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# Chapter 2

## Analyses and Recommendations



## Key problems of regional development

In assessing the business environment in the regions of the Slovak Republic one can identify a number of problems. The research was conducted in the form of a questionnaire survey, where entrepreneurs commented on 38 components of business environment, rating them on a scale from best to worst, or stated their views in an open response format.

The evaluation of responses from all 79 Slovak districts shows that on the average, the entrepreneurs rated the business environment favorably on 13 items and unfavorably on 25 items. Positive assessment relates to those categories where companies are usually able to cope on their own. The indicator marked as “availability of the necessary materials and services” was ranked the highest. The second best indicator was the ability of companies to use the latest technology and the staff’s discipline and diligence. Items that received mostly positive rating throughout the country include fairness in the selection of candidates, incentives for more productive work and also the impact of natural business conditions or the potential for tourism development.

A mixture of indicators is in the neutral zone, where businesses can influence the situation or have to rely on the wise decisions of other subjects. Indicators such as the level of technology and level of competition in industry and services or educational standards are rated slightly favourably, while wage expectations of jobseekers, the influence of trade unions, communication with authorities and availability of information are rated slightly unfavorably. Dissatisfaction then goes up steadily on other specific indicators. This category shares a common feature – it lists predominantly external business environment conditions with little impact from companies. The only exception is the perception of corruption among private enterprises, which is rather a reflection of distortions fueled by the public sector. Respondents complain about low-skilled jobseekers, including foreign language incompetence, adverse effects of unemployment, issues arising from implementation of the minimum wage, poor availability of financial and capital resources.

The twelve most unfavorably rated indicators share common features. The most frequent mentioned category is offices. The second of all barriers is poor law enforcement in the district courts, the fourth is bureaucracy and procedural delays, the ninth is self-government management, the eleventh is the impact of corruption on the authorities’ decision-making and the twelfth is insufficient fulfillment of tasks by offices. These should include a generally adverse effect the authorities have on business, which is in the middle of the worst dozen. Half of the indicators criticize the attitude of the offices to themselves, and especially to entrepreneurs. The approach of public authorities that

thwarts economic activity in the regions is an alarming signal. At the same time, it pinpoints the key issue – the offices must improve their work. This may solve many problems concerning business environment.

The most pressing barrier has also been clearly identified. Entrepreneurs are most critical about the quality of road infrastructure. Their open responses show the highest degree of dissatisfaction with motorways and expressways. The reasons include less than mediocre coverage by these types of road communication and high expectations of entrepreneurs from the central government. Through the mouth of all its previous representatives in the modern history of independent Slovakia, it made building motorways a high priority, although for the most part these remained mere proclamations. Their construction moves sluggishly; the higher are the expectations of entrepreneurs in remote regions of the all-cure infrastructure. Yet the results of this and other analyses show that a fast road is not the only prerequisite for the development of economic activity. There are more than this one, which can even push the missing motorway into the side lines.

Slovakia is brimming with plans to build new motorways and expressways. Since the scope is large on paper while the funding is limited, there is inevitable pressure for preferential treatment of selected regions at the expense of others. For example, the districts of Žitný ostrov and the Ipel region have long been complaining of pushing their demands for building the east-west expressway, with the connection to the capital, into the background. Similar calls for new roads come from other regions as well. Priority must be determined by the central government, which willy-nilly takes the role of arbitrator. Not surprisingly, then, the third largest barrier to the development of business environment in the regions is little interest of the state and state institutions in individual districts. This perceived injustice is primarily associated with the missing roads. Only then follows the perceived unfair distribution of EU funds or poor navigation of foreign investors to specific locations.

The entrepreneurs expect more of the central government in other areas as well. The police force should work better to ensure proper protection of private property. The seventh position of this indicator among the biggest barriers is confirmed by the already mentioned dissatisfaction with the work of district courts. It is largely due to the inadequate work of courts and the police that the impact of informal economy on business ranks among the top ten barriers to business. The informal economy is fueling foul business practices, which the government and local authorities are unable to identify and push out of the market. This not only impoverishes the public budget plagued by income

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tax and social security tax evasion, but also honest entrepreneurs, who are often associated with fraudsters and criminals and, being rendered disreputable, suffer from loss of competitiveness.

In addition to the ten most serious barriers, there are also problems with the labor market. Poor interconnection between vocational schools and labor market placed as high as fifth. The responsibility is both with the self-governments and the central government. Individual regions make decisions about which secondary schools will be given priority in the structure of education and what the prospects of graduates of these schools are in the labor market. Local governments have their own instruments of how to reap benefits from migration of skilled labor, which is rated as the tenth most negative indicator. One cannot expect them to do miracles, as jobseekers only look for convenient work brought by investors – and those act on their own decisions. However, investors can be stimulated by favorable local conditions. Slovakia offers several examples where small towns and even villages managed to build investment parks providing job opportunities. Success was due to skilled individuals working in the self-government, in this case no less important than the top managers of incoming private firms.

## Ranking of business environment components evaluated in the survey (in order from the best to the worst)



Score of each factor for the Slovak Republic, which was used to rank the factors from the most positive (the biggest competitive advantage) to the most negative (the largest barrier to business development), is calculated by comparing the achieved score in the survey with its reference value taking into account the importance of particular factor set by the survey respondents. Each factor represents one question from the survey, but not each question of the survey was included in the list of factors significantly affecting the quality of business environment.

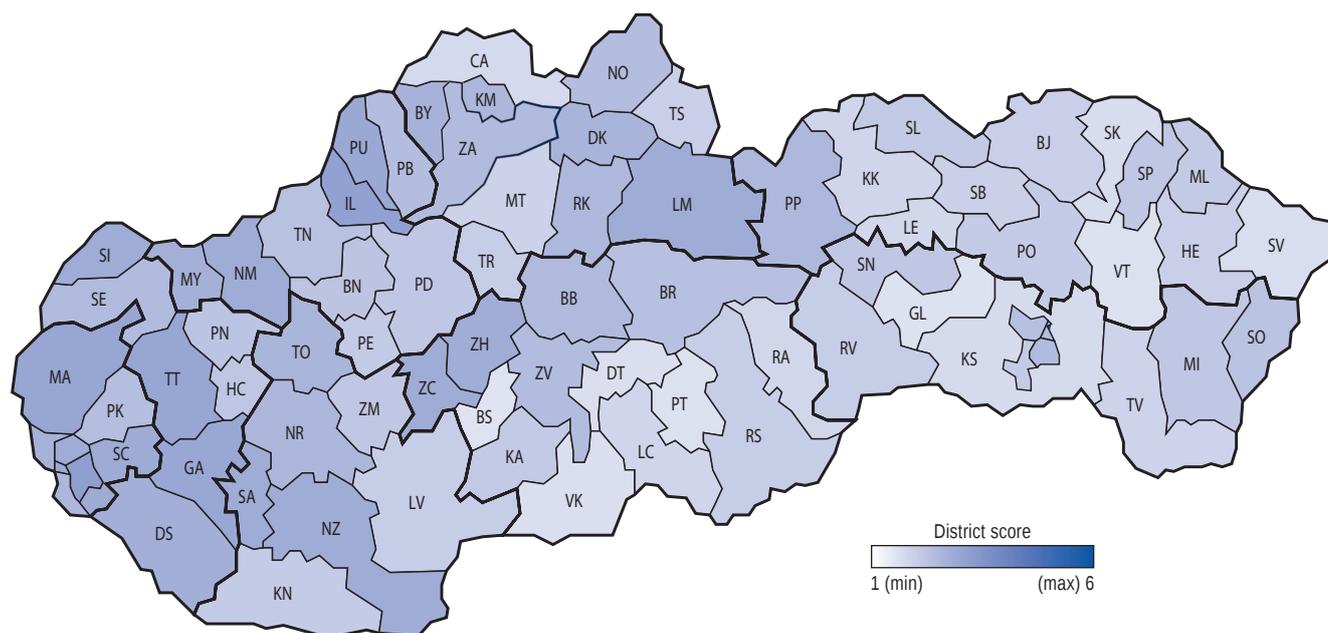
Each question has possible answers from the set of {1; 2; 3; 4; 5; 6}, where the responses 1 and 6 were given verbal meaning with opposite impact on the business environment. Response 1 represents the most negative impact, response 6 represents the most positive

impact and the average score of question is calculated as average of replies submitted by all survey respondents (more details can be found in the third chapter).

The 38 questions mentioned above have also a second scale, which expresses the importance of the issue for the business environment. This scale has possible answers from the set {*little importance*, *great importance*} with numerical representation of 0 and 1, respectively. Similar to the six-point rating, the average importance is calculated as the average response of all respondents.

Finally, the score of each factor is given as the difference between the achieved value of particular question and number 3.43, which is the overall value of the Regional Business Environment Index in the Slovak Republic, multiplied by the importance of the issue.

## 1. Quality of road infrastructure



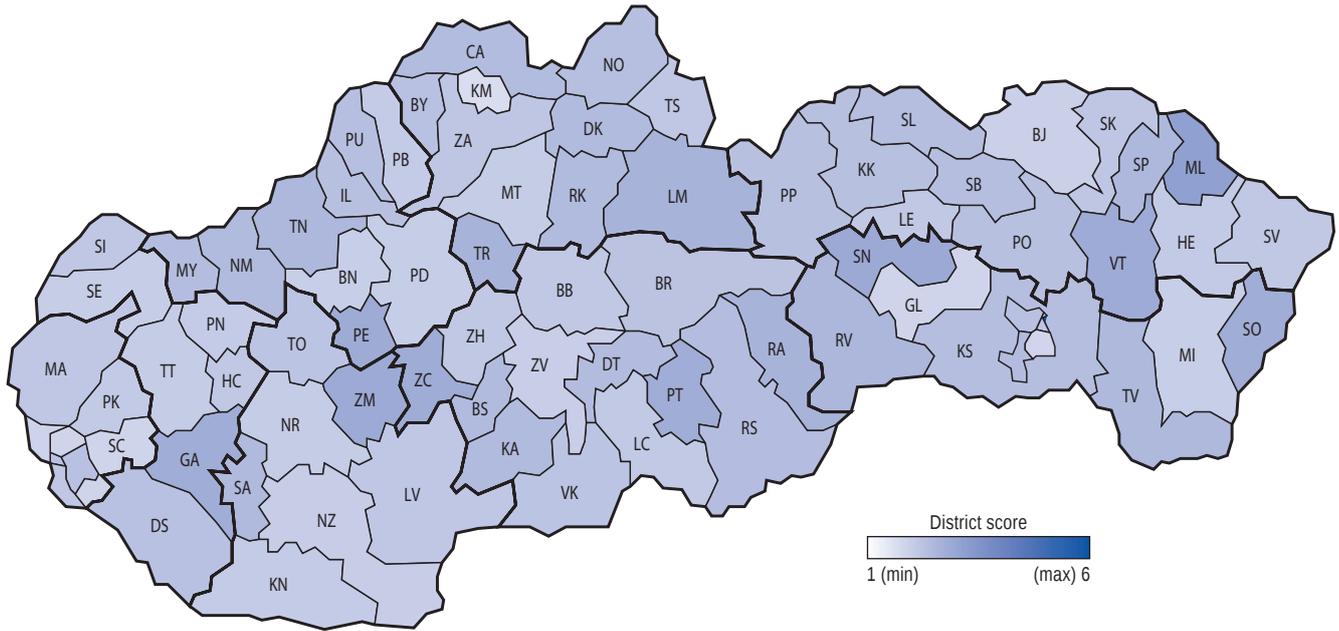
The quality of road infrastructure is seen as the worst barrier to the development of business environment in Slovakia. On the one hand, complaints concern areas with overstretched local roads, especially in Bratislava and Košice. More often however there are problems with missing motorways and expressways, roads and communications of local importance. On a nationwide scale, districts of southwestern Slovakia, Central and Upper Považie regions placed best. Relative satisfaction prevails in the Central Hron region. Entrepreneurs operating in districts with already built motorways and expressways had least complaints. The worst rated regions are those in eastern Slovakia, with the exception of Košice, and the south of Slovakia. Here again shows the perception of remoteness, mostly from the most advanced southwest part of the country, which need not necessarily be measured in kilometers; factors that may affect this perception include natural barriers that are hard to surmount or unmet expectations of the residents to keep up with their neighbors. In northeastern Slovakia with few railways (in addition to missing roads) dissatisfaction of entrepreneurs is understandable. The Upper Nitra region is surrounded by mountains and, while situated between the prosperous middle Central Považie region and start-up Central Pohronie region, complains about poor transport links. The Banská Štiavnica District views its position as very unfavorable even though it is in contact with the expressway being built along the River Hron.

The fetish of access to expressways overshadows the often more important lack of lower-class high-quality communications. This is actually manifested throughout the whole territory, around the congested Bratislava, hilly Spiš or flat south of central Slovakia. The central government faces a major challenge of improving the quality of road infrastructure as it is the government agencies that provide the maintenance and construction

of motorways, expressways and first-class roads. Slovakia lags behind Western Europe in the density of advanced communications, so the expectations of entrepreneurs are justified. The Government has inherited this problem from the Austro-Hungarian monarchy, when the construction of north-south arterial roads to Budapest was supported at the expense of the east-west communications. Hence, its primary task is completion of these communications. This applies to the motorway between the borders with the Czech Republic via Žilina and Košice up to the border with Ukraine, the expressway from Bratislava to Lučenec via Komárno and the expressway from the border with the Czech Republic through Trenčín, Prievidza, Zvolen to Košice. Moreover, there are plans to build important north-south communications of European importance, especially the remaining link between Žilina and the Polish Silesia, or the connection between Miskolc in Hungary and the Polish border through Prešov and Svidník or the roads from the Polish borderland in the Orava Region southwards to Šahy and Budapest.

The Bratislava government must identify the most important priorities and decide on the timetable for the construction of major roads. While this is within the responsibility of regional and local self-governments, ultimately it is the government's budgetary means that will largely decide about the construction and reconstruction priorities of the lower-class roads of regional significance. The struggle for preference between districts and regions is understandably severe and any decision in favor of one region raises allegations of Bratislava-centrism in the neighboring regions. Thus, the only correct approach for the government, but also for the regions and municipalities seems to lie in subjecting the construction of roads to conceptual designs such as a clear strategy on how to channel auxiliary resources from EU funds to individual regions.

## 2. Law enforcement in the district court



**Law enforcement in the district court** ranked second on the list of most serious competitive disadvantages, even though a number of studies so far have showed that dissatisfaction with the work of courts presents a greater barrier to the development of business environment than the quality of roads. The Report on the State of Business Environment in the SR compiled by the Business Alliance of Slovakia in 2010 considered law enforcement through the courts to be the second most serious barrier to the operation and growth of business, only preceded by corruption.

Looking at the map of districts, what strikes most is that the strongest dissatisfaction with the law enforcement shows in the most developed parts of Slovakia. This applies to the most advanced areas of southwestern Slovakia, Nitra, Central Považie region, Central Pohronie region and partly Košice. On the other hand, the least dissatisfaction was reported by the survey respondents living in the underdeveloped eastern half of Slovakia. Naturally, there are also exceptions, but the entrepreneurs' demands generally grow with the environment's maturity.

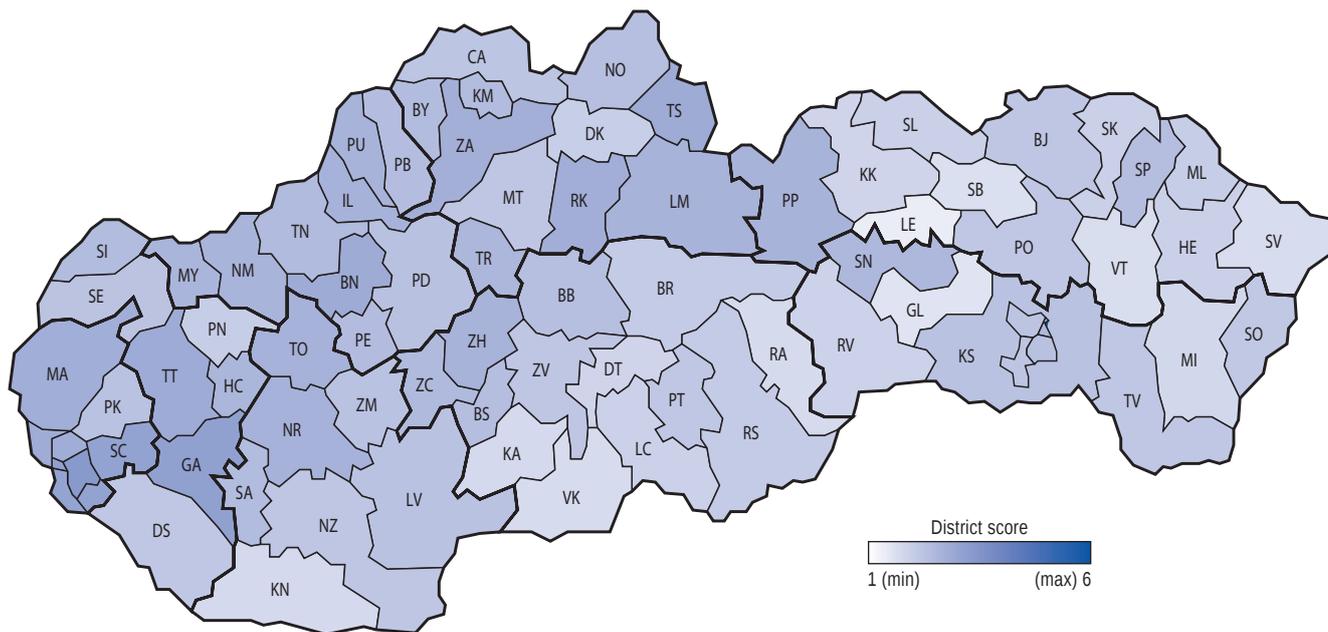
By and large, judiciary is in deep depression across Slovakia, whether in Bratislava or in Vranov nad Topľou, thus the current analysis cannot provide a comprehensive assessment of disparities between the districts. Yet one can see that claims made by managers, often foreign investors, are greater in economically more active districts. Vulnerability of firms is higher in a more competitive environment and thus comparison must often be made with competitors from abroad rather than with those from domestic market. Poor law enforcement ties their hands. Judicial power in Slovakia, as in other democratic states, is one of the pillars of power. Independence from other components is essential, thus the remedy must come from itself alone, and the

central government can only resort to some lateral tools of speeding up the process through other pillars. Self-governments in the districts and regions can do little, and one can hardly expect them to take some conceptual steps. They can help indirectly, mainly by cultivating the environment.

As already mentioned, corruption is a widespread problem. It is also nourished in local offices, regional offices and institutions that are under the government control, such as construction offices, hospitals, or nursing homes. If a resident or entrepreneur uses a bribe to push through his application in a local institution, then one cannot expect him to behave differently in a district court. The same holds for the local government, the tax office, the Social Insurance Agency or the labor safety inspectorate. Hence, the self-government is expected to curb corruption, bureaucracy, opacity in their own institutions and to induce indirect pressure for similar steps in the judiciary.

The headquarters in Bratislava face a crucial task. The aforementioned Report on the State of the Business Environment in Slovakia proposes a few practical recommendations. Here are some of them: instant availability of all judicial decisions on the Internet and convenient information retrieval, to ensure greater independence of judges from their superiors in the judicial hierarchy, appropriate allocation of responsibilities of the chief justice to judicial councils with the aim of preventing wanton decisions of the chief justices; to make regular evaluation of judges operational – repeated negative assessments should prompt disciplinary panels to apply sanctions, including removal of the judge from office. Some of these and other measures are already starting to take effect. The government must not falter in its efforts, as entrepreneurs in the districts expect radical steps to be taken by its officials.

### 3. Interest of the state and state institutions in the district



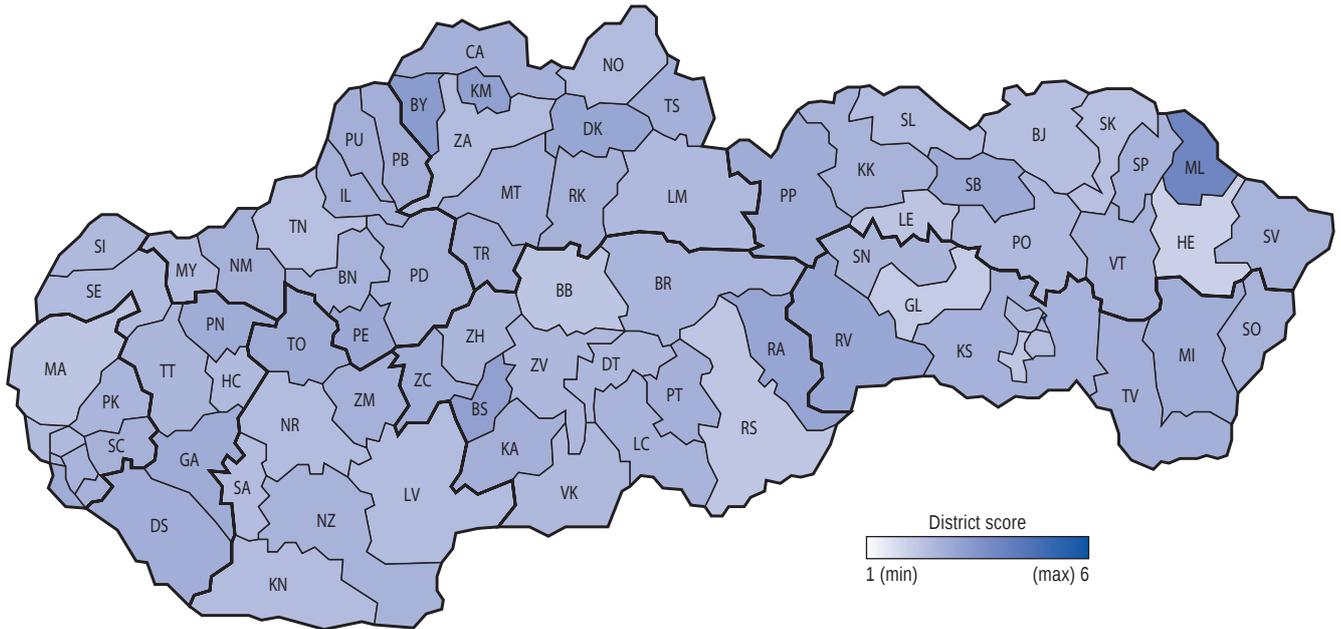
The interest of the state and state institutions is rated by the survey respondents as weak, which makes it the third biggest barrier to the development of business environment. Slovakia is split apart by a line that separates the districts situated in the west and north with a relatively greater attention from the government from those situated in the south and the east, where attention from the government is insufficient. There are two main reasons. A positive approach of the government to the construction of road infrastructure is synonymous with its generally favorable attitude. In districts with existing motorways and roads or those under construction the level of satisfaction is higher than in those where such communications are missing. Nationality is a sensitive issue. Respondents from the southern districts with a significant proportion of ethnic Hungarians note that they are viewed differently in Bratislava, as opposed to the purely Slovak settlements. The government is less responsive to them and fewer resources are channeled to these districts from the state budget. Although these views are often subjective, some respondents point out the absurdity of discrimination, as it affects the whole population of the areas, regardless of their ethnic origin.

The third reason is great distance of the region from the centre. This poses a problem especially for the remote eastern districts, which is mainly due to the poor transport connection or absence of compatriots in the central offices in Bratislava. The strongly perceived preference of Bratislava and neighboring regions was doubtlessly compounded by the government's policy in the years 2006 to 2010, when investment incentives, which were supposed to attract investors, mostly ended up in the western part of Slovakia, even though they had been intended to bring jobs to the least developed eastern areas. The central government and state institutions should apply the same standard to all

districts. The reasons for not doing so are many; among others, unfavorable, eccentric location of the capital or inappropriate division of the country into districts and regions by the territorial-administrative reform adopted in the 1990s. The government finds it difficult to apply the same standard to the district of Prešov as to the district of Medzilaborce when there is a 14-fold difference in the size of population. Gravitation to the capital is entrenched deeply in Slovak society; therefore, it is necessary to create conditions which would shorten the distance between Bratislava and other districts – through physical road links, through electronic communication and equitable fiscal decentralization.

Targeted support programs for backward areas deserve special attention. They include mainly EU funds, which serve to smooth out regional disparities across the Union. This mission should be fully accomplished in Slovakia, which has both the most and the least developed regions in Europe (Bratislava and Trnava as opposed to the eastern districts). The government is expected to adopt a consistent policy of positive discrimination in allocating EU funds, choking off their flow to the developed parts of the country and controlling their targeted and eligible spending in the least developed parts. Some districts are so weak that they can only be recovered by EU injection of cash. Entitlement to EU funds spending based on a pre-set proportional ratio should be tied to certain areas whose boundaries would be set by the government following discussions with the self-government authorities. Effectiveness of spending could be maximized through applying the principle of project management. The joint role of self-governments and entrepreneurs would consist in developing framework projects, which would vie in local regional competitions. If this model were applied consistently, many suspicions of regional or national discrimination would disappear.

#### 4. Bureaucracy and delays in offices



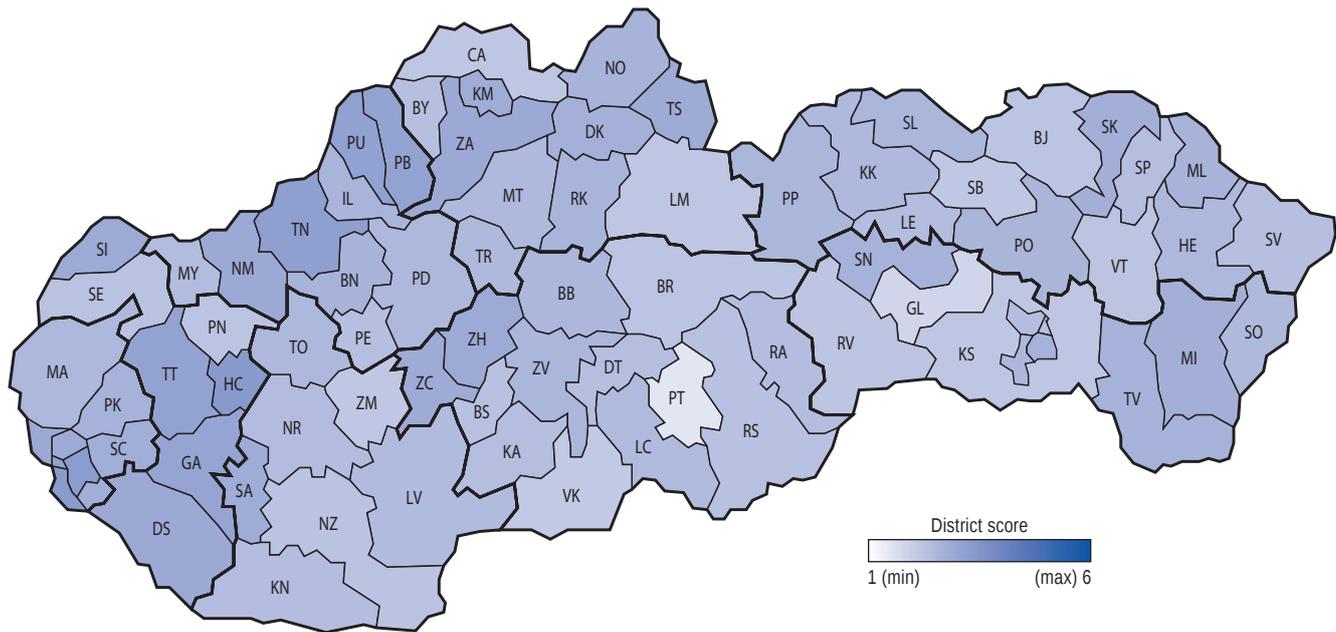
**Bureaucracy and delays in offices** are a common problem throughout the country and have been rated fourth most serious barrier to business development activities. Regional analysis of this problem district by district will not show any spatial trends. Only a few districts stand out in both directions. The most surprising is by far the best position of Medzilaborce, yet this least populated Slovak district views the work of official bodies slightly different than other districts. Of some interest is the low ranking of the districts of Banská Bystrica, Trenčín, Žilina and Nitra. The centers of these districts also serve as the regional headquarters, so it could be expected that the larger number and higher rotation of officials would bring better services for the residents. The opposite is true however. Several survey respondents reported that officials act wantonly, create artificial barriers and are not interested in the impact of their irresponsible behavior on the running of companies. Thus, it seems unrealistic to expect their help and sympathy and their viewing of clients also as potential employers and taxpayers.

Complaints against authorities do not only apply to state institutions but also to self-governments. In Bratislava, the work of officials is frequently associated with political parties, which are often served preferentially. In smaller towns, especially in the eastern half of Slovakia, voices are heard demanding a crack-down on unscrupulous officials, which often implies those working in the central government. These statements confirm that elections to self-governments of villages, towns and regions are often only nominal and do not reflect the experience of the previously gained feedback. Inspection is insufficient, sanctions are not employed, and in the case of persistent dissatisfaction referendum is not used as a tool for the dismissal of top officials – as if everyone was waiting for the local mayor to be

dismissed by a government official from the capital. Here lies the main reason why self-government officials can afford to act bureaucratically and victimize customers. Little interest in public affairs means that general public admits to offices irresponsible and unqualified personnel.

Tackling this problem is a long-term process, which requires a change in behavior of the local residents. Technical measures for combating bureaucracy and procedural delays mainly include increased transparency, elimination of willfulness in decision-making and preference for electronic communication. The aim should be to keep all the information related to the work of offices up-to-date and to make this information publicly available on relevant websites. A private person or an entrepreneur should find all the necessary documents and forms on the Internet and if he is computer illiterate, he should contact a professional service center provided by the local authority. Rules and regulations should be formulated unambiguously, preventing individual interpretation by different officials. Customer applications should be eligible, so if an officer does not deal with the written application within the deadline, it would be automatically regarded as granted. Electronic communication should be given preference, including the application of any kind. What is expected from the self-governments should equally be expected from the state institutions. The government should set an example in a whole range of local government institutions – from the Social Insurance Agency and tax authorities through the collection of statistical data, registration of citizens, cars and registry courts. The central government has a specific position in that it has effective means and tools for the enforcement of such procedures and that it should inspire self-governments by its principled approach.

## 5. Connection of vocational schools and labor market



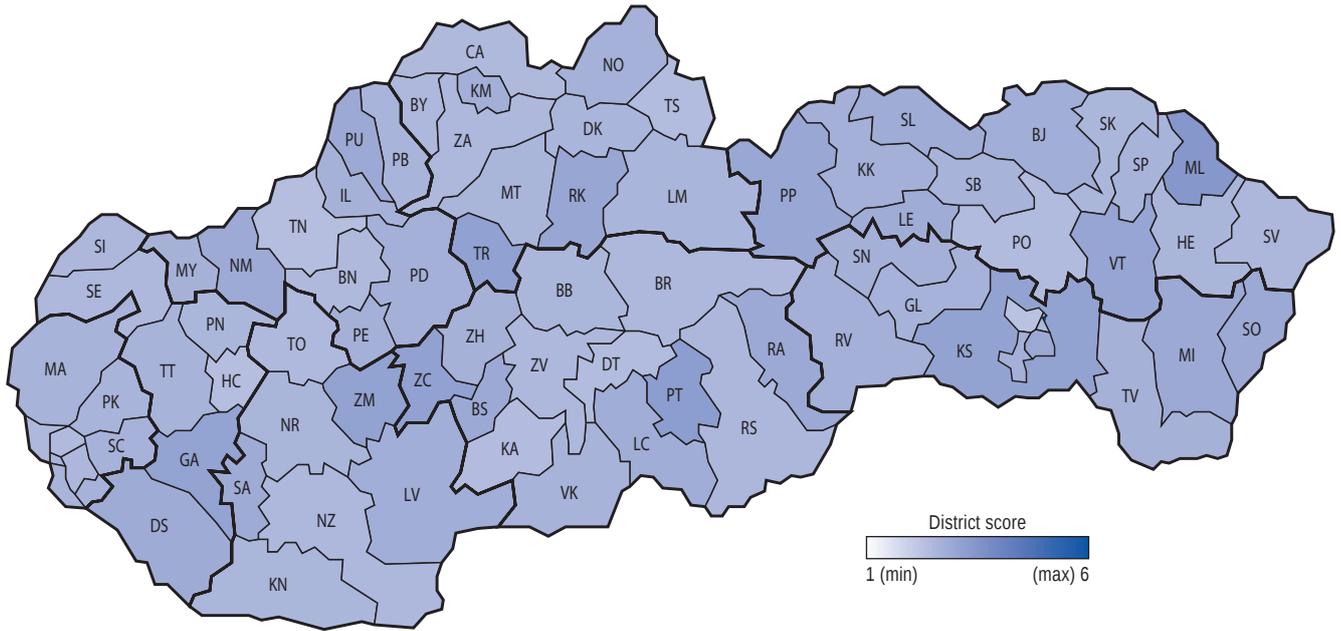
**The connection of vocational schools and labor market** is weak and it has become the fifth worst competitive disadvantage in Slovakia. As regards this indicator, the western part of the country is better off, especially the area of Bratislava, Trnava and the Central Považie region. Worse-off appears to be the eastern part, especially the south of Slovakia from Komárno to Trebišov. A slightly more favorable is the position of the districts of Prešov Region and Košice. This distribution replicates the model of overall economic activity in the country. The most successful in this respect are Hlohovec, Bratislava and Trenčín, the least successful are Veľký Krtíš, Poltár and Gelnica.

The level of dissatisfaction with the interconnection with labor market is doubtlessly due to the existing capacities of schools. The Bratislava Region is the smallest but has the highest number of technical schools, while the Prešov and the Košice regions with a larger surface area and a larger population offer fewer vocational schools to those interested. The number of school leavers in more advanced areas is increased by migration, as these areas offer a greater chance to find employment. Technical and vocational schools are administered by the Ministry of Education, which designs curriculums, syllabuses and educational standards through the National Institute of Vocational Education. Since the reform of the public administration, schools have been run and funded by the self-governing regions, which are also their founders. This dualism then determines what is taught in schools and how many candidates are admitted to them. If methodology does not respond to the real needs in the job market and schools are unable to educate a sufficient number of school leavers in the requested field, there is understandable concern both on the part of potential employers and employees. This is compounded by the competition of gymnasiums, which primarily prepare

students for university studies. Moreover, development in the labor market has been very dynamic over the recent years and the arrival of large foreign investors has been changing the industry structure. Economic transformation has completely changed the service sector, its gradual strengthening leads to a structure similar to that in the developed Western countries.

As can be seen, secondary vocational education operates in the ever-changing conditions and cannot keep up with these rapid changes. Yet this is not an excuse as to why correction in this field is not taking place. One possible route is cooperation between methodologists and school administrators on the one hand and firms seeking eligible candidates in the labor market on the other. This is not easy, but one example – the automotive industry, which is the fastest growing industry in Slovakia – shows that it is not impossible. The Automotive Industry Association (ZAPSR), The Auto Repair and Dealers' Association (CPA SR), and higher territorial units (regions) have signed a joint contract on the promotion of pilot centers in more than ten vocational schools in Slovakia. Education in the centers does not only involve the preparation of students, but also the skills development of teachers and retraining of the unemployed. It is hard to expect that in the foreseeable future officials in the Ministry of Education alone will arrive at a more flexible reevaluation of methodological plans, or that officials in regional self-governments will understand the need for diverting funds to new types of schools if they cannot read the changes that are taking place in the business market. Their willingness to communicate with companies or even to request a recommendation from them is a necessary prerequisite for improvement. The central government, the local self-government and the corporate sector must act in concert.

