Key points

Past & future SME performance: The Slovakian SME sector is still struggling to exit crisis. It experienced an aggregate fall of 3% in value added and stagnation in employment in 2010-2015, a period marked by strong volatility. After a sharp downturn in SME value added and employment in 2011-2013, SMEs started to recover in 2014. From 2016 onwards, the growth in SME value added and employment that began in 2014 is expected to accelerate. The forecast for 2015-2017 is for 11% growth in value added and a 4% increase in employment, equivalent to net job creation of more than 41,000.

Implementing the Small Business Act for Europe (SBA): Slovakia’s SBA profile has more weaknesses than strengths. Over time, its performance seems to be stagnating in many SBA areas rather than catching up with the rest of the EU. There are major concerns in some of the core areas of the SBA, namely ‘Responsive administration’, Skills & innovation and Internationalisation. ‘Second chance’ is the fourth area where Slovakia trails the EU average. On the positive side, on Environment Slovakia consolidated its above-average performance compared with the rest of the EU. The SBA areas that saw the most important policy initiatives over the past 15 months were Entrepreneurship, ‘Responsive administration’ and Skills & innovation. Since 2008, progress on implementing SBA policy has been rather modest in all policy areas.

SME policy priorities: SBA implementation measures need to intensify and focus on the core areas of the SBA. The adoption of the SBA and the full implementation of its core tenets are particularly important for ‘Think Small First’ and ‘Responsive administration’. Systematic application of regulatory impact assessments is also a high priority. Promising new measures such as the ‘SME test’ and the ‘National Business Centre’ functioning as ‘one stop shop’ need to be fully implemented without any further delay. Start-up time and costs have to be brought in line with the SBA objectives. On Skills & innovation, more needs to be done to improve the innovative capacity of SMEs. Slovakia also needs to provide more active policy support to enable more of its SMEs to export to extra-EU markets. Finally, on ‘Second chance’ the time and costs related to insolvency procedures have to be reduced considerably.

About the SBA fact sheets
The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from Entrepreneurship and ‘Responsive administration’ to Internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. Published annually, the SBA fact sheets aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.
1. SMEs — basic figures

<table>
<thead>
<tr>
<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Slovakia</td>
<td>EU28</td>
<td>Slovakia</td>
</tr>
<tr>
<td>Micro</td>
<td>395 223</td>
<td>410.1%</td>
<td>597 090</td>
</tr>
<tr>
<td>Small</td>
<td>10 429</td>
<td>6.0%</td>
<td>208 513</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>2 139</td>
<td>1.0%</td>
<td>230 807</td>
</tr>
<tr>
<td>SMEs</td>
<td>407 791</td>
<td>99.9%</td>
<td>1 036 410</td>
</tr>
<tr>
<td>Large</td>
<td>487</td>
<td>0.1%</td>
<td>417 090</td>
</tr>
<tr>
<td>Total</td>
<td>408 278</td>
<td>100.0%</td>
<td>1 453 500</td>
</tr>
</tbody>
</table>

These are estimates for 2015 produced by DIW Econ, based on 2008-2013 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs in Slovakia play an important role in the non-financial business economy, at a level similar to the EU average. Slovak SMEs account for 57% of total value added and 71% of total employment, figures roughly comparable to the respective EU averages. Micro-firms, however, play a more significant role in Slovakia than the EU average. They contribute 27% of value added and 41% of employment, 6 and 12 percentage points respectively higher than the EU average. The most important sectors are wholesale and retail trade and manufacturing, which generate respective shares in SME value added of 25% and 23%. In addition, they each account for more than a quarter of SME employment.

SMEs have lately been performing worse than the non-financial business economy as a whole, experiencing an aggregate fall of 3% in value added and stagnation in employment between 2010 and 2015. This period was marked by strong volatility. After a sharp downturn in SME value added and employment in 2011-2013, SMEs have started to recover since 2014. However, the trend was made even more volatile by a technical factor: the sharp rise in SME value added and employment in 2009-2010 stems from a redefinition of the 'micro-firms' class, which since 2010 have also included sole proprietors.

