of workshops addressed issues of the preparation of the business community for the integration into the single European market. Similar topics concerning the preparation of Slovak businesses for EU accession were also discussed by participants of workshops organised by representatives of regional SCCIs and EIC Bratislava.

Information activities

The success of small and medium enterprises is based on access to information. As part of our activities, we have been systematically compiling and continuously providing the

business, professional as well as the lay public with available, updated and relevant information, in the form of information materials, booklets and publications such as Support of Small and Medium Enterprises – A Guide Through Initiatives; Review of Legal Regulations for SMEs; Principal Administrative Steps to be Taken Upon Starting up Business Activities; State of Small and Medium Enterprises in the Slovak Republic; and List of Statutory Legislation to Support SMEs. Business people can get updated information from our web site www.nadsme.sk. Information about projects and services offered to business people by Euro Info Centre Bratislava are available on the official EIC web site www.eic.sk. News from the EU may be found on the pages of the Internet magazine EIC-zine www.e-zine.eic.sk.

The monthly „Podnikanie” (Doing Business) is a regular means of information with a stable circle of readers.

SMEs on-line

Active use of the Internet as an information medium by business people brought us to set up support infrastructure for enterprises – a specialised web site addressing issues of small and medium enterprises, so-called national web site for small and medium enterprises, www.msponline.sk. The aim is to provide relevant information about programmes, activities, events and institutions, thus on-line SME support.

A part of the web site is a portal with the basic functionalities for e-commerce among enterprises. A new part of the web site was activated during the year, dedicated to corporate e-procurement.

Monitoring the business environment

Monitoring of the business environment enables us to acquire information needed to set up the strategy of the improvement of the business environment to improve the success rates of companies in Slovakia. In working together with the Office of Statistics of the Slovak Republic, we prepared and implemented several national surveys on a representative sample of companies focusing on the following issues:

- equipment of small and medium enterprises with information technologies,
- equipment of small and medium enterprises with production technologies,
- preparedness of small and medium enterprise for Slovakia's accession to the European Union,
- innovations in small and medium enterprises,
- the entrepreneurial potential in Slovakia.

Results of the studies are used to design more efficient support programmes and policies of the development of the business environment.

Supported by the Dutch Government, we launched the project „Improving SME Business Environment in Slovakia”, which is expected to improve the interpretation of survey results and improve the monitoring of the business environment. The project intends to collect, process and analyse information about small and medium enterprises, maintain SME database for ad hoc studies, and compile information for the needs of ministries, the government and international institutions.

The results of the project should serve the designing of policies by state authorities to improve the business environment.

II. Support programmes

The activities of the Agency are based upon priorities outlined by the National Programme for the Adoption of the Acquis Communautaire with respect to SMEs. The priorities have been worked out in detail into individual activities, schemes and programmes so as to reflect the needs of the business sector. It is our objective to implement programmes and schemes to support the establishment and development of new and growth of existing small and medium enterprises.

The support programmes and schemes are financed predominantly from PHARE Programme and Slovakia's State Budget funds.

In the various regions of Slovakia, businesses may take advantage of the services provided by the institutional network of 13 Regional Advisory and Information Centres (RAIC), 5 Business Innovation Centres (BIC), 9 First Contact Points (FCP) and 8 business and technological incubators (BI/TI), which take care of the implementation of the support programmes in the territory of Slovakia. The centres and incubators are distributed throughout Slovakia's territory and provide parties interested in doing business and existing small and medium enterprises with comprehensive counselling and information services in areas connected with business.

Apart from activities under NPAA, we also have been co-operating with partner institutions and organisations from abroad on the implementation of bilateral and/or multilateral projects focusing on support of the development of individual regions, selected activities or co-operation of enterprises on international level.

8

The activities of the support programmes, schemes and projects cover 4 priority areas:

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

1. Stimulation of the SME sector growth

Changes of the business environment impose significant requirements upon the SME sector. Businesses have to flexibly adapt to the rapidly changing external conditions of doing business and at the same time, they have to keep improving their own business activities to be able to identify changes in customers' needs and to find adequate ways to meet them. The use of counselling and information services, and continuous learning becomes part of the life of SMEs, which not only want to survive in the turbulent environment but also - and mainly - to progress and grow.

Counselling and information services

The support of SMEs and of selected groups of people interested in business (SG) goes through the provision of favourable counselling services within the RAIC/BIC network. The services receive subsidies from State Budget (SB). In 2003, the network of centres provided businesses and people interested in business with a total of 10,037 informative

and professional consultations in a total volume of 15,431.5 hours of consultation. Funded from State Budget, the centres provided 3,847 informative consultations (2,500 hours of consultation in total) about programmes and projects of SME support and support of starting up and developing of business activities by SG, implemented by NADSME as well as outside of it, and 6,185 technical consultations (12,931.5 hours of consultation in total) in all areas needed to start up and develop business activities. For purposes of raising loans, be it under financial support schemes or from commercial sources, RAICs/BICs developed 765 and reviewed additional 81 business plans. By their activities, the centres contributed to the establishment of 668 new enterprises, 1,638 new job positions, and helped maintain 1,371 jobs.

Training

Training of entrepreneurs and selected groups of people interested in business by organizing training courses results in the strengthening of the managerial abilities of the SME sector in a variety of areas. In 2003, SB funds were allocated for purposes of training of entrepreneurs and people interested in business; the funds were spent by the regional and business centres to organise altogether 93 training courses for 1,240 participants. The topics of the training courses included: Getting Prepared for Doing Business; Business Plan; Basics of Business; Course for People Starting up Business; Establishing My Business; Business Minimum; Use of Computer Techniques in Business; Computer - Your Helper; Basics of PC Work; Working with PC – Word; Working with – Excel, Computer Technology for Beginners.

First Contact Points

The First Contact Points (FCPs) localised in Eastern Slovakia have been part of our institutional network since 2002. Their aim is to provide business entities and parties interested in doing business with the first contact and with information about the business environment, opportunities for doing business and support thereof in Slovakia's regions.

During the year, the FCPs organised 1,541 hours of information services for 1,422 small and medium enterprises and parties interested in doing business; 3,970 hours of consultations and advisory services for 1,046 clients; 53 workshops and training courses for 662 attendants; and co-operated in 128 projects. Apart from these activities, the FCPs also co-operated tightly with towns and villages in their respective regions on regional development, were co-organising exhibitions and fairs within the regions, and participated in the publishing of materials focusing on promotion of the regions.

Business Incubators

Small and medium enterprises are exceptionally vulnerable. The need to establish supporting infrastructure for SMEs lead us, together with the representatives of the regions, to the idea of setting up business and technological incubators, which will provide entrepreneurs with appropriate premises, technical infrastructure, comprehensive counselling and training services, as well as with start-up capital. To companies presenting with innovative business plans, technological incubators offer special premises such as laboratories and testing rooms.