## 6. Impact of authorities' activities on doing business



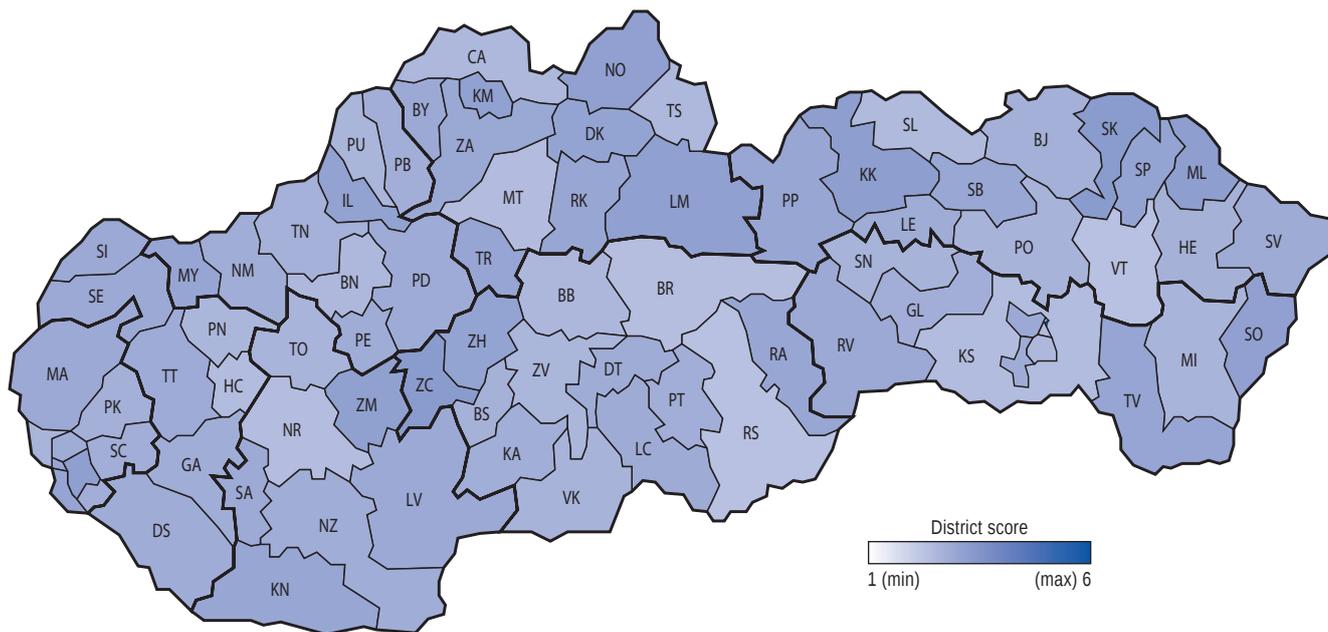
**The impact of authorities' activities on doing business** is a broad category and it ranked sixth among the biggest competitive disadvantages in Slovakia. The map of Slovakia itself will not reveal any territorial context. The authorities have a largely negative impact on business activities in all districts. While there are some positive exceptions, taken together, these are only minor districts such as Medzilaborce, Poltár, Žarnovica, Zlaté Moravce, or Turčianske Teplice. The last mentioned deserves special attention. In indicator rankings for communication with authorities and for the availability of information and electronic communication with the authorities the district came out as the national winner. Such assessment is really rare in other districts, where there is low satisfaction with the work of local authorities.

Public administration offices include two categories – branch offices of the central government entities and self-governing institutions. In many districts the survey respondents do not make any distinction between them, which means that over a decade following the reform and decentralization of public administration at the turn of the 20th and 21st centuries and the transfer of many offices from the center to smaller territorial units there still prevails a sense of homogeneity of these institutions. This is often due to the mechanical transfer of responsibilities, without bringing about any closer contact of the officer with the residents of the region. One illustration is the example of “higher territorial units” (regions), i.e., new self-governing entities, which, in addition to an awkward and incomprehensible name, brought confusion to the minds of many. Business matters are now dealt with at several levels; the regional centers have three – national, regional and local levels. Although the responsibilities are divided between them, the general public still perceives them as bureaucratic entities they have to scramble with. This can be easily changed by the lowest-level self-

governments through treating their citizens as clients. It is harder to accomplish in larger institutions, however. Entrepreneurs know how to sell products or offer services or how to fight for customers. They expect similar customer-centered treatment from the authorities. For example, in the survey hoteliers complained about being bullied by the authorities – from fire inspection to hygiene inspection, who were frequent visitors to their facilities and seemed to enjoy imposing fine and did not show interest in the future fate of their facilities.

If the central government intends to sell its product, which is professional administration of the state, it must meet the interests of citizens and businesses. The solution is adoption of practices similar to those which have long been a common practice in corporate world. The officer is working for the client, not vice versa. Thus, it is necessary to create an environment that would benefit the client; to promote openness in providing up-to-date and reliable information on-line, to use electronic communication and other time-saving procedures, to introduce eligibility for automatic processing of the application in the case of official's misconduct, to avoid duplicity of information in different institutions, to enforce transparent procurement procedures, including electronic auction. The same should hold for self-governments. The central government should prepare rules and regulations for the local authorities that would facilitate their work, rather than making it even more complicated. A negative example is the Building Act, which makes officials require from the citizen or entrepreneur to pass a carousel of complicated operations before he is given an approval to build a house. It is in this environment that bureaucracy, wanton practices and corruption thrive. The self-government has the power to issue its own regulations and to require their implementation, so it must approach them with the full weight of responsibility.

## 7. Protection of private property



**Protection of private property** in Slovakia limps along; it has been rated seventh biggest barrier to the development of business environment in the regions. Protection in the country is generally poor; worst off are three areas, namely, the adjacent districts of Nitra, Hlohovec, Piešťany, Topoľčany and Bánovce nad Bebravou in western Slovakia, the districts of Rimavská Sobota, Brezno, Banská Bystrica, Zvolen, Banská Štiavnica and Martin in central Slovakia and a few districts in the town and surroundings of Košice, Vranov, Prešov and Spišská Nová Ves in eastern Slovakia. In addition to these three centers, there are other sporadic unfavorably rated districts.

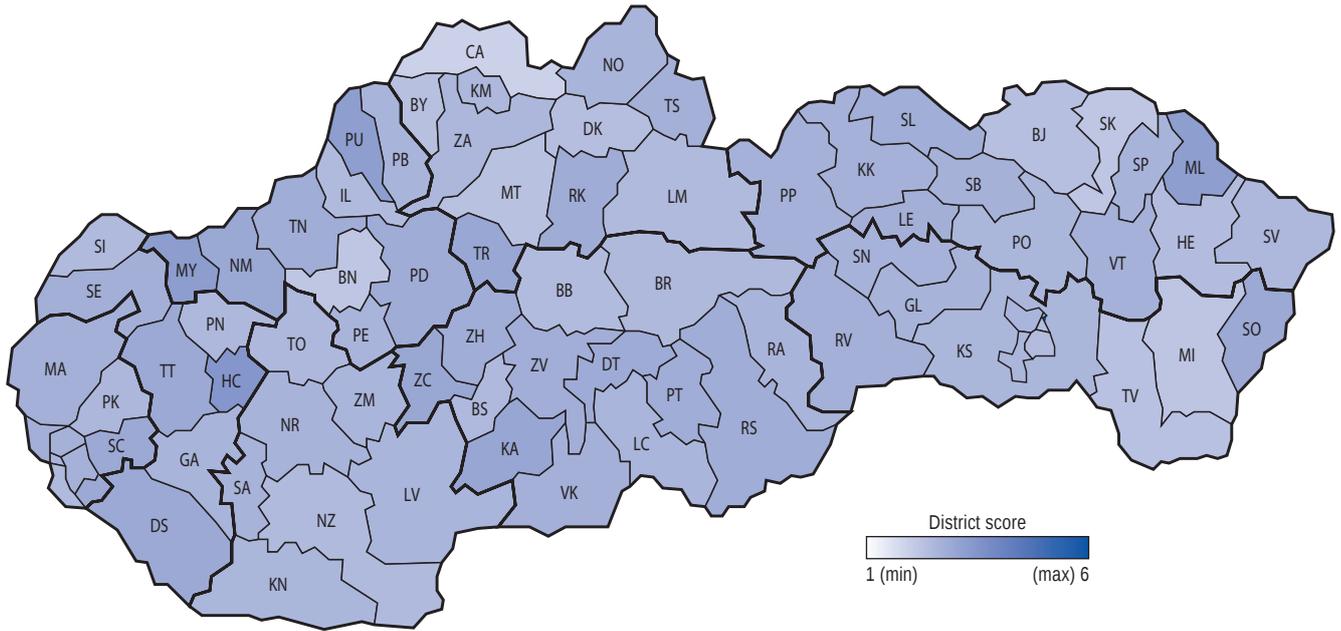
The survey respondents were asked if they believed the state and the police could protect private property and if property rights were respected in the district. Responses may have reflected the effects of the recently adopted legislation that has facilitated the state's expropriation of property for the purpose of construction of buildings of public interest. A piece of legislation on the one-off measures in the preparation of construction of motorways allowed the construction of motorways and expressways in selected areas even prior to property settlement. Problems emerged with the construction of the planned southern bypass expressway in Nitra, where rapid expropriation had been expected. In Prešov and its neighborhood problem was sparked by the controversy between the city authorities and a local resident, who was to be compensated for the building of the new road under unfavorable conditions. Eventually, the resident's persistence helped him win the lengthy dispute.

Erosion of private property rights, which are guaranteed by the Constitution, means serious encroachment into the legal system and evokes memories of the former regime, when the state did not hesitate to deprive private persons and entrepreneurs of their

property. To calm the situation, it will be necessary for the central government to restore the law to its original form, however good the intention of softening it in the public interest might have been. Similarly, it is unacceptable that the central government continued with the implementation of some of the regulations such as the law on certain provisions relating to strategic enterprises. The state should be not entitled to exercising the right to the property of the company that has declared bankruptcy. Although this is not a classic example of expropriation, this approach triggers distortions in the market and prevents cross-border movement of capital. Entrepreneurs disapprove of the recent measures taken by the state, which has blocked real appreciation of the private savings of policyholders in pension funds of the second pension pillar by ill-considered intervention in the relevant laws. Healthy business depends on the private property as its primary basis, so it is irresponsible to gamble with this institute.

The second area related to the protection of private property is the work of repressive institutions, especially the police. The state police should work in favor of the citizens and entrepreneurs; this is its mission. Thus it is up to the Ministry of the Interior to take practical steps in this direction. It is particularly important to prevent association of the police with the criminals and tolerance of the underworld. Recent measures indicate that the Ministry intends to act accordingly. The local self-government police should play a similar role. Security of the citizens and their property should be provided for by more police officers in patrol service. Entrepreneurs are extremely sensitive to where the repressive institutions act wantonly, on political orders or which even associate with the criminal elements. They are aware that the police are paid from their taxes, and they ask adequate services for the public money.

## 8. Impact of the informal economy on doing business



**The impact of the informal economy on business** is the eighth most serious barrier to the development of business in the country. The survey respondents were asked to what extent the informal economy (documentless transactions) impaired business in their district. It was confirmed that business without accounting is widespread in the Slovak regions. Meanwhile this practice is dangerous because it draws honest entrepreneurs into the muddy waters and distorts conditions of free competition. The level of shadow economy is relatively high everywhere, although it varies from district to district and does not show any spatial trends. It also includes the most advanced and most backward regions. The most severely affected districts include Čadca, Svidník, Bánovce nad Bebravou, Trebišov and Martin, the least affected are Hlohovec Myjava, Medzilaborce, Púchov and Krupina.

Comparison of the map that plots out protection of private property with the map plotting out the above indicator shows some similarities between the two, which suggests that these factors are mutually related. Poor protection of private property is accompanied by the expansion of “informal economy”. This is probably a manifestation of increased crime coupled with the weak police force in the most affected regions. Thus, the recipe for tackling the informal economy lies in the increased activity on the part of the central government and local self-governments in the fight against crime and better protection of private property. This is also a way how to put more resources into the government budgets, since the gray area enables the circulation of untaxed money.

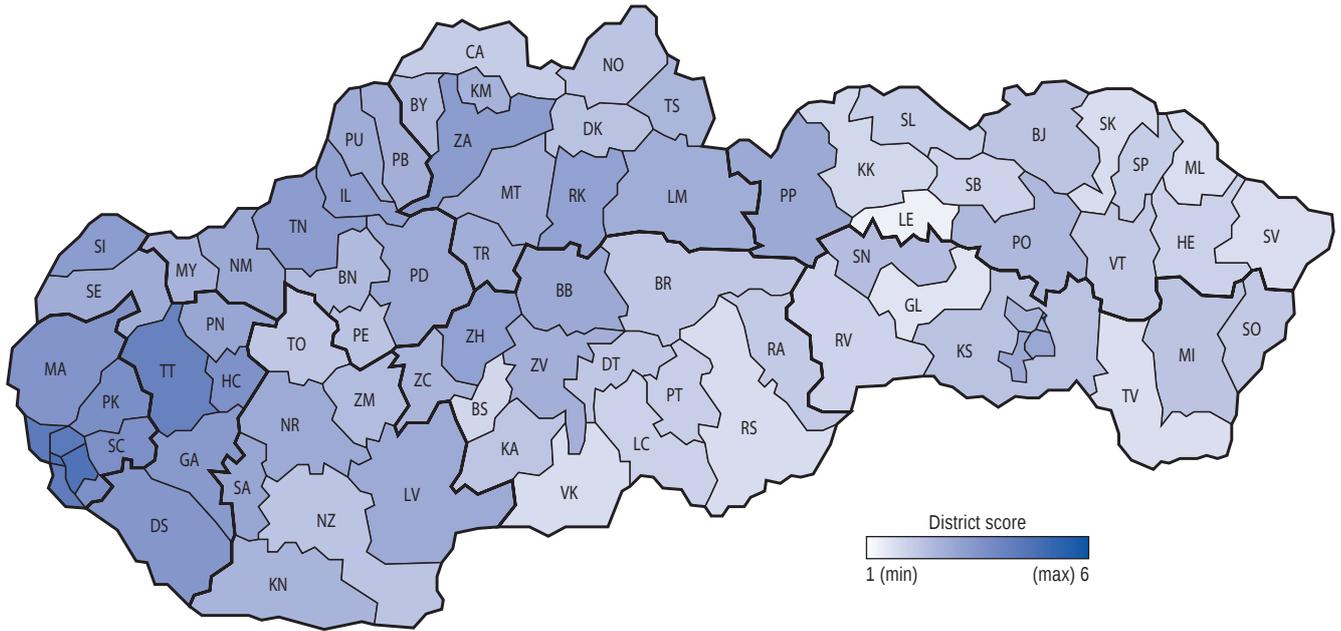
Slush funds built from bribes or tax evasion, particularly in value added tax, have a great impact on the proliferation of transactions not covered by accounting. It is therefore important to reduce corruption in public procurement, which often stands at the beginning of the chain of uncovered transactions. One way is the use of

transparent methods and anonymous online tenders. Expansion of informal economy is detrimental to public revenue and demoralizes society. It also reduces the chances of honest entrepreneurs and distorts markets. Nonetheless, entrepreneurs, too, should look into their own ranks. They themselves admit to using bribes and untaxed money in mutual trade.

A list of problems contributing to the proliferation of the informal economy includes widespread payment evasion, which causes damage to the suppliers, lack of criminal sanction for statutory companies that intentionally harm their trade partners, inadequate and sluggish work of courts, malfunctioning bankruptcy procedure and restructuring in this area. Based on their experience, some entrepreneurs point out that unfair practices are on the increase; these may demotivate honest entrepreneurs in their work, and may even destroy their business. The central government should begin to address this problem in all seriousness. While there are regulations to stop this avalanche, they are almost ineffective in the current situation. Hence, repressive measures should be adopted to penalize unfair entrepreneurs by imposing criminal liability on individuals who had previously hollowed out their companies by transferring their assets, to operationalize the courts or to impose sanctions on statutory representatives for refusing to provide information on the financial status of their company for the Government Documents Collection. Regulations should be established for the future to curb such unfair business practices. For example, those who had previously engaged in unfair business practices should be banned from business; an effective system for verifying the solvency of business partners should be created, the Government Documents Collection should be digitized and made accessible online or conditions should be created for flexible decision making of traditional courts and other institutions.



## 10. Migration of skilled labor



**Migration of skilled labor** with its adverse effects on business is the tenth biggest barrier to business development in the regions of Slovakia. In this indicator, the variance of local conditions is much larger than in the previous nine. Migration is perceived favorably by Bratislava, Trnava and the Bratislava satellite districts. The attitude of the whole Považie region and Central Pohronie region is rather reserved. The other districts perceive it as a burden. The worst off are the south of central Slovakia, Kysuce, Orava, and almost entire eastern Slovakia, with the exception of the areas of Košice and Prešov. Southwestern Slovakia feels itself so attractive that its attitude to labor migration is positive; companies are able to find job candidates from almost all over the country. However, the Považie region is not so attractive and thus does not find migration so convenient, as skilled local workers are leaving the region to take on jobs in Bratislava and Trnava. Nevertheless, it still has relatively sufficient resources of its own or is helped by other nearby districts. Almost the whole rest of the country views migration negatively. Although the unemployment rate here is much higher than in the west, it is impossible to pick and choose because good and qualified candidates are rather scarce. Hence, these regions are faced with an important task of creating incentives for local workers to stay in the region despite fewer long-term job opportunities. Some survey respondents even suggested some form of support such as allocation of free building sites, only to keep skilled people at home. This is surely not a viable option, but if the central government, jointly with the self-governments, considered the need to recover the selected regions, it could resort to similar programs.

Another problem of the majority of districts in the lagging parts of Slovakia is a lack of any labor force, skilled or unskilled, in the market despite high unemployment rates. The share of long-term unemployed is high and

the chances that they will find a job are low. The solution then is not in setting up retraining courses organized by the central government or self-governments, but in the change of the social system. Negative difference between social benefits and net wages must be sufficient to motivate the unemployed to seek work. This could be achieved by a flat reform of the levy system, which would exempt low-wage earners from social security payments and would thus increase their net earnings.

A number of districts have difficulty in recruiting skilled labor force, although this may exist in the neighboring regions. In such cases it is worth considering whether the targeted self-government policies, such as housing support, should not encourage neighbors to move into their region. Another solution is improved accessibility by public transport, where the leverage is in the hands of the regional self-governments. Still another option is to strengthen vocational schools in locations with significant development prospects as such graduates are generally very much in demand. Here again the final say is with the regional self-government, founder of the secondary schools in the region. Residents of some parts of Slovakia are generally reluctant to move for work and are so persistent that they are willing to tolerate a large reduction in their real standards of living rather than leave their native soil. In such circumstances it is the role of the local self-government to put their best efforts into drawing investors in the region. In fact, this policy has been successfully implemented across Slovakia. However, in the east the chance of success without the assistance from Bratislava is very low. In such cases, the government should set priorities regarding special support for these regions such as an injection of EU funds. The self-government should be the initiator of such conceptual changes and should come up with high-quality proposals.

## Recommendations for the Slovak Republic

The quality of business environment determines the development of economic activities in the region; it encourages firms to expand their investment activities and brings new jobs. Since 2001, the Business Alliance of Slovakia has been mapping the business climate in the country by applying its own Business Environment Index. In applying this index, it does not focus on regional conditions, although the respondents who contribute to a regular quarterly assessment come from companies from all across the territory of the Slovak Republic.

The Business Environment Index has identified the following long-term problems which have been most strongly criticized: law enforcement and judicial administration; application of equality before the law; clarity, usability and stability of legal regulations; functioning of political system in the country; management of the state's resources and access to the government aid; bureaucracy, delays in administration procedures and level of corruption in the offices. These are followed by dissatisfaction with the present labor legislation, market regulation and competition legislation; incidence of crime and organized crime. Entrepreneurs have long been complaining of national economic policy, poor access to information, poor functioning of state institutions and, ultimately, lack of accountability and financial discipline of their business partners. It was due to the criticism of these areas that after an initial steep rise between 2001 and 2006 from 100 points to a high of 125 points, the index dropped below the baseline in the third quarter of 2010, to less than 92 points.

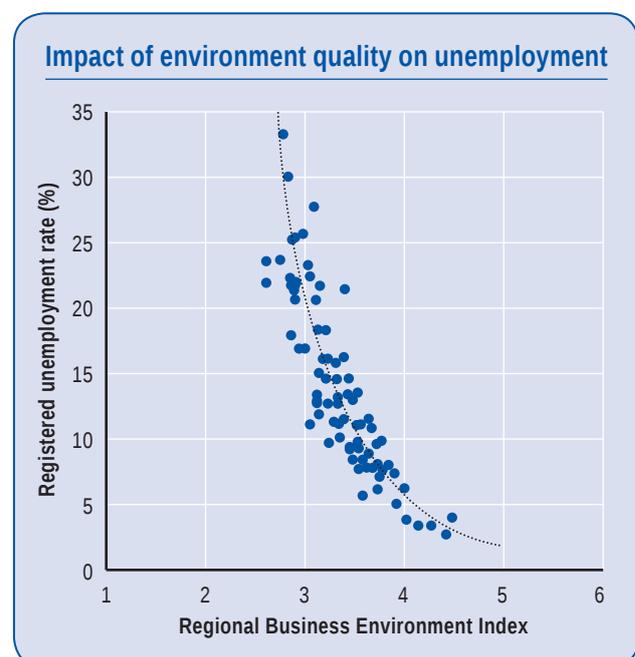
### Interdependence of environmental quality and economic performance

Fluctuation of the Business Environment Index reverberated through the nationwide figures, although with understandable delay. Slovakia's gross domestic product increased gradually at the beginning of the decade, reaching a peak in 2007, with an annual real growth of 10.4 %. The rate started to decline in 2009 with the annual decrease in gross domestic product of 4.7 %. Year 2010 is expected to bring a return to the level of 2008. Naturally, this development trend does not only reflect changes in the internal business environment. Slovakia has an open economy and is thus subject to the changing conditions around it, being particularly sensitive to these changes. Developments in Germany, which is Slovakia's most important trading partner, have had an ever-increasing impact on the country. In addition, Slovakia has recently felt the impact of the global economic crisis with other European countries.

Yet, relationship between internal business climate and economic performance clearly exists. This is evidenced by many examples from abroad and by the

forementioned Business Environment Index in Slovakia. The latest in-depth examination of the state of climate in the country was performed by the Business Alliance of Slovakia in 2010. The *Report on the State of the Business Environment in Slovakia* identified the greatest barriers to business operation and growth. The scale of rating is as follows: corruption, law enforcement through the courts, instability and ambiguity of the laws, tax wedge, operation of public procurement system, political instability, financing of companies, restrictions on market entry, tax burden, labor force and its quality, infrastructure, organized crime and racketeering. If the respondents were in the position of the Prime Minister, they would give priority to the following problems: more effective combating of corruption in offices, improvement of law enforcement, fairness in public procurement procedures, reduction of administrative burden for enterprises, reduction of social contribution rates, diminishing the legal protection of employees, targeting EU funds on fewer programs, financial support for the newly created jobs.

The aforementioned responses of the survey respondents only confirmed the findings of regular quarterly surveys into the Business Environment Index. General ailments are easy to recognize, yet their treatment is much more difficult. By and large, entrepreneurs are grappling with bad laws, poor law enforcement, widespread corruption, distortions of competition. The state has deficiencies in the management of finances, management of institutions, organization of public procurement, distribution of EU funds. Offices are replete with bureaucracy, bribery and bullying. Entrepreneurs have poor access to finance; their financial discipline is low; they are troubled by high crime rate and organized crime.



### Key problems of the business environment in the regions

Because there is a strong link between the general quality of business environment and the overall performance of economy in the country, similar results could be expected in different regions of the Slovak Republic. The authors of the current analysis entitled *The Regional Business Environment Index* primarily sought answers to questions about the greatest barriers to the development of business environment in the regions with the aim of finding solutions as to what should be improved to achieve better economic results in individual districts. In doing so, they took into account the existing link between business climate and performance in the regions. The relevance of this approach has been confirmed. Comparison of statistical indicators with the findings from the survey has showed that businesses thrive in those regions where entrepreneurs have the most favorable conditions for their activities. Research has not revealed a causal link, for example, whether western Slovakia is thriving because of the local conditions or whether the increased economic activity itself encourages further improvement of the existing conditions. The influence seems to be mutual, which raises hopes that gradual improvement of the extreme west will “infect” neighboring districts and the domino effect will spread over the whole country.

The main result of this analysis is identification of major problems that hinder the development of Slovak districts or larger regional units. When we take the 38 assessed indicators and average the figures gathered through the survey across the country, we will find that 13 of them are perceived as benefits by entrepreneurs. Entrepreneurs respond positively to those indicators that they themselves may influence. These include availability of materials and services, reliability of trading partners, availability and use of the latest technologies. There is prevailing satisfaction with the availability of free labor force, with the discipline and diligence of the staff, their motivation for productive work. Entrepreneurs usually do not complain about natural conditions and have an optimistic outlook of the future prospects of tourism. Although the level of education and the level of competition in industry and services are not high, they are generally perceived as an advantage rather than a disadvantage.

There are 25 indicators that have been seen rather as disadvantages, or barriers, to the development of business environment by the respondents. Two indicators stand out from the rest – the quality of road infrastructure and law enforcement in the district court. Very unfavorably is viewed the interest of the state and state institutions in their district. Other major barriers are varied. Companies criticize the work of the offices, state and local governments, as their activities have a negative impact on business. The authorities do not fulfill their obligations, institutions are dominated by bureaucracy, there are delays in proceedings, decisions are influenced by corruption, communication is cumbersome and electronic systems are not used adequately. Particularly

criticized were self-governments for poor management of resources and imposing unreasonably high local taxes. Entrepreneurs generally criticized unemployment in the districts; they were not satisfied with the qualifications of job seekers including their low language proficiency, criticized weak interconnection between vocational schools and labor market and saw barriers in the migration of workers. Protection of private property was also perceived to be inadequate; they disapproved of the impact of the informal economy on business and admitted to corruption within their own ranks. In their view, availability of financial and capital resources was low.

Results of the survey in the districts confirm that the nationwide and regional barriers strongly overlap. In these cases the remedy is in the hands of the Bratislava government. If it can effectively intervene from the center, all regions will benefit from it. Another category of signaling defects is poor functioning of the government. However, the basic framework is mostly defined by the central government and so the room for local politicians is limited. In spite of the public administration reform and fiscal decentralization, the position of local governments is still weak and the arsenal of tools that could influence the situation in the regions is undersized. Often, the blame is with the local residents, who underestimate the local elections and still rely on the omnipotent power of the government in Bratislava.

### New rules in legislation, order in the judiciary

Over the years, the problem with the judiciary and law enforcement has been worsening in Slovakia. This issue is broad; it includes high-quality preparation of clear and applicable laws, the work of the judiciary, prosecutors and police. Volatility of the legal environment in Slovakia is striking. Changes in legislation keep being adopted without a plan and in a fitful or haphazard fashion, without considering the impact on the business sector. Disarray in the law leads to the instability of the whole system, to the exploitation of vulnerabilities or conflicting provisions for subjective interpretation, to bullying or foul business practices. Such laws give the authorities power over entrepreneurs, especially given the instability and frequent changes in legislation, monitoring of which is difficult. As a result, it seems that laws are amended on the demand of officials rather than for the sake of better functioning of society.

If we are to stop the arrogance of the government and self-government authorities, we must first change the methods used in the adoption of new legislation. In simple terms, adoption of laws should be governed by stringent rules. These should stipulate that any major change should include an informal clause on the presumed practical impact on business environment. Furthermore, they should preclude rapid adoption of laws, literally overnight. Regulations relating to taxes, levies, accounting should be changed only once a year, with a fixed deadline.

One could find more of similar pro-business practices.

Enforcement of laws in practice is particularly problematic. There has been a high level of dissatisfaction with the work of district courts, particularly in the most developed areas of the country. The survey results show that this is a burning issue, which needs to be addressed urgently. Entrepreneurs confirm that claiming one's right in a trade dispute with a partner is very difficult, if not impossible. Current laws, such as the law on bankruptcy and restructuring, allow crooks to rob honest entrepreneurs. There is no real sanction that could be applied to a fraudulent customer if he fails to pay invoices for the delivered goods. If the buyer strips his company of its property or pushes it into bankruptcy, he will free himself from his obligations towards the supplier. Legal proceedings tend to be protracted and inefficient. The supplier knows that this is not a feasible way to claim his right, and that he will have to pay considerable court fee, which he is obliged to pay for bringing a legal action. He is often forced to negotiate a lower payment or simply to resign to the loss of his money, which, however, does not exempt him from paying VAT, being compulsory. Meanwhile the sinister entrepreneur can start a new business and repeat the procedure with another gullible supplier.

The above example illustrates not only the shortcomings of the laws, but first and foremost the fact that it is essential to change the work of courts. It is mainly a task for the central government, as the current judiciary is unable to rectify the problem by itself. The judiciary must be more transparent, all judicial decisions should be published on the Internet. Judges should be selected from a wider range of suitable candidates, selection procedures should be subject to public scrutiny. It is necessary to increase independence of judges from the judicial hierarchy and to perform their regular assessment and impose penalties. This could be the first crisis measures that would help establish law and order in judiciary, which would then be followed by further conceptual changes.

### Authorities are to serve entrepreneurs, not vice versa

Dissatisfaction with the work of the authorities in Slovakia is high and persistent. These include the central government, its institutions in the capital and branch offices in the regions. Also criticized are self-governing authorities at the level of regions, towns and villages. This problem is constantly pointed out by entrepreneurs in nationwide surveys. In the nationwide Business Environment Index, bureaucracy and procedural delays in offices, poor record keeping and the level of corruption at the offices have been the worst rated items for the entire past decade, right after the poor law enforcement and judiciary. The partial indicator of these two items dropped to under 33 points from an initial value of 100 points. This alarming finding is confirmed by the findings gathered from the regions where the level of dissatisfaction is similar. From among the dozen greatest barriers to business development in individual districts, the offices

are mentioned in a whole third of the districts, with bureaucracy and delays in the proceedings ranking third.

In the form of open answers, the respondents shared their personal experiences. These ranged from thwarted requests for assistance from EU funds in the Ministry in Bratislava to being bullied by local health officers and fire prevention officers during the operation of their tourist facilities. A common feature of such complaints is that the authorities abuse their position of power in relation to entrepreneurs; they fail to view them as employers who bring work to people and revenues to the public budgets of the state and self-governments. Officials do not realize that the time and energy wasted in dealing with them deprives managers of the space needed for the operation and development of their businesses, to make them thrive, to maintain employment and to fill the tills of the public institutions, including the one in which the same officers work.

Entrepreneurs are right to complain that the EU funds, which are supposed to bring impetus to the development of the more lagging districts, are obtained with difficulty; their primary mission – to balance regional disparities – is ignored. Unnecessary bureaucracy results in the proliferation of recruitment agencies, which are becoming unavoidable intermediaries between applicants and government authorities in a potentially successful endeavor to gain support. Introduction of a transparent system is much needed; for example, information intended for public release about the possibilities of drawing EU funds as well as about the submitted and supported projects should be made available on the Internet. Clear and focused criteria should be set at the launch of calls to minimize the subjective bias in the assessment process. The applicant should have a guaranteed time to submit the missing documentation and nail down the details. Even if unsuccessful, the applicant should be informed about the reasons why this is so. The whole process should be completely automated and controlled by computer to minimize direct contact with officials.

Very similar principles should be adopted for public procurement, which is equally criticized by the survey respondents. This obligation should apply to state and self-government institutions. According to the surveys included in the Business Environment Report, bribes, unofficial payments or other methods of gaining unfair advantage by the candidates are most frequently used in contracts from a state institution or enterprise, from the self-government, when applying for a government grant or in requests to obtain EU funds. In this context, it would be appropriate to simplify the law on public procurement or to adopt a new one. Thus, for example, the regulation would exactly specify the duties and responsibilities of persons in authority who prepare competition documents on behalf of the provider and decide about the selection of candidates. In this process, truly competitive methods as well as electronic auctions should be used as much as possible. This is the only way

to guarantee equality of conditions for all candidates and elimination of corruption. Contracts with the winners must be published on the Internet. Those involved in public procurement should be qualified as is the case with the private sector. If found guilty of a wrong-doing, they should be prosecuted.

The offices generally have to work with maximum transparency. They should regularly publish comprehensive and binding information on their websites to give clients maximum access to it. Communication should be fully e-enabled. Customer applications should be eligible. This means that if an official does not meet the deadline and the application contains all the particulars, it should be deemed approved. Possible negative consequences would then be borne directly by the official. Self-governments have nothing in their way to start applying this approach.

### The infrastructure is almost entirely in the hands of the central government

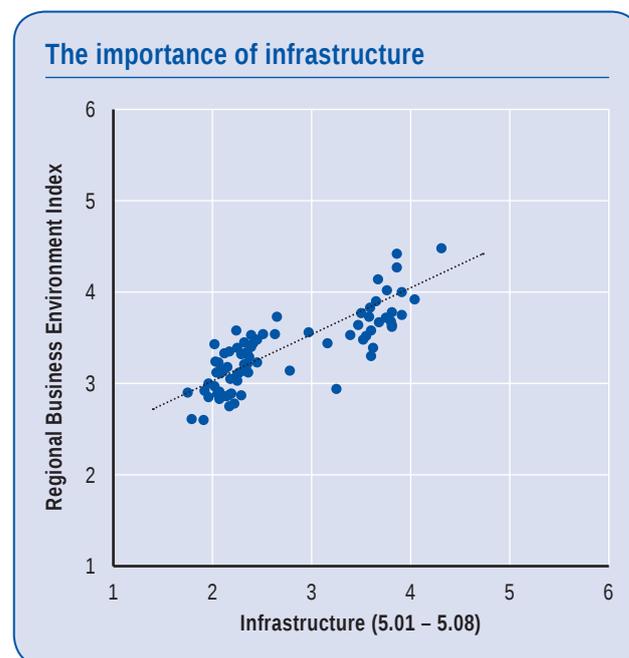
In their open responses, the survey respondents mentioned motorways and roads most frequently. Requests for building and improving communications are made by entrepreneurs from Bratislava, Banská Bystrica, Košice, Komárno, Svidník and Tvrdošín. On the one hand there are complaints about congested local roads, especially in Bratislava and Košice; yet much more frequent are complaints about the missing motorways and expressways. While the residents of Stará Ľubovňa embrace the idea of completion of the Tatra motorway from Žilina to Prešov, which will be hundreds of kilometers away from the town, the residents of Banská Štiavnica find the completion of the expressway between Nitra and Zvolen insufficient, even though it will be only 15 km away. Entrepreneurs put a lot of hope in fast roads, even though their expectations are varied, as seen above.

The areas with the overall best ranking nationwide were the districts of southwestern Slovakia, Central and Upper Považie region. Relative satisfaction prevails in the Central Považie region. Fewest complaints are heard from entrepreneurs from districts interconnected by newly completed motorways or expressways. The worst ranked area is that of the entire eastern Slovakia, with the exception of Košice and the south of central Slovakia. Here again the statements reflect the perception of remoteness, mostly from the most advanced southwest. In the north-east of Slovakia, where both railways and roads are lacking, dissatisfaction of entrepreneurs is understandable. The Upper Nitra region, being surrounded by mountains, complains about the transport links, even though it is situated between the prosperous central Považie region and the start-up central Pohronie region.

The fetish of access to expressways overshadows the often more important lack of lower-class high-quality communications. This is actually manifested throughout the whole territory, around the congested Bratislava, hilly Spiš or flat south of central Slovakia. The central government faces a major challenge of improving the

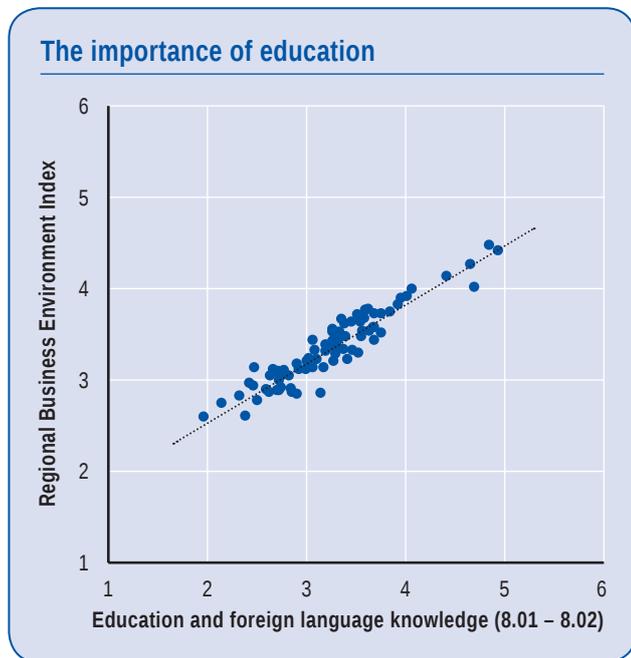
quality of road infrastructure as it is the government agencies that provide the maintenance and construction of motorways, expressways and first-class roads. Slovakia lags behind Western Europe in the density of advanced communications, so the expectations of entrepreneurs are justified. The government has inherited this problem from the Austro-Hungarian monarchy, when the construction of north-south arterial roads to Budapest was supported at the expense of the east-west communications. This applies to the motorway between the borders with the Czech Republic via Žilina, Košice up to the border with Ukraine, the expressway from Bratislava to Lučenec via Komárno and the expressway from the border with the Czech Republic through Trenčín, Prievidza and Zvolen to Košice. In addition, there are plans to build important north-south communications of European importance, especially the remaining link between Žilina and the Polish region of Silesia, or the connection between Miskolc in Hungary and the Polish border through Prešov and Svidník, or the roads from the Polish borderland in the Orava Region southwards to Šahy and Budapest.

