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# **THE ANNUAL REPORT**

## **2004**

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## 1. Address by NADSME Director General



The regional situation very sensitively reflects not only the macro-social changes, but it also reacts and adapts to changes and new conditions. The economic performance of individual regions varies and is gradually being transformed into market economy with plenty of system differences when compared with countries with a well-developed market economy. The main goal of the support system is to significantly contribute to sustainable regional development and its economic performance, the elimination of regional disparities, to the increase of productivity and competitiveness in the small and medium entrepreneurship sector. NADSME is the bearing pillar in securing the process of a continuous development of the SMEs sector on a local and national level.

Year 2004 was an important year, as it was Slovakia's first year as a member state. The membership brought lots of new experience, harmonization of the Slovak legislation and new investment and market possibilities. One of the keys to the economic growth is a performance of functions to achieve an adequate effectiveness in relation to resources. Since 2004, NADSME has substantial funds available consisting of the Government Funds, Structural Funds and Development Scheme Funds. These funds provide us with an opportunity to support the productivity and prosperity of business entities in the SMEs sector and to support their gradual establishment on the EU market.

The end of 2004 has brought many positive changes to NADSME. The need for the restructuralisation of Human Resources and setting of long-term goals for the SMEs support and development have brought new impulses that stimulated an effective implementation of already existing programmes and consequent development of new ones that reflect needs and changes of the EU global market.

The aim of the report is to provide an overview of NADSME performed activities in 2004. I would like to thank all who contributed to a successful accomplishment of our goals in 2004, and at the same time let me address all who are interested in an active cooperation in favour of the development of SMEs in Slovakia in 2005.

Ing. Ludovít Balco  
Director General

## 2. Coordination, Information and Legislation related Activities

### 2.1. Activities for Improvement of Efficiency of SME Support

The Agency has been continuously monitoring the business environment as well as the activities of SMEs in order to develop effective measures and support schemes for the further SMEs development. The collected data and proposals are published in a Report on the Status of SMEs in Slovakia, according to the Slovak Government's Resolution No. 726/2000. The report evaluates methods of SMEs' support and proposes new measures to be taken in order to improve overall business environment and boost the SME growth mainly by alleviating financial burden from enterprises and removing administrative barriers from businesses.

We actively participate on the Project of the 6<sup>th</sup> Framework Programme ESTER. Our main objective within the Programme is to analyse the conditions for setting up Seed and Venture Capital Funds that would provide funding for fast growing businesses focused on innovative technologies. These issues were the subject of an international conference organized in July this year.

### 2.2. Cooperation with Associations of Entrepreneurs

NADSME has been also closely cooperating with organisations that associate entrepreneurs, namely with the Association of Slovak Entrepreneurs, Slovak Union of Crafts, Slovak Association of Small Enterprises, and Slovak Chamber of Small Trade Licenses. Their suggestions and recommendations are considered in the overall evaluation of the SME support and growth in Slovakia. This complex material is used as a database for providing information to EU institutions, OECD and EC UNO that subsequently use the data to conduct comparative analyses and other studies.

### 2.3. Information Activities

The access to information determines the success of SMEs. The Annual Report on the Status of SMEs in Slovakia is published yearly mainly for the expert public and for the needs of various government institutions. Our accession to the EU and ongoing legislative changes concerning entrepreneurship activities require constant information updates. Therefore, we are in a process of preparing a guide for starting a business. For the wider entrepreneurship community we systematically update and provide relevant information in form of brochures or publications such as *Support of Small and Medium Enterprises – Initiatives' Guide*, *Survey of Legal Regulations of Small and Medium Enterprises*, *Principal Administrative Steps upon Starting a Business*, and a *List of State Legislation to Support SME*. Current information on other programmes is available on our website [www.nadsme.sk](http://www.nadsme.sk). The official EIC (Euro Info Centre) website [www.eic.sk](http://www.eic.sk) covers information on other projects and services carried out by the EIC in Bratislava. Latest news from EU can be found in an Internet magazine eic-zine [www.e-zine.eic.sk](http://www.e-zine.eic.sk). Another regular source of information is a monthly-published magazine *Ponikanie (Entrepreneurship)* that has already gained its circle of regular readers. Moreover, we have distributed a publication by the European Commission called *Responsible Entrepreneurship* among our cooperating associations of entrepreneurs. The publication is a collection of successful examples of the European SMEs.

## **2.4. MSP On-line**

Entrepreneurs' active use of Internet as a source of information had made us create a support infrastructure for entrepreneurs – a specialised website dedicated to issues of small and medium enterprises. The website [www.msponline.sk](http://www.msponline.sk) represents a national centre for provision of current and relevant information on activities, programmes, institutions, and events related to SME support.

At the same time the national centre also serves as a database of Slovak companies which allows a quick interaction among businesses in order to develop further cooperation in commerce and production and is also used for business-to-business electronic trade. Due to an insufficient IT equipment and consequently minimal use of progressive tools by SMEs, the operation of the website offers a mean which integrates Slovak entrepreneurs into the global market via e-business and enables them to meet criteria given by the EC to the member states

## **2.5. Business Environment Monitoring**

The most effective method to support SMEs is a simultaneous improvement of environment in all business sectors. Reduction of administrative and legislative barriers, the growth and termination of a company – these all contribute to a non-discriminatory development of the economy.

Monitoring and analysis of the business environment allows NADSME to make proposals on existing administrative and legislative measures to be taken to create the most effective support programmes. Both the quantitative and qualitative data is collected from statistical agencies, surveys, consultations with the members of the business sector, universities, foreign partners and other sources.

Business environment monitoring allows the agency to acquire information that helps to develop strategies for improvement of the business environment in Slovakia and thus strengthen the competitive power of individual businesses. In cooperation with the Statistical Office of the Slovak Republic, NADSME has conducted a survey among selected businesses which covered following topics:

- Innovation activities in SMEs
- The level of equipment of IT and production technologies among SMEs

The results of the survey are used to prepare more effective support programmes and policies to support SMEs.

Based on a project "*Improvement of business environment in Slovakia*" financed by the Dutch Government, a datacenter on SME has been developed in cooperation with the Statistical Office of the Slovak Republic. It includes also economic information and is regularly updated. That is why it is possible to conduct more precise monitoring of SMEs in order to help with preparation of support programmes, policies of governmental bodies and finally to improve the business environment in Slovakia.

The project was concluded in November 2004 with an international conference and a release of a publication "Business environment in Slovakia 2004," both in Slovak and English versions.

