



**EnEf PROJECT**

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**REGIONAL REPORT of Spiš Region**

<b>Accomplished</b>		
<i>Partner</i>	<i>Person responsible</i>	<i>Date</i>
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## INDEX

### 1. Profile of the country/ region

- Introduction 3
  - Basic information about the region 4
  - Location of the region/country and main characteristics 5
  - Demographic aspects 7
  - Industrial and technological infrastructure 8
- Economic Analysis 10
- Social & Cultural Aspects, Education 15
- Political Legal issues 17
  - Subsidies 17
  - Taxes 22

### 2. Profile of Small to Medium Sized Enterprises (SMEs) in the Construction Sector

- General description of small enterprises 26
- Contribution to the economy and society 26
- Energy Efficiency Trends 30
- Challenges and opportunities facing SMEs 31

### 3. Preliminary Findings 32

## Introduction

Energy efficiency improvements refer to a reduction in the energy used for a given service (heating, lighting, etc.) or level of activity. The reduction in the energy consumption is usually associated with technological changes, but not always since it can also result from better organisation and management or improved economic conditions in the sector ("non-technical factors").

In some cases, because of financial constraints imposed by high energy prices, consumers may decrease their energy consumption through a reduction in their energy services (e.g. reduction of comfort temperature; in car mileage). Such reductions do not necessarily result in increased overall energy efficiency of the economy, and are easily reversible. They should not be associated with energy efficiency.

To economists, energy efficiency has a broader meaning: it encompasses all changes that result in decreasing the amount of energy used to produce one unit of economic activity (e.g. the energy used per unit of GDP or value added). Energy efficiency is associated with economic efficiency and includes technological, behavioural and economic changes.

Energy efficiency is first of all a matter of individual behaviour and reflects the rationale of energy consumers. Avoiding unnecessary consumption of energy or choosing the most appropriate equipment to reduce the cost of the energy helps to decrease individual energy consumption without decreasing individual welfare.

**Subject of our project focus is the status quo of energy efficiency in construction sector in all partner's countries.**

Range of new construction of residential and commercial buildings since last 10 years clearly shows that the critical potential of possible energy savings in existing buildings, which have long been neglecting maintenance and repairs which do not meet current thermal requirements. Old fund residential buildings and houses, but also non-residential buildings are on average 40 years old. Restoring buildings not only provides heat for heating savings (30-50%), but at the same time these measures increase the life of the building about 30 years.

The most important is, that energy savings can also be expected in the construction of new buildings in low energy or even passive standard, therefore new approach and knowledges are very appreciated.

## Legal framework

Directive. 2002/91/EC on Energy Efficiency of 16 December 2002

This norm introduced a common system to ensure an improvement in energy efficiency of buildings by changing the thermal protection with regard to climate and local conditions, as well

as the required conditions for the interior environment of buildings and cost-effectiveness of construction and operation of buildings.

Directive. 2010/31/EÚ on Energy Efficiency of 19 May 2010

European Parliament and the Council adopted on 19 May 2010 recast of the EPBD No. 2010/31/EÚ (the Directive. 2010/31/EÚ), which replaces Directive 2002/91/EC on energy performance of buildings. The directive should be fully implemented into the laws of the Slovak Republic not later than 9 July 2012. The introduction of the new requirements will affect the current law no. 555/2005.

Directive. 2010/31/EÚ amongst others requires that all new buildings should after 2020 be the ones with nearly zero energy, buildings in public sector have to fulfill this obligation already after 2018.

Act no. 555/2005 Z. z. Energy Efficiency of Buildings with its amendments

Act no. 555/2005 lays down the procedures and measures to improve energy efficiency in buildings in order to optimize the internal environment in buildings and reduce carbon dioxide emissions from building operation and adjusts the scope of public authorities. Specifies the owner of the obligation to carry out building energy certification of buildings sold, rented, at the completion of new buildings or major renovation of existing buildings.

Other national documents are:

Concept of energy efficiency, implementing the Green Paper on energy efficiency of EK, which defines objectives, systematic steps and measures to reduce energy consumption in construction. The overall national indicative energy savings target for the ninth year (2016) under Article 4 paragraph 1 of Directive. 2006/32/EC is to achieve aggregate savings of 9% of final energy consumption, ie j. 37 215 TJ

Energy Efficiency Action Plan No. 1 for 2008 – 2008 and Energy Efficiency Action Plan No. 2 for 2011 – 2013, as a set of concrete measures and actions towards the energy efficiency and focusing on education, information dissemination and financing of low-energy construction.

## 1.1. Profile of the region

### 1.1.1. Basic information about the Slovak Republic

The Slovak Republic was constituted on January 1, 1993, as a successor of the former Czechoslovakia. Slovakia is situated in Central Europe surrounded by Austria, Hungary, Ukraine, Poland and the Czech Republic. Slovakia has a population of 5.4 million and a territory of 49,035 square kilometres. The capital city is Bratislava, which has approximately half a million

inhabitants. Other important regional cities are: Košice, Žilina, Prešov, Banská Bystrica and Trnava.

From its inception the Slovak Republic has been a parliamentary democracy. The official currency of the country is the Slovak crown (SKK). However, Slovakia has entered the Exchange Rate Mechanism II and will adopt the euro in January 2009.<sup>1</sup>

The geographical location of the country is one of its crucial advantages. Its strategic position in the heart of Europe allows Slovakia to be a credible partner to western countries but also provides a bridge to the east (Ukraine, Russia and other countries of the former Soviet Union) as well as to the south (Bulgaria, Romania and the countries of the former Yugoslavia).

Slovakia is an industrial country. It has a tradition in sectors such as metallurgy and metal processing, machine engineering and the automotive industry, electronics, wood processing and the paper industry, chemistry and pharmacy. Currently, great opportunities for investors can also be found in sectors with high added value such as microelectronics, research and development, and information and communications technologies.

On May 1, 2004 Slovakia became a member of the European Union, thus significantly strengthening its reputation in Europe and coming to the fore worldwide. On December 21, 2007 Slovakia also joined the Schengen area. Besides EU membership, Slovakia is also a member of many other organisations with worldwide influence such as NATO, UN, Visegrad Group, WTO, IMF, IBRD and OECD.

#### 1.1.2. Location of the region and main characteristics

The Košice region is situated in the southeastern part of Slovakia. In terms of population, it is Slovakia's second largest region. Geographically it is located in the East Slovakia lowlands and is bordered by Spišsko-Gemerský karst mountains. The city of Košice is the regional capital. It is the administrative, industrial, commercial, economic and cultural center of eastern Slovakia. The region borders the Prešov and Banská Bystrica regions to the north and west, respectively, and shares a common border with both Hungary and Ukraine as well. Its foreign neighbors have significantly influenced the ethnic structure of the region, which is strongly represented by Hungarian and Ruthenian minorities. The Košice region comprises 11 districts, 17 towns and 440 communities.

More than 770 000 inhabitants live in the area and the population density is 114 inhabitants per km<sup>2</sup>.

Main strengths of the region are: industrial character of region including all sectors; utilization of natural resources (talc, magnesite, limestone, white salt); sufficiency of building capacities for industrial, transport buildings, housing construction and infrastructure; sufficiency of qualified work force with college education; big natural complexes together with cultural heritage represent potential for tourism; high land and climatic potential together with technical means for agriculture in Východoslovenská nížina; international airport Košice; terminals of combined transport and wide track provide non-transshipment transport to eastern Europe; Košice - center of education, science, research and culture.



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### Economical and social specifics



Region from point of rate on making gross domestic profit ( 12,1 % of SR in 2005) and from point of sharing on existing economic foundation belongs to the most important regions of Slovak republic.

In districts of region over 60 thousand organisations acted next to determining, three – quarter big major abundance of individual entities up to 31.12.2007. The most numerous group presents tradesmen, over 38,5 thousand people. Enterprise activities are concentrated mainly in branches of trade and services, industry and building industry and from regional aspect they are mainly in regional town Košice and in district of Michalovce.