With the financial aid from the PHARE programme, we managed to construct and/or rehabilitate in 2003 buildings of technological incubators in Košice, Bratislava and Prešov and of business incubators in Spišská Nová Ves and Rožňava. At the present, there is a network of 4 business and 4 technological incubators in place in the territory of Slovakia, which support newly established small enterprises within the respective regions.

2. Improvement of the competitiveness of SMEs

The pointedly competitive environment of the European Union Member States is an opportunity, challenge and at the same time a threat for small and medium enterprises in Slovakia. During the period of the forthcoming accession of the Slovak Republic to the European Union, the importance of the support of the competitiveness of the Slovak business sector keeps growing: it is based on the priorities set out by the Government of the Slovak Republic. Several years of systematic preparation of the enterprises for the opening up of Slovakia towards EU Member States, supported by state programmes, takes the form of the support of the implementation and development of progressive innovative technologies and building of quality management systems in the enterprises. The launching of grant schemes to strengthen selected sectors, funded from PHARE sources, evoked interest on the part of the entrepreneurs in growing of their own competitive strength. The schemes support the development of new products, raising of production capacities, efficiency and quality of industrial enterprises, improvement of services in the field of tourism, and cross border co-operation between and among enterprises in selected regions. The schemes also supported activities of business organisations which influence the development of the sectors and branches.

Industry Development Grant Scheme



10

Support of the development of innovative products, raising production capacities or implementation of quality management systems in small and medium-sized industrial enterprises to make them equal partners in open and much more competitive markets of the EU Member States is the objective of the Industry Development Grant Scheme launched in the autumn of 2003. The official launching of the scheme was preceded by the preparation of the scheme, medial campaign and training of organisations involved, assisted by foreign EU experts. The call for project submissions met with the interest of the business public, and resulted in the submission by entrepreneurs and business organisations of 307 projects. The Industry Development Grant Scheme is funded from PHARE sources, and has a total of EUR 4.4m, i.e. Sk 181.2m available.

Tourism Development Grant Scheme

The travel business sector is an area of the economy with a significant growth potential. In developed countries, it makes a contribution to the development of regions as well as the economy of the countries, and this finds a positive reflexion in the gross domestic product. Improvement of services to enterprises and organisations in the tourism sector in Slovakia, and thus improvement of the competitiveness of the sector is the aim of the Tourism Development Grant Scheme. In working together with foreign experts, the Tourism Development Grant Scheme was launched in the autumn of 2003 after several months of preparation of the source documents, spreading of information about the scheme among the business community and training of co-operating organisations. As a result, 868 projects were obtained within the set deadline from enterprises and organisations from the tourism sector. The Tourism Development Grant Scheme is funded from PHARE sources, and has a total volume of funds of EUR 5.5m (Sk 226.4m) available.

Innovation and Technology Development Grant Scheme

Strengthening of the innovative potential and economic development of enterprises from regions along the Slovak – Austrian border are aims of the Innovation and Technology Development Grant Scheme. The importance of the grant scheme resides in the support of the building of technological business incubators in the Regions Trnava and Bratislava, and in the initiation of cross border economic co-operation between Slovakia and Austria. The target group, being non-profit making organisations, were provided with the necessary information about the scheme in the framework of a promotion campaign which preceded the launching of the scheme in the autumn of 2003. Within the set deadline, 5 projects were received. The Innovation and Technology Development Grant Scheme has PHARE funds available for cross border co-operation between Slovakia and Austria, amounting to EUR 2.7m (Sk 288.2m).

Implementation Programme of Quality Management Systems – QUALITY

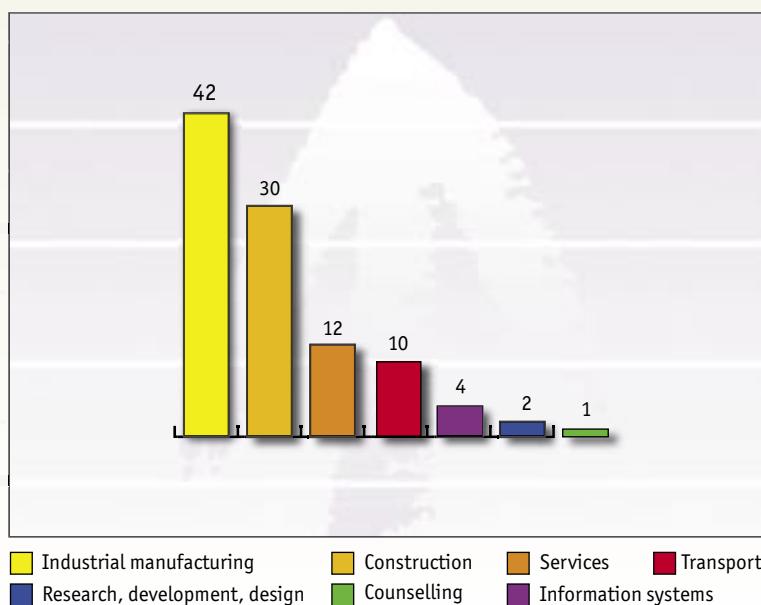
Increasing of the numbers of enterprises certified according to selected international standards, including ISO 9 000, VDA, BS, QS and ISO 14 000 is the objective of the „Implementation Programme of Quality Management Systems – QUALITY“ financed from the State Budget. By awarding funds in the form of grants for counselling and training (C&T) upon the preparation of companies for certification (C), for the very external certification, pre-certification and re-certification process, we want to stimulate the sector to improve the quality of products and services.

In 2003, a total of 176 applications were awarded to 101 companies, including 93 applications for a counselling and training grant and 83 for certification process, in a total volume of Sk 10.5m.

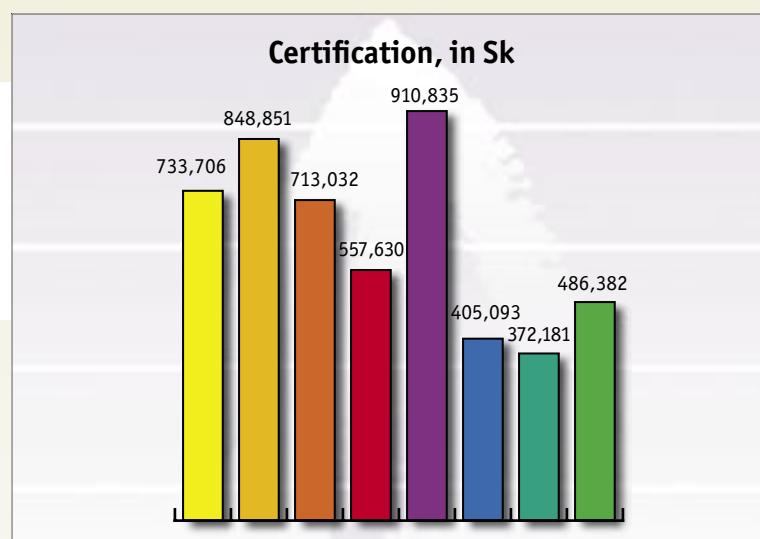
Assessed by the nature of the activity, grants were paid to 30 companies from the construction sector, 10 companies from the transportation sector, 12 companies doing business in the field of services, 4 companies from the field of information systems, 42 companies doing business in industrial manufacturing, 2 companies doing business in research, development and design, and 1 company from the field of counselling (see diagram No.1). Diagram No.2 illustrates the volumes of funds received by the individual regions. Diagram No.3 shows the numbers of the companies receiving grants by the regions.

