Development Possibilities of Regions of the Slovak Republic

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Contents

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PREFACE

The development of Slovakia's economy depends undoubtedly upon its national economic potential, which determines the economic potential within each individual region. It is the eight regions which reflect the differentiated and specific economic, social, cultural and other conditions forging the life of a society. Each region not only has a differentiated economic potential, but also shows specific conditions affecting its inner workings, as well as its future development. The latter depends upon numerous factors, such as the scope of investment found within the region, or the condition and structure of its business sector. Furthermore, an appropriate territorial and administrative division, finding its institutional expression in the optimized and rational organization of public administration, mainly in the areas of state administration and local self-governments, is another factor of utmost importance. It is mostly self-government at the town and municipal level, but mainly at the level of higher territorial units represented by the natural regions that are apt to provide for the administration of public matters to the benefit of the regions. Given the adequate coordination of local self-government with other administrative agents, chiefly with local state authorities, they are able to set out the foundation for and optimum development of a region also from the social perspective.

In order to foster development within the individual regions of the Slovak Republic, the key tasks will be to set up essential legal regulations in the field of economics, establish an institutional framework for regional development within the structure of central state authorities and carry out public service reform, which foresees power delegation to local self-governments and also to higher territorial units. The proper utilization of the existing economic potential of a region, recognition and consideration of specific regional traits and coordination of both local and regional activities concerning business and social life are additional aspects vital for the sound future development of regions, the latter being a basic precondition of Slovakia's EU-accession.

Bratislava, February 2000

Rudolf Schuster
President of Slovak Republic

1. INTRODUCTION

The Slovak economy, although rather small, is regionally very differentiated. The understanding of its specific traits and the identification of the broadest spectrum of comparative advantages vital in order to meet investment objectives is virtually impossible without solid knowledge on the economic potential and the development possibilities of the respective regions of the Slovak Republic. The goal of this survey is to help build this knowledge by taking into account the special needs of foreign investors.

The starting point of our effort is directed at tackling the issue of economic performance as a basic determinant of development options and the potential of Slovak regions. For this purpose, the basic components of regional economic potential as well as an analysis of factors influencing the shape of regions and their further development have been taken into account. The goal of this section is to give a general overview, while also providing an insight into individual sectors and branches, focusing in more detail on agriculture, industry (including individual branches of the processing industry), building industry, trade and selected market services.

The following section builds on the previous one and examines the regional aspects of labor-market formation and wage development, both being basic determinants of the formation of manpower and the standard of living.

Special attention was given to financial processes, which determine regional development.

A macroeconomic forecast is followed by the assessment of the basic proportions of economic development in Slovakia's regions at the dawn of the third millenium. A key task in this respect remains to take effective steps in order to make businesses less vulnerable and more competitive, since their present situation is rather difficult, limiting achievable economic development of the regions for the near future.

The section on the economic aspects of regional development opportunities is complemented by a section analyzing legislative issues, which are part of the legal and organizational framework relevant for regional economic development and EU integration efforts.

This publication is based on information retrieved from the database of the Statistical Office of the Slovak Republic (ŠÚ SR), corporate data and results of surveys carried out in the business sector. The so-called „soft data" of various kinds characterizing the individual regions have also been integrated.

2. MAIN FEATURES OF SLOVAK ECONOMY DEVELOPMENT

The Slovak economy began functioning as independent state on January 1, 1993, after the dissolution of the Czech and Slovak Federal Republic. The split was accompanied by the effort to minimize the costs of separation and to preserve as much economic integration as possible. This effort was translated into a customs union, common labor market and monetary union. The monetary union dissolved six weeks after the ending of the Federation, but the customs union agreement and the common labor market are apparently still in good working order.

The Slovak government had to face the daunting task of building a new state with a serious shortage of both know-how and administrative structures in comparison to the Czech government, which had disposed of most of the facilities and experienced professionals of the former Federation.

Despite these starting difficulties, the level of development of the Slovak economy is comparable to the development in the Czech Republic and other Central European countries.

Table 1 Output and Expenditure (per cent change)

	1993	1994	1995	1996	1997	1998
Real GDP	-3,7	4,9	6,9	6,6	6,5	4,4
Domestic demand	-3,7	-5,7	11,2	19,6	4,1	4,1
Foreign demand	-0,5	14,2	3,1	-0,3	14,2	10,8
Private consumption	-1,5	0,0	3,4	6,9	6,3	4,9
Public consumption	-2,2	-11,2	3,0	20,3	0,1	0,3
Gross fixed capital formation	-5,4	-4,6	5,3	39,8	14,5	11,0
Imports of goods and services	-0,8	-3,6	9,6	20,3	9,1	9,6
Industrial production	-3,8	4,9	8,3	2,5	2,7	5,0
Per capita $ GDP	2251	2571	3240	3495	3613	3818

Source: Statistical Office of the Slovak Republic (ŠÚ SR).

Every year of the ongoing transformation shows specific features of the character of economic development of the now independent Slovak Republic. The year 1993 was a period of fine-tuning of the parameters of a young independent state. In 1994, economic growth took off, fueled by foreign demand. The economic growth continued in 1995, marked by an increase of income, which strengthened domestic demand and made imports more dynamic. Domestic demand became a main determinant of growth. A typical feature of the year 1996 was the dominant position of domestic demand, including investment demand, which was accompanied by a down-turn of foreign demand. Growth generated this way led to a huge trade balance deficit. This unbearable situation lead to a slow down of the domestic demand dynamics in 1997. However, the

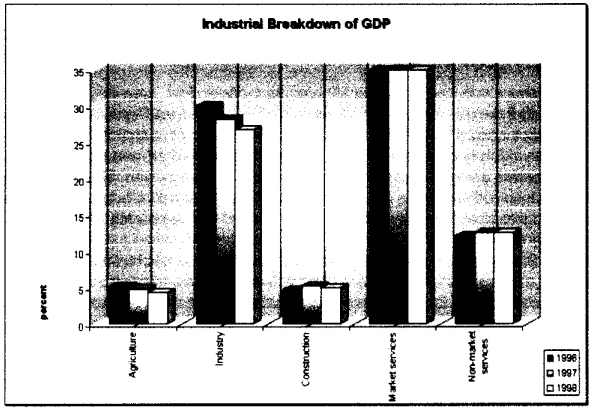

Figure 1

matter was complicated due to a significant state budget deficit, which led to a deepening of the dis-equilibrium on the money market. Eventually, the external dis-equilibrium of the real economy recovered to the detriment of internal disequilibrium in finance. In 1997, the attempt to slow down of economic growth and mitigate the dynamism of domestic demand managed merely to moderate a decline of the foreign trade deficit. In spite of the continuing decline of economic growth in 1998, the foreign trade deficit increased. This means that the Slovak economy had come to a stage of development, in which the deceleration of economic growth and the decrease in the share of domestic demand in relation to aggregate demand was no longer capable of reducing the foreign trade deficit, which was the case in the previous year.

Table 2 Foreign Trade and Current Account Balance (in billions of SKK)

	1994	1995	1996	1997	1998
Merchandise trade	2,6	-5,7	-70,3	-70,0	-82,9
Exports	214,4	255,1	270,6	324,0	377,8
Imports	211,8	260,8	340,9	394,0	460,7
Current Account Balance[1]	5,0	2,5	-11,2	-10,0	-10,4

[1] As percentage of GDP. Source: Statistical Office of the Slovak Republic

The increase of aggregate demand in 1998 had a decisive influence, first of all, on the dynamics of exports. However, growth of export performance was

connected with a rapid increase of imports. This shows that efficient compensation of imports through exports requires nothing, but an increase in imports; it is the consequence of an import intensive production structure. Another vicious-circle consequence of the existing production structure is that increasing export means increasing imports at the same time.

In spite of a substantial deficit, Slovak foreign trade shows two positive trends from the viewpoint of further development. The first one is that gradually more exports target competitive western markets[1]. The second one is an increase in Slovakia's participation at the international division of labor[2].

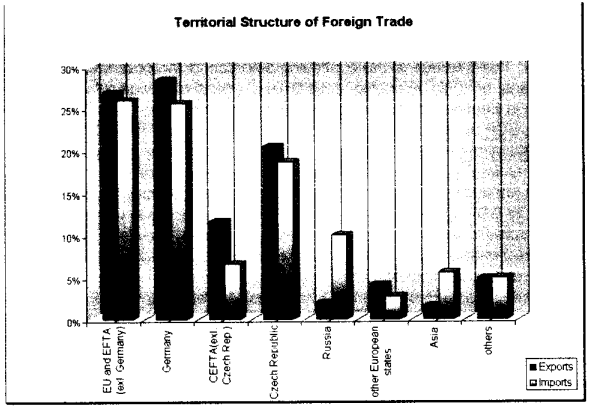

Figure 2

The development observed in 1998 was a consequence of insufficient progress of structural reforms and microeconomic adaptation, as well as the result of low efficiency of public finance. The visible manifestations were the lack of capital in the country and low influx of direct foreign investments compared to neighboring post communist countries.

[1] While in 1997 47,1 per cent of Slovak exports were delivered to EU markets, in 1998 it was 55,8 per cent.

[2] This is given by the increase of turnover and surplus of foreign trade in the sphere of goods for further manufacturing.

Table 3 Foreign Direct Investments into the Slovak Republic

	1993	1994	1995	1996	1997	1998
FDI total (billions of SKK)	13,9	23,8	31,5	43,4	54,2	69,7
of which:						
Enterprise sector (% of total)	100,0	92,8	92,4	85,5	78,6	81,5
Banking sector (% of total)	0,0	7,2	7,6	14,5	21,4	18,5
Per capita $ FDI	78	142	199	253	289	370

Source: National Bank of Slovakia

So far, the development of the economy has been marked by the deficit of the state budget. A continuous decline of the input of public spending in GDP can be observed. In general, this trend applies to the share of state budget expenditures in GDP, however 1997 was hit by the largest deficit of the state budget ever. This was due to the continuing deviation of the government's spending plans from its spending possibilities. Intensive spending before the election in September 1998, mainly to the detriment of the cash deficit, pushed the GDP up to 6 per cent compared to 4.5 per cent in 1997. To a great extent, this increase was induced by extrabudgetary funds and local-government spending. As a result, the portion of the general governmental deficit, which is not taken into account by the central government budget, rose to 3,3 percent of GDP, up from 1,9 per cent in 1997. This increase was reflected in higher public investment for road and housing funds, growing deficit in the unemployment fund, shift to deficit in the social insurance fund and fiscal expansion among municipalities.

The central government deficit, by contrast, increased to only 2,7 per cent of GDP, up from 2,6 per cent a year earlier, but far exceeding the original 0,7 per cent of GDP target set in the 1998 budget. Central government expenditures were slightly higher than budgeted. This overrun partly reflected the larger interest payments due to high interest rates which prevailed, except for a brief period in early summer when domestic financing pressures were temporarily relieved by the government's outsized international bond issues. Higher-than-budgeted transfers and social assistance payments were set off by cuts in budgeted investment spending after the new government came to power in October 1998.

Table 4 State Budget (billions of SKK)

	1993	1994	1995	1996	1997	1998
Revenues	150,3	139,1	163,1	166,3	180,8	177,8
(% GDP)	40,7	31,6	31,6	28,9	27,6	24,8
Expenditures	173,4	162,0	171,4	189,4	217,8	197,0
(% GDP)	47,0	36,8	33,2	32,9	33,3	27,5
Balance	-23,1	-22,9	-8,3	-23,1	-37,0	-19,2
(% GDP)	-6,3	-5,2	-1,6	-4,0	-5,7	-2,7

Source: Slovak Bureau of Statistics (ŠÚ SR)

The demand for money induced by the monetization of public finance deficit invoked increasing dis-equilibrium on the money market. This dis-equilibrium and undercapitalized enterprises led to a trend increasing foreign debt.

Table 5 Foreign Debt

	1993	1994	1995	1996	1997	1998
Per capita $ gross foreign debt[1]	683	788	1099	1473	1867	2191

[1] As of December 31st. Source: National Bank of Slovakia

The actual inflation rate is, and for the foreseeable future, will be higher than the average level in developed European market economies. This is given by the current situation of the Slovak economy, which is marked by the close correlation between the macroeconomic environment and the level of business sector activity, as well as by the development of regulated prices.

Table 6 Prices, Exchange Rate and Interest Rate (per cent change)

	1993	1994	1995	1996	1997	1998
Inflation rate	25,1	11,7	7,2	5,4	6,4	5,6
Nominal exchange rate SKK/USD[1]	30,790	32,039	29,735	30,647	33,616	35,217
Discount rate[2]	9,5	12,0	10,9	8,8	8,8	8,8
Average interest rate of credits	14,13	14,39	14,78	13,22	16,22	16,17

[1] In SKK. [2] Annual average. Sources : Slovak Bureau of Statistics & National Bank of Slovakia.

The introduction of wage control in the fourth quarter of 1997 slowed down the increase in real wages to 2,7 per cent in 1998 from 6,3 per cent in 1997. The wage control policy announced heavy tax-based penalties for companies with more than nine employees, let nominal wages exceed value added levels. Wage control was abolished in December 1998 as the new government participated on collective bargaining with employers and trade unions to reach a consensus on the necessary structural reforms.

Labor productivity rose faster in 1998 than real wages when compared to previous years, in which the opposite was the case. This development was also accompanied by falling numbers of employees and a rising unemployment rate.

Table 7 Employment, Unemployment and Wages (per cent change)

	1993	1994	1995	1996	1997	1998
Employed[1]	-0,05	-1,76	2,17	0,82	0,22	-0,46
Unemployment rate	12,7	14,6	13,8	12,6	12,9	13,7
Average monthly nominal wage[2]	5379	6294	7195	8154	9226	10003
Average monthly real wage	-3,9	3,2	4,0	7,1	6,6	2,7
Labor productivity[3]	-3,6	6,8	4,6	5,7	6,3	4,9

[1] Average number. [2] In SKK. [3] Based on real GDP. Source : Slovak Bureau of Statistics (ŠÚ SR)

Insufficient corporate restructuring, combined with mismanagement of many firms and lower product prices on foreign markets, led to strong shrinkage of profits among non-financial enterprises in 1998, despite the downturn of labor unit costs. Furthermore, highly leveraged firms suffered from high debt servicing costs as lending rates increased. Aggregate corporate profit fell by one-fourth in real terms as profits turned to losses in the industrial sector and declined in the service sector. The new government formed in October 1998 has promised to implement macroeconomic stabilization and structural reforms aimed at significantly reducing the current account and fiscal deficit and addressing weaknesses in both the corporate sector and the banking system, including insufficient enterprise restructuring and corporate over-indebtedness.

3. ECONOMIC POTENTIAL OF THE REGIONS OF THE SLOVAK REPUBLIC

The economic potential of a given region is expressed by the interaction of capital, human resources and natural proprieties found in a region and aimed at the production of goods and delivery of services. Furthermore, economic potential is a key factor showing the development possibilities of individual regions and determining the standard of living of their population. It is the result of a long-lasting evolution, which has its starting-point in the regional performance proportions set out during the central planning period,[3] and which are only now gradually adapting to free-market conditions.

As shown in the hitherto development, the ongoing transition is neither smooth nor fast, mainly due to the fact that it is plagued by difficulties in microeconomic adaptation as well as by difficulties linked with the process of setting up a sound and balanced macroeconomic environment.

The respective surface area and population of a region represents the primary basis of the economic potential of a given region.

Table 8 Surface and population of the regions of the Slovak Republic for 1998

Region	Surface in sq km	Population	Population density in sq km
Bratislava	2053	617599	300,8
Trnava	4148	550652	132,8
Trenčin	4501	609739	135,5
Nitra	6343	716560	113,0
Žilina	6788	691201	101,8
Banská Bystrica	9455	663492	70,2
Prešov	8993	780875	86,8
Košice	6753	763264	113,0
Slovakia in total	49034	5393382	110,0

Note: All calculations made according to the Comparative survey on regions of the Slovak Republic for 1998 issued by the Bureau of Statistics of the Slovak Republic (ŠÚ SR) in October 1999. Calculations were made using data as of December 31, 1998.

The fixed capital and the working capital are the two main parts of the economic potential of a region. The volume of the fixed capital accumulated in the region can be aggregately expressed by the relation of fixed assets to the population of the region.

[3] These proportions have often been too small and uncompletitive for market conditions.

Table 9 Fixed assets in total per capita in thousands SKK

Region	1996	1997
Bratislava	1333	1432
Trnava	217	223
Trenčín	185	195
Nitra	168	177
Žilina	214	219
Banská Bystrica	263	355
Prešov	158	167
Košice	286	272
Slovakia in total	342	367

Note: All calculations made according to following surveys: Fixed assets in the Slovak Republic in 1997 issued by the Bureau of Statistics of the Slovak Republic (ŠÚ SR) in November 1998 and Fixed assets in the Slovak Republic in 1996 issued by the Bureau of Statistics of the Slovak Republic (ŠÚ SR) in December 1997. Calculations were made using the population count as of December 31 respectively.

As far as the figures shown in Table 9 are concerned, it is shown that the most extensively undercapitalized[4] regions of the Slovak Republic are mainly the regions of Prešov, Nitra and Trenčín. Whereas the fixed-assets-to-population ratio for those regions reaches only 45 to 54 per cent compared to the national average, the same ratio exceeds the national average by more than 390 per cent for the Bratislava region.

The size and the quality of the working capital in the individual regions are determined by the population as well as by its economic activity. The relevant

Table 10 Basic figures on the economic activity of population for 1998

Region	Population Total in thousands	of which		Level of economic activity
		Pre-productive age	Labor force and retired	
Bratislava	618,3	19,6%	80,4%	65,5%
Trnava	548	21,3%	78,7%	59,0%
Trenčín	609,8	21,7%	78,3%	60,9%
Nitra	717,6	20,4%	79,6%	56,8%
Žilina	685,4	23,5%	76,5%	61,9%
Banská Bystrica	664	21,3%	78,7%	58,0%
Prešov	768,7	26,0%	74,0%	59,0%
Košice	756	23,2%	76,8%	57,6%
Slovakia in total	5367,8	22,3%	77,7%	59,7%

Comment: All calculations made according to Selected data on regions in the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics (ŠÚ SR) in April 1999.

[4] In terms of total investment assets (tangible + intangible fixed assets at purchase price as of December 12) per capita.

indicator in this respect is the economic activity rate[5]. The respective levels of economic activity with respect to basic demographic characteristics of the individual regions are shown in Table 10.

The activation, or the exploitation of the economic potential of a region depends upon numerous factors. In addition to demand, these factors are primarily the economic and technical parameters of production plants found in a region, the competitiveness of their potential production, the quality and the availability of the workforce, etc. The level of economic potential and the extent of its exploitation are directly reflected into the economic performance of a region. The cause for the poor performance of a region does not immediately imply a low level of its economic potential; it might well be the case that the economic potential is considerable, but the exploitation thereof is merely insufficient[6].

In this respect, the relevant indicator measuring the economic performance of a region is the GDP per capita generated in the respective region. The economic performance of a region is usually in correlation with its share of GDP and its proportional unemployment share expressed as a percentage of Slovakia's total. In general, it follows that the higher the economic activity of a region, the higher the share of GDP and the lower the proportional share of total national unemployment.

Table 11 GDP per capita generated by regions of the Slovak Republic in thousands SKK (at current prices)

Region	1993	1994	1995	1996	1997	1998
Bratislava	200,9	260,8	294,0	296,7	343,0	391,7
Trnava	77,5	87,5	72,4	86,4	108,6	118,3
Trenčín	71,8	81,9	90,6	88,4	103,7	103,9
Nitra	37,5	44,7	56,0	79,2	86,3	90,5
Žilina	43,5	53,8	74,5	81,5	84,0	93,2
Banská Bystrica	39,8	44,1	70,2	89,6	99,6	120,6
Prešov	39,9	41,3	43,6	59,1	64,5	70,4
Košice	62,3	69,4	91,0	95,7	108,7	108,4
Slovakia in total	69,2	82,2	96,3	107,0	121,4	133,0

Comment: The regional GDP was calculated using the regional value-added structure and population count as of December 31 respectively. Calculations made according to: Comparative survey on regions of the Slovak Republic for 1996 issued by the Slovak Bureau of Statistics in October 1997; Selected data on regions in the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics in April 1998; Selected data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in April 1999; Macroeconomic indicators of national accounts by quarters and the value-added by quarters for 1998 issued by the Slovak Bureau of Statistics in April 1999.

[5] Determined by the share of economically active population (employed, unemployed other) in relation to labor-force and retired age population.

[6] For ex.: production cpacities of uncompetitive potential production, high unemployment among economically active population, etc.

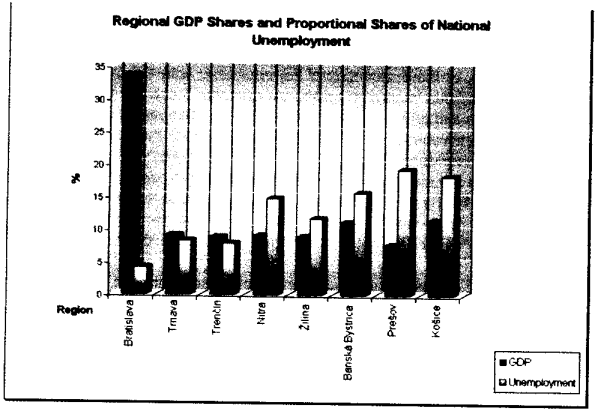

Figure 3

Given the figures shown in Table 11, it can be said that the lowest economic performance is found in the regions of Prešov, Nitra and Žilina. The regions of Trenčín and Košice are marked by a medium performance, followed by the regions of Trnava and Banská Bystrica, both having a high economic performance. The Bratislava region is from this viewpoint in a dominant position, with an economic performance exceeding the national average by more than 293 per cent.

The basic proportions arising from economic activity are also reflected in the GDP share of individual regions and in their share of unemployment in Slovakia. While in the Bratislava region, the GDP share climbed to 33.7 per cent and unemployment accounted for as little as 4.2 per cent of Slovakia's total in 1998, the same measures reached merely 7.7 and 19.3 per cent respectively in the Prešov region for 1998.

Table 12 gives an idea on the performance of Slovak regions in a cross-comparison with the EU-averages and the averages in other transforming Central European countries.

The economic performance in the individual regions is determined by the volume of goods and services produced, the income generation effect of ongoing economic processes and the size of the business sector.

The volume of goods and services produced is directly proportionate to the level of economic activity in a given region. Furthermore, it depends on the size of the production capacity found in a region and the utilization thereof. The-

Table 12 GDP per capita in relationship to the EU- and CEC-averages in per cent

Region	Percentage of the EU-average	Percentage of the CEC-average
Bratislava	105	269
Trnava	44	113
Trenčín	40	103
Nitra	39	101
Žilina	36	93
Banská Bystrica	42	107
Prešov	29	74
Košice	44	113
Slovakia in total	46	119

Comment: Figures valid for 1997. Figures calculated according to GDP per capita expressed in purchasing power parity. Source: Regional comparisons in the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in October 1999. EU - European Union member states. CEC - Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovenia.

refore, a high production output does not immediately mean high revenues. Provided the volume of goods and services produced is expressed in terms of gross production, then the revenue rate of respective economic processes will be determined by the gross output production structure[7]. The higher the level of intermediate consumption and lower the value added in this structure, the lower the performance efficiency of income forming processes. This means that the economic performance efficiency of a region is directly proportionate to the manufactured gross output and the related value-added and indirectly proportionate to intermediate consumption. The economic performance efficiency of a given region is hence the function of overall output produced in a region and the respective value-added formed by such production. While total output determines economic performance in terms of quantity, the related value added measures performance in terms of efficiency.