Raw material basis presents area of Slovenské rudohorie Mts., which gave place to foundation of mining, metallurgy of non – ferrous metal and engineering in the past. These branches next to dominating statutes of modern metallurgical combine and chemical factories represent an important part of industry. Central economical branches are industry (metallurgical, engineering, food – processing, electrotechnical, mining, industry of building stuff, fuels and power engineering), building industry and agriculture. Significant is food – processing production using products of agricultural basic production. Agricultural production is concentrated into districts of Košice – surrounding, Trebišov, Michalovce and Sobrance.

Agricultural land takes more than 338 thousand ha, that is 50,1 % of acreage of region. More than three fifths of it forms ploughland, one third permanent garths. Woods cover two fifths of regional surface. Over three quarters of ploughland is situated in districts of Košice and surrounding, Michalovce and Trebišov. Woods cover mainly areas of districts: Gelnica and Rožňava.

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### 1.1.3. Demographic aspects

#### Population – basic data

778,120 inhabitants lived in the Kosice region in December 2009 and it represents 14.3% population of Slovakia. The population is made up of slightly more women than men in a ration of 51.5 women: 50.5 men.

In December 2009 55.5 % inhabitants lived in the towns, the most important is the urbanization in the town of Kosice. The rural settlement is straggled into many middle and small places, common are the small settlements with the population under 1,999 inhabitants.

The density of 115 inhabitants per km<sup>2</sup> slightly exceeds the Slovak average. The highest density of the Kosice region is the district Kosice I-IV, Spisska Nova Ves and Michalovce; the lowest population density is in the regions of Kosice –Surroundings and Sobrance.

According to Statistical Office the average age of the population was 37.2 years. In comparison to other Slovak regions, Kosice Region boasts a very convenient age structure of the population. The proportion of people in pre-productive age (17.48% of the total population of the region) exceeds the national average and the proportion of post-productive population (11.4% of the total population of the region) is below the national average. The proportion of people in the productive age is 71.1%.

National structure of the population is very various. Slovak national majority represents approximately 20%; the Hungarian national minority 10.9% of the population of the Kosice region, the Roma minority represents 5% of the total inhabitants in the Kosice region. The other national minorities represent less than 1% of the Kosice region inhabitants as Czech, Ruthenian, and Ukrainian.

**Table– Population in Kosice Region**

Item	2007	2008	2009
Population as of Dec.31 (persons)	<b>774,103</b>	<b>775,509</b>	<b>778,120</b>
<b>of which: Female</b>	398,601	399,234	400,428
<b>Live-births per 1 000 inhabitants</b>	11.74	12.17	13.08
<b>Abortions per 100 births</b>	35.69	35.14	30.58
<b>Deaths per 1 000 inhabitants</b>	9.75	9.53	9.52
<b>Natural increase (decrease) per 1 000 inhabitants</b>	2.00	2.64	3.57
<b>Net migration per 1 000 inhabitants</b>	-0.68	-0.82	-0.20
<b>Total increase (decrease) per 1 000 inhabitants</b>	1.32	1.82	3.36



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<b>Marriages per 1 000 inhabitants</b>	5.13	5.29	4.79
<b>Divorces per 1 000 inhabitants</b>	2.25	2.35	2.15
Age structure of population as of December 31 (%)			
<b>Population in pre-productive age (0-14)</b>	17.75	17.53	17.48
<b>Population in productive age (15-64)</b>	71.11	71.25	71.16
<b>Population in post-productive age (65 and more)</b>	11.15	11.22	11.37
<b>Number of women per 1000 men</b>	1,062	1,061	1,060
<b>Mean age (years)</b>	36.78	37.02	37.22
<b>Ageing index</b>	62.83	64.04	65.04

Source: Statistical Office of the Slovak Republic

#### 1.1.4. Industrial and technological infrastructure

The region of Kosice region has a developed industrial and transport infrastructure. Infrastructure of Kosice Region consists of road transportation, railway transportation, air transportation, telecommunication network, electricity network, water mains and sewage networks, the Internet etc.

#### Road transportation

Kosice Region is an important crossroads of the national and international character. In the west-east direction it connects Czech Republic and Austria with Ukraine and Russia and in the north-south direction it is connected from Poland and Baltic states to Hungary and the Balkans.

Kosice region has 2,379 km of roads, of which the D1 highway is more than 5.3 km

**Table– Transportation in Kosice Region**

Item	2007	2008	2009
Length of roads in total (km)	2,379.191	2,379.156	2,379.070
<b>of which:</b>			
Motorways and feeders	5.325	5.325	5.325
1st class roads	36.651	366.616	366.557
2nd class roads	586.247	586.247	586.212
3rd class roads	1,420.968	1,420.968	1,420.985

Source: Statistical Office of the Slovak Republic

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## Railway transport

International corridor no. Va, which is a part of the international corridor no. V, crosses the region of Kosice, connecting Italy, Slovenia, Croatia, Hungary, Slovakia and Ukraine.

Important national railway lines in the region include: west – east transit corridor Prague – Kosice – Cierna nad Tisou and the north – south transit corridor in the direction Poland – Kosice – Hungary.

There are two intermodal transport terminals in Kosice Region – in the city of Kosice and in Dobra (near Cierna nad Tisou). Both are of strategic importance, as they are located within the Pan – European transport corridors and intermodal transport corridors included in AGTC and their significant intersections.

## Air transportation

The international airport Kosice is approximately 11 kilometres from the city centre and is the second biggest airport in Slovakia. At present the airport is capable to serve from small business planes to big Boeing 767 or Airbus 300.

Kosice International Airport provides services for passengers travelling by scheduled flights (Prague, Vienna, and Bratislava) and charter flights. The airport catchment area geographically covers the entire eastern part of Slovakia, the northern part of Hungary, a part of Ukraine including the city of Uzhgorod and a part of Poland including the city of Rzeszow.

## Telecommunication network and Internet

Of the total of 440 towns and villages in Kosice Region, 404 (91.82%) have access to broadband internet.

Telecommunication services providers include T-Mobile, a.s., Orange Slovakia, a.s. and Telefonica O2 Slovakia. The estimated number of active telco customers, as of the end of 2009, was approximately 5.85 million.

**Table– Selected indicators of telecommunications**

Item	2007	2008	2009
Selected indicators of telecommunications as of Dec. 31			
Main telephone lines in total	157,577	153,955	136,489
of which:			
<b>Residential</b>	123,776	120,671	105,675
<b>ISDN telephone lines</b>	8,550	7,621	7,640
<b>Public payphones</b>	1,210	1,110	1,048
Information and communication technology as of March 31 (%)			

<b>Households with PC</b>	57.6	65.0	59.8
<b>Households with Internet Access</b>	52.4	62.2	53.0

Source: Statistical Office of the Slovak Republic

### Electricity network

The main electricity supplier in the region of Kosice is Vychodoslovenska energetika, a. s. Kosice, which also takes care of all related services. The company distributed 3,755 GWh of electricity in 2009. German RWE Energy AG Corporation owns 49 % of the company.

### Water mains and sewage networks

Vychodoslovenska vodarenska spolocnost, a. s. operates water mains and sewage networks in the following districts: Kosice I–IV, Kosice – surroundings, Michalovce, Rožňava, Sobrance and Trebišov. Podtatranska vodarenska spolocnost, a. s., operates the same in the districts of Gelnica and Spišská Nova Ves.

Share of population of the region connected to the abovementioned services in 2009:

- 80.8% of citizens connected to public water supply system;
- 60.1% of the population connected to public sewage system;
- 57.3% of the population connected to public sewage with wastewater treatment plants.