A total of 437 grants were paid since the launching of the programme until 31 December 2003 (including 222 for C&T and 215 for C) to 243 companies, in a total volume of Sk 25.8m.

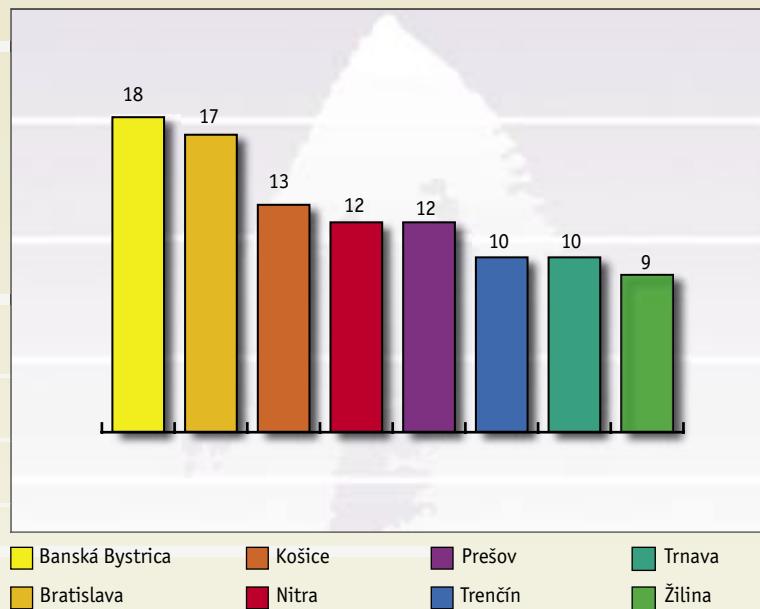
Programme Quality – numbers of companies receiving grants, by sector; 2003



Programme Quality – volumes of funds paid out from the 2002 and 2003 SB, by regions



Programme Quality –numbers of companies drawing funds from 2002 and 2003 SB, by regions



Technology Transfer

Progressive technologies represent a source of competitive strength of small and medium enterprises. Implementation of innovations by small and medium enterprises is being supported through grants paid under the State Programme Technology Transfer. The aim of the programme is upgrading of production processes, improvement of productivity of labour, and facilitation of the access of Slovak firms to international markets.

In 2003, a total of 26 grants were paid out under the Technology Transfer programme, which are expected to raise the production standard and to enable penetration of world markets by successful technologies developed by Slovak companies. The grants were paid to 26 companies, and their total volume was Sk 17.99m.

In total, 49 grants have been paid to 47 companies between the programme launching until 31 December, 2003, amounting to Sk 35.5m in total.

Support Scheme of Purchase of Innovative Technologies and Setting up of Quality Management Systems

The support scheme of purchase of innovative technologies and setting up of quality management systems, comprising the parts Quality and Innovative Technologies, arose through the transformation of the state programmes „Implementation Programme of Quality Management Systems – QUALITY” and „Technology Transfer”. This scheme directed towards the strengthening of the competitiveness of SMEs through the implementation and utilisation of innovations and quality management systems according to selected international standards. Taking up the role of the provider of aid to SMEs, Ministry of Economy launched the scheme in August 2003. By the end of the year, 320 applications for grants for the implementation of quality management systems (part Quality) had been received from 195 companies, requiring Sk 17m, and 67 applications for grants for the purchase of innovative technologies (part Innovative Technologies), amounting to Sk 133m. The funds are scheduled to be paid out with respect to both parts of the scheme during 2004.

6th Framework Programme

The 6th Framework Programme for Science and Research is an activity by which the European Commission contributes to the meeting of the aim to make the EU the strongest economy of the world. The community programme has been conceived so as to make new knowledge and technologies work as soon as possible on the market, in particular through small and medium enterprises. For the Slovak companies, it represents the way how to acquire access to the most progressive technologies and product innovations. We have been involved in the programme by promoting it among the entrepreneurs and by providing companies, which are interested in participating, with consultations.

At the same time, we have been taking an active part in the implementation of the project ESTER run under this programme. The aim of the project is to analyse the conditions in Slovakia enabling the establishment of a risk capital fund, which would enable rapidly growing technological companies to be funded.

Transform Programme – „Strengthening of the Offer of Counselling for Small and Medium Enterprises in the Slovak Republic”

The Transform Programme is based on close co-operation between NADSME, selected RAIC/BIC centres and the foundation SEQUA from Federal Republic of Germany. The aim of the programme is to reinforce the supply of counselling services to SMEs, and thus to generate demand for counselling within the institutional network of RAICs/BICs.

The final stage of this programme was completed in February 2003. During the third stage of the project, 11 counselling plans were developed. A closer co-operation in the form of counselling and contracts was implemented under 7 of them. The outcome of the co-operation with German experts has been the development of a marketing concept for the networks of RAIC and BIC centres and 3 training courses for the centres for the purpose of their further professional development.

3. Internationalisation, penetration of new markets

Slovak SMEs can only find their way on new markets through active involvement in international co-operation, through presentations at exhibitions and contracting fairs, seeking of new contacts using available electronic systems and media, as well through familiarisation with the legislative system of the new commercial space. Support activities in this area will enable a more rapid adaptation of SMEs to new conditions in the competitive space of the EU and/or OECD countries. An important role in this respect is also played by Euro Info Centre (EIC) and Subcontracting Exchange of Slovakia (SES).

The EIC information network

By involvement in European Commission projects and by co-operating with foreign partners, NADSME enables Slovak SMEs to acquire information and contacts in EU Member States as well as with countries outside of the EU. Euro Info Centre is part of such activities. The European Commission established a network of Euro Info Centres, aiming at providing small and medium enterprises with comprehensive information about the single market,

EU legislation, enterprise development support programmes, and at encouraging their co-operation. The objective of the network is to improve competitiveness, innovative approach and efficiency of international co-operation among SMEs.

Apart from EIC Bratislava, there is an EIC in Prešov, whose host structure is the Regional Advisory and Information Centre (RAIC Prešov).