### **3. Support Programmes**

The Agency coordinates activities for the support of development of SMEs and domestic and foreign businesses. It also organizes various educational and consulting programmes and provides a wide range of financial support programmes for SMEs. In this area it is crucial to monitor the development and state of the business environment, as well as the SMEs sector itself which is a permanent task for NADSME. Support programmes financed from the state budget as well as from the EU funds are another important part of NADSME activities.

Contributory Programmes as a support of implementation of Quality Management System, or Transfer of Innovative Technologies have drawn attention of the business public. The most useful programmes for entrepreneurs who are just starting their business are still counselling services as well as training programmes which remove barriers of insufficient managerial experience as well as insufficient knowledge of a complex legal frame in business.

The activities of support programmes, schemes and projects can be divided into 4 main areas:

- Stimulation of the SMEs sector growth
- Increase of the competitiveness of SMEs
- Globalisation - penetration into new markets
- Facilitation of the Access of SMEs to capital

#### **3.1. Stimulation of the SMEs Sector Growth**

##### **3.1.1. Counselling and Information Services**

Support of SMEs and selected groups of people interested in starting up business (VS) is carried out by means of counselling services provided through the network of RAICs/BICs/FCCs.

Services are subsidised from the State Budget Funds. In 2004 the network of centres gave 7310 informative and professional consultations (in the total volume of 14689 counselling hours) to entrepreneurs. Using the State Budget funds the centres provided 3463 informative consultations (in the total volume of 4054 hours) on support programmes for SMEs under the patronage of NADSME or outside of it. 3847 professional consultations (in the total volume of 10 635 consultation hours) were given on all areas necessary for the development of business activities. In order to gain necessary capital either under financial support schemes or from commercial sources, RAICs/BICs/FCCs prepared 525 and reviewed additional 71 business plans. In this way the centres contributed to the establishment of 431 new businesses, generating 1138 new jobs, and helped to maintain 2555 of already existing jobs.

### **3.1.2. Training**

Training of entrepreneurs and selected groups of people interested in starting up business leads to the strengthening of managerial skills of the SMEs sector in many areas. For the training purposes special funds were allocated from the state budget which were used to organize 36 trainings for 605 participants. Main focus was on relevant topics such as Business Plan Development, Basics of Doing Business, Business Minimum, PC User skills – Word, PC User skills – Excel. The allocated funds (State Budget) were also used to award 73 applications for financial contribution (132 participants). Courses focusing on managerial skills were the most popular.

### **3.1.3. First Contact Centres**

First Contact Centres (FCC) located in the eastern Slovakia have been a part of our institutional network since 2002. Their aim is to provide information on business environment, opportunities and support in regions of Slovakia.

During the year, the FCCs provided 1240,5 hours of information services for 973 small and medium enterprises and parties interested in establishing a business; 4437 hours of consultations and counselling services for 814 clients; 39 workshops and training courses for 486 participants; prepared 205 business plans, and cooperated on 107 projects. Moreover, the FCCs closely cooperated with towns and villages on the regional development, co organised exhibitions, fairs and took part in the release of publications focusing on promotion of individual regions.

### **3.1.4. Business Incubators**

Business and technological incubators are an important part of the support infrastructure for SME. Their task is to provide new entrepreneurs with appropriate starting conditions for the period of three years to make their business work properly. Apart from the business premises, the entrepreneurs have got office infrastructure, complex counselling and training services as well as starting capital available. For the companies with innovative business plans, technological incubators offer specially designed space such as laboratories and testing facilities.

In 2004 the technological incubator in Žilina was renovated and works on the II. and III. phase of the Košice science and technological incubator were completed. Seven business incubators were also provided with funds to cover their operating costs. In accordance with the Programme, in the first year, the provided funds covered 75% of their operation costs.

Currently there are 4 business and 5 technological incubators operating in Slovakia and supporting newly established enterprises within the respective regions.

## **3.2 Increase of the Competitiveness of SMEs**

### **3.2.1 Industry Development Grant Scheme - IDGS**

The Industry Development Grant Scheme was launched under the Financial Memorandum 2002 by a public call from 02.09.2002. Its main goal is to improve the

competitiveness of production companies and strengthen less developed regions of Slovakia.

The Industry Development Grant Scheme consists of two components. In Component 1, the entrepreneurs operating in production sphere, except specialised sectors (such as shipbuilding, steel and automobile industry and the industry of synthetic fibres), can apply. The support is aimed at the development of new products or a major change of already existing products, higher efficiency of production, launch of new production processes and technologies, higher standard of research and development, as well as quality management. To apply for a grant in Component 2, the applicants have to be a non-profit or non-governmental organisations, whose main aim is to support business development in Slovakia. Support activities in Component 2 concentrate on increase of productivity of industrial production, increase of the proportion of highly qualified work force on the total volume of the Slovak production, development of production (especially in terms of new technologies) and marketing, development of commercial strategies, higher effectivity of management and technical capacity in industrial companies, enhancement of knowledge and proficiency of managers, creation of new systems which enable more efficient development and research activities, spread of knowledge on advantages of investments into trainings and innovations among industrial branches.

The amount of funds allocated for both Components is EUR 4.600.000, where EUR 4.100.000 has been allocated for Component 1 and EUR 300.000 for Component 2. 200.000 EUR was set for IDGS technical assistance. PHARE provided EUR 3.500.000 and the state budget rendered EUR 1.100.000 as a national co-financing.

During the first half of 2004, submitted projects were evaluated. 108 projects were approved in the amount of EUR 4.080.158 in Component 1, under condition that unused funds of EUR 19.842 would not be further disbursed but would be accumulated and used for unsuccessful applicants on a Reserve list. In Component 2, 11 projects were approved in the amount of EUR 94.465.

In the second half of 2004, 7th Call under Component 2 was announced as the total budget of EUR 300.000 was not completely used. During September and October 2004, 11 submitted projects were evaluated, out of which 9 were approved in the amount of EUR 72.793,40. Thus the overall contracts in Component 2 reached EUR 191.258,19. However, due to the inability of granted applicants to use the funds, EUR 108.741,81 remained not contracted.

The budget allocated for Component 1 (EUR 4.100.000 including co-financing) was used at the rate of 99, 30% and the budget for Component 2 (EUR 300.000) at the rate of 36, 75%. The final amount of funds for the overall Grant Scheme: Component 1 and Component 2, i.e. EUR 4.262.602, 72 was used at the rate of 96, 88 % compared with the allocation of EUR 4.400.000.