## 1.2. Economic analysis

The Košice region is the second most important region in Slovakia in terms of export capacity and GDP per capita. The most developed areas are the districts of Košice I., II., III. and IV. The Košice region is particularly important for its production base, which is of key importance for the economy of the whole country. Industry is concentrated predominantly in the districts of Košice, Michalovce and Spišská Nová Ves, represented by all sectors, from food processing to metallurgy.

### Structure of Industry

The main sectors include metallurgy and the chemical and electrotechnical industries. The most dominant industry is metallurgy, which accounts for 60% of the region's industrial production and 50% of its exports. U.S. Steel Košice is the biggest company in the region in the metallurgy sector.

The two other mentioned sectors are export-oriented as well. Chemko a.s. Slovakia specializes in organic and inorganic chemistry and the electrotechnical sector is represented primarily by foreign capital companies such as BSH Drives and Pumps Michalovce.

Main production sectors:

**Metalurgy** – The renowned steel producer represents the metalurgical sector in the region through producing metal sheets (mostly for automotive and packaging), metal tubes and radiators. In addition there are several foundries in the region focused on die casting products.

**Machinery** – Another highly concentrated industrial sector is machinery which is represented almost in all the districts of the region. Companies such as VSS Košice (tank trucks and other truck production), Getrag Ford Transmissions Kechnec (gear boxes) or Embraco Slovakia (compressors for refrigerators) belong to key producers in the field.

**Electronics** – This sector is represented by production of electric machines and devices, connectors and cable sets produced by Molex Slovakia Kechnec, BSH Drives and Pumps, Michalovce, SEZ Krompachy, Yazaki Wiring Technologies Slovakia Michalovce a Panasonic AVC Networks Slovakia Krompachy.

**Plastics** – Thanks to a strong share of automotive industry in Slovakia the plastic industry has increased also in the Košice region. The following companies are the most active companies in the field - Ehlebracht Michalovce, MI Plastik Michalovce, CRW Plasticós Spišská Nová Ves and Triplus Spišská Nová Ves.

**Chemicals** – The most famous company in the Eastern Slovakia is Chemko a. s. Slovakia with its basic products of anorganic and organic chemistry, additives to polymers and formaldehyde. The cellulose and paper industry is represented in the district of Rožňava.

**Wood-processing** – In Sobrance an Spanish investor ONTE operates a production of cut veneer. The final production is concentrated mainly in Spišská Nová Ves with a various sortiment of furniture.

**Textile industry** - The textile sector is represented by ZEKON Michalovce and ODETA Michalovce with working clothing. Also in Rožňava there is a foreign company Gemtex producing walking clothing.

**Food-processing** – The food production can be found mainly in the cities of Košice, Michalovce and Spišská Nová Ves. Among those the largest in the sector belong beverages producer FRUCONA, a. s. Košice, fish products maker Ryba Košice, milk products company Syrárň Bel Slovensko, Michalovce.

Non-industrial Sectors in the Region

Agriculture is the key sector in the southern part of the region. The fertile soil of East Slovakia lowlands provides good conditions for growing crops and the mountainous north is an area suitable for growing less demanding agricultural products. The region also has deposits of various minerals of national importance. A gas field is located in the Michalovce district as are black and brown coal deposits. Several quarries located within the region provide a variety of construction materials.

### Significant companies in the Region

Company	Country of origin	Employees	Sector/product	Investment location
U.S.Steel Košice	USA	13 342	Steel sheets	Košice
Embraco Slovakia	Italy	2380	compressors	Spišská Nova Ves
VVS	N.a.	2170	Water distribution	Košice
Yazaki	Japan	1974	Cable beams	Michalovce
EJOT	n.a.	1700	Roof and window covers	Košice
Vsl. Energetika	n.a.	1538	Electricity	Košice
Dopravný podnik	n.a.	1500	Transport	Košice
Inžinierske stavby	France	1363	Construction	Košice
CTY Group	n.a.	1287	Construction	Košice
Panasonic	Japan	1205	Digital electronics	Krompachy
Molex Slovakia	USA	919	Connectors, cable beams	Kechnec
T-Systems	USA/ Germany	800	Software services	Košice
Obal-servis	n.a.	750	Mechanical engineering	Košice
Coop Jednota	Slovakia	734	Grocery stores	Michalovce
Gemtex	Slovakia	721	Textiles	Rožňava
Chemko	Slovakia	620	Chemical	Strážske
Kerko	Slovakia	200	Floor tiles	Košice
Eurovia	n.a.	620	Road construction	Košice
VSS	n.a.	600	Iron alloy castings	Košice

Source: GLOBAL Slovakia, 2010

### Gross domestic Product

In 2008, Kosice Region produced Gross Domestic Product in the total amount of EUR 7895 million. It ranked third in Slovakia after Bratislava and Trnava Region. Compared with the year 2006, the GDP increased by 18.72%.

Table - Gross Domestic Product in Kosice Region

Item	2006	2007	2008
Regional Gross Domestic Product in EUR at current prices (Mill.EUR; conversion rate)	6,650	7,251	7,895
Share of region on SR in (%)	12.07	11.78	11.78
Regional Gross Domestic Product per capita in	8,609	9,374	10,193

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EUR at current prices

Share of region on SR in (%)	84.26	82.18	82.23
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Source: Statistical Office of the Slovak Republic

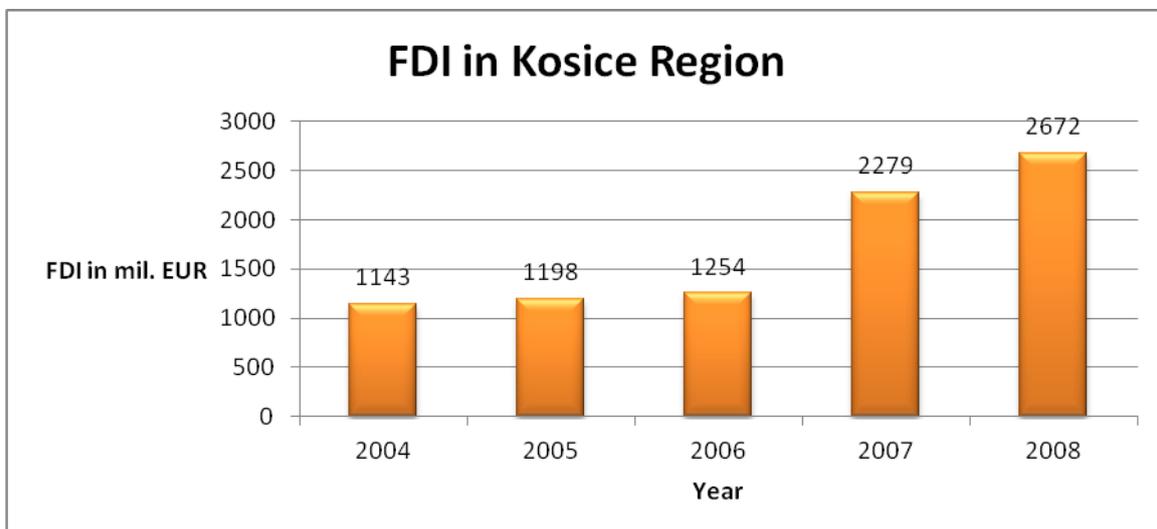
### Foreign Direct Investment

The volume of Foreign Direct Investment (FDI) in Kosice Region has been increasing and, as of 31 December 2008, reached EUR 2672 million. The volume of foreign investments in the Kosice Region has grown especially in the perspective production areas, such as electric engineering and machinery industry, steel production, food production, etc.

Table– Foreign Direct Investment in Kosice Region

FDI	2004	2005	2006	2007	2008
Kosice Region (mil. EUR)	1,143	1,198	1,254	2,279	2,672
Slovakia (mil. EUR)	13,228	13,843	13,601	25,961	30,023
%	8.63	8.51	9.2	8.8	8.9

Source: Central Bank of the Slovak Republic



Industrial parks create possibilities for increasing of foreign investors in Kosice Region. They are situated in Kechnec, Michalovce, Rožnava, Spišská Nova Ves, Strážske and Trebišov.