Basic figures on the position of individual regions according to their proportion of total output produced in the Slovak Republic and the value added of gross regional output are grouped in Table 13.

As the figures in the foregoing table show, the largest part of total national output is produced by the regions of Banská Bystrica and Košice, a close-to-the-average output is reached by the Nitra and Žilina regions and the lowest national output rate can be observed in the regions of Trnava, Trenčín and Prešov. The region of Bratislava finds itself again in a dominant position, since its portion of Slovakia's total production exceeds many times the rates of the remaining regions.

The value added proportion of total regional production exceeds the national average in the regions of Trnava, Trenčín, Banská Bystrica and Prešov, while remaining below the national average in the regions of Nitra, Žilina and Ko-

[7] Show the intermediate consumption and added value share of total output.

Table 13 Total output and value added participation rates by regions of the Slovak Republic in per cent

Region	Regional output to national output of the Slovak Republic			Value added to total regional production		
	1996	1997	1998	1996	1997	1998
Bratislava	30,0	32,3	34,0	39,1	38,5	38,4
Trnava	9,1	8,8	8,6	33,3	39,8	40,9
Trenčin	9,2	9,2	8,6	37,4	40,3	39,8
Nitra	9,7	9,3	9,2	37,4	39,0	37,9
Žilina	9,9	9,5	9,3	36,1	35,7	37,4
Banská Bystrica	9,3	9,3	9,6	40,8	41,7	44,9
Prešov	7,6	7,5	7,3	38,4	39,2	40,6
Košice	15,2	14,1	13,4	30,5	34,4	33,2
Slovakia in total	100,0	100,0	100,0	36,7	38,3	38,7

Comment: All calculations made according to Comparative survey on regions of the Slovak Republic for 1996 issued by the Slovak Bureau of Statistics (ŠÚ SR) in October 1997, Selected data on regions in the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in April 1999.

šice. As far as the Bratislava region is concerned, the ratio of value added to total regional output equals more-or-less the national average.

The most dramatic improvement in the performance efficiency of revenue forming processes[8] are associated with the Trnava and Banská Bystrica regions. While in the Trnava region this efficiency improvement came alongside with a decrease in the region's share in Slovakia's total output, in the region of Banská Bystrica it also meant an increase in production. A moderate increase in the performance efficiency of income forming processes, and approaching the Slovak average was experienced in the regions of Trenčín, Prešov, and Košice. However, this improvement was accompanied by a decrease in the participation on total national output in all three regions. The least significant improvement of the performance efficiency of income relevant processes was observed in the regions of Nitra and Žilina. And here again, the improvement in both regions was accompanied by a drop of the total output rate. As far as the Bratislava region is concerned, the development of the performance efficiency of income relevant processes showed a slightly declining tendency accompanied by a relatively sharp rise in the region's output rate.

In connection with the aforementioned development, Tables 14 and 15 show some figures on the co-action of extensity and intensity determining factors of economic performance in the individual regions of the Slovak Republic[9].

[8] In terms of growth of the added value share of total production between 1996 and 1998.

[9] CO-action rate of extensive and intensive factors of economic performance (per cent) = regional share of national output + value added share of aggregate regional output. Share of extensive factors (per cent) = regional share of national output / (regional share of national output + value added share of total regional output). Share of intensive factors (per cent) = value added share of total regional output / (regional share of national output + value added share of total regional output). Share of extensive factors + share of intensive factors = 100.

Table 14 Co-action rate of extensity and intensity determining factors of economic performance in the regions of the Slovak Republic

Region	1996	1997	1998	1996-1998
Bratislava	69,0	70,8	72,4	3,3
Trnava	42,4	48,6	49,5	7,1
Trenčin	46,6	49,5	48,4	1,8
Nitra	47,1	48,3	47,1	0,0
Žilina	46,0	45,2	46,7	0,7
Banská Bystrica	50,1	51,0	54,5	4,4
Prešov	46,0	46,7	47,9	1,9
Košice	45,7	48,5	46,7	1,0

Comment: Calculations made according to Comparative survey on regions of the Slovak Republic for 1996 issued by the Slovak Bureau of Statistics in October 1997, Selected data on regions of the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics in April 1998, Selected data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in April 1999.

Table 15 Composition of the co-action rate of extensity and intensity determining factors of economic performance in the regions of the Slovak Republic

Region	Share of extensive factors			Share of intensive factors		
	1996	1997	1998	1996	1997	1998
Bratislava	43,4	45,6	46,9	56,6	54,4	53,1
Trnava	21,5	18,1	17,4	78,5	81,9	82,6
Trenčin	19,7	18,6	17,7	80,3	81,4	82,3
Nitra	20,6	19,2	19,6	79,4	80,8	80,4
Žilina	21,5	21,0	19,9	78,5	79,0	80,1
Banská Bystrica	18,6	18,2	17,7	81,4	81,8	82,3
Prešov	16,5	16,1	15,2	83,5	83,9	84,8
Košice	33,3	29,1	28,8	66,7	70,9	71,2

Comment: Calculations made according to Comparative Survey on Regions of the Slovak Republic for 1996 issued by the Slovak Bureau of Statistics in October 1996, Selected Data on Regions of the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics in April 1998, Selected Data on Regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in April 1999.

The co-action rate of extensity and intensity determining factors of the economic performance of a given region is in direct relationship with the economic potential of the region and the exploitation thereof. The higher the level of the economic potential and the degree of its utilization, the higher the co-action rate of extensity and intensity determining factors of economic performance. The evolution of this measure and its composition provides not only basic information on the intensity of economic activity and structure of economic performance in a region, but at the same time gives a certain idea about the stage the ongoing economic transition and the crystallization of the regions' position within the national economy.

A growth in the co-action rate of extensity and intensity determining factors of economic performance signals a growing level of economic activity in a given region. This growth does not only mean a rise in the degree of uti-

lization of an already existing economic potential, but also structural changes and the introduction of new production capacities into the region. The rate of co-action is in close correlation with investment activities and with the influx of foreign capital and, to a certain extent, it is a measure of the credibility of a given region.

The composition of the co-action rate of extensity and intensity determining factors of economic performance provides clues on elementary characteristics of the growth of economic activity in a region. A rise in the share of extensity factors indicates either a better utilization of already existing production capacities and services, or an extensive expansion of production capacities in a region. A rise in the share of intensity factors signals a growing performance efficiency of income relevant processes. This means that structural changes in a region have positive impacts on efficiency, or in other words, new production capacities and services with a high added value have been introduced.

As the figures contained in Table 14 show, the most dramatic increase of the co-action rate of extensity and intensity determining factors of economic development can be reported for the regions of Bratislava, Trnava and Banská Bystrica. An average increase in this rate was seen in the regions of Trenčin, Prešov and Košice. The least significant growth in this respect was experienced in the Nitra and Žilina regions. As far as the regions of Bratislava, Trnava and Banská Bystrica are concerned, these are the regions dynamically moving ahead at a high pace and having the best overall financial standing[10] and showing the highest levels of economic activity and performance. As for the rest, moderate to low economic performances prevail with the exception of the Prešov region, where despite an average rise in the co-action rate of extensity and intensity determining factors of economic performance, the lowest level of economic activity is reported.

According to the figures shown in Table 15, it can be determined that while the present status of the Bratislava region results from the rise of the share of extensity factors and the drop of the share of intensity factors, the opposite is true for the remaining Slovak regions. The most dramatic increase in the share of intensity factors was seen in the Trnava region, making the biggest step forward in terms of efficiency of income relevant processes and introduction of production and service delivery with a high value added. The fairly low economic performance of the Prešov region[11] is mainly given by the vast under-capitalization of the region shown in the extremely low share of extensity factors of economic performance.

The above mentioned proportions of economic performance are to a great extent determined by the branch structure of the production and service sector. The figures contained in Table 16 show the basic information in this respect.

[10] In terms of the hitherto development.

[11] Despite the average growth rate in the region and despite the highest share of intensive factors.

Table 16 Participation of regions of the Slovak Republic on the production of market goods and services in 1998 in per cent

Region	Agriculture	Industry	Building industry	Freight transportation	Trade	Services
Bratislava	5,2	32,4	30,6	76,3	29,6	49,9
Trnava	19,1	7,8	8,1	2,7	9,0	5,9
Trenčin	9,5	10,2	8,6	2,6	7,8	5,6
Nitra	28,8	8,8	7,7	6,2	10,6	7,5
Žilina	7,1	9,7	15,0	2,9	10,3	7,2
Banská Bystrica	11,8	9,2	7,4	3,6	15,0	7,3
Prešov	8,4	7,5	9,3	2,9	7,4	4,8
Košice	10,3	14,3	13,3	2,8	10,4	11,8
Slovakia in total	100,0	100,0	100,0	100,0	100,0	100,0

Comment: Agriculture - revenues from sales of agricultural products. Industry - production of goods. Building industry - building production. Freight transportation - revenues from public freight forwarding. Trade - retail sales. Services - revenues from other market services. Calculations made according to Selected Data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics (ŠÚ SR Bratislava) in April 1999.

The above proportions, mainly in connection with the sizable demand of industry on intermediate consumption, determine the volume of total intermediate consumption as well as the volume and the pattern of consumption of fuel and energy needed for the smooth running of the regional economies. Basic figures in this respect are shown in Table 17.

Table 17 Regional shares of overall intermediate consumption and fuel and energy consumption in 1998 in per cent

Region	Intermediate consumption	Natural gas	Electric power	Thermal energy
Bratislava	34,1	46,9	30,9	19,2
Trnava	8,3	3,5	4,1	4,2
Trenčin	8,4	8,2	8,2	12,5
Nitra	9,4	12,9	5,4	12,6
Žilina	9,5	5,3	20,6	15,4
Banská Bystrica	8,6	9,3	14,2	9,9
Prešov	7,1	5,5	4,8	8,7
Košice	14,6	8,3	11,8	17,5
Slovakia in total	100,0	100,0	100,0	100,0

Comment: Calculations made according to measures expressed in: intermediate consumption - SKK at current prices, natural gas - mill. of cubic meters, electric power - GWh, thermal energy - TU. Source: Selected data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics (ŠÚ SR Bratislava) in April 1999.

From the point of view of the economic performance of individual regions, the above pattern of fuel and energy consumption[12] is a consequence of what the process of GDP generation requires in terms of fuel and

[12] From a broader perspective, this structure depends also upon the status of infrastructure, the condition of the energy sector, the quality of housing, etc.

energy types. A general overview in this respect is presented in Figures 2-4.

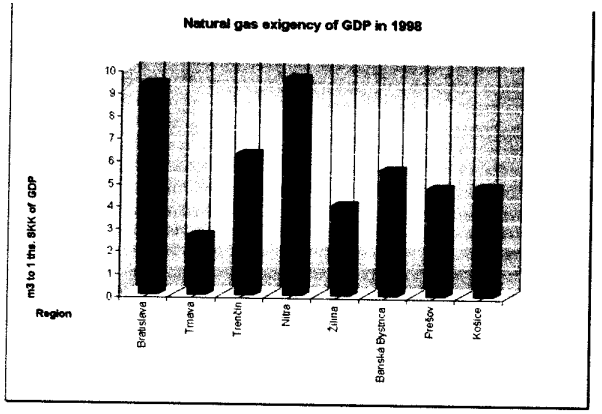

Figure 4

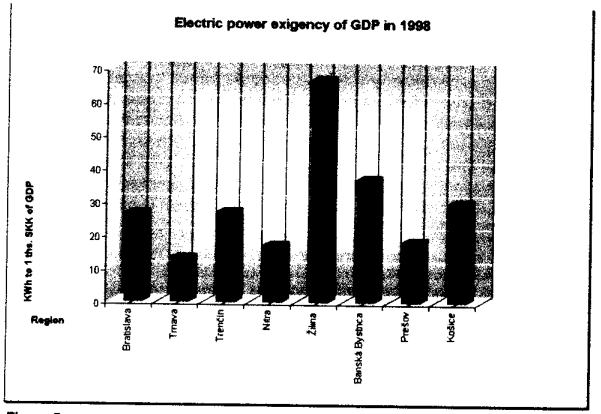

Figure 5

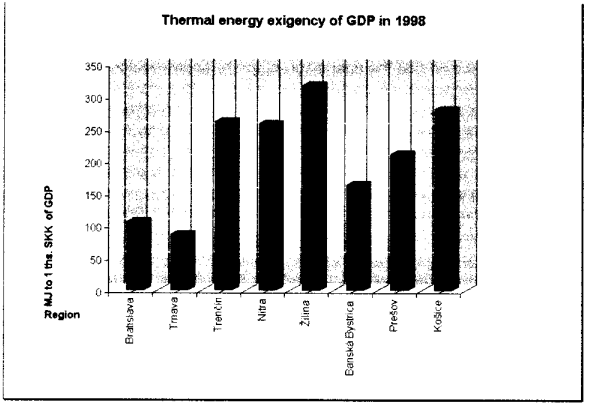

Figure 6

Whether or not a region can sustain or even expand both its economic potential and performance, depends to a great extent upon the investments allocated on its territory. Basic figures on the position of individual regions from the point of view of investments allocated on their respective territory are contained in Table 18.

Table 18 Regional shares of investment in per cent

Region	1996	1997	1998
Bratislava	53,2	56,1	60,4
Trnava	8,1	5,1	5,7
Trenčín	7,3	6,9	5,6
Nitra	4,8	5,2	4,2
Žilina	5,8	6,1	7,5
Banská Bystrica	8,1	7,3	5,3
Prešov	4,5	3,9	3,4
Košice	8,3	9,5	8,0
SR in total	100,0	100,0	100,0

Comment: Calculations made according to Comparative survey on regions of the Slovak Republic for 1996 issued by the Slovak Bureau of Statistics (ŠÚ SR Bratislava) in October 1997, Selected data on regions of the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics in April 1998, Selected data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics in April 1999.

To what extent the economic potential of a region can be used to fuel economic performance depends greatly on the condition of the business sector. The hitherto development of the ongoing transformation process in the Slovak Republic has shown that the adaptation of the business sector represents an issue vital to the transition from central planning to a free market economy. But many hurdles are yet to be overcome, namely the problems linked with ownership structure caused by previous privatization projects, as well as management problems and difficulties with fund-raising for production[13]. As far as the ownership structure is concerned, a key measure is the number of domestic, foreign and international private organizations in comparison with the total count of business entities. Related data are shown in Table 19.

Table 19 Number of private (domestic, foreign and international) organizations in relation to total count of profit-making organizations in the regions of the Slovak Republic in 1998 in per cent

Region	Private property	Domestic private property	Foreign and international private property
Bratislava	98,9	71,7	27,2
Trnava	98,0	76,7	21,3
Trenčin	97,6	79,1	18.5
Nitra	97,3	79,9	17,4
Žilina	96,6	81,8	14,8
Banská Bystrica	96,0	82,2	13,9
Prešov	97,5	87,2	10,3
Košice	98,0	84,8	13,2
Slovakia in total	97,7	78.9	18.8

Comment: number of profit-making organizations as of December 31, 1998. Calculations made according to Selected data on regions of the Slovak Republic for 1998 issued by the Slovak Bureau of Statistics (ŠU SR Bratislava) in April 1999.

As the figures in the above table show, the share of private organizations in the total number of private organizations exceeds the national average only in 37 per cent of the regions. The highest share of private organizations in the total number of profit-making organizations is seen in the regions of Bratislava, Trnava and Košice, while the lowest one can be reported for the regions of Žilina and Banská Bystrica. As for the private organizations as such, domestic private property prevails in all Slovak regions. The Bratislava region finds itself in a leading position from the point of view of the share of foreign and international property, which reaches here almost 145 per cent compared to the national average. In the Trnava and Trenčin regions, this share oscillates around the national average. It seems that the participation of foreign businesses in the individual regions is mainly determined by the geographic position and the economic performance of a respective region, which means that in terms of geographic position a key determinant remains the proximity to the borders with Austria and the Czech Republic respectively.

[13] A deep under-capitalization of the business sector in Slovakia and a high degree of enterprise debt, both remaining unresolved.

To a great extent, the microeconomic environment in the Slovak Republic is plagued by various deformities caused by an insufficient progress made in the transformation process of the business sector on one hand and by an environment unfit for a long-term and healthy development on the other. The reasons for this status quo are mainly the following ones:

- Insufficient progress made in the modernization process of inefficient production plants
- Disparity between supply and demand of financial and investment resources
- Prevailing deformity of the financial and monetary system

A fairly low proportion of foreign and international organizations compared to the total number of businesses in Slovakia is symptomatic of the majority of Slovak regions. This adds to the fact that most of the foreign capital is concentrated only in a few regions, as shown in the graph of Figure 7.

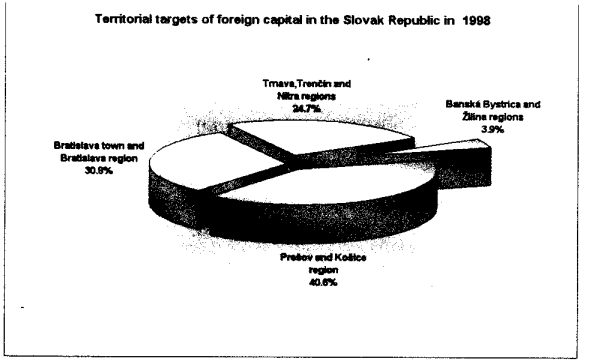

Figure 7

In general, it can be said that from the viewpoint of economic performance, the Bratislava region is in a special position. Its economic strength is the con-

sequence of a combination of extensity and intensity determining factors of economic performance, which in terms of output puts the Bratislava region into the leading position in all major branches of the national economy except for the agricultural sector. The volume of income generated on its territory is to a great extent determined by the volume of gross output. Despite the fact that it shows the lowest share of intensity determining factors of economic performance, the Bratislava region generates more than 33 per cent of the GDP and accommodates more than 60 per cent of Slovakia's total investment on its territory.

As for the remainder of the regions, the highest economic performance can be found in the regions of Trnava and Banská Bystrica. It is the result of such a combination of extensity and intensity determining factors of economic performance which allows the said regions to reach a medium and high level of output respectively, while sharing the leading position in terms of the value-added proportion in their respective production. Those two regions, especially the region of Trnava, have recently experienced the most dynamic growth of intensive factors of economic performance having a positive impact on the added value generated by ongoing economic activities in the regions.

The moderate economic performance seen in the Trenčin and Košice regions is the sum of such a combination of extensive and intensive factors of economic performance, in which an average or a very high output level respectively yields merely insufficient or little value added. Despite the fact that the importance of intensity factors of economic performance has recently grown in both regions, the added value generated by ongoing economic activities in the said regions still remains relatively low. This applies mainly to the Košice region, having the lowest performance efficiency of income relevant processes in the entire family of Slovak regions.

The regions of Prešov, Nitra and Žilina show the lowest economic performance. As for the Prešov region, the present situation is caused by an unfavorable composition of extensive and intensive factors, which makes it impossible even for the high added-value share in production to make up for the extremely low output level induced by deep under-capitalization of the region, which has not seen any major remedy for quite some time. As far as the Nitra and Žilina regions are concerned, their present situation is the result of a combination of extensive and intensive factors of economic performance in which a relatively high output level generates only little added value. Despite the fact that the importance of intensive factors has recently grown in both regions, the added value created in ongoing economic activities of the region remains fairly small.

4 DEVELOPMENT BY SECTOR

Taking into consideration the diverse structure of activities behind economic performance, the latter could be conceived as a morphological insight into the production of goods and provision of services within the sector. Ignoring the specific regional variations of such morphology cannot lead to any increase of economical performance or regional development. Specific features of the development in individual regions define the foundation for such knowledge. The initial message in this field could be drawn from the specific features of the development of essential sectors within the national economy.

Agriculture

Agriculture is one of the sectors most affected by the challenges of transition. Beside internal problems and changes in land ownership, the development in this sector has been influenced mainly by altered relations between sectors (agriculture and industry) and by deteriorating conditions in the funding of agricultural production. The share of agriculture in generated GDP has dropped from 5,6% in 1995 to 4,2% in 1998[14].

The development potential of agriculture in individual Slovak regions depends on the local soil/climate conditions. The regionally differentiated struc-

Table 20 Basic agricultural indicators in Slovak regions

Region	Farm land	Sales of agricultural products in thousands SKK per capita	
	in ha per capita	1997	1998
Bratislava	0,155	2,7	2,9
Trnava	0,537	13,1	12,0
Trenin	0,306	5,3	5,4
Nitra	0,655	14,0	13,9
Žilina	0,363	3,5	3,5
Banská Bystrica	0,634	6,4	6,1
Prešov	0,498	3,9	3,7
Košicš	0,444	4,8	4,7
Slovakia total	0,454	6,6	6,4

Comment: Calculation according to: the Statistical Annual Report of the Slovak Republic - 1998, ŠÚ SR Bratislava 1998. Selected data on Slovak regions for 1998, ŠÚ SR Bratislava, April 1999. The calculation was made using population count as of December 31, and farm land as of December 31,1997. Sales of agricultural products are in current prices.

[14] Includind measured area and quality.

ture of agricultural production, combined with both agricultural and non-agricultural activities, not only has production-related importance, but affects the landscape and ecological aspects as well, becoming the key factor in creating the overall environment and potential for rural development. The scope includes not only the sustenance function, but also includes the generation of pension funds and other social impacts related to employment. Table 20 gives basic information about the situation in individual Slovak regions in terms of agricultural indicators.

The table above indicates that the leading Slovak regions in terms of agricultural production are the Nitra and Trnava regions. When compared with the Slovak average in 1998, the sales of agricultural products per capita in said regions were 217 and 188 percent, respectively. This means that in terms of the production structure within the sector, agriculture plays an important role in the aforementioned regions. This role is much less significant in other Slovak regions, and the importance of agriculture in those regions is mainly due to its other interactions with the regional development. The most important interactions are the shaping of landscape, ecological effects and rural development.

The described level of agricultural production in Slovak regions is the result of available land[15] and the efficiency of its utilisation, as well as the structure of local agricultural production. Table 21 describes the basic information on this issue in terms of agricultural indicators.

Table 21 The efficiency of farmland utilisation and the structure of sales of agricultural products in Slovak regions in 1997

Kraj	Sales per ha thousands SKK	Sales structure for individual agricultural products	
		in animal (%)	plant (%)
Bratislava	17,6	63,8	36,2
Trnava	24,3	58,4	41,6
Trenćin	17,4	76,6	23,4
Nitra	21,3	50,9	49,1
Žilina	9,5	87,8	12,2
Banská Bystrica	10,1	73,3	26,7
Prešov	7,8	76,1	23,9
Košice	10,9	59,6	40,4
SR total	14,5	63,6	36,4

Comment: Calculation according to: the Statistical Annual Report of the Slovak Republic 1998, ŠÚ SR Bratislava 1998. Sales per ha -sales of agricultural products per ha of farmland.