Administrative and support service activities has been one of the better performing sectors. SME value added increased by 8% and employment by 16% between 2010 and 2015. Demand for administrative and support services has risen due to Slovakia’s strong position as an international offshoring destination, especially for financial services, accounting, IT services, accounting, IT services,
customer services and HR services. Slovakia’s attractiveness for foreign companies is due to three main factors: the high proportion of its workforce with a university degree, its location in central Europe and its political stability. Despite strict employment protection legislation and recent comparatively high increases in labour costs, Slovakia still remains competitive over the cost of its highly educated labour force.

In the transportation and storage sector, 3% growth in SME value added coincided with a 5% fall in employment between 2010 and 2015. The rise in value added was largely a consequence of falling fuel prices. The negative trend in employment was due to two main factors:

- firstly, many companies held back from replacing or hiring new employees due to volatility in fuel prices and the resulting expectation of price increases;
- secondly, recent regulatory changes such as the tightening of the Slovak Labour Code in early 2015, along with the increase in the monthly minimum wage to EUR 405 in 2016, have dampened the price competitiveness of low-skilled Slovak labour mainly used by the transportation sector. As a result, rather than hiring Slovakian workers, there has been an increasing tendency to hire workers from nearby countries such as Hungary and Romania, which have lower labour costs and less strict employment regulation.

Company registrations have shown subdued change over the past three years. By early 2015, the monthly average for registrations was 1 100-1 200, which was a slight increase on the months before but considerably lower than in previous years (in 2012 and 2013, the monthly averages were 1 700 and 2 350 registrations respectively). Owing to an increase in the complexity of the registration process in March 2014, there was a major rise in registrations in the preceding months, particularly from October 2013 to January 2014.

Company de-registrations have increased in recent years. In 2012 and 2013 the monthly average was approximately 400 de-registrations, but in 2014 it increased to over 600 and in 2015 rose even further to 795. As a result, in November and December 2014 there was a net loss of active companies. One reason for the significant rise in de-registrations was the introduction of tax licences requiring a minimum of EUR 480 in tax payments annually, irrespective of whether the company made a profit or a loss.

The improvements seen in SME value added and employment since 2014 are expected to accelerate from 2016 onwards. The forecast for 2015-2017 is for 11% growth in value added and a 4% increase in employment. Consequently, SMEs are predicted to be the main drivers of moderate growth in the overall non-financial business economy.

2. SBA profile

Slovakia’s SBA profile has more weaknesses than strengths. Over time, its performance has seemed to stagnate in many SBA areas rather than catch up with the EU in general. There are major concerns in some of the core areas of the SBA, namely ‘Responsive administration’, Skills & innovation and Internationalisation.

‘Second chance’ is the fourth area where Slovakia trails the EU average. With the exception of ‘Second chance’, Slovakia has not managed to improve its performance in any of these areas since 2008. Even in this area, the country’s progress was so modest that it did not manage to catch up with the EU average.

On the positive side, on Environment Slovakia consolidated its above-average performance compared with the rest of the EU.

While Slovakia’s overall score is only on a par with the EU average in Access to finance and Single market, there have been encouraging trends in both areas, such as improved access to loans and an increasing share of SMEs trading within the EU.

In 2015 and the first quarter of 2016, which is the reference period for policy measures in this year’s fact sheet, Slovakia made good policy progress on implementing the SBA. It adopted 12 policy measures, addressing 8 out of 10 SBA principles.
The SBA areas in which the most important policy initiatives were adopted in the reference period were Entrepreneurship, ‘Responsive administration’ and Skills & innovation. For Entrepreneurship, the adopted and ready-to-implement measures include a government-approved plan for a start-up postgraduate scholarship programme and a voucher system to support the protection of intellectual property in start-ups.

On ‘Responsive administration’, Slovakia set up a National Business Centre, providing a comprehensive business support system under a single umbrella organisation. This is a key measure that will also have an impact on the country’s performance in other SBA areas.

On Skills & innovation, tax deductions for R&D expenses were introduced, and Slovakia intends to establish regional innovation offices by mid-2016.