### Labour Market

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There are 360, 4 thousand economically active inhabitants in the age of 15 and more. The economic activity rate is at the level of 56.4%.

**Table– Economically active inhabitants in Kosice Region**

Item	2007	2008	2009
Population as of Jan. 1 in total (thousand persons)	772,5	773,6	775,2
<b>of which: Men</b>	374,8	375,3	376,1
<b>Women</b>	397,8	398,3	399,1
Economically active population aged 15+ in total (thousand persons)	343,3	350,3	360,4
<b>of which: Men</b>	192,9	198,4	201,8
<b>Women</b>	150,4	151,9	158,7
Economic activity rate in total (%)	54.4	55.3	56.4
<b>of which: Men</b>	63.8	65.2	65.9
<b>Women</b>	45.7	46.1	47.7

Source: Statistical Office of the Slovak Republic

The highest number of employees was recorded in the manufacturing sector, followed by education sector, health care and social services and public sector according to the statistical classification of economic activities.

### Unemployment

In the period of years 2004 – 2008 the unemployment rate in Kosice region was on the decrease. However, since the end of 2008, the unemployment rate has been increasing gradually, probably as result of the worldwide financial crisis. In terms of age, the most vulnerable age group is the group of 20-35 and 40-54 years old. In terms of education structure, people with elementary education form the largest group of unemployed in the region.

**Table– Unemployment in Kosice Region**

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of unemployed	89,3	86,2	83,1	91,3	87,0	71,3	54,7	47,2	55,8	65,8
Share region on SR in %	17.6	17.7	18.1	19.0	20.4	20.2	18.7	18.3	17.2	16.9
Unemployment rate	24.8	24.1	23.0	25.2	24.7	20.3	15.9	13.5	15.5	18.3

Source: Statistical Office of the Slovak Republic

## Wages and Salaries

In 2009, the average nominal monthly wage in Kosice region reached 772.32 EUR. In compare to Bratislava, the average wage in Kosice Region was 300 EUR lower. In terms of education, the highest average monthly wage was in the group of people with University education – post graduate degree and it reached 1,187.33 EUR and the lowest average monthly wage was in the group of people with Elementary education and it reached 478.56 EUR.

**Table– Average nominal monthly wage in Kosice Region**

Item	2007	2008	2009
<b>Average gross nominal monthly wage in EUR total</b>	713.37	755.76	772.32

Source: Statistical Office of the Slovak Republic

### 1.3. Socio-cultural aspects, education

#### Education

Kosice Region has strong history in education. The first university was founded in Kosice in 1657, and the oldest secondary school in central Europe specializing in machinery was founded here in 1872. A dense network of schools in Kosice Region provides quality education from pre-school and elementary through secondary, up to university and doctoral studies.

Kosice region has a good level of education. The highest proportion of economically active population is formed by people with full secondary education. There is a very positive trend represented by the increasing percentage of population with university degrees.

Kosice city, centre of region has the highest proportion of population with university education. There are four universities and other faculties with more than 30,000 students. Kosice is also an important centre of science and research. Technical University in Kosice has very good partnerships in the research and development area with many companies within the region.

#### **Secondary school**

In the school year 2009/2010 there was 109 secondary schools in Kosice Region:

- Secondary comprehensive schools
- Secondary vocational schools (industrial, pedagogical, hotel, business, artistic, medical, transport, police, fire protection, etc.)
- Conservatories (performing arts – music, dance, drama)

#### **Universities**

There are four Universities in Kosice Region:

- Technical University in Kosice

Technical University has 9 faculties – Metallurgy, Mechanical Engineering, Electrical Engineering and Informatics, Civil engineering, Economics, Manufacturing Technologies



with seat in Presov, Arts, Aeronautics, Faculty of Mining, Ecology, Process Control and Geotechnology)

- Pavol Josef Safarik University in Kosice

The University has 5 faculties – Medicine, Science, Law, Public Administration and Arts

- University of Veterinary Medicine in Kosice

It has these accredited programmes – General Veterinary Medicine, Food Hygiene, Cynology, Feed and Food Safety, Pharmacy, Market and Quality Food Production, Animal Health and Environmental Protection.

- University of Security Management in Kosice

There are also other branches of universities operating in the Kosice Region as the Faculty of Business Economics of the University of Economics in Bratislava with seat in Kosice and separate branches of other universities in Michalovce, Rožnava, Spišská Nova Ves and Trebisov.

#### Social services

**Table - Social Security**

Item	2007	2008	2009
Pension receivers (persons)	171,197	174,393	175,455
<b>Pensions paid in total</b>	210,407	214,238	215,671
Average monthly level of sole pensions paid (EUR)	280.29	298.58	323.40
<b>Social service facilities in total</b>	100	109	119
Places in facilities of social services in total	4,790	5,272	5,524
<b>of which:</b>			
- Senior homes	1,881	1,937	1,803
- Social service houses for adults	1047	1068	1257
- Social service houses for children	273	498	439
- Children s homes	896	897	903

Source: Statistical Office of the Slovak Republic

#### Health care

Health care is provided by a system of state and private health care facilities. There is a network of home care agencies, emergency medical services and facilities, first aid facilities available for citizens and etc.

In 2008 there were 20 hospitals, 1,488 out-patient care facilities, 4 institutes for treatment, 1 natural curative spa in Kosice region. Bed fund in health facilities in total was 6,088, of which 5,488 were in hospitals.

## Culture

There are 13 theatres, 367 cultural-educational institutions, 9 museums, 3 galleries and 254 public libraries in Kosice Region.

### **Kosice – European Capital of Culture 2013**

The city of Kosice has been awarded the title of the European Capital of Culture for the year 2013. The title brings an opportunity for the city to open up to public of Europe, visitors and business people.

### **World Hockey Championship 2011**

The city of Kosice has become one of the centre world hockey during World Hockey Championship 2011.

## 1.4. Political Legal Issues

### 1.4.1 Subsidies

A subsidy is a form of financial assistance paid to a business or economic sector. Most subsidies are made by the government to producers or distributors in an [industry](#) to prevent the decline of that industry or an increase in the prices of its products or simply to encourage it to hire more [labour](#).

Financial assistance in the form of a subsidy may come from government, but the term subsidy may also refer to assistance granted by others, such as individuals or non-governmental institutions.

In Slovakia and in Kosice Region subsidies may be provided in accordance with Act. No. 231/1999 Coll. on state Aid and in accordance with special laws and European Community legislation related to state aid provision.

#### State aid in Slovakia

State aid means any assistance in any form, provided directly or indirectly from the state budget, regional or local budget to entrepreneurs. State aid may be granted under aid schemes or individual schemes in a direct or indirect form.

Direct form of state aid is:

- Grant
- Payment of interest or part of interest
- Partial reimbursement of the loan
- Returnable financial aid

Indirect form of state aid is:

- Provision of state or bank guarantee
- Provision of tax relief or relief concerning penalties, fines, interests or other sanctions
- Sale of immovable state property or property of municipality at lower price than market price
- Provision of consultancy services free of charge or for a partial payment
- Deferral of tax payments or permission for tax paid in instalments

The State aid may be provided for various purposes. It may be, for example, the education aid, aid provided to disadvantaged applicants for a job, research and development aid, environment protection aid as well as the regional aid. It means that the State aid is a general term which includes a number of aid types.

### Regional Aid

Regional aid is provided in the form of Investment incentives. Investment incentives as the regional aid are one of the tools which are used to motivate investors to place their projects also in the less developed regions, in the regions with higher unemployment, lower infrastructure quality, etc.

The aim of investment incentives is to promote the economic development of certain disadvantaged areas in the Slovakia and is targeted at specific regions in order to eliminate regional disparities and to assist the development of the most disadvantaged regions by supporting investment and job creation.

