Development study of the region Orava

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Hviezdoslavovo nám. 17, 811 02 Bratislava
tel.: 07-544 35 328, +421-7-544 34 009
fax: 07-544 32 189
e-mail:mesa10@mesa10.sk
Internet: www.mesa10.sk

The following participated in the study elaboration:
Marek Jakoby, M.E.S.A.10
Miroslav Kňažko, M.E.S.A. 10
Viliam Pätoprstý, M.E.S.A.10
Oľga Reptová, M.E.S.A.10
Martin Valentovič, M.E.S.A.10

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Representatives of state administration of the respective districts – all the heads of District Offices and chairpersons of District Labor Offices
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Representatives of the third sector at the region
Representatives of entrepreneurs of the region

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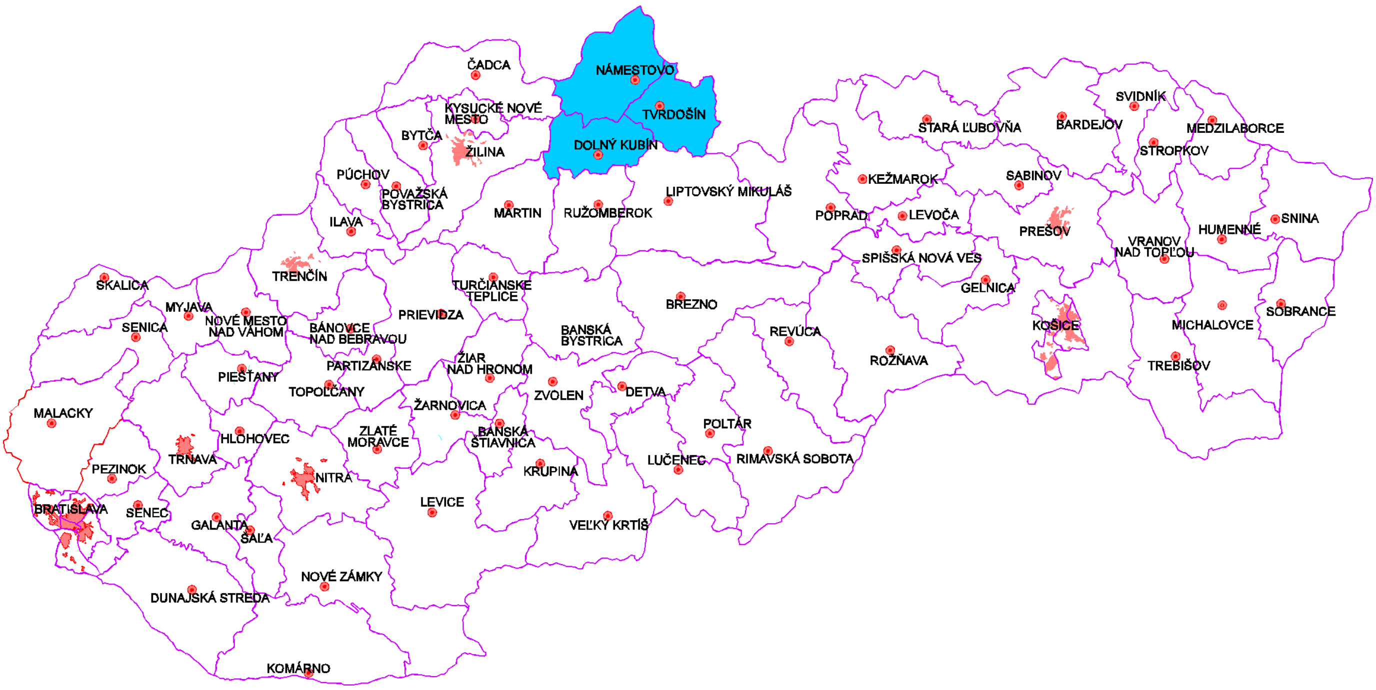

Source: M.E.S.A.10

A. SOCIO-ECONOMIC ANALYSIS OF THE ORAVA REGION AND ITS ADAPTATION POTENTIAL.

1. Basic characteristics of the region

1.1 Position of the region within proposed VÚC

In terms of prepared public administration reform, it might be quite interesting to investigate the position of the region in the realm of the higher territorial and administrative unit (VÚC) into which it should, according to proposed concept of reform, belong. Therefore we dedicated the following section to this issue.

According to proposed Concept of Public Administration Reform, the examined region should belong to Liptovsko-Oravsko-Turčianskeho higher territorial and administrative unit (LOT VÚC) located in the north of Slovakia. By its area of 4,757 km^2 it is the fifth largest VÚC. Mountainous relief prevails in the landscape when the highest mountains of Slovakia can be found in the region - Tatry (eastern part of VÚC), Nízke Tatry and Veľká Fatra (southern part of VÚC), Malá Fatra (western part of VÚC) and Oravské Beskydy (northern part of VÚC). The VÚC contains also three large valleys - Turčianska (southern part of VÚC), Liptovská (eastern part of VÚC) and Oravská (northern part of VÚC). Three important rivers run through the VÚC as well - Váh, Turiec and Orava.

The LOT VÚC is composed of seven districts – Martin, Liptovský Mikuláš, Ružomberok, Turčianske Teplice, Dolný Kubín, Námestovo and Tvrdošín. The last three form the Orava region. It is located in the northern part of the LOT VÚC and fills almost 41% of its total area.

By it number of inhabitants of 376,646 (almost 7% of the population of Slovakia), the LOT VÚC belongs to under average VÚCs occupying the eighth place in the Slovak rank. The population of the Orava region creates almost a third of entire LOT VÚC. With regard to density of population, the LOT VÚC with its 79.2 inhabitants per km^2 is one of the least densely populated regions of Slovakia, while 48% of its population lives in rural settlements; scattered settlement mainly in the Orava region***.

Martin is the largest city of the LOT VÚC (61,025). Other relevant cities are: Liptovský Mikuláš (33,819) and Ružomberok (31,046). Dolný Kubín (20,004)* is the center of the Orava region.

In comparison to that of the SR, the age structure of population of the LOT VÚC is more favorable mainly in terms of pre-productive age group quoting 26.4% share of population (the figure for the SR is 20.43%) and post-productive age group (16.1% of the LOT VÚC vs. 17.79% of the SR). The age structure of the Orava region is even more positive than the one of the LOT VÚC, when only 26.71% of population belongs to pre-productive age group, 63.2% productive age group (the LOT VÚC – 57.5%) and only 10.09% of population belongs to post-productive age group*.

Currently, the LOT VÚC did not avoid a loss of population due to mechanic migration, when the increase of population due to mechanic migration per 1,000 inhabitants achieved –0.39 in 1999 (the third worse figure in Slovakia). The Orava region has even higher decrease of population (-0.79). At the same time, the figure of overall increase of population due to mechanic migration per 1,000 people for entire Slovakia is +0,27**.

As for ethnic composition, the VÚC as well as the Orava region are absolutely dominated by the Slovaks. The share of Slovak nationality in entire population is the third highest in Slovakia quoting 97.76%. In the Orava region, Slovak nationality is represented by a 99.1% share while the average for entire Slovak Republic is only 85.62%***.

The education structure of population of the Orava region as compared to the LOT VÚC is less favorable in terms of the ratio of lower educated population to higher educated population (Table 1). In terms of Slovakia, however, the LOT VÚC is the fifth as for the share of university educated population when only traditional university centers and economically strong regions are before it***.

Table 1 Education structure of population of the LOT VÚC and the Orava region

Education	Liptovsko-Oravsko-Turčiansky VÚC	Orava region
Grade school	27.83%	29.1%
Apprentice	19.59%	18.8%
Secondary vocational	2.54%	1.5%
Secondary general ending with state exam	2.87%	2.4%
Secondary vocational ending with state exam	15.11%	13.5%
University	5.07%	3.6%

Source: Regióny Slovenska (MESA10)

Economic indices for the LOT VÚC achieve prevailingly the figures around the average for the Slovak Republic (excluding Bratislava). While in terms of production per capita, it quotes the forth place in the SR (including Bratislava) – SKK 67,000 per capita, in terms of investments per capita it is the seventh ranked with SKK 21,000 per capita*.

The number of profitable organizations per 1,000 inhabitants in productive age is an indicator of economic activity in the region as well. As for the LOT VÚC it is 12.7 (1998), while for the Orava region only 9.8 (1999). For entire Slovakia, it is 17.5 profitable organizations per 1,000 inhabitants in productive age (1999). With regard to the number of physical entities per 1,000 inhabitants in productive age, the Orava region has accomplished in 1999 a fairly positive figure of 88.1 entities per 1,000 inhabitants in productive age (the figure for Slovakia is 88.8 entities). As for the LOT VÚC, this indicator quoted 79.1 physical entities per 1,000 inhabitants in productive age in 1998**.

Regarding tax issues, the share of the Orava region in collection of direct and indirect taxes in the LOT VÚC did not exceed 5% in 1996-1999 (excluding the effect of collections of taxes and customs at the costumes office in District of Tvrdošín, since these come not exclusively from activities performed in the Orava region) and any trends of development of this share are hard to identify at all. In 1999, the Orava region accounted for 10% of the VÚC collection of corporate income tax and 22% of the VÚC collection of personal income tax. First, this indicates fairly low economic power of the Orava region even within the LOT VÚC, when solely the district of Dolný Kubín can be more or less measured with some stronger districts such as Martin, Liptovský Mikuláš and Ružomberok. Second, high returns of VAT, which lower overall collection of all taxes of the Orava region as far as to negative values, demonstrate that commodities produced at the region are in high portion exported and consumed in other regions**.

The average monthly wage in the LOT VÚC in 1998 was SKK 8,635, when the Orava region has continuously reported a little bit lower figures (SKK 8,346 in 1998) than the VÚC. The figures for the LOT VÚC have oscillated within 80-85% of the national average in 1996 – 2000*.

The average unemployment rate measured by the dispensable number of unemployed of the Orava region 21.4% (as of December 31, 1999) contributed to the increase of the unemployment rate of the entire VÚC (17.4%). The LOT VÚC kept being under the level of unemployment rate of the Slovak Republic (19.2% as of December 31, 1999)**.

In regard to technical infrastructure, the LOT VÚC is important part of Slovakia having big potential to the future. The most important road transport corridor (highway D1, road of 1st category E50) as well as railway corridor (Bratislava – Košice) both in east-west direction and north-south corridor (road of 1st category E 77) run through the VÚC. Within the LOT VÚC, the Orava region has importance primarily in the case of north-south corridor, although the highway construction is not planned here. The railway connection of the Orava region and Poland is missing as well.

As for the number of people per one phone line, the LOT VÚC as well as the Orava region reports the figures under the national average value – 4.15 inhabitants per one phone line in the VÚC (the 8th rank within VÚCs in the SR), while the figure for entire country is 3.5 inhabitants. In the Orava region the value is even higher – 5.5 inhabitants per one phone line*.

Regarding the other types of technical infrastructure (water and sewage), the situation in 1998 was as shown in Table 2

Table 2. The percentage of inhabitants connected to water and sewage networks (1998)

Indicator	SR	LOT VÚC	Orava region
Percentage of inhabitants connected to public water-supply	82.0	91.1	77.6
Percentage of inhabitants connected to public sewage	54.4	20.0	39.1

Source: Statistical Office of the SR, calculation by MESA10

Given the majority of aforementioned indices a general conclusion can be drawn that the LOT VÚC is an average Slovak region, which have the strengths as follows:

- transportation location within Slovakia,
- diversified industrial infrastructure,
- high demographic potential (mainly the Orava region),
- favorable conditions for tourism,
- cultural and historical potential, and
- relatively intact natural environment with large supplies of timber.

On the contrary, the biggest weaknesses of the LOT VÚC are:

- rural population,
- unfavorable economic situation of several strategic enterprises as well as households,
- undeveloped transportation and technical infrastructure (mainly in the Orava region).

