



2017 SBA Fact Sheet

Slovakia

Key points

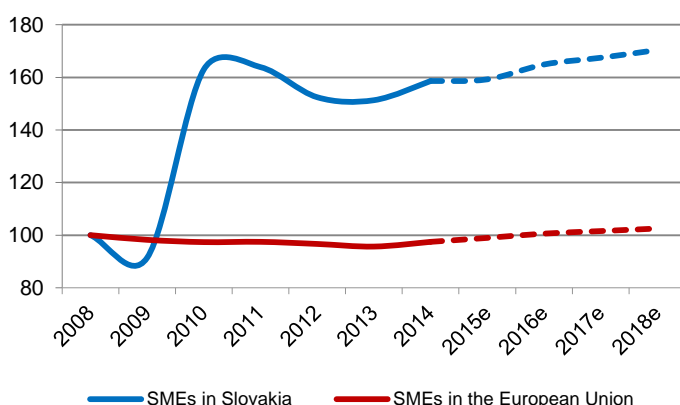
Past & future SME performance¹: SMEs make a substantial contribution to the non-financial business economy in Slovakia, accounting for 54.4 % of total value added and 72.1 % of total employment. SME productivity calculated as value added per person employed is 61.2 % lower than the EU average. Substantial overall growth of 8.2 % in SME employment in 2012-2016 coincided with a drop in SME value added of 9.6 %. SME value added rose most strongly in the second half of this period, by 6.3 % in 2014-2016. Most recently, in 2015-2016, SME employment grew by 3.5 % and SME value added increased by 2.6 %. SME value added is expected to accelerate to an average annual growth rate of 5.0 % in 2016-2018. The outlook for SME employment is more modest, with an estimated 1.7 % annual growth rate in the same period, resulting in the creation of approximately 35 500 jobs.

Implementing the Small Business Act for Europe (SBA): Slovakia's SBA profile is a mixed picture that combines areas where performance in implementing SBA principles is strong (access to finance and environment) with areas where it is lagging behind ('second chance', 'responsive administration', skills & innovation, and internationalisation). Overall, the recent policy progress in implementing the SBA has been patchy, with improvements in some areas (access to finance) and stagnation in others (skills & innovation). During the reference period (2016 - 31 March 2017), the most relevant SBA measures have been implemented under the 'Think Small First' and 'responsive administration' headings.

SME policy priorities: The 2017 Country Specific Recommendations issued for Slovakia partially address the concerns of Slovak SMEs, especially in the areas of effectiveness of the justice system, public procurement and administrative and regulatory barriers / responsive administration. New or more effective measures are especially needed in the areas related to skills & innovation and internationalisation. As a consequence, the country's efforts should first focus on the effective implementation of SBA measures which have been adopted and where implementation was delayed, especially the National Business Centre and its regional offices. In addition, businesses are calling for solutions to the rising challenge of the lack of skilled workforce and it is crucial to involve them in preparing and implementing the relevant new measures. Full implementation of the SME test is also deemed very important. Finally, the time necessary to start a business and the time and cost to resolve insolvency are still among the worst in the EU.

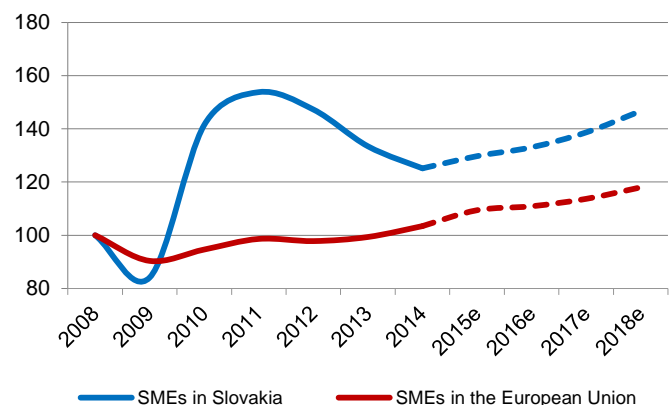
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2015 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2015 onwards)



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. The SBA fact sheets, published annually, 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.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Slovakia		EU-28	Slovakia		EU-28	Slovakia		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	384 874	96.8 %	93.0 %	616 315	41.8 %	29.8 %	7.5	22.8 %	20.9 %
Small	10 343	2.6 %	5.8 %	217 844	14.8 %	20.0 %	4.7	14.2 %	17.8 %
Medium-sized	1 960	0.5 %	0.9 %	228 489	15.5 %	16.7 %	5.7	17.4 %	18.2 %
SMEs	397 177	99.9 %	99.8 %	1 062 648	72.1 %	66.6 %	17.9	54.4 %	56.8 %
Large	454	0.1 %	0.2 %	411 902	27.9 %	33.4 %	15.1	45.6 %	43.2 %
Total	397 631	100.0 %	100.0 %	1 474 550	100.0 %	100.0 %	33.0	100.0 %	100.0 %

These are estimates for 2016 produced by DIW Econ, based on 2008-2014 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 following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). 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 make a substantial contribution to the non-financial business economy in Slovakia. They account for 54.4 % of total value added, which is slightly below the EU average. However, the SME contribution to total employment, at 72.1 %, is higher than average for the EU. Slovak SMEs employ 2.7 people on average, compared with 3.9 people on average in the EU. The most important sectors for SMEs in Slovakia are *manufacturing* and *wholesale and retail trade*: even though the latter has roughly twice the number of businesses compared to the first, they both account for at least a quarter of SME value added and employment. Overall, SME productivity in Slovakia, calculated as value added per person employed, is 61.2 % lower than the EU average.