Policy-wise, Slovakia made limited progress on ‘Second chance’, Internationalisation, Access to finance and Single market. Under ‘Second chance’, only one measure was introduced, namely the ‘Amendment to the Act on Bankruptcy and Restructuring’. For Internationalisation, the new ‘Act on administration, operation and use of the central electronic file information system’ was adopted for the import, export and transit of goods.

Despite Slovakia’s good rate of policy implementation, there are still some areas where it shows a considerable lack of policy intervention:

- under Environment, more policy action is required to promote energy efficiency and the use of renewable resources in SMEs;
- under ‘Responsive administration’, the complexity of administrative procedures and the frequency of changes to the legislation continue to pose problems;
- under ‘Second chance’, the time taken to resolve insolvencies remains much longer than the EU average, and a better social support system is required for those entrepreneurs who decide to start again;
- last but not least, the adoption of the SBA under the SME development strategy has been postponed. The adoption of the SBA at national level is of utmost importance in ensuring systematic progress on implementing SME-friendly policies. The Act on the promotion of SMEs is currently in the inter-ministerial consultation process and should be on the government’s agenda for September 2016.

SBA performance of Slovakia: state of play and development from 2008 to 2016

![Graph showing SBA performance of Slovakia](image-url)
3. SBA principles

3.0 ‘Think Small First’

The ‘Think Small First’ principle is intended as a guiding principle for all policy- and law-making activities. It requires policy-makers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Although legislation is tested to determine its impact on SMEs, SMEs are not yet systematically included in consultations on future legislation. In addition, the regulatory framework and judicial system have not been sufficiently supportive to business activity. Based on the third stage of the evaluation of the Slovak legislation carried out by the government in 2013-2014, regulations generated 4,566 duties or obligations for entrepreneurs, creating a burden for companies with an estimated annual cost of EUR 2.7 billion in administrative costs. Furthermore, perceived corruption continues to be a serious impediment to the growth and development of a healthy business environment.

Some measures have been introduced since 2008, such as the regulatory impact assessment (RIA). However, thus far it has been inadequately implemented and has not resulted in satisfactory outcomes, due to insufficient communication with relevant stakeholders on legislative proposals and the lack of any evidence-based quality check (RIA scrutiny).

Despite their potential to reduce the administrative burden on companies, common commencement dates for the implementation of new legislation/amendments to existing legislation have not yet been applied in Slovakia.

In response to the need for improvements, the government adopted two significant measures during 2015 and the first quarter of 2016.

- The ‘single methodology for assessing selected impacts’ (Jednotná metódika pre posudzovanie vybraných vplylov), which now includes the ‘SME test’
  The methodology determines the correct set of actions to be adopted by ministries and other public institutions. It sets out criteria to evaluate the impact of measures on the budget of the public administration and reduces red tape.

  The current managing body for the measure is the Slovak Business Agency. The Agency reviews the legislation to ensure that it minimises the impact on business and removes any ‘gold-plating’ from the transposition of EU legislation.

  The new methodology has been gradually implemented since the second quarter of 2015. The consultation processes have brought in some extra transparency but these improvements should be followed by further action. This measure is very important given that there have been very recent cases of ‘gold-plated’ legislation such as the ‘Energy Efficiency Act’ (cited in section 3.8 below), which went beyond the requirements of the original EU legislation.

- The establishment of a ‘Coordinating Committee for Regulatory Impact Assessment’ (Koordinačný výbor pre hodnotenie vplyvov regulácie) under the authority of the Office of the Government of the Slovak Republic
  The Coordinating Committee provides support for the implementation of the Cohesion Fund and Structural Funds. The aim is to minimise administrative problems and complexity. The Committee, while providing publicity and information on the National Strategic Reference Framework, is expected to provide guidance on a number of issues related to the public management of the Funds.
3.1 Entrepreneurship

Slovakia's performance is on a par with the EU average. Compared to last year, there have been only marginal changes. Most notably, all indicators measuring entrepreneurial activity are down from last year. This matches the recent slowdown in business registration reported in section 1, which was caused at least partially by the introduction of a more complex registration process. While the level of entrepreneurial activity still hovers above the EU average, there has been an absence of entrepreneurial dynamism in recent years. Since 2008, Slovakia’s performance in this area has only moderately improved.

