

Small and medium-sized enterprises

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Importance of SMEs

- Business environment
- Structural changes
- Stabilizing element

EU: backbone of European economy

Economic and social contribution

- structural changes
- subcontractors
- new technologies
- marginal areas of the market
- development of regions
- new jobs
- main factor of economic development

Disadvantages of SMEs

- low economic power
- access to capital
- education, information, consulting
- unfair competition, dumping
- public contracts
- payment habits
- administrative requirements

Czech business environment

- enforceability of law
- regulation of bankruptcy
- corporate registration
- environmental legislation
- tax system and tax rates
- lack of capital
- workforce

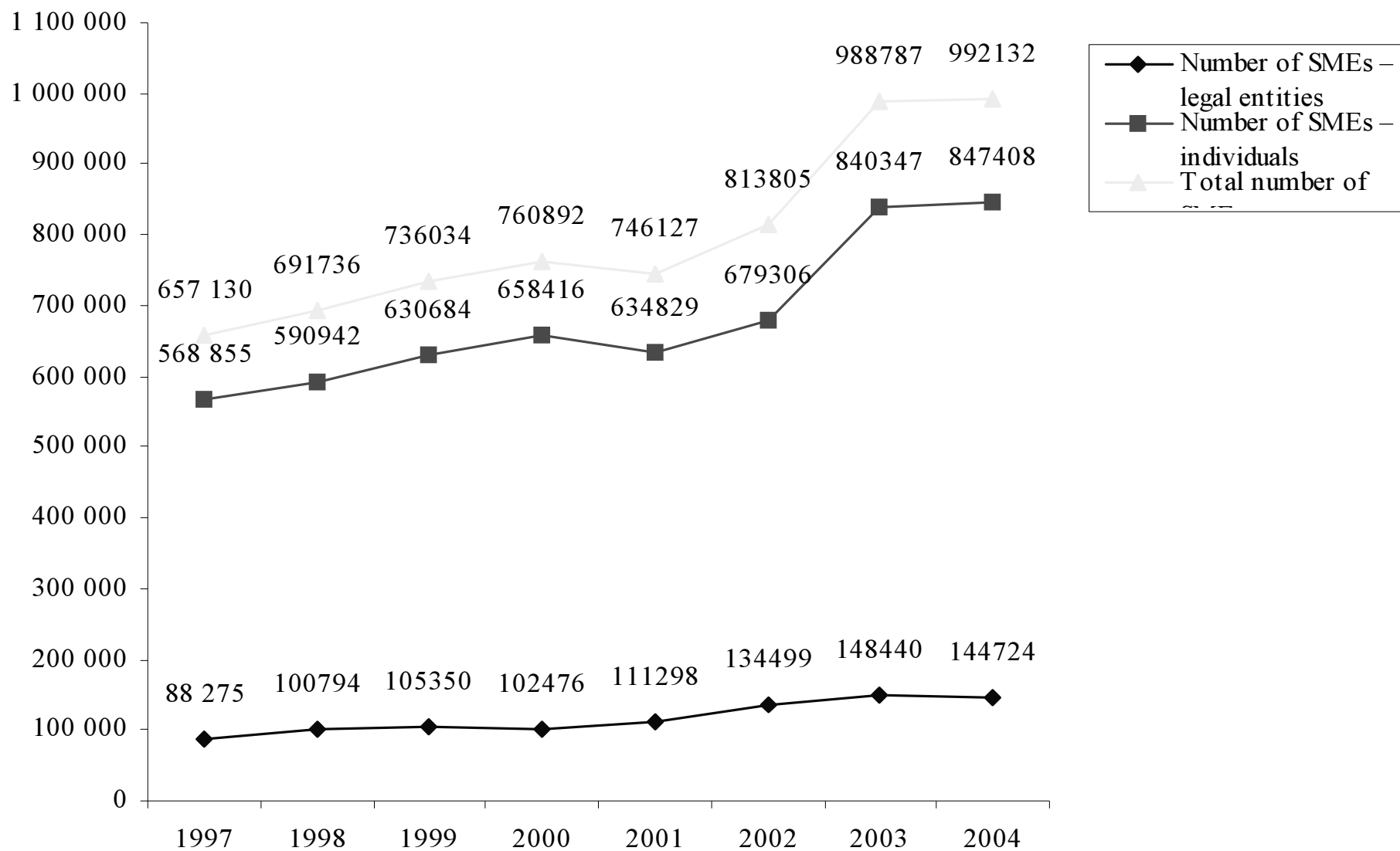
Some statistics about SMEs

	The Number of Enterprises			
2004	juristic persons 0-249 employees	physical persons 0-249 employees	SMEs in total	The share of the number of SMEs in the total number of enterprises in the Czech Republic (%)
Industry	25 687	133 263	158 950	99,42
Construction	6 457	92 818	99 275	99,93
Trade	53 699	204 372	258 071	99,95
Entertainment	4 742	47 630	52 372	99,97
Transport	5 387	41 468	46 855	99,79
Finance	1 114	23 498	24 612	99,88
Services	43 793	260 894	304 687	99,94
Agriculture	3 845	43 465	47 310	99,90
Total	144 724	847 408	992 132	99,85