By the end of November 2004, 132 grant contracts were signed of which 109 were in Component 1 and 23 were in Component 2.

By the December 31<sup>st</sup> 2004, PHARE funds for the Component 1 were disbursed in the amount of EUR 217.274,32, the State Budget funds in the amount of EUR 79.670,22, with the final balance of EUR 3.774.394, 53 left.

For the Component 2 which is not financed from the State Budget, PHARE allocated EUR 141.817,13 with the balance of EUR 49.441,06 left.

### **3.2.2 Tourism Development Grant Scheme - TDGS**

The Grant Scheme for the Development of Tourism financed under the Financial Memorandum 2002 was announced in form of a public call on 2 September 2003. Its main priority is to support the growth and performance of SME in the branch of tourism and to enhance the competitiveness of the tourism industry in all regions of Slovakia.

The Tourism Development Grant Scheme consists of two components. Under Component 1, SMEs can apply for a grant which supports mainly construction of new accommodation facilities, higher standard and reconstruction of existing accommodation facilities, creation of new or improvement of existing facilities providing tourist services as well as the development of tourist attractions. The Component 2 is designed for non-profit or non-governmental organisations concentrating on activities in tourism, for tourism associations, municipalities on local and regional level. The support is aimed at strategic planning in tourism, marketing and promotion as well as the provision of information on possibilities to use tourism facilities, non-profitable investments into infrastructure, mass media promotion of tourism, participation at tourism fairs etc.).

The total amount of EUR 3.300.000 was allocated for Component 1 with the resources coming from the pre-accession help of the programme PHARE, the Financial Memorandum 2002. For Component 2, the total amount of EUR 2.200.000 was allocated and the funds were secured from the state budget as a national co-financing. The winning projects are as follows: C1 – 37 in the value of EUR 3.281.548,73, C2 – 66 in the total amount of EUR 1.993.634,5.

During the second half of 2004, the second public call for Component 2 was announced as the total sum of EUR 206.379,86 had not been used in the first Call. During October and November, 78 submitted projects were evaluated from which 7 projects were approved in the amount of EUR 204.689,56.

### **3.2.3. Innovation and Technology Development Grant Scheme - INTEG**

The first round of the INTEG Grant Scheme was published in the form of a public call on September 8<sup>th</sup> 2003 and the second round on February 2<sup>nd</sup> 2004, both of them under the Financial Memorandum 2002. It scheme focuses on the support of innovative and technological transfer by means of the establishment of technological incubators and initiation of the economic cross-border cooperation with Austria. Grant contracts were signed with two recipients (Slovak Technical University in Bratislava, and the city of Sládkovicovo) in the total amount of EUR 2.690.502 which stands for *99.65% of allocated funds*. Under the Scheme, the technical support was provided and directed at the training of future employees of incubators, institutional development and promotional campaigns. At the same time a Venture Capital Fund was created to support innovative projects by future tenants of new technological incubators.

### **3.2.4. Measure 1.1 – Support of Development of New and Existing Enterprises and Services**

The aim of the Measure 1.1 is to draw the attention of the private sector towards the development of existing as well as new production capacities, creation of new jobs (including managerial positions) by means of investing into new technologies and

equipment. Such changes will influence the growth of GDP per capita as well as the productivity in the area of industry and services and will reduce the negative effects on the environment.

Measure 1.1 is carried out in the form of projects submitted by companies of the private sector. Projects focus on investments into industry and industrial production, crafts and services of industrial character, mainly services connected with the active use of modern information technologies in order to procure tangible and intangible fixed assets. Projects directed at counselling and consulting are connected with the implementation of modern management systems, including management information systems and progressive marketing methods as well as services provided in marketing and consumer relation management, financial counselling (excluding tax and accounting counselling), building of a brand and company's goodwill, organisation and management of a company and technological counselling.

EUR 25.000 is a minimal amount of the support of investment projects. The maximal amount of support for the acquisition of tangible fixed assets such as cost of land or premises must not exceed EUR 6.000.000. In case of costs spent on the acquisition of machines and devices as well as on intangible fixed assets with the purpose to launch new technologies, the top limit is EUR 8.500.000.

The minimal amount for support programmes to be spent on counselling and consultation services related to the implementation of modern management systems in companies including information management systems and progressive marketing methods is EUR 5.000. The maximal sum amounts to EUR 50.000 provided the total costs on an individual project do not exceed EUR 100.000.

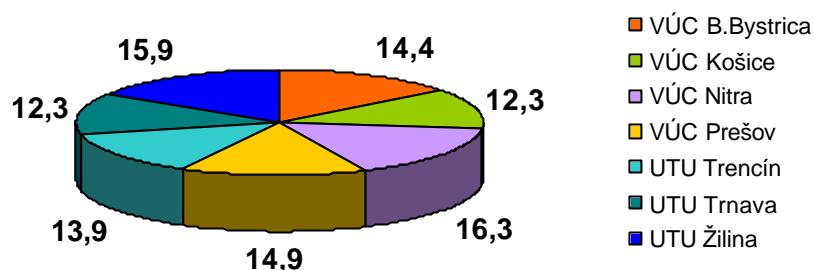
Projects on counselling and consultation services such as marketing and consumer relation management (excluding tax and accounting counselling), building of a brand and company's goodwill, organisation and management of a company, technological counselling (with focus on the analysis of production processes and a proposal for the production optimisation, etc.) do not have the minimal limit of support determined. However the maximal amount allocated for these projects is set at EUR 3.000 on condition the total relevant project costs do not exceed EUR 6.000.

The maximal limit for a project submitted under this scheme cannot exceed EUR 15.000.000 provided the total relevant costs of the project are not higher than EUR 25.000.000. Total project costs are not limited. The total volume of funds allocated for the Measure 1.1 is Skk 1.206m.

A Call to submit projects under the Scheme for the Support of SME was published on 15 June 2004. By the closing date of 30 September 2004, 416 applications for a non refundable financial grant were received.

During November and December 2004 received applications were evaluated by internal and external experts. All suggestions and conclusions from previous assessment sessions will set a benchmark for the Evaluation Commission.

### Number of Submitted Applications for non refundable financial grants by self-governing regions, (in %)



#### 3.2.5. Measure 1.2 – Support for Building and Reconstruction of Infrastructure

The main objective of the measure is to enable public sector to secure the development of undertaking in industry and service sectors, to increase the employment rate and the quality of living in regions set in the Priority 1. There is also an effort to revive business activity via the public sector mainly as a part of a consistent regional development including revitalisation of former industrial and other business premises.