Investment aid can be provided in the form of:

- Income tax relief,
- A subsidy for the acquisition of tangible and intangible fixed assets,
- A contribution for created new jobs,
- A transfer of immovable assets from the state or municipality at a price lower than the general value of the assets

The investor may request aid in one or several forms, but the total aid may not exceed the maximum amount of aid permissible in the given region. The European Commission approved the maximum amount of the aid for particular regions which may be provided to the investor and for such purpose it divided the Slovak Republic into four regions:

<b>Region Bratislava</b>	<b>0%</b>
<b>Western Slovakia</b>	<b>40% of the eligible investment costs</b>
<b>Central Slovakia</b>	<b>50% of the eligible investment costs</b>
<b>Eastern Slovakia</b>	<b>50% of the eligible investment costs</b>

Percentage of the eligible investment costs expresses the intensity of the aid, i.e. the maximum proportion of the eligible costs, which may be approved for the investor in the form of particular investment incentives. The maximum amount of the aid may be increased by 10% in the case of the medium-sized enterprises and by 20% in the case of small enterprises.

**Kosice region is part of the Eastern Slovakia, it means, that investment aid may be 50% of the eligible investment costs in the case of large businesses, 60% in the case of SMEs and 70% for small businesses.**

Within the meaning of State Aid Act, following **four categories of projects** can be supported by investment incentives:

A) Industrial production

- b) Technology Centres
- c) Shared Services Centres
- d) Tourism

**Eligible Costs**

For the purpose of the regional aid provision the following acquisition costs shall be considered as the eligible costs for example costs of land acquisition, costs of buildings acquisition, costs of technological equipment and machinery acquisition, intangible fixed assets, licences, know-how, labour costs, etc.

**Financial support of research and development**

There are also incentives for research and development in Slovakia. Incentives are in the form of:

**1. Subsidy from state budget funds to:**

- a) Support basic research, applied research and experimental development or
- b) develop studies of project feasibility;
- c) ensure the protection of industrial property or
- d) temporary assignment of highly qualified staff of research and development

2. *Income tax relief* – is granted for a proportional part of the tax base, the amount of tax relief is limited by the absolute amount of aid recognized for the given type. The grantor is relevant tax office.

Other possibilities for the co-financing of R&D projects are EU structural funds, national grants through Slovak Research and Development Agency, 7th Framework programme (7th general programme for research, technical development and demonstration activities and etc.

**Structural Funds**

Slovakia has the opportunity to use EU funds throughout the duration of the National Strategic Reference framework in years 2007-2013. The Ministry of Transport, Construction and Regional Development as the Central Coordination Authority is responsible for the efficiency, propriety of management, provision and use of EU structural funds in accordance with EU regulations, institutional, legal and financial systems and the regulations of the Slovak Republic.

According to Government s decision, the Energy Efficiency is implemented in the following operational programmes (for private sector):

<b>OP Environment</b>	
<b>CF + ERDF 1800 mil EUR</b>	
<b>Managing Authority: Ministry of Environment</b>	
Priority 3. Air and ozone layer protection, climate change mitigation including support for RES	
Actions supported Co-financing from CF 85 %	Eligible beneficiaries

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<ol style="list-style-type: none"> <li>1. Reduction of greenhouse gases emissions</li> <li>2. Replacement (conversion) of the fossil fuels as on energy source for heat and hot water production with RES</li> <li>3. Limitation of methane emissions from waste</li> <li>4. Better quality of measuring and emission projections and promotion of emission reduction</li> </ol>	<p>Public sector (municipalities) Companies (where private investor's share is less than 50 %)</p>
--	--

**OP Competitiveness and Economic Growth**  
**ERDF 772 mil EUR**

**Managing Authority: Ministry of Economy**  
**Implementing Authority: Slovak Innovation and Energy Agency (SIEA)**

Priority 2. Energy sector

Measure: 2.1. Increasing energy efficiency both on the side of generation and consumption and introducing advanced technologies in the energy sector

Actions supported Co-financing from ERDF + Slovak Repub.: 50 %	Eligible beneficiaries
<ol style="list-style-type: none"> <li>1. Energy savings in all areas of industry and services including <b>insulation of buildings</b> to increase thermal characteristics of buildings</li> <li>2. <b>Combined heat &amp; power</b> production.</li> <li>3. <b>Reconstruction and modernisation of existing energy sources</b> based on fossil fuels to increase effectiveness of utilization of energy sources.</li> <li>4. <b>Reconstruction of existing thermal devices for distribution of heat</b>, e.g. improvement of insulation of pipelines, implementation of systems for monitoring of leakage of heat, reconstruction of boiler rooms and exchangers.</li> <li>5. <b>Information dissemination and advisory services</b> provided by the Slovak Energy and Innovation Agency</li> <li>6. <b>Utilisation of renewable energy sources</b> – small hydro plants, solar and geothermal energy, biofuels, biomass, biogas.</li> </ol> <p><b>Envisaged forms of state aid:</b> – State aid scheme for the increase of energy efficiency both on the side of generation and consumption and introducing advanced</p>	<p>Private sector (Companies where private investor's share is more than 50)</p>

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technologies in the energy sector  
- direct form of aid.  
– Scheme supporting sustainable development (de minimis aid scheme).

### Regional OP

ERDF: 1 445 mil.

**Managing Authority:** Ministry of Reconstruction and Regional Development

**Implementing Authority:** Regions (NUTS 3 level)

**Priority 1:** Development of citizens' infrastructure

Actions supported Co-financing from ERDF 85 %	Eligible beneficiaries
<p><b>1. Investments to public buildings reconstruction</b> (thermal insulation, replacement of windows and obsolete heating system, reconstruction of heat, water and electricity distribution networks etc.) to increase their energy efficiency.</p> <p><b>2. Development of new social housing.</b></p>	<ul style="list-style-type: none"> <li>- Municipalities.</li> <li>- State institutions (kindergartens, primary schools, high schools, social housing etc.).</li> <li>- <b>Private sector.</b></li> <li>- Not-for-profit organisations</li> <li>- Churches.</li> </ul>

### Regional OP

ERDF: 1 445 mil.

**Managing Authority:** Ministry of Reconstruction and Regional Development

**Implementing Authority:** Regions (NUTS 3 level)

**Priority 2:** Improvement of the territories' infrastructure

Actions supported Co-financing from ERDF 85 %	Eligible beneficiaries
<ol style="list-style-type: none"> <li>1. Development and reconstruction of the <b>infrastructure for cyclists and pedestrians.</b></li> <li>2. Development and reconstruction of <b>public lighting.</b></li> <li>3. Development and reconstruction of <b>bus stops and local infrastructure.</b></li> <li>4. <b>Urban planning and regeneration.</b></li> <li>5. Improvement and reconstruction of <b>residential buildings</b> in urban areas.</li> <li>6. <b>Integrated transport system</b> (railway &amp; public transport) in the city of Kosice.</li> </ol>	<ul style="list-style-type: none"> <li>- Municipalities.</li> <li>- Associations of municipalities and regions.</li> <li>- State institutions (kindergartens, primary schools, high schools, social housing etc.).</li> <li>- <b>Private sector.</b></li> <li>- Not-for-profit organisations.</li> <li>- Churches.</li> </ul>

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## Other supporting schemes

### Governmental program of thermal insulation

The Government discussed and approved on 20 May 2009 Government Programme Insulation by its Decree no. 379/2009, which was created as a new tool for stimulating housing development aimed at reducing energy consumption in residential buildings, houses and apartment buildings, and associated reduction in household expenditure on housing. In 2009, the Government has allocated 70.87 million. Euros and the 346 program were insulated buildings, thus lowering the heat consumption.