2004	The number of employees (thousand)			
	juristic persons 0-249 employees	physical persons 0-249 employees	SMEs in total	The share of the number of employees in the total number of enterprises in the CR (%)
Industry	545	110	655	49,85
Construction	126	50	176	80,00
Trade	278	109	387	78,18
Entertainment	45	59	104	88,89
Transport	62	33	95	32,20
Finance	11	5	16	23,53
Services	258	80	338	78,60
Agriculture	118	10	128	85,91
Total	1 443	456	1 899	61,50

Indicator	Year							
	1997	1998	1999	2000	2001	2002	2003	2004
Number of businesses	99,77	99,78	99,80	99,81	99,81	99,79	99,81	99,85
Number of employees	59,82	56,35	59,12	59,47	59,73	60,94	62,21	61,50
Performance	52,91	51,73	53,34	52,85	51,44	52,02	52,01	52,15
Value added	57,36	51,35	53,03	52,60	51,33	52,69	52,06	52,90
Labour cost /without OPC/	1)	1)	54,69	54,67	55,72	55,50	56,18	55,67
Investment	1)	1)	41,66	40,56	37,81	44,52	49,55	50,50
Exports	36,40	36,25	36,54	36,15	35,74	34,16	34,0	34,3
Imports	48,00	48,84	50,74	49,43	47,12	50,33	49,8	52,5
GDP	1)	1)	34,78	31,74	31,12	32,24	35,22	34,92

Development of the number of SMEs pursuing business activities in the Czech Republic in 1997 - 2004



Definition of SMEs

Medium enterprise

- a) Fewer than 250 employees
- b) Assets 43 MEUR or net turnover 50 MEUR (or equivalent in Czech crowns)

Definition of SMEs

Small enterprise

- a) Fewer than 50 employees
- b) Assets or net turnover 10 MEUR (or equivalent in Czech crowns)

Definition of SMEs

Micro firm

- a) Fewer than 10 employees
- b) Assets or net turnover 2 MEUR (or equivalent in Czech crowns)

Targets of support policy

The **long-term objective** of the policy is to allow small and medium-sized enterprises to function, so that this sector will be **able to contribute to:**

- the output of the national economy,
- technological progress,
- competitiveness,
- reduction of unemployment, and
- regional, social and economic differentiation - the basic prerequisites for economic development of the society.

Targets of support policy

Mid-term objectives:

- increase the share of SMEs in the economic growth
- increase the competitiveness of SMEs
- create conditions stimulating to entrepreneurship
- adapt the existing system of institutions and instruments
- development of human resources

Indirect x direct support

Indirect support:

- create a favourable environment
- easier administration, information, training, consulting, industrial zones

Direct support:

- access to finance

Forms of the support

- returnable loan
- grant
- guarantee
- credit with a reduced interest rate

Using the support

For example:

- investment projects
- professional skills
- consulting
- research and development
- contacts and cooperation
- quality of the production

Effects of accession of the CR to the EU

Advantages:

- harmonization of legislation
- stabilization of business environment
- legal protection
- rules of economic competition
- public contracts
- programmes of the EU

Effects of accession of the CR to the EU

Disadvantages

- demands for environmental requirements
- consumer protection
- industrial law
- safety and health protection at work

Types of commerce support

- **State budget**
- **European Structural funds**
 - Operating Programme Industry and Entrepreneurship
 - OP for the Development of Human Resources
 - Joint Region Operating Programme

State budget 2005-2006

- Záruka (Guarantee)
- Trh (Market)
- Progres
- Poradenství (Consulting)
- Design
- Aliance
- Zastoupení (Representation)

OP Industry and Entrepreneurship

Priorities

- 1 Development of the business environment**
- 2 Development of the competitiveness of enterprises**
- 3 Technical assistance**

17.94 % of all resources for the structural policy

260,852,000 EUR

OP Industry and Entrepreneurship

Programmes:

Prosperity * Reality * Training centres *

Clusters * Marketing * Start * Credit *

Development * Innovation * Energy

savings * Renewable sources of energy

OP for the Development of Human Resources

Five priorities:

- 1 Active Employment Policy**
- 2 Social integration and equal opportunities**
- 3 Development of life-long learning**
- 4 Adaptability and entrepreneurship**
- 5 Technical assistance**

OP for the Development of Human Resources

Measures of Priority 4:

- **4.1 Standard development of human resources**
- **4.2 Profession**

Joint Regional Operating Programme

- 1. Regional promotion of entrepreneurship**
2. Regional development of the infrastructure
3. Development of human resources
4. Development of tourism
5. Technical assistance

EUR 454,333,000 from SF

Institutions

Ministry of Industry and Trade

CzechInvest

Czech-Moravian Guarantee and
Development Bank

Design Centre of the Czech republic

Business Innovating Centres (BIC)

Regional Consulting and Information
Centres

More information

- www.mpo.cz
- www.cmzrb.cz
- www.czechinvest.org
- www.czechtrade.cz
- www.designcentrum.cz
- www.strukturalni-fondy.cz
- www.businessinfo.cz