EU Enlargement Campaign

Through 200 Euro Info Centres in 26 countries, the European Commission launched a campaign aiming at providing small and medium enterprises with information about the opportunities for their operations in the enlarged EU. Both Slovak Euro Info Centres contributed a joint project to the campaign. Between May 2003 through the time of Slovakia's accession to the EU, Slovak business people have the opportunity to acquire information on workshops organised by Euro Info Centres, which bring interesting topics concerning Union enlargement closer to the business people. The information concerning the conditions of doing business after Slovakia's accession will also be published on the common national web site www.eic-slovakia.sk opened by Slovak EIC in the framework of the campaign in April 2003. The English version of the national web site of the Slovak EIC provides, apart from information about Slovakia, also offers of Slovak companies for co-operation. The result of the cooperation between EIC Bratislava and EIC Prešov under the European Commission's campaign on the EU enlargement will be the manual Guide of Trade.

Making the business community acquainted with the impacts of Slovakia's EU accession was the objective of 11 information workshops and seminars organised in various regions of Slovakia. The Bratislava EIC, in working together with representatives of the National Agency for Development of SMEs, Regional Advisory and Information Centres (RAICs), and the Slovak Chamber of Commerce and Industry (SCCI) addressed the topics to 381 business people.

15

Support upon choosing cooperation partners

Euro Info Centres assist entrepreneurs in seeking cooperation partners, using Business Partners Search Database, their own communication network (so-called VANS – Value Added Network Service), as well as through organising participation of Slovak enterprises in international contracting events.

Approximately 700 offers from foreign companies are being translated and published in various periodicals and on Euro Info Centres' web sites every year. Slovak enterprises looking for foreign partners requested 237 contacts. The services of the Business Partners Search Database provided by the Bratislava EIC have been used by 35 Slovak enterprises, 13 Slovak companies requested information about domestic market and foreign partners through the VANS network. Foreign companies requested 122 contacts with Slovak firms.

Taking care of the participation of entrepreneurs at foreign and domestic events

In December 2003, EIC Bratislava, in close cooperation with partners from Hungary and from the Embassy of the Republic of Hungary in the SR organised a successful conference entitled „Hungarian and Slovak SMEs on the doorstep of the EU” for Slovak and Hungarian enterprises. The conference at which there were bilateral meetings of the business people was attended by 210 companies. EIC Bratislava started in 2003 preparations for the participation of Slovak companies in contracting events to be organised in Germany and Austria in 2004.



From the left: M.Péter – Director, Corvin, a.s.(Hungary), J. Majtán – Director General, NADSME (Slovakia), G.György – State Secretary, Ministry of Economy and Transport (Hungary), E. Šimková – State Secretary, Ministry of Economy of the Slovak Republic (Slovakia), C.Györfy – Ambassador of Hungary (Hungary).



Additional support and information activities

The electronic magazine EIC-zine brings every day updated information from the EU concerning Slovak small and medium enterprises. Readers' attention mainly focuses on the sector of tourism, EU programmes, information technologies and innovations. So far, altogether 963 articles on 23 topics have been published in EIC-zine.

Interested parties can obtain and/or look up technical information concerning doing business in the EIC library which is a part of the Centre. The library provides general publications and magazines, as well as publications by the United Nations Economic Commission for Europe (UNECE). The titles may be looked up in the database accessible from the EIC Bratislava Internet page www.eic.sk.

Programme Subcontracting

The development of pro-export activities of Slovak small and medium enterprises is among the activities of the Subcontracting Exchange of Slovakia. Foreign companies show interest in co-operation with Slovak SMEs, in particular in the fields of mechanical industries – machined and wrought metal parts, metallurgy, manufacturing of plastic components and also tools for metallic and plastic components, etc. However, increasing interest was also noticed with respect to co-operation with Slovak enterprises able to develop industrial softwares. Occasionally, there were requests for manufacturing co-operation in the fields of construction industry, woodworking and chemical industry.

During the year, 210 requests from foreign companies were mediated and processed. We were approached in matters of manufacturing co-operation by companies from mainly France, Germany, Scandinavia, Benelux, Spain, and Switzerland. The Exchange experts visited directly 22 Slovak SMEs, including 8 visits attended by also representatives of foreign companies. At the same time, we organised 5 missions of Slovak SMEs to Germany, France and Brazil.

The most successful missions organised by the Subcontracting Exchange of Slovakia included technical mediation visits by Slovak SMEs to foreign entities (Jipé, Bolligerd & Mabillard, Pomagalski, 2mi, Infodec, Michaud, Asts, Trane). An important activity of the Subcontracting Exchange is assistance with the establishment of operations of foreign companies in Slovakia and/or the establishment of joint ventures such as with the French companies Jipé, Autofrigor, Dana, the German company Brückner a.o.

Italian-Slovak project

The establishment of joint Slovak-Italian machining, food, textile and woodworking ventures was the objective of the project we participated in together with the partnership SIMEST – a representative of the Italian Ministry of Foreign Trade.

The co-operation was successfully terminated in 2003. The outcome of the project included feasibility studies to result in the establishment of 7 joint ventures, and an investment manual for Italian investors in Slovakia, drafted by the Italian party.

Presentations of Slovak SMEs at subcontracting fairs abroad

Subcontracting fairs represent an opportunity for industry-oriented enterprises to present their products, services, and/or to establish co-operation with important foreign partners. Care of the presentation of Slovak small and medium enterprises at selected international subcontracting fairs is part of our pro-export activities within the Subcontracting Exchange of Slovakia.

In 2003, we organised and took care of the participation of 14 Slovak SMEs in 4 international subcontracting fairs with machine engineering orientation, including Hannover Messe in Germany, Alliance in Lyon, MIDEST in Paris, and Z 2003 in Leipzig; and at the international subcontracting fair focusing on transport equipment and elevators, INTERLIFT Augsburg.

Cross border co-operation

Via Subcontracting Exchange of Slovakia, we also get involved in the development of cross-border co-operation, in particular with the Austrian associations ECO-PLUS, Gemeinsam – SPOLU, C-B-N, and ACVR.

4. Facilitation of access of SMEs to capital

To a significant extent, development of small and medium enterprises (SMEs) is dependent upon access to capital. Despite the significant changes which the financial market has undergone, the banking institutions still consider SMEs as a high-risk sector, and approach it in a conservative manner. They have significant requirements with respect to guarantees for loans of starting companies. It is therefore desirable to seek strengthening of all forms of SMEs' access to capital, be it loans, micro-loans, or risk capital.