In the future, the entire territorial and administrative unit could build mainly upon:

- transport connection to Poland (mainly the Orava region),
- development of cross-border cooperation,
- development of traditional SME,
- development of processing industry, engineering industry and production of ecological food, and
- development of agro-tourism and tourism.

Contrariwise, the following could be a threat for entire area:

- continuation of severe economic and social situation of rural population,
- slow restructuring of industry,
- ecological threats of industry and tourism, and
- economic and demographic heterogeneity of the region (the Orava region vs. south of the LOT VÚC).

1.2. Characteristics of Orava region

The Orava region is situated in the very northern part of Slovakia. In terms of geography it is composed of the Orava and Biela Orava rivers basins and the mountain range of Oravská

Magura. In terms of territorial and administrative division, the region is divided into following districts of the Žilina region:

- District of Námestovo
- District of Tvrdošín
- District of Dolný Kubín

The borderline of the Orava region is mostly represented by the borderline with Poland, mostly in the north, but partially also in the east and the west. Besides, the Orava region neighbors with the districts of Čadca, Žilina, Martin, Ružomberok and Liptovský Mikuláš.

The climate of the region is cold due not solely to its geographical location but also Western Tatras mountain range experiencing rich precipitation. It covers an area of 1,940 km^2. Average population density is 96 inhabitants/km^2, corresponding to under average figure within Slovakia.

The researched region is one of the regions, in which uneven development of economy after setout of economic reform in 1990 significantly stroke. It was due to different intensity of impact and deep differences in the abilities of individual regions to adapt to a new economic situation. Adaptation of the regions economies is immediately related to recent development and depends mainly on:

- Demographic structure, development of **labor force** resources, settlement and urbanization of area (qualification of labor, efficient retraining, demographic vitality, urbanization rate)
- Spatial distribution of **production activities**, branch orientation and their potential strength expressed by the level of organization and management of production, technical and technological severity of production, quality and productivity of labor, etc.
- Level of transportation accessibility and **infrastructure equipment** of the area (technical and civil services, rank of information and educational infrastructure)
- Creation and shaping of conditions for the usage of **new effective technologies** in production and incorporation into **international distribution** of labor (implementation of R&D to practice, creation of conditions for international cooperation)

The aforementioned facts affected also selection and division of researched factors in the following analysis.

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* figures in paragraph (table) are as of 1998, if not stated otherwise
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*** figures in paragraph (table) are as of 1991 (the Census)

2. Demographic potential

2.1. Migration, gender and age structure of population

As of December 31, 1999, there were 130,799 inhabitants registered in the area of the Orava region, out of which 49.93% were women. Most people lives in the by area largest district of Námestovo (54,797). In district of Dolný Kubín, the one with the largest city if the region Dolný Kubín (20,000) lives 39,442 people and 34,561 inhabitants live in district of Tvrdošín (Table 3)

Table 3
Development of the Orava region population by districts in 1950-1999 and the share of women in 1999

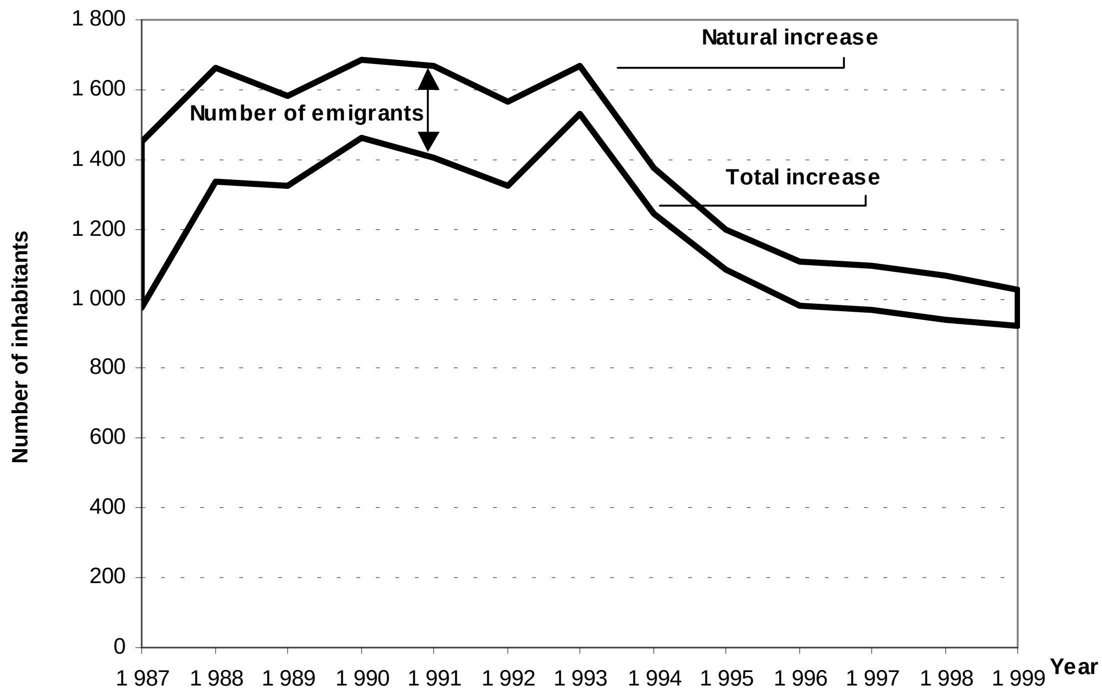
	1 950	1 991	1 995	1 999		Share of women in 1999
Námestovo	31,247	49,598	53,147	54,797		49.24%
Tvrdošín	16,820	32,333	33,882	34,561		49.98%
Dolný Kubín	21,255	37,431	38,690	39,442		50.86%
Orava region	69,322	119,362	125,719	128,800		49.93%
Index 1869=100	106.0	180.5	190.0	194..6		

Source: Regióny Slovenska (M.E.S.A.10), Statistical Office of the SR, calculations by M.E.S.A.10

Analyzing closer the demographic indicators, obvious stagnation of the population growth in the region, mainly within last five years, can be identified. Documented by Figure 1, it is primarily stagnation of natural increase due to striking decline of the number of born children. In this respect, it is necessary to add the rate of natural increase in the Orava region significantly **exceeds** the national average (it is characteristic for the way of life in rural areas), even though the scissors are gradually closing.

A specific position of the Orava districts can be documented by the following facts: In 1999, out of all 79 districts in Slovakia, the district of Námestovo recorded the lowest rate of abortions per 100 born children (12.06; Tvrdošín: 16.12; Dolný Kubín: 28.69; Slovakia 45.25), the most live-born children per 1,000 people (18.00, Slovakia 10.42), the lowest divorce rate (0.51; Slovakia 1.79 divorces per 1,000 people) and the highest number of marriages per 1,000 people (7.50; Slovakia SR 5.07)! Hence, this region keeps an absolute primacy in all areas of the natural increase of population!

Figure 1Migration of Orava population during 1987 - 1991



Source: Statistical Office of the SR, figure by M.E.S.A.10

This fact is reflected into a very favorable age structure of population (Table 4). Upon the quantitative analyses examining performance and developmental potential of individual districts of Slovakia, the district of Námestovo captured the highest value (one point out of a hundred). The district of Tvrdošín achieved six and the district of Dolný Kubín 15 points out of a hundred1.

Table 4 The portion of the Orava region population in pre-productive and post-productive age in 1998

:	Portion of population in:	
	Pre-productive age (%)	Post-productive age (%)
Námestovo	29.88	61.47
Tvrdošín	25.77	64.21
Dolný Kubín	23.09	64.86
Orava region	26.71	63.26
Slovakia	20.43	61.78

Source: Regióny Slovenska, Statistical Office of the SR, calculations by M.E.S.A.10

Indicated by table 4, in 1999 the portion of population in pre-productive age (age category 0-14 years) quoted a very high figure of 26.71% of the Orava region population that corresponds to over 6% more than an average for Slovakia. 63.26% of inhabitants are of

1 Source: the study "Regióny Slovenska" (M.E.S.A.10 Consulting Group, May 2000) – „Regions of Slovakia". Indices and their wieghts: percentage of population in pre-productive age (4), percentage of population in productive age (3), increase by the mechanic migration (3)

productive age (15-59 males and 15-54 females) in the Orava region and also this figure exceeds the average value for Slovakia.

2.2. Ethnic structure of population

The ethnic structure of the Orava region population is not relevant, since as much as **až 99.1% of population are of Slovak nationality**. The Czechs represent the largest ethnic minority (0.5%), although they are highly assimilated with the Slovaks. The geographic location of the region determines the second most represented ethnic minority: the Polish people scattered primarily along the borderline totaling only 0.2% of population.

Table 5 lists the ethnic structure of the Orava region population by individual districts.

Table 5 Ethnic structure of the Orava region population by individual districts

Region	**Slovaks**	**Bohemians, Moravians**	**Others**
Dolný Kubín	98.5%	0.9%	0.6%
Námestovo	99.5%	0.3%	0.2%
Tvrdošín	99.0%	0.5%	0.5%
Slovakia	85.62%	1.1%	13.28%

Source: Regióny Slovenska, Statistical Office of the SR, calculations by M.E.S.A.10

2.3. Education structure of population

Education of population belongs to weaknesses of examined region. Only 3.6% of population has university education. The city of Žilina is the closest university center (University of Žilina), 50–100 km far away. Education level is the least favorable in district of Námestovo; it is the most remote region in terms of infrastructure connectivity at the same time.

However, a relatively low share of university graduates is probably connected to a lower financial attractiveness of the university graduates employment in the Orava region in comparison to other regions of Slovakia.

Almost 30% of population are those having a grade school education, 13.5% graduated from secondary vocational school ending with the school-leaving exam and 18.8% have apprentice education. Remaining 3.9% have secondary vocational and secondary general education ending with the school-leaving exam (Table 6).

Table 6 Education astructure of the Orava region population by individual districts

Education	Námestovo	Tvrdošín	Dolný Kubín	Orava region
Grade school	33.3%	27.6%	27.4%	29.1%
Apprentice	19.7%	18.2%	18.8%	18.8%
Secondary vocational	1.2%	1.6%	1.7%	1.5%
Secondary general ending with the school-leaving exam	1.8%	2.4%	2.9%	2.4%
Secondary vocational ending with the school-leaving exam	9.2%	15.0%	15.3%	13.5%
University	2.1%	3.7%	4.8%	3.6%

Source: Regióny Slovenska (M.E.S.A.10)

The table also shows the district of Dolný Kubín is relatively the most favorable in terms of education. At the same time, this district is best connected to a tributary area of Žilina (one of three cores of settlement of the national importance type A1) in terms of transportation and serves as an entrance gate into examined region. Besides, Dolný Kubín is the largest city of the Orava region and the seat of several secondary schools (Gymnasium, business and hotel academies, secondary vocational school for girls, secondary vocational school specialized in healthcare, apprentices specialized in services, agriculture and a private apprentice specialized in carpentry). More detailed inquiries on education can be found in chapter 6.4. Education.

2.4. Settlement structure

The territory of the Orava region is prevailed by rural population. Only 35% of population lives in urban areas, while the reminder reside in 59 rural settlements. In terms of their size, they are mainly small settlements; over a half of a size under 1,000 people. There are as many as eight villages of less than 500 inhabitants in the district of Dolný Kubín, out of which two villages do not reach even 200 people (Table 7).

Table 7 Size structure of rural areas, number of cities and rural population of the Orava region

	Námestovo	Tvrdošín	Dolný Kubín	Orava region
0-199 inhabitants	0	0	2	2
200-499 inhabitants	0	0	6	6
500-999 inhabitants	5	5	9	19
over1000 inhabitants	18	8	6	32
Number of cities	1	2	1	4
Rural population	85.2%	51.2%	49.0%	65.0%

Source: Statistical Office of the SR, Regióny Slovenska (M.E.S.A.10)

The four cities of the Orava region (Námestovo, Dolný Kubín, Tvrdošín and Trstená) have together 45,000 inhabitants. All the cities, except for the largest Dolný Kubín, have recently experienced a trend of net decrease of population due to emigration. At the same time, Dolný Kubín is the only city with an increase of newly constructed apartments in 1998 (excluding family houses – 94).Table 8 provides more detailed data.