The Bratislava government must identify the most important priorities and decide on the timetable for the construction of major roads as it is the government and its budgetary means that will largely decide about the construction and reconstruction priorities of the lower-class roads of the regional significance, even though this is within the responsibility of the regional government and local self-governments. The struggle for preference between districts and regions is understandably harsh and any decision in favor of one region raises allegations of Bratislava-centrism in the neighboring regions. Thus, the only correct approach for the government, but also for the regions and municipalities seems to stem from subjecting the construction of roads to conceptual designs such as a clear plan on how to channel auxiliary resources from EU funds to individual regions.



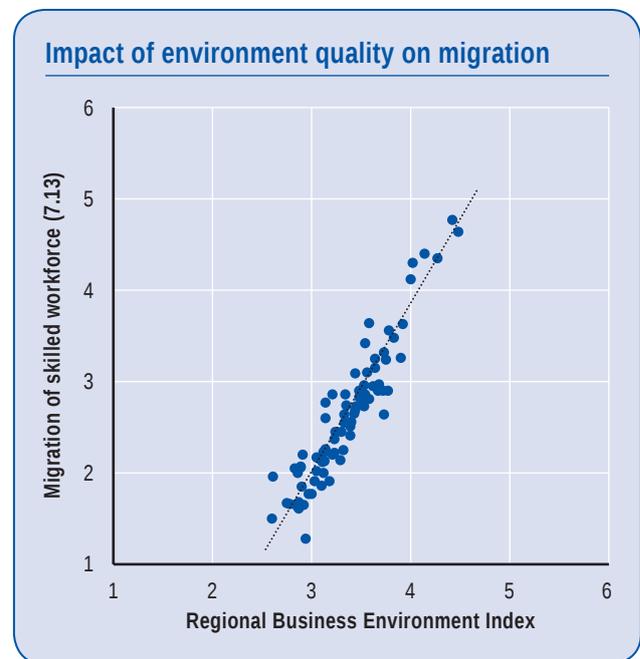
### Work is increasingly becoming a market commodity

Views on the labor force differ between the developed west and the less developed east of the country. Companies in Bratislava and Trnava region, but also in part of the Považie region largely do not suffer from the lack of workers, especially skilled ones. They see migration as a positive phenomenon because it gives them a suitable choice of candidates from other parts of the country. The rest of the country views migration unfavorably. This view prevails in the overall rating. The main reason is brain drain and even the movement of unskilled personnel, who are willing to work responsibly. All districts, however, share discontent over the lack of interconnection between vocational schools and labor market. The qualification of graduates is inadequate. Low foreign language proficiency presents another serious problem.



Migration for employment is a reemerging problem in Slovakia. During the previous regime the government had built production capacities to bring employment home for the people. This particularly applied to Orava, the Hron Region, Šariš and Zemplín. The effect of these endeavors was limited in time; while local people could find work at home, economic transformation brought competition to Slovakia, and the artificial local capacities largely succumbed to their pressure. Thus the notorious problem of migration, which had existed in the 19th century and in the first half of the 20th century, reappeared. Although migration has a negative impact on two-thirds of the country and entrepreneurs complain that they are losing potential employees, the phenomenon can be viewed from the other side. Do these potential workers have ample opportunity to find work in their home region? If not, is it not because of local entrepreneurs and an inactive and inflexible government? For example, in the district

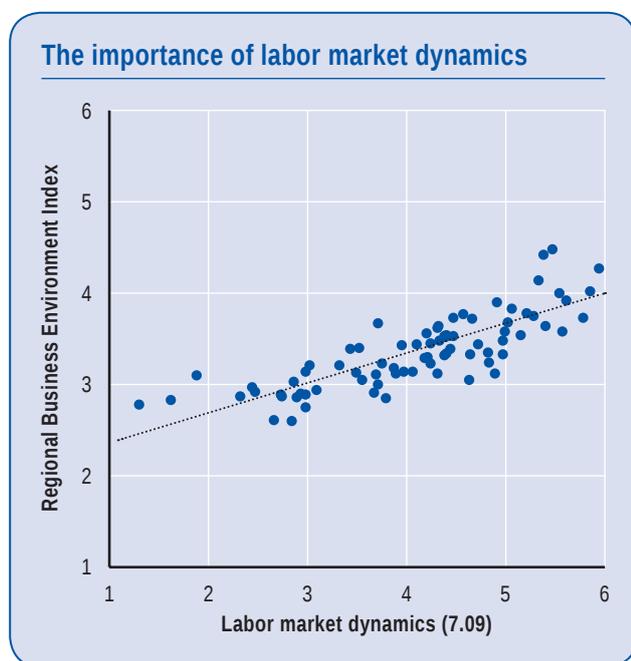
of Košice-okolie, which rates below the average and where migration of unemployed labor force is perceived unfavorably, lies a small village of Kechnec, where local and neighboring residents have no problem with finding work due to the activity of the self-government, which has succeeded in drawing in investors. Migration must be seen as an opportunity by the self-governments. In a number of towns in the Považie region, there is a perceived lack of skilled workers, although there is still hope they could be found in their own districts, if not in the neighborhood. Perhaps they self-governments are facing a decision of whether to encourage immigration to its territory by a targeted policy of housing construction. Alternatively, they must find ways (in cooperation with the regional self-government, which is in charge of the regulation of suburban transport) to encourage the daily commuting of workers to the district town from distant areas.



Vocational education and training of students for meeting the needs of labor market is a long-haul run, which the regions must make. The central government, especially the Ministry of Education, which is responsible for teaching methodology, must promote co-operation of educational and research institutions with the private sector. Employers should be involved in the education system reform. The government should develop a comprehensive analysis of the expected demand for labor in terms of the qualification structure in the regions of Slovakia. This material should be updated regularly. Types of courses and capacity of schools should adapt to the conditions of the labor market. Primary and secondary schools should develop information systems on the situation and expected needs of the regional and national labor market. Regional governments should take the opportunity offered by their position of the founder of secondary vocational schools. A possible way is to get

methodologists and school administrators to cooperate with companies seeking to recruit suitable workers in the labor market. One example shows that this is possible. The Automotive Industry Association SR, the Auto Repair and Dealers's Association (CPA SR), and self-governed regions have signed a joint contract on the promotion of pilot centers in more than ten vocational schools in Slovakia. They decided to modify the school training so that the quality of graduates would meet the needs of the companies operating in the automotive industry and in the aftermarket services.

Slovakia has one of the highest rates of long-term unemployed in the European Union. These people are losing work habits and are in danger of being trapped in social safety nets for the rest of their lives. They are passive in their search for job opportunities. Many employers in eastern Slovakia confirm in the survey that although unemployment in their region is high, they have no one to choose from when trying to fill the job positions. They point out that the social system is abused. One recipe for getting long-term unemployed into work is to increase motivation. The difference between the lowest net wages and social benefits must be sufficiently attractive to persuade the unemployed to seek work and stay employed. Thus, a possible solution might be to increase the net pay of low paid employees through tax relief on the social contributions provided by the state.



### Technologies improve the business environment

Although the most burning entrepreneurial issues in the regions are due to the insufficient infrastructure, inadequate work of offices and labor market, problems with technology cannot be left out. The reason for this is that the findings in this pillar most closely correspond with the overall Regional Business Environment Index.

This is particularly true of technological advancement level and direct foreign investment. In other terms, districts with foreign investment and associated advanced technologies offer the highest-quality business environment. Causation is difficult to determine. Foreign investors with advanced technologies are attracted to places where business environment is good and once they come, the economic climate improves. It can be argued that these two phenomena support each other, which gives an optimistic outlook that as the district succeeds in attracting investors, the environment will change, which in turn will encourage other entrepreneurs to expand their activities.

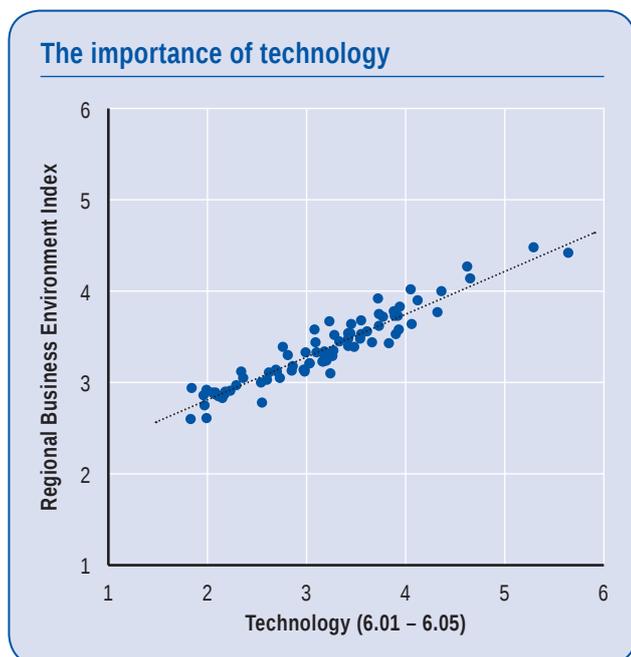
When in 2000 the U.S. Steel Corporation entered a joint venture with the then failing steelworks in Košice (VSŽ), one of the first concerns of the new leadership was to restore order in corporate finance, business relations and in personnel policy. This systemic approach was beneficial not only for the factory, but also for the entire Eastern Slovak metropolis and the region. The foreign shareholder brought a new corporate culture, which he expected in his trade relations and required from his business partners, employees, sports clubs and local governments. Although the impact of one firm on the overall environment should not be overestimated, the environment has changed and other investors have started coming in, which is still providing benefits to the broader environment. Košice may thus set an example for regions that are more remote from the capital. The impetus has come from the outside. Naturally, not everyone will fancy the idea that foreign entrepreneurs, who have replaced incompetent domestic ones in the Košice Steelworks, have brought a new competitive culture to Slovakia. But U.S. Steel is no exception; there are more similar cases in the country, which proves that this is the only right way. Naturally, entrepreneurs cannot be all lumped together, but it is heartening to find that alongside foreigners, like-minded domestic entrepreneurs are emerging as well.

The central government has available tools to ensure the arrival of foreign investors with advanced technologies. The above-mentioned case was one of reprivatization. However, far more widely used in the past was direct privatization; today, nine-tenths of businesses in Slovakia are in private hands, so other targeted programs come into play. Over the last decade, investment incentives have been used in addition to privatization. While the first half of this decade was marked by attracting major global players to launch pilot projects such as car manufacturing companies, the second half should have focused on drawing businesses with more sophisticated production and more innovative technologies. Originally the government expected investors to locate in less developed regions. The opposite was true however. Between 2006 and 2010, half of all the investment incentives totaling approximately 600 million € went to the advanced western Slovakia,

one third went to central Slovakia and only less than 20 percent to the outermost eastern Slovakia. What is even worse, in most cases only technologically mediocre or very simple production was supported such as brick manufacture. In the research and development field, out of more than eighty projects only two received the government's support.

If the central government now wants to continue to use state-aid funds in the form of investment incentives, it should employ strict regional targeting. New economically advantaged investors are not only expected to bring more work to the areas with the highest unemployment rates, but they will also enter an environment with less developed markets and thus are least likely to harm competition. Another solution would be to monitor the technological benefits of incoming investors, which are supposed to bring modern technology. Naturally, this presupposes the presence of skilled workers. Hence, increasing educational level, computer literacy, language proficiency and training in the promising fields should go hand in hand with this process, or better yet, should precede it. Here comes the role of the self-government, which has an important position in the primary and secondary schooling. Moreover, the government itself must educate or engage skilled managers, as their presence is indispensable. A detailed look would show that the arrival of strong investors so far has been largely due to diligent self-government managers.

The best incentive to draw in foreign investors, who would bring in new technologies, lies in generally good conditions for business. These give provide opportunities for all investors, especially domestic ones, rather than favoring selected individuals. The former will become increasingly important for economic development since foreign investors only present the first major impetus.



### The state is not omnipotent, self-governments must cooperate with it

There is a dividing line that runs between the districts in the west and those in the north, with relatively more attention from the state, and the remaining ones in the south and in the east, where there is a lack of this attention. There are two main reasons. The government's willingness to build road infrastructure is considered as equivalent to attention. Thus, in the districts with the existing motorways and roads or roads under construction, the satisfaction is greater, unlike in the other districts. Nationality issue presents a special phenomenon. Respondents from the southern districts with a significant proportion of ethnic Hungarians point out that Bratislava views them differently than the areas populated solely by Slovaks. The government is less responsive to them, allocating fewer resources to the area from the state budget. Although these views are often subjective, some respondents point out the absurdity of discrimination, as it affects the whole population of the areas, regardless of their ethnicity.

The third reason is great distance of the region from the centre. This poses a problem especially for the remote eastern districts, which is mainly due to the poor transport connection or absence of compatriots in the central offices in Bratislava. The strongly perceived preference of Bratislava and neighboring regions was doubtlessly compounded by the government's policy in the years 2006 to 2010, when investment incentives, which were supposed to attract investors, mostly ended up in the western part of Slovakia, even though they had been intended to bring jobs to the least developed eastern areas. The central government and state institutions should apply the same standard to all districts. The reasons for not doing so are many; suffice it to mention, among others, unfavorable, eccentric location of the capital or inappropriate division of the country into districts and regions by the territorial-administrative reform adopted in the 1990s. The government finds it difficult to apply the same standard to the district of Prešov as to the district of Medzilaborce when there is a 14-fold difference in the size of population. Finding a new capital is unrealistic and a new territorial reform is not part of the agenda, so it is necessary to find more feasible solutions.

Gravitation to the capital is entrenched deeply in Slovak society, so it is necessary to create conditions which would shorten the distance between Bratislava and other districts – through physical road links, through electronic communication and through equitable fiscal decentralization. Special attention should be given to targeted support programs for backward areas. These include mainly EU funds, which serve to smooth out regional disparities across the Union. This mission should be fully accomplished in Slovakia, which has both the most and the least developed regions in Europe (Bratislava and Trnava as opposed to the eastern

districts). The government is expected to adopt a consistent policy of positive discrimination in allocating EU funds, choking off their flow to the developed parts of the country and controlling their targeted and eligible spending in the least developed parts. Some districts are so weak that they can only be recovered by EU injection of cash. Entitlement to EU funds based on a pre-set proportional ratio should be tied to certain areas whose boundaries would be set by the governments following discussions with the self-government authorities. Effectiveness of spending could be maximized through applying the principle of project management. The role of self-governments in cooperation with entrepreneurs would consist in developing framework projects, which would vie in local regional competitions. If this model were applied consistently, many suspicions of regional or national discrimination would disappear.

Many residents of the regions associate the government's attention with granting investment incentives to selected major investors, mostly from abroad. After the establishment of large advantaged businesses from the automotive and electronics industries in western Slovakia there still may be room for attracting large investors to central and eastern Slovakia as well. However, flat improvement of the business environment throughout the territory would be of much more use. Although the effects on all involved would be the same, the consequences could be more favorable for the less developed regions. This is confirmed by answers from the respondents from these parts of the country, who are more calling for the reduction of tax payments or suppression of corruption than entrepreneurs in the developed West.

### The strength of the regions is in the discovering their competitive advantages

Slovakia is small, but there will always be regional disparities in the country. The reason for settling these disparities does not lie in achieving a homogeneous structure of the country, but in maintaining diversity. The point of the process is to come to terms with the region's own options. It is certain that Svidník will never have as developed industries as Trnava or that Čadca will probably not grow wheat as the Nové Zámky district does. It is important that each region use its natural and human resources to make people living there feel satisfied. In some places industry may flourish, in others agriculture or tourism may be doing best. After all, one of the goals of agricultural EU subsidies is to maintain agricultural production and preserve rural character in areas where people want that.

It is under the influence of a new wave of industrialization that Slovakia is changing its face. Industry is receding from Orava and is increasingly moving to the Považie and Nitra regions. Agricultural character of the country is disappearing at higher

altitudes, grasslands are converted into meadows, and meadows turn into forests. Few realize that today there are more forests in Slovakia than there were in the past. It is hard to predict how the face of the country will change in the east or the south of the country. Bukov forests in northeast of Slovakia may become a popular tourist destination, where urbanized Europeans will stream to witness the last remnants of wilderness. Perhaps the demand for drinking water in central Europe will increase so much in the coming years that Rye Island (Žitný ostrov) will turn into an enclosed, protected enclave where use of fertilizers will be banned only to ensure the high quality of this high-priced commodity.

It is important that the central government and self-governments created such conditions for business in individual regions of Slovakia that these will discover their own competitive advantages and will start to benefit from them. Perhaps this will necessitate transitional regulatory measures, which, however, are understandable in the times of change such those Slovakia is undergoing at the moment.

## District development strategies

The following section summarizes the key facts and recommendations for all Slovak districts. The districts are divided by associated self-governing regions, which are arranged from west to east.

### Bratislava Self-Governing Region

This most densely populated region in Slovakia is special in that it consists of only five urban Bratislava districts and three neighboring western Slovak districts. In the Regional Business Environment Index, the Bratislava districts occupied the first five positions. Two more districts placed in the top ten and the remaining Pezinok took the 21st position. The results confirm that the capital region offers the most attractive conditions for business in Slovakia, although the final values were distorted by the fact that many companies operating nationwide locate in Bratislava, and this region undoubtedly benefits from the high concentration of population – the highest in Slovakia, wide access to education, availability of quality infrastructure, and also the vicinity of central offices. The location of Bratislava and its surroundings close to the most advanced neighbor – Austria also plays an important part. The fact that the Bratislava districts place at the bottom of the ranking with regard to local public administration and legislation does not diminish the region's appeal. This is sufficiently outweighed by the leading positions in such sub-indices as economic activity, technology and infrastructure, education and human resources.

The **Bratislava I** District owes its second position in the Regional Business Environment Index to its convenient location, which is the most attractive in Slovakia, to the low unemployment rate, perceived favorably also by entrepreneurs, to the quality of available and trained workforce and the prospects for further development. These are the advantages of the capital, in which the district is situated. On the other hand, due the leading position of the district, the entrepreneurs' expectations in improving the business environment are set too high. Poor work of local authorities, manifested as red tape and procedural delays, their failure to comply with their tasks, low level of electronic communication are considered the greatest barriers to business. The respondents are sensitive to the presence of corruption and poor law enforcement in the local courts. Companies located in the heart of the capital are facing problems associated with high wage demands of job seekers. This is probably due to the wealth of job opportunities in a highly competitive environment. Entrepreneurs from the center of Bratislava more than others complain about the poor performance of state institutions, challenges in public procurement, but also about the lack of infrastructure, which is not so much related to the undersized capacity

and their quality as to high concentration of traffic in the capital. This is a usual occurrence in the world capitals. Offices of the state administration and self-governments should meet the needs of the residents of Bratislava by an increasing preference for electronic forms of communication. Interconnection of offices such as social care with tax offices could eliminate bureaucracy and redundancy in communication between entrepreneurs by removing duplicate information. Further increase in competitiveness will be closely linked to the improvement of the central state administration, municipal self-government and the functioning of the capital. In the future, the center of Bratislava will have to deal with a specific problem, which is aging population. The aging index in the district rated last place of all the 79 evaluated. The central Bratislava district should not withdraw into itself in the future, but should rather open to possible migration. With a view to further development it must think of supporting young families and creating attractive housing for people in the working age.

The **Bratislava II** District, the southeast quarter of the city including Ružinov, Podunajské Biskupice and Vrakúňa came out the winner of the Regional Business Environment Index, when it ranked at the very top. When we look at the structure of the index, we will find that out of eight pillars, this district ranked the best in two of them – in economic output and in infrastructure. Enterprises located in this district have the highest employee productivity and the highest profitability in Slovakia. Looking at additional competitive advantages, we can see it stand out in terms of geographical location of the district, positively perceived low unemployment rate, labor migration and capacity for further development. Like its neighbor in the Bratislava centre, this district, too, had to take a strong lead in the other pillars not to be drowned by the legislation pillar, where it placed 71st out of 79 Slovak districts. Inadequacy of legislation was largely due to local taxes and their high rates. Entrepreneurs are dissatisfied with the government's economic management, which they describe as the greatest barrier to further development. In the top ten barriers, the offices are mentioned in six other places. These include negative impact of offices on business, lack of electronic communication, poor availability of information, bureaucracy, procedural delays and corruption. When we add to the list dissatisfaction with the work of the courts, then the main barriers are clearly defined. If this district wants to improve in its approach to business, it must review the work of its institutions. This recommendation equally applies to the self-government, state administration and judiciary. The survey respondents suggest complete de-politicization of the authorities, i.e., all civil servants should be banned from political party membership. The question is whether such a requirement is feasible, but suppression of political

decision-making would certainly be of benefit. The self-government should rather serve people and local entrepreneurs, and political interests in the district parliament (*zastupiteľstvo*) should remain secondary. The district needs transparent economic management and improved communication of the authorities with the general public.

The **Bratislava III** District placed 4th in the index. This is due to good results in economic activities, infrastructure, technology, human resources and education. Natural conditions for business in the northeastern part of Bratislava, which includes Nové Mesto, Rača and Vajnory, are by far the best in Slovakia. This part of the capital is attractive for tourists, and it ranked third nationwide. By contrast, with regard to the satisfaction with the local court's work it sank to the third rung from the bottom. This is because of the poorly functioning judiciary, which is the greatest barrier to business in this district. The authorities generally have an ill effect on the business environment, they do not fulfill their tasks properly, do not use electronic communication, are bureaucratic, fall for corruption. Insufficient protection of private property (which may be related to organized crime) got into the top ten greatest barriers in the district. Although this part of Bratislava has excellent natural conditions for business, it suffers from a lack of vacant positions in industry and services. Entrepreneurs believe that neither this district nor the Bratislava region should be disadvantaged in access to EU funds, because the local companies provide jobs for people from other parts of Slovakia as well. This can be argued against, since the chances of gaining capital resources are much higher in Bratislava than, say, in Bardejov. A neat solution from the central government for the sake of maintaining competition in the local market would be to set clear rules about which regions will receive the assistance from EU funds and which will not. One should bear in mind that EU funds are mostly intended for balancing regional disparities; meanwhile, the capital city and its surroundings are the most advanced. The third Bratislava district, like the previous one, needs to improve the work of the local self-government. Entrepreneurs and general public would be better off if the authorities started to build a targeted system of electronic communication, including its maximum use in the public procurement.

The **Bratislava IV** District scaled the ladder to reach the third position, being best in human resources, second best in education and third in economic activity, infrastructure and technology. A favorable location of the district comprising the northwestern municipalities of Karlova Ves, Dubravka, Lamač, Záhorská Bystrica and Devínska Nová Ves, is considered its greatest advantage. Bratislava IV has the most dynamic labor market in Slovakia with the least problems with the long-term unemployed. Like in the previous district, the greatest dissatisfaction is with the work of the district court. This is followed by the problems with the authorities – their task fulfillment, susceptibility to corruption, bureaucracy

and procedural delays and awkward communication topped by the absence of electronic communication. In this respect, the companies would welcome simplified administration in the use of property for business. The survey respondents call for pro-business officials at all levels of the state and local governments. The solution would be an approach where the officials would be positively motivated not only for the levying of fines, but also for their friendly approach, which can help develop investment and hire new workers. Protection of private property placed fourth in the top ten barriers, which may be a sign of existing crime and poor work of the police. This is a challenge both to the self-government and the central government. Bratislava entrepreneurs in this district are complaining about the high local taxes. While these are high throughout Bratislava, in the developed competitive environment of the capital the difference between local rates may be one of the reasons for entrepreneurs to relocate their businesses to a neighboring district. In addition to improving the work of the offices, the district's self government should focus on increasing the level of security and public order. Poor protection of private property may lead to the increase in crime and informal economy, which may have a negative impact not only on entrepreneurs but also on the residents of the whole district.

The **Bratislava V** District ranked in the same position in the index as its name suggests, i.e., it finished fifth. The district is the most populous in Bratislava; it lies on the southwestern bank of the River Danube and includes the municipalities of Petržalka, Čunovo, Jarovce and Rusovce. Its territory borders with Austria and Hungary. This location is of advantage for the district; it is attractive to business and creates conditions for future development. Further advantages include positive perception of low unemployment rate, high level of technology and education. The businesses on the right bank of the Danube are considered highly environment-friendly, and air pollution is the smallest of all Slovak districts. The problems in the Bratislava V district are very similar to those that dominate in other parts of the capital. The district court works poorly, the impact of the offices on business is negative, the corruption is widespread. Although bribery between private enterprises is perceived as a threat in other parts of Bratislava as well, in this district it ranked fifth among the barriers, which indicates the widespread nature of this malady. Compared to other Bratislava districts, the perceived high risk of the informal economy to business is another peculiarity of the district. The central government should make efforts to improve law enforcement, mainly by improving the work of the courts. Only then can we expect reduction in the informal economy and property crime. Residents of Petržalka and other right-bank areas of the city would welcome better road infrastructure. This is connected with building road bridges over the river. The capital faces reconstruction or construction of another bridge. The infrastructure is

a good example of how municipalities on the left and right banks of the Danube River can be joined by shared interests. The top management of the capital and its city council, which set fundamental rules of the game, will continue to have a major impact on further business development. This district, like Bratislava IV, has a high risk of increasing crime rate, which is undoubtedly compounded by a wide range of anonymous housing estates. The self-government is thus faced with specific tasks that are unique nationwide and it should attempt to solve them in collaboration with local entrepreneurs. Improved work of the state and local police could be of much help here.

The **Malacky** District took an excellent ninth position in the index. In the south, this district is directly adjacent to Bratislava. The neighborhood with the largest Slovak administrative and industrial center gives it many advantages. For example, the technological park Záhorie – Eurovalley near Malacky and Plavecký Štvrtok can be virtually considered as part of Bratislava. This is an area where the backbone of the business sector – heavy industry, mainly linked to car manufacturing, is concentrated. Naturally, the district does not profit solely from its favorable position. The technology in the district is considered tenth most developed in the country. The availability of materials and services places the district in the topmost position. Meanwhile, Malacky has considerable development potential, seventh highest in Slovakia. This is due to the support for the business environment, which, over the recent years, has improved the most throughout the country. Local human resources are ranked quite high. Despite the growth of the quality of business environment, the district suffers from poor work of the local authorities. Bureaucracy and procedural delays are also criticized. This indicator ranked fifth from the bottom nationwide. Communication is poor, as is the availability of relevant information. Entrepreneurs would welcome more opportunities to communicate with the authorities via email. There is also dissatisfaction with the work of the district court. Although the district has the above-average capacity of human resources, the entrepreneurs would welcome better interconnection between vocational schools and labor market. Malacky, like Bratislava, feels a lack of available labor. The Malacky district has great potential for the future, not only for its proximity to the capital, but also due to direct contact with developed Austria. The business environment is above the average, yet it is also plagued by the same general problems that are found across Slovakia – poor work of courts, inadequate functioning of offices and weak link between schools and employers' needs. The district should focus on supporting education, which would be capable of providing adequate staff for their own needs, but also for neighboring Bratislava. Cooperation with the leadership of the Bratislava region, which administers vocational schools, will be important.

The **Pezinok** District placed 21st in the index, i.e., it ranked worst in the Bratislava region. This is particularly due to the weakest infrastructure in the region. First-class roads are few and are completely overloaded. With regard to its infrastructure, it placed 58th nationwide. On the other hand, this district, nestled in the Little Carpathians' foothills, has an excellent location. It has high-quality agricultural land and vineyards, and it is situated between the dominant Bratislava and the developed Trnava district. The residents of the district are willing to move; this may be due not only to labor migration, but also to the gradual settlement of the original inhabitants of Bratislava in the surrounding villages. The unemployment rate is low, the services are highly competitive and the level of education is above average. The main problem of the district according to local entrepreneurs is poor law enforcement in the district court. In this indicator, Pezinok ranks near the bottom of the sixth decade nationwide. Although Pezinok is closer to Bratislava than any other district town, the entrepreneurs generally complain about little interest from the government and government institutions in the district, which may be associated with the aforementioned dissatisfaction with the work of courts. As mentioned earlier, entrepreneurs complain about the poor quality of road infrastructure, which may be due to overloaded roads in the vicinity of the capital city. Such complaints are not uncommon in towns located near major European cities. As in the neighboring districts, they do not approve of the work of local authorities, which has a negative impact on business. Local tax rates are perceived as too high by the residents. Proliferation of the informal economy and poor protection of private property pose a special problem. These two phenomena are likely to be linked together and their common denominator is above-average crime rates and dissatisfaction with the work of the local and state police. The residents of Pezinok would appreciate it if central institutions took more interest in them, whether in enhancing work at courts, construction of road infrastructure or improving the work of the police. The Bratislava region could significantly help in further development. It should focus its activities mainly on the three districts outside Bratislava. The residents of Pezinok and its surroundings should put pressure on their representations so that their offices worked to their satisfaction. The central government is expected primarily to restore order in the judiciary.

The **Senec** District boasts 7th position in the index, being preceded only by highly-developed municipalities of Bratislava and developed Trnava. It has an excellent road network; this may be the reason why local residents are increasingly willing to travel for work. The unemployment rate is extremely low in the district, and it is perceived so by the entrepreneurs as well. The education level is quite satisfactory. The competition in industry and services is high. The business environment has been changing favorably over the recent years, although satisfaction with the work of the local offices is not high. In many

places across the district building is in progress; it even placed first in the construction production nationwide. Nevertheless, there are two major barriers standing out. The first is dissatisfaction with the work of the district court, as in the neighboring town of Pezinok. The second is limited availability of free labor. The local residents further complain about poor protection of private property and admit that corruption is widespread among private enterprises. This may be associated with the proliferation of organized crime, a problem encountered in other districts of Bratislava and Bratislava surroundings. The residents of Senec are dissatisfied with the work of the offices, which are susceptible to corruption and use bureaucratic methods. Although Senec could be envied for its position by almost any other Slovak district, there still is room for improvement. The local residents are not likely to affect the work of the court directly, but they should use all means (in conjunction with the residents of Pezinok) to make the Central Government address this unacceptable situation. The residents of Senec should improve the work of their offices by adopting transparent and effective methods and targeted elimination of corruption. The same should be done by the government in local government institutions. If the district wants to increase the available labor force, there is no other way but promote migration of the population and their settlement in its territory. The self-government must take appropriate measures by making housing construction in the district more appealing.

### Trnava Self-Governing Region

The Trnava Region surrounds the most advanced Bratislava Region like an anchor, benefiting from its proximity to the capital and also from its contact with the Hungarian and Czech border. While the proximity of Bratislava is crucial, its economic advancement is boosted by the industrialized areas of Hungarian Győr and Moravian Slovácko. The region also enjoys the best conditions for agriculture in Slovakia; its territory is the largest reservoir of drinking water in Central Europe. It concentrates a large portion of Slovakia's skilled population, whose level of economic activity is above average. The Regional Business Environment Index confirms that on average, the business conditions here are second best nationwide after those in Bratislava, although the results are not uniform. The Trnava district dominates the region, followed by the neighboring Hlohovec, Piešťany and Galanta. Marginal districts are worse off, with the exception of Skalica, which benefits from its historical interconnection with the advanced Moravia situated nearby. None of the districts in the region ended up below the 30th position in the index. The advantage of the region is high economic activity, use of modern technologies, high-quality human resources and, with the exception of the southern districts, above-average infrastructure. The region stagnates in the quality of public administration, limps along in terms of

legislation and lags in the quality of education.

The **Dunajská Streda** District placed 25th in the Regional Business Environment Index. While the district is directly adjacent to Bratislava, it is different in character than Senec or Malacky. Agriculture plays an important role because the district lies on the fertile Great Rye Island (*Žitný ostrov*). Even though the proximity of the capital city is instrumental, cross-border relations with the neighboring part of Hungary and the industrial city of Győr are not negligible. Thus, the main competitive advantage of this district is its location. Another advantage in the respondents' view is fair recruitment policies in companies. This advantage is unique; in the nationwide ranking of this indicator, the district placed fifth. Dunajská Streda climbed relatively high due to such indicators as "availability of materials and services" and "migration of skilled labor". The entrepreneurs appreciate that conditions for business in the district are good and have improved over the recent years. Most of the population of the district is of Hungarian ethnicity, which claims its language rights. The survey respondents showed their discontent over the meeting of national demands although the greatest dissatisfaction is with poor infrastructure, which they expect the government to change. In the views of local residents, low interest of the state and state institutions is the greatest barrier to business in the district. The second greatest barrier is poor work of the district court, which is typical of the districts in the capital city region. Other problems are manifested in the availability of labor force, whose salary expectations, moreover, are too high. Meanwhile the district ranks around the average nationwide in terms of unemployment. Entrepreneurs complain of poor protection of private property, they see greater opportunities in tourism and criticize the work of local authorities. With regard to these advantages and barriers, the central government should pay more attention to the overall development of the district. This particularly applies to the infrastructure development aimed at the improvement of road transport links and the promotion of tourism. The Danube riverside provides attractive opportunities for the development of tourism; the district may follow the example of Hungary and its wide utilization of the river. Labor migration to Hungary cannot be relied on in the future, although it will still play an important role in the district because of the absence of language barrier. In terms of national importance, the potential of drinking water tank, which is unique in Central Europe, is still not fully exploited.

The **Galanta** District placed 18th in the index. It can be characterized as a pro-business district, which serves as a proof of the finding that its greatest advantage is the generally positive perception of low unemployment rate. Galanta has an excellent location, it is situated on fertile land with the developed agriculture, and at the same time it is capable of attracting large tech-savvy companies. Local Korean Samsung with a manufacturing plant, distribution and logistics center is one of the most

important investors in Slovakia. The district has high-quality infrastructure, especially road infrastructure; in this relation it ranks fifth nationwide. The barriers to further development of the business environment in Galanta are specific from the nationwide perspective. The entrepreneurs are dissatisfied with low discipline and diligence of the employees, adverse effect of the minimum wage on business and the poor availability of free labor. This is due to the low unemployment rate, ninth best in Slovakia. Apart from the dissatisfaction with the work of the local authorities, other warning signals include the entrepreneurs' complaints about the impact of the informal economy on business and concerns about the security of the private property. This is a sign that organized crime is thriving in the district, as documented by police reports. Thus, one of the main tasks of the central government is to ensure safety of the residents of the district and to eliminate crime. The local authorities should take the same stance on this problem. Following the recent significant targeted support from the central government focused on attracting the Korean investor, the district no longer needs any special incentives safe for the countrywide improvement of the business environment. In Galanta, this effort will hit fertile ground, for residents of the district share the spirit of enterprise. The local authorities should contribute to the improvement of conditions for business by improving their own work. However, the survey respondents mainly call for the improvement in communication, preferably in electronic form. They would welcome some local tax burden relief, which is completely within the powers of the self-government councils. These demands should be heard. Banks, too, could aid in business development, although their number in the district is, with regard to the recent development, inadequate.

The **Hlohovec** District closes the top ten most successful districts. It has an excellent location, it is situated in an area with the most developed industry and agriculture in Slovakia and it has above-average transport links. The survey respondents confirm a high level of competition in industry and reliability of business partners. They appreciate the willingness of the residents to travel for work, and see advantages in linking vocational education with the labor market. The district can be proud to feel the least impact of the informal economy on business nationwide. On the other hand, however, the entrepreneurs complain that corruption is present in the business. They are even more sensitive to the impact of corruption on the decision-making of local authorities, which is the greatest barrier to the improvement of the business environment. They are dissatisfied with the negative impact of the offices on business, disapprove of bureaucracy and procedural delays and complain about the low level of communication and limited access to information. They consider the protection of private property inadequate – this barrier placed second worst. The third was the poor availability of labor associated with high economic activity, which is manifested by low unemployment rates.

Although Hlohovec is one of the smallest and the most densely populated districts in Slovakia, it would probably handle even more intense labor migration. The district self-governments should support housing, as the values for this indicator only remain around the national average. The inflow of new workers could meet the expectations of entrepreneurs, who would welcome higher-quality, modest, determined and more responsible young people. The district has dense public transport links, although the district increasingly suffers from congestion, which calls for new investments in this area. These are in the hands of the central government and the Trnava Region. It is necessary to combat corruption and bureaucracy in the local governments and central offices mostly by means of transparent methods and putting communication with authorities on-line. Protection of private property should improve, which is a challenge for the state and local police force. The Hlohovec district falls under the district court in Piešťany and its residents are entitled to expect that law enforcement will increase by better fulfillment of its mission.