### Program Improving thermal insulation in buildings

Under the improvement of thermal insulation in buildings covered by the Housing Development Fund in 2008, the Government has allocated 10.5 million. euros and restored 126 buildings. In 2009, the Government has allocated 13.16 million. euros and restored 127 buildings. It should be noted that the overall savings will be reflected at intervals of 2-3 years, and its quantification through energy savings for each period will be expressed in the evaluation of the second Action Plan for Energy Efficiency.

#### **1.4.2. Taxes**

Slovak tax residents, that is, legal entities with their registered seat or place of business in Slovakia, are subject to Slovak corporate income tax on their worldwide income. Tax nonresidents are subject to tax only on their Slovak-sourced income.

Slovak general and limited partnerships are looked upon, for tax purposes, as transparent entities. The profit of a general partnership and the profit attributable to the general partners of a limited partnership are taxed at the partners' level. General partners are subject to corporate income tax if they are legal entities or to personal income tax if they are individuals.

Companies are taxed individually in Slovakia. Consolidated returns are not allowed. Under Slovak law a flat tax rate is applicable, being 19 percent in 2009.

Certain forms of income are taxed at source by means of a withholding tax when made by Slovak companies to foreign parties. A 19 percent withholding tax applies, for example, to royalties and interest income from saving deposits and loans. However, a double taxation treaty may reduce the rate or may provide for the taxation of such income only in the state of residence of the income's beneficial owner. Special tax exemptions are applicable between related companies which are EU tax residents.

Dividends, liquidation surplus and settlement amounts paid out of profits earned on or after January 1, 2004 are not subject to income tax.

A taxable profit is determined as an accounting profit adjusted by certain non-assessable income and non-deductible expenses.

Capital gains, except for dividends, are included in the taxable profit and are subject to tax at the regular profit tax rate.

Generally, upon calculating the taxable profit, only those expenses which the taxpayer incurs to generate, ensure and maintain its taxable income are deemed deductible.

**Non-deductible expenses** include, amongst other things, gifts and entertainment expenses, non-contractual fines and penalties, travelling expenses above statutory limits, most valuation differences and reserves, inventory shortages and damages, losses from the sale of land, accounting provisions and accounting reserves, creation of a reserve fund and other funds, excluding the obligatory social fund.

However, a taxpayer can donate up to 2 percent of their tax liability to a qualifying non-profit organisation of their choice.

Expenses related to the **depreciation** of tangible and intangible assets are deductible within the limits set out by the provisions of the Income Tax Act. Tangible assets are classified into four groups according to their useful life. The depreciation periods of tangible assets vary from four years (computers, office devices) to twenty years (buildings of a permanent nature).

The depreciation of tangible assets can be calculated using a straight line or an accelerated method. The tax depreciation of intangible assets equals the accounting depreciations. A lessee can depreciate a tangible fixed asset held under a financial lease. In this case, the depreciation period equals the leasing period, and the depreciation base equals the acquisition value of the leased asset without VAT. The acquisition value is increased by the expenses related to acquisition of the leased asset that the lessee incurred before the asset was put into use.

Losses may be carried forward for five consecutive taxable periods, starting with the tax period immediately following that in which the taxpayer reports a tax loss. Losses cannot be carried back nor be offset against the profit of another group company. Transactions between a Slovak entity and foreign related persons must be provided at armslength.

Otherwise the tax payer must adjust the tax base. If this is not done by the tax payer, the tax administrator may assess additional tax and penalties, if there is insufficient documented justification for the pricing used. This rule however, does not apply to transactions carried out between Slovak persons (without a foreign element). A related person is a relative, a person economically or personally related, or otherwise connected (including persons who have established a business connection only for the purpose of decreasing the tax base). An economic or personal relationship means one person having more than 25 percent participation (directly or indirectly) in the equity, control or management of the other person, or a relationship between two persons that are under the common control or management of one person.

Transfer pricing methods used under the Slovak Income Tax Act are based on OECD transfer pricing guidelines. From January 1, 2009 the thin capitalisation rule is to be reincorporated into the Act on Income Tax.

This provision limits the tax deductibility of interests on credits (or loans) paid by a taxpayer to their creditor if:

- the creditor has a direct or an indirect share in the registered capital of the taxpayer that represents at least 25 percent, or
- the taxpayer has a direct or an indirect share in the registered capital of the creditor that represents at least 25 percent.

According to the thin capitalisation rule, interest on a sum by which the average amount of credits and loans from the above creditors during the taxation period exceeds six times the taxpayer's equity will not be considered as tax deductible.

However, the thin capitalisation rule will be used only if the calculated average amount of credits and loans exceeds €3,319,391.89.

A permanent establishment of a foreign person located in Slovakia is not a legal entity, but income derived by a permanent establishment is deemed to be Slovak-source income.

A permanent establishment is created by a fixed place of business or facility that is used either constantly or repeatedly, through which a foreign company carries out its business (or part of it) in Slovakia.

Moreover, a permanent establishment may be defined as an activity or services carried out in Slovakia for more than 6 months in any period of 12 consecutive months. However, a double taxation treaty may modify these conditions.

A foreign individual, or an entity that has created a permanent establishment in Slovakia, must register with the relevant Financial Authority and file tax returns annually. Individuals or legal entities may have to secure the tax from payments made to foreign taxpayers who have Slovak-source income. The securement is not applicable to the income of taxpayers who are EU residents.

If this is the case, the Slovak taxpayer must withhold a 19 percent tax securement when paying, transferring, or crediting a payment to a foreign entity.

To date, Slovakia has concluded more than 60 double taxation treaties which closely follow the OECD model. The tax treaties modify (usually by reducing) the Slovak withholding tax rates used for the taxation of non-residents' income and stipulate which method ought to be used to eliminate double taxation. The double taxation treaties use either exemption or credit methods. If no double taxation treaty has been concluded between Slovakia and the respective country, the foreign-source income will be subject to Slovak taxation in full, regardless of any foreign taxation.

On May 1, 2004, Slovakia entered the EU and consequently, EU Directives dealing with direct taxes were incorporated into the Slovak Income Tax Act. Based on the **Interest and Royalties Directive**, interest income paid between Slovak and EU companies which meet the definition of a parent company and a subsidiary are tax exempt in Slovakia. The definition of a parent and subsidiary is fulfilled if for an uninterrupted period of at least 24 months:

- the taxpayer who pays interest has at least a 25 percent capital holding in the final receiver of the income, or
- the final receiver of interest has at least a 25 percent capital holding in the taxpayer, who pays the respective income, or
- another company seated in the EU has at least a 25 percent capital holding in the taxpayer who pays the respective income and simultaneously at least a 25 percent capital holding in the final receiver of the income.

Under similar conditions royalties, payments for software and payments under copyright law are tax exempt.

Unlimited tax liability applies to Slovak tax residents, that is, individuals with either a registered permanent home in Slovakia or spending 183 days or more in Slovakia during the calendar year. Slovak tax non-residents are subject to Slovak income tax only on income from sources in Slovakia.

Under Slovak law a flat tax rate is applicable, being 19 percent in 2009.

Income from dependent activity includes employment income, income derived from work performed by partners and executives in legal entities and fees paid to members of statutory and supervisory bodies.

The responsibility for collecting tax from dependent activity (that is, monthly tax advances for payroll tax paid to the Financial Authority) lies with a legal employer or with a deemed employer, namely, a Slovak tax resident to whom foreign labour is assigned for the performance of work as an economic employer.

When computing tax, income from a dependent activity is reduced by the mandatory social and health insurance premiums withheld by the employer, exempted income and tax allowances.

Business, rent, capital and other income is taxed through a personal income tax return to be filed by the taxpayer.

In principle, a taxpayer is allowed to deduct expenses incurred in generating, maintaining or securing the income and may also apply the tax exemptions stipulated in the Income Tax Act. The Slovak VAT Act has been harmonised with EU legislation, and complies with the principles laid down by the sixth Council Directive on the harmonisation of the laws of the Member States relating to turnover taxes (the original Directive Nr. 77/388/EEC was replaced by Directive Nr. 2006/112/EC on January 1, 2007).