Table 8 Cities of the Orava region

	population	Natural increase	Immigration	1st written reference	Altitude of the center (meters)	Increases of housing via new construction
Námestovo	8,124	116	-66	1558	614	6
Dolný Kubín	20,004	94	14	1325	468	110
Tvrdošín	9,601	61	-8	1265	569	31
Trstená	7,252	69	-58	1371	607	23

Source: Statistical Office of the SR, calculations by M.E.S.A.10

As shown in the table the cities have mostly fairly high altitude and have a long historical tradition. First written references to these cities reach back to the 13th-15th centuries except for Námestovo, in which case the oldest written reference goes back to the 16th century

2.5. Conclusion

Demography is the strength of the examined region. The natural increase is high and therefore age structure is very favorable. However, this population is not appropriately educated and a negative migration balance is an unfavorable factor as well. In respect to persistent competitive advantage of the region in terms of higher share of pre-productive population, a focus on creation of attractive positions eliminating an increasing emigration and creating conditions for the employment of people within their region is necessary.

3. Labor market

3.1 Employed and average monthly wage

Similarly as in the case of entire Slovakia, development of an average registered number of employees registered in the Orava region has been declining practically ever since the launch of economic transformation. In 2000, only 71.6% of the employed in 1997 was working, when the district of Dolný Kubín recorded the most significant drop (Table 9).

Table 9 Development of average registered number of employees in the Orava region and Slovakia

Average registered number of employees	**1997**	**1998**	**1999**	**1stQ2000**
Námestovo	8,471	6,525	6,332	6,089
Index	100.0	77.0	74.7	71.9
Tvrdošín	9,123	7,305	7,171	6,684
Index	100.0	80.1	78.6	73.3
Dolný Kubín	11,301	8,897	8,153	7,903
Index	100.0	78.7	72.1	69.9
Orava region	**29,095**	**22,884**	**21,809**	**20,821**
Index	100.0	78.7	75.0	71.6
Slovakia	1,454,753	1,435,859	1,387,826	1,326,825
Index	100.0	98.7	95.4	91.2

Source: Statistical Office of the SR, calculations by M.E.S.A.10

Average monthly wage in researched region is low in comparison to the national average. A nominal difference between the average wage of the Orava region and the national average even increased by a little bit over SKK 400 in 1997-1999. The employees in the district of Dolný Kubín have reached highest wages, although even their average salary was lower than the average salary in the SR by SKK 724.

The district of Námestovo reported the lowest average wages (Table 10).

Table 10 Development of average monthly wage (SKK)

Average monthly wage	**1997**	**1998**	**1999**	**1stQ2000**
Námestovo	7,200	7,856	8,589	8,518
Index	100.0	109.1	119.3	118.3
Tvrdošín	7,738	8,246	8,804	9,119
Index	100.0	106.6	113.8	117.8
Dolný Kubín	8,632	8,936	9,778	10,033
Index	100.0	103.5	113.3	116.2
Orava region	**7,875**	**8,346**	**9,044**	**9,227**
Index	100.0	106.0	114.8	117.2
Slovakia	9,339	10,212	10,945	10,827
Index	100.0	109.3	117.2	115.9

Orava region/SR (%)	84.3%	81.7%	82.6%	85.2%

Source: Statistical Office of the SR, calculations by M.E.S.A. 10

Regarding the **structure of employment** by sectors, industry occupies the first place (as many as 35.7% of all employed; district of Tvrdošín as many as 40.7%). Even though the industrial employment is over-average in the rank of Slovakia, industry employs only 28.5% of employees in Slovakia overall.

The over-average employment is reported also by agriculture (except for district of Dolný Kubín), education, public administration and public services.

A very strong position of construction in the Námestovo district is interesting since construction employs as many as 17.2% of all employed while the Slovak figure is 6.9%. Supplies of construction materials (timber, construction stone, gravel) and consecutive construction history are one of the factors of high share of the construction employment (Table 11).

Table 11 Employment by sectors as of December 31, 1999 (employees and self-employed*)

	Námestovo	**Tvrdošín**	**Dolný Kubín**	**Orava**	**SR**
Agriculture, hunting, forestry, and fishery	13.8%	10.4%	6.9%	**10.3%**	**7.2%**
Industry	30.9%	40.7%	35.9%	**35.7%**	**28.5%**
Construction	17.2%	5.6%	4.1%	**9.0%**	**6.9%**
Transport, storage, post service and telecommunications	2.6%	4.3%	8.1%	**5.0%**	**7.6%**
Services**	11.0%	13.5%	13.0%	**12.5%**	**24.2%**
Banking, insurance	0.6%	0.5%	2.2%	**1.1%**	**1.9%**
Public administration, defense, mandatory social security	4.7%	4.6%	4.7%	**4.7%**	**4.1%**
Education	14.7%	12.0%	13.3%	**13.4%**	**9.1%**
Healthcare and social care	3.6%	6.4%	9.0%	**6.4%**	**6.8%**
Other public, social and personal services	0.9%	2.0%	2.7%	**1.9%**	**3.6%**
total	100.0%	100.0%	100.0%	**100.0%**	**100.0%**

Source: Statistical Office of the SR, Regional Office of the Statistical Office of the SR,calculations by M.E.S.A.10
** figures for SR: employees + sole proprietors and their employees*
Methodological notes:
Employees: organizations over 20 employees
***Services: in the case of physical entities = a sum of shops, bars, lodging, travel agencies + OKEČ (Branch Classification of Economic Activities) 70,71,72,74,80,85,90,92,93*
in the case of employees and figures for Slovakia = OKEČ G+H+K

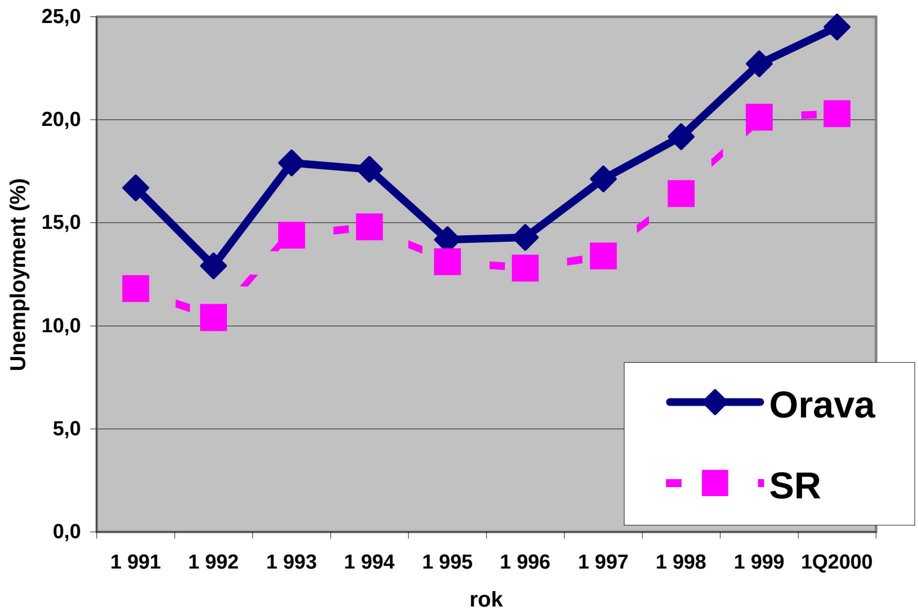
The table further shows service sector is highly undersized, when only 12.5% of employees work here (Slovakia – 24.2%). At the same time, this very sector should develop in accordance with existing potential, mainly in tourism.

3.2 Unemployment

Given the Figure 2, researched region has continuously featured a **high unemployment**, measured as a rate or in absolute numbers, comparing to the figures for entire Slovakia since 1991. In 1991-1996 the unemployment rate measured from registered unemployed varied between 12.6% and 17.6%. However, since 1996, it has grown and climbed up to almost 25% as of the first three months of 2000.

A striking growth of unemployment since 1996 was due to the waves of lay-offs from large industrial firms.

Figure 2 Unemployment rate development from registered unemployed in 1991-2000



Source: Statistical Office of the SR, calculations by M.E.S.A.10

The figure shows also that development of the unemployment increases at the Orava region roughly copied development in the level of SR, except for 1995 and 1996 when the difference approached a minimum. However, the trend after 1999 has witnessed the opening of scissors when unemployment at the national level has shown first signs of stabilization while the growth of unemployment at the Orava region has continued.

In terms of inter-district comparison, the district of Námestovo reports the highest registered unemployment rate as well as dispensable unemployment rate. In this respect, the district of Tvrdošín is relatively in best situation, when registered unemployment rate was 22.5% (as of December 31, 2000), even it was 2.2% more than the national figure (Table 12).

Table 12
Registered unemployed and contributions in unemployment as of March 31, 2000

	Registered unemployed	Of which unemployed over 12 months		Dispensable unemployed	Unemployment rate measured from registered unemployed	Unemployment rate measured from dispensable unemployed.	Volume of contributions paid out since the beginning of the year
	number	number	%	number	%	%	SKK
Námestovo	6,211	2,640	42.5	5,833	25.0	23.5	23,222
Tvrdošín	3,502	1,183	33.8	3,270	22.5	21.0	16,697
Dolný Kubín	4,389	1,850	42.2	4,182	24.3	23.2	18,889
Orava region	14,102	5,673	40.2	13,285	**24.5**	22.7	58,808
Slovakia	546,842	251,279	46.0	519,991	20.3	19.3	2,074,054

Source: National Labor Office, calculations by M.E.S.A.10

The table also shows **majority of the unemployed of the Orava region is the short-term unemployed**. It means in terms of temporal structure of unemployment, the region is in better situation than Slovakia as a whole. Even though respective numbers can be distorted by a rapid growth of registered unemployed of the late periods, almost 60% of unemployed were those registered less than one year (as of March 31, 2000) that is 6% less than the share at national level. This situation can also stem from high number of short-term employed upon the contracts for certain period.

The analysis of **education structure of unemployed** indicates people with the lowest education create the highest percent of unemployed.

With regard to **age structure of unemployed**, the age group 20-24 years of age represents the most significant contributor. These are mostly the graduates with low of no work experiences, while employers prefer those with practical experiences.

In respect to **spatial characteristics** measured by differences in regional labor markets, this region testifies the rule the more infrastructure-isolated settlement the higher unemployment rate. These differences are really striking, when as of April 30, 2000, the unemployment rate at individual settlements varied between 10% (Kraľovany) and 38% (Vasiľov). A threshold of 30% was exceeded by 27% of settlements; 42% of settlements reported unemployment rate under 20%.

3.3. Conclusion

In terms of national level as well as absolute numbers, examined region features high unemployment rate and low level of average wage. In respect to average wage, discrepancies with the national figures has slightly decreased; however, unemployment grows on and lately scissors between unemployment (or average wage) in the region and the national figures start to open. This indicates a deepening of regional discrepancies as one of the key problems of the Slovak economy development.

The unemployment rate at individual settlements is not even. While the unemployment rate as of December 13, 1999 was 22.7%, some settlements experienced almost 40% and others only 15%.

Industry employs as many as 35.7% of employees that corresponds to 141 employees per 1,000 people in productive age. This is a sector with a long tradition at the Orava region. **Service sector reports opposite situation – in respect to favorable geographical location of the region it is highly undersized.**

4. Economic activities

4.1. Private enterprise

A breakdown of large inefficient enterprises and consequent growth of unemployment is a natural effect of transformation process. The established gap should be filled up by private entrepreneurial activities.