[15] Including measured area and quality.

The table above indicates that the leading position of the Trnava and Nitra regions in terms of agriculture is derived not only from the amount of farmland, but also from the efficiency of its utilisation. When compared with the Slovak average, the sales of agricultural products per hectare in said regions were 168 and 147 percent, respectively. The third-ranking region in terms of the effective utilisation of farmland is the Bratislava region, with sales of agricultural products per hectare of farmland amounting to 121% of the overall Slovak average. However, from the agricultural production viewpoint and especially considering the relatively small amount of the farmland, the importance of this region is small.

In terms of the agricultural products sales structure, the prevailing production in the majority of Slovak regions is animal production. The only exception is the Nitra region, with the agricultural products sales structure combining equal shares of animal product sales and plant product sales.

4.1. Industry

Occurring simultaneously with the ongoing transition, the share of GDP generated by industry has declined constantly, from 32,2% in 1995 to 28,2% in 1998. In spite of this, industry continues to remain a key sector of the Slovak economy, with a more than 40 % share in Slovak gross turnover, representing a crucial impact on the growth of export performance with regional differences in terms of its importance.

Industrial production in the context of the Slovak economy is marked by a two-fold structural deformation. The first deformation is the inherited ineffective structure of industrial production, unsuitable for long-term export objectives on demanding West European markets. The second one is a structural deformation initiated by the privatisation of state-owned property, significantly accelerated during the last three years. This has been the process of dismantling the most efficient industrial operations and the subsequent partial redistribution of production assets outside the production process.

The solution to the first-stage structural problems, which could be described as the restructuring and adaptation to the environment of advanced markets, is generally known and widely accepted. The trouble maker in terms of successful progress during the said stage of the adaptation process is the effectiveness of the executive component of economical policy, which could be described as the main obstacle causing the existing lack of progress in this area. The current performance of industry, as well as the possibilities for its further development in individual Slovak regions, reflect the regional scope of these challenges.

Table 22 describes the basic information about the performance of industry in individual Slovak regions.

Table 22 Production of goods within the industry per capita in Slovak regions (in thousands SKK)

Region	1997	1998
Bratislava	244,4	319,5
Trnava	87,3	86,7
Trenčín	102,8	102,2
Nitra	71,5	75,5
Žilina	90,7	85,9
Banská Bystrica	88,2	84,6
Prešov	56,0	58,9
Košice	118,2	114,9
Slovakia total	105,4	113,3

Comment: The calculation was made using the production of goods in the industry including estimates for small businesses and taking into account the population count as of December 31. Calculation according to: selected data on Slovak regions for 1997, ŠÚ SR Bratislava April 1998. Selected data on Slovak regions for 1998, ŠÚ SR Bratislava April 1999.

The table above indicates that the leaders among Slovak regions in terms of industrial production performance are the Bratislava, Košice a Trenčín regions. Discrepancies in industrial production performance between these regions and other regions in Slovakia indicate the high concentration of industrial production[16]. This is the result of the high potential of the economy on one hand, and structural deformations on the other hand. A typical pattern characterising the degree of such structural deformations is a large discrepancy between potential and real industrial production in individual regions. In order to find the way out one must first try to quantify and correctly map the production situation. The area of industrial production most impacted by said deformities, and at the same time the one that is the most important for shaping the market environment, is perhaps the processing industry.

The initial outline of the territorial pattern of the processing industry sector is shown in Table 23.

Table 23 Slovak regions input into the production per individual processing industry sector

Processing industry sectors	BA	TT	TN	NR	ZA	BB	PP	KE
Paper-mills and pulp-mills	0.00 %	0.00 %	0.00 %	22.32 %	52.75 %	7.63 %	9.72 %	7.59 %
Chemical industry	47.84 %	9.97 %	14.88 %	9.42 %	1.72 %	3.18 %	9.08 %	3.90 %
Wood industry	4.38 %	8.62 %	0.00 %	19.13 %	2.78 %	56.47 %	0.00 %	8.62 %
Electronic industry	31.30 %	0.00 %	3.09 %	0.00 %	38.97 %	0.00 %	6.84 %	19.80 %
Metallurgy	0.00 %	4.18 %	0.93 %	0.00 %	6.31 %	26.00 %	0.00 %	62.59 %
Shoe industry	0.00 %	0.00 %	62.57 %	0.00 %	12.10 %	0.00 %	25.33 %	0.00 %
Printing industry	18.17 %	64.36 %	0.00 %	0.57 %	15.36 %	1.55 %	0.00 %	0.00 %
Food processing industry	45.00 %	12.40 %	7.37 %	9.01 %	6.91 %	6.76 %	2.64 %	9.91 %
Glass industry	5.18 %	47.05 %	47.76 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

[16] In 1998 more than 56 % of the total production was produced in Bratislava, Košice and Trenčín region.

continue

Processing industry sectors	BA	TT	TN	NR	ZA	BB	PP	KE
Production of non-metalic mineral products	22.31 %	0.00 %	8.99 %	3.03 %	4.89 %	31.14 %	0.00 %	29.64 %
Engineering industry	50.13 %	3.81 %	14.56 %	13.09 %	7.96 %	3.95 %	6.31 %	0.20 %
Textile and clothing industry	2.87 %	2.80 %	36.86 %	7.91 %	18.94 %	11.61 %	12.90 %	6.11 %

Comment: BA-Bratislava region, TT-Trnava region, TN-Trenčín region, NR-Nitra region, ZA-Žilina region, BB-Banská Bystrica region, PP-Prešov region, KE-Košice region. Input of individual regions into the production per individual processing industry sectors has been calculated based on accrued consolidated sales during 1993-1997 using the corporate data.

Paper-Mills and Pulp-Mills

The paper-mills and pulp-mills sector belongs to the group of partially restructured branches of industrial production with a relatively strong input of foreign investments. It is focused mainly on the production of consumer goods. High stability and positive economic performance results are reported in companies with foreign shareholders, and which are active mainly in the production of sanitary goods and packaging. These are concentrated in the Nitra region, with sales in the paper-pulp production complex amounting to 22% of the total national sales within this sector, ranking Nitra region 2nd after the Žilina province - a long term Slovak center of the paper-pulp industry.

The Žilina region, with its share of total sales within the said Slovak industry oscillating around 52% for quite some time, is the first typical representative of this kind of production, i.e. the processing of local raw materials. Generally speaking, the final products are wood products, with a positive prospective in terms of export performance, since the export competitiveness depends very much on the quality of the production, with reliability requirements implying investments mainly in technologies. The average export capability of paper-pulp industry goods from the Žilina region ranks relatively high, more than 52%. The Žilina region, second-best after Bratislava within the family of Slovak regions, belongs to those regions with the highest electricity consumption per capita[17]. Considering the fact that the production programmes discussed are mainly traditional ones, one can assume that high energy intensity is currently one of the distinguishing features of this industry within the region.

The sales input of the Banská Bystrica region in the paper-mills and pulp-mills sector in Slovak Republic has been more than 7% for a relatively long period of time. The most common production includes sanitary consumer goods targeted mainly at the domestic market. In the period from 1995 to 1997, the average export capacity[18] of the said industry within the region was above

[17] Bratislava 0.0104 GWh/capita, Žilina: 0.0062 GWh/capita

[18] Measured as the share of consolidated exports in consolidated sales during 1995-1997

36%, a value below average compared to the national economy total amounts. During the same period, the input of the Košice region in total sales within the paper-mills and pulp-mills production sector amounted to 7,59%. In terms of internal structure, this sector could be said to be restructured, since its export capacity (measured in total sales during 1995 - 1997) was some 70%. This may be due to the environment where the key competitive factor is the quality of production, and possibly linked with the influential foreign investments allocated in this sector within the Košice region.

The Prešov region, with its share of total sales within the said Slovak industry of more than 9%, ranks the third most active. At the same time it could be describe as the one with the smallest performance, both in terms of micro-economical efficiency, as well as foreign trade input. The degree of progress in restructuring could be described as insufficient. Production output is mainly semi-finished products which need to be finalized, with a low share of added value and high energy and raw material intensity.

Chemical Industry

The chemical industry belongs to the group of traditional, export-oriented sectors with a negligible share of state-owned interests. The chemical industry as a whole could be described as under-capitalised, with high energy intensity and low share of production with higher added value. All this is caused by the traditional production structure with heavy chemistry as the core business. Long term exports of chemical products to EU markets depend to a large extent on quality. Exports to non-EU markets are based on the competitiveness derived from low sales prices.

The region where the position of the chemical industry is strongest is undoubtedly the Bratislava region, which generates through its activities more than 47% of the total national sales within the industry. In this context, the Bratislava region could be described as a region taking advantage of its strategic position and production background. Sales in the chemical industry from 1993 to 1997 in the Bratislava region were 300% more than compared to the sales in the second strongest region within the same sector. The core businesses are refining and petrochemical production, production of plastics, and production of other semi-finished products, which need to be finalised. The production of special chemical commodities is limited, mainly focused on the production of rubber mixtures and different intermediate products used for further processing. The production of finalised consumer products is concentrated mostly in facilities with foreign capital interests. In general, following a period of major progress in 1998-1999, the chemical industry in the Bratislava region could be perceived as partially restructured, focusing on the production of special chemical products made in the heavy chemical industry and consumer light chemical industry, depending strongly on foreign investments. Export performance of the region, with an average value close to 40 %, ranks below average.

The second strongest region in terms of chemical industry sales is the Trenčín region. Compared to Bratislava, which represents the petrochemical industry, Trenčin could be characterised as a rubber chemistry centre. The core chemical business is the production of car tires and rubber components for automotive industry and transport, production of pressed rubber and rubber mixtures, with a long-term export share in sales of these products exceeding 65% and supported by the main comparative advantage - quality. Other types of chemical plants focus on the production of chemicals with sales more than 60%, depending on the export. The key factor in their competitiveness is low price. The recent trends in this area indicate that on outside markets, such products cannot compete any more with cheap Asian production.

The chemical industry in the Trnava region generates some 9% of the total sales in the said industry. In the context of the production structure, the prevailing production is the one with higher added value. Export-oriented production, representing approximately 40% of the total production, could be described based on the export performance data as competitive in the long term. Such a statement is relevant mostly for pharmaceuticals production and health cosmetics, dyes and paints, and synthetic and cellulose fibres.

Chemical production concentrated in the Nitra region is traditionally focused on the production of fertilisers, ammonia, rubber industry chemicals, plastics and recently also cosmetics. In the long term prospective, the export capacity of chemical production does not exceed 22%. The main exported products in 1995 - 1997 were fertilisers and rubber industry chemicals, with up to 70% of the total production exported in 1997. The traditional production of plastics and plastic products in the Nitra region is declining slightly, mainly due to restructuring and diversification of the production in individual plants.

For quite some time, the chemical industry in the Prešov region has generated some 9% of the total sales in the chemical industry. Production is focused mainly on traditional synthetic fibres and wraps. In 1995-1997, the average export capacity of the chemical production within the region was 65%, with the main exported commodities consisting of polyamide fibres and wraps. The local industry can be described as considerably under-capitalised, which in terms of the production quality has a negative impact on the export competitiveness.

For a considerable time now, the Košice region has contributed less than 4% of production in the context of the total Slovak sales in the chemical industry. The core business is the production of basic items of inorganic and organic chemistry, fertilisers, rubber industry chemicals, and explosives. For a long period, the export capacity of the sector has hovered at levels close to 70%, mainly because the sector supplies commodities of high quality. The main developmental challenge is the liquidity problems and encumbrance by mortgages originating from 1994 - 1995.

In 1993 - 1997, the Banská Bystrica region contributed a 3% input to the total Slovak sales in the chemical industry. Most important is the production of

pharmaceuticals, amino acids and industrial oils. In 1995 - 1997, the share of export in total sales did not exceed 23%. The progress in restructuring the main types of production programmes is insufficient. Continuous high energy and material intensity on one hand, and the quest for export competitiveness on the other, result (together with other factors) in the deterioration of economical performance indicators.

The smallest player in terms of sales in the chemical industry is the Žilina region, with some 2% input in total Slovak sales. The most important contributor to this input was the production of pharmaceuticals, with steadily improving performance both in domestic and foreign markets, caused mainly by the presence of foreign investments.

Wood Industry

The wood industry is the typical representative of an industry taking advantage of the processing of local raw materials. Hence it seems natural, that a majority of sales in this industry are generated in the Banská Bystrica region[19]. The core businesses are timber mills and timber production. More sophisticated production is represented by manufacturing of flooring materials, contributing not more than 15% to the total production. The wood industry is an industry with low export performance. In the case of the Banská Bystrica region, this represents some 13%.

In spite of its limited natural sources, the Nitra region (second after Banská Bystrica) belongs to those regions which are most active in terms of sales in the wood industry. Compared to Banská Bystrica, where the focus is on primary processing of timber, the Nitra region could be characterised as a region with prevailing furniture production. Eighty-five percent of sales are generated on the domestic market. In terms of internal structure, a substantial part of the wood industry could be described as diversified, with a relevant portion of trading activities.

The input of the Košice and Trnava regions in the total sales in wood industry has been close to 8% for a long period. The wood industry in the Košice region consists of basic wood industries, timber production, and timber-mills. Export activities focus on products with lower added value, representing some 20% of total sales. In the Trnava region, contrary to the Košice region, the wood industry concentrates on finalised consumer products. The export capacity of furniture production has been for a long period over 60% and its internal structure can be described as substantially restructured.

The share of the Bratislava region in total wood industry sales in the long term does not exceed 5%. The wood production is based on the primary processing of wood, timber production and sale of unprocessed items.

In spite of a relatively strong raw material base, the input of the Žilina region in the total sales in the wood industry during 1993 - 1997 was less than 3%. The major production programme was furniture manufacturing, generally characterised as strongly undercapitalised.

[19] Ranking the regions in terms of forest land sources

Region	Forest land in thousands of ha
BA	75
TT	65
TN	220
NR	96
ZA	373
BB	461
PR	440
KE	265

Electronics Industry

The most important region in terms of sales in the electronics industry is the Žilina region, with a long term input in total sales within the said industry of almost 40%. The most common activity is a traditional electric engineering activity - the production of televisions. This production represents some 50% of the overall economic activity in the electronics sector within the region. The remaining production facilities manufacture telecommunications hardware, with 80% of those plants involving foreign interests. The export capacity of this sector slightly exceeds 30%, with main exportation items in the 1995 - 1997 period being TV sets and telecommunications hardware.

The Bratislava region, whose activities generate an input in total sales, ranks second in the Slovak Republic. A substantial part of the production programmes (in terms of sales within the sector) is linked to foreign capital. The export capacity of such programmes is much higher than the Slovak average - 26,69% (measured within the sector during 1995 - 1997). More than 78% of production is the manufacturing of cables and conductors and the installation and maintenance of switch hardware. The production of cables and conductors has the best export capacity, with technical specifications complying with the demanding requirements of the European market.

The Košice region makes up a 20% share of the total sales within the industry. The sector is positively influenced by the involvement of foreign investments allocated towards core production. This represents more than 75% of the total sales generated in the sector and export capacity could be described as its positive impact, since it exceeds 92%. The structure of production covers mainly the development and production of electromotive systems and components for household appliances and the automotive industry. The export potential of the remaining production activities, such as the production and servicing of electric engines, is essentially lower, reaching some 10%.

The Prešov region generates approximately 6% of total Slovak sales within

the sector. The main production programmes are the traditional manufacture of telephone sets, electric wiring, water meters, gas meters, and transformers. The production of telephone sets is adversely influenced by strong under-capitalisation, which imposes a negative impact on the competitiveness on both the domestic and foreign markets. The manufacture of measuring instruments is a traditional production programme typical for the electronics industry in the Prešov region. Its competitiveness is reflected in the average export ratios amounting to almost 70%.

Sales in the electronics industry in the Trenčín region have held at the 3% level of the Slovak total. The main production programmes are production of cables and conductors. Such production programmes are linked to the importance of foreign capital, which is marked with high export ratios, exceeding 75%.

Metallurgy

Within the Slovak economy, metallurgy is a traditional industry. It is negatively affected by long-term structural problems and the lack of a system-oriented solution in the transition process. The long lasting over production capacities, high price sensitivity of exported products and strong under-capitalisation within the sector resulted during 1995 - 1998 in the constant decrease of export performance, which dropped by more than 50%.

The key player in the economic activity within this sector is the Košice region, with an average input in total sales within the sector during 1993 - 1997 of 62%. In the Košice region, metallurgy production more than 96% of the input in total sales comes from VSŽ Ocel, s.r.o., Košice. The development of this industry very much depends on the progress in restructuring of the company and on activities of investors.

The second strongest region in terms of sales in metallurgy is the Banská Bystrica region, with its input in total sales within the sector oscillating around 25%. The structure of production, with almost 60% of sales generated from exports, is concentrated mainly on the production of metallurgic and non-metallurgic aluminium oxide, sodium aluminate, calcium hydroxide, aluminium, and carbonaceous chemicals, and metallurgic products from aluminium and its alloys. This kind of production represents almost 70% of the metallurgy production in the region. Recent developments indicate the existence of persisting structural problems and the inability to resolve the situation with own funding. The negative economical impact, including the persistent growth of debt and large debt ratio, are the main features of organisations active within the sector in the Banská Bystrica region. The remaining production programmes include the manufacture of pipes, which, when compared to the rest of the production programmes in the sector, generates positive financial results, with a major part of the production exported (approximately 80%) to high demand markets.

In terms of sales generated in metallurgy, the Žilina region ranks third, with an input in total sales exceeding 6% for a long period. The said production programme is represented by a joint stock company Oravské ferozliatinárske závody, a.s., Istebné, which manufactures basic ferro-alloy types and solid profiles. A major part of the production (almost 90%) is assigned for export. The company could be assessed as under-capitalised, which is caused by high energy intensity, low effectiveness of production and high debt ratio.

During 1993 - 1997, the Trnava region generated on average more than 4% of total sales in metallurgy. The core production programmes are manufacturing of wires, wire products and steel cords, with average export ratios in 1995 - 1997 of more than 32%. A negative financial situation and low degree of progress in the transition process adversely impact production.

The Trenčín region generates the smallest input in the total sales in metallurgy within the region. Its input does not exceed 1%. The production programmes structure could be described as restructured and linked to foreign investment. Production schemes are mainly focused on the manufacture of thin sheet metal ware and bottle caps, with more than 32% of sales covered by exports.

Shoe Industry

The shoe industry is marked by excess production capacities left over from the period of central planning, and a lack of investments into modernisation. The loss of traditional East European markets resulted in the loss of competitiveness in the shoe business, both on the domestic and foreign markets.

Traditionally, the strongest region in shoe production is the Trenčín region, with a long-term input in total sales within the sector of almost 63%. The key player in the sector is Cebo Holding Slovakia, a.s., Partizánske, where restructuring substantially depends on resolving long-term problems due to financial liquidity, which is needed for financing investment as well as production-related activities. The growth of the whole sector almost solely depends on resolving the current economical problems and on the degree of progress in the company transformation.

The second key player (in terms of sales generation during 1993 - 1997) in the shoe industry is the Prešov region. For a long period, the region has generated more than 25% of total sales. Individual production programmes cannot be considered as sufficiently restructured or transformed, which results in decreasing financial performance. In terms of production programmes structure, the prevailing production is the manufacture of shoes, with a major part of sales generated from exports.

In the Žilina region, the industry is represented by shoe manufacturing, leather processing, and tanneries. Similarly to regions mentioned above, the shoe industry, in terms of the restructuring process and adaptation of entities,

can be described as unsteady in this region. As a result of strong under-capitalisation, process hardware is obsolete and the sector is marked by permanent deterioration going hand in hand with the aggravation of financial performance.

Printing Industry

The printing industry is largely concentrated in the Trnava region. Its input in the total sales within the sector during 1993 - 1997 exceeds 60%. The core production programme is the production of packaging and wrapping materials with production hardware comparable to that of competitors at domestic and foreign markets. During 1995 - 1997, the share of exports in total sales within the region did not exceed 10%.

Should the Trnava region be described as a production centre for the manufacture of packages and wrapping materials, than the Bratislava region could be described as a publishing centre. During 1993 - 1997, the input of the Bratislava region in total sales within the sector was around 18%. In terms of production programmes structure, the main activity is printing and publishing periodicals and other press media. A majority of the production is aimed at the domestic market (approximately 70%).

T he printing industry in the Žilina region is represented by printing activities with a production structure which is believed to be already transformed. During 1995 - 1997, more than 1/3 of total sales were accounted for by exports, a result considered to be above average in the Slovak environment. A challenge in terms of the future development is relatively high debt, believed to be a significant obstacle preventing development in the near future.

In the long run, the printing industry in the Banská Bystrica and Nitra regions accounts for some 2% of total sales within this sector. In terms of production programmes structure, the main activity is the publishing of periodicals for local groups of readers.

Food Processing Industry

The volume of food processing industry production seen from the Slovak regions prospective depends on population, availability of raw materials and financial performance within the region. More than 95% of sales are for domestic consumers. Special milk products, beer, and confectionery items (all this is produced in companies with foreign interests), represent the export part of production.

In the long run, the Bratislava region performs above average in all aforementioned indicators, generating approximately 45% of the total sales in the food processing industry, which is some 400% more when compared to the second strongest region. Such dominant concentration results from the fact that the Bratislava region has the highest population density, the best

economical performance, and the best availability of sources supported by a sophisticated infrastructure. The developed infrastructure is reflected especially in the production of cigarettes and other tobacco products, in the production of plant oils and fats, which generate approximately one half of sales in food processing industry within the Bratislava region. Other production programmes in the food processing industry are the production of confectionery items, biscuits, soft drinks, milk products, meat and meat products and grape wines. A particular characteristic of the Bratislava region is also the larger presence of foreign investments allocated in the Slovak food processing industry. This can be due to the really unique position of Bratislava, both in terms of economical performance, as well as the significance beyond regional level.

In the long run, the Trnava region generates more than 12% of total sales in the food processing industry. This covers mainly the production of wheat and rye flour and sugar production, with joint long-term input in total sales within the sector and region exceeding 66%. Another important part of the production structure is the production of meat and meat products.

In the Košice region, animal production is concentrated mainly on the processing of poultry meat and milk. Sales in the sector during 1993 - 1997 represent more than 9% of total sales in the national sector.

The Nitra region generates input in the total sales similar to that in the Košice region. In the Nitra region, production programmes are based on the processing of both plant and animal products. An important representative of the sector is the brewery business, generating almost 1/3 of total sales in the sector. Traditional production programmes such as poultry plants are under-capitalised, with large foreign interests.

In the food processing industry in the Trenčin region, production of confectionery items, milk products, and liquors is most common. With foreign capital allocated to the business, mainly in confectionery production, impacts are mostly positive due to export levels and sales.