Since 2008, progress in policy implementation has been moderate. The government adopted measures targeting some SBA recommendations. These include measures to help women, young people and the unemployed create their own businesses. For these social groups, financial incentives are provided in the form of exemptions from obligatory payments that could otherwise discouraged entrepreneurial activities.

Conversely, entrepreneurial education and training and business transfers have not been significantly addressed through dedicated policies, although a project by the National Institute of Vocational Training supports entrepreneurship education for secondary school students.

During 2015 and the first quarter of 2016, three significant measures were introduced:

- The 'Exemption for start-ups from income tax for the first two years of their existence' (Oslobodenie od dane z príjmu pre start-upy) allows start-ups offering innovative solutions to be exempt from income tax for their first two years of activity. Afterwards, they pay tax at a rate lower than the standard 22 % corporate tax rate for up to three years.

- ‘Financial vouchers for legal, technological or business partnerships’ (Finančné kupóny na právne, technologické a obchodné poradenstvo) are designed to be used by new start-ups for legal and technological advice or business partnership creation, related to the protection of intellectual property. Vouchers differ by industry area and will be issued electronically every three months by the respective sectoral institutions. Vouchers for a specific area can be used by a start-up only once, but each quarter the start-up may apply for different vouchers in other areas. The objective is to

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.
support up to 1,000 new start-ups and spread general knowledge on rules in force on intellectual property rights (see also the text box below on ‘interesting practice’).

- ‘Start-up postgraduate scholarship programme’ (Start-up postgraduálny štipendijný program): students and graduates will have access to a start-up postgraduate scholarship programme. They will be exempt from paying related social contributions and will receive a monthly scholarship of EUR 700 over six months. The programme is intended to provide support similar to that provided by many start-up incubators. The programme will be run by the Slovak Business Agency under the aegis of the Ministry of the Economy. Due to the current budget freeze the total budget of the programme has not yet been finalised.

3.2 ‘Second chance’

‘Second chance’ means ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly.

Slovakia scores below the EU average in this SBA area. The situation is almost unchanged since last year. Slovakia’s performance is held back by its time-consuming and costly insolvency procedure, which is the lengthiest in the entire EU and the third most costly.

On the positive side, some features of the framework, such as the management of debtor’s assets, the reorganisation proceedings index and the creditor participation, are fairly competitive. The lengthy and costly insolvency procedures appear not to act as a major deterrent for potential entrepreneurs. The fear of failure rate in Slovakia is one of the lowest in the EU. Over the past 12 months it dropped from almost 36% to less than 34%. Since 2008, Slovakia’s performance has improved only very slightly.

This lack of improvement is partially related to the limited progress in policy implementation since 2008. No specific measures supporting a second start for bankrupt entrepreneurs have been put in place and no rules were laid down for re-starting.

Slovakia is still lacking fast-track procedures that would enable entrepreneurs to move more quickly through the bankruptcy processes. The main problem is the lack of legislative requirements that would allow bankruptcy procedures to be completed within 1 year.

During the reference period, the ‘Amendment to the Act on Bankruptcy and Restructuring’ was adopted to partially address these issues. It makes some changes to the bankruptcy procedures, including the obligation to have a restructuring plan that changes creditors’ claims for property interest in the borrower (i.e. the creditors become the debtor’s owners). Moreover, in the process of restructuring, there will be an obligation on the debtor to satisfy creditors’ unsecured claims from its future profits, covering up to 100% of their claims. This could help reduce the time needed by creditors to solve their financial demands and speed up the bankruptcy process.
3.3 ‘Responsive administration’

`Responsive administration’ means public administration being responsive to the needs of SMEs.