Statistical data shows the researched region is undersized in terms of private enterprise. As of December 31, 1999, 806 profit-making organizations were registered at the region. It means 9.8 profit-making organizations per 1,000 productive age inhabitants, while the figure for Slovakia varied around 17.5 profit-making organizations per 1,000 productive age inhabitants (Table 13).

Table 13
Entrepreneurial entities at the Orava region and Slovakia as of December 31, 1999

	Number of entities		Calculation per 1,000 productive age inhabitants	
	Orava region	Slovakia	Orava region	Slovakia
Profit-making organizations (legal entities) total	806	58,333	9.8	17.5
Of which				
Trade companies (except for a.s. – stock companies)	670	46,381	8.2	13.9
a.s. (stock companies)	38	4,060	0.5	1.2
Cooperatives	61	1,802	0.7	0.5
Physical entities	7,217	295,750	88.1	88.8
Of which				
Self-employed	6,432	266,903	78.5	80.1
Freelancers	226	11,231	2.8	3.4
Self-earning farmers	559	17,616	6.8	5.3

With regards to physical entities, the situation is more even. This is, however, due to an over average number of self-earning farmers as of the region with a high portion of rural population on expense of self-employed. The figure of self-employed per 1,000 inhabitants of the productive age is also under average value at the level of Slovak Republic (Table 13).

Table Table 14 shows **the situation at individual districts**. At more lagging districts, the people prefer individual enterprise, mainly in a form of self-employment (Námestovo), while relatively more developed districts such as Dolný Kubín feature higher operation of companies, mainly s. r. o. (limited liability company).

Table 14 Private enterprise at the Orava region as of December 31, 1999 by districts

	Námestovo	Tvrdošín	Dolný Kubín	Orava region
Profit-making organizations (legal entities) total	221	200	385	806
Of which				
Physical entities filed with Business Register	11	13	13	37
Public trade company	2	1	2	5
s.r.o. (limited liability co.)	144	137	287	568
a.s. (stock company)	7	10	21	38
cooperative	19	13	29	61
others	38	26	33	97
				0
Physical entities	3,563	1,800	1,854	7,217
Of which				
Self-employed	3,239	1,576	1,617	6,432
Freelancers	77	64	85	226
Self-earning farmers	247	160	152	559

Source: Regional Office of the Statistical Office of the SR Žilina, calculations by M.E.S.A.10

As for individual branches, most of the profit-making organizations of the examined region operate within trade, hotels, restaurants, and travel agencies (288). Those are, however, primarily small businesses and their proportion as compared with the value for entire Slovakia is significantly under average along with the service sector accounting for only 0.7% of the entities in Slovakia. Agriculture, forestry and fishery account for the most significant portion of profit-making organizations (3.04% of the number in Slovakia). Construction (2.14%) and industry (2.01%) are significantly represented as well (Table 15).

Table 15 Structure of profit-making organizations by the type of activity, as of December 31, 1999

No		Námestovo	Tvrdošín	Dolný Kubín	Orava region	Slovakia	Orava / Slovakia
1.	Agriculture, forestry and fishery	39	26	39	104	3,419	3.04%
2.	Industry	54	48	74	176	8,777	2.01%
3.	Construction	35	15	47	97	4,531	2.14%
4.	Trade, restaurants, hotels, travel agencies	58	83	147	288	26,854	1.07%
5.	Transport and storage	7	10	21	38	1, 948	1.95%
6.	Services*	26	17	55	98	13,930	0.70%
	Total	221	200	385	806	59,459	1.36%

Source: Regional Office of the Statistical Office of the SR Žilina, calculations by M.E.S.A.10
** OKEČ=70,71,72,74,80,85,90,92,93*
Figures for Slovakia:
1.=A+B; 2.=D+E; 3.=F; 4. = G+H; 5.=I; 6. =I+J+K+O

4.2. Sources of raw materials

Examined region is fairly poor on raw materials. Out of existing registered sources, only **non-metallic materials for construction work**, mainly construction stone, gravel and sand, are available. Also one deposit of brick material is located here; however currently it is not used for mining. Decline of extraction in the aforementioned deposit as well as in many others is due to the overall decline of construction industry that defines a weakness of the raw materials base at the researched region.

The deposit of mineral water Oravská Polhora found at the turn of the last century is a rarity of the region.

4.3. Industry and construction

In 1999, the industrial receipts of the Orava region enterprises achieved SKK 8.9 billion. In comparison to previous year, the index increased by 6.3%. Hence, the Orava region industry produced SKK 68,709 per one inhabitant, while the figure for entire Slovakia is SKK 107,070. Therefore it is possible to state the researched region features an **under average industrial production.**

This fact reflects a prevailingly rural character of the researched region as well as the fact that despite this is a region with industrial tradition, the industrial base was not effective. This resulted in a significant drop of production in the 1990s.

Territory wise, industry is concentrated mainly at the district of Dolný Kubín, which produced the highest industrial receipts (SKK 5.4 billion) in 1999. The district of Dolný Kubín hence produced as much as SKK 135,744 per inhabitant exceeding the Slovak average. The district of Tvrdošín is the most lagging district in terms of industry, when it produced only SKK 17,321 per inhabitant in 1999.

The district of Tvrdošín as the only district of the region reported a decline of gross industrial receipts as compared to 1998 (Table 16).

Table 16 Industrial receipts*

	1999 (SKK mill., current prices)	SKK per inhabitant	Portion within Slovakia	index 1999/1998
Námestovo	959	17,321	0.2%	126.6
Tvrdošín	2,587	74,504	0.4%	90.0
Dolný Kubín	5,354	135,744	0.9%	113.0
Orava region	**8,900**	**68,709**	**1.5%**	**106.3**
Slovakia	578,034	107,070	100.0%	104.4

Source: Statistical Office of the SR, calculations by M.E.S.A.10
Note:
** as for enterprises over 20 employees*

In 1999, the **construction output** of enterprises of the researched region produced by their own employees was SKK 1.6 billion or a 2.5% portion in Slovakia. This means only SKK 12,144 per inhabitant. As compared with the previous year, it declined in all three districts by 13.1% in average measured in current prices (Table 17). A declining trend of construction is experienced throughout Slovakia and it is the truest indicator of the decline of economic dynamics.

Table 17 Construction output produced by own employees*

	1999 (SKK mill., current prices)	SKK per inhabitant	Portion within Slovakia	index 1999/1998
Námestovo	985	17,791	1.6%	85.7
Tvrdošín	212	6,105	0.3%	87.1
Dolný Kubín	376	9,533	0.6%	90.3
Orava region	1,573	12,144	2.5%	86.9
Slovakia	63,254	11,717	100.0%	74.1

Source: Statistical Office of the SR, calculations by M.E.S.A.10
Note:
** enterprises located at the region (kraj), including an estimate for self-employed (without non-construction organizations)*

District of Námestovo

The poorly diversified industrial base of the district of Námestovo is influenced by its eccentric location and missing elements of transportation infrastructure (non-existence of railway network and roads of the 1^{st} category). The following are the most significant industrial enterprises of the district: machine-work ZŤS Námestovo (800 employees), electro technical company Punch Námestovo (600), a subsidiary of textile factory Makyta Púchov at Námestovo (500) and United Electronics, s.r.o., Vavrečka (340 employees). As for smaller joint ventures, we list German company Orava Fine Wood of Oravská Lesná that deals with production and mounting of wooden houses.

District of Tvrdošín

The development of industry at the district of Tvrdošín is given its specific location. A limited transportation network and unfinished network of technical infrastructure causes a meaningful increase of the enterprise costs.

OTF company (production units Nižná, Trstená and Oravská Nižná), transformed from a former state company Tesla Orava, was historically the most important employer of the district of Tvrdošín. The economic change in former Czechoslovakia brought about a significant drop of sales of the enterprise oriented on mass production of TV-sets not only for the domestic market but also for the markets of the Eastern Europe and former USSR. Along with the conflicts and problems within the management, the situation resulted in the liquidation of the company, which no longer exists today.

The enterprises specialized in electronics such as OVP Trstená (385 employees), and Matsushita Electric Components Slovakia (310) belong to the most important enterprises of the district. Other industries are also present, such as engineering - ZTS TEES Lesné Traktory (Forest Tractors) (270 employees); wood manufacturing and metalworking industry (Garex Čimhová, 150 employees); electro-technical industry (Elkmond Trstená, 100 employees, production of cables); and food industry (Tvrdošínska mliekáreň (dairy), 110 employees).

District of Dolný Kubín

Based upon the review at the national level, the district of Dolný Kubín has fallen into a severe economic situation in 1991. The district has been undersized in terms of production, consumption and infrastructure in the past. The district is obviously oriented on the ferroalloys production, which has production conditions and tradition, and metalworking and electro-technical industries. Smaller units of consumption and food industries complement the overall industrial structure of the district.

The most known companies located in district of Dolný Kubín are: Oravské ferozliatinové závody Istebné (1700 employees, the Orava Region Ferroalloy Factory), Tribometal Dolný Kubín (700 employees), Metalsint Dolný Kubín (200 employees), Kovohuty Dolný Kubín (150 employees). All of them belong to the metallurgical industry. Out of metalworking enterprises we list Miba Slovakia (100 employees, production of bearings) and ELKOP Dolný Kubín (192 employees); out of wood manufacturing Garnex Bziny (200), out of electro-technical SEZ

Dolný Kubín (380) and out of food industry Pekárne Rusina Dolný Kubín (200, bakery) and Mäsospol Krivá (140, meat processing).

Prevailing export orientation of industrial firms can be noticed in all three districts of researched region.

4.4. Agriculture

Agricultural land of the Orava region is **moderately to very low productive** in terms of production potential and therefore, within the Slovak agriculture the region is not of a principal importance.

The agricultural use of the land is influenced by a high percentage of woodland and extreme relief. Forested areas cover 45% of the territory. Total area of the agricultural land supply is 47% (74,629 ha), out of which as many as 80% are grassed areas. Plow land is only 18% of territory. The remainder is gardens (1.0%) and fruit orchards (0.2%). Table 18 offers more detailed data.

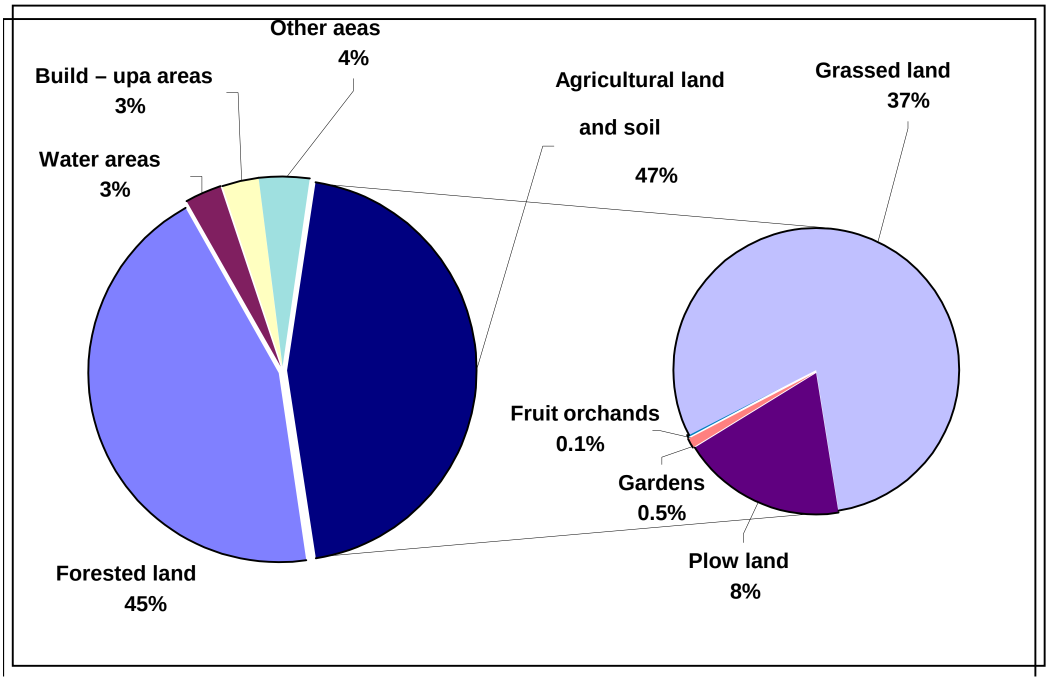
Table 18 Land use by districts (ha)

	Námestovo	Tvrdošín	Dolný Kubín	**Orava region**
Plow land	7,083	3,760	2,938	**13,781**
Gardens	298	166	307	**771**
Fruit orchands	0	33	116	**149**
Grassed land	23,589	17,221	19,118	**59,928**
Agricultural land supply	30,970	21,180	22,479	**74,629**
Forrested land	32,894	19,624	21,306	**73,824**
Water areas	1,553	2,768	774	**5,095**
Built up areas	2,057	1,320	1,766	**5,143**
Other areas	1,583	2,978	2,705	**7,266**
Total	69,057	47,870	49,030	**165,957**

Source: Slovak Offce of Land Survey and Cartography, MasterPlan of the VÚC Žilina region, calculations by M.E.S.A.10

The land use can be similarly influenced also by the rate of regulations of the natural environment protection. The entire northern section of researched territory is filled by protected land region (CHKO) Horná Orava.