The food processing industry in the Žilina region has generated over the long run some 7% of total Slovak sales in the sector. The structure of production covers mostly production programmes processing poultry and milk, as well as the production of liquors.

The food processing industry in the Banská Bystrica region covers mainly production based on the processing of meat. In the long run, such types of production generate positive economical results and represent a core business in the sector, with an input in total Slovak food processing industry sales above 6%.

The food processing industry in the Prešov region is adversely influenced by economical development in a majority of plants, with increasing negative financial performance and growing debt ratio. Such development is taking place mainly in the marketing and production of frozen commodities and in dairies.

Glass Industry

The core regions in this sector are the Trnava and Trenčin regions, with a long run joint input in sales generated within the sector exceeding 88%. Production programmes are to a large extent designed to manufacture technical glass with utility glassware and decorative glass representing (in terms of 1993 - 1997 generated sales) a more or less supplementary programme.

During the aforementioned period, the Trenčin and Trnava regions generated sales amounting to more than 94% of the national total within the sector. From this, glass fibres and products made from them account for approximately 50%. This production programme is concentrated in the Trnava region. The said production programme is fully adapted, with a relatively high export ratio, exceeding 54% during 1995 - 1997. The manufacture of package glass, which is concentrated in the Trenčin region, accounts for about 32%. The remaining production programmes cover the manufacture of utility glassware, which is also located in the Trenčin region. In the case of package glass production, one can generalise that this production programme is mostly adapted and fully dedicated to domestic market needs. During the last four years, the manufacture of utility glassware did not succeed in penetrating external markets. In spite of growing sales in the pertinent production programmes, profits have been steadily decreasing, which has been caused by a significant growth of debt ratio due to production upgrades.

Compared to the aforementioned Slovak regions, the glass industry in the Bratislava region could be rated as less efficient by one order. Sales in the production of technical glass (manufacture of lead glass tubes, frits from ceramics, insulation materials, laboratory and decorative glass) during 1993 - 1997 accounted for only some 5% of the total sales within the industry. Production in this region can be evaluated positively both in terms of economical results (permanent growth of revenues and sales) as well as in terms of export ratios (since 1997, an increase to approximately 20%).

Production of Non-Metallic Mineral Products

The production of non-metallic mineral products represents the manufacture of construction materials, which are competitive because of the fact that they are processed from local raw materials. The major part of production depends on domestic sales, which are generated by the development in the construction sector. In 1995 - 1997, exports accounted for some 21% of total sales within the sector. The commodities structure of exported production focuses on basic products made from local raw materials.

In the long run, the biggest input in sales generated within the branch comes from the Banská Bystrica region. In the long-term prospective, it accounts for more than 31%. More than 75% can be attributed to the production of construction materials with higher added value and also to so-called special commodities (products made from basalt wool, advanced masonry items, heat-resistant materials). In the long run, an important export ratio (58,12%) comes from the production of heat-resistant basic construction materials.

In terms of non-metallic mineral products, the Košice region is important owing to the production of heat-resistant concrete, floor tiles and tiles. The remaining part of the production is the manufacture of cement and clinker, accounting in the long run for on average approximately 17% of total sales within the industry. Compared to other types of production, these production items can be described as efficient in terms of exports. The share of exports in total sales from said production in 1995 - 1997 exceeded 62%.

In the long run, the input of the Bratislava region in construction materials industry in the total sales within the sector accounts for approximately 22%. The prevailing items are cement and lime. Exports in 1993 - 1997 grew steadily, with average ratios during the said period of approximately 40%.

During 1993 - 1997, the sales in the industry of non-metallic mineral products in the Trenčin, Žilina and Nitra regions represented in total sales an input of approximately 17%. The prevailing products are basic construction materials, mostly clinker, ground limestone, ground slag, cements and cement-based items. Their share in the total production expressed in cumulative sales per sector in individual regions represents on average more than 60%, with an export capacity ratio of 17,6%. In terms of export capacity, the Nitra region has the best performance, with the production of ceramic items used for technical purposes reaching an average value of almost 60%.

Engineering Industry

The engineering industry in Slovakia could be described as an industry with a large surplus of production capacities, high level of unemployment, strong under-capitalisation, high indebtedness, and low competitiveness. The slow progress of restructuring in a majority of plants is caused by an absence of foreign capital and obsolete and often mono-functional hardware. Recent development has confirmed a high sensitivity of engineering production to global business ups and downs.

The Bratislava region is the region with the most outstanding progress in restructuring of Slovak engineering. Its input in total sales within the aforementioned sector exceeds 50%, and its export capacity is the highest (during 1995 - 1997 more than 39%). The foreign investments allocated mainly towards the automotive industry and spare parts and towards the production of sanitary ware favour such development. In spite of the fact that engineering production in the Bratislava region can be described in terms of restructuring as the most developed one, its structure cannot be defined as being fully adapted.

The Trenčín region is the second strongest region in terms of sales generated during 1993 - 1997, when its input fluctuated around levels below 14%. This region is generally strongly influenced by the failure to carry out engineering in-

dustry restructuring. The majority of the companies in this region and active in this sector show deteriorating economical performance and a subsequent increased share of foreign interests.

An input in sales comparable with the one in the Trenčín region occurs is also seen in engineering production in the Nitra region (approximately 13%). A comparable pattern can be used also to describe the progress of restructuring. Certain indicators of the revival, though of secondary significance in terms of their role in total sales, occur in plants producing sub-supplies for the automotive industry.[20] An important plant in the context of the engineering sector development is the shipyard in the Komárno district. Its total input in regional sales account in the long run for almost 35%. The said type of engineering production can be also perceived as an important representative of export production, with sales in the long-term implemented mainly[21] outside Slovak markets. The key moment in the engineering industry of the whole region is the entry of strategic partners bringing in new technologies and investments.

The engineering industry in the Žilina region can be described as strongly under-capitalised, with steadily decreasing production volumes and high debt ratios. The key manufacturing plants are former enterprises from the ZTS Group and companies with major stakes held by shareholders and companies with major stakes owned by the state. Other manufacturing plants have obsolete hardware, which contributes to the low export capacity of the industry (less than 9%).

More than half of the sales in the engineering industry (approximately 64%) within the Prešov region is generated by the production of rolling stock for both passenger traffic and freight traffic, and spare parts for rolling stock. The said production generates export production capacity above average (in 1998 82%), 86,8% of which is placed on EU markets. Acute, though not fatal, is the problem of long-term liquidity. The majority of the remaining production can be described as obsolete and lacking competitiveness, with constantly deteriorating economical performance.

The Banská Bystrica region is a region with slow progress in the restructuring process. Approximately 70% of companies achieve positive economical results with 40% export share. Certain positive change has taken place within this region recently and which was caused by an influx of foreign investments. The latter were placed to a large extent mostly in the production of hydraulic cranes and steel structures, metallic hoses and the manufacture of spare parts for cars. The remaining segments of production, concentrated on the manufacturing of manipulation hardware, finds itself in a long-term financial recession.

[20] In most cases the production programmes are the manufacture of pressed components for the automative industry and manufacture of cable sets (bundles)

[21] Approximately 75%, which is more than 3 times the export capacity of the engineering industry within the region

In the context of the current situation in the engineering industry, the Trnava region can be described as advanced in terms of production restructuring. Almost 90% of the production performs well in the long run with the core business of welding technology and servicing of wagons, utility cars, and components for the auto industry.

In terms of its national significance in the engineering industry, the Košice region, with its 1% input, occupies the last position. The restructuring process in this region cannot be described as advanced, since a majority of the companies with engineering production programmes have difficulties and lack competitiveness both on domestic and foreign markets.

Textile and Clothing Industry

The textile industry is an export-oriented sector taking advantage of competitiveness based on low wage costs. In spite of the continued worsening of economic performance in a majority of the companies, exports are rapidly growing and placed mainly on EU markets (73,4% in 1997). This indicates a trend in restructuring with persistent inefficiency of production programmes with low availability of cheap funding.

In terms of sales generation, the Trenčín region has a dominant position with an input in total sales within the sector reaching values above 35%. This is a region with traditional production programmes focused mainly on the production of clothing both for men and women and the manufacture of wool fabrics. Export ratios fluctuate around 46%. The main obstacle for development is the worsening situation in terms of liquidity and access to long-term funding, causing increasing losses in a majority of the companies.

Approximately one half of the amount of the Trenčin region input in sales is generated by the textile and clothing industry in the Žilina region. In terms of the production structure, the main activities are the manufacture of fabrics and other semi-finished textile products. The average export capacity in this sector within the region during 1995 - 1997 was above 30%. From the corporate viewpoint, the main feature is the deteriorating economic performance.
The largest production facilities in the Prešov region are fully effected by the heritage of ineffective production structures and slow pace of restructuring. Despite aggravated financial performance and a growing number of foreign interests in most of these companies, an achieved level of export capacity (approximately 30%) could be qualified as positive outcome. The same positive assessment could be applied to the economical performance of smaller, newly established companies with a significant stake of foreign investors and obvious pro-export philosophy (70%). Their contribution to the total sales within the sector per region however does not exceed 10%.

The textile and clothing industry production in the Banská Bystrica region has a relatively high share of exports, generating in the long run more than 40% of total sales. Slightly declining production volumes result also in declining ex-

ports, causing the major impact of aggravation of economical performance in most of the companies. In terms of the future development, the most promising are smaller plants (clothing, wool fabrics).

From the transition progress viewpoint, the recent development in the textile and clothing industry in the Nitra region can be described as rather shabby. From the corporate viewpoint, increasing losses in the most important companies and declining exports are the main features of the sector. The necessity to resolve long-term financial problems is urged also by the fact that average sales in 1995 - 1997 were dependent on exports of more than 45%.

The input of the Bratislava and Trnava regions in total national sales within the sector does not exceed 6%. In general the sector in said regions can be characterised as pro-export oriented, with export ratios not higher than 40%. The majority of plants generate small profit with a declining pattern.

Building industry

The Slovak building industry is a sector with development depending on demand, generated economical growth, and investment projects, which have been so far comparable with the public sector. Approximately 95% of the total building industry production is located on the domestic market, which is crucial in terms of the sector development and structure. Its input in GDP during 1995 - 1998 fluctuated between 4,1 to 4,7 percent. Following a period of economical growth, the building production rate is loosing speed. The origin of the 1998 recession in building production could be in part due to discontinuance of the construction of the technical infrastructure in the Slovak Republic, as well as stagnation in public construction activities. A significant impact causing this slow-down was the overall recession in the building industry caused by economic stagnation during this period.

Table 24 describes the basic information on the situation in individual Slovak regions in terms of the building industry.

Table 24 Building industry production per capita in Slovak regions (in thousands SKK)

Region	1997	1998
Bratislava	38,0	38,0
Trnava	10,5	11,3
Trenčin	9,5	10,8
Nitra	8,2	8,3
Žilina	15,6	16,7
Banská Bystrica	7,6	8,5
Prešov	8,9	9,2
Košice	12,7	13,4
Slovakia total	13,6	14,2

Comment: Calculation according to: the Statistical Annual Report of the Slovak Republic - 1998, ŠÚ SR Bratislava 1998. Selected data on Slovak regions for 1998, ŠÚ SR Bratislava, April 1999. The calculation was made using population count as of December 31.

The Bratislava region occupies the dominant position in terms of construction volumes, with construction output per capita within the region more than 260% of the national average. The majority of construction works are implemented based on state orders in water management facilities, roads and road infrastructure and civil works. An important part of the building industry is the investment work realisation, which is an exceptionally strong segment within the region, compared to the rest of Slovakia.

The second leading region in the long run is the Žilina region. In 1998, the volume of construction works carried out per capita in this region represented almost 120% of the national average. In terms of development within the region, the key players are companies active in water management construction. The current situation seen from the business viewpoint could be described as a recession, with deteriorating economical performance and growing debt ratio.

Similar to the Bratislava region, in the Košice region, besides infrastructure construction, an important part of the building industry is the implementation of investment work, which reflects the economical potential of the region. The economic growth of the sector depends on the continuation of state run building projects in water management and infrastructure, as well as demand for investment work in the building industry.

In terms of construction volumes per capita within the region, the Trnava region ranks fourth. Analysing the production programmes structure, this region has no specialisation in any certain type of building activities. In 1995 - 1997, the sector recorded growth in sales and employment. A persistent problem remains with funding, with a high share of external funds in total corporate assets, which is typical for building production.

Next after the Trnava region in terms of building production is the Trenčin region. The recent developmental pattern within the sector indicates a decrease and stagnation of production, which is taking place mainly in basic construction activities and housing.

In terms of its input in the building production, the Prešov region ranks after the Košice region, but in terms of construction volumes per capita it occupies the sixth place. The core business is housing and other land building activities done mainly for the private sector. Generally speaking, the economic situation of entities active in the construction business during the last two years can be described as a setback, both in terms of economic performance as well as funding.

The building industry in the Banská Bystrica region experienced superior production growth in 1997 - 1998. However, such development went hand in hand with the deterioration of economic results in terms of indebtedness, profitability of assets and employment. As regards the construction production volumes per capita, this region occupies the second to last position among Slovak regions.

The smallest input in Slovak building production, as well as smallest volume

of construction production per capita among Slovak regions belongs to the Nitra region. Despite certain growth in the production volume in 1997 - 1998, the majority of companies did not manage to prevent negative economic development. The part of production which strongly influences the development of the sector within the region, focuses on construction projects in infrastructure, which depends on public orders.

4.2. Trade and Selected Market Services

In the process of economic transition, trade and services, especially market services, belong to the most quickly developing economic sectors in Slovakia. While the 1995 share of trade and other market activities in GDP accounted for 30%, in 1998 it rose to 36%. The development in this area depends on progress in material production, as well as on the complexity of infrastructure.

It is true that in regions with low economical performance and less developed technical and social infrastructure, non-market services prevail. Compared to market services, non-market services do not encourage economical development and do not generate profit to such an extent as market services. Market services provide a service system which clearly contributes to economic growth. The structure of the activities in non-market services represent the demographic, geographic and cultural and historical patterns within each given region.

The development of trade and services in individual regions depends on intra-regional demand. Table 25 gives basic information about the situation in individual Slovak regions in terms of trade and market services.

Table 25 1998 retail sales, wholesale turnover and sales in selected market services per capita in individual Slovak regions (in thousands of SKK)

Region	Retail sales	Wholesale turnover	Sales in services
Bratislava	181,2	331,8	90,4
Trnava	61,9	35,7	12,1
Trenčin	48,7	51,5	10,4
Nitra	56,0	32,5	11,7
Žilina	56,7	55,4	11,7
Banská Bystrica	85,5	46,6	12,3
Prešov	35,8	19,4	6,9
Košice	51,6	131,5	17,4
Slovakia total	70,3	86,1	20,8

Comment: Calculation according to: Selected data on Slovak regions for 1997, ŠÚ SR Bratislava, April 1998. Selected data on Slovak regions for 1998, ŠÚ SR Bratislava, April 1999. 1998 basic indicators on trade, restaurants, accommodation, and travel agencies in the Slovak Republic. ŠÚ SR Bratislava, April 1999. Retail sales including estimated number of small businesses. Wholesale turnover is both for small and large companies. The calculation was made using population count as of December 31.

Retail sales, wholesale turnover and sales in selected market services per capita show the positions of individual Slovak regions from the prospective of development and economical performance of trade and selected market services. As regards the retail sector, such position depends mainly on the overall economic performance of the region. This is especially true for regions with the best economic performance[22]. In the sector of wholesale and market services, the said position depends not only on economic performance, but also on the position of the region in terms of industrial production. This is due to the close link between material production and wholesale sector, and the fact that securing competitiveness in the industry (or in selected industrial segments) requires servicing activities which fall within the segment of market services.

Trade could be perceived as a sector with low input costs, non-demanding structural needs, and relatively high profitability. Its mediating function between production and consumption represents a bridge harmonising consumer needs with possibilities on the side of producers, considering the context of the individual region. Through this function, trade supports other economic activities. The best performance of this function requires an adequate organisation structure and profitability of trade. These are indicators which are shaped by the specific local environment in the region.

Tables 26-28 display indicators providing basic insight into the trade organisation structure and its profitability .

Table 26 1998 retail sales input per organisation type in individual Slovak regions (in %)

Region	Large	Small	Small businesses
Bratislava	59,3	16,0	24,7
Trnava	19,2	20,1	60,8
Trenčin	39,5	9,0	51,4
Nitra	28,5	17,1	54,5
Žilina	29,9	21,8	48,3
Banská Bystrica	26,0	22,2	51,8
Prešov	32,2	21,8	45,9
Košice	34,7	25,2	40,1
Slovakia total	38,3	18,8	42,8

Comment: Calculation according to: 1998 basic indicators on trade, restaurants, accommodation, and travel agencies in the Slovak Republic. ŠÚ SR Bratislava, April 1999. Large organisations - companies with 20 employees and more. Small organisations - companies with up to 19 employees.

[22] Bratislava, Banská Bystrica a Trnava regions

Table 27 1998 wholesale turnover per organisation type in individual Slovak regions (in %)

Region	Large	Small
Bratislava	52,5	47,5
Trnava	76,3	23,7
Trenčín	58,4	41,6
Nitra	51,2	48,8
Žilina	43,8	56,2
Banská Bystrica	41,9	58,1
Prešov	27,3	72,7
Košice	68,7	31,3
Slovakia total	55,1	44,9

Comment: Calculation according to: 1998 basic indicators on trade, restaurants, accommodation, and travel agencies in the Slovak Republic. ŠÚ SR Bratislava, April 1999. Large organisations - companies with 20 employees and more. Small organisations - companies with up to 19 employees.

Table 28 1998 margins and agency commission in individual Slovak regions (in %)

Region	Retail	Wholesale	Commission fee
Bratislava	15,0	13,3	0,42
Trnava	12,1	13,4	0,16
Trenčín	12,7	10,0	0,31
Nitra	11,4	12,6	0,52
Žilina	10,9	10,2	0,52
Banská Bystrica	12,4	9,6	0,19
Prešov	10,8	11,1	0,63
Košice	11,8	7,0	0,69
Slovakia total	13,1	11,1	0,46

Comment: Calculation according to: 1998 basic indicators on trade, restaurants, accommodation, and travel agencies in the Slovak Republic. ŠÚ SR Bratislava, April 1999. Retail - the portion of profit margin in retail sales. Wholesale - the portion of wholesale profit margin in the wholesale turnover. Commission fee - the portion of agency commission in the wholesale turnover.

In terms of its strategic geographic position, administrative importance and economical significance, the Bratislava region is the center of trade. Its input in the total trade turnover[23] in 1998 exceeded 42%. Many companies are located in the capital city, where they have their seats of acquisition, which provides them the opportunity for both overseas and domestic trade. On the other hand, trade organisations active in selling products originating from mother companies seated within the region have strong representation in the sector. Their structure corresponds with the concentration of individual sectors of industrial production represented in the Bratislava region. Both the retail turnover as well as wholesale turnover is generated mainly by large companies. The listed relative trade advantages in the Bratislava region are reflected also in the profit margin, which is the highest in Slovak Republic. The size of agency commission ranks the Bratislava region fifth in the Slovak Republic.

[23] Retail sales plus wholesale turnover

Economic achievements in trade rank the Košice region second after the Bratislava region in wholesale and sixth in retail. Its total input in trade turnover exceeds 18%. Prevailing trade activity is the sale of flat, rolled products and items from secondary metallurgic production. The crucial factor in the development of trade activities within the region is the progress in metallurgy. Mainly large companies generate wholesale turnover. The lowest profit margin in wholesale in comparison to other regions indicates the low buying prices of marketed commodities. The combination of low profit margin and high agency commission secures a fair profit for trading companies, which use this approach to address changes on the demand side. Little more than one third of retail sales comes from large companies and the rest is generated by small businesses. Regards the size of the profit margin in the retail sector, the Košice region ranks fifth in Slovakia.

The next important region in terms of 1998 sales in trade is the Žilina region. Its economic performance in the Slovak Republic context places the region at the third place in wholesale and the fourth place in the retail sector. The total input of this region in trade turnover is almost 9%. Trade within the region centers mainly on selling products of the engineering industry, which is concentrated within this region. Declining export performance indicates an increasing stake of foreign shareholders in companies from the former ZTS Group, which represent the core of trading activity in this region. In the primary sense, the trade development in the Žilina region depends on the restructuring of industry and on the completion of already initiated diversification of trade activities of traditional entities. Wholesale turnover is generated mainly by small companies. The size of the profit margin corresponds to the competitiveness of traded commodities, which are mainly produced by the domestic engineering industry. Small businesses generate almost half of the retail profits, while large companies represent only a 30% share. The size of the retail profit margin ranks the Žilina region second to last in Slovakia.

The total 8,5% input of the Banská Bystrica region in trade turnover is smaller than the input of the Žilina region. More than half of the retail output comes from small businesses, with the share of large companies at 26%. This region has the third highest retail profit margin. This could be described as a reflection of demand, which depends on the pension situation in households and the enterprise sector. Almost 60% of wholesale turnover comes from small companies. This part of the sector has the second to last smallest profit margin and the lowest agency commission in Slovakia. The aforementioned facts indicate that this region has significant disproportion between the degree of the development in retail and wholesale.

In terms of economic performance in Slovakia, the Trenčín region occu-

pies the fourth position in wholesale and second to last in retail. Its total input in trade turnover is almost 7%. Generally the business participants active in trade can be characterised as agents selling products made in the Trenčín region. During the last five years, the majority of companies experienced a decrease in turnover and an increase in debt. Almost 60% of wholesale turnover comes from large companies. Within this region, the profit margin and agency commission are slightly below Slovak average. In the retail sector, the region has the smallest share of small companies contributing to retail sales. Forty percent is generated by large companies and more than 50% by small businesses. The region has the second best profit margin in retail.

The total input of the Trnava region in trade turnover is less than 5%. This indicates a certain disproportion between the good economic performance of the region[24] and its second to last position in terms of the input in total trade turnover. This is mainly the result of low turnover in the wholesale sector, with the highest wholesale profit margin and lowest agency commission in Slovakia. The region has a high concentration of wholesale network with a weak competitive environment, with almost 80% of the trade turnover generated by large companies. On the other hand the retail business is strongly diversified, with more than 60% of retail sales generated by small businesses and large companies contributing with less than 20%. As regards the retail profit margin, the Trnava region ranks fourth.

In terms of economic performance in Slovakia, the Nitra region occupies the seventh position in wholesale and fifth in the retail sector. The region contributes 6% to the overall trade turnover. The main commodities traded are agricultural products. Almost 55% of retail sales are generated by small businesses, with large companies input less than 29%. A competitive environment induced by such diversification, combined with low economic performance, are the main reasons behind the low retail profit margin, which ranks the region third to last in Slovakia. Wholesale turnover is generated 50% by large companies and 50% by small companies. The profit margin in this area is the third highest in the Slovak Republic, with the level of agency commission above average.