The **Piešťany** District placed 16th in the index. This is an area where intensive agriculture combines with industry and tourism. The district town is the location of Slovakia's most important spas. It has climbed to the top for its advantageous location – it is situated at the main railway junction connecting Bratislava with Trenčín and Žilina. The district location indicator places it seventh best district in Slovakia. Another advantage of Piešťany is low unemployment rate combined with the satisfaction of entrepreneurs with free labor, which they can use productively. The district has good availability of materials and services. The survey respondents identified weak interconnection between vocational schools and labor market to be the greatest barrier to business development. The second major problem is poor law enforcement in the district court. The same has been confirmed by the entrepreneurs of the district of Hlohovec, which uses the services of the Piešťany Court. The residents of Piešťany suffer from weak interest in their district from the state, which is probably due to a lagging road infrastructure. They expect that the central government and the regional authorities will address the problems of the local judiciary, secondary education and transport infrastructure. What the district residents can change by themselves is the quality of the work of local authorities. The entrepreneurs complain of mismanagement of the local self-governments and attempts to pressure local officials by bribes. This could be changed by increased transparency of the economic management of local authorities, for example through the provision of open, regular and accurate information on the websites of the respective municipalities. The branch offices of the central institutions such as Social Insurance Agency or regional self-government, that is, Trnava Self-Governing Region, should follow their example. The state police should work in a more coherent manner, for the district residents consider the protection

of private property to be inadequate. Piešťany, being a district with 11th best conditions for business in Slovakia but with gloomy prospects for business development (67th position), would benefit by increased interest from banks, because, according to the survey respondents, the availability of financial and capital resources is one of the greatest barriers to further development.

The **Senica** District is the least developed area of the Trnava Region, ranking 30th in the index. Like Skalica, it has less favorable agricultural conditions and has better access from the Záhorská than from the Považská motorway. Economic life of the district is concentrated in its metropolis. This is sufficient for the level of competition in industry and services to be the district's best rated indicators. Local businesses are able to utilize the latest technologies. The residents are economically active and entrepreneurs are relatively satisfied with the level of education. Nevertheless, they perceive interconnection between vocational schools and labor market to be insufficient and consider it the third biggest barrier to developing the business environment. They complain about the poor qualifications of job seekers. The biggest problem of the district is corruption. Bribery plays an important role in decision-making and is also widespread among private enterprises. Tackling such a serious issue requires honest regional politicians, who can fearlessly take necessary steps to eliminate this problem. The central government cannot be of much help here; if at all, then only through executing anti-corruption measures in the state institutions. Residents themselves must understand that they should elect and appoint people who advocate transparent procedures such as electronic auctions in public procurement. Introduction of electronic communication with the authorities, wherever possible, would be highly instrumental. It could be presumed that once bribery has been removed from the public sector, corruption among firms will recede as well. Senica, as the least developed district of the Trnava Region, with less sophisticated production, feels more pressure for wage increase in costs than its more advanced neighbors. The impact of the minimum wage on business is one of the major barriers to business development in the district. Thus, Senica would benefit from the total elimination of the minimum wage by the central government or from the minimum wage differentiation in the regions of Slovakia based on their performance, which seems to be a more feasible option.

The **Skalica** District placed 18th in the index. Although it is situated on the border, in the western tip of Slovakia, its main advantage is its location conducive to business. Of crucial importance is its contact with the advanced Moravian part of the Czech Republic, rather than its proximity to the developed parts of Slovakia (even though this is not negligible either). Historically, the area is oriented westwards and the district's cross-border ties secure its long-term prosperity. The level of competition in industry is high. The district's appeal consists in

tourism mainly due to the well-preserved antiquities in Skalica and Holíč. Skalica stands out for one more reason – it placed first nationwide in the economic management of the local governments. The main problem of the district is low availability of financial and capital resources. This, coupled with high-rated economic activity of the residents (fifth position in Slovakia), suggests that investment in Skalica should pay off. The local self-government should therefore create even more favorable conditions for investment. The problem may be lower availability of labor, but even here the border district can benefit from its location. Even now the local companies employ workers from neighboring Moravia, so the possibility that the Skalica District could become a pioneer in more extensive employment of skilled workers from abroad cannot be ruled out. However, local authorities must first solve their own problems, which include adverse effects of their conduct on business, bureaucracy and procedural delays, corruption-related decision-making or lacking electronic communication with the residents. Like in the neighboring district of Senica, Skalica has problems with corruption among businesses, which is compounded by the detrimental effect of the informal economy. The government should look into the work of the local court, as law enforcement in the Skalica District is considered the second largest barrier to business development by the survey respondents.

**Trnava** is the only district to compete with the capital, ranking 6th – right after the first five Bratislava districts. It can be regarded as the richest district in Slovakia. Although it produces less wealth per capita than the nearby Bratislava, its advantage is state-of-the-art industry and agriculture. The district has the best quality land in Slovakia, economically active population and historical tradition. No wonder then that the Trnava Region is one of the most densely populated areas in Slovakia. Trnava is the location of one of the three major car manufacturing companies in Slovakia – PCA Slovakia; there are also a number of other companies specializing in car manufacturing and other industries. The district's location is its biggest advantage. The unemployment rate is low and people are willing to travel for work. The level of the used technologies is very high, which is largely due to the entry of foreign investors. The district has very good prospects for further development. In developing their business activities, the companies feel most constrained by poor law enforcement in the district court. The latter is the dominant barrier that stands out from the rest. This problem cannot be handled by the district alone; the central government, especially the Ministry of Justice, should take action as well. The residents of Trnava complain about the conduct of the local authorities. In the case of branches of central offices initiatives for change must come from Bratislava. Entrepreneurs warn about the improper work of environmental agencies. Self-governing offices are in the hands of the local residents – their elected representatives must find ways

to diminish the bureaucratic conduct of officials, to eliminate procedural delays and to maintain integrity in performing the tasks for which they have been appointed. The entrepreneurs also complain about the level of local taxes. In this respect, the self-government should consider whether less is actually better than more, and set rates so that they would not hamper business activities. However, entrepreneurs themselves should question their own conduct, as the level of corruption among them is high, and bribery is considered the fourth most serious barrier to business development. This may be caused by the fact that Trnava is a district with large investment projects, where a subcontractor chain creates conditions for the proliferation of corruption. Although Trnava is a highly developed area mainly due to its advanced manufacturing, there are problems with wage cost items. The impact of the minimum wage level on business is perceived sensitively, and the government should consider repealing it, or it could impede development even in such developed environment as Trnava and its surroundings.

### Trenčín Self-Governing Region

The Trenčín Region is the second smallest region in Slovakia, but it has also the most rugged landscape. The districts in the region are mostly small on a nationwide scale. The region's advantage is its convenient location in the Middle Považie area. The central axis of the region is formed by the main road connection from Bratislava to Žilina and it extends further to Košice. The region is intersected by a road connection, which leads eastwards to Banská Bystrica and Zvolen and westwards to the Czech Republic. If the planned east-west motorway is completed, the region will acquire a new dimension in development. Contact with the Váh River means more advanced environment and more developed industry in the area. The further away from the Váh River, the greater the decline in prosperity. The location where the heart of the region has very good road connection with the dominant Bratislava, developed Trnava and rapidly developing Žilina, may also turn into a disadvantage. While this link brings benefits to firms in their commercial activities, drainage of skilled staff to the south and north puts hurdles in their way. The solution is to support the cascade use of the available workforce. Those who leave the Považie region must be replaced by others from a more distant neighborhood, and for this reason conditions must be optimized for the development of housing and travel. This is a task for the central government, which should build new roads while the regional government should give targeted support to transport companies and the local self-government should promote housing construction.

The **Bánovce nad Bebravou** District placed 45th in the Regional Business Environment Index. This is a small and sparsely populated district with favorable natural conditions. There is sufficient availability of

materials and services, which may be largely attributed to the vicinity of more developed districts. According to the entrepreneurs, this region has attracted the interest of the state and state institutions. Its biggest advantage is the ability of firms to use the latest technologies. The companies successfully motivate employees to work efficiently. On the other hand, the entrepreneurs see as the district's main barrier low development potential. This is probably due to a particular view on tourism, which is perceived quite negatively. Although the natural conditions are favorable to business, the Bánovce District is probably most concerned about its isolation from major routes. The district is quite hard to access from the nearby industrial Považie region and Nitra. What could help in the future is rapid building of the planned expressway between Zvolen and Moravian border, which would bring Bánovce closer to the nearby large cities Trenčín and Prievidza. Like many other districts in western Slovakia, Bánovce suffers from law enforcement in the district court. This second largest barrier to business development can be removed only with the help of the central institutions in Bratislava. The survey respondents perceive negative impact of the informal economy on business and recognize that the private companies suffer from the increased level of corruption – on this indicator the district ranked third worst nationwide. These two barriers are interrelated, so it would be useful if the institutions such as the tax office, the Social Insurance Agency and also local self-governments, which tend to place public procurement orders, worked more effectively. These measures would also increase the level of competitiveness in services, which are seen as a shortcoming. The district would benefit from the change of perspective on the minimum wage, as according to entrepreneurs the effects of the current flat-rate minimum wage set by the center are considered the fifth worst nationwide. The Bánovce nad Bebravou District was therefore among the country's ten least productive and profitable districts. The solution would be either to abolish minimum wage or to set minimum wages differentially, for individual regions of Slovakia.

The **Ilava** District ranked 19th, closing the top-twenty list of the most pro-business oriented districts of Slovakia. This is mainly due to its excellent location in the historically industrial Central Považie region and the presence of major road and rail routes from Bratislava to Žilina, which run across it. This small district is comprised of three towns – Ilava, Dubnica and Nová Dubnica. It placed fifth nationwide in the “conditions for business” indicator. In addition to the high quality of road infrastructure, the entrepreneurs highly appreciate equity in business recruitment for the positions in firms and the employment level. The low unemployment rate, 20th lowest in Slovakia, determines the two greatest barriers to business development – excessive wage expectations of jobseekers and low availability of free labor. The firms complain about severe shortage of skilled workers, which is confirmed by the statistics. The proportion of unemployed

unskilled labor to the total number of economically active population places Ilava in one of the leading positions. A possible solution would be in improved local secondary schools, where vocational schools should be more interconnected with the labor market. It is especially a task for the Trenčín Region, as these types of schools fall under its responsibility. The county (župa) should focus on improving education throughout the administered territory. Support from the state for retraining courses would be of some help, too. The aim is to create a reservoir of skilled workers, who are in demand throughout the district. The district's towns could draw them from other districts, but the local self-government should assist by encouraging construction of new housing. The county in turn can help increase the motivation to migrate for work by creating favorable conditions for using public transport. By doing so it would also help neighboring districts with higher unemployment rates such as Prievidza or Bánovce nad Bebravou. The second set of barriers to business development includes a high level of corruption among private companies, an adverse effect of the informal economy on small businesses and poor law enforcement in the district court. In addition to the judiciary, where the central government must intervene to improve the situation, it is mainly up to the local self-government politicians and officials to use transparent methods of procurement, to communicate with clients via email as much as possible, and to take anti-corruption measures. Local governments are rightfully expected to manage their resources effectively, so that they would not demotivate decent entrepreneurs.

The **Myjava** District placed in the middle of the index, ranking 40th. Although it is situated in the vicinity of developed districts of Nové Mesto nad Váhom and Skalica, it lags behind them. This is mainly due to its location – unlike Nové Mesto nad Váhom, Myjava has no direct access to a transport corridor that stretches along the Váh River, and in contrast to Skalica, its access to the developed Moravian border is blocked by mountains. The entrepreneurs consider the district's location to be the second largest barrier to further development. The problem lies not only in transport links but also in local natural conditions. The district's main advantages include availability of free labor as well as of materials and services. Employees are very diligent and disciplined. The impact of the informal economy is second smallest in Slovakia. Although the district suffers from its remoteness from the motorway more than its neighbors, it has the densest network of third-class roads in Slovakia. This is a result of its hilly terrain and scattered settlements. The biggest barrier to business development is the perception of unemployment. While the unemployment rate oscillates around the national average, it still acts as a brake on development. This is probably a consequence of the closure of the factory that had manufactured plumbing fittings. This traditional production dated from before the Second World War. Since the closure, the firms operating

on the premises of the former plant have been unable to employ the former level of workers. It will therefore remain necessary for the local self-government to attract new investors to take over from the former production, which could be assisted by the central government through blanket measures favoring the Myjava District and other western border areas over Moravia (e.g. by reducing levies and thus also the cost of labor), and by the county government through the improvement of education at vocational schools. These, according to the respondents, are not duly interconnected with the labor market. Another solution to boost the labor market, whose quality is crucial in attracting investors, is to increase labor migration. When these two measures are combined, they will boost the district's rating, which is currently fourth in terms of workforce availability (mostly unskilled workers). No wonder then that it has one of the largest shares of unemployed in the country. The residents of Myjava wish to get rid of bureaucracy and procedural delays in offices; this, however, is within the powers of the self-government, e.g., through the introduction of electronic communication. Strained situation in the labor market could be relieved by other measures taken by the local self-governments, which, while not decisive, are noticed by investors, such as adjustment of disproportionate municipal taxes; these are perceived as the fifth biggest barrier to business development.

The **Nové Mesto nad Váhom** District placed 15th in the index; this is mostly owing to the district's location (ranking 8th nationwide in this indicator). Its nearby neighbors in the ranking include other districts of Central Považie area in the Trenčín Region. The entrepreneurs of Nové Mesto nad Váhom consider the unemployment rate to be low; they appreciate the high level of technology and availability of materials and services. The district is third best in terms of industrial development, and its further development potential is high. The main obstacle is insufficient electronic communication with the authorities. The fact that such otherwise irrelevant factor has been placed so high signifies that the business environment is well developed. It is up to the offices – branches of national institutions, banks and self-governments to take this into account, as the district's potential is great. The changes in Nové Mesto nad Váhom would have an impact on improving the situation in the wider environment. The government and central offices should pay more attention to it, because entrepreneurs feel a lack of interest from them. Another problem of Nové Mesto nad Váhom, which is a sign of its development, is labor shortage. Job seekers, who are relatively few in number, have too high salary expectations. Local businesses need skilled workers who speak foreign languages. This requirement indicates that foreign investors have established themselves in the region. One solution is to increase language proficiency of the local residents, even of the adult population using non-standard methods with the assistance of the local self-government. The second option is increased labor migration, which,

considering imbalance in development of the districts in the Považie region and its neighborhood appears to be more advantageous. This is a win-win situation that can benefit both those who are looking for new employees and those seeking employment a few kilometers away. Increase in mobility of the residents presupposes the cooperation of self-governments, for example, through support of housing by the local authorities or through practical steps of the Trenčín government in enhancing transport services. Nové Mesto considers it important to protect private property. This is also the task both for the local self-government and the state, and for the local and national police. Combating crime could be aided by improved work of the District Court, where law enforcement is low.

The **Partizánske** District lags behind the other districts in the Trenčín Region. It ranks as low as 57th. It is small in size and farthest from the prosperous Považie region. Competitive advantages of this district are unique. The respondents report their satisfaction with the authorities fulfilling their tasks, positive impact of the minimum wage on business and relative satisfaction with law enforcement in the district court. In addition, there are also generally more frequent advantages such as availability of materials and services and availability of free labor. The greatest barrier to business development is the perception of unemployment rate. This is a result of recent industrial developments in the metropolis. The former shoe-factory, which once belonged to Baťa's prosperous empire, went bankrupt following nationalization and later privatization, leaving behind hundreds of unemployed. The premises of the factory currently house several firms, most of which are foreign companies. This might also be the reason why the local residents' low language proficiency level is considered the third worst barrier to business; foreign investors need linguistically proficient workers, especially in management positions. Another serious obstacle related to the labor market is perceived low qualifications of job seekers, compounded by low migration of skilled workforce. Education level is generally considered inadequate and so is the interconnection between vocational schools and the labor market. When we look for a common denominator to these complaints, we come to the conclusion that although the district offers free workforce, this does not conform to the local employers' requirements. Thus, central government should cooperate with the local governments to raise the education level in the region. A long-term solution is the announced introduction of compulsory English language learning in primary and lower secondary schools and improved quality of teaching in technical and vocational schools. An immediate solution would be the introduction of retraining courses, although extremely high index of aging and the age structure of job seekers show that it is not a panacea. The situation could be effectively aided by triggering start-up businesses, as the population of the district with the ancient Baťa tradition is still above-average. Such measures would outweigh the district's

unfavorable location, which entrepreneurs qualify as the second largest barrier to development.

The **Považská Bystrica** District ranked 26. in the index. As the name suggests, it is situated along both banks of the River Váh, which gives it the most important competitive advantage. The entrepreneurs of Považská Bystrica appreciate the staff's discipline and diligence, while successfully motivating them to work more efficiently. This may stem from the fact that from the region's perspective there are ample job opportunities in the district. The ten greatest barriers to business development are topped by poor law enforcement in the district court. This is perceived as a serious shortcoming, which is by far the worst than all the other negatives. Consequently, the central state institutions should pay close attention to this court, for if the problem is not addressed, all the other measures in the field of improving business environment will wane. The residents of Považská Bystrica also complain about the poor quality of road infrastructure. This may be a result of dissatisfaction with the problem with the motorway bridge in the district town. The second reason is inadequate network of first-class roads, where the district is one of the worst rated in Slovakia. Many years of wrangling over the road bridge across Považská Bystrica, as the last unfinished stretch of the motorway from Bratislava to Žilina, are an example of failure of communication between the central government and local self-government. Local politicians must improve their work. This was also highlighted by the survey participants, who identified poor performance of the offices and their adverse effect on business activities as the third and fourth largest barriers. Similarly, they complained about little interest of the state and state institutions in the district. The second group of shortcomings concerns labor market. Employers perceive the poor qualifications of job applicants, their inadequate language skills and lack of labor migration. This is essentially a recurring problem across the Central Považie region, which can be addressed in the long term by improving education, particularly in vocational schools, and by supporting workers commuting from surrounding districts outside the Považie region. Within the town of Považská Bystrica, the problem could be addressed within the district boundaries, for it is divided into two parts – one lies directly in the nearby river basin and the second is located in the neighboring mountainous areas. Improved quality of transport links with the support from the central government and Trenčín self-governing region could be beneficial.

The **Prievidza** District placed 39, i.e. around the middle of the rankings. It stands out by a unique combination of developed industry and thriving tourism, ranking among the top twenty most attractive tourist destinations and most active Slovak districts. This may be mainly due the presence of the town of Bojnice. On a nationwide scale, it is Slovakia's tenth most industrially developed district, which also puts it among the most polluted districts. The potential for tourism remains

its biggest advantage, with entrepreneurs calling for concerted efforts at the district's development with the self-government. Other advantages include the availability of materials and services, the impact of natural conditions on business, the level of competition in industry, the reliability of trading partners. Although the district's location is favorable for tourism, with regard to business it turns into a disadvantage, as reported by the survey respondents. This is also the district's greatest competitive disadvantage. This extensive district essentially lies in a large basin and it is separated from the Central and Upper Považie region, Banská Bystrica and Zvolen, by mountains, which are traversed by inadequate transport links. The transport connection is slightly better only with Nitra, which is located in the south. It will be crucial for the future development of Prievidza to construct an expressway between Trenčín and Zvolen, which will improve its connection with Bratislava, Žilina, Moravia and Central Pohronie region. The central government should pay attention to this new backbone transport link in the development of the Upper Nitra Region. Improvement of transport communications in Nitra would remove the third most serious barrier to business development. Another significant barrier is poor law enforcement in the district court, where the solution again lies in the hands of the central institutions in Bratislava. Prievidza can help itself to solve other issues, particularly by enhancing the work of local authorities. There is much dissatisfaction with the poor management of local self-governments, with the local tax rates. The authorities do not perform their duties properly, there is little electronic communication. These entrepreneurs' views help local politicians and administrators identify the areas that require increased investment of time and money to raise the development potential of the entire district. This was reported as low, although there are natural and historical conditions to remedy the situation.

The **Púchov** District placed 22nd in the index. Since this district is small, it benefits from its close neighbors Považská Bystrica and Ilava. Competitive advantages of Púchov are unique. All are related to business activities in the following order: justice in the selection of candidates for the positions in firms, availability of materials and services, availability of free labor, impact of the minimum wage on business, employees' discipline and diligence. It is worth noting that respondents reported the impact of the minimum wage as a comparative advantage of the business environment, although the surrounding districts view it to the contrary. Púchov has relatively most developed industry in Slovakia, topping the list for this indicator. It boasts unusually good interconnection between vocational schools and the labor market. On the other hand, it also ranks at the very bottom with the highest tax rates on industrial and agricultural buildings and in the bottom ten districts on other kinds of taxes. For this reason, local taxes are perceived as the second biggest barrier to improving the

business environment. Since the industry is developed, the local-governments can now afford high tax rates, but this may be a problem in the longer term. The management of the local self-governments is considered the third largest barrier, immediately followed by threat of corruption and its impact on decision-making in offices and poor performance of its tasks. Protection of private property is the most serious barrier, which is equally linked with the performance of tasks of the state administration and local governments in this area. The top ten most serious barriers also include poor electronic communication, bureaucracy and procedural delays. Dissatisfaction with the work of public offices in the Púchov District is high, and so improvement is expected especially in this area. Institutions should be brought under public control, most preferably by transparent methods, promoting electronic communication with the general public. Neglect can lead to loss of Púchov's standing and to entrepreneurs' fleeing to nearby districts, which are now relatively favorable.

The **Trenčín** District with the residential regional centre dominates in the region, placing 12th in the overall rating. The most striking advantage of the district is its advantageous location on the River Váh. Trenčín maintains a high education level and what is worth attention is its fourth position nationwide in the interconnection of vocational schools with the labor market. In all indicators, with the exception of public administration and legislation, where it lags, the district reached relatively balanced district results – while not dominant, it is usually above the Slovak average. Other advantages of Trenčín include a high level of competition in industry and perceived level of technology. Unemployment is not considered a serious problem. In the overall balanced results deficiencies stand out, which are qualified as barriers to further business development. Of the ten most serious problems six are associated with the work of the offices. The survey respondents put in the first place negative influence of the authorities on business. Bureaucracy and protracted routines are common and decisions are made under the pressure of bribery. The required information is not readily available and communication with the authorities is cumbersome. The local self-governments' management is also an object of criticism. The routines of the offices described above weaken Trenčín's position, but at the same time offer clear guidelines on further improvement. The changes are supported by the new mayor elected in the municipal elections in November 2010, who pointed out similar problems faced by the town. If the new town leadership manages to implement maximum transparency as announced, the use of competitive methods in public procurement and attempts to combat corruption and cronyism, the chances are that the town will move ahead. Similar considerations apply to the towns of Trenčianske Teplice and Nemšová as well as to the district villages. Corruption is a dangerous phenomenon even in the relations between private businesses – correction in the public sphere is likely to transfer further. This may be coupled with the

problem of inadequate protection of private property. More professionalism on the part of the state and local police controlled by the local self-government and application of the same standard to all will benefit the entire district. Transport is a separate issue; the district town needs to improve its local traffic, so construction of a new bridge over the River Váh is inevitable. In the future, after the construction of an expressway from the west to the east of the country, Trenčín may become an important junction, thereby strengthening its position as the industrial and commercial center of the Central Považie region.

### Nitra Self-Governing Region

The region is situated on the fertile fields of the Danube Basin and has the largest reservoir of drinking water in Central Europe. To the north it is nestled in the Carpathian Mountains. The region is the third most populous in Slovakia and it is unique by the large Hungarian minority living in the south. Since the lowland districts are unusually large and elongated in the north-south direction, the population is mixed. In the northern part, districts are smaller and ethnically homogenous. Some inhabitants of the southern districts feel ethnically discriminated against, which is allegedly manifested by less attention from the capital and politically motivated approach of the central government to the solution of their problems. Districts in the center and north of the region are more advanced than those in the south. This is primarily due to their orientation to industry in the north and to agriculture in the south. Disparities are also caused by the infrastructure. The region has a relatively well-built road and rail network, whose condition is improving. The largest room for improvement is in the southernmost and northernmost areas. In the context of building a number of new east-west express road links in Slovakia, new connection between Bratislava and Komárno and possibly with Lučenec is likely to become the government's priority. This could bring development to the region with great potential in agriculture, tourism and industry. Another candidate for gaining the government's support is the planned expressway between Zvolen and Trenčín, with an extension to the Czech border. That would bring investment into the Upper Nitra region, which is now enclosed by the surrounding mountains and has inadequate road connection with the low lying areas.

The **Komárno** District is the ninth largest among all Slovak districts. It has fertile land and ample supplies of drinking water. Up to 15 percent of the business sector is engaged in agriculture, which is one of the highest figures in Slovakia. The district placed 53rd in the Regional Business Environment Index. Its greatest competitive advantages are availability of materials and services and availability of free labor. Other advantages are less significant. They include incentives for company employees to more productive work, protection of private property and the qualifications of job seekers. Competitive

disadvantages are more prevalent in the district. The largest include the district's low development potential, negative impact of location on business and little interest in the district from the state and state institutions. These pessimistic statements of the survey respondents are probably related to the fact that the district is mostly inhabited by ethnic Hungarians, who often feel overlooked by the central government. This is documented by a number of personal statements made by survey respondents – in one of them the entrepreneur demanded curbing the state protectionism and disadvantaging the south as a no-interest area for public contracts and an end to holding back the development of the region; in his view, the state institutions should not base their decisions on political, but rather on economic arguments in promoting rural development. This view was not uncommon. The central institutions could best support the district by building the necessary infrastructure, particularly road communications. This is actually recommended by the entrepreneurs who criticize transport links. Although road density within the district (first- to third-class communications) is at the national average, higher-capacity road connections with the more advanced west are lacking. The need for a new motorway increases with drivers approaching Bratislava from Komárno. Greater interconnection with the capital and with the advanced Trnava Region would bring more investment, financial and capital resources to Komárno, and, naturally, more employment opportunities, which would remove the greatest barrier – the perception of unemployment. The central government should show its interest in the district in other ways as well – by improving the work of the district court, where law enforcement is low, and by promoting anti-corruption practices, as bribery affects the work of the offices. There is dissatisfaction with the economic management of the self-governments, so residents must put more pressure on the elected representatives to deal effectively with the local public finances.

The **Levice** District is the largest district in Slovakia; it placed 48th in the rating. The range of its advantages is topped by the local government's economic management, where it ranked third in Slovakia. This is linked with another advantage, electronic communication with the authorities, where this district climbed to the fourth position nationwide. Other advantages relate to the corporate sector. Survey respondents expressed relative satisfaction with the availability of materials and services, the ability of enterprises to use the latest technology and discipline and diligence of staff. The greatest barriers are associated with the adverse effect of the district's location on business and poor-quality road infrastructure. Several respondents pointed to the necessity of completing the expressway between Nitra and Žiar nad Hronom and the south motorway leading from Bratislava to the town of Levice through the Komárno District. While the former will soon become a reality, the southern expressway should become the focus of interest of the central government.

The same applies to the functioning of the district court, which in its present form does not guarantee adequate law enforcement. Levice needs to improve the poor work of the offices with bureaucratic approach and procedural delays. Human resources pose a separate problem. The district has one of the lowest population growth levels in Slovakia, while unemployment is above average. Local politicians should focus on increasing the number of economically active population in the labor market. The companies are now dissatisfied with the job seekers' skills. Since the share of the long-term unemployed in total unemployment is one of the highest in Slovakia, the central government should focus on widening the scope of retraining courses. The representatives of the Nitra Self-Governing Region should, in their turn, be working to raise the standards of secondary vocational schools, for their interconnection with the labor market is inadequate. Meanwhile, new industrial parks are being built in Levice and Želiezovce, which will be capable of absorbing new eligible staff.

The **Nitra** District placed 24th in the index. It is one of the largest and most populous districts in Slovakia with highly developed agriculture and industry and a relatively high-quality road network, which is still evolving. The district benefits from its own capabilities, but also from its location, as it is in contact with the most advanced western parts of the country. The district's advantages include the level of competition in the industry and the level of technology. This is due to the arrival of a number of foreign investors, who settled in the Nitra District. The survey respondents report fair recruitment practices for positions in firms to be the greatest competitive advantage in the district. They appreciate the employees' diligence and discipline. The residents of the district mostly complain about the practices in the district offices. The biggest barrier to the development of the business environment is the impact of corruption on decision-making. This is compounded by inadequate electronic communication with the authorities, bureaucracy and procedural delays. Law enforcement in the district court is also extremely low. The dissatisfaction is so high that in one of the eight fundamental pillars, the Public Administration pillar, the Nitra District ranked second-worst nationwide. The problem must be handled by all those who are in charge. The central government should improve the work of the court and institutions subject to it, such as the Social Insurance Agency, tax offices, customs offices and district offices. The self-government should focus on its own institutions. The aims are simplified and computerized administration, adoption of transparent practices in management and public procurement, application of anti-corruption measures. While this is a task for the entire country, Nitra is most likely to benefit from the improvement. The district has a potential to expand the prosperity belt from Bratislava, Trnava and Trenčín further east, followed by adjacent, mostly agricultural districts from the south of Slovakia. If the situation changes in this area, improvement can be

expected in the protection of private property, a lack of which is considered the second largest barrier to business development. Similarly, it will reduce corruption between private companies themselves. While the district has a low unemployment rate, it could benefit from a better interconnection between vocational schools and labor market. This particularly applies to the district town, which, according to its authorities, plans to expand in the near future, and is going to build a large new housing estate. Its would-be residents should find for their children schools producing graduates with an opportunity to enter the local labor market.

The **Nové Zámky** District placed 46th in the index. This Slovakia's fourth largest and fourth most populous district has an elongated, north-south dumbbell shape, creating an unnatural whole. The advantages of the district include fair recruitment practices for positions in firms, the ability of firms to use the latest technology, employees' motivation to improve their work performance and raise their education levels. In addition, it has favorable natural conditions, especially high-quality land with developed agriculture and hot springs in Štúrovo and Podhájska, encouraging the growth of tourism. The district's shortcomings prevail over its advantages. The worst rated by entrepreneurs is insufficient labor migration. The unemployment rate in the district is around the average, but its perception by the entrepreneurs is high. This is caused by high age structure of job applicants and a large proportion of long-term unemployed. Availability of labor force is limited. Interconnection between vocational schools and labor market is inadequate, which is another minus for the labor market. Meanwhile, the population is economically more active than the national average. It follows that, in order to meet the expectations of the unemployed population, it is necessary to tailor their qualifications to labor market supply. The district is one of the candidates for the central government's finance to support staff retraining. Similarly, it is necessary to adjust the disciplines in vocational schools to meet job market's demands. This is a task for the government of the Nitra Region, which administers the secondary schools in the district. The residents need an operational district court as law enforcement is considered the second biggest barrier to further business development. Perhaps it is because of the complaints about this institution that the survey respondents report a significant impact of corruption on the offices' performance. This may stem from bureaucratic approach of state control bodies, whose representatives, according to local entrepreneurs, often inspect companies and collect fines for failing to comply with unreasonable regulations. The district needs to increase the level of competition in industry and the availability of capital and financial resources. These are intertwined, and to make it happen, it is necessary to increase the overall quality of the business environment and improve the infrastructure, particularly the road links between the district and the regional centre.

The **Šaľa** District placed 27th in the index. This is a relatively small and densely populated (by the regional standard) district situated at the lower reaches of the River Váh and standing out by its developed agriculture and industry. In terms of acreage of agricultural land it placed first in Slovakia. The effect of natural conditions on business is the greatest competitive advantage; by this indicator Šaľa ranked tenth nationwide. The district has a good availability of financial and capital resources. Representatives of companies appreciate fairness in job recruitment and the employee's motivation for efficient work. The second greatest barrier to business environment is the level of corruption among private enterprises. This warning indicator, associated with the threat of the informal economy to business, suggests growing organized crime rate in the district. The situation is similar in the neighboring district of Galanta. Although the state police have taken the first steps to combat crime, it will be important to continue in this direction. This should be facilitated by coordinated efforts of the town's leadership. If the Lower Považie districts with pro-business-minded residents kept suffering from this plague, which jeopardizes the development of other economic activities, it could seriously harm business activities in the area. The survey respondents pointed out in their statements the proliferation of foul business practices in the Šaľa District, whose common manifestation is non-compliance with trade obligations, deliberate liquidation of companies and establishment of new ones to defraud honest businessmen. The example of the district shows that it will probably be necessary to change relevant laws at the central level, so that these unfair practices were more penalized and those responsible should be prevented from causing further damage. If these measures combine with purging the judiciary of corrupt officials and increased law enforcement, this would be the best way for the state to show its interest in the district, as attention from the capital city, according to the survey respondents, has been low so far. Particularly, the state can further assist in removing red tape and procedural delays in the institutions that fall under Bratislava's supervision. The self-government should rethink its strategy regarding local taxes that respondents perceive as being too high. Entrepreneurs would benefit from the improved infrastructure in the district, for example by boosting construction of office buildings, whose lack is beginning to show.

The **Topoľčany** District finished 44th, the second worst in the index, Nové Zámky being the worst. The Topoľčany residents appreciate the level of competition in industry, the availability of free labor and employees' motivation for productive work. Natural conditions are the district's asset and while situated more to the north than its regional neighbors, the district still has thriving agriculture. The residents of the district are attached to their homeland, perhaps because this is one of the oldest inhabited areas in Slovakia. Low migration of

skilled labor is the greatest barrier to the development of business environment there. The second-worse is the district's location, which is unfavorable for businesses. The Topoľčany District is separated from the prosperous Central Považie region by a mountain barrier. Like other districts of the Upper Nitra region, it is isolated from the Central Považie region and is connected with the Lower Nitra by inadequate infrastructure. The area is planning to build an expressway leading to the regional center. Topoľčany would equally benefit from the construction of an expressway between Trenčín – Zvolen, which would conveniently link the Upper Nitra with the developed West and developing Pohronie region. Since there are a number of similar demands across the rugged territory of Slovakia, the state will have to set priorities and decide where to start first. Unemployment is viewed as a serious problem. It is aggravated by graduates of local schools, because schools are not adequately interconnected with the labor market. The current concept of minimum wage does not help in reducing unemployment in the district as it hampers job creation. A possible solution at the central government level would be either to remove the minimum wage or to set different minimum wages for different regions, depending on what rates are acceptable in the area concerned. A third group of barriers includes problems associated with the work of offices and local self-governments. The residents are not satisfied with the local government's management, which, moreover, is unable to ensure the protection of private property in conjunction with the state police. In this context the district would benefit from higher consistency and transparency. Since the Topoľčany District is a territory of people who are unwilling to leave their birthplace, it is necessary to encourage the development of small businesses right there. The conditions are favorable because the district is among the top twenty most active in Slovakia. It might be advisable, as pointed out by one of the survey participants, to pay greater attention to the development of small and medium enterprises. Everyone should join in – the state, the region and also the local government.

The **Zlaté Moravce** District placed 37th, just above the average. It stretches along both banks of the River Žitava and in its territory the Danube Plain begins to rise into the mountains. The effect of natural conditions on business is the district's second largest competitive advantage. The first is the availability of materials and services. Business partners are relatively reliable and workers in local enterprises are motivated to work productively. Satisfaction with the work of the district court gives Zlaté Moravce an interesting competitive edge. The district falls under the control of Nitra, where entrepreneurs are very dissatisfied with the same district court. These different attitudes are likely to stem from their own experience during the proceedings. The survey respondents do not trust the development potential of Zlaté Moravce and believe it to be the greatest barrier to improving the business environment.

Although the registered unemployment rate is below the national average, the entrepreneurs consider it dangerous. The reasons are many and are cited in other barriers. Job seekers do not have the necessary qualifications. Interconnection between vocational schools and the labor market is not adequate. Migration of potential employees is low. These problems will have to be dealt with by the central government in collaboration with the regional government, which administers vocational schools. Schools and curricula must address real needs of their potential employers. The self-government may encourage the movement of workers through urban commuter lines and adapting the latter to allow job-seekers to travel regularly for work. Further development of the district town (which is still smaller in size than the neighboring district) through possible construction of new apartments seems promising. In terms of job creation, the district will benefit from the completion of the expressway between Nitra and Zvolen, which is scheduled for 2011. A peculiar feature of the district town was a protracted dispute between the Mayor and the town deputies, which thwarted the development of Zlaté Moravce. Following the municipal elections in November 2010, the situation has changed and it can be expected that the local self-governments' management will no longer feature among the most serious barriers to the development of the district.

### Žilina Self-Governing Region

With an average size and slightly above-average level of development, Žilina is characterized by a diversity of natural and developmental conditions. While the center of the region is well developed and Central Považie is slightly lagging, the more remote regions of Kysuce, Orava, Turiec and Liptov are underdeveloped. After the arrival of the Korean car manufacturer, the district city and its surroundings have been developing rapidly, but the rest of the region is unable to keep up. The situation is different from that in the south-western Slovakia, where the centers of prosperity bring development into their neighborhood. Moreover, Žilina has to bear the consequences of poor governance. Marred by the ill-considered construction of industrial capacities under the past regime, the region encountered serious problems after the introduction of market economy. Several companies went bankrupt or are now facing economical difficulties. This applies primarily to the Orava region, where the solution will have to come from the central government in cooperation with the local authorities. Road infrastructure poses a special problem for the region. Since Žilina is a mountainous area, overcoming its natural barriers requires large investments. This is not only the case of motorway, which will connect Žilina with the Liptov region, but also of other, less important communications in Orava and Turiec regions. The most promising area of development in the region is tourism, which will also benefit from the improvement of road network.