Activities to be supported under the Measure 1.2 are directed mainly at the creation of new incubators for starting entrepreneurs and sole traders, research and development centres, technological parks under the patronage of NADSME and construction of industrial parks, renovations of production halls which are under the patronage of The Slovak Investment and Trade Development Agency (SARIO).

In addition, the Measure 1.2 covers also activities supporting the use and link of information between scientific, academic and specialised libraries, development of the sole traders' institute including the creation of a regional network with the help of current apprentice schools, technical high schools and universities.

Final recipients are Higher Territorial Unites (VÚC), towns, villages and their associations as well as budget and contribution based organizations set up by them, in order to support the development of industry and selected services. In case of technological parks together with research and development centres, municipalities in association with a university can also apply for the grant.

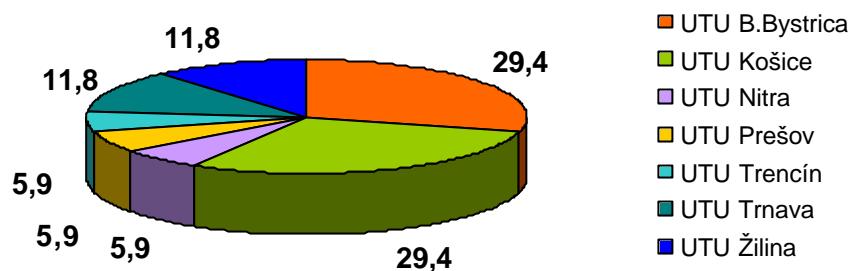
The minimal limit for an individual project is EUR 100.000 whereas the maximal amount is set at EUR 6.000.000 provided that the total amount of relevant costs per project does not exceed EUR 8.000.000. The applicant is obliged to co finance the project in the amount of not less than 5% of the approved costs.

A Call to submit projects under Measure 1.2 - Support for building and reconstruction of infrastructure was published on 7 April 2004.

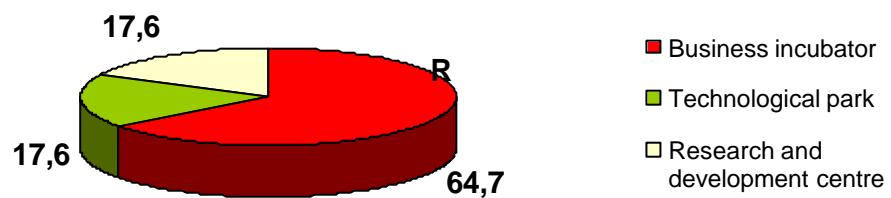
Applications for the non refundable financial grant had to be submitted no later than 31 August 2004. Altogether 17 applications were received out of which 8 were approved by the Selection Committee. The total amount allocated to applicants reached Sk 269.379.570 with the total relevant project costs of Sk 283.557.450 and applicants' co-financing of 5% in the amount of Sk 14.177.880. 55% of the funds

were approved for the creation of business incubators while 45% were spent on research and development centres.

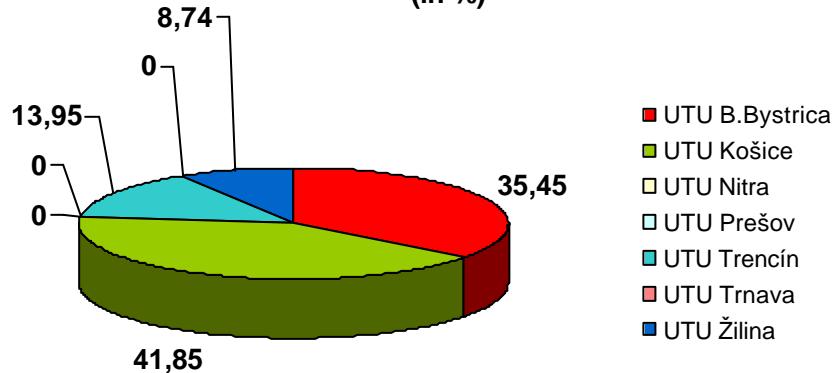
**Number of submitted applications for non refundable grants by self-governing regions (in%)**



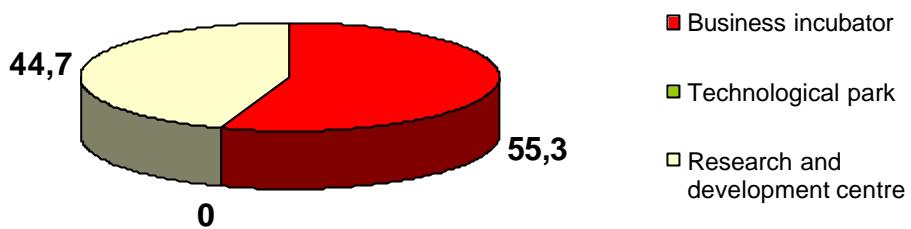
**Number of submitted applications for non refundable financial grant by relevant activities (in %)**



**Amount of allocated funds by self-governing regions (in %)**



Amount of Allocated Funds by relevant activities (in%)



### **3.2.6. Quality Management System Implementation Programme**

The increase in number of companies certified according to international standards, e.g. ISO 9 000, VDA, BS, QS, and ISO 14 000 was the goal of “the Quality Management System Implementation Programme – QUALITY” financed from the State Budget. Our intention was to stimulate the sector towards the higher quality of products and services by means of grants on counselling and training (C&T) for companies preparing for the certification (C) and for the process of external certification, pre-certification and re-certification (REC) itself.

Due to the fact that in August 2003 the Programme was transformed into a new programme – “Scheme of the Support for the Purchase of Innovative Technologies and Implementation of Quality Management Systems”, no new applications were either accepted or approved in 2004. However, 13 applications for grants on counselling and training together with 16 applications for grants on certification process were disbursed in the total amount of Sk 1.65m. All the funds were contracted in the previous year with 19 companies.

### **3.2.7. Transfer of technologies**

The use of progressive technologies is a key success of SMEs in a severe competition. The implementation of innovations in SMEs was supported by means of subsidies and grants within the Transfer Technology Programme. The objective of the Programme was to modernize production processes, raise labour productivity and facilitate entry of Slovak companies into international markets.