In terms of economic performance in Slovakia, the Prešov region occupies the last position, both in the wholesale and in the retail sector. The region contributes slightly more than 4% to the total trade turnover. This is caused by an underdeveloped economic potential and low economic efficiency. Large companies generate almost 73% of wholesale sales. Their monopolistic position leads to the situation of the region having the fourth highest profit margin in the wholesale sector, with the agency commission above average. The retail sector is diversified, with some 46% of the sales coming from small businesses and almost 22% from small companies. The profit margin levels are the lowest in Slovakia.

[24] Where Trnava region ranks third, next after Bratislava and Banská Bystrica region (see chapter 2.).

Although economic performance of the region in market services depends on industrial production, their service function covers, beside other sectors, also households. As a result of this function, market services improve the efficiency and competitiveness of other sectors within the national economy and improving living standards at the same time. At the regional level, this implementation depends and is determined by the structure of market services.

Tables 29 and 30 describe the basic information (indicators) of the structural aspects of the territorial distribution of market services.

Table 29 1998 inputs of regions in sales per selected market services in Slovakia (in %)

Economical activity	BA	TT	TN	NR	ZA	BB	PP	KE
Real estate activities	48,5	4,7	4,4	7,2	10,0	11,8	3,1	10,3
Leasing of machinery and equipment without personnel	34,1	18,2	1,1	2,8	5,9	9,9	0,8	27,2
Information technologies and related activities	62,6	0,8	6,8	3,3	9,9	3,1	2,2	11,3
Other trade services	58,9	2,0	2,8	8,3	4,5	7,2	3,9	12,3
Education system	29,9	6,5	8,9	10,6	6,9	7,5	5,5	24,2
Health care and social care	14,8	52,3	8,5	2,0	7,7	7,2	3,0	4,6
Waste management	39,1	5,8	11,0	3,2	8,5	7,1	6,1	19,1
Recreation, cultural and sport activities	83,5	2,6	2,6	1,4	5,4	1,0	0,3	3,1
Other services	20,5	12,7	17,0	3,7	10,7	21,9	3,0	10,6

Comment: BA-Bratislava region, TT-Trnava region, TN-Trenčín region, NR-Nitra region, ZA-Žilina region, BB-Banská Bystrica region, PP-Prešov region, KE-Košice region. Calculation according to : 1998 basic indicators on selected market services in the Slovak republic, ŠÚ SR Bratislava, March 1999.

Table 30 1998 the structure of sales in selected market services per organisation type in Slovak regions (in %)

Region	Large	Small	Independent
Bratislava	48,8	31,8	19,4
Trnava	31,6	20,7	47,7
Trenčín	30,2	22,8	47,1
Nitra	38,0	21,3	40,7
Žilina	24,1	37,5	38,4
Banská Bystrica	14,5	55,1	30,4
Prešov	28,3	18,6	53,1
Košice	40,8	27,5	31,7
Slovakia total	39,7	30,8	29,5

Comment: Calculation according to : 1998 basic indicators on selected market services in the Slovak republic, ŠÚ SR Bratislava, March 1999 Large organisations - companies with 20 employees and more. Small organisations - companies with up to 19 employees.

Table 31 1998 structure of sales for selected market services in Slovak regions (in %)

Economical activity	BA	TT	TN	NR	ZA	BB	PP	KE	SR
Real estate activities	10,3	13,0	12,6	13,8	19,2	20,0	11,9	10,8	12,1
Leasing of machinery and equipment without personnel	1,7	11,9	0,8	1,3	2,7	4,0	0,7	6,8	2,9
Information technologies and related	11,0	1,9	16,1	5,2	15,8	4,3	7,0	9,9	10,0
Other trade services	55,8	24,8	36,2	71,3	39,0	54,5	66,1	58,0	54,0
Education system	0,5	1,3	1,8	1,5	1,0	0,9	1,5	1,8	0,9
Health care and social care	0,6	27,1	4,5	0,7	2,8	2,3	2,1	0,9	2,3
Waste management	2,4	4,7	9,2	1,8	4,8	3,5	6,8	5,9	3,6
Recreation, cultural and sport activities	16,6	6,9	7,0	2,6	9,8	1,6	1,1	3,1	11,3
Other services	1,1	8,4	11,8	1,7	5,0	8,9	2,8	2,7	2,9

Comment: BA-Bratislava region, TT-Trnava region, TN-Trenčin region, NR-Nitra region, ZA-Žilina region, BB-Banská Bystrica region, PP-Prešov region, KE-Košice region. Calculation according to : 1998 basic indicators on selected market services in the Slovak republic, ŠÚ SR Bratislava, March 1999.

The difference between the Bratislava region, which economically performs the best in the market services sector, and the Prešov region, which is weakest, exceeds 1300%. The clear leading position of the Bratislava region occurs in the majority of economical activities related to the selected market services. It is determined by the degree of economic performance and by progress in the infrastructure development. Since 1993, the fastest growing sectors have been services connected to the servicing and distribution of information technologies and office hardware, lottery, real estate activities and leasing of machinery and equipment.

In terms of economical performance in the market services sector, the Košice region ranks second best after Bratislava. Such a position remains true also in other economic activities related to selected market services. Economic activities in this field concentrate on such businesses as leasing of machinery and equipment, education, sale and servicing of information technologies and office hardware.

In other regions there is no correlation between the position of the region in terms of its economical performance in market services within Slovakia, and individual economical activities. To put it differently, for some types of economical activities the overall position of the region in market services remains the same, in other cases not[25]. Besides, economic performance depends mainly on the regional specificity, as well as on the organisation structure of provided services.

[25] Influenced by the analysis of ratios, which is contained in Table 25 and Table 27

5. REGIONAL ASPECTS OF LABOR MARKET FORMATION AND WAGE DEVELOPMENT

From the point of view of the utilization of economic potential, recent years have seen a falling dynamic of economic growth, which in terms of workforce demand results in stagnation and even decline[26]. The increase of an economically active population are either translated into growing unemployment or become absorbed by the gray economy and by the migration of job seekers. The result is a growing tension between labor supply and labor demand[27]. The scope of this tension differs from region to region. The basic proportions on the regional level in Slovakia are shown in the graph of Figure 8.

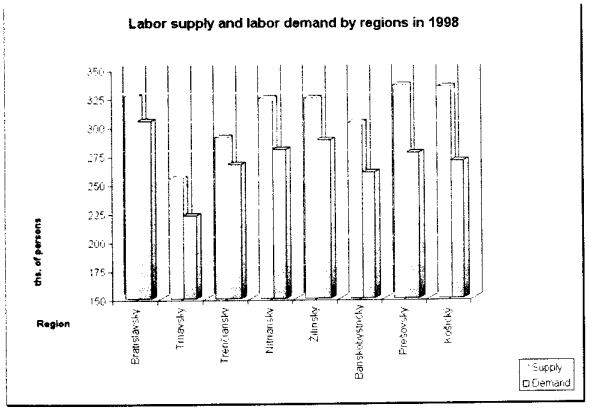

Figure 8

A high or a low unemployment rate is hence the function of a respectively strong or weak tension between labor supply and labor demand. The trends in unemployment and other basic labor-market measures is shown in Table 32.

[26] Determined by the number of employed

[27] Determined by the economically active population (employed unemployed other).

Table 32 Basic labor-market indicator in individual Slovak regions

Region	Number of employees		Wage per month		Unemployment rate	
	1997	1998	1997	1998	1997	1998
Bratislava	380600	375710	11800	13022	4.1	5,1
Trnava	101468	107719	9113	9502	10,6	12,5
Trenčin	155599	154545	8462	9150	8,3	10,8
Nitra	144065	138470	8082	8891	14,3	17,6
Žilina	158523	155077	8497	9010	10,9	14,1
Banská Bystrica	191756	192974	8287	9342	14,9	19,7
Prešov	141677	143888	7757	8338	17,8	22,1
Košice	174310	167476	9380	10158	17,1	20,8
Slovakia in total	1447998	1435859	9369	10212	12,5	15,6

Comment: Number of employees - average number of registered employees (number of persons); Monthly wage - mean nominal wage per month in SKK; Unemployment rate - unemployment rate according to available numbers of registered unemployed as of December 31 (in percent). Source: Selected data on regions of the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics (ŠÚ SR Bratislava) in April 1998. Selected data on regions of the Slovak Republic for 1998 issued the Slovak Bureau of Statistics in April 1999.

The evolution of unemployment is linked not only to demographic trends and economic dynamism, but also to structural development. As a consequence, ongoing structural changes make the number of lost jobs a swelling source of unemployment, which becomes increasingly difficult to absorb for newly created jobs, since the slow-down in the economic dynamism adversely affects job creation.

In 1997, small enterprises and the service sector have jointly managed to make up for the drop in demand for employees in big businesses. However a declining productive dynamism has virtually halted further accruals of employment also in those companies. The highest unemployment rate was found in the regions of Prešov, Košice and Banská Bystrica.

Within the Prešov region, the highest unemployment rate was reported for the following districts: Vranov nad Topľou (30,1 per cent), Stropkov (26,3 per cent), Bardejov (26,1 per cent) and Sabinov (25,6 per cent).

Within the Košice region, the highest unemployment rate was reported for the following districts: Trebišov (26,0 per cent), Rožňava (25,9 per cent), Michalovce (25,5 per cent) and Sobrance (25,4 per cent).

Within the Banská Bystrica region, the highest unemployment rate was reported for the following districts: Rimavská Sobota (33,3 per cent), Veľký Krtíš (30,3 per cent), Revúca (30,0 per cent) a Poltár (25,3 per cent).

The expenditures from the unemployment insurance system used for active policy implementation on the labor market play a crucial role in mitigating the growth of unemployment. As the hitherto development shows, an increase in expenditures for active policy implementation on the labor market decreases the expansion of unemployment. Of course, applying active policies on the labor market does not solve the underlying problem of unemployment in Slovakia. It can however cushion the most significant regional disparities and mitigate the situation of the most vulnerable social groups.

For the near future, stagnation or even an increase in the aforementioned tension between labor supply and demand is to be expected. As a consequence of a slowed down dynamism of economic growth and mainly as a consequence of the structure of this growth, there is little hope for a major increase in the dynamism of job creation in the near future.

A typical feature of wage development in Slovakia is the continuous declining tendency in the dynamism of the annual average of the monthly real wage. One of the key factors of wage development in the business sector is certainly the liquidity of companies. The situation in the public sector is determined by shortages and by the existing deficiency of public finance. The condition of the state budget affects wage development also indirectly by a more or less extensive siphoning-off of liquidity from the money market. In 1998, unemployment became a factor of substantial impact on wage development. It shows that the number of unemployed reached during the aforementioned year had already become a limiting factor of wage development not only in regional scope, but also on the national level [28].

A key determinant of wage level development is the productivity of labor. Despite the fact that the link between wage development and labor productivity is still in its initial stages, it has a growing impact on the evolution of the economy. It is relevant not only on the level of the national economy on account of the relationship between performance and competitiveness of the real economy on the one hand, and formation of income relevant processes on the other, but also in regional scope to promote growth of economic performance on the regional level. The character of the relation between the growth of labor productivity and the growth of wage levels differs by regions and apart from being determined by the level of productivity it depends also upon special regional features. Sustainable growth of economic performance in a region can only be achieved provided that labor productivity grows faster than wage rates.

Basic labor productivity proportions in Slovak regions[29] are show in the graph of Figure 8.

As the above figure indicates, the highest level of labor productivity was reached in the regions of Bratislava (643,9 ths SKK per employee), Trnava (604,9 ths. SKK per employee), Košice (494 ths. SKK per employee) and Nitra (468,3 ths. SKK per employee). In the remaining regions, labor productivity ranged from 382 to 415 ths. SKK per employee in 1998.

The relationship between the growth of the average monthly nominal wage and the productivity of labor in the individual Slovak regions is shown in Table 33.

[28] Average official unemployment reached a total of 356.3 ths. persons in 1998.

[29] Calculated as regional GDP share per capita.

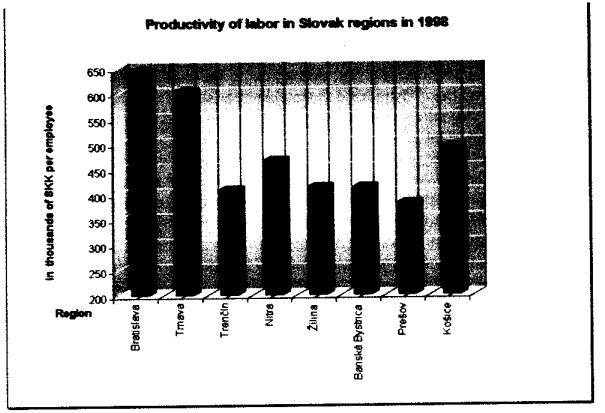

Figure 9

Table 33 Wage level and labor productivity accruals by regions of the Slovak Republic as of 1998 in per cent

Bratislava	10,4	15,5
Trnava	**4,3**	**2,8**
Trenčín	8,1	0,8
Nitra	**10,0**	**9,0**
Žilina	6,0	13,7
Banská Bystrica	**12,7**	**20,3**
Prešov	7,5	7,9
Košice	**8,3**	**4,1**
Slovakia in total	9,0	10,6

Comment: Monthly wage - average monthly nominal wage (growth rate); Labor productivity - nominal GDP per employee (growth rate). Calculations made according to Selected data on regions of the Slovak Republic for 1997 issued by the Slovak Bureau of Statistics (ŠÚ SR Bratislava) in April 1998, Selected data on regions of the Slovak Republic for 1998issued by the Slovak Bureau of Statistics in April 1999.

As the foregoing table shows, labor productivity has grown faster than wage levels in the regions of Bratislava, Žilina, Banská Bystrica and Prešov. Certainly, this tendency in development is in favor of efficiency, but individual regional features have to be taken into account. While in the Bratislava and the Žilina region the said development takes place in low and below-average unemployment conditions respectively, in the regions of Banská Bystrica and Prešov it is accompanied by high unemployment slowing down the dynamism of wage level growth.

Wages grew faster than labor productivity in the regions of Trnava, Trenčín, Nitra and Košice. This trend in development strengthens intra-regional demand[30] on one hand, while curtailing productive competitiveness on the other[31]. As for the Košice and Nitra regions, development continues despite a high unemployment rate. As for the Trnava and Trenčín regions, the present development is free of wage restraints due to high unemployment and is the result of a respectively high economic and export performance compared to the growth of wages.

[30] By faster growth of eamed income of population.

[31] By increase in wage experiditures.

6 FINANCIAL ASPECTS OF REGIONAL DEVELOPMENT

The financial aspects of regional development are often reduced to public finance and budget control issues. Such a view would mean an oversimplification of the matter, for it allows one to survey only a part of the vast array of financial processes determining regional development and does not provide room to tackle broader problems linked to the development of regional economies. The basic precondition in order to examine the underlying financial processes determining regional development and to find viable solutions for regional problems is to envisage the broadest possible spectrum of finances determining the development of regions. With this premise it can be assumed that the finances determining the development in a region have two major components, these being the internal and external financial resources.

Internal finical resources of a region are derived from:

- Current income of population[32],
- Corporate profits[33] and
- Local administration receipts[34].

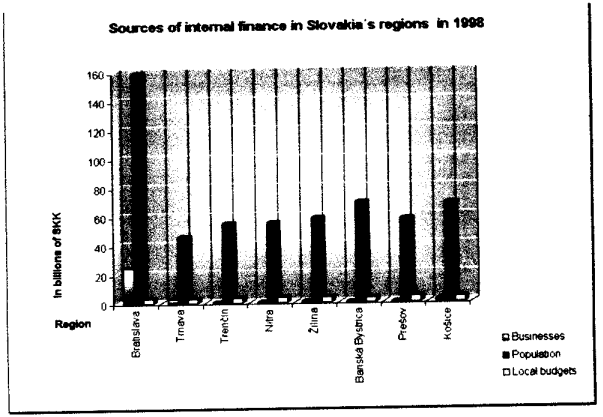

Figure 10

[32] Including all earnings in money of regional population.

[33] Including disposable financial resources of enterprises generated within the region.

[34] Including regional sources of regional public finance.

These financial resources designate the dynamism of intraregional demand, fix intraregional resources available for investment and determine the size of public finance in a region

The basic regional proportions of internal finance broken down by source can be found in the bar graph of Figure 9. As indicated, businesses, population and local budgets represent the sources for the individual components of internal finance, being determined by corporate profits, current income of population and receipts of local authorities in the individual regions of Slovakia, respectively.

The foregoing figure further shows, that the major part of internal financial resources in the regions is derived from current income of the population. The participation of corporate profits on internal finance of regions is directly proportionate to profit rates of businesses operating in a given region. The highest proportion of corporate profits in the internal finance of a region is found in the Bratislava region. A considerably lower share is seen in the Trnava and Košice regions, which from the viewpoint of this measure are ranked second and third respectively. Receipts of local authorities provide the greatest input for internal finance in the regions of Prešov, Nitra and Žilina, which from the viewpoint of economic performance occupy the last three positions among the family of Slovak regions.

Basic information on the size of internal finance in regions of the Slovak Republic for 1997 and 1998 is contained in Table 34.

Table 34 Internal financial resources of Slovak regions per capita in thousands of SKK

Region	1997	1998
Bratislava	321,C	301,2
Trnava	93,1	92,8
Trenčin	91,6	95,4
Nitra	79,6	82,4
Žilina	86,1	90,6
Banská Bystrica	96,9	109,8
Prešov	73,8	78,5
Košice	96,9	97,1
SR in total	114,7	115,9

Comment: Internal financial resources = currant income of household sector + economic result of profit-making and non-profit organizations + receipts of local/municipal budgets. The economic result was broken down into individual regions using cumulated earnings and costs and corporate data. Revenues of local authorities were broken down into individual regions according to respective state budget methods. Population count as of December 31 was used. Source: Slovak Bureau of Statistics (ŠÚ SR), Slovak Property Fund (MF SR).

According to the figures shown in Table 34, it can be stated that the level of internal financial resources found in a region is in close correlation with its respective economic performance. The lowest level of internal finance is shown in the regions of Prešov, Nitra and Žilina. A mediocre level of internal finance is

observed in the regions of Trnava and Trenčín. A fairly high level of internal financial resources is reported in the regions of Bratislava, Banská Bystrica and Košice, whereby the Bratislava region has in this respect a leading position. Internal financial resources available in this region reached a staggering 258 per cent compared to the national average.

While in the framework of internal finance, the current population income and the economic result of businesses affect demand and investment, while local budget receipts determine public spending on the level of local and municipal authorities.

Basic information on the scope of this spending in relation to the public budget is contained in Table 35.

Table 35 Per capita spending of public budgets in the Slovak Republic in thousands of SKK

	1993	1994	1995	1996	1997	1998
National budget	32,5	30,2	31,9	35,7	40,4	36,5
Local/municipal budgets	3,3	3,4	3,3	4,1	4,9	4,8

Comment: Calculation was made using population count as of December 31. Source: Slovak Bureau of Statistics (ŠÚ SR) and Slovak Property fund (MF SR).

According to the foregoing table, it can be stated that. while per-capita public spending of the state budget rose by 12 per cent between 1993 and 1998, per-capita public spending of the local/municipal budgets grew by as much as 46 per cent during the same period. Despite this fact, in 1998 only 12 per cent of total public spending per capita was realized via local/municipal budgets, while 88 per cent of spending came from the state budget. This condition leads to public finance shortages on regional levels and adversely affects further development of the regions.

Table 36 Public finance situation in Slovak regions

Region	Receipts of local/municipal budgets to GDP		Receipts of local/municipal budgets to internal finance	
	1997	1998	1997	1998
Bratislava	1,6	1,2	1,7	1,6
Trnava	4,9	4,1	5,7	5,2
Trenčín	5,2	4,6	5,8	5,1
Nitra	6,2	5,3	6,7	5,9
Žilina	6,3	5,1	6,2	5,3
Banská Bystrica	5,4	4,0	5,5	4,4
Prešov	8,2	6,8	7,2	6,1
Košice	4,9	4,4	5,5	4,9
Slovakia in total	4,4	3,6	4,7	4,1

Comment: Calculations made according to relevant measures broken down to regions. Source: Slovak Bureau of Statistics (ŠÚ SR) and Slovak Property Fund (MF SR).

The two leftmost columns in the foregoing table give an idea of the situation of public finance from the viewpoint of economic performance. The analysis of the correlation existing between the regional GDP input of the receipts of local/municipal budgets and their respective economic performance shows that the higher the economic performance of a region, the higher the portion of generated GDP redistributed through local and municipal spending. This means that the lower the economic performance of a region, the higher its dependence upon financial resources created elsewhere. A decline of this indicator in 1998 compared to 1997 is induced by cuts in public spending[35].

The two rightmost columns in the above table provide information on the status of public finance from the viewpoint of internal financial resources available in a region. The analysis of the data contained in the said columns shows again that in regions with the weakest economic performance, internal financial resources consist for the main part of local/municipal receipts. This means that the lower the economic performance of a region, the higher the importance of public finance within the total of internal funds.

If the percentage of local/municipal receipts in relation to internal funds of a region exceeds the share of local/municipal receipts in relation to GDP generated in the region, it follows that the volume of GDP formed in a region exceeds the volume of its internal financial resources. In such regions, there is sufficient capacity to build up the volume of internal funds on one hand, and to reallocate resources into other regions on the other. However, a basic precondition to do so, is to remit the tax encumbrance of generated income.

The present status of public finance is mainly a consequence of the existing mechanism redistributing financial resources among districts, regions and the state. In addition, it is the result of insufficient tax-revenue sharing with districts. The implementation of appropriate changes in this system is a crucial precondition to successful development of a region in the near future.

On the level of the national economy, these changes should address the following two areas. First, further shrinkage of the part of GDP from which public spending is derived. Second, further increases of local and municipal spending linked to further decrease of government spending.

On the level of the regional economy, the above changes should address both receipts and expenditures. As for the receipt side, the main objectives are stabilization, a reduced dependency upon the state budget and the keeping of an appropriate clearing mechanism for local/municipal budgets and the state budget. An important task in this respect is the reorganization of the tax system, which should strengthen the position of local/municipal aut-

[35] While in 1997 public spending totaled 244.4 bill. SKK, it dropped to 222.8 bill. SKK in 1998. In terms of GDP share this means 37.4 and 31.1 per cent respectively.

horities by giving them power to decide about selected tax-types and better manage district funds and property. As for the expenditure side, the main objective is the standardization of mechanisms providing for efficient budget management, including better public transparency.

External financial resources, being the second component of finance determining regional development, are defined as such funds which increase:

- Intra-regional demand and
- the volume of investment allocated in a region's territory

These are funds coming from outside of the region and they can be brought, shifted or allocated into the region by natural persons[36], profit-making[37] and non-profit[38] organizations and government[39]. They can be of domestic or of foreign origin, whereby in most of the cases they are mixed funds from the viewpoint of their provenance and their distribution in the region.

It can be assumed that the influx of external funds, which increase intra-regional demand, depends to a great extent upon the economic performance of the region and the characteristic regional features determining the attractiveness of the region from the point of view of tourism and purchases in the retail network.