Slovakia performs well below the EU average and is among the three worst performing EU countries in this SBA area. Over the last 12 months there has been little change in this situation, with one notable exception, namely that Slovakia made some progress on simplifying its tax administration, especially VAT administration. As a result, the number of tax payments has halved from 20 to 10 and the time required for paying taxes dropped from an average 207 to 188 hours. However, the general administrative environment remains burdensome. There are many more SMEs in Slovakia than elsewhere in the EU reporting overly complex bureaucratic procedures and problems due to fast-changing regulations and policies. Start-up conditions also need to improve. The current set-up is not in line with the SBA objectives of limiting the required start-up time to 3 days and costs to EUR 100. As reported in sections 1 and 3.1, there is evidence that the complex administrative procedure is affecting start-up activity in Slovakia.

Slovakia’s performance on ‘Responsive administration’ has been stagnating since 2008. This lack of improvement is also caused by limited progress in policy implementation in this domain since 2008. Several areas still require substantial improvement.
the efficiency and speed of the services delivered by the ‘Point of Single Contact’ for start-up procedures and other government services should be made more efficient;

- different databases still need to be better connected to ensure the successful application of the ‘once-only’ principle;

- the one-stop-shops dealing with administrative procedures for start-ups do not cover the full spectrum of services to enterprises.

This last issue should change with the new ‘National Business Centre’ (Národné podnikateľské centrum), originally announced in 2015, which is to provide comprehensive support to entrepreneurship and SMEs, including acceleration, incubation and growth programmes.

The first operations at the centre started in late 2015. However, the centre will only be fully operational from 2016. It is financed through the operational programme for Research and Innovation. Further budgetary details are, however, not yet available due to the budget freeze, which caused the delay in the opening of the centre. The centre’s target groups are existing and prospective entrepreneurs. The National Business Centre will operate under the supervision of the Slovak Business Agency, which in turn operates under the aegis of the Ministry of Economy.

Implementation has continued of other measures adopted in previous years. Most notably, the reform of public administration (‘ESO reform’ — Reforma ESO) will continue to be implemented until 2020. Reorganisation of local public administration was also carried out in 2013 and 2014, and 20 client centres were opened in 2013, bringing local public administration closer to the public and businesses and helping achieve substantial cost savings through the increased use of e-solutions.

During the reference period, existing measures continued to be implemented. No additional significant measures were adopted.

3.4 State aid & public procurement

Slovakia’s performance is on a par with the EU average. Over the past 12 months there has been little change in this area, except for a reduction in the SME participation rate in public tenders from 43 % to 37 %. A strong point is the high rate of businesses using electronic channels to submit tender proposals. Since 2008, there has been no improvement in Slovakia’s performance in this SBA area.

This lack of improvement was partially caused by the limited policy activity since 2008, with only a few measures being implemented. There is still no overall State aid policy in support of SME needs. Slovakia has implemented the EU’s General Block Exemption Regulation.

The recent entry into force of provisions transposing the Late Payment Directive should help reduce delays, bringing payment dates in line with the conditions stipulated in public contracts.

The ‘Public Procurement Act’ was reformed in 2013. The reform:

- changed the selection process by strengthening the implementation of quality-related criteria;

- established an independent Council of Public Procurement;

- set-up a registry collecting the experiences of public authorities when working with individual contractors throughout the tender.

The transparency of public procurement has also been improved. Moreover, Slovakia has transposed the 2014 reform in EU public procurement into national law, and this is in force as of mid-April 2016.
As regards actions carried out during the reference period, the ‘electronic market for public administration’ (E-trhovisko) has been in place since early 2015. This is an online market tool that facilitates access to public procurement, matching the demand from public authorities with the services provided by registered contractors. The system helps ensure the transparency of the tendering process and may help to further improve competition over e-procurement in Slovakia.

3.5 Access to finance

Slovakia performed on a par with the EU average. In relative terms this meant a deterioration on last year, when it performed above the EU average. However, in absolute terms access to finance conditions in Slovakia improved, although not as fast as elsewhere in the EU. In particular, access to credit finance improved thanks to a marked increase in the willingness of banks to provide loans. In 2015, only a small minority — 4.3 % of all SMEs — reported a deterioration in this respect, down from almost 11 % last year.

In the same vein, the share of firms citing more difficulties in accessing public financial support instruments dropped, as did the proportion of SMEs complaining about rejected loan applications.