### **3.2.8 Scheme of the Support for the Purchase of Innovative Technologies and System of Building Quality Management Systems**

The support scheme was created by the transformation of two state programmes – “the Programme of Quality Management Systems Implementation – Quality” and the Programme “Transfer of Technologies”. The scheme concentrates on the strengthening of competitiveness of SMEs through the implementation and use of innovations and quality management systems in accordance with international norms.

It was the Ministry of Economy that announced the Scheme in August 2003 as the provider of the support.

Under the Scheme it is possible to provide a grant for the purchase of innovative technologies in the amount of up to 60% of authorised costs, however not more than SK 3.500.000 and a subsidy for the implementation of the Quality Management System in the amount of 50% of authorised costs but not more than SK 100.000 for counselling and SK 120.000 for the certification process.

Based on the decision of the Ministry of Economy, the Scheme was stopped in February 2004. By that time 24 applications (24 clients) were submitted for the grant to purchase innovative technologies in the sum of SK 32.67m. together with 55 applications (26 for C&T + 28 for C + 1 for Rec), i.e. 34 clients, in the amount of SK 3 mil. Altogether 58 companies applied for grants on the implementation of Quality Management Systems.

In 2004 the Selection Committee met twice and 76 applications on innovative technologies were considered as well as 276 applications (153 for C&T and 123 for C) for Quality Management Systems from 236 companies.

11 applications for innovative technologies were approved together with 198 applications (including 121 for C&T from which one was approved with a condition and 77 for C) for Quality Management Systems from 142 companies.

In 2004, 20 subsidies on innovative technologies were disbursed in the total amount of SK 33.5m and 197 subsidies on the implementation of Quality Management Systems (115 on C&T, 80 on C and 2 on Rec) in the sum of SK 10.2m – altogether for 145 companies.

Results of the implemented schemes are divided into two groups according to higher efficiency. The first group consists of subsidies on new technologies while the second one is dedicated to the implementation of Quality Management Systems.

**1. Quality Management System Implementation Programme – QUALITY and Scheme of the Support for the Purchase of Innovative Technologies and System of Building Quality Management Systems – Section of Quality Management System Building**

Chart Nr 1: The number of companies granted a subsidy in 2004, by sectors

SECTOR	NUMBER OF COMPANIES GRANTED A SUBSIDY
Building Industry	71
Manufacturing	89
Services	51
Counselling	5
Information Systems	4
Research, Development, Design	4
Agriculture	2

Chart Nr 2: The amount of funds disbursed from the State Budget in 2004, by counties

COUNTY	COUNSELLING AND TRAINING, IN SK, 000	CERTIFICATION IN SK, 000	RE-CERTIFICATION IN SK, 000
Bratislava region	1 504 400	668 910	59 703
Trencín region	1 391 683	662 011	0
Nitra region	1 111 350	515 639	47 200
Žilina region	950 819	698 358	0
Košice region	910 970	392 499	0
Trnava region	815 000	390 103	0
Banská Bystrica region	701 138	231 500	0
Prešov region	503 393	312 750	0

Chart Nr 3: Number of companies drawing funds from the State Budget in 2004, by counties

COUNTY	NUMBER OF COMPANIES
Bratislava region	43
Trencín region	35
Nitra region	35
Žilina region	31
Košice region	25
Trnava region	24
Banská Bystrica region	17
Prešov region	16

## 2. The Programme of Technology Transfer and the Scheme of the Support for the Purchase of Innovative Technologies and the Building Quality Management System – Section Purchase of Innovative Technologies

Chart Nr 4: The number of companies granted a subsidy in 2004, by sectors

SECTOR	NUMBER OF COMPANIES GRANTED A SUBSIDY IN 2004
Manufacturing	14
Services	7
Information Systems	1
Research, Development, Design	1

Chart Nr 5: The amount of disbursed State Budget funds in 2004, by counties

COUNTY	AMOUNT IN SK
Bratislava region	2 879 000
Trenčín region	4 610 495
Nitra region	2 235 023
Žilina region	6 180 000
Košice region	4 919 324
Trnava region	1 931 000
Banská Bystrica region	5 886 800
Prešov region	6 377 229

Chart Nr 6: The number of companies drawing funds from the State Budget in 2004, by counties

COUNTY	NUMBER OF COMPANIES
Trenčín region	5
Banská Bystrica region	3
Košice region	3
Nitra region	3
Prešov region	3
Žilina region	3
Bratislava region	2
Trnava region	1

### 3.2.9 The 6<sup>th</sup> Framework Programme

Through the 6<sup>th</sup> Framework Programme for Science and Research the European Commission contributes to the establishment of the EU as a world leader economy. The programme is structured in such a way to enable fast use of new knowledge and technologies in the market through SMEs. For the Slovak entrepreneurs it represents the best way how to gain an access to the most progressive technologies and production innovations. The Agency's role is to promote the programme in the business community as well as to provide consultations to anyone interested to participate.

A special attention is paid to SMEs with the aim to support their participation in activities of individual areas, mainly in integrated projects, networks of excellence, and research oriented projects. It is expected that in this form SMEs will draw at least 15% from the allocated budget.

Furthermore, there are two specific schemes designed to allow SMEs to actively develop innovations without the possession of their own research capacities. They

are namely the schemes of the *Collective Research* and the *Cooperative Research* (CRAFT) through which the business groups can order a research project to be carried out by research institutions and thus have their own specific development and innovative problems solved.

### **3.3 Globalisation and Penetration into New Markets**

The penetration of Slovak SMEs into new markets can be achieved only through specifically targeted activities aimed at the development of international cooperation. This can be achieved by means of presentation of businesses on fairs and contracting events, the search for new contacts with the use of all modern electronic systems and media as well as the provision of updated information on the legal system of changing commercial environment. Support activities carried out in this area enable faster adaptation of SMEs to new changes in the competitive market environment in the EU as well as outside of it. The majority of the activities are performed by NADSME through the Euro Info Centre (EIC).

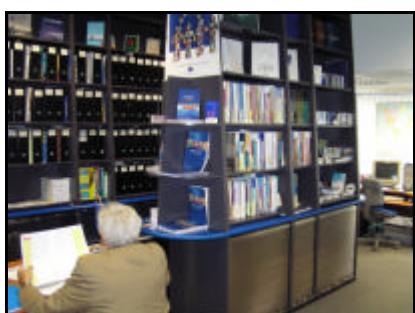
#### **3.3.1 EIC Information Network**

The Agency enables Slovak SMEs to gain information and contacts from the EU countries, countries on the waiting list to become the member states as well as the third countries out of the European single market through the participation on projects by the European Commission and the cooperation with foreign partners. All the projects are usually coordinated by Euro Info Centres that were founded by the EC Directorate of Industry and Business in order to provide SMEs with complex information on the European single market, support programmes and the direction of business development and at the same time to help to create a scope for their future cooperation. The common goal of all Euro Info Centres is to strengthen the competitive position of SMEs, enhance innovation and raise efficiency of SMEs international cooperation.