The **Bytča** District ranked 43rd in the Regional Business Environment Index. It is one of the smallest districts in Slovakia, located in Central Považie and dividing this area into smaller units. Bytča is situated on the River Váh. The district is crossed by a road leading through the border with the Czech Republic to the nearby Silesia region. The main competitive advantage of the district is its potential for tourism development, with third place in the ranking. The district has a relatively high level of competition in industry and level of education. A unique advantage is that bureaucracy and procedural delays are not considered a major barrier. In this indicator, the district ranks the second best in the country. Bytča has available free labor, which can be viewed ambiguously. The survey respondents perceive the unemployment level as the biggest barrier to business development. The unemployment rate is above the national average, despite the fact that labor migration to the neighboring industrial Silesia region has a strong historical tradition and still exists. The residents of the district see it differently, and local entrepreneurs consider migration as inadequate and view it as a barrier to development. They are also dissatisfied with the low qualification of jobseekers and poor interconnection between vocational schools and the labor market. It is probably due to the redundancy of workforce that unfair selection of candidates for specific positions in companies is seen as a serious barrier to further development. These conclusions are surprising, because the population's education level is viewed as a competitive advantage. The reasons should be sought in other indicators. The residents of the district are among the most economically inactive across the country. Therefore, it is more convenient for the local government to promote migration from other nearby locations than to create specific conditions for retraining the local residents. Indeed, the distances in a cluster of small districts of Považie region are not large; four local districts will easily fit into a size of one of the southern districts of the Nitra Region. Other barriers to the development of the district are various – low availability of financial and capital resources, mismanagement of the local government, harmful consequences of the informal economy for business and negative impact of the work of the authorities. A common solution to these problems is to promote greater transparency in all activities, whether from the central or local public institutions.

The **Čadca** District took the 61st position in the index. This predominantly mountainous but densely populated area of the Kysuce region has only few competitive advantages. Attention should be paid to the potential for developing tourism. Other advantages such as the availability of free labor, financial and capital resources and motivation of employees to work productively, are almost negligible. Even worse are those barriers where the district suffers from poor quality of road infrastructure. The rugged terrain and difficult natural conditions increase financial demands for the construction of roads,

so unsurprisingly, the district is tenth worst in Slovakia in this indicator. Completion of the motorway connection to the border crossing with Poland could help, but the neighboring country is also expected to build its own part of the communication. In that case, Čadca could get closer to the Polish industrial region of Silesia, which might encourage the development of new economic activities in the Kysuce region. Naturally, this would rather give rise to further commuting to work in the first stage, this time not only to the Czech, but also to the Polish Silesia. Migration is already considered as a serious problem – in this case for the outflow of skilled labor. In the future, the district may benefit from a nearby well developing Žilina. The capacities of this regional center will be gradually filled and potential investors will look for their opportunities in the neighborhood. It is therefore necessary to remove the barriers limiting the business environment. Čadca needs to increase the level of education of its population, including their language competence. Vocational schools should adapt their curricula to the needs of the labor market, which, due to the nearby Žilina, is becoming more legible. This change is in the hands of the central authorities, especially the Ministry of Education, but no less in the hands of the local and regional self-government, which administer primary and secondary schools. If these barriers are successfully eliminated, improvement in other criticized areas can be expected as well, such as the impact of the informal economy on business, injustice in employee recruitment or decline of morality, which were pointed out by the survey respondents.

The **Dolný Kubín** District placed 58th in the index. This district situated in the Orava region has a relatively developed industrial production, but most activities were started under the previous regime. A number of originally state-owned enterprises did not survive the rising competition of new owners. Factories, erected artificially by the previous leaders, have to be dealt with by the current government, who have to cope with the consequences of their predecessors' decisions. The district still benefits from the available workforce. Discipline and hard work of employees is slightly above the Slovak average. Other competitive advantages are more important – namely low bureaucracy and delays in offices and reasonable protection of private property. The level of competition in industry is viewed as the biggest barrier to further development. The dissatisfaction probably arises from the comparison of the former and the current industry capacities. The outflow of more skilled workforce to other districts is a possible culprit of the second worst barrier, unsatisfactory labor migration, also due to unmet expectations in attracting new employees from the neighborhood. This is confirmed by the third largest barrier expressing dissatisfaction with qualified jobseekers. The district has still high unemployment rates on a nationwide scale. The labor market is adversely affected by the flat minimum wage setting. The solution for Dolný Kubín does not lie in retraining courses, because the economic

activity of the population is generally low. However, if the government still decided in favor of retraining programs for the current unemployed, it should focus on teaching practical skills required by specific employers. First, it would be appropriate to attract new investors to the district, who would fill the gap created in the previous years. The local government should do the utmost to improve other business conditions; the solution could be in building industrial parks with favorable conditions for the incoming investors. The central government can encourage their arrival by other specific instruments, such as investment incentives. However, this institute should be used as a last resort and only if the benefits of creating new jobs outweigh the disadvantages of using state funds and distortion of competitive environment. The respondents see barriers to further development of the district in its limited potential and low interest from the state and state institutions. In this context it is up to the government to focus their attention to the Orava region, which should go hand in hand with the parallel targeted effort of the local government.

The **Kysucké Nové Mesto** District has reached the 34th position in the index. Apart from the urban areas in Bratislava and Košice, this is the smallest district in Slovakia. Its area includes the city with its close surroundings. Another feature is its dominant focus on the engineering industry. The respondents appreciate the discipline and diligence of the local employees, who are motivated to increase their work performance. The perception of unemployment is generally low and is considered one of the main advantages of the district. Kysucké Nové Mesto boasts good availability of financial and capital resources; the ability of companies to use the latest technology is high. The main barrier to further development of the business environment is poor law enforcement in the district court of Žilina, which administers the district; the survey respondents perceive the work of court as the worst in Slovakia. This view is shared by entrepreneurs from the Žilina District, so this is probably not a coincidence. Such a finding requires a quick remedy by the relevant central institutions in Bratislava. The alarmingly poor law enforcement can result in the expansion of unfair business practices, as pointed out by the entrepreneurs in the conducted survey, who saw the impact of the informal economy on business as one of the biggest barriers. This unfavorable situation in the district can be remedied by local governments and other authorities, who do not fulfill their obligations and refuse to communicate electronically. Economic management of the local authorities was equally subjected to criticism. The outlined barriers show that Kysucké Nové Mesto, as well as nearby Žilina, are from a different category than the other districts in the region, sharing similar problems as the developed districts in western Slovakia. Their solution is urgent for the entire country. These particularly include the need for better law enforcement, transparent and efficient economic management of public institutions,

elimination of bureaucracy and preference of electronic communication with the authorities. Kysucké Nove Mesto would also benefit from higher labor migration and increased knowledge of foreign languages. This is a role for both the central and the local governments.

The **Liptovský Mikuláš** district ranked 28th in the index. Its most important advantage is the impact of the district location on doing business. It is situated in the Upper Považie, extending to the Western Tatras in the north and to the Low Tatras in the south and is intersected by motorways that link east with west. The district ranks first in the tourist activity as well as in its potential for further tourism development. Other competitive advantages of Liptovský Mikuláš include above-average level of competition in services and the quality of education. The perception of unemployment by entrepreneurs is also positive. Further development of business is hindered by bureaucracy and delays in the offices. The local authorities have generally a negative impact on business. They fulfill their duties inadequately and are unable to effectively communicate with local residents; the availability of information is low and the decision-making process is affected by corruption. This criticism of the local authorities would not be complete without mentioning their inefficient economic management and the charging of unnecessarily high local taxes. The example of Liptovský Mikuláš clearly shows how a poorly functioning local government can overshadow district's advantages, in this case the potential of tourism development, which is probably the highest in Slovakia. While the tourist activity is currently the best of all Slovak districts, tourist attractiveness puts it in the tenth position. If the government gives promises to support activities in tourism, it must focus more on the work of the local authorities. The use of EU funds for tourism development is a good example. Several survey respondents pointed out the need for minimizing bureaucracy and removal of corruption in project appraisal. They also call for effective promotion of tourism abroad by the central institutions. A favorable response from the government, at the local or regional level, would be of much help. Moreover, the residents are worried about the impact of the informal economy on business; this is also related to inadequate work of the offices, which lacks transparency and willingness to communicate, and is prone to corruption.

The **Martin** District placed 38th in the index. It fared well in the Human resources pillar while seriously lagging in the Public administration pillar. Martin is doing relatively well in the availability of free labor, materials and services necessary for business. The companies report low level of corruption among them and view fairness in recruitment as the greatest advantage. Situated in the Turiec valley, surrounded by the Small Fatra and Great Fatra mountains and with attractive historical sites, the district has great potential for tourism development, the sixth best in Slovakia. To the contrary, its main shortcoming is a lack of road infrastructure

(64th position in the rating from Martin), which, apart from further industrial development, is very important for the advancement of tourism. The district has poor road connection from the west, particularly from Žilina, from more distant Nitra and closer Prievidza in the south and from Central Pohronie in the east. The last two mentioned corridors could earn the region a chance to attract potential tourists from Hungary. Completion of the motorway from Žilina, particularly of its last section, which will comfortably connect the city with the Slovak capital, is especially important for Martin. Its prompt completion by the central government would be especially welcome; in that case, the indicator representing little interest in the district from the state would no longer feature as one of the main barriers to business development. The second worst barrier in the list is inadequate protection of private property, ranking fifth worst in Slovakia and making it a challenge for the state and local police to strictly fulfill their tasks. The problems in this category are likely to coincide with the negative impact of the informal economy on doing business and poor law enforcement in the district court. These three major barriers may suggest that Martin is a good shelter for scammers and criminals. Improvement of the work of police officers does not seem enough; the government should seek to improve the work of the local courts. Low availability of financial and capital resources is associated with weak inflow of investments. In addition to remedying the situation in these areas, the regional and local governments should pay more attention to language teaching and to monitoring the interconnection between vocational schools and the labor market.

The **Námestovo** District placed 55th in the index. This is the northernmost district of Slovakia and together with its neighbor, the second northernmost Čadca, ranks the worst among all districts of the Žilina Region. Námestovo has only a few competitive advantages. The main of them is major potential for tourism development. The biggest attraction is probably the Orava dam, situated in the close vicinity to the district city. Local businesses appreciate adequate protection of private property, relatively high satisfaction in communication with the authorities, including electronic communication. The worst barrier to further development of the district is its location. It is connected with Považie by a road that leads through the neighboring Dolný Kubín in one direction and crosses the state border with Poland in the opposite direction. The natural conditions are not favorable, with the exception of tourist industry. Under the previous regime, the state had built a number of enterprises, many of which did not survive the economy's transition or are now facing severe difficulties. Replacement of these artificial investments in a natural pro-market way will not be easy, so it is up to the central government to respond and thus to correct the blunders it has committed so far. This will not be easy, for the business environment in the upper Orava is poor. The problems also exist in the labor market. Suffering from great migration this district has poorly skilled jobseekers

and its residents commute to other districts. Moreover, the entrepreneurs find the wage expectations of their potential employees too high. A relatively high unemployment rate and poor knowledge of foreign languages, in addition to the problem mentioned above, leads to low availability of labor, both skilled and unskilled. Entrepreneurs show little activity; the district slipped to the worst position nationwide in this indicator. Thus, the government and local authorities are facing a challenge of how to support the Orava region most effectively. Perhaps the most promising area is tourism, so this is where most effort should be directed, including the improvement of infrastructure, especially the road connection with the Upper Považie region.

The **Ružomberok** District ranked 23th in the Regional Business Environment Index. Industry in the district city has a long tradition; during the Austro–Hungarian Monarchy era, this area was one of the most developed regions of Slovakia. As opposed to other districts, Ružomberok has several equivalent competitive advantages. It has a favorable location for doing business and, with the exception of the mountain saddle in the Great Fatra, is relatively easily accessible from the south. After the completion of the expressway leading from Nitra to Banská Bystrica in 2011 and subsequent connection across the Great Fatra the district will probably be more accessible from western Slovakia than, for example, Martin and thus would become the best connected district of the Upper Považie. Ružomberok has suitable natural conditions for business, including tourism. The tourist activity is currently seventh best in Slovakia. The respondents perceive a relatively low risk of unemployment. On the other hand, the main barriers to further business development include issues associated with the labor market. The education level of the residents is relatively low and the interconnection between vocational schools and the labor market is missing. The situation should be rectified by the central authorities, especially by the Ministry of Education. The biggest barrier is a lack of electronic communication with the authorities. The survey respondents are also dissatisfied with the fulfillment of official duties, complain about poor availability of information and are often facing bureaucracy and delays. This is a chronic problem of the Slovak business environment, which should be resolved at a national level. Communication via electronic mail should be maximized, the government should press for availability of important information on the Internet and penalize slow response from the authorities. Alongside the central institutions, much can be done by the local government, which may acquire additional powers delegated by the state. It can be expected that improvement of the business environment in this area will enhance relationships between companies, which, in the entrepreneurs' view, suffer from lack of trust and are prone to bribery.

The **Turčianske Teplice** District ranks 52nd in the index. It is one of the smallest districts in Slovakia

and as the name of the district city suggests, is rich in hot springs and offers a range of spa services. The Turčianske Teplice town is unique by its competitive advantages. In the Public administration pillar it occupies the fourth position in Slovakia, and came as a winner in communication with authorities, availability of information and electronic communication with the authorities; similarly, it ranked third in the impact of the authorities on business. This clearly shows that the local government has understood the significance of communication with entrepreneurs, and it is expected that this will bring positive effects. In addition, the district has low level of corruption among private enterprises and the workforce is available. On the other hand, unemployment is perceived as the biggest barrier to business development. Turčianske Teplice faces a negative development of the population age, the aging index is the district's major problem. The level of education is lagging behind the Slovak average and the qualifications of job applicants do not meet the employers' expectations. The district has an unfavorable location for doing business and is not easily accessible from the west, south or east. There are few factories, so the low level of competition in industry is not surprising. Summarising these shortcomings, the district has the highest chances for developing tourism and spa services. Yet, the situation may change and investments may boost the industry sector, once the road connection with southern Nitra and eastern Pohronie region improves. Moreover, this connection would also help tourism development. It seems that the local authorities will be able to do more, if the central government is more helpful.

The **Tvrdošín** District ranked 41th, i.e., around the middle. Located in the north–eastern corner of the Liptov region and separated from the Orava region by the Western Tatras, Tvrdošín is active in tourism and has a potential for its further development. The survey respondents view fairness in employee selection as the greatest competitive advantage. They also appreciate the availability of free labor, reliable business partners and the ability of companies to use the latest technology. The biggest obstacle to further development of the business environment is its unfavorable location for doing business. Its remoteness causes low quality of the road infrastructure, especially a lack of supporting road connection with the Upper Považie region. Without the special interest of the central government this situation will barely change. Although the Orava region has planned the construction of an expressway, which will reach Šahy in the south direction, the question remains when it becomes part of the agenda. There are many similar projects and the government must set its priorities properly. The district suffers from a relatively high unemployment rate and lack of financial and capital resources. This is also due to its remoteness and stagnation of the industry in the entire Orava region, caused by suppression of industrial capacities absurdly and artificially inflated under the former regime. It turns out that the most appropriate solution would

be targeted expansion of tourism throughout the Orava region. Municipalities should pull together in this area to be able to push forward joint projects. It is important to make effective use of resources from EU funds, which, until recently, were allocated by the political affiliation, as reported by the survey respondents. If the funds are to serve their primary objective, balancing regional disparities, then Orava should become one of the primary, clearly defined recipients, at the expense of the most advanced southwestern Slovakia. The central government could help by promoting tourism centers abroad, by its own supporting programs, but also by speeding up large investment projects – such as completing the motorway from Bratislava to Ružomberok.

The **Žilina** District is the heart and engine of the region. In the Regional Business Environment Index it ranks 8th. The district is developing well and attracting new investments. It houses the manufacturing plants of one of the three Slovak car manufactures, Kia Motors Slovakia, with its suppliers operating in the district neighborhood. The territory is popular for its tourist sites and for thermal baths located in the Rajec Valley. Thus, the district's biggest competitive advantage is its location favorable for business. Unfulfilled potential of further development with expected further progress makes business development prospects in the years to come the third highest among all Slovak districts. Žilina has a high level of education and application of latest technology. The flip side of this boom is lagging in the management of public affairs. The authorities make their decision under the influence of bribes, the clients are complaining about bureaucratic practices and delays. Communication with authorities is cumbersome and information is difficult to obtain. These indicators feature as the biggest barriers to further business development in the district. The structure of reported dissatisfaction in Žilina differs from that in the developed areas of southwestern Slovakia, as if the local public administration were not able to keep up with the rapid growth of the region. Thus, considerable changes are essential for the achievement of sustainable development. The central government can help by national programs, although it seems that the burden will be borne by the local government. The Žilina District needs to introduce transparent methods – from publication of regular and reliable information on the Internet to fair public procurement, including the preference of electronic auctions. In order to provide quality services, it would be appropriate to approve eligible applications so that the client's request would be automatically approved if not addressed promptly. Communication with clients should be e-enabled, thus ruling out the possibility of affecting the officials' decisions by bribery. There are certainly more possible guidelines, which should be further developed and put into practice by the local public institutions. The state may help by making the work of the local district court more flexible, as poor law enforcement is seen as the second worst barrier to business development. If such measures

are imposed, one can expect reduction of the impact of the informal economy on business and elimination of corruption among private enterprises, which are some of the worst problems of the Žilina district.

### Banská Bystrica Self-Governing Region

The region can be clearly divided into two parts. The central area comprised of the districts of Banská Bystrica, Zvolen, Žiar nad Hronom and Žarnovica is slightly above the Slovak average. The rest of the region is languishing in the bottom half of the Regional Business Environment Index ranking. Poltár, Veľký Krtíš, Rimavská Sobota and Revúca districts occupy four of the five bottommost positions in the overall ranking, with the district of Gelnica being the worst. The above-average position of the districts of Central Pohronie is mainly associated with a higher quality of infrastructure. However, when we look more closely at individual indicators, we can find well qualified workforce, good level of services and strong competition. The Banská Bystrica District is the leader of the region, closely followed by Zvolen, which is becoming the industrial and commercial center of the region. Both districts are taking up a role similar to that played by Žilina in the Upper Považie region. They have a potential of becoming the centers of development, spreading prosperity further to the north, east and south. Completion of the expressway from Nitra to Žiar nad Hronom will help significantly, making the area comfortably connected with Bratislava, Trnava and Nitra. As in Žilina, the district cities in the region of Pohronie will have to improve the activity of their local governments, as they will increasingly take up the major weight of important decisions.

The **Banská Bystrica** District ranked 29th in the Regional Business Environment Index. It is the leader of all 13 districts of the region and excels in the potential for tourism development, where it occupies the 12th position. Natural conditions are suitable for doing business; the district is situated in the Central Pohronie and surrounded by Great Fatra and Low Tatras in the north, with developed tourism. The district has adequate availability of materials, services and free labor. The companies know how to motivate employees to increase their productivity. The entrepreneurs are particularly dissatisfied with the work of authorities, seeing high level of bureaucracy and procedural delays as the main barrier. Communication with authorities is cumbersome and availability of information is very low. In these indicators, the district ranked sixth worst in Slovakia. The authorities do not fulfill their duties properly and their impact on business environment is generally negative. Such results are surprising because the district is also the administrative center of the region and thus should have more experience with the management of public affairs. The executives express dissatisfaction with the economic management of the local authorities and poor

law enforcement in the district court. They also perceive the impact of unemployment and informal economy on doing business as a serious threat. The respondents from Banská Bystrica were the most active among all Slovak districts in the nationwide survey of barriers to the development of business environment, which shows the sufficiency of incentives that should be addressed. Aside from the generally known nationwide problems such as a burdening obligation of paying VAT on unpaid invoices from their trading partners, they especially call for bringing strong investors to the district, as in Žilina. The entry of potential competitors is not seen as an obstacle. This shows that the best method to increase the economic development of the entire Slovakia is to create centers of investment activity and spread the impulses further. This is a primary task of the local and regional government; the central government can help only secondarily. Increased activity will bring better opportunities for obtaining loans from banking institutions. The central government meets entrepreneurs' needs by increasing the availability of resources. The entrepreneurs would particularly welcome easier access to EU funds, which should ensure equal opportunities for all applicants.

The **Banská Štiavnica** District ranked 63rd in the index. Its position in the almost last decade of the ranking indicates that the district does not have many competitive advantages, which include relatively low bureaucracy and delays in offices, employee motivation to work more productively, reliable business partners and promising potential for tourism development. This thirteenth smallest district has the worst quality of road infrastructure in the whole Slovak Republic, the lowest availability of materials and services and the second poorest availability of financial and capital resources. It is mainly due to its disadvantageous location, which is the district's biggest barrier to the development of business environment. Although Banská Štiavnica is situated very close to the expressway leading from Trnava to Banská Bystrica, which will be officially completed in 2011, it does not seem to help much. The probable reasons are the mountainous terrain of the district, which is why the district's capital is situated amidst the hills, and the competition of much more accessible nearby areas. In addition to these shortcomings, Banská Štiavnica negatively perceives the high unemployment rate, potential employees have poor language skills and are not willing to commute to work. The level of competitiveness in industry and services is low, as Banská Štiavnica, a former thriving mining town and seat of important institutions of the Kingdom of Hungary, cannot expect the return of the old days following the decline of the mining of precious metals. However, its unique historical monuments have been preserved and the city is included in the UNESCO World Heritage List, which still gives it chances to develop tourism. Despite the proximity of the already mentioned expressway, the survey respondents perceive a lack of quality roads, especially the missing connection with the

district's center. This goes hand in hand with the need for additional infrastructure, such as high-speed Internet connection. The necessary improvement of infrastructure requires cooperation between the local government and the central government. Development of tourism, not only in the historical city of Banská Štiavnica, but also in the nearby, still underrated Sklené Teplice, would benefit from better promotion by the state.

The **Brezno** District ranked 54th in the index. Looking at the rankings of individual indicators, we can find the second-best use of Internet services by companies and the sixth lowest wage expectations of jobseekers in Slovakia. But these are only exceptions; the number of competitive advantages is small. The workforce in the district is available due to low wage expectations, employees are hardworking and disciplined and executives motivate them to increased work productivity. The business partners are relatively reliable and the businesses are able to utilize the latest technologies. However, a number of indicators placed at the end of the rankings such as low level of competition in industry and services. The district is dominated by the steel working company *Železniarne Podbrezová*, operating mainly in metallurgy. While this employer provides most job vacancies, it also defines the local competitive environment. In this vast and mountainous region bank subsidiaries and post offices are poorly accessible, third class roads are the fifth worst among all Slovak districts. High perception of unemployment is the biggest barrier to the development of business environment. The roots of the current high unemployment rate lie in the ill-considered construction of industrial plants under the former regime. During economic transition or due to strong competition or mismanagement, many companies founded in that period ceased to exist or are now experiencing problems. Thus, its development potential is perceived as very low. If the state wants to help the district, it should rectify poor decisions made in the past. Located in the attractive Vepor and Low Tatra mountains, Brezno has a potential to develop tourism. The government may encourage this by construction of road infrastructure and by promoting the region abroad. The naturally mountainous region of Banská Bystrica has a direct contact with flat Hungary and can offer unusual natural beauties, historical monuments and spas. Yet, this will not automatically help the northern districts. The self-government itself must show activity; it may follow the example of neighboring Hungary for its systemic approach to local tourism, and also that of the southern part of Slovakia, namely the district of Krupina. Development of tourism and industry may be stimulated by improved infrastructure, especially roads. Brezno would welcome improvement of business environment more than many other districts, as this would bring the possibility of natural industrial development, which, as in the case of *Železniarne Podbrezová* with over 100 years of tradition, can remain viable in the distant future.

The **Detva** district placed 58th in the index. Its competitive advantages include availability of materials and services, availability of disciplined and hardworking employees and their motivation to work productively. Interestingly, the district ranked first in the school leaving examination (Slovak language) but only eleventh in foreign language skills. Interconnection between vocational schools and labor market is lagging, unemployment is high and entrepreneurs perceive it negatively. The main barrier to the development of business environment is poor quality of road infrastructure; this mountainous district has a lack of first- and third- class roads. One of the possible reasons is the type of regional settlement, historically known for its sparsely populated and very small villages. Location of the district close to the road connecting Zvolen with Lučenec is not sufficiently attractive for investors, but can be improved by completing the expressway between Zvolen and Košice. As in the other cases, the central government must first decide which road communications are most important, because the demand is high in all Slovak regions and the funds are very limited. Unlike eastern and northern districts, Detva, can benefit from the proximity of significantly more advanced Zvolen and Banská Bystrica districts. The production of machinery in Detva and Hriňová, while artificially established during the previous regime, is still in operation and has a chance to prosper. This confirms that the centers of development in Slovakia directly help nearby locations and that prosperity can spread further. Detva may capture this trend if it can improve education, where the major role is played by the central government through the Ministry of Education and by the self-government through primary and secondary schools. An example of success is widespread use of Internet services by companies, where the districts ranked 8th. Detva is still unable to develop the tourism potential, although it has a unique opportunity, mainly in the field of agro-tourism in the almost intact area of Poľana. It is up to the local government that should, in cooperation with tourist agencies, build a system to support local development.

The **Krupina** District placed 60th in the index. In individual rankings it excels in tourist activity, where it ranked 3rd. This result is even more valuable when we take into account tourist attractiveness indicator, which ranked lower by 10 positions. The district can take action in this area, although its potential is lower than in some other regions. Tourism is thriving not only in the Dudince Spas, but also in several villages, which have preserved many traditional customs. This approach may serve as an example for districts in the northern region. The biggest competitive advantage of Krupina district is reliability of trading partners, ranking second best in the Slovak Republic. The district has available workforce with adequate salary expectations. It may seem that Krupina is well developed, but several significant barriers pull it down in the ranking. The survey respondents believe that the development potential of the district

is poor, even rated as the second worst in the country and the level of technology is also one of the lowest in Slovakia. In addition to problems with technology, the district must cope with unskilled workforce. The level of education is poor and foreign language skills are the fourth worst among all Slovak districts. When we add low willingness to commute to work, it is understandable that business in the district is really not easy to develop. The survey also reveals little interest of the state in the district. This problem can be solved by a new approach to educational system, which currently produces graduates with irrelevant qualifications and low skills. Improvement should be brought by the local government of the Banská Bystrica region, which administers secondary vocational schools, producing school leavers for companies with the potential for the district development. The district must monitor the quality of lower-class roads and mass transport system in order to improve commuting to work. Local government may show its interest in rectifying the situation by lowering high local taxes, as entrepreneurs consider them an unnecessary obstacle.

The **Lučenec** District ranked 62nd in the index. With the exception of relatively favorable natural conditions, the district does not have much to offer. Its main competitive advantage is the availability of labor, highest in Slovakia. What is surprising is that, despite high unemployment rate, negative impact of minimum wage on business is not perceived. The survey respondents appreciate relatively low impact of corruption on decision-making and on the ability to use the latest technology. The dominant barrier to development is adverse impact of the district location on business, which is not balanced by the existing railway and road connections with the advanced western part of the country. Many respondents call for the construction of an expressway leading from Zvolen to Košice, which would bring the district closer to the centers of development. The quality of local road infrastructure is one of the worst in the country, and is not only insufficient, but even dangerous. Infrastructure is insufficient also with regard to information technology. While the former is in the hands of the central government and the Banská Bystrica self-government, the latter is a challenge for the local government. Large investment projects, announced several years ago, have not materialized. Potential investors often complain about the reluctance of the local authorities, who should increase their efforts in attracting new employers. It is unreasonable to expect that the construction of an expressway will bring immediate relief to the situation. The district has the ninth highest unemployment rate in Slovakia, but, as many potential investors have already found out, obtaining suitable employees is often very challenging. Long-term unemployment is a widespread problem, associated with low willingness to accept an offered vacancy. The district should focus on improving the profile of jobseekers by retraining or education support. Improvement could be achieved by increased employee mobility, which is closely

tied with the improvement of local roads and public transport connection. The school system faces a challenge of ensuring a higher level of general education, focusing on qualifications that are high in demand, and on increasing the level of foreign language skills.

The **Poltár** District ranked 78th in the index, which is the second worst position. Poltár is an example of negative side-effects of the territorial and administrative division of Slovakia in the 1990s. The new territorial unit has no catchment areas and an improperly defined center, with a tendency for isolation. The district is the most sparsely populated in the region with a population of approximately 23 thousand; the population of some other district towns is several times larger than this entire district. Poltár has negligible competitive advantages. The entrepreneurs appreciate the highest reliability of their business partners – the district even ranked first nationwide in this indicator, the availability of free labor, low level of corruption between private enterprises and a relatively positive impact of the authorities on business. The benefits arise mainly from the small area of the district and its low economic activity. From all 106 indicators constituting the Regional Business Environment Index, Poltár took one of the bottom three positions in 16 of them. Its inappropriate location for business is seen as the district's worst barrier to the development of economic activity. Poltár lags in the level of technology, variety of services, quality of road infrastructure and level of education. It has high and strongly perceived unemployment rate, the qualification of jobseekers is inappropriate and their willingness to commute to work is low. The district suffers from the decline in some sectors observed all across Europe, particularly in glass industry. With regard to future development, the central government faces a difficult task of elevating the district's status. Perhaps the best way is to improve road connection with the surrounding areas, as the self-government has limited resources. Another possible solution is closer cooperation with a neighboring district where rapid development is expected. Poltár may develop tourism in the district, which has established itself in Kokava nad Rimavicou.

With its 75th position in the index, the **Revúca** District is among the five least developed districts in Slovakia. Like other districts with a significant proportion of population of Hungarian ethnicity, it has an elongated shape in the north-south direction. Most of its part is located in the mountainous area of Slovenské rudohorie. Of the few competitive advantages of the district the most important include low impact of corruption on the decision-making process, relatively low level of bureaucracy and delays, good communication with the authorities, availability of information and disciplined and hard working employees. The district is located halfway between Zvolen and Košice, and the local entrepreneurs find this location unsuitable and with low development potential for business. Respondents point out the poor quality of transport infrastructure, complaining about

the missing expressway between Zvolen and Košice. The district technologies are perceived as the third worst in Slovakia, the use of Internet services by companies is even the weakest in Slovakia. The registered unemployment rate and perception of unemployment are the second worst in Slovakia. The level of education is the third worst and foreign language competence is also very poor. When we add the decline of magnesite mining and industry in Jelšava, we can understand why the district ranked so low in the index. Hit by this decline and a by a sharp increase in unemployment, it can only be aided by the policies of the central government. For this district, as for other similarly affected areas, the government should have available an alternative development strategy, as was in the case with the German Rhineland after the decline of heavy industry. Revúca, like its weakest eastern neighbor, Gelnica, cannot cope on its own. Both districts are lacking local potential cores of development and have poor local transport links, although the edge of their territories is crossed by important regional roads. The local governments should seek cooperation with other more developed neighboring districts and should come up with scenarios proposing a remedy. These proposals should certainly include the expansion of tourism as natural conditions are favorable. The central government would be then faced with a less difficult dilemma. If it supports the scenario based on the interests of the local people, it can avoid the risk of imposing the fate that recently befell the Orava and Šariš regions due to bankruptcy of companies carelessly built under the previous regime on it.

The **Rimavská Sobota** District slipped to the 76th position in the index and is the fourth lowest ranking district in Slovakia. It is the largest district in the region and the third largest in Slovakia. Its shape is elongated in the north-south direction, typical of districts with a significant Hungarian minority population. The district has available but improperly structured workforce and it placed in the top ten in this indicator. On the other hand, it has the highest proportion of long-term unemployed in Slovakia. Yet those who are employed are disciplined and hardworking. Managers are able to motivate them to increase their work productivity – in this indicator, the district placed best nationwide. The companies utilize the latest technologies. On the other hand, the district slipped very low in other indicators, worst in the indicator called “the impact of district location on doing business”. Rimavská Sobota is situated in the south of central Slovakia, an area with the worst business environment, economic activity and unemployment. Although rail and road transport links with more developed western Slovakia and Košice do exist, the local entrepreneurs consider them inadequate. They are putting high hopes in the construction of the expressway from Zvolen to Košice. The development potential of the district is very low; the survey respondents associate it with the outflow of skilled labor to the west of the country and abroad. Inconvenient migration, when qualified people are leaving

the district and unskilled or unwilling to work remain, is becoming a really serious problem. Some respondents suggest stabilization of the skilled workforce by instruments offering certain advantages to the established qualified employees such as free allocation of land for construction of houses. These and similar tools may serve as an example for the local government, which is one of the most criticized nationwide. It remains to hope that after the elections in November 2010 (the survey was conducted earlier) the situation in the municipal councils will improve. Since the district looks promising in terms of agricultural and industrial development, the central government should implement tools for the local help such as the establishment of industrial parks and overall improvement of business environment, which would benefit both the district and the entire country.

The **Velký Krtíš** District dropped to the 77th position in the index, two places above the bottom of the ranking. It is an underdeveloped district, situated away from the main roads. The only major competitive advantage is good availability of workforce; the minor ones include good capability of communication with clients and resistance to corruption. In rankings of these indicators the district placed among the top ten in Slovakia. As is clear from the position in the index, the district is hindered by serious barriers to business development with the crucial impact of its unsuitable location. The area is situated on the Hungarian border and the district's center lies at the intersection of the only two major roads leading from north to south and from west to east. Its peculiarity is almost absent railway network; there is only a short line passing through Hungary to Lučenec, which, moreover, is partly unused. The residents put high hopes in the construction of an expressway connecting Bratislava with Lučenec through the southern districts of Slovakia. This example shows that Slovakia is still struggling with the legacy of the Kingdom of Hungary, when the roads led in the north-south direction, linking the cities of the Upper Hungary with Budapest. East-west connections were built very rarely, which was partly due to the intention of the Hungarian government to prevent Slovakia's independence. The areas with established communications began to develop industry. Velký Krtíš was located away from the Budapest roads, so its communications are still underdeveloped; this development has been lagging for decades. The central government must resolve the dilemma of which roads to build first, because there are more such districts. The location of the district constitutes other barriers, particularly poor level of technology, perception of high unemployment, low level of education, migration of skilled labor and insufficient competition in industry and services. Local authorities do not have many possibilities to help. The central government may promote closer cooperation with the Hungarian border area, especially with the nearby Balassagyarmat and with Budapest. In addition to the expressway leading from Bratislava to Lučenec, some entrepreneurs also call for

strengthening the road connection between Zvolen and Budapest, which could possibly cross the state border in the district of Velký Krtíš. It has a serious potential competitor in nearby Šahy, which might be intersected by an expressway from the Polish border through Zvolen to Budapest.

The **Zvolen** district ranked 32nd in the index and, preceded only by Banská Bystrica it is the second best district of the region. While the nearby city of Banská Bystrica is the administrative seat of the self-governing region, Zvolen is becoming its industrial and commercial center. Being an important transportation hub, it is crossed by major roads and railways leading from north to south and from west to east. Zvolen is typical for having neither strong competitive advantages nor significant barriers to business development. Its greatest advantages include the impact of natural conditions on doing business, tourism potential and level of competition in services, followed by the ability of companies to use modern technologies and motivate their employees to increase their productivity. The greatest barriers to further development confirm that Zvolen grapples with problems typical of the developed centers, poor law enforcement in the district court being the worst. If the central government wants to help, it should reform the judiciary. This would eliminate another barrier, lack of state interest in the district. Moreover, it should work in concert with the local government in being more responsive to entrepreneurs' demands and raising the level of electronic communication with clients. In this area survey respondents mainly pointed out the possibility of simplifying communication with the authorities concerning tax payments. With regard to the labor market, the residents would welcome better interconnection between schools and labor market and higher-quality language teaching. This is a task for the Ministry of Education and representatives of the Banská Bystrica Self-Governing Region, which administers vocational schools. Demand for language-skilled staff indicates that the district is successfully attracting foreign investors and is becoming the center of trade. The respondents complain that the level of corruption among private enterprises is relatively high and protection of private property is inadequate. The state and local police should therefore act more vigorously to prevent crime becoming a scourge for other potential investors.

The **Žarnovica** District reached 35th place in the index. Good results of indicators in the Public administration and legislation subindex pushed the district up, slightly above the Slovak average; Žarnovica ranked 3rd nationwide in this subindex. The highest level of satisfaction nationwide is with the economic management of the local authorities and the protection of private property, but the most important competitive advantage is the district's favorable location for business. The territory is crossed by an important expressway, which as of 2011 will connect Bratislava and Trnava with Banská Bystrica without interruption. Moreover, Žarnovica is

situated midway between the emerging areas of Nitra and Zvolen. Other competitive advantages of the district include potential for tourism development, low impact of corruption on the authorities' decision-making, reliable business partners and employees' discipline and diligence. From all the barriers to further development of business environment, the most important is negative perception of unemployment. This, despite the generally favorable assessment of the district, is still above-average. Other barriers suggest how to reduce unemployment. The district would benefit from maintaining skilled workers – their current outflow is caused by very high salary expectations. This may indicate that the companies are lacking in the latest technology and offer the candidates either low rated positions in the less sophisticated production or management positions, which require high skills and foreign language competence. One possible solution would be to attract more sophisticated production. Since the district has an appropriate location and transport services, the state should be interested in it and should help by blanket improvement of the business environment for all. This is also implied by the the entrepreneurs, who call for modification of laws and increasing the competition. It is up to the central government to engage more, for example, through discussions with potential sophisticated investors and preparing conditions for their entry. Synergy is expected between the district center and Nová Baňa, which was historically the center of the region, although the political decision made in the 1990s moved the seat of the region to Žarnovica.