Investment plays a crucial role in the long term development of a region. The existing relationship between creation of funds and investment applied to Slovakia's regions is shown by the graph of Figure 9. This graph measures the creation of funds and the investment in terms of cumulated per-capita values of GDP and investment between 1996 and 1998. As the linear relationship between funds formation and investment, depicted on the graph of Figure 11, indicates, free investment funds tend to remain in the very region in which they were created. The fact that there are no significant flows of free investments funds between the regions is mainly caused by:

- severe under-capitalization of the whole economy
- malfunction of the mechanism[40] designed to provide for the reallocation of free investment funds among the regions.

In addition, the linear relationship between capital creation and investment shows a low level of foreign investment, whereby already the existing investment was attracted by economic performance rather than by other comparative advantage of individual regions. The linear relationship further indicates, that

[36] For ex. Tourism and purchases in the retail network.

[37] For ex. private investment.

[38] For ex. Support of regional development programs through various foundations and funds.

[39] For ex. Covering a certain part of the required project funding by means of the State Environment Fund, by appropriating funds of the public treasury administration for activities of the Regional Development Agency in the Žilina region, etc.

[40] The main difficulty is the malfunction of the capital market.

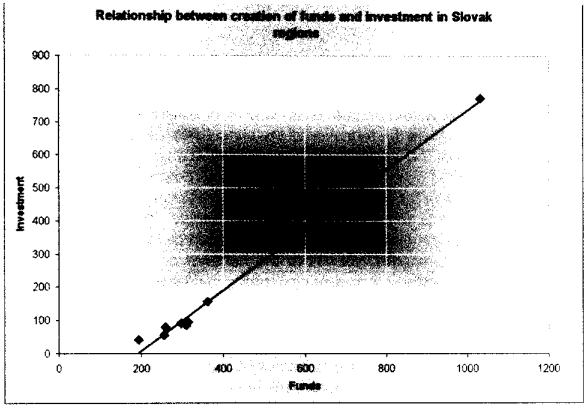

Figure 11

investment funded from domestic resources is mainly oriented towards modernization.

It can be said that the influx of external funds determining the investment volume in a region depends upon the legal and political environment, the macroeconomic and social framework and mainly upon:

- comparative advantage of a region[41]
- presence of development programs[42] and
- organizational structures determining regional development[43].

[41] For ex.: economic performance, economic potential, strategic geographic position, low overall costs, labor cost and quality, etc.

[42] Economically viable programs targeting infrastructure production and services, respecting the given properties and addressing possibilities and limits of future domestic and world development.

[43] The objective is an adequate symbiosis of state administration, local self-governments, support structures in the area of consulting informational and financial backing.

7 POSSIBILITIES OF ECONOMIC DEVELOPMENT OF REGIONS

The macroeconomic environment plays a fundamental role in the development of a region. This environment affects the way market mechanisms in a region are shaped, determines the formation of the supply side and sets out development possibilities of the demand side of a region's economy. It delineates the exploitability and the growth of a region's economic potential and establishes conditions needed for the action of intra- and extra-regional factors determining the demand for goods and services a region can supply. The way the macroeconomic environment affects a region is reflected in the values assumed by macroeconomic parameters relevant to the behavior of business entities of a region and at the same time in economic policy measures, which have an impact on the said behavior.

The year 1999 is marked by the continuing decline of the dynamics of economic growth along with a deterioration in the stability of the macroeconomic environment, both being a logical consequence of the mis-development witnessed in previous years. The main causes lie in the neglected tension between the imbalance and the growth of economy and in the insufficient adaptation of businesses to free market conditions.

As far as future development is concerned, the Slovak economy is expected to show slightly lower than average annual economic growth rates and inflation rates in the interval between 2000 and 2002 than it showed between 1995 and 1998. The nature of this trend is illustrated by the data contained in Table 37.

Table 37 Average annual GDP growth rate and inflation rate in per cent

	Reality 1995 - 1998	Forecast 1999 - 2002
Real GDP	5,8	2.0 to 3.7
Nominal GDP	11,6	7,7 to 9,9
Average annual inflation rate	5,8	6,3 to 8,5

Comment: Figures are derived from the geometric mean of relevant growth rates and the inflation rate for the given years..

Taking into account the trend shown in Table 37, it is highly probable that in the period between 1999 and 2000, the share of the state budget deficit in relation to GDP will oscillate around 3 per cent and the average annual inflation rate will reach 14 to 18 per cent.

The foreseen trend in the evolution of the national economy will establish such conditions for regional development, which will enable the individual regions to freely shape the performance of their economies within the limits indicated in table 38.

Table 38 GDP per capita generated in Slovak regions in thousands of SKK (at current prices)

Region	Forecast 1999		Outlook 2002	
	Floor	Ceiling	Floor	Ceiling
Bratislava	421,2	429,0	530,7	574,3
Trnava	128,0	130,3	163,9	177,4
Trenčin	112,5	114,6	144,7	156,6
Nitra	97,5	99,3	123,4	133,6
Žilina	99,7	101,6	123,8	134,0
Banská Bystrica	130,2	132,6	165,9	179,5
Prešove	74,1	75,5	86,9	94,0
Košice	113,6	115,8	132,7	143,6
Slovakia in total	142,6	145,2	177,9	192,5

The trend indicated in table 38 shows that the development of economic performance will differ in individual Slovak regions, despite the fact that the group of the best performing regions, which formed in 1998, is likely to remain unchanged until at least 2002. This is the consequence of the crystallization process of supply and demand factors in the regions, which is delimited by the existing economic potential and by the behavior of business entities influenced mainly by the economic policy of the government.

Just how close the economic performance of the individual regions will get to the foreseen upper limits depends mainly upon regional dimensions of microeconomic development[44]. The key principle in this respect is based on the fact that the part of the business sector operating exclusively on domestic markets shrinks because of growing costs and falling yields from income forming processes, which is subsequently translated into falling economic results and declining investment volumes. The areas most affected by the above syndrome are undercapitalized plants in urgent need of modernization in order for them to move ahead. The least affected areas are plants with allocated foreign capital, which are already experiencing the more advanced stages of the transition process. Despite their positive outlooks, they are still rather highly sensitive to exogenous destabilizing impulses.

The business sector is comparably more immune to the declining yield of income relevant processes, which is mainly due to its considerable share of export production, which makes use of the stable foreign markets with a high profit margin. The weakest member here are companies, which focus their export activities on goods and services that are competitive only because of their low price. These exports are highly price sensitive and a rise in the production cost of labor, material and services might seriously threaten their export position on

[44] Determined by present conditions of economic development, which call for structural changes and a rapid adaptation of the business sector.

respective foreign markets. Long term stability of sales can also not be discussed because of the high sensitivity to price change related to other importers buying from countries with lower manufacturing costs. Business cycle changes are a natural risk factor common to all exporting companies. However, the most vulnerable ones are those who fall short of adequately diversifying their export commodity structure.

For the sake of future development it is first of all necessary to reduce vulnerability and build up the competitiveness of businesses. Sustained progress in this respect depends to a great extent on the utilization of existing company resources and on the timely implementation of required structural changes, which should envisage special features of regional economic development and take into account the characteristics of macroeconomic development. The starting-point for this purpose is the present situation of the business sector along with its development possibilities.

The overall standing of a region's business sector is mainly determined by:

- the performance of income relevant processes, which determines the demand for goods and services
- the income situation of the population, which dictates consumption habits
- the condition of the social and technical infrastructure, which reflects the flexibility level of demand with regard to demand volume and structure
- the activity level in terms of foreign trade and investment.

From a long-term perspective, an optimum combination of all the foregoing factors in the situation of the Slovak economy is the right vehicle for a dynamic and sound development. Due to the ongoing process of transformation, the microeconomic evolution is in general much more dependent upon economic policies, access to funding and taxation mechanisms than in developed economies.

Table 39 Output structure of the processing industry in Slovak regions

Processing industry branches	BA	TT	TN	NR	ZA	BB	PP	KE
Paper-mills and pulp-mills	0.0%	0.0%	0.0%	13.1%	20.5%	3.4%	7.7%	1.9%
Chemical industry	25.3%	33.6%	35.7%	34.2%	4.1%	8.8%	44.6%	5.9%
Wood-processing industry	0.2%	1.9%	0.0%	4.5%	0.4%	10.2%	0.0%	0.8%
Electronics industry	2.0%	0.0%	0.9%	0.0%	11.2%	0.0%	4.0%	3.6%
Metallurgy	44.7%	0.0%	0.8%	0.0%	25.1%	0.0%	5.3%	12.9%
Shoe industry	0.0%	9.4%	1.5%	0.0%	10.1%	48.4%	0.0%	63.2%
Printing industry	0.0%	0.0%	5.3%	0.0%	1.0%	0.0%	4.4%	0.0%
Food processing industry	0.6%	12.6%	0.0%	0.1%	2.1%	0.3%	0.0%	0.0%
Glass industry	7.7%	13.5%	5.7%	10.6%	5.3%	6.1%	4.2%	4.8%
Production of nonmetallic mineral products	0.1%	7.4%	5.3%	0.0%	0.0%	0.9%	0.0%	0.0%
Engineering industry	1.0%	0.0%	1.9%	1.0%	1.0%	7.5%	0.0%	3.9%
Textile and clothing industry	18.3%	8.8%	24.1%	32.7%	13.1%	7.6%	21.4%	0.2%
Mining industry	0.0%	11.6%	7.3%	0.0%	0.0%	2.6%	0.0%	1.7%
Textile and clothing industry	0.2%	1.2%	11.6%	3.8%	6.0%	4.2%	8.3%	1.2%
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

7.1 Bratislava region

The considerable purchasing power of the this region's population is shown mainly in the elevated demand for services and for consumer and investment goods. This becomes a strong motivating factor on the supply side fueling business activities, which generally reach relatively high profit margins.

As for the individual industries and sectors, the transformation of the entire manufacturing structure has almost been concluded, which means that the majority of industries are likely to yield sustained profits. Almost 30 per cent of sales are derived from the trade and service sector, more than 30 per cent from the building industry and about 35 per cent from the petrochemical, chemical and engineering industry. Much like the remaining Slovak regions, the Bratislava region itself is marked by the recession of domestic demand induced by the decline in the purchasing power of the population[45]. The exceptional position of the business sector in terms of development funds is given by its above-standard export activity of a most favorable composition, which is a guarantee of sustained profits. While becoming strong on domestic markets is a question of the low price the domestic demand can afford[46], the key to success on competitive foreign markets is quality.

From the point of view of export production in the Bratislava region, the chemical, energy and engineering industry plays a fundamental role within the industry sector. A detailed picture of the performance and profit margins of companies helps to determine the region's branch structure of exports and to measure efficiency in the respective branches.

Table 40 Export structure and analytical measures of selected branches in the Bratislava region

	Regional share of exports	Profit to sales ratio	Liabilities to assets ratio
Chemical industry	32.6%	4.1%	22.7%
Energy industry	29.7%	23.2%	29.2%
Engineering industry	29.3%	-1.3%	59.5%

As the foregoing table shows, the exports derived from the energy sector and from the engineering and chemical industry jointly account for nearly 92 per cent of total exports of industrial production. The lowest profit to sales ratio[47] and the highest liabilities to assets ratio[48] can be seen in the engineering

[45] Expressed as growth rate of current income.

[46] It can be added, that according to a survey carried out on a sample of most important public and private organizations of the sector in the 2nd half-year of 1999, sales have been determined by the price level in the first place (50 per cent), then by the quality of sold commodities (35 per cent) and finally by the product specification (15 per cent).

[47] Expressed as profit before taxation to total assets.

[48] Expressed as total liabilities to total consolidated assets.

industry. The said facts perfectly illustrate the slow progress which is a typical feature of large-scale transformation processes going on in this industrial branch. The main cause of friction in this case remains poor liquidity.

However, the fundamental role of the automotive industry is undisputed - expanding rapidly, it reached an export performance of a staggering 99,6 per cent during 1998. The highly dynamic growth rate of this industry is mainly due to the sizable influx of foreign capital, which has here been successfully allocated. The strong resistance against external destabilizing factors, which is a characteristic trait of this industry, helps to successfully initiate and carry out the transformation of related branches in a relatively short period of time. On these grounds, the automotive industry in the Bratislava region can be considered to have an excellent outlook also from the larger perspective of the transformation process.

In the Bratislava region, the energy sector is part of those industries that have continuously generated profits. The predominant position in this branch is occupied by the state-controlled gas sector, which has just recently experienced difficulties arising from unresolved ownership relations. The substantial economic potential combined with an optimized ownership structure gives hope for the entire sector to eventually secure a solid position on the EU market.

As for chemical industry outputs in the Bratislava region, chemical consumer goods show a fairly high profit-to-sales ratio exceeding by far the national average. The production of consumer commodities in this sector is largely underpinned by foreign capital, which is manifested in an array of positive impacts. The average share of exports accounts for roughly 17 per cent of the total output generated by the chemical industry. In 1998, record levels of export performance were reached in fields of petrochemistry and industrial chemistry[49]. However, this type of production is to a considerable extent characteristic of reacting sensitively to exogenous destabilizing factors. The reasons for the present state of affairs may be found in the successfully launched, but still unaccomplished process of transformation, whose main focus was to address the areas of industrial chemistry and high price sensitivity of the petrochemical industry, where the sum of all factors pushed up the indebtedness further.

7.2 Trnava region

In the Trnava region, sales generated from the regional industry sector have not changed significantly in the past, accounting throughout for roughly 7 per cent of the total national value of industrial sales. The share of the building industry and of the trade and service sector exceeds 1 per cent of the respective nati-

[49] Expressed as export to total production According to Trend Top 100 enterprises operating in the field of petrochemical industry and industrial chemistry reached an medium value of this indicator.

Table 41 Export structure and analytical measures of selected branches in the Trnava region

	Regional share of exports	Profit to sales ratio	Liabilities to assets ratio
Chemical industry	55.5%	11.5%	58.1%
Glass industry	15.7%	24.4%	49.5%
Metallurgy	11.9%	2.8%	42.4%
Printing industry	7.7%	7.5%	45.9%
Mining industry	0.0%	11.4%	65.0%

onal output. The Trnava region is ranked 3rd from the point of view of economic performance[50]. The falling purchasing power of the population causes the demand for convenience goods to siphon off disposable money.

The business sector is to a major extent oriented at production targeting domestic markets. The share of exports in relation to total sales has been unable to get past 16 per cent, which is logically translated into the lowest export performance found within the family of Slovak regions. The majority of businesses are marked by a decline in domestic demand, which is chiefly due to the low share of exports in relation to total production and to prevailing undercapitalization. In addition, the fall in domestic demand is reflected in shrinking profit margins, lower production efficiency and unproportional growth of costs linked to funding. Industrial production takes the largest share in regional sales, amounting to 87 per cent of the total, followed by the trade and service sector and the building industry amounting to 10 and 3 per cent respectively[51].

From the a long-term perspective, a fundamental issue in achieving sustainable growth remains a stronger export performance, with exports oriented more towards solid markets providing for stable sales and appropriate pressure on competitiveness. As Table 41 indicates, about 90 per cent of the total region's exports are derived from the chemical industry, printing industry, metallurgy and glass industry. All of the said industries show fairly high profit to sales ratios[52] along with a relatively high degree of overall indebtedness. While the profit to sales ratio is indicative of the health of the manufacturing structure, the latter being to a great extent determined by the presence and size of foreign capital[53], a high liabilities to assets ratio is indicative of the sensitivity to external destabilizing factors. This assertion applies especially to the pharmaceutical industry, which should typically be part of the key industries with the best financial standing in a region.

[50] Expressed in GDP per capita at current proces.

[51] Concentrated mainly in the branches of light chemistry, glas production, mettalurgy, printing and food processing.

[52] Mainly the printing industry, where the profit to sales ratio reaches almost 25 per cent, which is the highest among all the industries in the region. As for its structure, the main focus is the production of various types of package and packagging material.

[53] Allocated mainly in the printing industry and partially in metallurgy.

An equally important section of economic activity is the mining industry and the gas sector primarily targeting domestic markets. From a longer perspective, the key to sustained high profits is the efficient utilization of the considerable potential of both sectors. The hitherto misdevelopment, or, to put it more bluntly, the ill-usage of production resources was a consequence of incorrect political decisions and counter-productive efforts of various interest group.

7.3 Trenčín region

Table 42 Export structure and analytical measures of selected branches in the Trenčín region

	Regional share of export	Profit to sales ratio	Liabilities to assets ratio
Chemical industry	58.8%	3.4%	45.9%
Engineering industry	16.1%	-3.8%	47.4%
Textile and clothing industry	16.7%	0.7%	74.0%

The main part of the economic activity in this region is oriented towards industrial production, which in the long run accounts for 86 per cent of the total value of sales in the region and which is concentrated mainly into the chemical, engineering, textile and clothing industry.

As Table 42 shows, the share of the selected industries represents roughly 90 per cent of the region's total exports. The overall gloomy mood shared by business operating in the given industries is mainly due to the given development options, all of which involve the generation of profits and of an appropriate level of indebtedness. Such outlooks are caused by macroeconomic factors which give hardly any room for adequate development on the one hand, and by the high level of undercapitalization in plants needing substantial investment in order to rapidly modernize inefficient equipment. The least affected are the branches of the chemical industry, mainly in the fields of rubber production and heavy chemistry showing the highest profit to sales ratio and the by far lowest liabilities to assets ratio. These branches belong to the most investment intensive ones, however investment costs needed in order to make manufacturing processes efficient again are among the lowest in all of the region's industries, and the related return on investment is possible only among the highest due to the abounding manufacturing tradition and the relatively strong export position.

The engineering industry is the sector most heavily plagued by creeping paralysis. The dynamics of progress in the modernization and transformation process of inefficient plants is very low, which is chiefly due to a lack of investment capital and to the absence of a global development vision.

Businesses operating in the field of the textile and clothing industry are already past the transitional stage of the transformation and modernization process, which manifests itself through increasing profit margins and through a stronger export performance.

7.4 Nitra region

Table 43 Export structure and analytical measures of selected branches in the Nitra region

	Regional share of exports	Profit to sales ratio	Liabilities to assets ratio
Pulp and paper industry	5.8%	4.6%	23.0%
Chemical industry	52.9%	4.8%	42.2%
Engineering industry	32.2%	-5.1%	69.6%

The growing share of social benefit paid out and the falling share of earned and capital income shapes the pattern of the region's demand for goods and services concentrating chiefly on consumption. The present demand backed by a poor income situation leaves barely any room for appropriate growth or recovery of the business environment. Therefore from a longer perspective, the essential factor of development is the level of economic activity oriented at the export of goods and services.

The major part of the economic activity of companies is concentrated into the areas indicated in Table 43. The joint shares of the selected industries in relation to the total worth of regional sales amount to more than 80 per cent, while 90 per cent of the region's total export is generated within the said industries.

The chemical industry specializes mainly in the production and export of chemical fertilizers and plastic materials. Almost 80 per cent of fertilizer production goes to foreign markets, while exports of the production of plastic materials amount to mere a 35 per cent. The above fact is reflected in a high sensitivity of the profit-to-sales and liabilities-to-assets ratios of plants with low export performance to macroeconomic development.

The pulp and paper industry has made significant positive progress, which is a manifestation of the influx of foreign investment into this sector. The production is oriented more than 60 per cent at foreign markets and is hence of considerable importance to the region's development.

The engineering industry, here represented by shipbuilding and production of heaters and white goods, has been heavily affected by a lack of financial resources needed for investment activities and renewal of plants. The highest export potential is seen in the area of shipbuilding[54], where real possibilities for dynamic growth are obstructed by poor availability and scope of funding. Overcoming these hurdles is essential not only to the development of the sector, but also to the entire region.

[54] According to Trend Top 100, exports accounted for 96.8 per cent of total sales in the shipbuilding in 1998.

7.5 Žilina region

Table 44 Export structure and analytical data of selected branches in the Žilina region

	Regional share of exports	Profit to sales	Liabilities to assets ratio
Pulp and paper industry	39.5%	-5.7%	37.5%
Electronics industry	**16.2%**	**0.1%**	**54.8%**
Metallurgy	25.5%	-2.5%	48.9%
Engineering industry	4.0%	-2.4%	65.6%

The Žilina region is marked by having a relatively very low economic performance and by a high and still growing share of distributed out social benefits[55]. This situation is naturally translated into a decline of the purchasing power in this particular region. Industrial production accounts for 67 per cent of total regional sales, followed by the building sector and the service sector reaching 25 and 8 per cent respectively, whereby especially the former shows a very strong presence[56] within the region.

Table 44 indicates the industries that have a significant impact on the development of the region. These industries account for nearly 60 per cent of total regional sales and provide the input for more than 90 per cent of exported production.

The pulp and paper industry is the industrial branch that has possibly made the greatest progress in terms of modernization and free-market adaptation This sector shows continuous growth of sales volumes with a more than 65 per cent share of export production. The negative value assumed by the profit to sales ratio and a relatively high share of loan capital in relation to assets in businesses are linked to extensive investment flowing chiefly into technologies and showing results in the present growth of sales and in the improved export competitiveness. This outlined trend should continue in the future, but the expected overall increase in financial expenses in the economy could cause friction.

The electronics industry is focused mainly on the production of digital communication systems and TV receivers. The macroeconomic development represents an obstacle to further development of the businesses found in this sector mainly because of difficulties linked to funding and to the fluctuations of the exchange rate. Despite this fact, producers of TV receivers managed to

[55] In the Žilina region, the GDP share per capita at current prices reached 93.300 SKK in 1998; appropriated social benefits amounted to almost 24 per cent of the earned income of households during the same year.

[56] The Žilina region disposes of strong construction potential, which is extensively used all over the Slovak territory activity. However, it depends largely upon the implementation of the state construction policy.

push exports further up, which has a considerable positive impact on the development of the region.

Companies and businesses of the engineering sector, which in most of the cases used to belong to the crumbled state-owned ZŤS-Group, have shown to be unable to raise either self-created or foreign investment funds vital for the introduction of efficiency improving changes. Apart from instant progress to be made in the complex support-delivery program, tailor-made to address key issues in the Slovak engineering industry, there will be no remedy to the ongoing ill-usage and waste of production resources.

The sector of metallurgy shows a high level of export performance mainly in the field of ferroalloy production[57]. Recently, there has been a slight drop in performance and in corporate efficiency accompanied by a rise in the share of loan capital. The rather extensive under-capitalization of individual production plants along with a high price sensitivity of export production cause the development of the business environment to be excessively dependent upon changes in the global business cycle of metallurgy.

7.6 Banská Bystrica region

Table 45 Export structure and analytical measures of selected branches in the Banská Bystrica region

	Regional share of exports	Profit to sales ratio	Liabilities to assets ratio
Chemical industry	4.2%	-2.8%	50.7%
Wood processing industry	4.3%	-3.0%	19.2%
Metallurgy	66.4%	-0.2%	57.0%
Engineering industry	5.2%	-3.7%	47.7%

Sales derived from the economic activity of business operating in the industrial production sector roughly amount to 77 per cent of the total, followed by sales in the service sector and the building industry reaching 22 and 1 per cent respectively. As for sales volumes, this particular region performs well in the fields of industry, trade and services, but shows a very low performance in the building industry.