Also, the mark-up costs for small loans compared to those worth more than EUR 1 million fell slightly, from almost 44 % to 42 %. This is still a very significant mark-up for SMEs.

The relatively high share of bad debt losses is a problem for SMEs’ cash flow. On the positive side, SMEs in Slovakia get paid faster for their services than their counterparts in the EU.

The situation as regards access to venture capital is mixed. As with all other EU Member States, the availability of equity finance is scarce. Still, there are some positive signs: Slovakia ranks very high in the EU on access to business angel funding for small and growing firms.

According to the available data, conditions have not improved since 2008. However, this also holds true for the EU in general.

Since 2008, policy progress on this SBA area has been moderate. The adopted measures, in line with some SBA recommendations, made it possible to create additional sources of funds for innovation investments (e.g. an innovation and technology fund, which made risk capital available to fast-growing companies and export activities). A micro-loans programme has also been set up by the Slovak Business Agency to support SMEs. However,
despite the positive results on business angel funding, Slovakia still lacks a dedicated business angel funds programme and early stage financing sources. Slovakia also still lacks national grants to support start-ups. Furthermore, Slovak SMEs cannot easily access EU-based funds specifically targeting small and medium enterprises.

No significant additional measures were adopted in this SBA area during 2015 and the first quarter of 2016.

### 3.6 Single market

Slovakia performed on a par with the EU average and there have been very few changes over the last 12 months. Slovakia maintained its strong position on the implementation of single market legislation. The transposition delay for overdue directives was further reduced from a little over 5 months to less than 3. This is one of the shortest delays in the EU.

On the downside, the unfair blockage of market access for new and growing firms by incumbents appears to be a bigger problem in Slovakia than in the EU in general. Also, there are still far fewer Slovakian SMEs trading within the single market than in the EU overall. Hence, the share of Slovakian SMEs exporting to the single market is little more than half the EU average. There are also fewer Slovakian SMEs that are intra-EU online exporters.

On the positive side, data for recent years show that Slovakian SMEs are catching up. The share of Slovakian SMEs exporting within the EU and exporting electronically more than doubled between 2010 and 2013. Improved trade performance and progress in single market legislation are the main drivers for Slovakia’s overall improvement in this domain. In fact, Single market is the SBA area where Slovakia has improved the most since 2008.

This progress in performance has been accompanied by the implementation of a number of policy initiatives since 2008. Apart from the implementation of Single market-related SBA provisions, Slovak policy initiatives have mainly focused on facilitating access to information on single market-related issues. A SOLVIT centre has been established and an internal market information system has been put in place. However, the issue of the standardisation system has not been properly addressed yet. Slovakia is also one the EU Member States lagging behind in the full development of a digital economy in Europe.

Many policy initiatives are required to align the country with average EU standards for labour market conditions and the justice system and to ensure a less distorting fiscal framework. Further efforts to support export-oriented companies, including more attention to the standardisation process, may contribute to

![Variation from the EU average (measured in standard deviations, EU average=0)](chart)

**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.
trade development, which is a main driver of growth for the Slovak economy since the country relies mainly on external demand.

3.7 Skills & innovation

Slovakia performs below the EU average. Compared to last year there have been only marginal changes, all of which related to the use of ICT in SMEs’ business operations. Both the percentage of SMEs selling online and the share of e-commerce-generated turnover in SMEs’ total turnover increased over the last year. While the former rose from 11.3 % to 12.4 %, the latter jumped from 6.9 % to 10.9 %.

Both developments are extensions of longer term trends as Slovakian SMEs catch up with their EU counterparts on integrating the internet into business models. For the other important issues in this area, namely SMEs’ innovative capacity and skills development, the trends are less positive. Slovak SMEs trail the EU average by a considerable margin in all innovation-related indicators bar one, namely the share of SMEs with sales of new-to-market or new-to-firm innovations. The trend since 2004 has been at best stagnant. The same applies to skills training offered by SMEs. The share of enterprises providing ICT skills training to their staff has even fallen since 2012. As a result, Slovakia’s performance since 2008 has fallen at a much faster rate than that of the EU in general.