The following transactions are subject to Slovak VAT:

- Supply of goods and services for consideration within Slovakia.
- Goods and services acquired from VAT payers registered in an EU member state.
- Imports of goods and services from third countries (outside the EU).
- 20 percent standard rate is mostly applied.
- From January 1, 2007 the reduced rate of 10 percent applies to supplies of certain goods (for example, pharmaceuticals, medicine products and books).
- VAT-exempt supplies where the provider is able to reclaim input VAT related to the supply (export of goods, the intra-community supply of goods and provision of services and the export of goods and the provision of services outside the EU) and where the provider is not obliged to reclaim the related input VAT (for example, postal, financial, insurance and medical services).
- The transfer of a building or a land plot (except a building land plot) if the transfer is completed five years after the first Occupancy Permit, and leases of real property are also VAT exempt. However, a VAT payer can choose to charge VAT on the transfer of a building, including the related land plot, and can choose to charge VAT on the lease of building, if it is leased to another VAT payer.

Generally, a person effecting taxable supplies is obliged to charge VAT and remit it to the relevant tax authority. The VAT payer may reclaim the VAT incurred on the purchases used for their economic activities.

Under the VAT Act input VAT cannot be recovered on certain stipulated supplies, such as taxable supplies used for VAT exempt supplies, the purchase of a passenger car or taxable supplies used for representation.



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Slovak entrepreneurs can register voluntarily for VAT if they carry out economic activity in Slovakia. VAT registration is mandatory if turnover reaches €49,970.88.

- The tax period for VAT is a calendar month or a calendar quarter.
- The amount payable is calculated by deducting input VAT from output VAT.
- The VAT payer must file a VAT return within 25 days of the end of the tax period and pay VAT to the Financial Authority.
- The input VAT credit (the excess of VAT deductions) is not reimbursed immediately after submitting the VAT return. Instead the input VAT credit should be forwarded and offset against future VAT liabilities. Only if a VAT payer cannot offset a VAT credit in the VAT period following the one in which it arose will the tax authorities refund it to the VAT payer within 30 days of the VAT payer submitting the tax return for the period following that in which the VAT refund was reported.

Excise duties apply to the supply of following products: mineral oil, beer, wine, spirits and tobacco.

Slovakia was granted a transition period for applying excise duty on coal until 2009, and on electricity and natural gas until 2010. However, from July 1, 2008, Slovak entrepreneurs are subject to this excise duty. The level of taxation is 50 percent of the level defined in the relevant EU Directive.

**Real Estate Tax** is payable by registered owners of real estate in Slovakia. Vehicle tax is payable on vehicles used for business purposes in Slovakia. The tax depends on the engine capacity or number of axles and the vehicle's weight.

**Inheritance tax and gift tax** were abolished from January 1, 2004.

**Real Estate Transfer Tax** was abolished from January 1, 2005.

## 2. Profile of Small to Medium Sized Enterprises (SMEs)

### 2.1. General description of small enterprises

In the Kosice Region is comprised of a variety of business types: small and medium sized enterprises run by both corporations (legal persons) and natural persons. In December 2009 there were nearly 43,000 businesses operating in all sectors, including tourism, run by natural persons – entrepreneurs in the Kosice Region, the majority of which (91.1%) were self-employed persons (entrepreneurs). Legal persons represent 20,098 entities in 2009, from which 13,296 (66.2%) were enterprises and 6,802 (33.8%) were non-profit institutions.

Table - Number of legal units in Kosice Region

Item	2007	2008	2009
Legal units by selected legal forms in total as of Dec. 31	60,042	63,319	62,957
<b>of which:</b>			
Legal persons total	17,829	19,575	20,098
<b>of which: Enterprises</b>	11,447	12,952	13,296

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<b>of which:</b>			
<b>Trading partnerships</b>	10,683	12,006	12,330
<b>Co-operatives</b>	164	159	159
<b>State enterprises</b>	1	1	1
<b>Other</b>	599	786	806
<b>Non-profit institutions</b>	6,382	6,623	6,802
Natural persons – entrepreneurs in total	42,213	43,744	42,859
<b>of which:</b>			
<b>Self-employed persons</b>	38,498	40,000	39,077
<b>Freelancers</b>	2,434	2,509	2,603
<b>Self-employed farmers</b>	1,281	1,235	1,179

Source: Statistic Office of the Slovak Republic

**Table– Enterprises by economic activities in Kosice Region**

Item	2008	2009
Enterprises by economic activities in total	<b>12,952</b>	<b>13,296</b>
<b>of which</b>		
- Agriculture, forestry and fishing	588	610
- Manufacturing	1,166	1,174
- Electricity, gas, steam and air-conditioning supply	46	48
- Construction	1,015	1,061
- Wholesale and retail trade	5,263	5,176
- Transportation and storage	368	391
- Accommodation and food service activities	457	471
- Financial and insurance activities	67	64
- Real estate activities	592	643
Self-employed persons by economic activities in total	<b>40,000</b>	<b>39,077</b>
<b>of which</b>		
- Agriculture, forestry and fishing	1,904	1,827
- Manufacturing	6,661	6,073
- Electricity, gas, steam and air-conditioning supply	1	1

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- Construction	6,112	6,073
- Wholesale and retail trade	13,962	13,441
- Transportation and storage	1,180	1,161
- Accommodation and food service activities	1,260	1,228
- Financial and insurance activities	690	712
- Real estate activities	210	202

Source: Statistic Office of Slovak Republic

As in the EU and in Slovakia, in Košice region the crucial employers in construction sector are i.e. small and medium-sized enterprises, or self-employed. Construction sector in Slovakia at the end of 2008 employing 185,777 people, of whom 56% were freelancers. The share of business to 100 employees accounted for the total employment in the construction sector is 35% of total Slovak figure. SR. The smallest, only 9 %, was reported by large enterprises. Only 23 enterprises had more than 250 employees.

During the period in terms of share of regions in construction production has continued to dominate by the Bratislava region with 24% share. The Bratislava region has been followed by Zilina and Kosice region, who together with the Prešov reached 23% share. Consequences of the global economic crisis will cause stagnation or decline of economic growth.

Table: Construction production in Slovakia and Kosice region r. 2009 for businesses with 20 or more employees, and for businesses with 0-19 employees. and for small businesses, million

Area	Construction production					
	Companies with more than 20 employees	Share %	Companies with less than 20 employees and self-employed	Share %	total	Podiel podnikov 20 a viac zamest. na SR, %
Slovak republic	2 961,2	100,0	2 749,3	100,0	5 710,5	51,9
Košice region	415,5	14,0	232,7	8,5	648,2	64,1

Source: Yearbook of Slovak Construction Sector 2010 (MVRR SR)

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## 2.2. Contribution to the economy and society

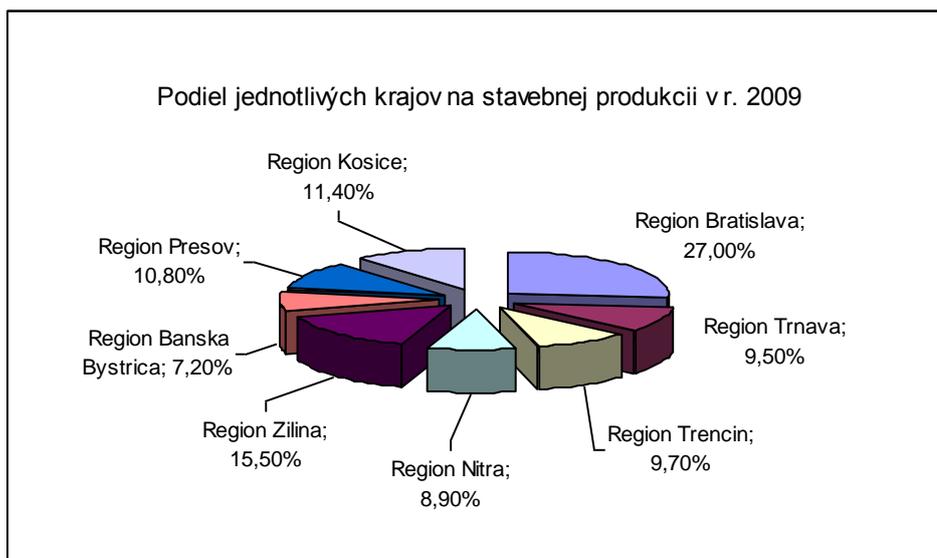
Development of construction production in the region, r. 2009

The volume of construction output in the construction enterprises has decreased in all regions of Slovakia.