As indicated in Table 45, the sum of the sales volumes derived from the above industries covers 75 per cent of the region's total earnings on industrial production. Their share on total regional exports has remained around 80 per cent.

The individual branches of the chemical, wood-processing and engineering industries reach an average export performance of 25 per cent. Hence their development depends upon domestic demand and upon the condition of the

[57] According to Tred Top 100, the average share of export in relation to sales reached roughly 92 per cent in the metallurgy sector of the Žilina region.

economic environment. The long-term objective here should be the improvement of export performance, which obsolete equipment and technology predetermine to be strongly investment intensive. The lack of investment capital also negatively affects the efficiency within companies pushing up their debt-equity ratio. For the near future, no significant progress in terms of profitability can be expected.

On the average, 67 per cent of metallurgic production is designated for export. The recession on the domestic and world markets in 1998 shrunk profit margins for the vast majority of enterprises operating in this sector and hence affected their future development. Under-capitalization surrounded by high financial expenditures resulted in the rise of the debt-equity ratio, which limits competitiveness. Without massive investment funds injections, there will be no strengthening of the export performance and no growth of economic results.

7.7 Prešov region

Table 46 Export structure and analytical measures of selected branches in the Prešov region

	Regional share of exports	Profit to sales	Liabilities to assets ratio
Chemical industry	60.0%	2.8%	62.1%
Electronics industry	4.2%	-1.5%	45.5%
Engineering industry	26.3%	-3.6%	51.0%
Textile and clothing industry	6.9%	-2.8%	61.3%

The Prešov region is marked by two features - the lowest economic performance and the weakest income situation of its population[58]. These features are reflected in the condition of the business sector.

As shown in Table 46, the selected industries account in the long run for almost 80 per cent of the region's total sales while providing input for 97 per cent of the total export production. The sales derived from the building industry have not dropped below 9 per cent, while trade and services sectors were unable to exceed the 1 per cent marker. From the perspective of further development, this is a major drawback. The poor situation in the business environment, along with inefficient pre-transformation conditions of the production plants does not represent a suitable vehicle for sustainable growth. The said features, which add to the high sensitivity of exogenous destabilizing factors, can be found in all selected industries. Without a systematic approach to strengthening the export performance with a view to reach sustainable competitiveness,

[58] GDP per capita at current prices amounted to 70 500 SKK. The ratio of appropriated social benefits to current earned income in the region reached 24 per cent, which is the highest value assumed by this ratio in entire Slovak economy.

there is little hope of maintaining the stability of the region's industry in the long run, especially in the troubled macroeconomic situation of Slovakia.

The highest export performance of around 65 per cent is found in the chemical industry. The field of heavy chemistry production can be qualified as being highly price sensitive and extensively undercapitalized. The introduction of inevitable systematic measures aimed at the improvement of quality and at the renewal of obsolete technology will be impossible without the participation of external inputs, which should have the effect of boosting export performance.

A high degree of under-capitalization, obsolete equipment and technology, a vital lack of investment capital and growing financial expenditures are features common to the majority of enterprises of the above mentioned industries. Plummeting economic results, a growing debt-equity ratio and a decreasing production efficiency make existent plants deteriorate and at the same time largely reduce the room for a healthy long-term development.

7.8 Košice region

Table 47 Export structure and analytical measures of selected branches of the Košice region

	Regional share of exports	Profit to sales ratio	Liabilities to assets ratio
Chemical industry	14.6%	-4.2%	52.1%
Electronics industry	12.6%	-6.7%	48.0%
Metallurgy	57.5%	-0.7%	84.8%

High export capacities[59] and sizable earned income of households have shaped a business environment in which sales derived from the industry account for 53 per cent the region's total, while sales from trade and services and from the building industry amount to 44 and 3 per cent respectively.

The sector of metallurgy along with related activities in the field of trade, plays a leading role in this region. From a long-term perspective, the share of total sales in metallurgy in relation to total sales in the region's industry exceeds 63 per cent; by analogy the share of the turnover of metallurgy-related trade and service activities in relation to total turnover of the trade and service sector reached 90 per cent. This industry covers approximately 57 per cent of the region's total industrial exports, while related activities represent 93 per cent of exports made in the trade and services sectors. Recent development in this industry has seen extensive ill-usage and waste of production resources, which resulted in a diminished liquidity. Consolidation in combination with an influx of foreign capital should represent a guarantee for an efficient utilization

[59] GDP per capita reached 108 500 SKK at current prices in 1998; export per capita reached 78 900 SKK during same year.

of the excellent present technology and labor force, which pre-determines the future economic development of the region.

The remaining industries, namely the chemical and electronics industries, play an essential role in the development of the business environment and together with metallurgy, they represent 85 per cent of the region's export capacity. The main focus of the chemical industry is the production of heavy chemistry, which has a substantial export rate of about 72 per cent. The recent development confirms the high price sensitivity of exported products, which is mainly the consequence of the low efficiency of production induced by undercapitalization of production plants. The existing capacities and technological potential are to a great extent focused on the production of special high-quality commodities. Finding a remedy for the financial difficulties manifested through a high level of active debts should provide the industry with sufficient room to succeed on EU markets.

The business environment of the electronics industry has been partially restructured. The presence of foreign capital shows its effect in the strong export orientation of 97 per cent and in the high growth potential of plants specializing in electromotive systems. This type of production is highly adaptable to the needs of the car industry, which makes it a strategic element not only in the development of the industry itself, but also in the evolution of the whole region. The remaining part of the electronics industry is in most cases marked by obsolete technologies and by the lack of investment capital, both leading to a continuing loss of performance.

8 LEGAL FRAMEWORK OF REGIONAL DEVELOPMENT FROM THE VIEWPOINT OF EU INTEGRATION

The present situation in public administration is marked by the following features[60]:

8.1 State administration

- Very high degree of centralization, high engagement of the state in public affairs
- Weak horizontal coordination, sectoral approach even in the implementation of all-level policies
- Direct financial linkage to the state budget
- Horizontal integration of state authorities across the administration territory, whereby the coordination responsibility lies with the Ministry of the Interior (District authorities, local/municipal authorities; only few state authorities keep their organizational independence, e.g. tax authorities)
- Proliferation and resistance to change, inefficient management of public resources
- Little transparency in administrative processes, politicization of state authority executives

8.2 Local/municipal administration

- The existence of only one of the two levels of local self government embedded in the Constitution (district authorities), total absence of regional authorities
- Immense discrepancies among districts (in terms of population, surface and infrastructure)
- Considerable autonomy of local governments - district authorities can be put under an obligation only by law, they are self-managed (empowered to pass own budgets[61]) and they have natural law-making authority[62]

[60] The Slovak Republic uses a divided system of public administration with a three-level state administration (central authorities - regional authorities (8) - district authorities (79) and an expected two-lewel territorial self govemrnment (municipalities (cca 2878) - higher-level territorial units (hereinafter referred to as „regions" - their number remains to be determined in accordance with the territorial division)).

[61] The existsing legislation does not provide effective mechanisms to regulate the indebtedness of municipalities and to keep municipal organs from uncontrolled selling out of municipal property.

[62] With regard to the great number of small municipalities, the lack of qualified lawyers nad the low transparency of the legislation, there is eroneous municipal ordinance often to be encountered.

- Impossibility of an efficient implementation of the subsidiarity principle and of power decentralization without the establishment of a regional administration[63]
- Centralized funding system of local governments, dependence of local administrations upon the approval of the state budget
- Legal gaps in the regulation of cooperation among self-governments, which is aimed at meeting administrative goals and insufficient legal regulations to determine the forms and scope of business activities available to local authorities

8.3 Public administration in general:

- Authorities are being run by means of traditional forms, instruments and methods
- Unaccomplished systems of internal and external supervision[64]

From the viewpoint of the present conditions, the Slovak Republic is not ready to meet the requirements for efficient regional management. In order to reach such a state of readiness, structural, institutional and functional reforms will be necessary. The goals of these reforms surpass in their scope the issues of regional policy, but their implementation immediately affects the performance efficiency of applied regional policies. The said goals are namely:

- An optimum proportion of decentralization of duties and finance; the reduction of governmental duties in order to set up favorable conditions for the implementation of the subsidiarity principle
- Further democratization and more transparency in public administration, participation of lower levels
- A horizontally coordinated system of public administration in the territory allowing to take full advantage of all parallel sections of public administration[65]
- Efficiency and flexibility of the public sector – the ability to take action rationally under changing conditions
- Improvement of the preparation and efficient application of regulatory measures[66]

[63] Organs of state administration have so far been responsible for the handling of all issues surpassing the scope of municipal authority, which such handling would often require the involvement of several Departments.

[64] This involves the supervision of lawfulness and adequacy of action taken by authorities as well as financial control.

[65] On one side, the structure of self-governing territorial bodies can be found and on the other, there is the structure of state administration bodies.

[66] A measure of quality is the extent to which the principles of a legal state are being respected (legal bench-mark of regulation) on one hand, and the relationship between regulation related cosis ad expenditures and the implementation of such regulation in terms of its social benefit (economical and financial bech-mark of regulation).

- Simplification of administrative proceedings and abolishment of bureaucratic barriers
- Institutional and functional preparation of the public administration system for future integration into the EU

Public administration reform needs an all-around approach in order to be able to change the existing system in the desired scope. The reform therefore has to comprise the following steps:

8.1.1 Institutional and organizational reform[67]

First of all, it is necessary to continue the process of delegation (decentralization) of power further down to local/municipal administration levels that has been put on hold and to restart the process of the so-called effective privatization of public duties[68].

- Territorial administration

An inevitable step will be to introduce regions[69] as the second level of the territorial administration structure, while giving them the necessary power to independently govern regional affairs. The existence of regions requires the implementation of an integrated regional policy because it will be the regions themselves who will provide for the execution of regional public duties[70], be responsible for coordinating, assessing and planning the development of their territory[71], decide about public investment of regional scope and carry it out, hold stakes in regional agencies, co-fund development projects, etc. The specific position of the regions within the public administration system is still open; the number and the respective size of the regions as well as the scope of the power to be delegated to self-governments are issues which are subject to future decisions, whereby the role of the regions will immediately depend also on how the execution of duties delegated to local/municipal authorities is mana-

[67] In terms of vertical and horizontal structure of the public administration organs and in terms of authority given to perform individual duties and obligation.

[68] Sometimes referred to as functional privatization (funktionelle Privatisierung), mainly because it integrates the market function into the initial scope of duties. It means the return of public duties to the private sector and the abandonment of state intervention, while having a direct deregulatory effect, the public interest is reflected only in identified framework conditions and rules providing a smooth run of the markets.

[69] Higher territorial units according to the Constitution of the Slovak Republic (Article 64, Sec. 3). In order for the regions to have a natural law-making power similar to the power of municipalities, there is and ammendment to the Constitution to be made.

[70] For ex.: decentralization in the field of education, medicare, etc.

[71] Data collection and analysis, and the coordination of cooperation with other participants on the preparation of regional development plans should represent the primary areas of focus.

ged given the unfavorable size structure of the territorial administration system.[72]

- State administration
- Reorganization of the bodies of central state administration aimed at forming conception-, coordination-, and assessment-oriented bodies
- The gradual decentralization of duties should cause supervisory and inspection functions to prevail within the authority given to horizontally integrated local authorities[73]
- Improvement of the horizontal coordination of state administration organs
- With regard to inefficient operation of the state administration, the present administrative break down into districts and regions should re-assessed[74]

8.1.2 Reform of the operation and supervision of public administration

- The abandonment of the directive approach in following the administration agenda and the orientation at substantial usage of instruments of coordination, consensus, information and communication require an amendment of the Administrative Procedure Code, which will supplement existing institutions and introduce new ones[75].
- Support for the measures of program- and project-oriented management[76]
- Implementation of a regulatory reform[77]

[72] The total number of minicipalities as of December 31. 1997 reached as much as 2875 municipalities, whereby the population in 382 municipalities did not exceed 200; there are some 823 municipalities with population not exceeding 500 and some 761 municipalities counting less than 1000 inhabitants. This means, that population does not exceed 1000 inhabilants in 68 per cent of the Slovak municipalities, which jointly account for as little as 16 per cent of Slovakia a total population. This situation call for viable economical and legal options of integrating small local self-governments into bigger units with the view of being, able to better respond to demanding administrative conditions.

[73] So-called regional and district authorities. Does not apply to specialized state administration bodies (eg internal Revenues Services).

[74] The most important question is the number of districts and their respective size (decrease of number).

[75] For ex.: public-law subordination agreement" position of so-called affected organs" framework arrangement for the adoption and treatment of public-law coordination agreements; new concept of administrative enalization.

[76] Methods used for a proper preparation of documentation and application material, which preconditions the appropriation of financial resources from EU pre-entrance funds and later from structural fonds; methods providing for an efficient utilization of appropriated funds.

[77] Udentification of standards to reach regulatory quality, refinement of regulatory decision-making principles (data collection, analysis of the effect of regulatory processes, consultation on proposed regulatory measures, assessment of regulatory measures...); strengthening the position of extra-legal social regulation. C.f. Activity reports of the Public Management Committee (PUMA) operating under the OECD.

- Preparation and implementation of a conception of IT introduction into public administration[78]
- The power decentralization concept and the so-called organizational privatization of public administration[79] call for the establishment of a complex and consistent system of external and internal supervision in public administration[80], so that no process would be left unchecked and that each process would be checked in the most efficient manner[81].

8.1.3 Reform of the system of funding in public administration

- The decentralization of power delegating more authority to territorial self-governments must be accompanied by the decentralization of funding of territorial self-governments[82]; this is a complex issue requiring a tax system reform
- Reform of the budget management system[83]
- Legal mechanisms to regulate maximum debt levels for self-governments
- Legally regulated regional system of vertical and horizontal clearing
- Efficiency improvement of external financial supervision[84] and preparation of a harmonized system of internal financial supervision applied to functionally unrelated entities[85]

[78] Coordinated database shaping; output to be used for decission-making and supervisory processes in public administration and for decision-making purposses in the private sector.

[79] Ocassuibakky referred ti as firmal privatization - the public administrative organ keeps the duties imposed on him, but in order to carry them out, it makes use of legal and organizational forms proper to the private sector, a typical feature is the establishment of limited corporations or stock companies.

[80] This involves control mechanisms applied to public administration (e.g. administrative judical system, parliamentary supervision) and control mechanisms employed by public administration (e.g. degrees of administrative proceedings).

[81] The main focus will be the supervision of lawfullness and adequacy of external law-making and individual action taken by the organs of public administration; supervision on all degrees of administrative proceedings, municipal management of duties taken over from local state administration, introduction of informal supervision thru the institute of a Parliamentary Commissioner for Administration (possibly thru Parliamentary Commissioners for Regional Administration).

[82] Increase in the share of proper revenues (local taxes and fees...) and of freely disposable receipts (proportional taxes, block subsidies...), stabilization of the receipt basis.

[83] At least the territorial administration should be enabled to pass multiple-year budgets.

[84] This involves extending the authority National Supervisory Authority (NKÚ) in order to strengthen its position - an ammendment to the Constitution of the Slovak Republic will be necessary.

[85] The major concern is the need for instant introduction of supervisory sections into those deparmtnets, which decide on the allocation of public resources. This is a vital step for the execution of administrative duties and for the programming of EU preentrance funds.

8.1.4 Staff reform

This issue is closely linked to the above issue of the operation reform of public administration (c.f. point 2.).

- A separate labor regulation tailor-made for the employees of the state and territory administration
- Introduction of training mechanisms into public administration

8.1.5 Optimization of relations between the public and the private sector[86]

- The creation of an environment stimulating profit-making and non-profit entities to actively participate on issues of common interest with the view of reaching socio-economical equilibrium and sustainable growth.

The following steps fostering regional development in terms of public administration have been or are being taken:

Organization of the reform of public administration

- On the February 3, 1999, government decree NR. 98 officially established the Office of the Plenipotentiary of the Slovak Government to be responsible for the implementation of the Strategy of the public administration reform project.[87]
- The document entitled „Strategy of further progress in the process of decentralization and public administration reform" has been prepared under the plenipotentiary and subsequently submitted to the Government, which in August 1999 has taken judicial notice of it in form of Government Decree NR. 695.[88]

[86] Basic precondition is a complete and transparent privatization.

[87] Ing. V. Nižnanský was appointed to the Office of the Plenipotentiary.

[88] By the above decree, the Government decided the implementation of the reform to be based on the „Strategy Document". This means, that the Slovak Republic will adopt the divided public administration model, which means and institutionally separated two-part system of state administration and self-government. The document further contains a time schedule for the ongoing decentralization process in public administration. Along with the strategy came the initial general draft of the list of future authorities to be delegated to territorial self-governments, whereby this issues should definitely be resolved by December 31, 1999. It is only natural, that the expected changes in the regional and administrative division of the Slovak Republic be refined by the same time. Questions arise mainly in connection with the territorial division into regions, but also in connection with the changes in the number of districts representing the lowest level of state administration. Rather unclear remains how the so-called small regions will cope with the new load of duties imposed on them.

- At present, the plenipotentiary is in the process of preparing the Concept of decentralization and modernization of public administration in accordance with the „Strategy Document"; all public authorities designated by the above Decree, namely the designated Departments, the Bureau of the Government and the Supreme Supervisory Authority (NKÚ) shall join efforts to draft reform concepts to be then appropriately embedded in legislation.[89]. The officially foreseen launch date of the reform package (establishment of regions, delegation of power and property to self-governments, funding system revision, etc) is January 1, 2001.
- The Government Deputy for human and ethnic rights and regional development continuously coordinates the preparation and implementation of regional policy and development programs with the reform process in public administration

The above reform measures have been accompanied by the following changes on the legislation side:

- Amendment to the Public Competence Act[90], which transformed the Department for Construction and Public Works into the Department for Construction and Regional Development[91].

Relationship between private and public sector in free-market conditions

- State Assistance Act[92]

[89] The Strategy document contains in its annex a list of examples of expected laws.

[90] Act Nr. 293/1999 of the Law Digest ammending Act Nr. 347/1990 of the Law Digest on the organization of ministeries and other central organs of state administration of the Slovak Republic.

[91] The transformation consisted of the reformulation of initial competence of the Department for Construction and Public Works and of the introduction of a new focus - regional development (c.f. § 10 on the new competence of the Department). Contrary to the Czech Republic, where a new organ entitled Department for Regional Development has beed established, the scope of authority of the transformed Department has so far not been extended to other closely related areas such as urban planning, construction regulations, investment policy making, tourism and regional business assistance. The Department should further be responsible for the coordination of sectoral policies of the state administration, which should result in an integrated approach of the state administration to regional development.

[92] Act Nr. 231/1999 of the Law Digest on State Assistance, with effect from the 1st of January 2000- This law regulates the establishment of the Sate assistance Authority, headed by a chief officer proposed for appointment by the Government and effectively appointed for a five-year term by the National Council of the Slovak Republic in Accordance with principles valid in the EU, this Act regulates the granting and monitoring procedures of horizontal, regional and sectoral assistance.

- Public Procurement Act[93]
  (both acts have been passed as a consequence of the legal harmonization process).
- Introduction of the so-called tax loan[94] for income taxation of legal entities

International commitments

- Joining of the European charter on local self-governments[95]
- On the 1st of December 1999, the Government passed the National Development Strategy[96]

[93] Act Nr. 263/1999 of the Law Digest on Public Procurement, with effect from the 1st of January 2000. In accordance with the law, a new central organ of state administration, called Public Procurement Authority with headquarters in Bratislava shall be established. Na základe zákona vzniká nový ústredný orgán štátnej správy - Úrad pre verejné obstarávanie so sídlom v Bratislave. According to this Act, public procurement regulations apply equally to regional development projects co-financed from public budgets.

[94] Act Nr. 64/1999 of the Law Digest ammending Act Nr. 286/1992 of the Law Digest on Income Taxation (c.f. Annex).

[95] In the 25th October 1999, the National Council of the Slovak Republic gave consent to the ratification of this international decree; however no commitment has been made to comply with Article 9 Sec. 1 of the Charter establishing the right of local/municipal organs to have disposal of an adequate amount of own funds.

[96] It is the first part of the intgrated plan of regional and social development in Slovakia, designed to assist the implementation of the Phare 2000 Programm. The remaining parts are regional operation programms for key regions (pre-requisite are operational steering and monitoring commitees) and corresponding financial plans - the preparation of the latter being due in the first quarter of 2000. The implementation of the integrated plan requires the adoption of the Act on Regional development.

9 ANNEX

Improving Investment Climate / Incentives - To further stimulate economic growth within the regions most vulnerable to rising unemployment as a consequence of company restructuring, the Government introduced new tax incentives from April 1st 1999. Elements of Tax Credit package and Eligibility

- 100% tax relief on profits during the first 5 years if an enterprise, with a minimum participation of a foreign stockholder of 75%, meets the following conditions:

a) Investment in fixed capital of at least 5.0 million EURO. At least 60% of the sales of manufactured goods derived from exports.
b) Threshold of investment reduced to 2.5 million EURO for manufacturing activity in a district where unemployment exceeds 15% calculated on 31st December of the year prior to the year the company was established.
c) Threshold reduced further to 1.5 million EURO for tourism related investment where sales from tourist services exceed 60% of total sales

- 2. 50% tax relief on profit during the subsequent 5 years subject to the following criteria:

a) Further fixed capital investment of 5.0 million EURO. At least 60% of sales to be derived from export.
b) Further increase in fixed capital investment of 2.5 million EURO in high unemployment districts. Tax relief may be increased by a further 20% based on the amount the enterprise commits to research and development.

- Zero Import Duty - Import of new machinery and equipment specified in the September 1999 OECD list (parts HS 84 and HS 85 - high technologies) is zero import duty rated provided the equipment had not been depreciated in another country. This measure applies to manufacturing activity only.