Support Loan Programme

The Support Loan Programme (SLP) enables small and medium enterprises to raise the necessary investment and operating capital in the form of medium-term loans at favourable interest. The programme is intended for enterprises employing up to 250 persons, doing business in manufacturing, crafts, services or active tourism. Enterprises meeting the programme criteria may apply for loans up to Sk 10m with

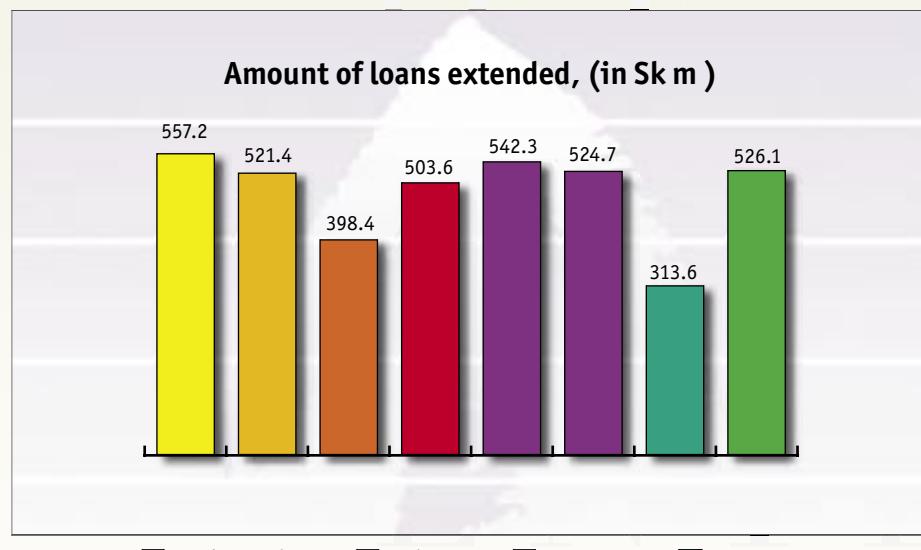
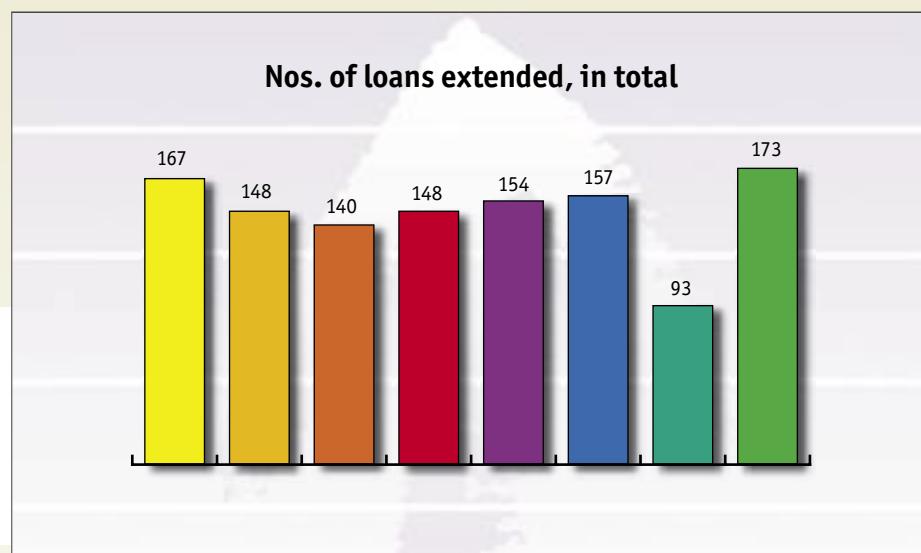
a tenure of 8 years. The interest rates are dependent on the rating of the enterprises, and range between 7.55-10.8 % p.a.

The Support Loan Programme is based on co-operation with Slovenská sporiteľňa, a.s., Tatra banka, a.s., UniBanka, a.s., Istrobanka, a.s., Ľudová banka, a.s., and Všeobecná úverová banka, a.s.

Overall, 1,180 loans were extended via selected commercial banks since the launching of the programme in 1994 until 31 December 2003, amounting to Sk 3,887m. In 2003, 21 loans were granted, totalling Sk 99.8m.

As of 31 December, 2003, a total of 777 loans (Sk 1,880m) have been repaid.

Overview of loans extended under the SLP, by regions; as of 31 Dec. 2003 in total



Principal information about the Support Loan Programme (as of 31 Dec., 2003)

Support Loan Programme	UniBanka, a.s.	Slovenská sporiteľňa, a.s.	Istro- banka, a.s.	Tatra banka, a.s.	Ľudová banka, a.s.	VÚB, a.s.	Total
Nos. of loans	387	389	126	176	93	9	1,180
Total amount of the loans (in Sk m)	1,352.686	1,104.623	451.878	675.015	259.611	43.5	3,887.314
Average loan (in Sk m)	3.495	2.840	3.586	3.835	2.792	4.833	3.294

Micro-loan Programme

The restructuring of the banking sector has been gradually improving access of large and medium enterprises to credit sources; mistrust however still persists on the part of the financial institutions, which keep cautiously considering the business activities of the small enterprises which employ less than 20 people. The issue of the access of small enterprises to small credits in the regions is the target of the Micro-loan Programme run through the network of 15 regional micro-loans funds which are actively involved in the Programme.

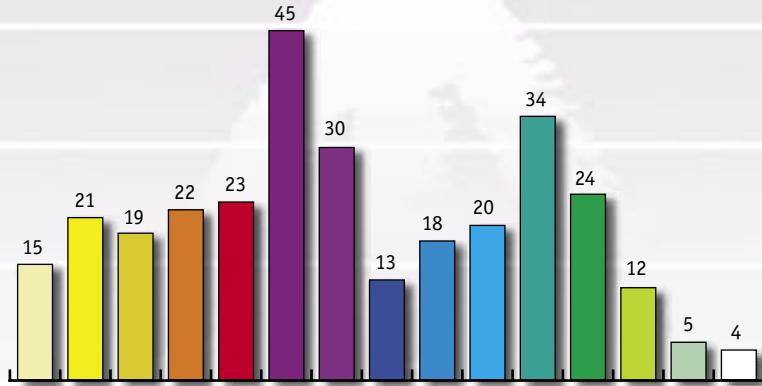
Micro-loans may be used by entrepreneurs to purchase movable and immovable capital assets, to rehabilitate operation premises, and to purchase the necessary stock and raw materials. The amounts of the loans range between Sk 50,000 and 800,000, with a maximum tenure of 4 years. In 2003, the interest rates under the Programme were adjusted to correspond to the current credit conditions and needs of the small enterprises, i.e. the interest rates were reduced to 9% p.a. and 12% p.a. for capital investments and purchase of commercial goods / inventory, respectively.

In 2003, we received applications for micro-loans from 381 applicants. In co-operation with the micro-loans centres, 305 micro-loans were extended, in a total volume of Sk 134.4m. Overall, 834 micro-loans (totalling Sk 317.3m) have been extended since the launching of the Programme, with the average amount of the micro-loan being Sk 380,000.