Apart from the EIC by NADSME in Bratislava there is another EIC in Prešov whose host agency is the Regional Advisory and Information Centre (RCIC Prešov)

#### **Support in Search for Cooperation Partners**

Euro Info Centres assist entrepreneurs in the search for cooperation partners by means of the Business Cooperation Database, internal correspondence network and the participation of Slovak entrepreneurs at international contracting events.



Each year approximately 700 offers for cooperation from foreign companies are translated and published in various periodicals and on web sites of Euro Info Centres. Slovak entrepreneurs looking for foreign partners requested 275 contacts. Services of the Business Cooperation Database were used by 46 Slovak entrepreneurs. About 600 companies requested the search for information on the internal market. Moreover, the EIC received 170 requests

for contacts of Slovak companies from foreign entrepreneurs.

### **Securing the Participation of Entrepreneurs at International and Domestic Events.**

The spread of information among the business community on the impact of the Slovak accession into EU on the business was the main objective of 10 information seminars and trainings that took place in different regions of Slovakia. Bratislava EIC together with NADSME representatives, Regional Advisory and Information Centres (RAIC), the Slovak Chamber of Commerce and Industry (SCCI) and other institutions drew the attention of almost 1000 entrepreneurs with the issues regarding EU policies and entrepreneurship.

In 2004 Bratislava-based EIC coordinated projects aimed at the participation of Slovak companies at cooperating events organised in Germany (PAVE Warnemünde – the sector of the food production) and in Austria (PAVE Graze – the engineering, metal processing and tool production).

The EIC Bratislava also cooperated on missions of German, British and Korean entrepreneurs to Slovakia in October and November 2004. Together with Austrian partners they enabled Slovak companies from the IT branch (IT in building and automobile industry) to participate at 3 information and cooperation events in Schwechat.

**Photo: Korean Delegation**



### **Other Support and Information Activities**

The electronic magazine EIC-zine brings daily updated information on the EU that is relevant for Slovak SMEs. Readers are offered mainly articles on tourism, EU programmes, IT and innovations. Since 2001, 1500 reports have been published on 23 different topics.

Expert information concerning business can be found in the EIC library, which is an indispensable part of the EIC. Apart from general publications and magazines, also publications from funds of the United Nations Economic Commission for Europe (UNECE) are available there. Titles can be looked up in a database accessible from the Internet website [www.eic.sk](http://www.eic.sk).

## **Entrepreneurship in the Enlarged EU**

The Slovak Euro Centres took part in the European Commission's campaign for the EU's enlargement process. With the support received from Hewlett-Packard, Eurotel and Microsoft, 4 seminars were organised in Košice, Žilina, Banská Bystrica and Bratislava. During the pre-accession period about 500 entrepreneurs were provided with the information on different aspects how the internal market works, on the activities of the European Commission, EIC network, industry standardisation, the framework programme for science and research and other support programmes. The information and knowledge acquired from this campaign are used by the EIC staff while addressing issues that the Slovak entrepreneurs face when expanding into the enlarged EU. More about doing business in the EU and other relevant information is available on the common national website [www.eic-slovakia.sk](http://www.eic-slovakia.sk) that has been set up by the Slovak EICs as a part of the campaign. The English version of the Slovak national website offers not only the information on Slovakia but also the offers placed by Slovak companies interested in co-operation.

### **3.4 Facilitation of the access of SMEs to Capital**

#### **3.4.1 Support Loan Programme**

The main objective of the Support Loan Programme is to enable SMEs the access to fix and operation capital in the form of middle term loans. The Programme is dedicated to SMEs employing up to 250 people and whose business specialization is manufacturing, crafts, services and active tourism. Entrepreneurs who meet the criteria can apply for a loan of up to Sk 10m for the term of 8 years.

Upon the launch of the Support Loan Programme in 1994, the Slovak Government committed itself to provide funds from the State Budget of Sk 200m in order to create a revolving loan fund. The same amount of money was also allocated by the European Union Commission for the same purpose under the PHARE Programme. The funds were consigned to NADSME as a coordinator and executor of the Programme. One third of the funds were provided by three and later four Slovak banks: Slovenská sporiteľna, a.s. (Inc.), Tatra banka, a.s., Polnobačka, a.s., and Istrobanka, a.s. In this way funds were created for the Support Loan Programme in 1994, 1995, and 1998, and the total amount of Sk 1,8bn was collected to enable further provision of loans to be paid also from the loan instalments. At the end of 1998, Ludová banka a.s. joined process of the implementation of the Programme. Furthermore, additional resources were allocated from the State Budget 2000 at the end of 2001 which made the total amount of available funds reach Sk 2,4bn. and the 6<sup>th</sup> participant - Všeobecná úverová banka - joined the Programme.

Since the launch of the Programme in 1994 till 31 December 2004, a total of 1192 loans were provided in the amount of Sk 3.945,814m from which 12 loans were provided in 2004 in the amount of Sk 58,8m.

By 31 December 2004, the total of 935 loans was paid back in the amount of Sk 2.924,637m.

Chart Nr 7: Overview of the provided loans, by sectors (in Sk m)

SECTOR	NUMBER OF LOANS PROVIDED IN 2004	AMOUNT OF LOANS PROVIDED IN 2004	NUMBER OF LOANS PROVIDED BY 31.12.2004	AMOUNT OF LOANS PROVIDED BY 31.12.2004
Food Production	1	10,0	187	647,317
Textile Production			77	209,500
Woodworking Industry	1	2,5	139	422,391
Metals, Plastic Materials	2	9,0	224	791,017
Glass, Stonemasonry			25	65,484
Building Industry	2	4,5	108	362,929
Energy Sector	2	4,5	24	80,054
Printing Industry	1	6,0	18	63,664
Chemical and Pharmaceutical Industry			27	100,864
Tourism	3	22,0	110	392,164
Services			253	810,430
<b>TOTAL</b>	<b>12</b>	<b>58,5</b>	<b>1 192</b>	<b>3 945,814</b>