Since 2008 Slovakia has implemented a limited number of SBA-related measures in this area to stem the negative trends in innovation and skills development. In particular, it has implemented measures to boost research activities in SMEs, promote development and innovation competences and support high-growth innovative companies. The government also continued to implement its innovation vouchers scheme.

Slovakia has not yet addressed persistent problems on skills development. There is a lack of an effective network of training...
providers, which should be available across the entire country to support skills enhancement in all sectors. Slovakia still has no mechanisms to assess the labour market’s needs in order to better shape the vocational training framework and match public demand requirements.

On innovation, financial support is also inadequate or completely lacking in the areas of proof-of-concept and commercialisation of innovation.

During the reference period, the government introduced two significant measures:

- A tax deduction for research and development expenses, which will cover a broad selection of eligible costs, including 25% of research costs, 25% of the wages of all newly hired employees in the first year of employment and 25% of the yearly increases in R&D costs. This tax reduction is managed by the Slovak Ministry of Finance.

- The establishment of ‘regional innovation offices’ as part of the national ‘Increase of the innovation performance of the Slovak economy’ project. To begin with, the offices will be set up in six regions of the country. The implementing body for this measure is the Slovak Innovation and Energy Agency, under the aegis of the Ministry of Economy. The main aims of these innovation offices will be to:
  - provide professional consulting services to several target groups, mostly SMEs, in the areas of research, development and innovation;
  - encourage more strategic thinking within overall company planning.

### 3.8 Environment

Slovakia continues to perform above the EU average. However, between 2013 and 2015 there was an interesting shift: as the proportion of SMEs benefiting from public support measures for resource-efficiency measures dropped from 64% to 52%, the share of SMEs taking such measures also fell from 95% to 90%. At the same time, Slovakia consolidated its already good performance on SMEs and green products. The share of SMEs producing green products increased from 32% to 34% while it stagnated at 26% for the EU. The portion of ‘green specialists’, i.e. SMEs generating more than 50% of their turnover from green products rose, from 18% to 25% while the corresponding share for the EU fell from 22% to 18%.

At the same time, the share of SMEs benefiting from public support to produce green products went up from 27% to 28%. On all indicators with the exception of the share of SMEs that have taken resource-efficiency measures, Slovakia scores well above the EU average.

On the policy side, progress in SBA implementation has been moderate. Slovakia has adopted policy measures to tackle most of the SBA recommendations in this domain. However, action is still lacking to promote energy efficiency and the use of renewables in SMEs. Moreover, the country does not offer any incentives for the development of innovative eco-efficient processes, products and services or for their uptake by traditional companies. On the other hand, there are some incentives in place to support eco-friendly businesses, for example in the form of green public procurement.

During the reference period, the ‘Energy Efficiency Act’ (Zákon o energetikej efektívnosti) was introduced to achieve better energy efficiency in the entire energy chain, improved efficiency
and possible savings in final consumption. Energy efficiency measures provide for a mixed financing framework consisting of both private investments and public incentives.

The Act was adopted to ensure support for energy efficiency and to better monitor energy use through the introduction of a system of qualifications for energy auditors. It also creates a basic framework supporting the development of an energy services market.

3.9 Internationalisation

First reactions are mixed: while the Act’s aim is fully in line with the underlying EU legislation, it may also be a recent example of ‘gold-plating’. It appears that national lawmakers transposed the EU legislation in a much stricter way, making it mandatory for companies to buy an audit of energy efficiency from various agencies, which created an artificial market for the companies concerned.18

Slovakia is performing well below the EU average. The main reason is the extra-EU trading performance of Slovakian SMEs. The proportion of Slovakian SMEs exporting to extra-EU countries is one of the lowest in the EU. The same holds for the SMEs importing from extra-EU sources. Since 2010, these shares have remained stuck at this very low level, despite a fundamentally accommodating administrative trading environment. In terms of the costs and the time required for export and import transactions, Slovakia offers conditions which are very much on a par with the EU in general.

Policy-wise, since 2008 progress on support for internationalisation has been moderate. Slovakia has delivered a policy response to most SBA recommendations in this area, with initiatives stimulating trade and exports, financial support for the internationalisation of SMEs, support for clusters, accelerators and trade organisations.