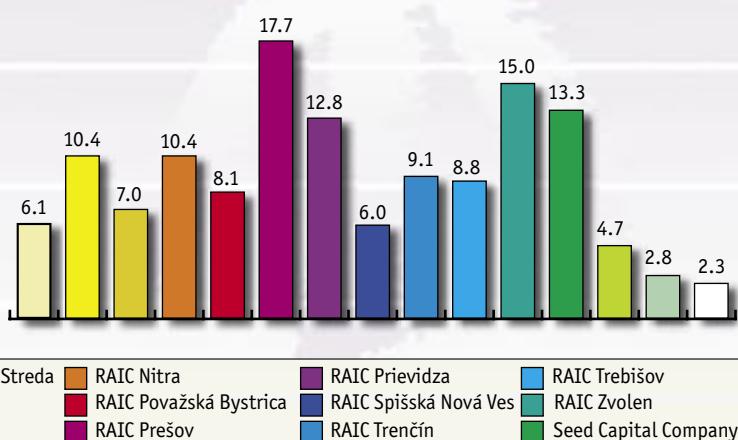
A factor of no less importance concerning the Micro-loan Programme has been the impact of the Programme upon the employment in the regions. Since the launching of the micro-loans, 1,342 and 1,566 jobs could be created and maintained, respectively.

Overview of micro-loans extended in 2003, by centres

Nos. of micro-loans extended in 2003

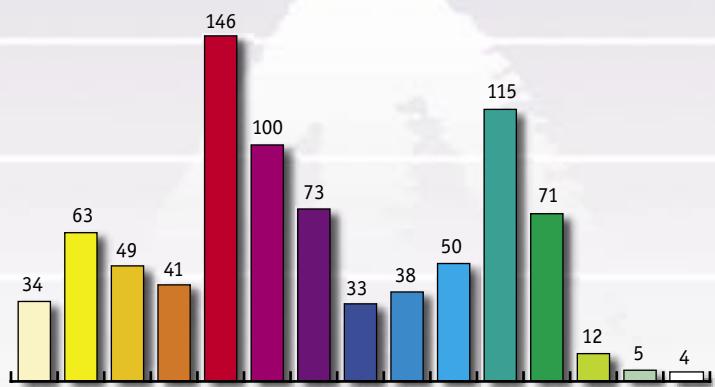


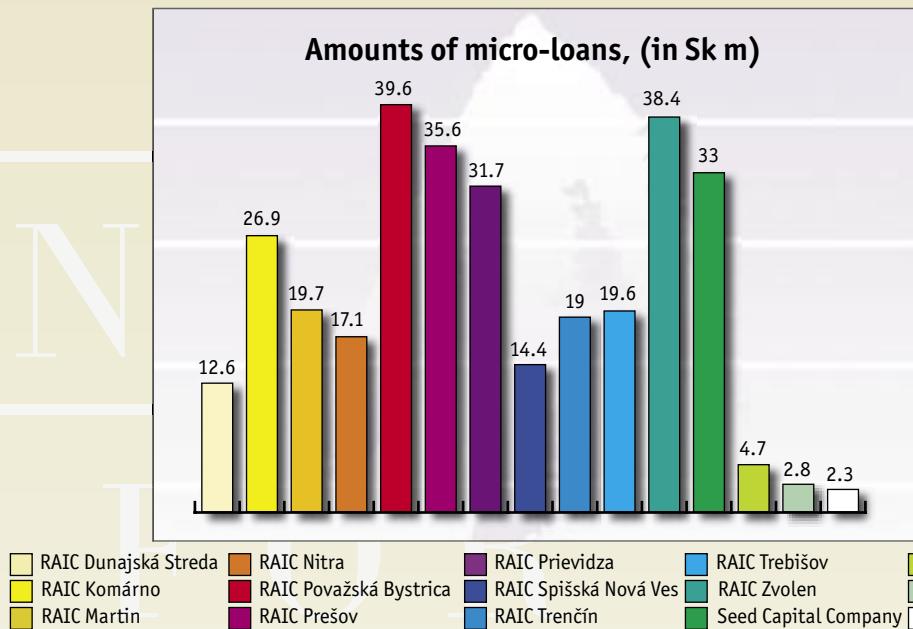
Amounts of micro-loans, (in Sk m)



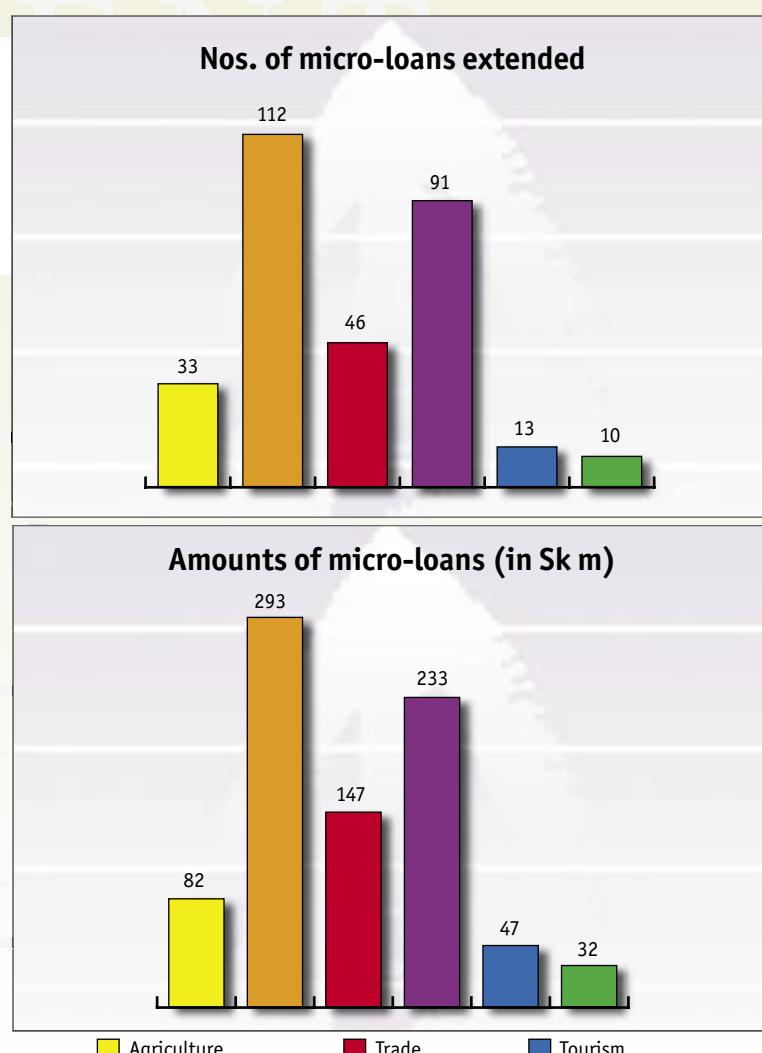
Overview of micro-loans extended in total, by centres