Chart Nr 8: Overview of provided loans by 31 December 2004, by participating banks,

Support Programme	Loan	UniBanka, a.s. (inc.)	SLSP, a.s.	Istrobanka, a.s.	Tatra banka, a.s.	Ludová banka, a.s.	VÚB, a.s.	Total
Number of Loans	390	396	126	178	93	9		<b>1 192</b>
Total amount of loans (in SK m)	1 367,186	1 130,623	451,878	691,015	259,611	43,500		<b>3 945,814</b>
Average sum of a loan	3,506	2,855	3,586	3,882	2,792	4,833		<b>3,310</b>

### 3.4.2 Micro-loan Programme

In 1997 NADMSE launched a pilot project of Micro-loan Programme with the help of three Regional Advisory and Information Centres in Považská Bystrica, Zvolen and Prešov. Its main goal was to solve the problem of access to small loans from the side of small entrepreneurs in regions. The programme is designed for small enterprises with a maximum of 20 employees. Currently, fifteen centres covering the whole territory of the Slovak Republic are in charge of the programme. The Micro-loan Programme is in operation under the Slovak Government Resolution No. 701/2002.

Micro-loans can be used for the acquisition of tangible and intangible fixed assets, reconstruction of operation facilities or purchase of necessary stock, raw materials or goods. The minimal amount of a micro-loan is Sk 50. 000 and maximal amount cannot exceed SK 800.000 in case it is used to cover investment into production, crafts or services including the purchase of materials for production. The interest rate is set at 9% for the period from 6 months up to 4 years. Should the loan be used for the purchase of goods, the maximal amount is Sk 400.000 with the interest rate of 12%, for the period no longer than 1 year. The time for instalments to pay back the principal can be postponed by 6 months maximum.

During 2004, 281 applications were received from which 251 were approved in the sum of Sk 107.159,557. Since the launch the Programme 1085 micro-loans have been provided, in the total sum of Sk 424.461,049. The average amount of a micro-loan is Sk 391.208. Another important factor connected with the implementation of the Micro-loan Programme is its positive effect on the employment in individual regions. All in all, 1664 new jobs were created and 1965 jobs were maintained, since the start of the Micro-loan Programme.

Chart Nr 9: Micro-loans provided in 2004, by sectors (in SK m)

SECTOR	NUMBER OF MICRO LOANS PROVIDED IN 2004	AMOUNT OF MICRO LOANS PROVIDED IN 2004	NUMBER OF MICRO-LOANS PROVIDED BY 31.12.2004	AMOUNT OF MICRO-LOANS PROVIDED BY 31.12.2004
Agriculture	19	8 957 276	101	44 656 045
Manufacturing	67	34 411 554	360	159 134 663
Trade	44	11 904 648	191	59 675 554
Services	100	40 907 079	333	122 957 614
Tourism	13	7 429 000	60	24 340 248
Other	8	3 550 000	40	13 696 925
<b>Total</b>	<b>251</b>	<b>107 159 557</b>	<b>1 085</b>	<b>424 461 049</b>

### 3.4.3 Seed Capital Company

The main purpose of the Seed Capital Company (SCC) founded by NADSME in 1994 is to invest into the basic capital of companies. The Company manages the Seed Capital Fund from which investments of up to Sk 5m are made into SMEs in Slovakia. The Programme is financed from the PHARE funds. The objective of the Company is to enable the establishment and development of new enterprises and the development of activities of already existing enterprises through financial investments. Preference is given to investments into projects of good manufacturing, service production and active tourism.

The Investment Committee met five times during 2004. Other activities of the fund were directed at the monitoring of 32 companies included in SCC portfolio. In total, Sk 51.175m was invested in 2004 from which Sk 22.475 into the basic capital and Sk 28.7m in form of loans.

By 31 December 2004, the Investment Committee met 38 times and 84 investment proposals were reviewed out of which 64 were approved; 14 were approved with a

condition, 5 were rejected, and one was left opened since not all required information was provided. 92 investments into 37 companies were made. Companies in the portfolio of the SCC received the total amount of Sk 200.065 of investments. Sk 107.935 was invested into the basic capital of companies and Sk 92.13 was allocated in form of loans.

By 31 December 2004, the SCC gave a financial commitment of Sk 12.9m to 4 companies.

#### 4. Disbursement of Funds for the Support of SMEs

##### 4.1. Use of State Budget Funds for Support Programmes of SMEs in Slovakia in 2004

Chart Nr 10: State budget funds for SME support programmes

PRIORITY/SUPPORT PROGRAMME	AMOUNT IN SK, 000
<b>I. Reinforcement of the Position of SMEs sector</b>	<b>13 128</b>
- Counselling and training	5 000
- Monitoring and research	946
- Counselling and Training of Selected Groups	3 999
- First Contact Centres, MCRD SR	3 183
<b>II. Increase of SMEs Competitiveness</b>	<b>80 751</b>
- Support via the network of Business Incubators	33 866
- Support for IT Purchase and the Quality Management	46 885
<b>III. Globalisation of SMEs and Penetration into New Markets</b>	<b>3 349</b>
- Web page for SME	1 614
- EIC	1 735
<b>Total I. - III.</b>	<b>97 228</b>

##### 4.2. Use of the PHARE Funds (from the European Union and international co-financing) for the Support of SMEs in Slovakia in 2004

Chart Nr 11: PHARE funds for the support of SME

USE OF FUNDS	AMOUNT IN EUR, 000	AMOUNT IN SK, 000
<b>I. Facilitation Of SME Access to Capital</b>	<b>0</b>	<b>0</b>
- Seed Capital Company	0	0
<b>II. Increase of the Competitiveness of SMEs</b>	<b>1 913</b>	<b>74 216</b>
- First Contact Centres	74	2 871
- Retention	32	1 242
- IDGS Grants	268	10 397
- TDGS 2002 Grants	1 156	44 848
- Technical Assistance for IDGS	0	0
- Technical Assistance for TDGS 2002	74	2 870
- Business Incubators under INTEG	309	11 988
<b>Total I. - II.</b>	<b>1 913</b>	<b>74 216</b>

### 4.3. Use of Revolving Funds for the Implementation of Support Programmes

Chart Nr 12: Funds for the Implementation of Support Programmes

FINANCIAL SUPPORT PROGRAMME	AMOUNT IN SK, 000
Support Loan Programme	58 500
Micro-loan Programme	66 856
Seed Capital Company	83 825
<b>Total</b>	<b>209 181</b>

In total, the sum of Sk 380.6m was used to finance SMEs Support Programmes in 2004 (I.+III.+ III.)