Figure 3
Land use in the Orava region



Source:Table 18, graph by M.E.S.A.10

With respect to the national dimension, the examined region dominates mainly in cattle breeding, sheep breeding (Tvrdošín, Dolný Kubín) and raising horses (mainly the district of Námestovo). It is due to the character of the landscape – the aforementioned high portion of grassed areas. In terms of planting, the Orava region is not very significant except for planting potatoes. A portion of the harvesting areas is only slightly over average at the national dimension.

4.5 Forestry

Given a relatively high share of forested areas and land quality, the examined region has extraordinary conditions in terms of forestry. As compared to the figure for Slovakia as a whole, the share of forestry in GDP formation in the region is over average. The capacity of the mill industry reflects these facts.

Table 19 Comparison of selected indicators on forests in the Orava region and Slovakia

	Vesture land		Timber supply				Rate of forested areas	
	ha	%	Total in thousands m3	in %	per 1 ha in m3	in %	in %	
Orava	73,699	3.8%	17,398	4.6%	236	120.3%	44.5%	109.3%
SR	1,923,500	100.0%	377,500	100.0 %	196	100.0%	40.7%	100.0%

Source: Master Plan of the VÚC Žilina region, calculations by M.E.S.A.10

The vesture land of researched region accounts for 3.8% of the total area of vesture land in Slovakia, but the timber supplies account for as much as 4.6%. An average timber supply per 1 ha is by as much as 20.3% (40 m^3) higher at the Orava region than in Slovakia as a whole, while the rate of forested areas is higher only by 3.8% (Table 19). This fact indicates a relatively high quality of forests at the region.

The use of forest potential for economic development, however, is influenced by several factors, mainly by:

- Unfavorable ownership structure (state forests) and attributed disadvantageous reallocation of funds into less productive regions
- Low contribution to the GDP formation

- Risks and regulations attributed to the natural environment protection (CHKO, NP-National Park)

4.6 Trade

All 63 Orava region settlements host a total of 181 grocery stores, 318 general stores, 254 non-grocery stores, 10 gas stations, 5 car stores and 9 department stores.

In addition, there are 83 restaurant type operations and other catering establishments totaling 8,846 chairs (68 chairs per 1,000 inhabitants) at the researched region. These operations are prevailingly typical "village pubs" and there are still villages with no restaurant.

Given the existing tourist potential, the region is highly undersized.

4.7 Tourism and services

Given its geographical location and natural environment, the Orava region belongs to the regions with significant potential for development of tourism; not only domestic but active foreign tourism as well, mainly due to the border with Poland.

Even though no records of the number of visitors to the Orava region exist, the statistics of lodging operations can give a fairly accurate picture of the situation.

In 1999, a total of 54,484 overnight guests visited the researched region, when the average length of the visit was four days. Out of this total, foreigners accounted for almost half. The important fact is that the number of visitors has a growing tendency. The usage of the lodging facilities capacities was 27.7%, while the figure for entire Slovakia was 29% in the same time period.

District of Tvrdošín was the final destination of the most of visitors. The lowest number of visitors was in the district of Námestovo, where at the same time the foreigners accounted only for a little more than 20%. Table 20 provides detailed information.

A number of officially accommodated visitors accounts, however, only for a portion of all visitors to the Orava region, since some of them might be lodged in adjacent regions or just transit the researched region. Other sources, therefore, must be used in order to get a true number of the Orava region visitors.

Table 20 Capacities and performances of lodging facilities at the Orava districts

	Situation in 1999				**Index 1999/1998**			
	Námestovo	Tvrdošín	Dolný Kubín	**Orava**	Námestovo	Tvrdošín	Dolný Kubín	**Orava**
Number of lodging operations	17	20	14	**51**	106.3	153.8	100.0	**118.6**
Number of rooms	234	307	377	**918**	110.4	124.8	97.9	**108.9**
Number of beds total	710	915	982	**2 607**	102.6	132.8	95.6	**108.3**
Of which: permanent beds	682	841	893	**2 416**	103.2	135.6	95.2	**108.9**
temporary beds	28	74	89	**191**	90.3	107.2	100.0	**101.0**

Number of spots outside	100	0	0	**100**	-	-	-	**-**
Number of visitors total	11,475	24,226	18,783	**54,484**	129.2	137.3	87.4	**113.5**
Of which: domenstic visitors	8,726	12,187	8,750	**29,663**	117.9	126.6	78.1	**105.1**
foreign visitors	2,749	12,039	10,033	**24,821**	185.7	150.2	97.5	**125.4**
Number of overnight visitors total	50,910	96,292	69,998	**217,200**	103.3	145.8	87.9	**111.4**
Of which: domestic	41,399	49,987	24,285	**115,671**	101.4	146.1	74.4	**107.4**
foreign	9,511	46,987	45,713	**102,211**	112.1	145.6	97.2	**116.4**
Lodging receipts total. including VAT(SKK thousand)	6,650	16,243	20,923	**43,816**	122.3	136.6	68.1	**91.2**
Of which: domestic visitors	4,974	7,499	6,453	**18,926**	126.9	113.6	58.1	**87.5**
foreign visitors	1,676	8,744	14,470	**24,890**	110.3	165.2	73.8	**94.2**
Average price of lodging total including VAT (SKK)	131	169	299	**202**	119.1	93.9	77.5	**81.8**
Of which: domestic visitors	120	150	266	**164**	125.0	77.7	78.0	**81.5**
foreign visitors	176	189	317	**244**	98.3	113.9	76.0	**80.9**
Gross usage of capacity (%)	27.2	35.4	21.5	**27.7**	99.6	122.1	82.7	**101.4**
Net usage of capacity (%)	27.3	35.4	21.5	**27.7**	100.0	120.4	82.7	**101.1**
Average number of nights total	4.4	4.0	3.7	**4.0**	78.6	108.1	100.0	**98.2**
Of which: domestic visitors	4.7	4.1	2.8	**3.9**	85.5	113.9	96.6	**102.2**
foreign visitors	3.5	3.8	4.6	**4.1**	61.4	95.0	100.0	**92.8**

Source: Statistical Office of the SR, calculations by M.E.S.A.10

According to the survey by Ústav Turizmu (Institute of Tourism), in 1999, 7.2% of foreign visitors to Slovakia visited this region. According to the data by the Statistical Office of the SR, in the same year 30.756 million of foreign visitors entered Slovakia via border crosses. It means that in 1999 the Orava region was visited or at least transited by 2.2 million foreign visitors.

According to the balance payment of the SR published by the National Bank of Slovakia, in 1999 the service receipts from active foreign tourism achieved SKK 19.077 billion. Assuming proportional expenditures at any visited region, the revenues from active foreign tourism at the Orava region would then be over SKK 1.3 billion.

According to the survey published by the Ministry of Economy of the SR, average total spending of the foreign visitors were US$ 23.40 per person per day in winter and US$ 16.86 per person per day in the summer. The average length of stay of foreign visitors varied according to attractiveness of individual regions from 7.9 days (High Tatras) to 1.8 days (the Záhorie region). Researched region of Orava featured an average length of stay in 1999. The average number of nights in the Orava region lodging facilities varied from 3.7 nights (Dolný Kubín) to 4.4 nights (Námestovo) in 1999 (Table 20). The presented data indicates the importance of tourism for development of the region as well as the sensibility of tourism on the attractiveness of a particular region, given the natural environment and cultural heritage along with the quality of offered services and appropriate marketing.

Therefore, tourism of researched region represents a significant potential. However, we have to state that the aforementioned fact is not addressed by the quality of services and other entrepreneurial activities which could use this potential.

4.7.1 District of Námestovo

The recreational potential of the district is big, fairly diverse and so far used very little. Its more effective development is restrained by a relative transport isolation of the district as well as by the fact that the district almost entirely belongs to CHKO Horná Orava. The district offers the conditions for a broad spectrum of recreational activities from the recreation by the water areas to the mountain hiking and winter skiing.

Recreational opportunities are localized mainly at the area of the **Orava Reservoir**, which is a popular target in summer. Slanická Osada has a water sports base and the visitors are attracted also by the Slanický Island at the center of the Orava Reservoir, attractive due to the art exhibitions and other cultural events organized on it.

The rest of the territory provides good conditions for **hiking and biking**; in winter over 15 ski lifts with different levels of difficulty run, as well as cross-country skiing trails and other options. The source of **natural medicinal water** at Slaná Voda adjacent to Oravská Polhora is a specific feature of the district.

Original **rural recreation** featuring amounts of collateral activities and events can be the district's priority. Civilization, mainly cultural and historical, features of the territory are fairly interesting and can be attractive for development of educational and cultural tourism. The Orava folklore, relicts of folk architecture and historical heritage are interesting too.

Incomplete or entirely missing higher and specific serving, cultural and social services, not finished even in the capital of the district is a very obvious shortcoming of the district.

4.7.2 District of Tvrdošín

The natural potential of the district is large and functionally very diversified. Its territory is touched by a large water reservoir Orava in the flat bottom of the mountain lowland as well as deep mountain valleys of Roháče Mountains. Fairly smooth ranges of the Skorušinske Hills separate these two landscape types. This environment allows offering evenly **water recreation and water sports**, difficult **mountain hiking** (Western Tatras - Roháče), and **skiing** as well as a foothill rural recreation with additional activities. A substantial source of **thermal water** with the swimming pools at Oravice (the edge of Roháče) is separately a significant phenomenon of the district.

The unique natural givens of the district are enriched also by remarkable cultural and historical attractions. The Reservation of Folk Architecture at Podbiel and the Museum of the Orava Village at Zuberec, documenting the Orava region folk wooden architecture, are the most significant ones. Traditional cultural events, mainly **folklore festivals** with international participators at Zuberec (25th year), Podbiel and Oravice are attractions as well. As for sport events, Tour the Tatras is the internationally known biking-hiking event.

Entire district has very good conditions for automobile-tourism, biking and by the Orava Reservoir, in Studená Valley, in Oravice and in Skorušínske Hills for hippo-tourism.

4.7.3. District of Dolný Kubín

The potential of the natural environment in the district is fairly large, but due to the character of landscape it allows primarily **mountain** and **rural** recreation. A social potential gives more options, since it has enough destinations mainly for educational and cultural tourism. The district offers good conditions for the various forms of mountain, road and water tourism as well. Some larger water areas and thermal springs are missing. These resources are present only at neighboring districts of the upper Orava region and the Liptov region. Two centers - Lučivná in Malá Fatra Mountains and Malatiná at the edge of the Chočské Hills can be potentially used as climatic spas in the future.