The **Žiar nad Hronom** District ranked 33rd in the index. It has an excellent location, in the heart of Central Pohronie region, near the developing city of Zvolen. In the district's vicinity, an expressway from Trnava to Banská Bystrica is being completed; there is also a plan to build another expressway leading to Prievidza, which will connect the Pohronie region with Upper Nitra, Považie and Moravia. Žiar nad Hronom has advanced competition in industry, sufficient availability of materials and services and high level of technology. The barriers to the development of business environment are similar to those in the most advanced centers. The worst of them is poor law enforcement in the district court. The authorities fail to fulfill their duties adequately, communication with them is cumbersome and availability of information is low. The clients encounter bureaucracy and delays in the offices, and electronic communication is not appropriate. The task for the central government is to significantly improve the work of the district courts. Communication with authorities is an issue that should be addressed both by the central and local governments. Like in other areas of Slovakia, the entrepreneurs of Žiar nad Hronom, complain about being bullied by the tax authorities. The central government should require those institutions to meet their clients' demands rather than behaving like liquidators. Also, it is up to the government to create a comprehensive system for

collecting information, preferably e-enabled. Despite its high position in the index, the district suffers from high unemployment rate and low qualification of jobseekers, mainly due to the migration of skilled workforce to more advanced areas. The education level is relatively low, as is foreign language competence. A long-term recipe for development is to improve education – a task both for the central government, which provides methodology, and for the local government, which administers primary and secondary schools. In the short term, arrival of foreign investment could be of some help as well. Moreover, since, after the completion of the expressway, the region of Central Pohronie will be equally accessible from Bratislava as from Žilina, the self-government's involvement is desirable here as well.

### Prešov Self-governing Region

This is Slovakia's largest region both by area and by population. Alongside the Banská Bystrica Region, it has the largest number of districts – thirteen, some of which are significantly larger than the average while others are rather small. This region clearly shows that the territorial and administrative division reform in the 1990s had serious shortcomings and their effects are still palpable. The region includes the most populous Slovak district, Prešov with a population 14 times as large as that of the least populated Medzilaborce district, which is also located here. Such diverse districts cannot be assessed equally. The Upper Šariš region should have included only one district in addition to Bardejov, but due to the competition for the regional seat there are now two districts – Stropkov and Svidník with district centers located only some ten kilometers apart. Both districts are now suffering and if they want to help themselves, they must act together. The Prešov Region is largely affected by high unemployment rates, outflow of skilled labor and poor infrastructure. Problems revolve in a circle – cities and towns need strong investors, but they seek skilled workers, who had not found proper work and left their homes. Moreover, the motivation of the unemployed to seek work is low, because their social benefits provide a standard comparable to low income. In addition to strengthening the infrastructure, the state may handle the situation by a structural reform of levy system and by the improvement of the quality of education. From the short term perspective it would help to redirect EU funds to the least developed areas, because these incentives are primarily intended to reduce regional disparities.

The **Bardejov** District ranked 66th in the Regional Business Environment Index. This center of Upper Šariš does not have many competitive advantages. The few include the availability of free labor, discipline and diligence of employees, availability of materials and services and potential for tourism development. Tourism holds a great promise for the district, as Bardejov's town center is registered in the UNESCO World Heritage List.

Moreover, the district benefits from well-known spas. After the collapse of several companies built unwisely under the previous regime and their demise or uneasy survival, following the arrival of the competition and unsuccessful privatization in the period of economic transformation in the 1990s, tourism can become one of the engines of further development. The impact of the district's location on doing business is the biggest barrier to progress. Of extreme importance is the road and railroad connection from Bardejov to the southern part of Slovakia, lower Šariš and Košice. This could help the district find those who may be interested in tourism and investments – not only in close vicinity, but also further to the south, in Hungary. It should not be very difficult, for the Šariš region had been strongly tied to the lower part of the Kingdom of Hungary before 1918. With regard to industrial development, active involvement is expected from the central government, as its predecessors had erred in their investment decisions and, following the decline in 1990s many residents were put out of work. Now, the government, which bears some responsibility, should create scenarios for the development of the district and its neighboring areas. Like in all peripheral areas of Slovakia, the construction of infrastructure is expected here as well. Perception of high unemployment and the associated distortions in the labor market have become serious barriers to improving the business environment. The situation is exacerbated by migration of skilled workers beyond the district borders, which are then lacking in the local labor market. In the Human resources pillar, the Bardejov District placed third worst. It is a vicious circle – the district must attract investment, but for it to happen, it needs qualified workforce. On the other hand, skilled workers will remain at home only if they are offered vacancies in the factories of new investors. This problem can be solved only by a clear strategy, where the central government, the Prešov Region and the local authorities join hands, through gradual improvement of the business environment, such as building the infrastructure, improving the work of local authorities, extending the scope of targeted retraining, increasing education level and moving the prosperity area northward from Košice and Prešov. It may be expected that other barriers, such as low competition, outdated technology or alarming lack of reliability of trading partners, where Bardejov ranked as the worst district in Slovakia, will also be eliminated.

The **Humenné** District took 50th position in the index. This center of the upper Zemplín region slipped below the average due to poor technology and infrastructure. Its main competitive advantages are availability of free labor, which has adequate wage expectations, and availability of financial and capital resources. The companies are able to use the latest technologies and, according to the managers, their recruitment practices are fair. Despite overall satisfaction with the availability of free labor, perception of unemployment is the main barrier to further business development, followed by migration of skilled

labor. The Humenné District perceives this problem although it is more advanced than other districts of Upper Šariš, which could supply this center with qualified jobseekers. It seems that the residents of all Šariš districts migrate for work to more convenient locations. Humenné has an unfavorable location for business, not only by being situated in the east of Slovakia, but also by its inability to compete with nearby Prešov and Košice. The problem is compounded by low quality infrastructure, especially by lack of first class roads. Districts to the east of the Šariš region cannot expect that the central government will undertake construction of expressways or motorways, whether in the short or in the long term. All road sections currently under construction or planned solve the problems of Slovakia's internal road links or bridge the corridors of European importance. The latter category includes the section of the expressway from the Hungarian state border through Košice, Prešov, and Svidník to the state border with Poland. Thus, one can not expect that the situation will improve in the near future and the eastern districts, including Humenné, must look for other tools to enhance the business environment, as suggested by other existing barriers – local authorities do not fulfill their duties to the satisfaction of the executives, are prone to bureaucracy and procedural delays, communication is inadequate and availability of information is poor. This calls for the involvement of the state and local government institutions. Routines and practices in the offices should be more transparent, public procurement should be realized by means of open tendering, and official communication should be more e-enabled. The authorities should facilitate the entrepreneurs's work, not complicate it.

The **Kežmarok** District placed 64th in the index. Although ranked so low, it fares surprisingly well in the Legislation pillar, where the district came seventh. This is particularly due to the low local tax rates. Another competitive advantage of Kežmarok is its great potential for tourism development. The beautiful Pieniny Mountains with the River Dunajec flowing into Poland are situated in this very district. This tourist attraction can also help the entire district, but the local businesses and local government will have to catch up with the foreign competition, which is severe especially because of the vicinity of the road border crossing. For the time being, the Poles are offering better services than the Slovaks... Relative competitive advantages of Kežmarok district include availability of materials and services, reliability of trading partners and protection of private property. The biggest barrier is the unemployment rate, which is the fourth highest in Slovakia and entrepreneurs perceive it as a serious problem. This situation is worsened by migration of skilled labor, when potential skilled employees commute for work to more convenient locations. As a result, the jobseekers' qualifications are inadequate. The district's location is not very business-friendly, especially with inadequate road network. The quality of road infrastructure is one of the poorest in

Slovakia. To improve transport conditions, the residents of the Kežmarok District see as necessary completion of the motorway between Žilina and Prešov, even though it barely crosses the district. The second requirement is the improvement of first-class roads, currently ranking among the ten worst in Slovakia. This would have a positive impact on tourism development in the area of the Pieniny Mountains, the High Tatras and the Belian Tatras. While the completion of the motorway is the top priority for the government, it should also prioritize the reconstruction of other road links, for there are many similar projects in Slovakia. The government could help to develop business environment by other means, such as raising levels of education or targeted distribution of EU funds. In addition to the funds, many businesses call for opening subsidized loans for capital development, which is another theme for central government. However, all such programs should also be partaken by the local government.

The **Levoča** District placed 65th in the index. Although it has reached an excellent 12th position in the Legislation pillar, other pillars are pulling it down. The residents appreciate the availability of materials and services, where the district ranked 3rd. The impact of corruption on the local authorities's decision-making is low, free workforce is available and employees are relatively disciplined and hardworking. However, like in the neighboring districts, the major obstacle is high unemployment rate coupled with migration of skilled workforce to other districts, where conditions are better. Local entrepreneurs consider the location of the district unfit for business, although it is situated on the future highway and adjacent to the developed Prešov District. Apart from the prospects for industrial development, the Levoča District with the entire Central and Lower Spiš, is an attractive tourist area, largely due to its historic sites. Many of them are included in the UNESCO World Heritage List, such as the tallest Gothic altar in the world. Moreover, the High Tatras and the Slovak Paradise mountains located nearby with developed tourism draw potential visitors and entrepreneurs by other attractors than outdoor activities. If the state is willing to help the district significantly, it can do this through supporting tourism, such as promoting our national heritage abroad. Visitors can spread the good news outside the country, or even turn out as potential investors. The specific problem of Levoča, resulting from its rich historical heritage, is complications with heritage conservation offices when planning reconstruction of buildings, as pointed out by the survey respondents. The heritage conservation offices, like other institutions, must fulfill their mission, but they should not obstruct the activities of the investors, because they are often the only ones who can save the sites prior to their complete destruction. The Levoča District needs to attract more investments, improve the level of technologies, increase competition in industry and services. Such improvements cannot be achieved on one's own. The

central government can help in targeted programs, such as support of industrial parks and retraining programs in conjunction with the local government.

The **Medzilaborce** District placed 68th in the index. The pillars of Technology and Infrastructure pulled the district down to the bottom of the rankings. Its peculiarity is its first place in the Public administration pillar and the third place in the Legislation pillar. This was due to its local primacy in the indicators of the impact of authorities' activities on business, impact of corruption on authorities' decisions and law enforcement in the district court. Since Medzilaborce falls under the district court of Humenné, where satisfaction with its work is 20th worst throughout the country, the previous results should be interpreted with caution. They could have been skewed by a low sample of respondents from the district, which is the least populous Slovak district with a population of only twelve thousand. The survey respondents reported available workforce to be another competitive advantage. This also coincides with the second largest barrier to business development, namely the perception of high unemployment. The district has problems with migration of skilled labor for better employment conditions. The dominating barrier of this northernmost district of the Upper Zemplín region is its unsuitable location for doing business. Located in the mountainous northeastern corner of Slovakia on the border with Poland, with rugged terrain, and remote from major roads, it has a very low development potential. If the central government wants to help in some way, it should develop scenarios to support the whole territory of north-eastern Slovakia, including Medzilaborce and its neighboring districts. The disadvantage of this territory is its artificial fragmentation by public administration reform in the 1990s; moreover, new administrative units remained sparsely populated. These conditions do not allow local public authorities to work at a level comparable with other districts of eastern Slovakia. If the current territorial division of Slovakia is to be preserved, then the EU funds aimed at balancing regional disparities should be more than proportionally directed to this district. Even if this happens, fair competition in industry and services or the inflow of high technology, which are other main barriers in this district, are very unlikely.

As a positive exception in the Prešov region, the **Poprad** District has reached an excellent 17th position. It dominates in the Economic activity subindex, where it ranked among the ten most successful Slovak districts. Poprad differs from the vast majority of other districts in the region by its biggest competitive advantage, which is elsewhere considered as a barrier – it has a positive perception of unemployment. In the eyes of local entrepreneurs, unemployment soundly regulates the labor market. The district enjoys well-developed competitiveness in services and businesses can benefit from modern technologies. Its development potential is quite large, including the growth of tourism. Tourism is dominated

by the High Tatras and has prospects for further growth. Poprad suffers from similar problems as other developed regions such as failure of law enforcement in the district court. This barrier hindering the development of the business environment is followed by others – extremely high level of corruption among private enterprises and detrimental impact of the informal economy on doing business. The local conditions should be changed from the central government level, especially those in the judiciary. It can be assumed that the latter two obstacles will then be eliminated more easily, as better law enforcement will reveal dishonest conduct and will encourage equal opportunities in the market. The Poprad District is grappling with crime and must strengthen the work of the state and local police. Another category of barriers is associated with the work of offices, which do not fulfill their duties and consistently fail to communicate with clients. In addition to state institutions, adequate remedy lies on the shoulders of the self-governments, which must introduce transparent methods in economic management and use electronic forms of communication wherever possible. Another group of barriers concerns the labor market. Since Poprad is a region with average earnings, it is negatively affected by a flat minimum wage. The government should review this tool and either abolish it or modify it with respect to individual regions of Slovakia, or it may turn out an unwelcome barrier to creating new jobs. Qualifications of jobseekers do not meet the needs of the employers and vocational schools are not tied to the labor market. The situation can be improved by consistent approach of the Ministry of Education, which is in charge of methodology, and by the local government, especially by representatives of the Prešov Region, which is the founder of secondary vocational schools.

The **Prešov** district differs from other seats of the self-governing regions by not being the leader of its region in the Regional Business Environment Index. It ranked nearly twenty places below the Poprad district, in 36th position. With a population of 167 thousand, it is the most populous district in Slovakia. For comparison, the population of the least populous Slovak district, Medzilaborce, located in the same region, is only 12 thousand. This example shows that the division of Slovakia into districts, defined by the territorial and administrative division reform in the 1990s, was inconsistent and led to anomalies. If the central government used the same standard for such diverse districts, this would hardly bring any relevant results. Four of the five major competitive advantages of the Prešov District are related to the labor market. Free labor is available, the workers are relatively disciplined and hardworking, motivated to work more productively and are treated fairly in job recruitment. Moreover, the local firms are capable of using modern technologies. The biggest barriers to business development are, according to the survey respondents, a lack of quality road infrastructure and district's inappropriate location for doing business. This is particularly due to the lacking

road connections of Prešov with the advanced western part of the country and the poor quality of local roads in the densely populated center of the lower Šariš region. This conclusion is slightly surprising because it attributes less weight to contacts with the nearby Košice District than could be expected, and stresses the importance of direct contacts with the capital city and other industrialized centers of western Slovakia. This may have been caused by the competition between Košice and Prešov and the effort to occupy a more prominent position in the east. The completed motorway should become a reality within a few years, but the strengthening of local road infrastructure is a question of the government priorities. In any case, the region would benefit from the expansion of prosperity centers, and the surrounding district will improve as the development potential of the Prešov district rises. However, lack of skilled workforce will still remain one of Prešov's key problems, because the residents of this Šariš metropolis still perceive it despite high unemployment rates. The emergence of new investors or opening of space for local entrepreneurs may solve the problem. The survey showed that smaller local potential investors are interested, but the current supply of land and transport links is unsatisfactory. Solution lies in the hands of the local governments.

The **Sabinov** District sank to the bottom of the seventh decade, ranking 69th. It has a wide range of advantages and disadvantages; the latter clearly dominate. Competitive advantages are related to public administration, where entrepreneurs appreciate low rates of local taxes and low impact of corruption on official decisions. Bribery is relatively rare also among private businesses. This district of lower Šariš has the fifth highest unemployment rate in Slovakia and its perception by executives is the biggest barrier to the development of business environment. Nevertheless, the availability of both skilled and unskilled labor is low. The reason is that skilled workers are leaving for better jobs to other locations and the less skilled, who remain, are often long-term unemployed. The district's position in this indicator is among the ten worst in Slovakia. It appears that the solution does not lie in retraining, but rather in the social policy reform. The country has several locations with high demand for labor, but the unemployed remain trapped in the state's network despite job vacancies, because a small difference between the net wage and the social benefits does not motivate them to change their behavior. This problem must be solved on the national level, and if it succeeds, it will also benefit other districts such as Sabinov. Another serious barrier of the Sabinov District is its unsuitable location for doing business associated with the poor quality of road infrastructure. Since the district is not situated far from the motorway between Žilina and Prešov, significant improvement can be expected after its completion. Sabinov's local authorities should develop cooperation with the neighboring Prešov District, which successfully proceeds in attracting foreign investors, and

could utilize the growth potential of the whole region. The district would doubtlessly benefit from the increase in the education level of its residents, with the heaviest burden again lying on the shoulders of the local and regional governments, which administer primary and secondary schools. Improvement of the education level is essential, because the district is not coping with the transition of students from elementary schools to high schools and then to universities. Unsurprisingly, when the level of education is the tenth worst in the country, employers can hardly find suitable employees among many unskilled graduates.

The **Snina** District, ranking 74th in the index, is the easternmost district of Slovakia and it is quite underdeveloped. Its little importance is well illustrated by the story of assigning vehicle registration plates to vehicles in the 1990s. The district received a non-representative abbreviation of “SV”, although the letter V does not occur in the name “Snina” – the letters N, I and A had already been used by more advanced districts of Spišská Nová Ves, Skalica and Šaľa. There is only one similar case in Slovakia – that of the Trnava District, which deliberately decided for the symbol “TT”, a legacy of the previous decades, when the more appropriate abbreviations were assigned to the cities in the western part of the former Czechoslovakia. The district’s position in the overall index remained low despite the Legislation subindex, where it climbed to an excellent eighth position. The survey respondents are satisfied with the fulfillment of official duties, resistance of offices to corruption and their willingness to communicate electronically. One of the few other advantages of the district is availability of free labor. By contrast, the unemployment rate is high and the entrepreneurs consider it as a burden. One of the key barriers to business development is the district’s inappropriate location. Its remoteness can only be mitigated by the proximity of Ukraine. Consequently, this border district intends to develop relationship with the nearby areas. The problem, however, is that this closely-guarded state border is the geographic end of the European Union and this will hardly change. The development potential of the district is low, it can be improved only by adhering to more developed areas of eastern Slovakia, namely to Humenné, which is where the only major road heading to the border crossing in Ublá in the opposite direction leads. Snina is also the terminal station of the railway track which leads to the district from Humenné. Yet, remoteness of the district, its sparse population and poor road and rail links can as well be an advantage. In this northeastern corner, on the border with Poland and Ukraine, Bukov hills and vast beech forests are located with high numbers of wolves and bears. Such primeval forests are rare in Europe and are protected by UNESCO. The intact landscape amidst densely populated Europe has great potential for tourism. If the state is to show its interest in the district, which so far has been neglected, one of the possibilities is the promotion of tourism and

of this unique part of the country, abounding in natural beauties, abroad. The local entrepreneurs call for soft loans, but the existing EU funds would also be helpful, if allocated to the disadvantaged regions, where they really belong. Targeting the aid to the northeast of Slovakia may not be a lost investment, because the economic activity in Snina is 20 places higher in the ranking than in other backbone indicators.

The **Stará Ľubovňa** District placed 56th in the index. Both the district and its seat are intersected by the River Poprad, which along with its tributary Dunajec, is the only river in Slovakia that flows northward into the Baltic Sea. Due to its historical affinity with the nearby Polish territory and uniqueness of its landscape, Stará Ľubovňa had been part of Poland until 18 century together with other 12 Spiš towns. There are a number of major border crossings heading north, the district is intersected by the railway line connecting Budapest with Kraków. Today, however, the connection between Kežmarok and Poprad is more important. The main competitive advantages of the district include the availability of free labor, discipline and diligence of employees. Wage expectations of jobseekers are adequate, as reported by the employers. This approach is induced by the lack of job vacancies, on the other hand it results in the outflow of skilled workers beyond the district, which is becoming a serious barrier to business development. The district has an unfavorable location for business, the road infrastructure is underdeveloped and the interest of the state and its institutions in the existing problems is low. The survey respondents call for the completion of the foothill Tatra highway, although this will be a hundred kilometers away from the district city. This illustrates how isolated the district’s residents feel. Stará Ľubovňa would benefit from the resumption of traditional contacts with Poland. Located on the long Polish–Slovak state border, the district has the best conditions for their development, not only with respect to the past, but mainly due to the suitable natural conditions. Near the border, in the territory of Poland, two major cities of Nowy Sącz and Kraków are situated. The central government should seek ways to develop cooperation with Poland, and direct contacts of the local governments on both sides of the state border would be very helpful. Effective use of the opportunities offered by the natural corridor between Slovakia and Poland would help the Tatra region and, apart from industrial development, would stimulate the expected tourism boom in the attractive locations of Spiš. With these prospects the central and local governments should focus on improving the supply side of the labor market, especially by increasing the residents’ level of education in primary and secondary schools, with an emphasis on mastering foreign language skills.

Ranking 72nd, the **Stropkov** District is the third smallest district in Slovakia, which is also sparsely populated. Stropkov is another example of the misguided strategy of new administrative and territorial division of Slovakia in the 1990s. Initial plans to create a large

district in the Upper Šariš region were the source of dispute between Stropkov and Svidník over which city should become the seat of the district. The compromise solution was to create two separate districts with two seats. The consequences of this inconvenient crumbling are still felt by the residents of the Upper Šariš. Competitive advantages include indicators that recorded low levels of corruption among private enterprises – in this indicator the district came first nationwide – avoidance of corruption in offices, availability of free labor and materials and services, and reliability of trading partners. Improvement of the business environment is most hindered by the district's inappropriate location and its low potential for development. The residents expect much of the planned construction of the expressway between the state border with Hungary and the Dukla Pass on the state border with Poland through Košice, Prešov, Stropkov and Svidník. In the south, the expressway would connect the district with the cities and towns of eastern Slovakia, in the north, with the capital of the Lesser Poland Voivodeship – Kraków. This is the third most promising region, only preceded by the upper Spiš and Kysuce, with potential intensive cooperation of the northern parts of Slovakia with the advanced Polish Silesia and Malopolska regions. It is up to the central government to decide which priority it will give to this road corridor, as there are more similar projects in Slovakia and the financial resources are limited. In order to develop, Stropkov needs to attract and maintain skilled workers, who are now seeking jobs in the more advanced parts of Slovakia and abroad. The survey respondents see the solution in the construction of an industrial park and the establishment of new investors offering employment. This would bring in modern technologies and increase competition in services, as the district lags significantly in those categories. If the central government decides in favor of such targeted support, it should also channel the EU funds, whose purpose is the reduction of regional disparities. The local authorities should cooperate with the nearby Svidník District in finding ways how to, bring more development investments to the upper Šariš not by rivalry but through joint efforts..

A direct neighbor of the Stropkov district, both in the index and in geographic location, the **Svidník** District slipped to the 73rd position in the index. According to the original intention of the territorial and administrative division reform in the 1990s, Svidník and Stropkov should have merged, creating one district. The seventh worst position indicates that Svidník does not have many competitive advantages. Like its neighbor, the district has available free labor, while managers use fair methods in selecting recruits for different positions. Protection of private property, which is the second best in Slovakia, is viewed favorably, and so are low local taxes. The district is burdened by its awkward location for business with rugged terrain and underdeveloped road infrastructure. Like Stropkov, the district lacks rail connection. In the 20th century, during several waves of industrialization

of Slovakia, railroad infrastructure, whether existing or under construction was considered the most important condition for the development of any region. That infrastructure is still lacking in Svidník, being the main culprit of underdevelopment in this part of Upper Šariš. The situation should improve after the construction of the planned expressway between the southern border with Hungary through Košice and Prešov and the northern border with Poland through Vyšný Komárnik. Yet, no specific deadlines have been set yet, as the central government has to prioritize the projects by their urgency. The construction of railways has not been mentioned at all, even though the European Union increasingly gives preference to this mode of transport. The development potential of the district is reduced by the migration of skilled labor, which seeks jobs elsewhere in Slovakia and abroad. As a result, unemployment is seen as a burden in the process of job recruitment. The companies find it hard to obtain skilled and language-proficient workforce. Businesses would welcome the state support for retraining courses. The survey respondents complain about bureaucracy in administration and nepotism in the public institutions. This is probably the result of improper division of the sparsely populated territory, where the two district cities, only 13 km apart, have parallel district offices. Like in Stropkov, the entrepreneurs see an opportunity for change in the construction of an industrial park. If district officials are expecting assistance from the central government, local authorities must first adopt a common strategy. The central government should be flexible in channeling the EU funds to the area, as these are mostly intended for balancing regional disparities.

The **Vranov nad Topľou** District slipped to the 70th position. Despite the prevailing shortcomings, this district of Upper Zemplín still has a number of key competitive advantages, namely the availability of free labor with appropriate wage expectations, relatively satisfactory law enforcement in the district court, positive impact of the authorities' conduct on business and a low level of corruption among private enterprises. The biggest barrier to further business development is perceived high unemployment rate, adversely affecting the labor market. Skilled workers are lacking in the district, as they seek better jobs across the border. The district has an unfavorable location for business and the quality of road infrastructure is also lagging. Although the future expressway linking the Hungarian border with Poland via Košice, Prešov and Stropkov will not cross the territory of the district directly, its residents hope for improvement of the situation. The date of its completion is still unknown however. Taking into account general transport conditions in eastern Slovakia, Vranov nad Topľou has a relatively dense network of first-class roads and relatively low use of road transport, which, taken together, constitutes a significant advantage. Low development potential of the district could be boosted by the arrival of new investors, who would bring the desired technologies and new jobs.

Since the district is adjacent to the most advanced areas with centers located in Prešov and Košice, the government should cooperate with them and make greater efforts to attract investment to this nearby district. The Kechnec industrial park, which, due to the initiative of the local government, could make use of the infrastructure of nearby Košice, could serve as an example. Meanwhile, it has been known that the state institutions were not always inclined to support the Kechnec industrial park project. The residents of the Vranov nad Topľou district should not automatically expect salvation from the central government; initiatives must come from their own people. In addition to supporting good ideas, the state could help by targeting more EU funds to the region thus helping to improve the national education system, including higher-quality language teaching. Contribution from the local government is also expected, as it administers primary and secondary vocational schools.

### Košice Self-Governing Region

The second largest region in Slovakia is characterized by large regional disparities. The developed districts of Eastern Slovakia's metropolis are adjacent to the Košice rural district, which ranked 20 places lower than these districts. It has been confirmed that the cascading spread of regional development, known from south-western Slovakia and Central Považie, is slower in eastern Slovakia. Although the Košice Region includes the overall worst rated Gelnica District, it may benefit from contacts with the neighboring countries, especially with Hungary. Opportunities may also open up by the promised rapid improvement of road connections. The easternmost districts may partner with Ukraine, yet, there is a serious obstacle – the Schengen border, which creates a barrier between the European Union and Eastern Europe. The Spiš region features in the index as one of the least developed, but if it restores its former historical power, it may again become an important bridge between Poland and Hungary. Due to unique beauty of the local nature and many historical sites, Spiš region can quickly develop tourism and subsequently other areas, particularly associated services.

The **Gelnica** District slipped to the last, 79th position in the Regional Business Environment Index. The only dominating competitive advantage is the availability of free labor. Employees are viewed as hardworking and motivated to increase their productivity. On the other hand, high unemployment has a negative effect on the labor market, which particularly lacks qualified staff leaving the district to seek for better working conditions. The perception of unemployment is the worst among all Slovak districts, compounded by the number of negative firsts. The district has the worst level of technology in Slovakia, the smallest use of motor vehicles, the poorest level of education and foreign language skills and the level of competitiveness in industry and services is also lowest

in the country. The barriers to improving the business environment are therefore largest and the district has the least promising development potential. Gelnica is part the lower Spiš region, but its surroundings do not look deterring in the overall quality of the business environment. The main problem is the district's local seclusion; while situated near the major routes, especially the future motorway from Žilina to Prešov or planned expressway connection between the Hungarian and the Polish state borders through Košice and Prešov, the district suffers from its mountainous profile and poor condition of the local roads. Another problem is the legacy of the past, when the district was the center of iron ore mining and mechanical engineering. These capacities are currently unused and the manufacture of other products has also been suspended. The district lacks momentum for further development. As already mentioned, Gelnica suffers from high unemployment rate, but what is worse, a large proportion of those out of work are long-term unemployed and show no willingness to find new work. For potential employers, there is hardly any available skilled and unskilled labor, and retraining courses cannot improve the situation, as they offer training only in less demanded occupations. The solution from the central government level for such underdeveloped districts could be in targeting fund resources, for example, from EU funds, to support small local businesses. Construction of carrier road links will affect the district directly or indirectly, which the local authorities could use to attract investors from the developing districts of Prešov and Košice. It is thus important to align retraining programs with the needs of the prospective investors. The local government should seek ideas on development scenarios in cooperation with the surrounding districts.

The **Košice – okolie** District placed 51st in the index. Being the second largest district in Slovakia, it surrounds the metropolis of Eastern Slovakia like a ring. The public administration and legislation is one of the best in the country, but other indicators are pulling the district down in the index. While the residents of the urban districts of Košice are dissatisfied with the work of the local authorities, its surroundings share the opposite view. The impact of the authorities' conduct, fulfillment of their duties and electronic communication are perceived mostly positively by the survey respondents. They express the same view on the local taxes, as these are among the lowest in Slovakia. However, the unemployment rate is much higher beyond the city's borders, increasing its negative perception. Moreover, a large proportion of those without work are long-term unemployed; this indicator ranked seventh worst nationwide, becoming the biggest barrier to business development. There is also great dissatisfaction among the entrepreneurs with the movement of labor, district's development potential and poor level of education, where the district placed sixth worst in Slovakia. Vocational schools are not interconnected with the labor market, thus it is expected that by increasing the general

education level, the central government will encourage higher-quality training of future school leavers across the country, including this district. In particular, the Košice Region's local government should tailor the programs and curricula of their secondary schools to meet the demands of the job market. Surprisingly, the survey findings showed low business attractiveness of the Košice – okolie District location. This pessimistic conclusion undermines the perception gained from the local industrial park in Kechnec. Flexible local authorities, or more precisely, specific individuals, can draw investors and increase the level of technologies used in production. The district will soon reap benefits from the completion of the expressway connection with the nearby Hungarian city of Miskolc and later also with Budapest. Clever mayors may find the potential for the district development across the border, which would create a new platform for the expansion of economic activities. New opportunities could be sought in the east, as this is where both the main road and railroad lead to reach the neighboring Ukraine. The example of Košice – okolie District shows that the development does not spread from the center by itself, but needs skilled people, especially those in the local government.

The **Košice I** district ranked 14th in the index. The district, consisting of Džungľa, Kavečany, Sever, Sídľisko Ľahanovce, Staré Mesto and Ľahanovce municipalities, excels particularly in education and human resources, where it placed among the top ten Slovak districts. It has available free labor, the discipline and diligence of the employees is above the average and the managers emphasize fairness in applicants' selection. The education level is 13th best in Slovakia. The main barriers to further business development lie in inadequate work of the local authorities and local government representatives. The impact of the authorities' activities on business is generally negative, the officials are often prone to corruption and with bureaucratic approach, causing unnecessary delays. The survey respondents point out that the offices should serve the people, not vice versa. One of the possible solutions is the application of such rules by the state institutions and municipalities, that client' applications would be eligible. This means that if the applicant meets the regulatory requirements and the officer does not act, the request is automatically considered to be approved. Bribery can be suppressed by the application of transparent methods and by maximum use of electronic communications, including electronic auctions in public procurement. Economic management of the local authorities must also be transparent, but this should be demanded by the residents themselves, since the central government can not help there. Conversely, where the government must intervene is the improvement of law enforcement in the district court. The second biggest barrier in the district is negative perception of unemployment. This sets Košice apart from Bratislava, where unemployment is much lower and does not constitute any barrier. The city of Košice does not have as many vacancies and its

catchment area is considerably less developed than that in the Slovak capital. Long-term solution to the problem is suggested by another main barrier – poor interconnection between vocational schools and the labor market. There must equally be addressed by state through the Ministry of Education, which determines the methodology and administers the universities, and local and regional self-government, under which primary and secondary schools operate. Schools should prepare school leavers for the existing labor market. Since Košice is increasingly profiling itself as the center of information technology, major schools should adapt their curricula accordingly.

The **Košice II** District reached 11th position in the index, which is the best result in the entire region. This district, consisting of Lorinčák, Luník IX, Myslava, Pereš, Poľov, Sídľisko KVP, Šaca and Západ municipalities, only superceded by the districts of Bratislava, Trnava, Senec, Žilina, Malacky and Hlohovec. This list shows that the prosperity zone in southwestern Slovakia, together with Žilina, is ahead of the eastern Slovak agglomeration and confirms the theory of the cascading spread of development. If the cities of Košice and Prešov will flourish, their nearby districts will have the opportunity to benefit from gradual spread of development. The Košice II district has the second most developed industry, the fourth highest value produced and the seventh most productive workforce in Slovakia, all due to the presence of the U.S. Steel Košice steelwork. Although this is an impressive achievement, it poses some risk. Such strong dependence on one company is dangerous and in the case of unforeseen problems the impact on the city and its surroundings may be overwhelming. Consequently, Košice must search for other key industries, such as information technologies. Other competitive advantages, in addition to the well developed industry, include discipline and hard work of employees, level of education, level of competitiveness in services and the companies' ability to use the latest technologies. The first limiting barrier to further development of business is poor quality of road infrastructure, whose improvement is in the hands of city, self-governing region and central government. The Košice city expects the completion of a continuous motorway connection with Bratislava; the city's specific theme is improvement of the access to the airport in Barca. The survey respondents complain about the poor fulfillment of official duties, persistent bureaucracy and delays, lack of electronic communication and strong impact of corruption on decision-making. These points show where the authorities, whether state or self-government, should improve their work. General recommendations include the adoption of mechanisms for submitting eligible applications where the application is automatically approved if the officer does not act, publishing of current and reliable information on the websites of institutions, transparency and use of electronic communication with clients. The respondents also call for the preference of electronic auctions in public procurement, which is a challenge for the government, and

would welcome greater availability of financial, capital and material resources and services, which is a challenge for the private sphere.

The **Košice III** District ranked 31st, the worst across the entire agglomeration. For comparison, the Senica District ranked one place above the district, consisting of Dargovských hrdinov and Košická Nová Ves municipalities, while the Zvolen District dropped one position below, which classifies Košice III district at the level of the less developed part of western Slovakia and at the level of the developing areas of central Slovakia. The district was pulled to the forefront by economic activity, but brought down by public administration and legislation. Key competitive advantages include fairness in employee selection, level of competitiveness in industry, the impact of natural conditions on doing business, education level and ability of firms to use the latest technology, the greatest barriers are seen by the survey respondents in the impact of the district's location on business. This is quite surprising, as this is still a constituent part of the second largest Slovak city. It confirms the fears that economic prosperity in eastern Slovakia will not spread as fast to the surrounding areas, as is the case with western Slovakia. The companies in this district perceive the negative impact of unemployment, but its level is still much lower than the Slovak average. Like in other Košice districts, the local respondents are dissatisfied with the work of the local authorities, who perform their duties poorly, are prone to bribery, communicate inadequately, do not provide information willingly and have an overall negative impact on business. Moreover, law enforcement in the district courts is also very low. Taken together, the district needs more transparent and accountable local authorities. It is in the hands of the government to reform central institutions, and in the hands of the local governments to change the practices of the local authorities. Particular attention should be focused on the need for more flexible and transparent work of the district court from the central Government and the Ministry of Justice, because the informal economy in the region is growing and the protection of private property is too weak. It is therefore crucial to enforce the law, or the situation will deteriorate. This also applies to the widespread corruption, whose impact on the authorities' decisions is the third highest in Slovakia. Another particular problem is the low availability of free labor, or more precisely, of candidates meeting employers' expectations. The residents of the districts are reluctant to move; in this indicator Košice III district ranked the worst. It is therefore important that the government support school profiles that would align with the requirements of the labor market.