The volume of construction by particular regions was r. 2009 unevenly distributed. The highest share of 27.0% produced by construction enterprises of Bratislava.

Area	Construction production Mil. Eur	Share %	Index 2009/2008
Slovak republic	5 710,50	100,0	88,7
Košice region	648,2	11,4	85,1

Picture: Share of regions on the national Slovak building production in 2009



source: Yearbook of Slovak construction 2010 (MVRR SR)

Labour productivity of construction output per worker in year 2009 reached a peak in the Bratislava region (57.8 thousand. Eur). Košice region had the second highest productivity of 36.6 thousand. Eur.

Area	Labour productivity per worker in thousands EUR		
	Companies with 20 and more	Companies with less than 20	Total

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	employees	employees and selfemployed	
Slovak republic	59,9	20,4	31,0
Košice Region	61,2	21,3	36,6

Source: Yearbook of Slovak construction 2010 (MVRR SR)

### 2.3. Energy efficiency trends

Technology available today can achieve dramatic improvements in building energy efficiency, but market failures and behavioral barriers are blocking progress toward the EEB vision of zero net energy. The challenge in this first phase has been to understand those impediments. In the next phase the project will explore ways to overcome them and develop a roadmap with practical measures that businesses can implement.

The building industry and the market are highly complex. Different approaches will be needed for different segments and sub-sectors. Each sub-sector (e.g., offices, hospitals, retail, apartments, detached houses) may have its own particular characteristics.

There are three key elements to achieving zero net energy:

- Use less energy
- Make more sustainable energy (locally)
- Share surplus energy

The most significant, long-term gains will come from using less energy. There are market and operational risks

for businesses and there are opportunities. There will be substantial market demand for energy efficiency, but the timing and the value proposition are uncertain. Businesses that enter the energy efficient building market early could achieve first-mover advantages.

Consistently apply and to work systematically with energy certificates for new and reconstructed buildings, including buildings sold and leased, as the data source for the real determination of the total energy consumption in buildings, as well as a source of further savings in the various categories of buildings to create a data base for the gradual increasing energy efficiency in buildings.

Those targets has been identified and set up on the national and regional levels in Slovakia (within the Concept of Energy Efficiency in Building) and following has been expected:

- Establish criteria for defining a low-energy buildings and passive energy buildings in the generally binding regulations and technical standards by 2010. For passive houses also amend the margin in the lower limit of class A energy for heating, but also indicate the energy class for other places in the building energy consumption.
- Develop institutional and substantive improvements to ensure energy efficiency in buildings in the SR for the solution and the inclusion of the missing functions through program budgeting in
- Develop long-term program stepwise application of innovative measures in new and renovated residential and office buildings in Slovakia meeting the inclusion in the energy class B,

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and particularly in energy class A with a framework proposal for financing the priority measures in buildings since 2011 and the program submitted to the Government .

- training designed tasks to improve the energy performance buildings in the area of research and development, which should lead to additional contributions to the outputs of energy savings in buildings and thus contribute to meeting the objectives of the Action Plan for energy efficiency, particularly in the years 2011 - 2016 for the building.
- Initiate the creation of working groups of representatives from ministries, municipalities, cities and municipalities, contractors, building owners, management organizations, users, non-profit organization in the common search for other ways to improve energy efficiency in buildings and mutual cooperation to meet these goals.

#### 2.4. Challenges and opportunities facing SMES

At present the Slovak construction remains in crisis. Most of his businesses advise that the 2011 year will be accomplished with worse results. Expected decline in production and sales is about by 7%. Companies reported less contracts. Utilization of existing capacity is only 70 -%.

A key problem with this situation is decrease of demands, which limits the performance of enterprises. Nearly three out of four companies confirmed that they have fewer orders than before. Priority for the next 12 months will be to increase efficiency in the functioning of enterprises. A significant proportion of small and medium-sized enterprises (SMEs) will seek a strategic partner for your business.

As a respond to new challenges facing to the construction sector in relation to European targets 20/20/20, the issue of energy efficiency in this sector and the low-energy construction is growing in its importance.

The opinion that energy efficiency is only a problem and should be solved by physicists or expert in HVAC, is wrong, because they have to convey the concept of architects and the very concept must be thought out and built on the principles of sustainability and energy efficiency (of course, a strong cooperation with specialists in building physics , HVAC and other professions).

Thus, more attentions and focus should be oriented towards the architects and their awareness in the topic.

Discussions within the Slovak scientific community doubt that Slovakia is ready to meet European targets 20/20/20 and that will be necessary to negotiate suspension or postponement. Removal of the term, however, solves nothing.

However, conscious architects, designers, manufacturers of building materials and other parties to the investment process are aware of the fact how important to work on the issue of environmental protection and energy saving as soon as possible. Slovakia is already lagging behind in this area for many European countries and the deferral would lead these countries have only increased.

### 3. Preliminary Findings

Findings of this study proved the existing potential for further not only quantitative but also qualitative improvements and growths within the SMEs building sector. The effective environmental management system belongs to one of the tools. Currently, the applications of it in the sector are in place, mostly in larger companies, but there is a lack of skill, information and trainings, therefore the idea of the tools being planned within the MEKUS project are highly appreciated.

Our research has been made within small and medium size companies from building sector in the Košice region. 30 companies were approached with the proposal to participate in questionnaire survey. Respondents were as follows:

building	IGLAS spol. s r.o. SNV
Building of apartments and design	SOLITÉRA SNV
building	BanTop s.r.o.
building	UNISLOV spol s r.o.
building	Š+L Stav, s.r.o. Smižany
Construction projects	PROJEX, projektové družstvo SNV
Building works	ŠIRILA a.s. SNV
Building works	MILANKO spol s r.o. SNV
Building works	APS-Alcon SNV
Building and insulations,	BOBOR O.K. s.r.o. SNV
Construction, mining, drilling	URAN PRESS SNV
VERVA	
Building works	Virtus a.s.
Building works	S.M.D. s.r.o.
Building works	ROJA, spol. s r.o.
Reconstruction works	Richan s.r.o.
Building and reconstruction	VORB s.r.o.
Building works	PROCASSO
Building works	J.P.-stav
Building works	BELITO Rožňava, s.r.o.

The group of surveyed is represented in 100 % by companies who both build new buildings and make changes to existing ones.

Majority of the respondents understand the importance of energy efficiency issue for their economic performance, environment protection and approach to the client, although, the cost saving and necessity to comply with standards and laws seem to be the main motif.

The most important and often energy saving products used by the companies are insulation, energy efficient glazing, heating systems, building materials, energy saving light bulbs, but majority of asked is eager to know more about it, wants to understand relevant regulations, and how to market energy efficient products and production.

As the results showed, respondents are interested to learn more about the topic, and this especially via self-managed on-line training courses and they would appreciate the links to

experts, therefore they would welcome an easy access to learning material and contact details of experts at the first place.

To sum up, on the side of SMEs in building sector surveyed, there is relatively high interest in the topic due to many reasons, but the training activities as these of our project are appreciated. Respondents also underlined, that not only them as building companies, but first of all the architects and designers should deal with energy efficiency approach, as they are first in the game to introduce and implement within their projects.

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