## 5. NADSME Financial and Property Situation in 2004

### 5.1. NADSME Balance Sheet as of 31.12.2004

Chart Nr 13: Balance Sheet as of 31. 12. 2004

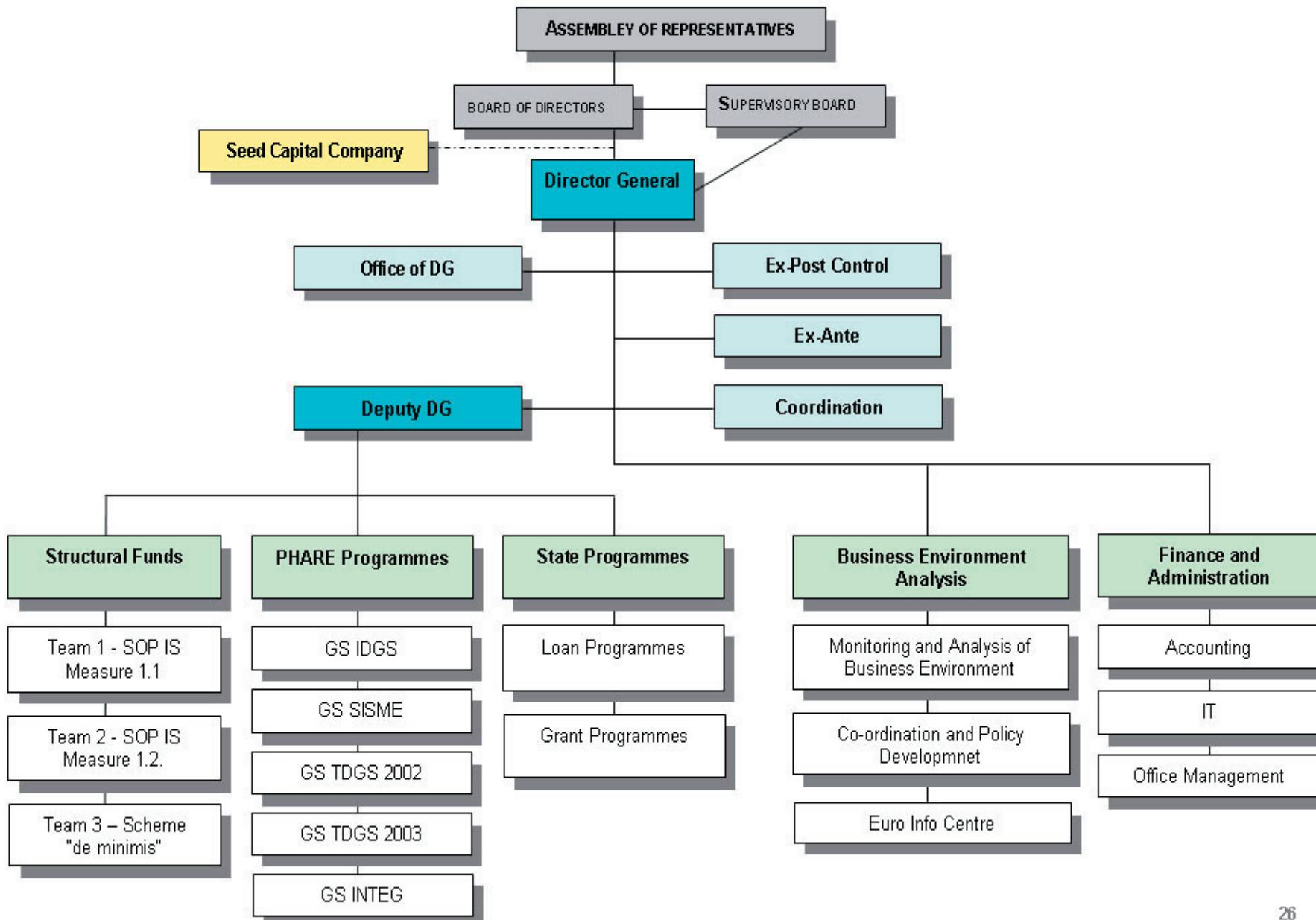
TOTAL	AMOUNT IN SK, 000
<b>Total Assets</b>	<b>2 424 848</b>
1. Fixed Assets	48 652
- Intangible fixed assets, including adjustments	845
- Tangible fixed assets, including adjustments	8 654
- Financial investments	39 153
2. Current assets	2 376 196
- Financial assets	1 995 290
- Receivables	380 287
- Temporary active accounts	546
- Inventory	73
<b>Total Liabilities</b>	<b>2 424 848</b>
1. Equity	2 353 704
2. External short-term capital	71 144

## 5.2. NADSME Operation Costs in 2004

Chart Nr 14: Operation Costs in 2004

SOURCE	IN SK, 000	% OF TOTAL
State Budget	46 359	89
Others	5 843	11
<b>Total</b>	<b>52 202</b>	<b>100</b>

## 6. NADSME Organisation Structure in 2004



## 7. NADSME Statutory Bodies

### 6.1. Assembly of Representatives of Association Members

Ing. Eva Šimková, Chairman, Ministry of Economy of the Slovak Republic

Ing. Martin Šichta, Association of Entrepreneurs of Slovakia

Anton Buben, Slovak Union of Crafts

### 6.2. Board of Directors

Ing. László Pomóthy, Chairman, Ministry of Economy of the Slovak Republic

Ing. Tomáš Hlavatý, Vice-Chairman, Ministry of Economy of the Slovak Republic

PaedDr. Helena Bacíkovská, Ministry of Economy of the Slovak Republic

Mgr. Luboš Halák, Association of Entrepreneurs of Slovakia

JUDr. Peter Masár, Slovak Union of Crafts

### 6.3. Supervisory Board

Ing. Rita Tornyaiová, Chairman, Ministry of Economy of the Slovak Republic

Ing. Karol Pavlu, Association of Entrepreneurs of Slovakia

Ing. Miroslav Fuksa, Slovak Union of Crafts

### 6.4. Management

Ing. Ludovít Balco, Director General

PhDr. Mária Martonová, Director of Structural Funds

Ing. Marek Vanko, Director of PHARE Programmes

Mgr. Darina Kalužníková, Director of State Budget Programmes

RNDr. Juraj Poledna, DrSc., Director of Business Environment Analysis

Ing. Zuzana Cigánková, Director of Economy and Administration