The mountain recreation and related hiking and winter skiing might be developed almost at the entire district.

Water tourism is usable only by the Orava River mainly at the adjacency of Dolný Kubín, Oravsky Podzámok and Párnica.

Entire territory of the district offers number of historical buildings, landmarks and sites, cultural and social events, products of folk art and architecture for **educational, cultural and other social tourisms.** The givens of Dolný Kubín, Oravský Zámok (castle), folklore of Zázrivá, archeological sites next to Vyšný Kubín and number of others are of extraordinary value.

The existing **technical infrastructure** is very variegated. Smaller facilities prevail such as pensions, further on there are price-sound lodging facilities such as tourist lodging, recreational facilities, student dormitory type lodging and the private accommodations. The hotels are numerously present as well. As for sport centers two ski centers are of the largest importance - Dolný Kubín-Kuzmínovo and Dolný Kubín - Kubínska Hoľa. In many cases, however, technical infrastructure needs to be finished.

4.8 Conclusion

Despite a long-time tradition, researched region has an under average **production manufacturing** per one inhabitant as a consequence of the production decline. A number of enterprises are insolvent, mainly large firms operating since the former regime which have not undergone a successful transformation. New dynamic and export-oriented companies are slowly filling the market gap. Researched region is however still under sized in terms of the number of private enterprises. Due to tradition and existence of qualified labor, electro-technical industry represents majority of opportunities. Unfinished infrastructure is so far a burden.

The development of **tourism** offers a comparably important potential, due to a favorable location, potential of natural environment and cultural heritage. For instance, in 1999 the Orava region was visited or transited by 2.26 million (estimate) foreigners, when the revenues from active foreign tourism itself achieved almost SKK 1.5 billion. The quality of services and infrastructure however did not accord to this potential. It can be assumed their development as well as appropriate marketing activities could increase number of visitors and mainly financial assets in forms of purchase of local services and goods.

Good conditions for **forestry** are a fortune of the region as well. Its use for the sake of the region development is however restrained by unfavorable ownership structure of forests, low share in the GDP formation and level of the natural environment protection. The forests cover as much as 45% of the territory. Insufficient appreciation of timber within the region and fragmentation of existing operations are the weaknesses and at the same time also opportunities of the region.

With regard to development of agriculture, the agricultural land of the Orava region has medium to low quality. Due to the fact that as much as 37% of the territory is covered by grassed land, cattle and sheep breeding is important for the region in terms of the national scale. In comparison to the Slovakia scale, planting is not of a large importance in the region. Only the growing of potatoes is the exemption. However, it is only slightly over averaged. Growing of some types of grains and mess has a local importance as well.

The region is fairly poor for raw materials. Only the deposits of construction stone, gravel and sand are present more significantly.

Insufficient degree of development at researched region is reflected also in the low level of **private enterprise**. In the sense of Slovakia, it is under averaged in terms of the number of organizations per 1,000 inhabitants in productive age. Concerning an existing potential, in a growing unemployment the support of local entrepreneurial activities is a priority.

5. Infrastructure

5.1 Transportation

In terms of transportation, the following routes are important for researched region:

- **Railway line** connecting Dolný Kubín, Tvrdošín, Trstená connected to the railway routes toward Žilina (west), Poland (north) and Košice (east) /56 km/
- **One lane road of the European importance of the 1st category** E77 connecting Dolný Kubín, Tvrdošín, Trstená connected to the roads toward Žilina (west), Poland (north) and Liptovský Mikuláš (east) /55 km/
- **Main road** connecting Tvrdošín and the villages Breza, Lokca, Zákamenné, Oravská Lesná directing towards Čadca /42 km/
- Other roads toward more isolated settlements.

Overburden of entrance routes is a typical feature of weaker developed infrastructure. The transportation lines are not adjusted to the over burden due to transit of the number of trucks to/from Poland. This negative situation can be solved by the combination of road and railroad transportations in the freight carrying.

Similarly, personal railway transportation is not finished as well; there is no direct line to Žilina. There are reserves regarding a time synchronization of the railway connections at the transfer point – railway station Kraľovany.

5.2 Communications

According to the data provided by the Regional Office of the Statistical Office of the SR, Žilina, only 38 out of 63 settlements of the Orava region have a post office. In terms of the number of people per one post office the situation is slightly over average (3,159 people per one post office while at the Slovakia level it is 3,324 people per one post office).

An opposite situation is in telephone connectivity. In Slovakia, there are 3.5 people per one primary telephone line while in examined region the number is 5.5 people per one line.

A provided comparison, however, must be understand in terms of the over average natural population growth and consequently higher number of members of individual families.

5.3 Technical infrastructure

The territory of researched region features a very low rate of connectivity to gas line, when only 4% of population is connected. There is no inhabitant connected to gas line network in the district of Námestovo.

As for finishing a public sewage network, the situation is unfavorable as well. As much as 60.9% of population live in houses that are not connected to public sewage system; as for the district of Námestovo, it is as much as 83.5%.

The situation is somewhat better in terms of public water supply, although this area has significant reserves as well. Overall in Slovakia 82% of population owns the connection to public water supply, in researched region only 77.6%. The remainder has to use own wells or import the water.

5.4. Conclusion

The researched region has not sufficiently finished its infrastructure. The district of Námestovo is the most lagging.

There are reserves in terms of transportation infrastructure; over burden of roads is a typical feature. Regarding communications, examined region is fairly well equipped in terms of the number of people per one post office, however, the situation in the telephone connectivity is opposite. In Slovakia, there are 3.5 inhabitants per one primary telephone line while in the Orava region 5.5 inhabitants. Besides, the region features a very low rate of connectivity to gas line and relatively unfavorable situation concerning the finishing of public sewage system.

6. Development of the human development areas

6.1 Housing

Undisputable dominance of family houses in terms of housing characterizes researched region. With regard to construction of new housing in last few years, the interest grows more dynamically than the average rate for entire Slovakia (Table 21). According to Statistical Office of the SR, 313 new housing units were started and 276 units were finished at the Orava region in 1999. As of December 31, 1999, 1,367 were in the phase of construction.

Table 21 Under construction, started and finished housing units in the Orava region and Slovakia per 1,000 inhabitants

Units per 1,000 people	Under construction as of January 1, 1999	Started in 1999	Finished in 1999	Under construction as of December 31, 1999
Orava - per 1,000 people	10.3	2.4	2.1	10.6
SR – per 1,000 people	8.7	2.1	2.0	8.8

Source: Statistical Office of the SR, calculations by M.E.S.A.10

Unsettled ownership relations to individual properties and difficult condition for acquiring financial funds are the most serious problems the people interested in housing construction face.

6.2. Health care

In terms of health care the situation in researched region is fairly weak. According to Regional Office of the Statistical Office of the SR, there are 5.5 beds in hospitals (including maternities) per 1,000 people at the Orava region, while the number for entire SR is 7.34 beds per 1,000 people. There is not one bed in hospital or maternity hospital at the district of Námestovo.

There are one state polyclinic (Námestovo), two hospitals with polyclinic (Dolný Kubín and Trstená), two state transfusion and hematological units (Dolný Kubín and Trstená), 26 pharmacies and 130 separate medical practices. Almost a half of the settlements does not have any of aforementioned health care facilities.

Emergency help is provided by the state from Námestovo, Trstená and Trstená via 51 ambulances.

6.3. Social care

Social care is secured fairly well at researched territory. There are two institutions of social care for youth totaling 203 beds, six homes for retired totaling 322 beds and two homes of social services for adults totaling 60 beds (Table 22).

Table 22 Number of beds and inhabitants per one bed at the social care institutions in 1998

	Institutions of social care for youth		Homes for retired – total		Homes of social services for adults	
	capacity	population	Capacity	population	capacity	population
Námestovo	0	-	139	398	60	923
Tvrdošín	161	216	36	965	0	-
Dolný Kubín	42	939	147	268	0	-
Orava region	**203**	638	**322**	402	**60**	215
Slovakia	3,856	1,400	15,565	347	21,350	253

Source: Regional Office of the Statistical Office of the SR Žilina, calculations by M.E.S.A.10

6.4. Education

Table 23 provides information on number of schools and students in researched region. With regard to this area it is necessary to add the situation in elementary schools is not very favorable due to a high natural increase of population that is not balanced by the increase of capacities in educational facilities, mainly in the district of Námestovo.

Table 23 Elementary schools, gymnasiums and apprentices at the territory of the Orava region in 1998

a –number of facilities b – number of students total	Apprentice schools - private		Gymnasiums - state		Elementary schools 1st – 9th grade - state		Elementary schools 1st – 9th grade - church		Apprentice schools - state		Secondary vocational schools - state	
	a	b	a	b	a	b	A	b	a	b	a	b
Námestovo	0	0	1	510	19	8,377	0	0	3	1,557	3	444
Tvrdošín	0	0	2	1,082	9	3,399	2	960	2	609	2	834
Dolný Kubín	1	120	1	527	12	4,703	1	448	5	1,835	5	1,283
Orava region	**1**	**120**	**4**	**2,119**	**40**	**16,479**	**3**	**1,408**	**10**	**4,001**	**10**	**2,561**

Source: Regional Office of the Statistical Office of the SR Žilina, calculations by M.E.S.A.10

6.5. Culture

Rich traditions and own cultural heritage characterize examined region. Besides, the citizens can use a relatively well-developed network of culture houses, public libraries, youth houses, amphitheatres, and cinemas. There is one gallery at Dolný Kubín.

6.6. Physical education and sport activities

There is no shortage at the Orava region in terms of opportunities for sport activities due mainly to attractive natural environment. The conditions for skiing, hiking and biking are above standard good. Examined region is fairly well equipped for sport facilities (Table 24)

Table 24Sport facilities at the Orava region in 1998

	Gyms			Playgrounds			Stadiums		Sport halls - Swimming pools		Swimming pools total including school pools			Other sport facilities
		Of which		soccer	school	other	winter (indoor and outdoor)	ostatné (otvo-rené)	Sport halls	Pools total	indoor	outdoor	Of which school pools total	
	total	school	Commercially used											
Námestovo	19	18	0	25	25	12	0	6	0	0	1	1	0	9
Tvrdošín	12	11	1	15	12	12	0	4	2	1	1	0	0	13
Dolný Kubín	18	18	0	22	16	52	1	4	1	0	1	0	0	17
Orava region	49	47	1	62	53	76	1	14	3	1	3	1	0	39

Source: Regional Office of the Statistical Office of the SR Žilina, calculations by M.E.S.A.10

6.7. Conclusion

Being a region with wealthy and diversified natural environment potential, the Orava region provides above standard opportunities for its inhabitants. The rate of natural environment pollution is low; there are numerous options for different summer and winter sports.

Concerning the other areas of human development, their conditions are comparable with other regions of Slovakia. Relatively bad situation in education and health care is an exemption. There is no hospital in the district of Námestovo.

7. Natural environment protection

In comparison to other parts of Slovakia, the natural environment of the Orava region is fairly low polluted due to relatively favorable wind conditions, high share of forested areas and practically nonexistence of large static polluter as a result of the isolation of the region.

Out of existing polluters the following can be listed: mainly household waste pollution, pollution of streams, and “imported emissions” from industrial regions of the Czech Republic and Poland. The emissions increase in the winter months due to a prevailing way of heat production in the region via burning solid fuels.

Several protected areas were set up at the territory of the Orava region. There are two national parks (Tatranský národný park - High Tatras National Park and Národný park Malá Fatra – Malá Fatra National Park), three protected land regions (CHKO Horná Orava, covering entire northern part of the Orava region, CHKO Kysuce and CHKO Veľká Fatra), several state natural reservations, natural reservations, natural landmarks, protected areas and educational trails.