Nos. of micro-loans extended, in total





Overview of micro-loans extended in 2003, by sectors



Seed Capital Company

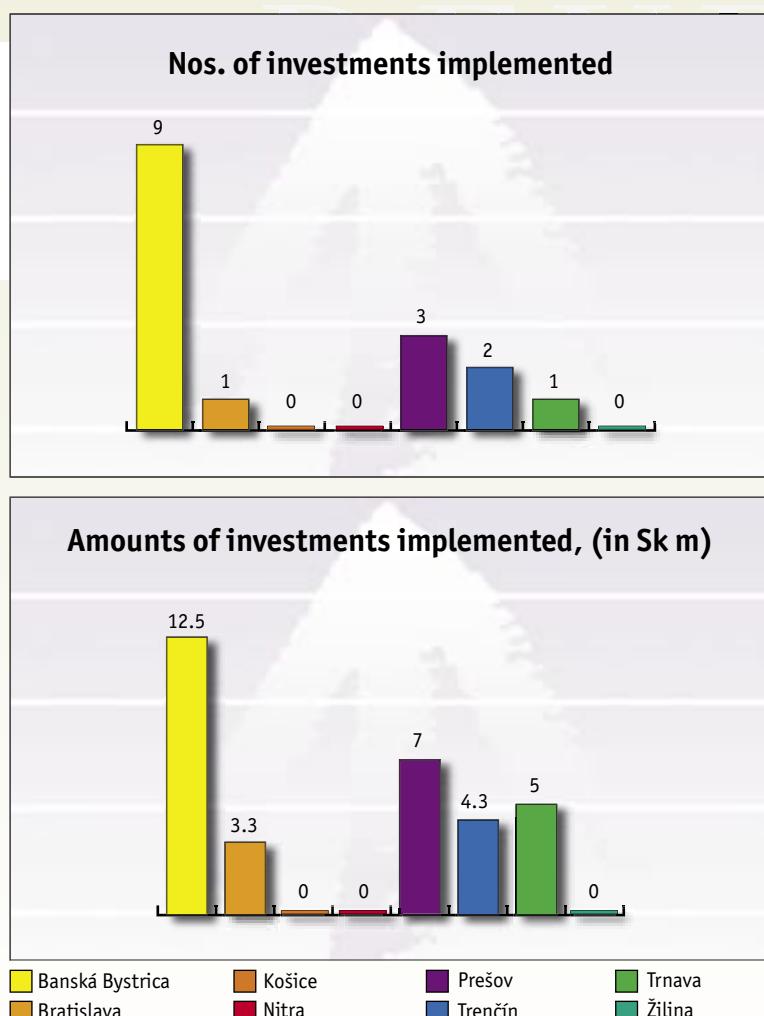
The establishment of new enterprises and the development of activities of the existing ones by financial investments into the equity of the companies represents the principal activity of the Seed Capital Company (SCC) and its regional office in Banská Bystrica. The Company manages the Start-up Capital Fund, used to make investments of up to Sk 10m into small and medium enterprises in Slovakia. The programme is financed from revolving funds of the PHARE programme. As a priority, the investments are directed towards manufacturing, industrial services and active tourism.

The Investment Board met 5 times in 2003, and made decisions to invest Sk 32.1m, including Sk 8.8m into equity and Sk 23.3m in loans. The Fund's activities were also focusing on the monitoring of 26 companies in the SCC portfolio.

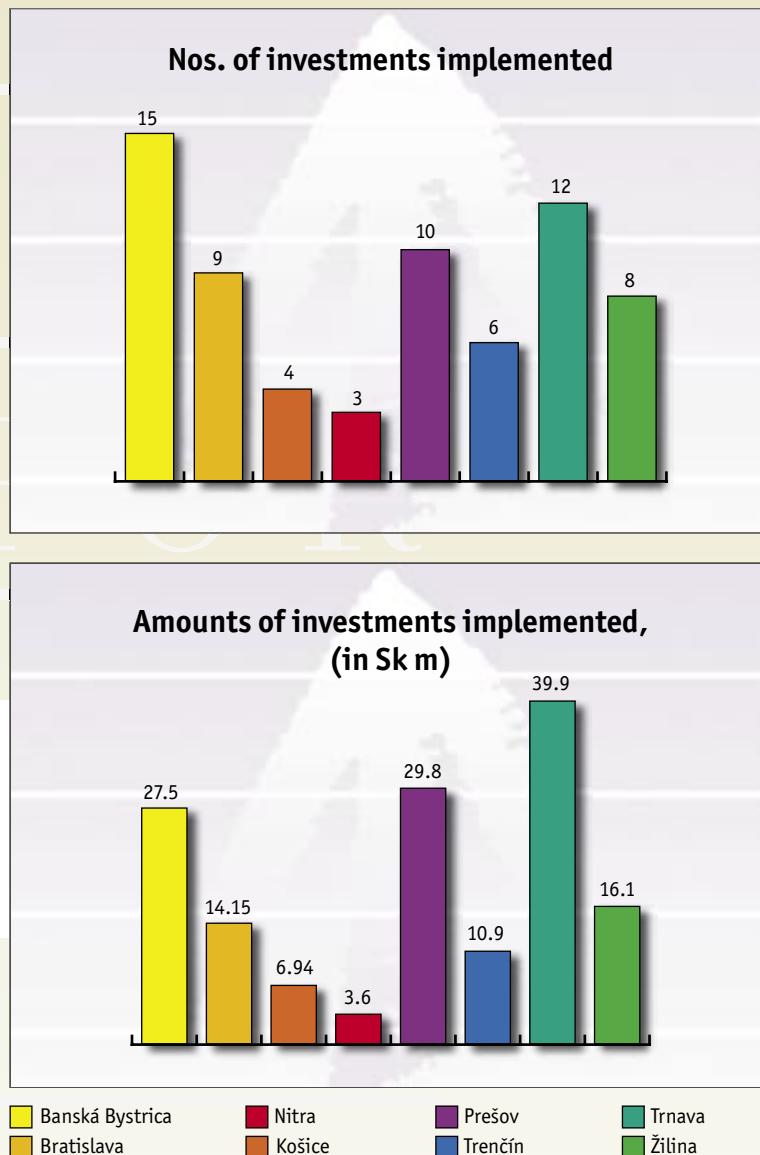
On cumulative basis, there have been 33 meetings of the Investment Board as of 31 Dec. 2003, reviewing 71 proposals for investments, approving 56 of them; additional 12 were conditionally approved, and 3 were turned down. Actual investments include 65 cases into 28 companies. In total, Sk 148.89m have been invested into companies in the Seed Capital Company's portfolio. Sk 82.2m were invested into the equity of the companies, and Sk 66.7m in loans.