The **Košice IV** District, consisting of Barca, Juh, Krásna, Nad jazerom, Šebastovce and Vyšné Opátske municipalities, ranked 20th in the index. Compared to other parts of the Košice city, the district has greater range of competitive advantages and disadvantages. In the Technology and infrastructure subindex, the district

is tenth best in Slovakia; by contrast, it placed sixteenth worst in the Public administration and legislation subindex. The biggest competitive advantage is the perception of unemployment by the employers. The district also has a high level of competitiveness in services, above-average technological sophistication level and ability to use latest technologies. Availability of materials and services is also satisfactory. However, the biggest barrier to business development is poor law enforcement in the district court, where the district ranked second worst in Slovakia. Reform in this area of business environment can be achieved only by the state's involvement through the Ministry of Justice. The present unsatisfactory state of the judiciary may be associated with other barriers and problems such as a lack of protection of private property and the growth of informal economy. Unclear rules and poor law enforcement are the enemies of competition and free market. If the local government wants to ensure the development of the district, it must rectify the situation. Another barrier to improvement of business conditions is dissatisfaction with the work of the local authorities. The respondents complain about bureaucratic practices and routines, procedural delays and bribery-induced official decisions. They are also dissatisfied with the economic management of the local governments and local tax rates. The recipe for the improvement lies in the use of transparent methods, including publication of comprehensive and reliable information on the official websites, preference of electronic communication with clients and use of electronic procurement. This applies both to the government offices and to the local governments municipalities. The residents of the Košice IV District perceive a lack of state's interest in their district and call for the improvement of the local road infrastructure.

The **Michalovce** District ranked 49th in the Regional Business Environment Index. This industrial center of the Lower Zemplín region lies on the main road connection between Košice and Ukraine. The presence of the Zemplínska Šírava water reservoir is considered the greatest competitive advantage, with a strong potential for tourism development. The district has relatively favorable natural conditions for business development and the survey respondents are satisfied with the activity of the local authorities, particularly with their economic management and local tax rates. Since the district is situated near the eastern border of Slovakia, its unsuitable location is viewed as the principal barrier to business development. The state and its institutions should show more interest in the district while the management of the Košice region should create a strategy for the development of individual areas, taking into account their competitive advantages. These efforts should be supported by the assistance of the local government in coordinating the implementation of investment interests of individual companies. This requirement is peculiar to the less developed eastern half of Slovakia. This may seem like a call for some sort of renewed central management, but

the intention is different. Many local entrepreneurs, unlike those who have political contacts in Bratislava and who are thus able to procure special investment incentives, may feel disadvantaged. They are therefore seeking a foothold in schemes that would allow them to give a voice in a homogeneous environment. If the government turned a willing ear, it would understand that this is often only an effort to get an equal chance shown in the same approach to approving the applications for EU funds or when applying for procurement contracts. Other barriers present in the district include high unemployment and migration of skilled labor to more favorable locations. The level of technologies is low in the district and the respondents are dissatisfied with the quality of the roads. Although the district has planned the construction of a motorway connecting Slovakia with Ukraine, it is very unlikely to get on the central government's agenda in the foreseeable future. Based on the existing conditions, the district can best help itself, particularly by heightened activity of the local government. Compared to other districts of Eastern Slovakia, the Michalovce district is highly industrially developed and has good agricultural conditions, so it should utilize these assets for its development.

The **Rožňava** District ranked 59th in the index. Like other southern districts with a large Hungarian minority population, it has an elongated shape in the north–south direction. It has only a few competitive advantages, the most important being a potential for tourism development. The southern part of the district has beautiful countryside with limestone formations in the Slovak Karst, while in the northern part another popular nature reserve – the Slovak Paradise is located. Minor competitive advantages include low level of corruption between private enterprises or below–average bureaucracy and delays in offices. On the other hand, its downside is the third highest unemployment rate nationwide, which constitutes the largest barrier to business development – negative perception of unemployment by the employers. The residents of the district are looking for work elsewhere, and employers have difficulties in engaging higher skilled workers. The number of the long–term unemployed and the amount of social security benefits calculated per capita are third highest in Slovakia, suggesting that many unemployed do not show great interest in finding work. The central government is thus expected to closely look into potential social benefits abuse. In the Rožňava district, as well as in a few others districts, such suspicion exists. This leads to an absurd situation, where employers are looking for new workers, but despite the abundance of the unemployed, they are very hard to find. One possible solution might be to increase the difference between the amount of social benefits and the lowest net wages, such as reducing mandatory contributions. Another duty of the government and local authorities is to increase the general level of education and change the education system to produce school leavers that would meet the real demand in the labor market. The development potential

of the district is low, it lacks competitive environment, which is a sign of weak investment activity. The quality of road infrastructure is also low. This can be argued against because the backbone connection with Košice city is quite good. Other roads are not used very often, in terms of use of their capacity, the district placed tenth worth nationwide.. The need for their expansion could only be justified by the development of new activities, such as the above–mentioned tourism. The possibilities in this area are wide and so far untapped into. Hungary serves an example of how region can benefit from less favorable natural conditions and offer services in the range and quality far ahead of those offered by Slovakia. The local government should think about possible solutions, and in the case of expected aid from the government, should submit qualified projects.

The **Sobrance** District ranked 67th in the index. This easternmost district of the lower Zemplín region is largely agricultural and has underdeveloped industry. Prospects of its development are determined by the proximity of the foreign neighbor rather than by stimuli from eastern Slovak cities. The district is crossed by the main road link to Uzhgorod in Ukraine, which should be gradually rebuilt into a motorway, but this is not on the schedule. Its construction must first receive appropriate priority from the Slovak government, and a similar step is expected from Ukraine. The Sobrance district is very successful in the field of legislation and public administration, where it ranked in an excellent second position. Also highly rated were local offices, which perform their duties very well, communicate with clients, provide necessary information and are not prone to corruption. The district has the lowest local tax rates in the country. Yet, the success in this subindex only prevented the district from slipping lower in the index. The example of the district shows that although the quality of local public administration and legislation is necessary for the successful development of business environment, it is not the only sufficient condition, being tied with other components. In this case, for example, what should increase is the value of the Education and human resources subindex. The district has a high unemployment rate with a high proportion of long–term unemployed, low level of education and poor knowledge of foreign languages. Many skilled workers move to other parts of Slovakia. While local employers have a large reservoir of available labor, they find it hard to select suitable candidates. In such labor market, high unemployment rate is more of a hindrance than an advantage. A number of the survey respondents sound bitter; they feel hopeless, in their view, the potential for the district's development is very small. The central and local governments face a daunting task. If the district was to lose its agricultural profile, the decision–makers in the local and regional governments should propose viable development scenarios, once all the advantages and disadvantages are carefully weighed. Based on these detailed proposals, the central government

should determine the form of aid for this underdeveloped region. It can use tools designed especially for the purpose of reducing the regional disparities in the European Union – EU funds. The eastern half of the Slovak Republic, including Sobrance district, is a hot favorite for this aid, which, however, must be targeted and effective.

The **Spišská Nová Ves** District finished 47th in the ranking and, is considered the second most successful district of the Košice Region, only preceded by the urban districts of Košice. The range of competitive advantages is not wide; the biggest of them is surprisingly the indicator of law enforcement in the district court, which ranked second nationwide, although complete satisfaction was not achieved, given the precarious state of judiciary. The district has available workforce, the employees are motivated to increase their work productivity. The respondents are relatively satisfied with the level of local taxes and communication with the authorities. The main barrier to the district development is influenced by its geographical location with regard to business, compounded by the dissatisfaction with the quality of road infrastructure. Although completion of the motorway connection between Žilina and Košice, is much needed, the Spišská Nová Ves District also lacks a better north–south first–class road connection. The district has low competitiveness in both industry and services and outdated technologies. With the above–average unemployment rate and poor supply of skilled workers in the labor market, the development potential of the district seems to be very low. Paradoxically, the Spiš Region has almost always been one of the more developed territories. This is evidenced by a large number of Gothic monuments preserved by the previous generations. Wise management of these often deteriorating tourist attractions would bring development into the district. The Spišská Nová Ves District has favorable conditions for tourism also in the Slovak Paradise and it can easily combine sightseeing with outdoor tourism in the nearby popular High Tatra Mountains. Cooperation between the local government and the neighboring districts is necessary; no direction to this effect will come from the central government. The central government could help by promoting the region abroad or through supporting targeted projects. However, more often than not, it is solely up to the local government offices, who should take a more pro–business stance as the hoteliers are victimized by the control authorities – from fire–prevention officers to hygienists, who like to impose penalties without concern for the companies' future. In the future, the district must focus on attracting potential investors from abroad. Unfortunately, while in the past, the district served as a bridge between Poland and Hungary, this is no longer the case. Revival can be initially brought about by tourism, followed by industrial activities. Although a boom similar to that from hundreds of years ago after the arrival of German settlers cannot be replicated, the district should reopen to foreign countries. Both the local and the central governments, whose chaotic

investment incentives in the industry and tourism have caused the situation to deteriorate, should now think along the same lines and should act accordingly.

The **Trebišov** District finished 71st in the index. It is located in the southern part of the Eastern lowlands, which predetermines its focus on agriculture and food processing. The biggest competitive advantage of the district is availability of free labor. Other advantages, such as above–average fulfillment of official duties or reliability of business partners, are negligible in the overall evaluation. The survey respondents complain about the disadvantageous location of the district for doing business. The development potential is low, as is the level of competitiveness in industry and services. The unemployment rate is sixth highest in Slovakia, and so is the rating of the proportion of the long–term unemployed. Despite seemingly high supply of potential employees, high labor migration causes the lack of qualified applicants. It is of no surprise then that the entrepreneurs perceive high unemployment rates as aggravating. The respondents point out abuse of the social system, which they believe to be unnecessarily generous, being misused by people who could help themselves. This is a challenge for the central government to solve problems in the regions with high unemployment not only by pouring resources into social benefits, but also by a systemic approach. It would probably be more suitable to resign to deductions from the lowest wages, motivate the unemployed to accept work by higher net earnings, and thus save the payments of social benefits. In addition to boosting the labor market, this would have an impact on improving the declining morale in society, as pointed out by entrepreneurs from other districts as well. The morale is undermined mostly by corruption, which in respondents' view, is ubiquitous. It is therefore necessary that the municipal and the state authorities used methods for its reduction – from transparency in the provision of comprehensive and mandatory information on the Internet to the implementation of electronic auctions in public procurement. The state and local police should use more repressive measures and prosecute individual cases. The district must improve the quality of education, where it occupies the lowest positions in the ranking in the majority of indicators. The central government should streamline methodology, including foreign language teaching and the local government should monitor the labor market, preferring those types of schools that would produce school leavers with the highest chances of find a job.

## Structure of the business sector

Slovakia has been changing dynamically over the past two decades. Since 1990, it has undergone profound social and economic transformation. The structure of the business sector has been largely influenced by privatization and by the opening of the internal market to the developed world once Slovakia became an independent country. Before 1990, being part of the former Czechoslovakia, the country was a member of the Soviet bloc; its economy was under stringent control and its interests were subordinated to the Moscow headquarters. Many production capacities were constructed artificially and were inflated, often designed for the needs of the entire Soviet bloc. This included heavy industry and arms industry, footwear and textile industry. By contrast, many sectors were lagging or almost completely absent, services in particular.

The situation began to change gradually; further development was spurred by several milestones that followed after the change of the political regime in 1989, namely Slovakia's newly acquired independence in 1993 and accession to the European Union in 2004. The structure of economy has changed by the disappearance of overcapacity from the previous regime and the emergence of large foreign investors. Even in these days however, Slovak economy still largely hinges on heavy industry, dominated mainly by three major global car manufacturers. This industry constitutes nearly 30 percent of the business sector, followed by trade and transport with a quarter share in the total economy and light industry with over one-tenth of a share. Civil engineering and agriculture make up less than 10 percent and other services constitute one fifth of the overall economy.

In terms of number of employees – a category that best suits the needs of this analysis, *Železnice Slovenskej republiky* (monopolist manager of the Slovak railway infrastructure and provider of related services and internal communication network) is the largest Slovak company. It is followed by *Slovenská pošta, a.s.* (Slovak post office, p.l.c.), *U.S. Steel Košice, s.r.o. (Ltd.)*, *Cargo Slovakia, a.s.* (operator of freight rail transport) and *Volkswagen Slovakia, a.s.* (car manufacturer). Looking into the list of the twenty largest companies, we would find thirteen companies of nationwide importance. They do not operate only in the neighborhood of their headquarters, which are mostly in the capitals, but in all regions of Slovakia. These are in particular network companies – government, parastatal and private, operating in transport, trade and services.

### Agriculture

The share of agriculture in the overall business sector in Slovakia is less than 5 percent. It is concentrated in traditional agricultural areas in the Danube Lowland and Eastern Slovak Lowland, providing a base for cereal

cultivation and livestock production in Slovakia. This implies a relatively high dependence of districts situated on the Rye Island (*Žitný ostrov*), lower Považie and eastern lowlands on agriculture as well as of the lower-lying districts of central and eastern Slovakia. Although the dependence on agriculture in some areas is declining, it is still well developed. A typical example is the Trnava District with fertile and cultivated land, but also with the evolving industry. Agriculture plays an important role in the Upper Nitra, a territory with long history of settlement and land cultivation. The main actors involved in the sector are agricultural cooperatives, formed mainly by the transformation of their predecessors established by the former regime, when arable land was forcibly collectivized. This is the reason why Slovakia is one of the countries with the largest integrated acreage of agricultural land in the European Union. In the northern districts forestry has been assuming a very important position – Slovakia is one of the most forested countries across Europe, using this potential wisely. This is reflected in an increased share of this industry in the districts of the Upper Hron, Kysuce, Orava, Liptov, Šariš and Spiš regions. *Lesy Slovenskej republiky, š.p.*, (*Forests of the Slovak Republic, s.e.*) has the dominant position in the market, followed by private and municipal enterprises.

The regional development in this sector will be based on the future Common Agricultural Policy of the European Union. Slovakia, like other member states, relies on agricultural subsidies and must therefore comply with regulatory provisions such as limiting the capacity of sugar beet while being completely open to foreign products. Under these circumstances, the central government's position is very weak, especially if subsidies in the eastern part of the European Union, including Slovakia, remain lower than in the western part. As a result, the Slovak government favors a total abolition of subsidies across the EU, which would equalize conditions for all member states. Such development, however, is highly unlikely, and Slovakia, together with the neighboring countries, will rather focus on a settlement of subsidy terms with the Western countries. Since individual districts cannot directly influence the development of agriculture in their territory, one of the very few options is the implementation of wise policy regarding agricultural land tax. The local government is in a similar position with regard to the forest management, because the market conditions are set by the dominant, almost monopolist, national forest enterprise. In this area, the greatest responsibility lies with the central government, which should promote efficient and transparent management without distorting market conditions, as seen in the late 1990s.

## Heavy industry

Expansion of automobile production in the last decade clearly illustrates an increasing weight of the heavy industry in Slovak economy. Heavy industry makes up nearly 29 percent of the business sector. Apart from car manufacturing related production, the industry heavily relies on metallurgy and chemical industry. Location of car manufacturers Volkswagen Slovakia, a.s. in the Bratislava IV District, PCA Slovakia (Peugeot Citroën Automobiles), s.r.o. in the Trnava District and Kia Motors Slovakia, s.r.o. in the Žilina District significantly affect the rating of the nearby districts and larger regions in the investment map of Slovakia. Manufacture associated with the production of cars pulls up the districts in the southwestern part of the country and in the Central and Upper Považie regions. Equally important as car factories are metallurgical plants U.S. Steel in the Košice II District and Železiarne Podbrezová in the Brezno District. Heavy industry has a strong position in the Lower and Upper Nitra and the Lower Považie regions, in central Slovakia and in some districts in the east. Since industry there is generally less developed, fewer established capacities would be sufficient to earn the districts a higher partial score.

The theme of further development of industry is increasingly becoming a political issue. With the arrival of new car manufacturers, Slovakia is rapidly becoming one of the world leaders in car production per capita. Carmakers attract their exclusive contractors, and domestic companies focusing on this sector are thriving. The key problem of this sector is its relative low sophistication of production and high sensitivity to world market fluctuations. This is the main reason why, during the global economic crisis, Slovakia was the most troubled country among the Visegrad Four. A strong focus on the automotive industry makes the economy more vulnerable and suppresses more sophisticated production. Furthermore, heavy industry is very sensitive to the reliability of raw material imports and easily influenced by global fluctuations in their prices. The central government should stop channeling special support to this industry once it is properly established in the country and should concentrate on attracting more sophisticated production. The further use of investment incentives needs to be focused on other industries and primarily used for boosting underdeveloped districts. Since heavy industry is very demanding on the infrastructure, if the districts in the less developed parts of the country are considering building industrial parks with attracting new investors in this sector, they must act in concert with the central government, which should ensure adequate quality of the infrastructure.

## Light industry

The concept “light” industry is much broader than its heavy counterpart, including more areas of business.

Light industry in Slovakia constitutes slightly more than 13 percent of the overall business sector and has been spread throughout the country. It plays the most important role in the Upper Nitra, Kysuce, Orava, Upper Zemplín and Šariš regions. Due to the largest producer in Slovakia, Samsung Electronics Slovakia, s.r.o., light industry is the most important business sector in the district of Galanta. Its strong presence can also be felt in the Považie, Pohronie and Spiš regions and partly in the southern agricultural part of the country. The list of twenty largest light industry employers includes manufacturers of consumer electronics and electronic components, footwear, textiles, furniture and food, i.e. often low-efficiency production with preferred use of human labor.

The government support for the light industry particularly consists in creating the conditions for employment of the less-qualified, low-paid workforce. From this perspective, the most important tool is the minimum wage, which in its present form is currently becoming a major barrier to the business development. Facing cheaper, especially Asian competitors can be successful only by setting flexible labor market policies. The second major obstacle is an extremely small difference between the lowest wages and social benefits, which discourages the long-term unemployed from seeking work. One possible solution is to lower security contributions on low wages, thereby increasing the low net earnings. The most disadvantaged districts would benefit from repealing the minimum wage or its replacement with a flexible model, where its level would be set for each region separately, depending on its development level. In this way, the minimum wage could become an instrument of regional policy.

Light and heavy industry together determine the level of advancement of individual regions. These two sectors combined give us a map of industrial development. The highest positions in that ranking will be occupied by districts of south-west Slovakia and Central Považie, followed by Lower and Upper Nitra, Central Pohronie, the districts of Košice and Prešov and partly by Zemplín, central and lower Spiš. Comparison of these results with the map of the Regional Business Environment Index will show a clear connection. Where the industry thrives, business environment is well developed. Vice versa, in the areas with developed business environment, the industrial sector is well established and growing. Causation is not clear however; these two phenomena are likely to affect each other.

## Construction

Construction has a special position in economy; its development indicates the future performance of entire economy. It constitutes nearly 7 percent of the business sector, with greatest weight in the northern and eastern districts of Slovakia, particularly in the

regions of Zemplín, Spiš, Šariš, upper Považie, Orava, Pohronie, Lower and Upper Nitra and Lower Považie. The construction industry plays an important role in the Dunajská Streda District; the local firms responded flexibly to the rapid growth of developer projects and individual housing construction in and around Bratislava over the recent years. In the remaining districts, the civil engineering sector is spread evenly. This dispersion would be even more pronounced if we included in the analysis the self-employed, who play an important role in the sector and sometimes tend to employ other workers.

The construction in Slovakia depends heavily on large investment projects in infrastructure and industry. Its second backbone is development projects aimed at commercial and office space building and housing. In this context, a major role is played by the construction of motorways and expressways, other transportation engineering and modernization of railways with the state as the principal investor. It is in the hands of the central government to improve the quality of supporting infrastructure, but not at any price – the government must use competition in industry to increase fiscal efficiency and time efficiency of its projects. Quality public procurement is the best tool to prevent and stop a dangerous spiral of corruption launched by the state authorities. Bribery between private construction companies flourishes for it has the most developed system of small suppliers. Preferred winners of government contracts enforce the reimbursement of resources used for bribes from their lower suppliers seeking subcontracts. Side effects of the competitive pressure often include the use of illegal labor, when the employer evades paying taxes and levies for his employees. This approach puts honest entrepreneurs and common taxpayers at a disadvantage. Consequently the central government faces an important task of combating undeclared work. Another extremely widespread disease in the construction industry is non-payment for work performed, which is often a deliberate act of fraudulent entrepreneurs. Politicians must pay particular attention to these practices, because this problem has a negative impact on the whole society. The central government has an obligation to take care of the vital infrastructure in the country, but it is equally important to build transparent and non-corrupt environment. The same is expected from the local authorities, but it is the government that must take the first step.

### Trade and transport

In nationwide assessment, the share of trade and transport in business sector is almost 26 percent. This sector is relatively evenly spread in all districts nationwide. Exceptions include the districts where the largest companies are situated, namely Železnice Slovenskej Republiky (Slovak Railways) and Tesco Stores SR, a.s. headquartered in the Bratislava I District, Železničná spoločnosť Cargo Slovakia, a.s. (Railway company Cargo

Slovakia) and Billa, a.s. headquartered in the Bratislava II District, Železničná spoločnosť Slovensko, a.s. (Slovak Railway Company) and Kaufland, v.o.s. headquartered in the Bratislava III District, Slovenský vodohospodársky podnik, š.p. (Slovak Water Management Company) headquartered in Žilina, Slovenská pošta, a.s. (Slovak Post Office) located in Banská Bystrica, DHL Logistics (Slovakia) s.r.o. located in Senec, or CBA Holding, s.r.o. headquartered in Lučenec. These and similar districts stand out above average, although respective companies do not operate only in their territories. The activity of large trading and transport companies can be observed throughout the whole Slovak Republic. It was impossible for the purposes of this analysis to retrieve data on distribution of company activities across the country and the number of their employees in different regions, so their results were assigned to the district with the company's headquarters. In addition to these major companies, there are a number of other smaller trade and transport companies with a reach to the surrounding district, region or larger areas.

Availability of transport services is important for the quality of business environment in different districts, especially with regard to the workforce mobility. The residents are generally reluctant to migrate to work, and are rather willing to commute daily or weekly. Provision of adequate services in bus and rail transport therefore often determines whether the district can or cannot attract potential workers from the surrounding districts. Due to inadequate public transport, several large companies in Slovakia, especially carmakers, are forced to transport their workers daily from great distances at their own expense. The central government has the possibility of regulating the train fare by partial reimbursement of travel costs. Self-governing regions in turn regulate prices in suburban traffic and the city governments do the same in the city transport. The regulators can also influence the density and frequency of connections while reasonably targeted interventions can positively affect migration of the workforce and help employers. The central government has within its powers to set the transport conditions by imposing charges for roads and railways through the toll system and rates for the use of railway lines, which is an important tool enabling the setting of the level and ratio of end-prices of transport services on road and rail. For example, the preference of rail transport disadvantages the regions without such infrastructure. The policymakers must therefore realize that by setting specific conditions they take a clear stance with a real impact on regional development.

### Other services

The category of other services includes segments that can not be classified into previous groups. Other services represent 21 percent of the business sector in Slovakia.

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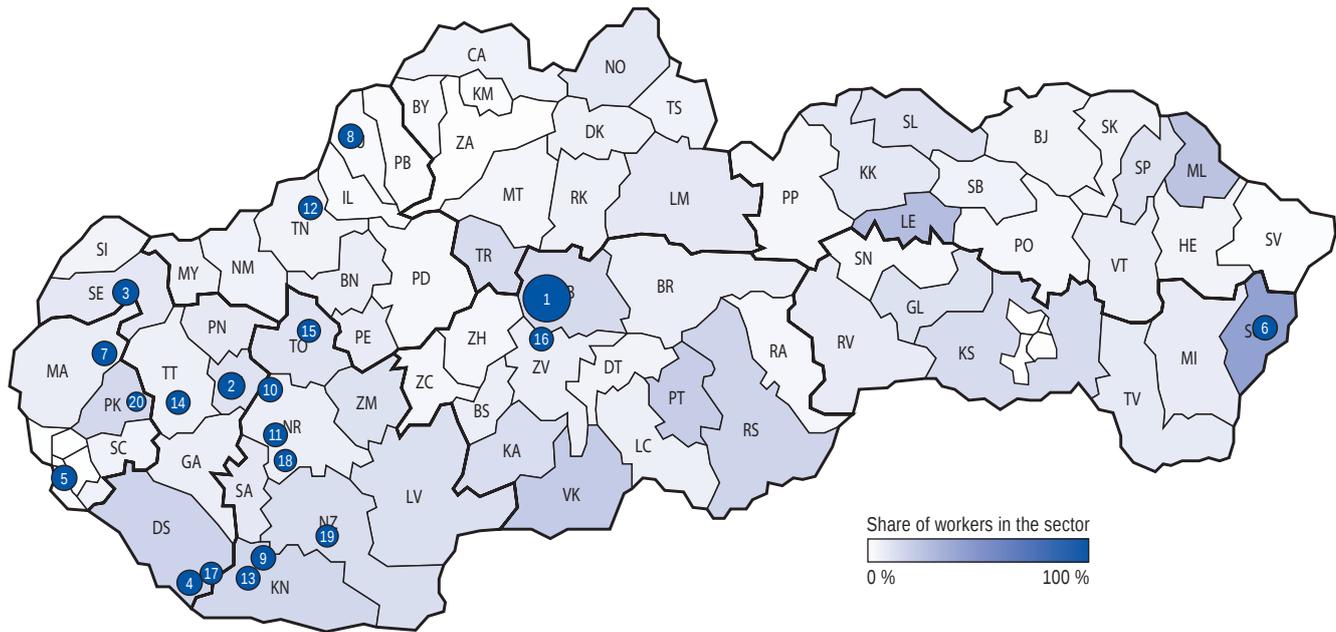
In terms of employment, the most important position in this sector is occupied by commercial banks, insurance companies, telecommunication operators, general health insurance, hospitals and spas. The map reveals relatively uniform representation of other services across Slovakia. Only districts of Bratislava, which house the headquarters of major banks, insurance and telecommunications companies, Piešťany with Slovak Health Spa, Levoča with a large hospital and Bardejov with its spa have a larger share.

The most important companies in this category of services include mainly financial institutions. Slovakia has a stable banking system, which has proved useful in the time of global financial and economic crisis. Large domestic banks were restructured and almost entirely privatized at the turn of the last two decades and can now operate as equal partners with reputable banking institutions in the Slovak market. Some smaller banks went bankrupt due to mismanagement, and their clients fell into the safety net of the state. The state received money for the reimbursement of the affected depositors from the Deposit Protection Fund. This resulted in increased interest rates on loans. Today, the market of banking services is healthy, mandatory contributions to the Deposit Protection Fund are declining, and interest rates on loans are expected to fall accordingly. In the survey, the entrepreneurs often complained about the lack of capital resources and the difficulty of gaining loans from banks. The central government may intervene and help entrepreneurs to gain access to loans by supporting programs focused on loan and mortgage subsidy schemes. However, the currently used support system scheme, obviously targeted at small and medium-sized businesses, is not very effective. The government should therefore review this tool, subject it to the needs of the regions and decide which region should be given preference. Self-governments should come up with their own proposals, forcing the central government to take a clear stance, their main advantage being their understanding of the local environment and of the candidates eligible for aid.

## Structure of the business sector

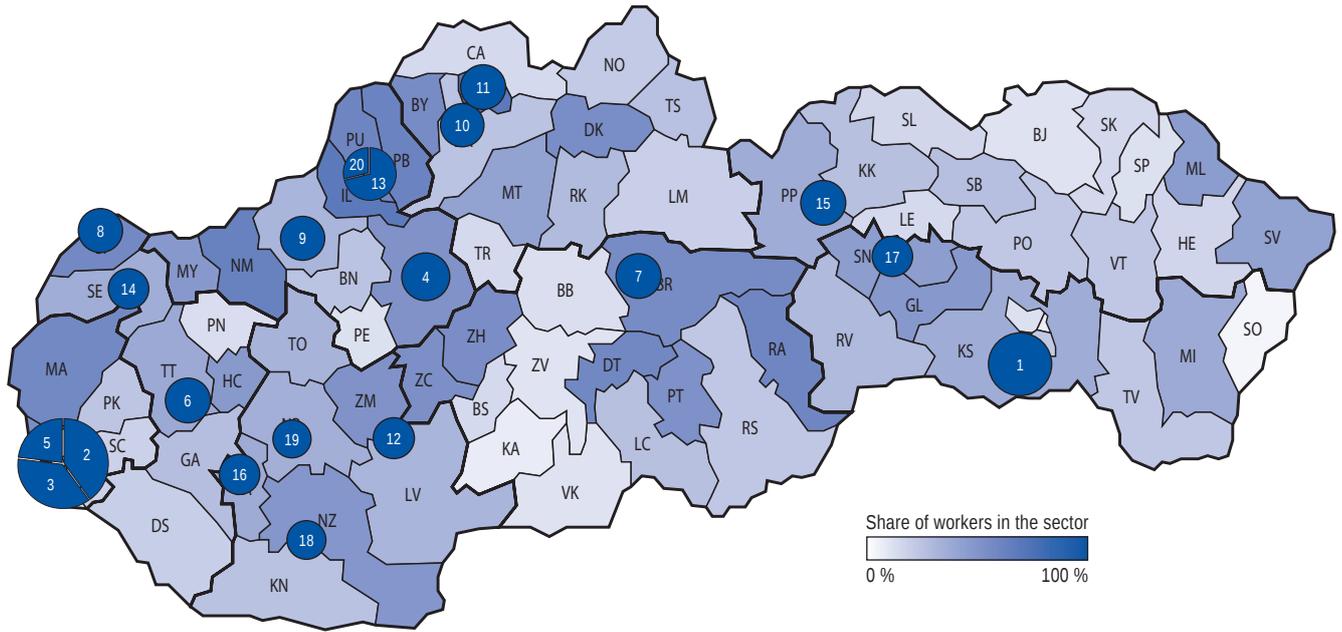
District	Agriculture	Industry			Services			
	%	Total	Heavy industry	Light industry	Total	Construction	Trade and transport	Other services
	%	%	%	%	%	%	%	%
<b>Slovak Republic</b>	<b>4.80</b>	<b>41.85</b>	<b>28.50</b>	<b>13.36</b>	<b>53.35</b>	<b>6.52</b>	<b>25.57</b>	<b>21.26</b>
Bánovce nad Bebravou	7.04	68.19	24.66	43.54	24.77	4.09	9.17	11.52
Banská Bystrica	14.04	20.08	12.35	7.73	65.88	3.77	54.69	7.42
Banská Štiavnica	6.34	35.67	14.68	20.99	57.99	24.09	17.47	16.43
Bardejov	4.31	27.13	10.64	16.50	68.56	11.15	8.01	49.39
Bratislava I	0.10	4.26	2.64	1.62	95.65	3.22	42.10	50.33
Bratislava II	0.17	18.97	15.90	3.07	80.86	9.41	39.27	32.18
Bratislava III	0.20	15.01	6.44	8.58	84.79	4.71	40.39	39.69
Bratislava IV	0.19	54.34	53.39	0.95	45.47	3.06	6.91	35.50
Bratislava V	2.36	9.18	5.33	3.85	88.46	3.24	30.16	55.05
Brezno	6.35	59.87	54.60	5.27	33.78	6.08	13.48	14.22
Bytča	2.19	64.52	54.58	9.93	33.30	4.17	19.44	9.69
Čadca	4.81	59.05	14.47	44.59	36.14	5.46	24.68	6.00
Detva	4.19	67.61	57.62	10.00	28.20	3.19	12.58	12.44
Dolný Kubín	5.35	61.59	53.66	7.92	33.06	6.32	17.77	8.97
Dunajská Streda	17.25	41.28	19.62	21.65	41.48	7.99	24.44	9.04
Galanta	6.51	61.42	27.18	34.24	32.07	2.44	14.26	15.37
Gelnic	10.93	65.72	47.08	18.64	23.36	2.43	12.89	8.04
Hlohovec	10.65	53.13	46.60	6.53	36.22	7.49	15.34	13.39
Humenné	4.29	50.87	16.01	34.86	44.83	9.23	25.26	10.35
Ilava	2.25	77.15	67.65	9.51	20.60	2.89	6.13	11.58
Kežmarok	9.08	48.07	26.02	22.05	42.85	4.47	19.52	18.86
Komárno	15.26	56.96	25.01	31.95	27.79	2.48	17.39	7.91
Košice – okolie	13.59	42.16	36.64	5.52	44.25	4.60	23.54	16.10
Košice I	0.00	18.07	11.16	6.91	81.93	16.40	40.81	24.72
Košice II	0.00	70.79	70.49	0.30	29.21	2.83	8.62	17.76
Košice III	0.00	9.30	6.08	3.22	90.70	7.51	55.25	27.95
Košice IV	0.46	35.46	21.65	13.81	64.08	12.42	23.09	28.57
Krupina	12.82	30.03	7.64	22.40	57.15	2.81	26.02	28.32
Kysucké Nové Mesto	0.96	71.17	68.04	3.12	27.88	8.82	11.85	7.22
Levice	11.93	58.05	31.30	26.75	30.03	4.22	10.35	15.46
Levoča	19.97	21.91	14.56	7.35	58.12	6.79	9.81	41.53
Liptovský Mikuláš	8.66	46.01	18.75	27.26	45.33	11.15	21.55	12.63
Lučenec	5.68	46.21	25.78	20.43	48.11	4.21	41.29	2.62
Malacky	6.99	63.07	56.99	6.09	29.94	1.31	17.88	10.75
Martin	3.89	58.23	41.61	16.62	37.89	3.89	17.41	16.59
Medzilaborce	24.46	50.32	45.10	5.21	25.22	1.16	19.36	4.70
Michalovce	8.00	57.67	37.15	20.52	34.33	12.65	15.92	5.76
Myjava	5.57	64.97	47.06	17.92	29.46	3.38	16.19	9.89
Námestovo	9.25	36.57	21.20	15.36	54.19	23.89	19.19	11.10
Nitra	6.20	54.20	34.66	19.54	39.60	7.08	19.14	13.38
Nové Mesto nad Váhom	4.81	85.72	62.04	23.67	9.47	1.45	5.75	2.26
Nové Zámky	12.42	55.42	48.68	6.74	32.16	2.95	23.18	6.03
Partizánske	7.74	62.64	11.42	51.23	29.61	2.42	20.35	6.85
Pezinok	14.82	32.81	23.42	9.39	52.36	2.63	22.04	27.70
Piešťany	8.37	38.47	12.75	25.72	53.16	6.77	11.00	35.40
Poltár	19.75	52.74	51.27	1.47	27.51	3.38	10.67	13.46
Poprad	3.41	48.12	36.02	12.10	48.48	6.73	18.29	23.46
Považská Bystrica	1.51	64.22	60.69	3.53	34.27	7.78	19.84	6.65
Prešov	3.30	49.31	22.26	27.05	47.39	8.11	31.52	7.76
Prievidza	2.62	67.28	50.56	16.71	30.10	9.55	9.02	11.52
Púchov	2.17	73.72	59.45	14.27	24.10	3.05	12.74	8.31
Revúca	3.17	71.11	58.61	12.50	25.73	1.46	17.89	6.37
Rimavská Sobota	16.86	49.27	22.35	26.92	33.88	3.83	12.01	18.03
Rožňava	7.90	46.73	29.22	17.51	45.37	4.38	14.99	25.99
Ružomberok	5.65	39.97	28.47	11.50	54.38	5.27	26.99	22.12
Sabinov	4.82	61.23	26.71	34.51	33.95	16.67	10.23	7.05
Senec	5.13	19.48	18.15	1.33	75.39	2.04	62.33	11.02
Senica	8.62	46.93	35.48	11.45	44.44	6.34	26.73	11.37
Skalica	4.21	62.31	56.27	6.04	33.48	3.14	12.31	18.03
Snina	1.07	66.95	41.49	25.46	31.98	10.17	8.78	13.03
Sobrance	41.93	14.05	4.01	10.04	44.02	7.07	27.87	9.08
Spišská Nová Ves	2.55	72.06	44.45	27.61	25.39	8.25	2.88	14.26
Stará Ľubovňa	10.52	28.53	15.63	12.90	60.95	23.19	17.29	20.47
Stropkov	11.11	41.62	11.39	30.23	47.27	12.09	22.90	12.28
Svidník	4.36	40.69	14.89	25.80	54.95	13.63	18.06	23.26
Šaľa	8.46	42.18	37.05	5.14	49.36	13.29	18.98	17.09
Topoľčany	10.27	74.42	32.26	42.16	15.31	4.00	9.02	2.29
Trebišov	8.18	33.46	22.48	10.98	58.36	7.73	25.52	25.12
Trenčín	4.16	46.97	31.24	15.73	48.87	3.21	27.62	18.04
Trnava	5.49	59.71	38.24	21.47	34.80	3.39	13.44	17.97
Turčianske Teplice	13.68	25.84	14.37	11.47	60.48	1.66	42.24	16.58
Tvrdošín	5.05	67.87	25.49	42.38	27.08	4.08	17.69	5.31
Veľký Krtíš	20.67	32.66	10.65	22.01	46.67	8.36	23.10	15.20
Vranov nad Topľou	6.78	42.21	22.35	19.86	51.01	8.39	29.90	12.72
Zlaté Moravce	10.82	58.29	50.36	7.93	30.89	9.72	12.10	9.07
Zvolen	6.41	35.76	10.10	25.65	57.83	8.93	25.08	23.82
Žarnovica	3.20	57.35	52.10	5.24	39.45	4.42	24.21	10.82
Žiar nad Hronom	3.12	66.30	53.52	12.78	30.58	5.38	13.54	11.66
Žilina	0.31	33.34	24.84	8.50	66.35	13.45	38.04	14.87