B. PROPOSALS

8. Priorities

8. 1 Development of Infrastructure

8.1.1 SWOT analysis

Strengths
- A relative proximity and a major artery to Krakow, principal commercial, industrial and cultural center
- Presence of a sole transportation route of European importance from Slovakia to Poland (road E77)
- Resources of good drinking water

Weaknesses
- Insufficient capacity of transportation network
- Overburdened main roads, mainly by freight transport
- Marginal railway connection, missing railway connection to Poland
- Insufficient sewage and gas-line network

Opportunities
- Favorable transit location
- Development of combined transportation
- Development of high-tech information technologies and communication networks

Threats
- Preference of other transportation routes
- Increase of lagging in terms of communication networks services

Development potential of any area, region or state depends to a certain level on the rate and quality of infrastructure. Technical, transportation, information and welfare infrastructures are the fields highly demanding on investment and time. The lagging of infrastructure has often-fatal consequences. This issue is even more sensitive in the countries experiencing economic decline and stagnation and having a shortage of investment resources. In such a case, a somewhat vicious circle arises. The country (area, region) needs to invest in infrastructure in order to create conditions for revival, but since revival is not coming it is impossible to invest in infrastructure. The Slovak economy is in a similar situation now. Due to the aforementioned facts, the rate of infrastructure services is a very important variable.

It is basically true that Slovakia significantly lags behind developed countries as for all significant areas of infrastructure services. Socio-economic analysis of a researched region shows that in the case of Orava this is especially true, since it significantly lags behind even in terms of the intra-Slovak comparison. In this region, the infrastructure is not finished and it represents one of its most problematic features, mainly in terms of its transportation accessibility. At the same time, accessibility of any region and level of its development are directly proportional.

A slightly better situation is reported in the researched region by telecommunications, mainly due to their incomparably lower investment costs. The recent trends of the regional development theories therefore recommend rather the focus on the construction of information networks in regions poorly accessible for transportation. This is because they can use the existing potential more effectively due to the aforementioned costs as well as development trends (something like “Silicon Valley). This fact therefore we recommend for consideration in the researched region of Orava through appropriate ways and campaigning “the computer work at home” program.

Despite importance of the other types of infrastructure, we regard transportation and communication infrastructure to be priority.

8.1.2Proposals of the infrastructure improvements

- To suggest elaboration of the study aiming at defining the priorities of transportation infrastructure development in the region.

We consider two major options:

a) Modernization of key transportation roads (mainly their widening and mainly of the international road E77)
b) Construction of railway connection to Poland, modernization of the railroad for the sake of creating the conditions for use of combined transportation (construction of terminal, double-tracking of the railroad in the passages where it is technically possible and efficient, reconstruction of the Kraľovany - Trstená tunnel)

- To use the outcomes of this study to obtain state support for the transportation infrastructure development in the region

- To elaborate a program of development of “information highways” in the region (construction of information centers in towns, villages and schools, educational programs, modernization of technical infrastructure)

8.1.3 Sources of the infrastructure projects' financing:

(see “The options of incentive financing for developmental projects”)

- ISPA
- The Program of Mid-sized Infrastructure Projects
- The Program of Large-sized Infrastructure Projects
- PHARE-Credo
- Infovek (Ministry of Education of the SR to support internet at schools)
- The Program of support of combined transportation development
- Other sources

8.2 Development of Small and Medium Enterprise

8.2.1 SWOT analysis

Strengths
- Tradition of construction, crafts and wood manufacturing

Weaknesses
- Subjective barriers of development of SME
- Absence of RAIC (Regional Advisory and Information Center)
- Insufficient level of knowledge and experience in the fields of marketing, finance and planning
- Absence of strategic investors in the region as potential customers of the SME products and services
- Relatively low effective demand

Opportunities
- Relevant group of young unemployed graduates as potentially the most prospective source of the new SMEs formation
- Development of trade with Poland
- Development of tourism

Threats
- Ongoing outflow of young people from the region for employment or enterprise
- The risk of entrepreneurial failure as a result of current weaknesses
- Threat of insufficiently developed SMEs due to release of the movement of goods, services and capital after the accession of Slovakia to the EU

The shortage of the will to start a business by potential self-employed or entrepreneurs is one of the biggest obstacles of the SMEs development in the researched region. This is due to the fear of change that would bring about new duties and risks (e.g. bookkeeping, mandatory welfare payments) and possible consequent charges as well as the shortage of knowing the new opportunities mainly with regard to acquiring of sources including the support funds, which would ease the start up of enterprise activity. At the same time, exactly the development of small and medium enterprise, mainly in the form of small self-employment, could serve as the most effective tool to decrease the alarming unemployment rate. This would consequently create room for the activation of unutilized and otherwise stagnating labor potential that could have set the basis for the future health entrepreneurial base. Moreover, the first successful entrepreneurs could be used as an example followed by the others (so called “success story” effect).

8.2.2 Regional Advisory and Information Center – RAIC

We reckon **the creation of Regional Advisory and Information Center (RAIC)**, up to now absenting in the Orava region, being a relevant option of elimination of the aforementioned shortcomings.

In terms of the possibility to obtain financial funds assigned for the same purpose by the State Budget of the SR as well as in terms of effectiveness, **it is critical to assure the new RAIC could apply to be incorporated into the integrated network of regional development agencies (RDA) in the future,** which were approved by the Government (Resolution No.

738/2000). According to this resolution, RDAs are non-profit organizations that activate economic development of region by institutional linking of public administration, private sector and third sector. Foundation, operation, localization and principles of the RAIC should therefore be identical with foundation, operation, localization and principles of the RDA. The incorporation into the network of RDAs means to enter a legal relationship with the Ministry of Construction and Regional Development of the SR upon signing the Covenant on Activities Financed through the State Budget.

The principles of foundation, operation and localization of RAIC should be as follows:

- Orientation toward development of a region in accordance to the regional operational program,
- Support in creation the conditions for investing in the region,
- Activation of the region in the field of obtaining domestic and foreign grants through development of cross-border cooperation and inter-regional cooperation,
- Support of the inflow of foreign investment to the region and initiation of enterprise incubators and industrial parks creation,
- Creation of relations toward public, organizing seminars and exhibitions as well as presentations of regional projects and initiatives,
- Coordination of activities and cooperation with the entities engaged in the securing a regional development, presentation and coordination of the region within tourism industry,
- Creation of regional information systems and databases,
- Organization of special training activities.

We recommend elaborating a draft model of the operation and financial back up of RAIC. We suggest, the basic principles of the RAIC operation should be as follows:

Legal status of RAIC

The proposed RAIC operates as an association of legal entities (thereinafter “association”) established according to respective articles of the Civil Code.

This form is suitable due to the following reasons:

- Possibility of the participation of a broad spectrum of entities, which can be the members of association (towns, professional chambers and federations, corporations, associations and other non-governmental organizations, educational, advisory and information organizations, research and science companies, etc.)
- Only the association of legal entities can apply for the support for RDA
- As a non-profit organization it is not liable for paying income tax on contracts in form of subsidies, contributions and grants

Based upon the actual legislation in the Slovak Republic, the bodies of local state administration cannot be the founders of association of legal entities. However, this does not exclude the option that the figures off the current representatives of district offices take over the initiative in the establishing the RAIC.

Location of RAIC

We suggest RAIC to be located at Dolný Kubín. This city was proposed also for a potential RDA, which should, due to aforementioned reasons, correspond with the location of RAIC.

Financing of RAIC

The costs of the RAIC operation and its activities will be split between the legal entities associated in the RAIC. At the same time, resources generated by its activities can be used as well.

After the incorporation into the network of RDAs, the operation of the association could be supported by contribution from the State Budget upon the Covenant on Activities Financed through the State Budget. It means a financial support up to 40% of total annual costs – maximum of SKK 540,000. The new agencies (RAIC Dolný Kubín would be one of them) will have a chance to apply for financial support on capital expenditures up to SKK 350,000.

If it were a community of the by the Government assigned priority region, according to the Resolution No 923/1999 (in this area only the Námestovo district), the association could count on support up to 90% of average total annual costs (SKK 1.35 million are the current expenditures of the RDA employing two people) – maximum of SKK 1.2 million; new RDAs up to 100% in the case of capital expenditures - maximum of SKK 500,000.

The internal sources of the association consist of:

- Membership contributions of the founders,
- Incomes from the activities reported for the association,
- Individual budgets of projects led by the association as a contractor or subcontractor, or in which it participates as a partner.

Suitable activities of RAIC

- Searching for appropriate partner for cooperation, mainly from abroad
- Organization of the firms' participation at the trade fairs
- Expert management of the projects of regional development
- Coordination and creation of the complex offer of tourism
- Outward presentation of the region (tourism, etc.)

8.2.3 Business and Innovation Center – BIC

Establishment of local **Business and Innovation Centers (BIC)** can be an appropriate tool of the development of small and medium enterprise in the region as well. Unlike RAIC, business and innovation center:

- Is an entity of commercial character
- Serves predominantly to already existing entrepreneurs

Limited Liability Company is the most often legal form of BICs. It can provide to its clients the following services:

- Elaboration of business and marketing plans
- Elaboration of credit applications, consultations in acquiring capital
- Bookkeeping and economy
- Searching for the partners within the region and abroad
- Searching for foreign sources of foundation the joint companies
- Legal, tax and customs consulting
- Bookkeeping
- Implementation of the quality systems
- Technologies and patents consulting

- Evaluation of projects for venture financing
- "Spin-off" consulting – separation out of inefficient operations of large enterprises

Formation of a business environment for the firms with innovative business objective – new product, service and technology and provision of a long-time care for those firms are other goals of BICs. The following belong to services provided for innovative clients:

- Looking for innovative projects
- Elaboration of business intention and plan
- Economic and accountancy consulting
- The project financing advisory
- Contacts within the European network of BICs
- Trainings
- Joint participation at fairs
- Advertising and public relations
- Initialization of mutual cooperation
- They also provide material help for start-ups and serve as incubators for small innovative firms helping out to lower the costs necessary for the firm outset. They rent out to these firms for sound rates:
    - Business space
    - Copy services
    - Assistant services
    - Printing and binding
    - Fax and phone services

The self-governments of the biggest centers of regions should be the initiators of the BIC foundation.

8.2.4 Sources of the SMEs' development financing

(see "The options of incentive financing for developmental projects")

- Programs of the NADSME
- Programs of SZRB
- PHARE – support loan program for the SMEs' development
- SARIO programs
- Apex Global Loan II
- Loan link EXIM
- Program of the Development of E-Business Support
- Program of the International Fairs Participation Support
- Program of the Marketing Information Support
- Program of the Industrial Parks Development Support
- Other funds

8.3 Tourism

8.3.1 SWOT analysis of tourism in the researched region

Strengths:

- Historical heritage of the region and closed geographical region of Orava
- Presence of the road E77 of the European importance that connects countries in the north-south direction
- Fairly well preserved natural environment with number of protected areas of international importance and maintaining of traditional values, live social and cultural traditions
- Immediate vicinity of important markets – Poland and the Czech Republic
- The most important and most frequent border crossing point in borders with Poland (Trstená)
- Existence of national cultural monuments, open-air museum of the Orava village
- Presence of thermal and medical springs and water areas (opportunities for water sports and fishing)
- Conditions for summer and winter tourism
- Possibility of development of agro-tourism
- Hospitality of the people
- Professional schools /SOU – professional school, hotel school/
- Presence of several non-governmental and professional associations demonstrates the interest in region and coordination with regard to development of tourism
- Existence of number of documents, which are products of several work groups, shows there is a will to participate in development of tourism. However, coordination of such a cooperation does not exist and the number of activities remains only proclamations.