Overview of investments made in 2003, by regions

22



Overview of investments made in total as of 31 Dec. 2003, by regions



III. Discharge of funds to support SMEs

I. Use of State Budget funds for support programmes of small and medium enterprises in Slovakia in 2003

Priority/Support Programme	Amount in Sk ,000
I. Facilitation of access of SMEs to capital	14,636
thereof: – Micro-loans Programme, Ministry of Construction and Regional Development of the SR (MCRD SR)	8,944
– Regional Seed Capital Fund, MCRD SR	5,692
II. Stimulation of the SME sector growth	20,366
thereof: – Counselling for SMEs, Ministry of Economy of the SR (MoE SR)	3,453
– Training for SMEs, MoE SR	124
– Monitoring and Research, MoE SR	2,679
– Counselling and Training for Selected Groups, MoE SR	9,525
– First Contact Points, MCRD SR	4,585
III. Improvement of the competitiveness of SMEs	36,133
thereof: – Support of SMEs through Incubators	7,644
– Implementation Programme of Quality Management Systems	10,508
– Technology Transfer	17,981
IV. Internationalisation, penetration of new markets	5,212
thereof: – WWW site for SMEs	1,484
– Subcontracting	2,433
– EIC	1,295
Programmes in total (I. – IV.)	76,341

24

II. Use of European Union´s PHARE funds to support development of small and medium enterprises in Slovakia in 2003

Use of Funds	Amount, in EUR ,000	Amount, in SK,000
I. Facilitation of access of SMEs to capital	1,010	41,582
thereof: – Micro-loans Programme	0	0
– Seed Capital Company	1,000	41,170
– Technical Assistance for Financial Programmes	10	412
II. Improvement of the competitiveness of SMEs	1,508	62,118
thereof: – First Contact Points	56	2,306
– Business incubators	1,208	49,733
– Technical Assistance FCPs/ BIs	25	1,029
– Technical Assistance IDGS	100	4,117
– Technical Assistance TDGS	119	4,933
Programmes in total (I. – II.)	2,518	103,700

III. Use of revolving funds to implement financial support programmes

Support Loan Programme	Sk 99,800,000
Micro-loan Programme	Sk 134,400,000
Seed Capital Company	Sk 31,100,000
Total	Sk 266,300,000

More than Sk 446.3m were used in total to fund support programmes for SMEs in 2003 (I.+II.+III.).

NADSME's Balance Sheet, in Sk ,000

Total assets	2,415,843
1. Fixed assets	50,159
thereof: – intangible fixed assets, including adjustments	1,046
– tangible fixed assets, including adjustments	9,960
– financial investments	39,153
2. Cash	2,365,684
thereof: – financial assets	2,024,513
– receivables	336,871
– temporary accounts of assets	4,193
– inventory	107
Total liabilities	2,415,843
1. Equity	2,331,867
2. Not-own short-term capital	83,976

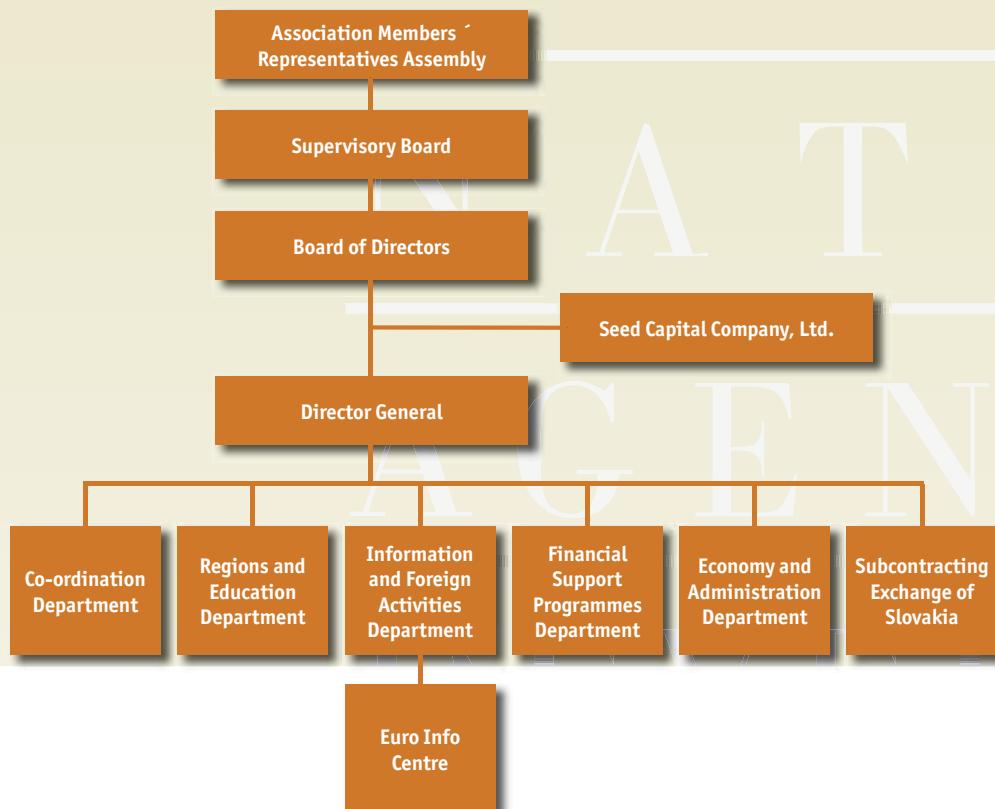
25

Discharge of funds to support SMEs, financial and property standing of NADSME as of 31 Dec. 2003

The operating costs of NADSME and the funds to cover its programmes were in 2003 covered from two sources: State Budget and other own resources.

Source	Sk ,000	% of total
State Budget	23,142	81.00
Other	5,394	19.00
Total	28,536	100.00

IV. Organigram of NADSME



26

V. NADSME Statutory Bodies

NADSME Supervisory Board

Rita Tornyaiová, Chairman, Ministry of Economy of the Slovak Republic
Karol Pavlů, Association of Entrepreneurs of Slovakia
Miroslav Fuksa, Slovak Union of Crafts

NADSME Board of Directors

László Pomóthy, Chairman, Ministry of Economy of the Slovak Republic
Zuzana Kokavcová, Vice-Chairman, Ministry of Economy of the Slovak Republic
Helena Bačíkovská, Ministry of Economy of the Slovak Republic
Ľuboš Halák, Association of Entrepreneurs of Slovakia
Peter Masár, Slovak Union of Crafts

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
Juraj Poledna, Director, Information and Foreign Activities Department
Karol Stráňai, Director, Co-ordination Department
Viktor Szűjarto, SES Manager