## Agriculture



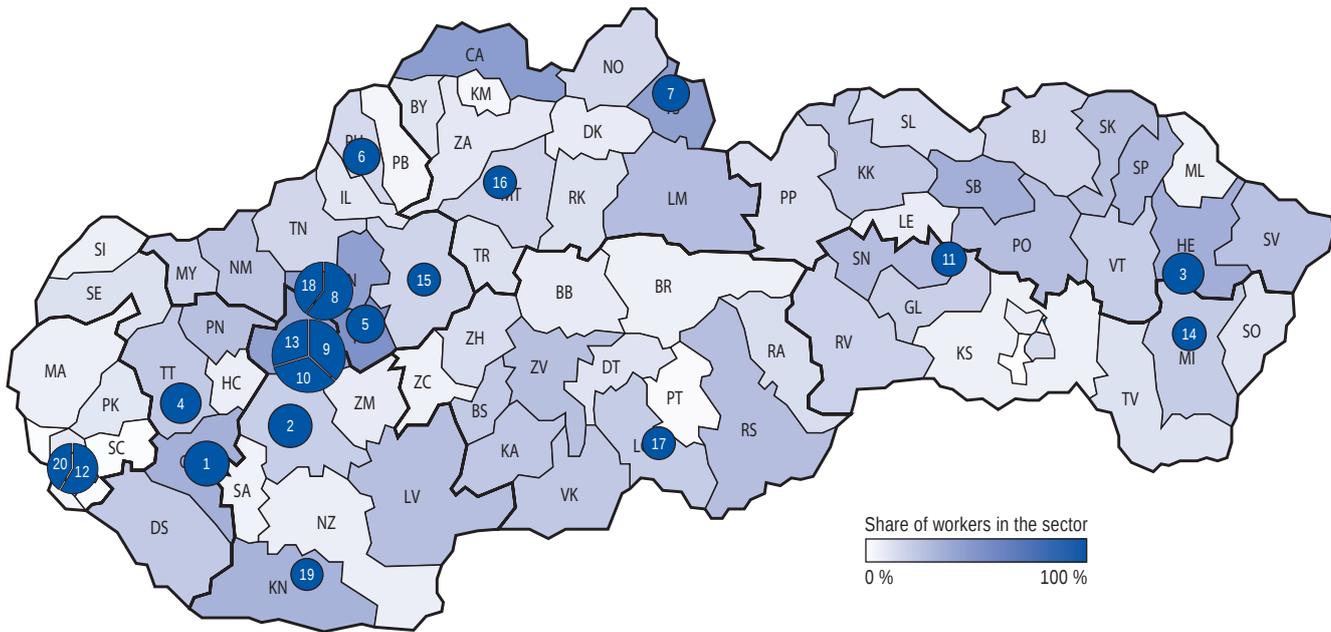
Company name	District	City	Number of employees	Profit / loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000 €)	Main activity
1 LESY Slovenskej republiky, š.p.	Banská Bystrica	Banská Bystrica	3,702 (2009)	322 (2009)	1,484,726 (2009)	0.02 (2009)	195,733 (2009)	Silviculture and other forestry activities
2 Poľnohospodárske družstvo Hlohovec	Hlohovec	Hlohovec	340 (2008)	95 (2008)	13,761 (2008)	0.69 (2008)	9,214 (2008)	Raising of dairy cattle
3 Poľnohospodárske družstvo Senica	Senica	Senica	310 (2008)	54 (2007)	12,664 (2007)	0.43 (2007)	6,207 (2007)	Raising of dairy cattle
4 Medzičillzie, a.s.	Dunajská Streda	Čiližská Radvaň	272 (2007)				11,538 (2007)	Raising of dairy cattle
5 Plemenárske služby Slovenskej republiky, š.p.	Bratislava V	Bratislava	254 (2008)	42 (2008)	6,080 (2008)	0.68 (2008)	3,949 (2008)	Support activities for animal production
6 Poľnohospodárske družstvo VINOHRADY Choňkovce	Sobrance	Choňkovce	240 (2008)					Raising of dairy cattle
7 AGROPARTNER, s.r.o.	Malacky	Plavecké Podhradie	223 (2008)	731 (2008)	5,628 (2008)	12.98 (2008)	7,591 (2008)	Raising of dairy cattle
8 Poľnohospodárske družstvo Mestečko	Púchov	Mestečko	200 – 249 (2008)					Raising of dairy cattle
9 Poľnohospodárske družstvo Kolárovo	Komárno	Kolárovo	200 – 249 (2008)					Raising of poultry
10 Poľnohospodárske družstvo DEVIO Nové Sady	Nitra	Nové Sady	220 (2008)	419 (2008)	14,604 (2008)	2.86 (2008)	9,076 (2008)	Growing of cereals (except rice), leguminous crops and oil seeds
11 Liaharenský podnik Nitra, a.s.	Nitra	Nitra	215 (2008)	-161 (2008)	17,676 (2008)	-0.91 (2008)		Raising of poultry
12 Poľnohospodárske družstvo Vlára Nemšová	Trenčín	Nemšová	214 (2008)	-906 (2008)	9,120 (2008)	-9.92 (2008)		Raising of dairy cattle
13 Poľnohospodárske družstvo Sokolce	Komárno	Sokolce	195 (2009)	-1,187 (2009)	14,626 (2009)	-8.11 (2009)	8,627 (2009)	Raising of swine/pigs
14 SEMAT, a.s.	Trnava	Trnava	189 (2009)	-1,088 (2009)	16,357 (2009)	-6.65 (2009)	5,401 (2008)	Raising of dairy cattle
15 Poľnohospodársko – podielnícké družstvo Prašice sídlo Jacovce	Topoľčany	Jacovce	150 – 199 (2008)	21 (2009)			5,836 (2009)	Growing of cereals (except rice), leguminous crops and oil seeds
16 OSIVO, a.s.	Zvolen	Zvolen	169 (2009)	-3,111 (2009)	20,444 (2009)	-15.21 (2009)	11,101 (2009)	Seed processing for propagation
17 Dan – Slovakia Agrar, a.s.	Dunajská Streda	Veľký Meder	162 (2008)	3,031 (2008)	48,890 (2008)	6.19 (2008)	17,070 (2008)	Raising of swine/pigs
18 Poľnohospodárske družstvo Mojmirovce	Nitra	Mojmirovce	158 (2009)	-774 (2009)	8,366 (2009)	-9.25 (2009)	4,277 (2009)	Growing of cereals (except rice), leguminous crops and oil seeds
19 Novogaľ, a.s.	Nové Zámky	Dvory nad Žitavou	152 (2008)	717 (2008)	18,895 (2008)	3.79 (2008)	14,672 (2008)	Raising of poultry
20 MACH HYDINA BUDMERICE, s.r.o.	Pezinok	Budmerice	87 (2007)	2,519 (2007)	8,034 (2007)	31.35 (2007)	10,304 (2007)	Raising of poultry

## Heavy industry



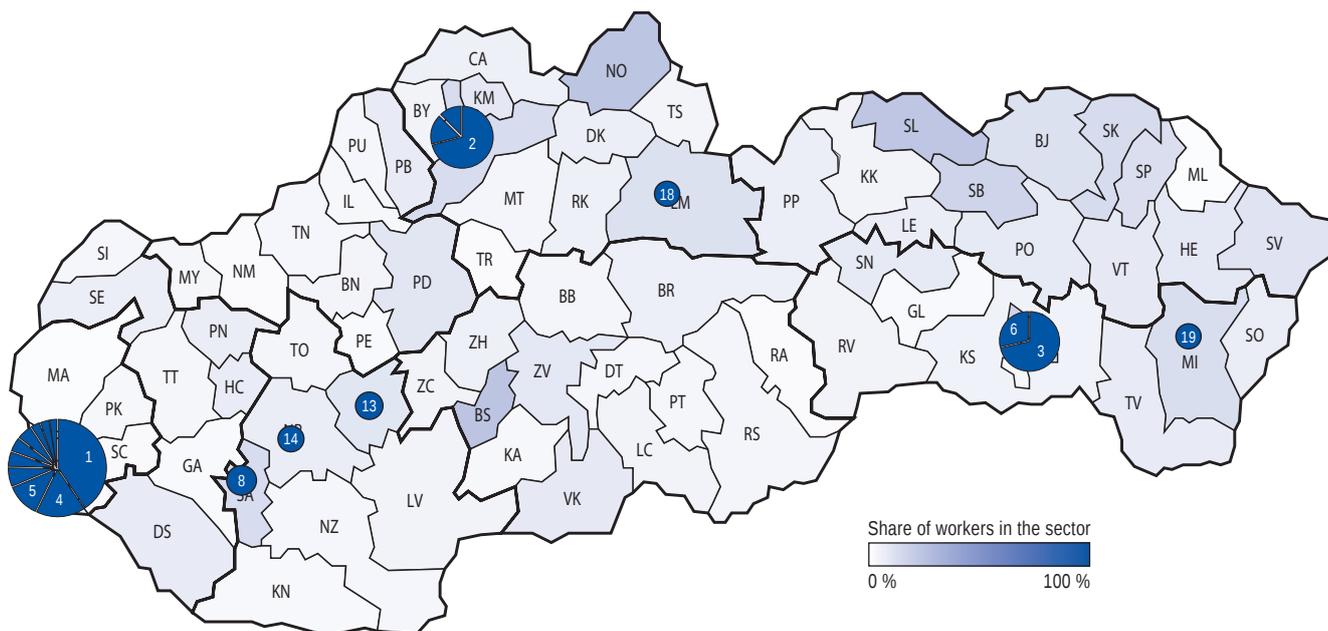
Company name	District	City	Number of employees	Profit / loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000 €)	Main activity
1 U. S. Steel Košice, s.r.o.	Košice II	Košice	13,669 (2009)	11,277 (2009)	1,884,280 (2009)	0.60 (2009)	1,741,658 (2009)	Manufacture of basic iron and steel and of ferro-alloys
2 VOLKSWAGEN SLOVAKIA, a.s.	Bratislava IV	Bratislava	6,500 (2009)	73,959 (2009)	2,270,073 (2009)	3.25 (2009)	2,943,670 (2009)	Manufacture of motor vehicles
3 Slovenské elektrárne, a.s.	Bratislava II	Bratislava	5,993 (2009)	279,872 (2009)	5,641,576 (2009)	4.96 (2009)	2,049,062 (2009)	Production of electricity
4 Hornonitrianske bane Prievidza, a.s.	Prievidza	Prievidza	4,200 (2009)	2,503 (2009)	131,844 (2009)	1.89 (2009)	131,054 (2009)	Mining of lignite
5 SLOVNAFT, a.s.	Bratislava II	Bratislava	3,716 (2009)	-55,736 (2009)	2,060,016 (2009)	-2.70 (2009)	2,735,503 (2009)	Manufacture of refined petroleum products
6 PCA Slovakia, s.r.o.	Trnava	Trnava	3,149 (2009)	59,716 (2009)	762,516 (2009)	7.83 (2009)	1,853,693 (2009)	Manufacture of motor vehicles
7 Železiarne Podbrezová, a.s.	Brezno	Podbrezová	3,023 (2009)	-12,236 (2009)	404,451 (2009)	-3.03 (2009)	329,594 (2009)	Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
8 INA SKALICA, s.r.o.	Skalica	Skalica	2,918 (2009)	3,066 (2009)	184,937 (2009)	1.66 (2009)	185,354 (2009)	Manufacture of bearings, gears, gearing and driving elements
9 Leoni Autokabel Slovakia, s.r.o.	Trenčín	Trenčín	2,818 (2009)	1,736 (2009)	41,995 (2009)	4.13 (2009)	106,693 (2009)	Manufacture of electrical and electronic equipment for motor vehicles
10 KIA Motors Slovakia, s.r.o.	Žilina	Žilina	2,735 (2009)	25,935 (2009)	1,575,721 (2009)	1.65 (2009)	1,684,559 (2009)	Manufacture of motor vehicles
11 INA Kysuce, a.s.	Kysucké Nové Mesto	Kysucké Nové Mesto	2,651 (2009)	1,492 (2009)	234,806 (2009)	0.63 (2009)	228,651 (2009)	Manufacture of bearings, gears, gearing and driving elements
12 SLOVENSKÉ ENERGETICKÉ STROJÁRNE, a.s.	Levice	Tímače	2,080 (2009)	-8,423 (2009)	175,489 (2009)	-4.80 (2009)	262,915 (2009)	Manufacture of steam generators, except central heating hot water boilers
13 Continental Matador Rubber, s.r.o.	Púchov	Púchov	1,979 (2009)	-9,706 (2009)	317,313 (2009)	-3.06 (2009)	241,531 (2009)	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres
14 Delphi Slovensko, s.r.o.	Senica	Senica	1,971 (2008)	-12,778 (2008)	36,098 (2008)	-35.40 (2008)	118,426 (2008)	Manufacture of electrical and electronic equipment for motor vehicles
15 TATRAVAGÓNKA, a.s.	Poprad	Poprad	1,933 (2009)	26,371 (2009)	199,456 (2009)	13.22 (2009)	252,281 (2009)	Manufacture of railway locomotives and rolling stock
16 Duslo, a.s.	Šaľa	Šaľa	1,907 (2009)	-5,868 (2009)	523,005 (2009)	-1.12 (2009)	284,015 (2009)	Manufacture of fertilisers and nitrogen compounds
17 Embraco Slovakia, s.r.o.	Spišská Nová Ves	Spišská Nová Ves	1,886 (2009)	-740 (2009)	146,063 (2009)	-0.51 (2009)	138,673 (2009)	Manufacture of other pumps and compressors
18 OSRAM Slovakia, a.s.	Nové Zámky	Nové Zámky	1,700 (2009)	336 (2008)	48,066 (2008)	0.70 (2008)	125,997 (2008)	Manufacture of electric lighting equipment
19 SE Bordnetze – Slovakia, s.r.o.	Nitra	Nitra	1,522 (2009)	1,787 (2009)	36,601 (2009)	4.88 (2009)	91,438 (2009)	Manufacture of electrical and electronic equipment for motor vehicles
20 YURA Corporation Slovakia, s.r.o.	Púchov	Lednické Rovne	800 (2008)	-7,300 (2007)				Manufacture of electrical and electronic equipment for motor vehicles

## Light Industry



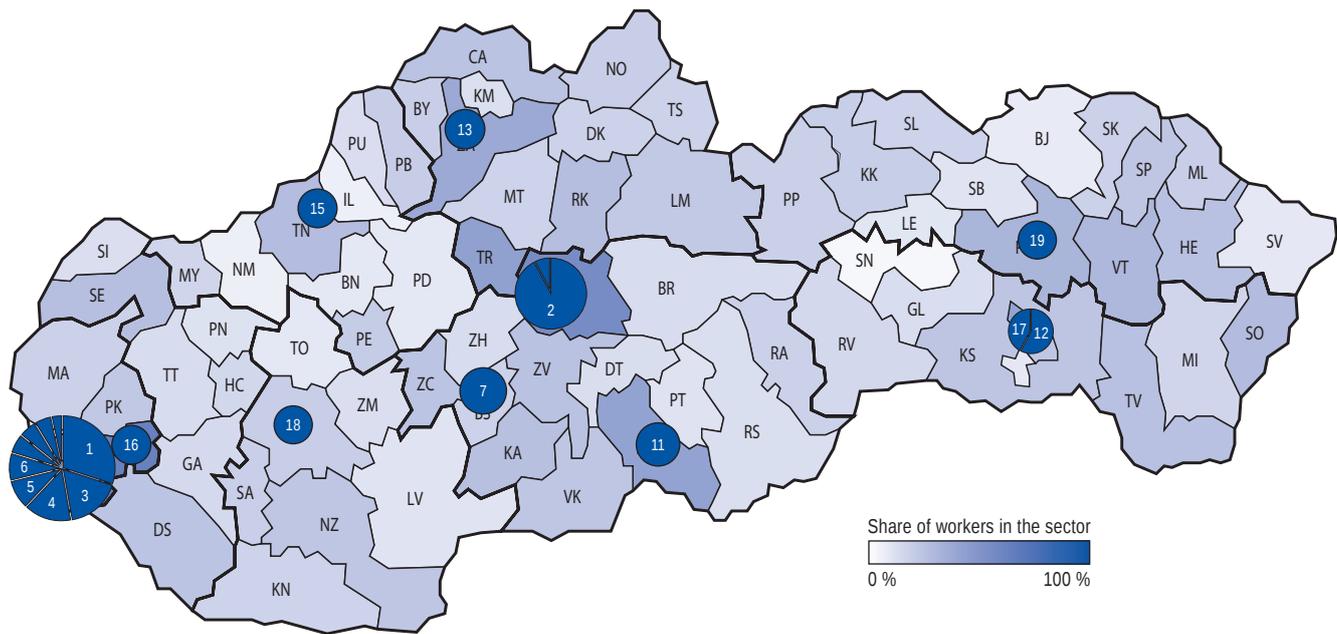
Company name	District	City	Number of employees	Profit / Loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000. €)	Main activity
1 SAMSUNG Electronics Slovakia, s.r.o.	Galanta	Galanta	3,190 (2009)	236,918 (2009)	967,487 (2009)	24.48 (2009)	3,168,162 (2009)	Manufacture of consumer electronics
2 Foxconn Slovakia, s.r.o.	Nitra	Nitra	2,636 (2009)				1,237,562 (2009)	Manufacture of consumer electronics
3 MECOM GROUP, s.r.o.	Humenné	Humenné	2,033 (2009)	3,881 (2009)	213,577 (2009)	1.81 (2009)	246,340 (2009)	Processing and preserving of meat
4 Swedwood Slovakia, s.r.o.	Trnava	Trnava	2,017 (2009)	2,042 (2008)	202,262 (2008)	1.00 (2008)	182,325 (2009)	Manufacture of other furniture
5 RIALTO, s.r.o.	Partizánske	Partizánske	1,476 (2009)	138 (2009)	21,389 (2009)	0.65 (2009)	45,989 (2009)	Manufacture of footwear
6 MAKYTA, a.s.	Púchov	Púchov	1,237 (2009)	-203 (2009)	11,363 (2009)	-1.78 (2009)	14,314 (2009)	Manufacture of other outerwear
7 Panasonic Electronic Devices Slovakia, s.r.o.	Tvrdošín	Trstená	1,226 (2010)	1,140 (2009)	42,334 (2009)	2.69 (2009)	90,181 (2009)	Manufacture of consumer electronics
8 Gabor, s.r.o.	Bánovce nad Bebravou	Bánovce nad Bebravou	1,190 (2009)	-244 (2009)	21,494 (2009)	-1.13 (2009)	50,866 (2009)	Manufacture of footwear
9 DECODOM, s.r.o.	Topoľčany	Topoľčany	1,124 (2009)	1,873 (2008)	32,686 (2008)	5.73 (2008)	57,878 (2009)	Manufacture of other furniture
10 HYZA, a.s.	Topoľčany	Topoľčany	1,008 (2009)	5,102 (2009)	46,341 (2009)	11.00 (2009)	88,794 (2009)	Processing and preserving of meat
11 Panasonic AVC Networks Slovakia, s.r.o.	Spišská Nová Ves	Krompachy	990 (2009)	-135 (2009)	88,986 (2009)	-0.15 (2009)	166,692 (2009)	Manufacture of consumer electronics
12 I.D.C. Holding, a.s.	Bratislava II	Bratislava	967 (2009)	6,849 (2009)	102,966 (2009)	6.65 (2009)	108,415 (2009)	Manufacture of rusks and biscuits, preserved pastry goods and cakes
13 Pivovary Topvar, a.s.	Topoľčany	Topoľčany	900 (2009)	-8,202 (2008)			101,210 (2008)	Manufacture of beer
14 Unomedical, s.r.o.	Michalovce	Michalovce	892 (2008)	3,047 (2008)	32,718 (2008)	9.31 (2008)	45,939 (2008)	Manufacture of medical and dental instruments and supplies
15 Nestlé Slovensko, s.r.o.	Prievidza	Prievidza	810 (2009)	9,588 (2009)	55,454 (2009)	17.29 (2009)	149,712 (2009)	Manufacture of other food products n.e.c.
16 NEOGRAFIA, a.s.	Martin	Martin	792 (2009)	1,804 (2009)	57,040 (2009)	3.16 (2009)	52,811 (2009)	Other printing
17 EKOLTECH, s.r.o.	Lučenec	Lučenec	788 (2009)	2,542 (2009)	17,493 (2009)	14.53 (2009)	33,377 (2009)	Manufacture of other furniture
18 Eterna, s.r.o.	Bánovce nad Bebravou	Bánovce nad Bebravou	772 (2009)	146 (2009)	4,371 (2009)	3.34 (2009)	6,248 (2009)	Manufacture of underwear
19 Heineken Slovensko, a.s.	Komárno	Hurbanovo	741 (2009)	11,452 (2009)	152,278 (2009)	7.52 (2009)	210,360 (2009)	Manufacture of beer
20 Kraft Foods Slovakia, a.s.	Bratislava III	Bratislava	677 (2009)	11,121 (2009)	108,426 (2009)	10.25 (2009)	211,800 (2009)	Manufacture of cocoa, chocolate and sugar confectionery

## Construction



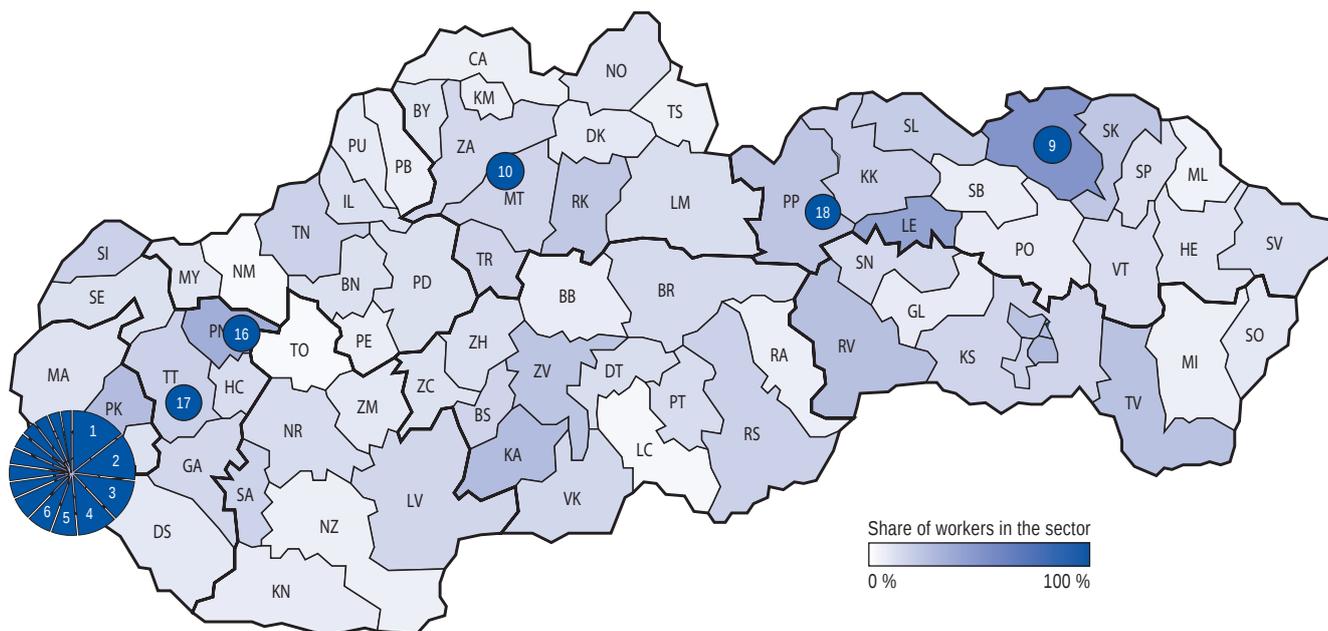
Company name	District	City	Number of employees	Profit / loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000 €)	Main activity
1 Doprastav, a.s.	Bratislava II	Bratislava	3,611 (2009)	10,042 (2009)	353,060 (2009)	2.84 (2009)	360,641 (2009)	Construction of roads and motorways
2 VÁHOSTAV – SK, a.s.	Žilina	Žilina	1,681 (2009)	4,064 (2009)	211,128 (2009)	1.92 (2009)	253,711 (2009)	Construction of roads and motorways
3 Inžinierske stavby, a.s.	Košice I	Košice	1,604 (2009)	-5,916 (2009)	206,383 (2009)	-2.86 (2009)	247,878 (2009)	Construction of roads and motorways
4 Západoslovenská energetika, a.s.	Bratislava I	Bratislava	1,470 (2009)	143,685 (2009)	752,439 (2009)	19.01 (2009)	1,112,811 (2009)	Construction of utility projects for electricity and telecommunications
5 ZIPP BRATISLAVA, s.r.o.	Bratislava II	Bratislava	1,012 (2009)	762 (2009)	206,472 (2009)	0.37 (2009)	350,293 (2009)	Construction of non-residential buildings
6 EUROVIA SK, a.s.	Košice IV	Košice	641 (2009)	3,835 (2009)	67,820 (2009)	5.65 (2009)	82,054 (2009)	Construction of roads and motorways
7 STRABAG, s.r.o.	Bratislava II	Bratislava	570 (2009)	4,001 (2009)	118,925 (2009)	3.36 (2009)	145,425 (2009)	Construction of roads and motorways
8 IN VEST, s.r.o.	Šaľa	Šaľa	501 (2008)	9,387 (2008)	62,277 (2008)	15.07 (2008)	86,794 (2008)	Construction of non-residential buildings
9 TUBAU, a.s.	Bratislava II	Bratislava	465 (2009)	1,520 (2008)	26,083 (2008)	5.82 (2008)	17,392 (2009)	Construction of bridges and tunnels
10 Elektrovod Holding, a.s.	Bratislava I	Bratislava	462 (2009)	2,704 (2009)	33,140 (2009)	8.15 (2009)	80,958 (2009)	Construction of utility projects for electricity and telecommunications
11 SIBAMAC, a.s.	Bratislava III	Bratislava	453 (2007)	465 (2007)			29,738 (2007)	Construction of non-residential buildings
12 SkyBau, s.r.o.	Žilina	Žilina	392 (2009)	1,739 (2009)	35,229 (2009)	4.93 (2009)	44,657 (2009)	Construction of non-residential buildings
13 ViOn, a.s.	Zlaté Moravce	Zlaté Moravce	376 (2009)	207 (2009)	22,302 (2009)	0.93 (2009)	33,761 (2009)	Construction of roads and motorways
14 CESTY NITRA, a.s.	Nitra	Nitra	310 (2009)	1,990 (2009)	37,802 (2009)	5.26 (2009)	62,948 (2009)	Construction of roads and motorways
15 METROSTAV SK, a.s.	Bratislava II	Bratislava	291 (2009)	-4,637 (2009)	62,224 (2009)	-7.45 (2009)	65,127 (2009)	Construction of residential buildings
16 Elektroenergetické montáže, a.s.	Žilina	Žilina	291 (2009)	4,850 (2009)	20,214 (2009)	23.99 (2009)	38,874 (2009)	Construction of other civil engineering projects n.e.c.
17 DOPRASTAV EXPORT, s.r.o.	Bratislava III	Bratislava	268 (2009)	121 (2009)	6,012 (2009)	2.01 (2009)	13,136 (2009)	Construction of bridges and tunnels
18 Cestné stavby Liptovský Mikuláš, s.r.o.	Liptovský Mikuláš	Liptovský Mikuláš	265 (2007)	87 (2007)			12,551 (2007)	Construction of roads and motorways
19 Chemkostav, a.s.	Michalovce	Michalovce	253 (2009)	1,424 (2009)	31,241 (2009)	4.55 (2009)	44,608 (2009)	Construction of non-residential buildings
20 Telemont, a.s.	Bratislava II	Bratislava	245 (2009)	-431 (2009)	6,085 (2009)	-7.08 (2009)	13,045 (2009)	Electrical installation

## Trade and transport



Company name	District	City	Number of employees	Profit / loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000 €)	Main activity
1 Železnice Slovenskej republiky, Bratislava	Bratislava I	Bratislava	17,264 (2009)	-90,911 (2009)	2,683,806 (2009)	-3.39 (2009)	434,844 (2009)	Service activities incidental to land transportation
2 Slovenská pošta, a.s.	Banská Bystrica	Banská Bystrica	15,080 (2009)	132 (2008)	379,810 (2008)	0.04 (2008)	309,414 (2009)	Postal activities under universal service obligation
3 Železničná spoločnosť Cargo Slovakia, a.s.	Bratislava II	Bratislava	9,826 (2009)	-126,601 (2009)	786,227 (2009)	-16.10 (2009)	339,547 (2009)	Freight rail transport
4 TESCO STORES SR, a.s.	Bratislava I	Bratislava	8,498 (2007)	30,738 (2007)	808,405 (2007)	3.80 (2007)	1,080,794 (2007)	Other retail sale in non-specialised stores
5 Slovenský plynárenský priemysel, a.s.	Bratislava II	Bratislava	5,146 (2009)	622,000 (2009)	7,933,000 (2009)	7.84 (2009)	2,760,000 (2009)	Distribution of gaseous fuels through mains
6 Železničná spoločnosť Slovensko, a.s.	Bratislava III	Bratislava	4,979 (2009)	27,151 (2009)	663,267 (2009)	4.09 (2009)	96,737 (2009)	Passenger rail transport, interurban
7 Slovenský vodohospodársky podnik, š.p.	Žilina	Banská Štiavnica	3,663 (2009)	1,915 (2008)	1,213,091 (2008)	0.16 (2008)	99,498 (2009)	Water collection, treatment and supply
8 Kaufland Slovenská republika, v.o.s.	Bratislava III	Bratislava	3,500 (2009)	0 (2007)	157,684 (2007)	0.00 (2007)	383,441 (2007)	Other retail sale in non-specialised stores
9 BILLA, s.r.o.	Bratislava II	Bratislava	3,183 (2008)	1,760 (2008)	183,132 (2008)	0.96 (2008)		Retail sale in non-spec. stores with food, beverages or tobacco predominating
10 Dopravný podnik Bratislava, a.s.	Bratislava I	Bratislava	3,115 (2008)	-471 (2009)	132,531 (2009)	0.35 (2009)	34,906 (2009)	Urban and suburban passenger land transport
11 CBA Slovakia, s.r.o.	Lučenec	Lučenec	2,580 (2008)	1,473 (2007)			161,706 (2008)	Retail sale in non-spec. stores with food, beverages or tobacco predominating
12 Východoslovenská vodárenská spoločnosť, a.s.	Košice I	Košice	2,169 (2009)	662 (2009)	507,837 (2009)	0.13 (2009)	75,106 (2009)	Water collection, treatment and supply
13 Stredoslovenská energetika, a.s. skrátené SSE, a.s.	Žilina	Žilina	1,794 (2009)	69,946 (2009)	538,473 (2009)	12.99 (2009)	811,495 (2009)	Trade of electricity
14 SPP – distribúcia, a.s.	Bratislava II	Bratislava	1,764 (2009)	108,511 (2009)	3,001,619 (2009)	3.61 (2009)	393,145 (2009)	Distribution of gaseous fuels through mains
15 Lidl Slovenská republika, v.o.s.	Trenčín	Nemšová	1,678 (2007)	3,960 (2007)	385,458 (2007)	1.03 (2007)	353,054 (2007)	Retail sale in non-spec. stores with food, beverages or tobacco predominating
16 METRO Cash & Carry Slovakia, s.r.o.	Senec	Ivanka pri Dunaji	1,600 (2007)	22,433 (2007)			503,000 (2008)	Non-specialised wholesale trade
17 Východoslovenská energetika, a.s.	Košice I	Košice	1,550 (2009)	74,928 (2009)	334,536 (2009)	22.40 (2009)	539,815 (2009)	Trade of electricity
18 Západoslovenská vodárenská spoločnosť, a.s.	Nitra	Nitra	1,514 (2009)	149 (2009)	349,915 (2009)	0.04 (2009)	52,143 (2009)	Water collection, treatment and supply
19 MILK-AGRO, s.r.o.	Prešov	Prešov	1,000 – 1,999 (2008)					Retail sale in non-spec. stores with food, beverages or tobacco predominating
20 Stredoslovenská vodárenská prevádzková spoločnosť, a.s.	Banská Bystrica	Banská Bystrica	1,232 (2009)	1,291 (2009)	30,889 (2009)	4.18 (2009)	52,088 (2009)	Water collection, treatment and supply

## Other services



Company name	District	City	Number of employees	Profit / loss ('000 €)	Assets ('000 €)	RoA (%)	Revenues ('000 €)	Main activity
1 Slovenská sporiteľňa, a.s.	Bratislava III	Bratislava	4,614 (2008)	11,920 (2009)	11,333,041 (2009)	0.10 (2009)		Other monetary intermediation
2 Všeobecná úverová banka, a.s.	Bratislava II	Bratislava	3,959 (2009)	143,928 (2009)	9,474,441 (2009)	1.51 (2009)		Other monetary intermediation
3 Slovak Telekom, a.s.	Bratislava II	Bratislava	3,538 (2009)	145,550 (2009)	2,050,312 (2009)	7.10 (2009)	444,095 (2009)	Wired telecommunications activities
4 Tatra banka, a.s.	Bratislava I	Bratislava	3,386 (2009)	90,800 (2009)	8,977,254 (2009)	1.01 (2009)		Other monetary intermediation
5 Československá obchodná banka, a.s.	Bratislava I	Bratislava	2,228 (2009)	-15,051 (2009)	5,245,921 (2009)	-0.28 (2009)		Other monetary intermediation
6 Allianz – Slovenská poisťovňa, a.s.	Bratislava I	Bratislava	2,105 (2009)	88,216 (2009)	2,129,760 (2009)	4.14 (2009)		Non-life insurance
7 Všeobecná zdravotná poisťovňa, a.s.	Bratislava V	Bratislava	1,905 (2008)	30 (2008)	466,455 (2008)	0.01 (2008)		Compulsory social security activities
8 T-Mobile Slovensko, a.s.	Bratislava III	Bratislava	1,488 (2009)	100,704 (2008)	542,447 (2008)	18.56 (2008)	555,771 (2009)	Wireless telecommunications activities
11 Dell, s.r.o.	Bratislava I	Bratislava	1,000 – 1,999 (2008)					Business and other management consultancy activities
9 KRIVEX plus, s.r.o.	Bardejov	Bardejov	1,000 – 1,999 (2008)					Temporary employment agency activities
10 ŽOS Vrútky, a.s.	Martin	Vrútky	1,000 – 1,999 (2008)					Repair and maintenance of other transport equipment
12 Orange Slovensko, a.s.	Bratislava II	Bratislava	1,367 (2009)	199,759 (2009)	606,155 (2009)	32.95 (2009)	812,666 (2009)	Wireless telecommunications activities
13 UniCredit Bank Slovakia, a.s.	Bratislava I	Bratislava	1,293 (2009)	22,104 (2009)	3,184,515 (2009)	0.69 (2009)		Other monetary intermediation
14 IBM International Services Centre, s.r.o.	Bratislava III	Bratislava	1,287 (2007)	3,674 (2007)	19,067 (2007)	19.27 (2007)	80,699 (2007)	Accounting, bookkeeping and auditing activities; tax consultancy
15 KOOPERATIVA poisťovňa, a.s.	Bratislava I	Bratislava	1,247 (2009)	15,042 (2009)	1,018,401 (2009)	1.47 (2009)		Non-life insurance
16 SLOVENSKÉ LIEČEBNÉ KÚPELE PIEŠŤANY, a.s.	Piešťany	Piešťany	1,240 (2009)	941 (2009)	77,199 (2009)	1.22 (2009)	32,248 (2009)	Other human health activities n.e.c.
17 ŽOS Trnava, a.s.	Trnava	Trnava	1,218 (2009)	6,885 (2009)	129,402 (2009)	5.32 (2009)	107,391 (2009)	Repair and maintenance of other transport equipment
18 Nemocnica Poprad, a.s.	Poprad	Poprad	1,113 (2008)	606 (2008)	28,404 (2008)	2.14 (2008)	22,258 (2008)	Hospital activities
19 NIKÉ, s.r.o.	Bratislava IV	Bratislava	1,022 (2008)	8,415 (2008)	30,057 (2008)	27.99 (2008)	171,154 (2008)	Gambling and betting activities
20 Siemens Program and Systems Engineering, s.r.o.	Bratislava IV	Bratislava	944 (2009)	652 (2008)	19,777 (2008)	3.30 (2008)	45,593 (2009)	Computer consultancy activities