Other important initiatives launched since 2008 include the ‘MISIA 14 — Made in Slovakia’ project, launched in September 2013, which aims to increase exports from SMEs and their share in Slovakia’s total exports. The 2014-2020 external economic relations strategy adopted in March 2014 aims to establish an efficient export support framework in Slovakia.

The National Business Centre launched in mid-2016 (see also the ‘Responsive administration’ section) will serve as an umbrella organisation providing different forms of institutional support (strategic, operational, legal and financial) to all entrepreneurs interested in expanding their business abroad.

The reference period saw the adoption of the ‘Act on administration, operation and use of the central electronic file information system in the import, export and transit of goods’ (Zákon o správe, prevádzke a používaní informačného systému Centrálny elektronický priečinok pri dovoze, vývoze a tranzite tovaru). The measure allows international traders, forwarders and carriers to handle the paperwork for the movement of goods more quickly and efficiently, reducing the number of required business documents and accelerating their processing through the use of e-services. The Act implements the 2014-2020 external economic relations strategy. This will include the legal basis for e-commerce and the necessary IT infrastructure.
4. Interesting initiative

Below is an example of an initiative from Slovakia to show what governments can do to support SMEs:

Financial vouchers for legal, technological or business partnerships (*Finančné kupóny na právne, technologické a obchodné poradenstvo*)

The ‘Financial vouchers for legal, technological or business partnerships’ scheme is a Slovak Ministry of Finance initiative that new start-ups can use to take advantage of legal and technological advice or support for business partnerships creation in connection with the protection of intellectual property rights. The vouchers can be used to receive specialised technical advice on patenting products and to buy services related to the protection of intellectual property. Companies cannot use vouchers to buy software equipment, market research, marketing strategies or promotional activities. Vouchers are different for each industry area and will be issued electronically, every 3 months, by the respective sectoral institutions. Vouchers for a specific area can be used by a new start-up only once, but each quarter the start-up may apply for different vouchers in other areas.

The objective of the measure is to support up to 1 000 new start-ups through vouchers with a value of between EUR 3 000 and 8 000 each, and in this way spread overall knowledge on rules in force for intellectual property rights protection. Moreover, by spreading information about the commercial use of intellectual property, the initiative seeks to revitalise industries in the cultural sector, which are heavily dependent on intellectual property. The measure was launched in the second half of 2015 and is in the process of being fully implemented. It is a part of a wider initiative to support start-up projects, with an overall budget of EUR 50 million.

Reference:

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, the fact sheets help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:
grow-spr@ec.europa.eu

Small Business Act:

European Small Business Portal:
http://ec.europa.eu/small-business/index_en.htm

Endnotes

1 The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2014, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2013 figures from Eurostat's Structural Business Statistics Database. The data cover the ‘non-financial business economy’, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

5 http://ec.europa.eu/eurostat/documents/2995521/6313539/3-15122014-AP-EN.pdf/36ae8443-6a22-429a-8e05-6b59088e3155; last accessed 08.04.2016.
6 https://www.destatis.de/EN/PressServices/Press/pr/2015/05/PE15_160_624.html; last accessed 8.4.2016.
11 https://www.destatis.de/EN/PressServices/Press/pr/2015/05/PE15_160_624.html; last accessed 8.4.2016.
The 2016 SBA fact sheets benefited substantially from input from the European Commission’s Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis, measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2016. These are measured against the individual indicators which make up the SBA area averages. This means that the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2016. All SBA principles, with the exception of the ‘Think Small First’ principle, for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm

The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2015 and the first quarter of 2016. The national SME policy expert that CARSA Spain (DG GROW’s lead contractor for the 2016 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year’s fact sheets will be published alongside the fact sheets in a policy database on the DG GROW website.

However, incentives will not just take the form of the threat of audits, but also voluntary agreements on energy savings that private companies will be able to sign with the government. The targets will be monitored and evaluated with a view to potential mandatory introduction of the targets in future. The target groups are all businesses, but public-sector organisations can also participate in this initiative.