Weaknesses:

- Insufficient transportation infrastructure
- Insufficient cooperation among the entities operating in the region
- Poor capacity and quality of provided services
- Lack of additional activities in tourist centers
- Absent publicity on opportunities of the development financing
- High unemployment rate affecting domestic demand and social situation
- High share of protected areas /exclusion of new construction/
- Insufficient usage of thermal and medical springs
- Difficult legal relations regarding the land property ownership /ownership of land-property gilds – forest plots (urbáre)/

Opportunities:

- Improvement of transportation infrastructure
- Creation of regional information and coordination center
- Construction of medical and recreational resort in Oravská Polhora /new lodging facilities/
- Development of agro-tourism /development of lodging opportunities in the stylish Orava wooden houses, provision of traditional meals, presentation of typical regional habits, activities and products/
- Finishing of the cross border cooperation
- Increase of goods and services exchange
- Development of sport and recreational opportunities
- Increase of lodging and catering capacities through development of family businesses

Threats:

- Lagging of transportation infrastructure
- Over sizing of basic services and underestimation of development of additional services
- Growth of social problems - unemployment
- Offer without significant qualitative changes
- Self-restraints for the start of own business

Tourism belongs to the most prospective and most dynamically developing human and economic activities. Geographical border location, cultural and historical heritage as well as natural environment potential predetermine the researched region to become important tourist destination.

Based upon the section "Socio-economic analysis of the researched region and its developmental potential" of this study, the researched region has been visited or transited by about two million foreign tourists annually (estimate upon the survey on the border cross-points and selective survey) and the annual revenues of the region from the active foreign tourism itself are estimated over SKK 1.3 million.

The fact that the aforementioned potential is not utilized is, however, the biggest problem.

Development of tourism belongs to the largest developmental opportunities of Orava due to:

- Rich cultural heritage and unique potential of natural environment
- Unutilized demand potential
- Relatively low start costs
- Activation of small and medium enterprise
- Possibility of utilizing free power off the unemployed (focus on self-employment in a broad spectrum of activities)

Recent reasons of undeveloped tourism stem from:

- Wanting quality of services,
- Psychological and other barriers to start own business
- Insufficient coordination
- Absence of complex offer

The following belongs to the most frequently used arguments against the start of own business, with which we met during the work in the region:

- "Who will give me the money?"
- "I cannot do that"
- "It is impossible…"
- "Who will do my bookkeeping?"
- "Sanitarian will come and shut me down anyway. I will only get into trouble because of it."
- "I will not get a permit for that, because I am not an "official"."

Let us look at each of the provided arguments closer:

1. **"Who will give me the money"?** As stated before, low investment costs are among the biggest advantages of the focus on development of tourism. It is necessary only to find appropriate activity of which the particular person thinks he/she might already have (fully or partially) the needed tools and know-how for its operation. A broad spectrum of hobbies and traditional activities belongs here, from crafts (bell-making, basket-making, smithery, etc.), through hand-works (needlework, production of souvenirs, painting, etc.) to services (photography, horse riding, hiking, etc.). First even small funds will serve as a further

motivation and later on as an investment into development of the business, which can later become a family business.

The offer of products of tourism in the researched region should be oriented on products that are typical and unique not to imitate generally spread products. RAIC should play an important role in marketing of these products (coordination of the offer).

Indeed, not all the activities are equally low demanding in terms of investments. It is true that effective and fast development needs external financial aid sometimes. Such funds exist; however, the public of the region is not sufficiently informed about them. Therefore, we thought it would be an asset to research those funds. The results are enclosed in the appendix "The options of incentive financing for developmental projects". However, it is a prevailingly assistance that must be returned and requires a certain co-financing at the same time.

2. The expressions **"It is impossible"**, and **"I cannot do that",** are the most frequently used arguments. The recommendations included in this section stem from the longtime experience and observations of the authors from different travels abroad that provided evidence that the aforementioned arguments were not appropriate. This evidence is the fact that there are a number of countries or regions of much lower economic development as the one of Slovakia, which profits almost exclusively from tourism. There are a lot of examples: Nepal, regions of India, Peru, Pakistan or Egypt. One cannot see voluntarily unemployed people at tourist centers of these countries. Number of examples of the tourism use can be found, let us say, in the neighboring High Tatras region. The proposed BICs should support the motivation to start business as well as give the initial impulse.

3. **"Who will do my bookkeeping?"** The entrepreneurs fearing the bookkeeping can consider the use of flat expenditures in accordance with Art. 8 of Act No. 366/1999 on Income Tax as amended and the lump tax in accordance to the amendment to that Act (no. 466/2000). In both cases, the bookkeeping is waived.

4. **"Sanitarian will come and shut me down anyway". "I will not get permit for that, because I am not an "official"."** Unfortunately, these statements reflect reality and lack of being strong minded, informed and the absence of entrepreneurial practice at the same time. We recommend using the opportunities given by the Free Access to Information Act.

8.3.2 Proposals for development of tourism in researched region

1. Increase of the region attractiveness through introduction of the integrated complex marketing product. RAIC should be the coordinator of respective activities. Besides, the RAIC will secure publicity of the region outwards. The local information agencies should participate in operation of the RAIC also by having access to integrated data basis of RAICs.
2. Increase of motivation and educational level of potential regional entrepreneurs through seminars and trainings. Support of small and medium enterprise in order to enhance the quantity and quality of provided products of tourism. Aforementioned goals should be secured by individual BICs.

Sources of financing

(see "The options of incentive financing for developmental projects")

- Programs of the NADSME
- Programs of SZRB
- PHARE – support loan program for SMEs
- Program for Support of the Tourism Development No. 5 (SZRB)
- Programs of SARIO (crafts)
- Other funds

8.4 Industry

8.4.1 SWOT analysis – industry and its developmental potential

Strengths

- Relatively cheap and qualified labor force with experience in mainly electro-technical industry
- Border geographical location

Weaknesses

- Weakly developed infrastructure
- Inappropriate sector structure of large enterprises

Opportunities

- Developmental potential of electro-technical industry and wood manufacturing (forests)
- Available production capacities located in the former large enterprises
- Possibility of utilizing the support programs and prepared Act on Investment Stimuli in connection to the Act on State Aid (Námestovo district, 10-year tax holiday, etc.)
- Available labor force
- Proximity of broad Polish market

Threats

- Construction of large industrial parks in other regions
- Protected areas

Historically, the Orava region can be characterized as the **region with a significant presence of industry**. Several industrial enterprises were founded under the centrally planned economy, in which the centralization criteria and the criteria of material security were preferred over the criteria of effectiveness.

Until the fall of the communist system, the core of industrial manufacturing consisted of several large industrial enterprises employing a majority of economic active population. These were as follows:

Electro-technical industry

- Tesla Orava, š.p. (š. p. - state enterprise)

Clothing industry

- Makyta Púchov, š.p., subsidiary Námestovo

Engineering industry

- Závody ťažkého strojárstva, š.p.
- Závody valivých ložísk, š.p.

Metallurgical industry

- Oravské ferozliatinové závody, š.p.

After the set out of economic reform in 1991, the ineffectiveness of these enterprises had emerged. Combined with other negative factors (end of RVHP – Council of Mutual Economic Assistance, stop of armament production) the situation resulted in a dramatic drop out of production followed by decline of employment, liquidation and decomposition of some companies.

The food industry is represented in the researched region as well, although we did not mention it. This industry, however, was not affected by transformation process as much, since this industry features a fairly stable demand (relatively low elasticity of domestic demand). Mining and quarrying are quite weak in the region. There are only non-ore materials available that are used in construction. Revival of construction is connected to revival of their exploitation. Only woodcutting is of bigger importance.

8.4.2 Current state of the Orava industry

Currently, industrial base of the researched region is of similar structure as that prior to transformation process started. It means electro-technical, engineering, metallurgical, clothing and food industries dominate. Even though the former state enterprises were privatized, low rate of competitiveness and high rate of insolvency prevail. Exemptions are some companies, which started by the purchase of viable operations from liquidated companies and consequent rationalization of production (Kovohuty) or green field companies, often in participation of foreign investor (Matsushita Electric, United Electronics). This group of companies is the healthy core of future development. Majority of the firms is oriented to export; the ”work in wage” prevails though.

Besides, new enterprises specializing in wood processing (Orava Fine Wood, Garnex), metalworking industry (Garex, ELKOP), shoe industry (Alba Breza), and chemical industry (Primalex) can be found in the region as well. They represent not striking but dynamically developing segment of industrial structure. More details are provided in socio-economic analysis, a part of this document.

8.4.3 Proposals of measures for development

1. Not to support former large state ineffective enterprises, allow them to liquidate as fast as possible
2. To finish infrastructure at new industrial park and to bring two-three large foreign investors to vacant space. To focus on ecological gentle though traditional industries that would have therefore also a source of qualified labor. Electro-technical industry is such an industry, textile industry into a certain point too. The inquiries for foreign investors should be provided by proposed RAIC in cooperation with appropriate agencies (SARIO).
3. To create conditions for development of small and medium enterprises (establishment of RAIC and BICs), which would be supplier chains for new large firms. SMEs will empty space focusing on available sources (wood manufacturing) and existence of demand (food industry, metal-working industry – crafts, services etc.)

8.4.4 Sources of financing

(see “The options of incentive financing for developmental projects”)

- Programs of the NADSME
- Programs of SZRB
- Apex Global Loan II
- Loan link EXIM
- Program of the Development of E-Business Support
- Program of the International Fairs Participation Support
- Program of the Marketing Information Support
- Program of the Industrial Zones Development Support
- ISPA (partially, to secure fulfillment of emission limits)
- Other funds

8.5 Cross Border Cooperation

8.5.1 SWOT analysis

Strengths
- Presence of three Euro-regions of which researched region or its section is a part
- Presence of protected areas reaching out to Poland and the Orava region

Weaknesses
- Week publicity and coordination of activities

Opportunities
- Support programs for cross border cooperation development
- Coordination of activities to create tourism infrastructure

We have already mentioned for several times that the geographical border location is one of the major advantages of researched region. The development of cross border cooperation is therefore one of the priorities mainly due to the following reasons:

- Unemployed reserves regarding cross border cooperation, neglected in the past
- With respect to the world integration and globalization trends it is a fairly easy way of getting money from foreign funds
- Boost of tourism and development of small and medium enterprise should be the effects of increased cross border cooperation

8.5.2 Unemployed reserves

One of the greatest advantages of cross border cooperation is based on the use of latent demand, which is directly connected to the increase of tourism (see Priority Tourism).

Selected options of cross border cooperation:
- Conference centers
- Cultural exchanges
- Exhibitions, fairs
- Joint infrastructure projects (railway, border crossings, biking trails, hiking trails, lift, etc.)
- Organization of social events

8.5.3 Acquisition of financial funds

Legal frame of cross border cooperation is important in acquiring financial funds from the support funds. The existing cooperation between Slovakia and Poland is included in following international documents:
- Covenant on **close-frontier traffic** of December 6th, 1996
- Treaty on Cooperation and Mutual Assistance in the **Customs Issues** of March 26th, 1997
- Treaty on Cooperation in **Tourism** of June 26th, 1997
- Treaty on International **Road Transportation** of April 16th, 1998

The existence of cross border areas, recognized by potential foreign donors, is another important factor in acquiring the resources. In the Orava region, euro regions represent these areas.

The researched region spreads at the border of two Euro-regions: **Euro-region Tatry (Tatras)**, representing the geographical unit Tatras Mountains spreading in the Slovak - Polish frontier and **Euro-region Beskydy**, representing the geographical unit the Beskyds spreading at the frontier of Slovakia, Poland and the Czech Republic.

Beside aforementioned Euro-regions, the Orava region fills also a small section of large Euro-region Karpaty (Carpathians) (Slovakia, Poland, Ukraine, Hungary, Romania). However, its operation is very difficult due to complicated mechanisms. The bilateral treaties are therefore more effective.

The European Union, specifically its programs PHARE-CREDO and PHARE-CBC, is currently the largest international donor, from which the non-refundable funds for cross border cooperation can be obtained.

Sources of financing:
(see "The options of incentive financing for developmental projects")

- PHARE-CREDO
- PHARE-CBC
- Funds off the tourism development
- Funds off the infrastructure development
- Program of Large Infrastructure Projects (trans-European networks)
- Other funds