Table 45 Largest companies ranked by sales and branches of processing industry calculation according to corporate data for the interval between 1993 - 1998

Company name	Sales total (Mill. SKK)						Profit before taxation (Mill. SKK)						Export (Mill. SKK)						Average headcount					
	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998
Pulp and paper industry																								
Severoslovenské celulózky a papierne, a.s., Ružomberok	3.520	5.009	6.710	6.086	7.577	6.660	-299	737	2.222	309	323	402	2.066	3.061	4.463	4.125	4.691	5.694	3.522	3.559	3.678	4.309	4.370	3965
AssiDoman Štúrovo, a.s., Štúrovo	2.053	2.570	3.755	3.162	3.404	3.254	55	59	374	22	173	134	1.054	1.587	2.453	1.918	1.984	2.185	3.047	2.768	2.639	2.567	2.329	1987
SCA Mólnlycke, s.r.o., Gemerska Hórka	337	429	735	1.330	2.149	2.241	-44	-18	38	74	-28	-230	210	323	586	1.151	2.045	1.941	245	213	265	339	411	318
Harmanecke papierne, a.s., Harmanec	744	873	725	1.058	1.336	1.098	n	33	-14	53	32	50	420	401	390	633	713	820	1.012	976	672	773	776	1014
Tento, a.s. Žilina	n	n	n	n	2.259	572	n	n	n	n	-69	-156	n	n	n	n	525	2.101	-	-	-	-	225	950
PT, a.s. Žilina	826	811	1.617	2.179	1.348	0	-42	-124	-690	-539	-173	0	519	722	1.409	1.971	0	0	650	789	874	891	631	
Bukoza Holding, a.s., Hencovce	1.076	1.451	2.106	1.493	1.757	n	-286	-26	50	-401	0	-121	1.046	1.138	1.625	903	0	0	2.722	2.532	2.566	2.130	2200	
Chemical industry																								
Slovnaft, a.s., Bratislava	25.406	29.580	31.917	35.889	31.509	40.173	1.611	3.143	3.274	2.307	3.113	910	10.878	14.264	15.606	17.609	20.357	16.182	5.920	5.309	5.276	4.984	4.704	4341
Matador, a.s., Puchov	4.979	5.962	7.835	7.966	7.172	7.824	605	584	1.195	404	185	215	3.864	4.565	6.245	6.475	6.177	5.750	3.874	3.899	4.447	4.604	4.375	3878
Duslo, a.s., Šaľa	3.207	4.799	6.357	7.189	6.350	6.752	-454	105	274	535	243	132	2.417	3.692	4.966	5.414	4.941	5.094	3.153	3.200	3.408	3.418	3.690	3236
Slovakofarma, a.s., Hlohovec	2.902	3.333	4.039	4.413	5.361	5.356	726.8	673.6	929	912	622.2	372	2102	2399	2807	2914	3149	3815	2073	2123	2234	2377	2366	2322
Chemion, a.s., Humenne	2.969	4.267	4.534	4.291	4.297	4.677	n	-60	24	-48	-184	20	2.540	3.824	3.966	3.653	4.161	3.948	3.760	3.218	2.967	2.734	2.568	2373
Wood-processing industry																								
Stredoslovenské lesy, š.p., Banska Bystrica	0	866	1.057	1.282	1.322	1.532	0	3	5	7	7	1	68	66	47	57	0	n	4.915	5.138	4436	0		
Spartan, a.s. Trnava	322	421	479	554	676	526	n	18	30	64	n	n	312	418	475	552	521	674	318	306	283	288		
Preglejka, a.s., Žarnovica	430	451	459	398	376	0	-42	3	7	-39	-152	0	322	339	307	n	0	0	1.205	1.204	1.173	n	n	
Prlompregna, a.s. Košice	0	445	538	491	454	0	0	7	6	-56	-39	0	0	305	421	375	0	0	n	843	430			
Electronics industry																								
Siemens Automotive, s.r.o., Michalovce	0	0	1.085	2.534	4.524	3.731	0	0	9	-36	-162	-422	0	0	1.177	2.534	3.211	4.393	1.520	2.064	1.979	1871		
Alcatel Slovakia, a.s., Liptovsky Hradok-6	628	1.052	1.704	2.331	2.923	2.953	-55	43	66	227	391	334	452	538	986	1.264	0	0	301	350	374	392	416	413
Kablo, s.r.o. Bratislava	781	1.004	1.773	1.610	1.643	2.401	-154	-199	-85	-140	-229	n	547	695	1.379	1.250	1.812	1.314	482	543	510	499	561	475
EZ Elektroesystémy, a.s., Bratislava	982	650	627	741	2.218	1.510	67	44	50	55	94	64	34	130	134	29	42	0	1.469	1.199	1.041	1.027	1.098	1171
PPA Controll, a.s. Bratislava	0	185	202	336	2.735	1.337	0	6.775	7.231	16.27	32.66	82.76	0	5.062	100.9	33.69	0	0	n	610	7	76	45	
OTF-Holding, a.s., Nitra	1.806	1.799	1.673	1.243	1.058	919	41	-182	-154	-360	-453	-77	797	902	869	412	372	0	4.248	4.101	3.896	3.400	2.874	1741
Metallurgy																								
VSŽ Ocel, s.r.o., Košice	28.726	33.030	38.950	29.882	33.223	35.557	168	446	1.733	214	201	-716	18.483	26.548	29.655	n	0	0	10.123	11.630	11.666	10483		
Slovalco, a.s. Žiar nad Hronom	n	1	1.615	6.504	8.116	8.078	-1	-238	34	37	16	56	n	n	1.045	5.424	6.869	6.872	88	136	539	745	746	737
Železarne Podbrezova, a.s. Podbrezova	1.820	1.771	2.864	3.020	3.983	3.643	-307.2	-199.7	86.02	20.6	42.07	86.22	1383	1338	2127	2277	2880	3257	4076	3870	3843	3736	4080	4042
Oravske feroziatinarske zavody, a.s. Istebne	2.536	3.312	3.867	4.003	3.184	3.540	14	18	-31	-211	-225	-212	2.272	2.904	3.534	3.674	3.279	2.929	1.925	1.877	2.139	2.166	1.932	1619
ZSNP, a.s., Žiar nad Hronom	2.367	2.610	2.507	1.844	2.569	3.462	-64	0	1	0	-498	-900	2.501	756	787	618	943	1.188	5.866	5.472	2.508	2.692	3.007	2704
Drôtovňa, a.s., Hlohovec	1.994	2.114	2.451	2.369	2.173	2.335	72	97	175	120	47	-1	1.187	1.198	1.342	1.119	1.222	1.090	2.478	2.258	2.190	2.208	2.150	1902
Alufinal, a.s. Žiar nad Hronom	1.179	1.363	1.532	1.521	1.756	1.651	34	45	74	67	31	20	621	1.314	578	723	777	983	1.120	1.120	1.148	1088		
Shoe industry																								
JAS - Export, s.r.o., Bardejov	0	0	98	314	422	0	0	0	0	0	0	0	0	0	89	307	409	475	n	n				

(continue) Table 45

Company name	Sales total (Mill. SKK)						Profit before taxation (Mill. SKK)						Export (Mill. SKK)						Average headcount					
	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998
Cebo Holding Slovakia, a.s., Partizánske	1.958	1.362	1.359	1.237	0	0	n	n	n	n	0	0	893	617	721	496	0	0	10.054	6.673	6.112	5.418		
Kožiarske závody, š.p., Liptovsky Mikuláš	619	617	541	0	0	0	-16.07	-14.63	-64.88	0	0	0	299.8	266.6	248.2	0	0	0	1687	2493	1015			
Printing industry																								
Grafobal, a.s., Skalica	596	863	1.068	1.061	1.307	1.269	165	131	95	82	168	74	251	394	492	454	459	461	n	n	847	749	742	753
Slovenská Grafia, a.s., Bratislava	606	715	860	1.066	1.189	1.095	35	57	61	18	19	3	275	345	407	543	587	673	562	577	596	592	558	551
Neografia, a.s., Martin	569	684	751	835	916	777	17	60	59	62	49	15	416	533	559	503	0	0	1.005	983	976	976	975	967
Food processing industry																								
Palma-Tumys, a.s., Bratislava	1.806	2.318	2.787	3.242	3.662	3.479	98	170	205	233	188	315	0	124	106	153	223	0	909	909	897	947	992	1011
Slovak International Tabak, a.s., Bratislava	1.881	2.304	2.399	2.405	3.096	3.199	207	333	259	280	634	530	539	851	970	770	952	907	1.612	1.487	1.395	1.181	1.055	1000
Jacobs Suchard Figaro, a.s., Bratislava	1.172	1.583	1.745	2.114	2.446	2.389	85	-6	2	160	171	40	479	596	545	579	511	545	690	727	795	891	955	764
Coca-Cole Beverages Slovakia, s.r.o., Bratislava	453	623	856	1.249	1.942	1.805	-75	-92	-121	-301	n	n	n	n	72	44	60	0	134	205	282	500	565	668
I.D.C. Holding, a.s., Bratislava	1.012	1.736	1.601	1.673	1.749	1.764	n	354.9	282.6	252.3	168.1	111.9	n	618.2	475	309.4	0	0	1667	1653	1742	1659		
Glass industry																								
Skloplast, a.s., Trnava	1.197	1.402	1.895	2.130	2.002	2.372	192.9	253	279.2	746.6	727.1	515.6	952.9	1136	1535	1729	1600	1721	1523	1369	1416	1402	1316	1271
Skloobal, a.s., Nemšová	892	1.060	1.263	1.199	1.256	1.301	65.17	113	188.9	151	88.23	-104.3	383.9	410.8	597.9	495	571.8	565.3	114	1090	1094	1097	1049	1038
LR Crystal, a.s., Lednické Rovne	537	822	589	674	808	721	64.99	48.01	39.99	19.88	32.16	17.53	453.6	523.2	508.6	585.2	576.9	661.2	1623	1621	1557	1437	1439	1513
Production of non-metal mineral products																								
Hrocem, a.s., Rohožník	1.309	1.404	1.703	1.340	1.970	1.699	152.6	129.3	218	4.358	96.99	-23.8	849.8	850	1152	704.6	976.1	922.2	1012	969	818	681	664	649
VSŽ Keramika, s.r.o., Košice	891	1.025	1.069	1.063	1.178	1.348	13.37	9.465	19.81	36.37	13.61	25.73	121.6	175.1	170.3	n	0	0	838	902	1222	1220		
Slovmag, a.s., Lubeník	871	569	980	1.058	1.035	1.030	78.55	27.6	41.6	79.43	106.9	106.1	723.8	496.1	811.2	905.8	903.5	912.5	1756	1510	1523	1580	1531	1498
Kerko, a.s., Košice	574	499	731	820	857	822	39.13	20.57	18.62	241.8	257.1	277.2	120.4	265.1	305.4	n	0	0	n	n	n	1141	n	896
Engineering industry																								
Volkswagen, a.s., Bratislava	1.566	3.975	13.889	18.187	56.713	21.721	-183.5	33.29	324.8	500.5	343.1	608	1395	3727	13299	17479	21483	56462	1421	1955	2745	4704		
Tatravagónka, a.s., Poprad	1.403	2.149	2.491	1.942	4.449	3.421	30.21	35.69	28.6	-34.64	81.38	39.08	1294	2195	2381	1487	2656	3891	2914	2693	2152	2051	2106	2352
Whirlpool Slovakia, a.s., Bratislava	955	1.154	2.039	2.684	4.322	3.330	n	n	34.21	210.3	394.4	n	506.1	559.8	1335	1517	2060	2880	491	345	369	384	372	481
Slovenské lodenice, a.s., Komárno	1.521	2.392	2.713	2.268	3.286	3.081	-154.2	225.7	71.23	13.1	38.14	0.645	1458	2357	2526	2130	3017	3180	2813	2748	2950	2773	2599	2563
Slovenské energetické strojarne, a.s., Tlmače	2.251	3.036	2.574	4.165	6.180	2.700	12.13	11.09	-669	-431.7	89.6	72.44	1320	1018	754.2	969.7	0	0	5161	4437	4434	4313	4315	631
Textile and clothing industry																								
Ozeta, a.s., odevné závody, Trenčín	1.832	2.086	1.846	1.916	1.992	1.878	117.8	110.2	5.641	-35.85	-49.76	-34.89	1646	1875	1672	1676	1608	1695	5809	6929	5976	5767	5384	4986
Makyta, a.s., Puchov	1.011	990	968	1.021	1.187	1.044	n	n	23.07	9.114	6.548	n	716	692.5	732.4	706.9	694.9	752.4	4543	4489	4483	4266	3831	3576
Maytex, a.s., Liptovsky Mikuláš	n	957	1.021	1.025	1.042	1.022	n	54.25	9.071	1.86	8.745	-46.55	n	370.2	469.4	443.9	491.6	570.8	1400	1428	1401	1355	1339	
Levitex, a.s., Levice	462	751	796	885	869	924	19.15	-69.07	6.816	10.93	-80.6	-52.03	122.1	265.2	312.2	325.7	283.6	0	1510	1492	1449	1410	1319	1227

Table 46 Largest companies in the regions of Slovakia sales ranked by according to corporate data for the interval between 1993 – 1998

Company name	Sales total (Mil. SKK)						Profit before taxation (Mil. SKK)						Export (Mil. SKK)						Average headcount					
	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998
REGION BRATISLAVA																								
Slovenský plynárenský priemysel, š.p., Bratislava	n	34,547	36,825	39,439	43,514	41,548	12,700	13,253	13,321	13,792	9,645	8,574	n	14,008	17,056	18,789	19,875	20,709	5,317	5,586	5,935	6,265	6,440	
Kerametal, a.s., Bratislava	18,839	33,800	33,715	36,466	20,754	40,802	n	275	n	n	15	n	7,189	16,011	15,661	16,880	18,256	19,095	237	236	237	220	216	
Slovnaft, a.s., Bratislava	25,406	29,580	31,917	35,889	31,509	40,173	1,611	3,143	3,274	2,307	3,113	910	10,878	14,264	15,606	17,609	20,357	18,182	5,309	5,276	4,984	4,704	4,341	
Slovenské elektrárne, a.s., Bratislava	27,710	24,229	26,176	29,088	29,592	28,983	9,360	9,294	7,487	4,938	2,435	1,535	n	68	446	953	385	0	10,294	10,382	10,748	11,282	11,313	
Volkswagen, a.s., Bratislava	1,566	3,975	13,689	18,187	56,713	21,721	-183	33	325	501	343	608	1,395	3,727	13,299	17,479	21,483	56,462	1,421	1,955	2,745	4,704		
Slovnaft Benzinol, a.s., Bratislava	8,612	11,714	16,435	16,001	19,173	17,116	198	308	-261	466	528	456	n	n	n	n	0	0	1,346	1,310	1,230	1,180	1,331	
Slovenské telekomunikácie, a.s., Bratislava	6,964	8,649	9,883	12,864	16,974	15,238	1,965	2,117	2,802	4,199	4,310	2,061	n	n	n	n	0	0	15,367	15,306	15,374	15,278	14,848	
REGION BANSKÁ BYSTRICA																								
Slovalco, a.s., Žiar nad Hronom	n	1	1,615	6,504	8,116	8,078	-1	-238	34	37	16	56	n	n	1,045	5,424	6,869	6,872	136	539	745	746	737	
Drukos, s.r.o., Banská Bystrica	0	0	1,495	3,040	4,318	4,310	0	0	4	11	8	18	0	0	1	26	13	0	233	512	633	650		
Železarne Podbrezová, a.s., Podbrezová	1,820	1,771	2,864	3,020	3,983	3,643	-307	-200	86	21	42	86	1,383	1,338	2,127	2,277	2,880	3,257	3,870	3,843	3,736	4,080	4,042	
Slovenská pošta, š.p., Banská Bystrica	2,814	2,977	3,095	3,343	3,941	3,627	39	143	12	25	1	11	n	n	n	n	0	0	18,730	18,886	18,718	18,561	18,001	
ZSNP, a.s., Žiar nad Hronom	2,367	2,610	2,507	1,844	2,569	3,462	-64	0	1	0	-498	-900	2,501	756	787	618	943	1,188	5,472	2,508	2,692	3,007	2,704	
Alufinal, a.s., Žiar nad Hronom	1,179	1,363	1,532	1,521	1,756	1,651	34	45	74	67	31	20	621	1,314	578	723	777	983	1,120	1,120	1,148	1,088		
REGION KOŠICE																								
VSŽ Oceľ, s.r.o., Košice	28,726	33,030	38,950	29,882	33,223	35,557	168	446	1,733	214	201	-716	18,483	26,548	29,655	n	0	0	10,123	11,630	11,666	10,493		
Východoslovenské energetické závody, š.p., Košice	6,713	6,561	6,787	7,153	7,975	7,663	399	282	169	122	126	51	n	2	5	4	4	0	2,128	2,084	2,056	2,067	2,087	
Chemko, a.s., Strážske	2,088	2,404	3,872	3,800	3,868	4,108	-139	-665	65	55	16	-29	1,975	1,547	2,630	2,601	2,925	2,789	2,866	2,744	2,715	2,710	2,629	
Siemens Automotive, s.r.o., Michalovce	0	0	1,085	2,534	4,524	3,731	0	0	9	-36	-162	-422	0	0	1,177	2,534	3,211	4,393	1,520	2,064	1,979	1,871		
SCA Mölnlycke, s.r.o., Gemerská Hôrka	337	429	735	1,330	2,149	2,241	-44	-18	38	74	-28	-230	210	323	586	1,151	2,045	1,941	213	265	339	411	318	
Inžinierske stavby, a.s., Košice	1,177	1,237	1,239	1,697	2,148	1,817	18	37	41	51	101	45	38	22	28	33	4	0	2,264	2,203	2,288	2,390	2,279	
REGION NITRA																								
Duslo, a.s., Šaľa	3,207	4,799	6,357	7,189	6,350	6,752	-454	105	274	535	243	132	2,417	3,692	4,966	5,414	4,941	5,094	3,200	3,408	3,418	3,690	3,236	
AssiDomän Štúrovo, a.s., Štúrovo	2,053	2,570	3,755	3,162	3,404	3,254	55	59	374	22	173	134	1,054	1,587	2,453	1,918	1,964	2,165	2,768	2,639	2,587	2,329	1,987	
Slovenské lodenice, a.s., Komárno	1,521	2,392	2,713	2,268	3,288	3,081	-154	226	71	13	38	1	1,458	2,357	2,526	2,130	3,017	3,180	2,748	2,950	2,773	2,599	2,563	
Slovenské energetické strojárne, a.s., Tlmače	2,251	3,036	2,574	4,165	6,180	2,700	12	11	-669	-432	90	72	1,320	1,018	754	970	0	0	4,437	4,434	4,313	4,315	631	
Plastika, a.s., Nitra	1,395	1,559	1,768	1,670	1,487	1,637	140	142	115	95	75	53	770	860	933	738	736	570	1,264	1,291	1,302	1,261	1,193	
Pozemné stavebníctvo, a.s., Nitra	n	376	1,172	1,344	871	1,467	n	5	5	4	2	3	n	n	827	890	0	0	1,760	1,698	1,851	1,425	1,330	
REGION PREŠOV																								
Chemlon, a.s., Humenné	2,969	4,267	4,534	4,291	4,297	4,677	n	-60	24	-48	-184	20	2,540	3,824	3,966	3,853	4,161	3,946	3,218	2,967	2,734	2,568	2,373	
Tatravagónka, a.s., Poprad	1,403	2,149	2,491	1,942	4,449	3,421	30	36	29	-35	81	39	1,294	2,195	2,361	1,487	2,656	3,891	2,693	2,152	2,051	2,106	2,352	
Chemosvit, a.s., Svit	2,404	2,795	3,240	3,526	3,057	3,250	78	110	113	141	181	182	1,613	1,860	2,168	2,434	2,153	2,006	3,636	3,806	3,047	2,003	1,803	
Bukóza Holding, a.s., Hencovce	1,076	1,451	2,106	1,493	1,757	n	-286	-26	50	-401	0	-121	1,046	1,138	1,625	903	0	0	2,532	2,566	2,130	2,200		
Chemes, a.s., Humenné	761	875	882	922	912	963	50	14	40	10	-65	21	12	20	19	29	34	0	1,009	967	950	880	542	
REGION TRENČÍN																								
Matador, a.s., Puchov	4,979	5,962	7,835	7,966	7,172	7,824	605	584	1,195	404	185	215	3,864	4,565	6,245	6,475	6,177	5,750	3,899	4,447	4,604	4,375	3,878	

(continue) Table 46

Company name	Sales total (Mil. SKK)						Profit before taxation (Mil. SKK)						Export (Mil. SKK)						Average headcount					
	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998
Novacke chemické závody, a.s., Nováky	2,361	2,858	3,706	3,508	3,497	3,593	88	238	250	174	14	-549	n	1,746	2,377	2,318	2,293	2,282	2,501	2,597	2,598	2,578	2,506	
Hornonitrianske bane, a.s., Prievidza	2,119	2,342	2,506	2,638	2,813	2,898	86	70	114	7	43	13	76	68	82	77	94	0	8,326	8,262	8,293	8,230	8,100	
Ozeta, a.s., odevné závody, Trenčín	1,832	2,086	1,846	1,916	1,992	1,878	118	110	6	-36	-50	-35	1,646	1,875	1,672	1,676	1,608	1,695	6,929	5,976	5,767	5,384	4,986	
Raven, a.s., Považská Bystrica	0	358	741	1,178	2,564	1,845	0	n	n	n	n	n	0	100	147	270	0	0	n	83	116	n		
Unipharma Prievidza, a.s., Prievidza	0	0	n	901	1,607	1,366	0	0	n	30	37	29	0	0	n	n	0	0	n	105	128	159		
Nestle Food, s.r.o., Prievidza	359	547	848	1,069	1,668	1,325	-49	-91	-73	-43	-38	63	114	229	321	387	442	572	393	434	464	465	596	
REGION TRNAVA																								
Slovakofarma, a.s., Hlohovec	2,902	3,333	4,039	4,413	5,361	5,356	727	674	929	912	622	372	2,102	2,399	2,807	2,914	3,149	3,815	2,123	2,234	2,377	2,366	2,322	
Nafta, a.s., Gbely	2,424	2,254	3,044	3,046	4,045	3,079	831	1,013	1,076	889	602	358	n	n	n	n	969	617	2,700	2,662	2,644	2,588	414	
Sklopiast, a.s., Trnava	1,197	1,402	1,895	2,130	2,002	2,372	193	253	279	747	727	516	953	1,136	1,535	1,729	1,600	1,721	1,369	1,416	1,402	1,316	1,271	
Drôtovňa, a.s., Hlohovec	1,994	2,114	2,451	2,369	2,173	2,335	72	97	175	120	47	-1	1,187	1,198	1,342	1,119	1,222	1,090	2,258	2,190	2,208	2,150	1,902	
Slovenský hodvab, a.s., Senica	1,401	1,751	2,223	1,914	1,992	1,945	66	177	193	141	196	521	1,073	1,378	1,744	1,565	1,571	1,510	2,100	2,124	2,105	2,008	1,928	
ŽOS, a.s., Trnava	n	n	915	1,801	1,389	1,914	n	14	59	136	106	44	n	1	7	18	3	0	1,675	1,494	1,384	1,247	1,238	
REGION ŽILINA																								
Severoslovenské celulózky a papierne, a.s., Ružomberok	3,520	5,009	6,710	6,086	7,577	6,660	-299	737	2,222	309	323	402	2,066	3,061	4,463	4,125	4,691	5,694	3,559	3,678	4,309	4,370	3,965	
IMartimex, a.s., Martin	5,132	6,565	6,185	n	5,268	6,273	156	151	120	0	0	n	4,840	5,107	4,810	0	0	0	433	442	391			
Váhostav, a.s., Žilina	2,793	2,771	3,926	5,247	3,406	4,061	207	173	184	161	77	-186	n	176	790	183	0	0	3,939	3,885	3,927	3,847	3,854	
Oravské feroziliatnarske závody, a.s., Istebne	2,536	3,312	3,867	4,003	3,184	3,540	14	18	-31	-211	-225	-212	2,272	2,904	3,534	3,674	3,279	2,929	1,877	2,139	2,166	1,932	1,619	
Alcatel Slovakia, a.s., Liptovský Hrádok-6	628	1,052	1,704	2,331	2,923	2,953	-55	43	66	227	391	334	452	538	986	1,264	0	0	350	374	392	416	413	

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