Slovak SMEs have shown uneven development recently. Substantial overall growth of 8.2 % in SME employment in 2012-2016 coincided with a drop in SME value added of 9.6 %. However, the fall in SME value added took place before 2014, after which SME value added rose by 6.3 % in 2014-2016. With a similar but earlier trend, SME employment increased in 2013-2016 by 9.0 %, whereas the preceding years were marked by recession. Most recently, in 2015-2016, SME employment grew by 3.5 % and SME value added increased by 2.6 %.

Manufacturing was one of the better performing sectors in 2012-2016, with outstanding increases in both SME value added and employment of 22.6 % and 14.5 % respectively. Thriving export industries were the main drivers of this growth,

particularly car manufacturing^{2,3}. Although large firms generated the bulk of value added in car manufacturing (90 %), SMEs from the same sector outperformed them with an increase in value added of nearly 50 % and in persons employed of 27 % from 2012 to 2016. Furthermore, SMEs greatly benefited from increased demand for associated products, *fabricated metal products, rubber and plastics* and *machinery* being some of the most important subsectors and accounting for growth in SME value added and employment of 18.4 % and 24.2 % respectively in 2012-2016.

One of the sectors which underperformed in 2012-2016 was *construction*, with a decline in SME value added and employment of 35.1 % and 3.5 % respectively. The unusually large drop in SME value added was connected to the 2012 fall in the Slovak economy's gross fixed capital formation in construction⁴. This is consistent with a significant fall in the purchase of fixed assets across business sectors⁵, due to increased caution in the economic marketplace, caused by legislative changes implemented in 2012, which were unfavourable to business⁶, in combination with the negative aftermath of the global financial crisis. However, more recently, high levels of infrastructure investment, as well as growing demand for housing, have led to a partial recovery in the *construction* sector⁷, resulting in SME value added growth of 7.8 % in 2013-2016.

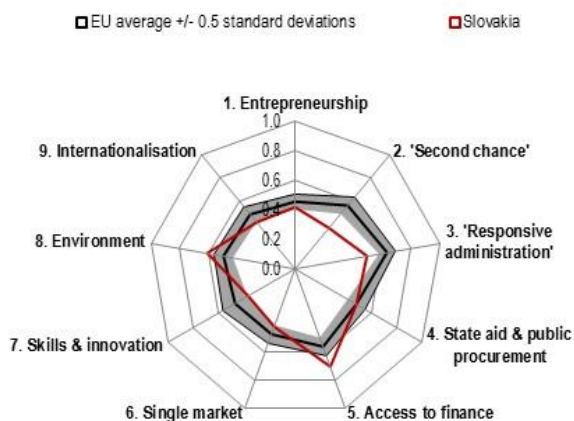
The number of businesses in Slovakia has increased by 10 955 from 2015 to 2016. New company registrations totalled 19 466, a significant rise compared with 2014 and 2015, when the total was below 15 000⁸. This consistent growth is expected to be further supported by the lowering of formal requirements for company registration as well as by the reduction in corporation tax⁹. De-registrations totalled 9 238, roughly the same as in 2015. It is worth noting that, in the preceding period of 2013-2015, de-registrations had strongly increased, due to changes in business legislation including the introduction of mandatory tax licences, which encouraged the closure of inactive or unprofitable businesses¹⁰.

In recent years, the share of self-employment in total employment has remained stable. In 2016, it was 15.1 %, which is slightly higher than the EU average of 14.0 %¹¹.

High-growth firms accounted for 11.5 % of all firms with 10 or more employees in Slovakia in 2014, which is higher than the EU average of 9.2 %¹². The largest shares of high-growth firms were in *transportation and storage* (17.2 %), followed by *information and communication* (15.0 %) and *administrative activities* (14.3 %).

A positive trend is forecast for SME value added, with an expected average annual growth rate of 5.0 % in 2016-2018. The outlook for SME employment is more modest, with an estimated 1.7 % average annual growth rate in the same period, resulting in the creation of approximately 35 500 jobs.

2. SBA profile¹³



Slovakia's SBA profile is a mixed picture that combines a couple of areas where performance appears to be strong (access to finance and environment) with areas where performance is lagging behind compared to the EU average ('second chance', 'responsive administration', skills & innovation, and internationalisation). Slovakia's score in 'second chance' this year is even further behind the EU average than last year. By contrast, the country's score in access to finance has improved even compared to its previous very good score.

In terms of policy, Slovakia's progress since 2008 has been rather uneven. Overall, the recent policy progress in implementing the SBA has been patchy, with improvements in some areas and stagnation in others.

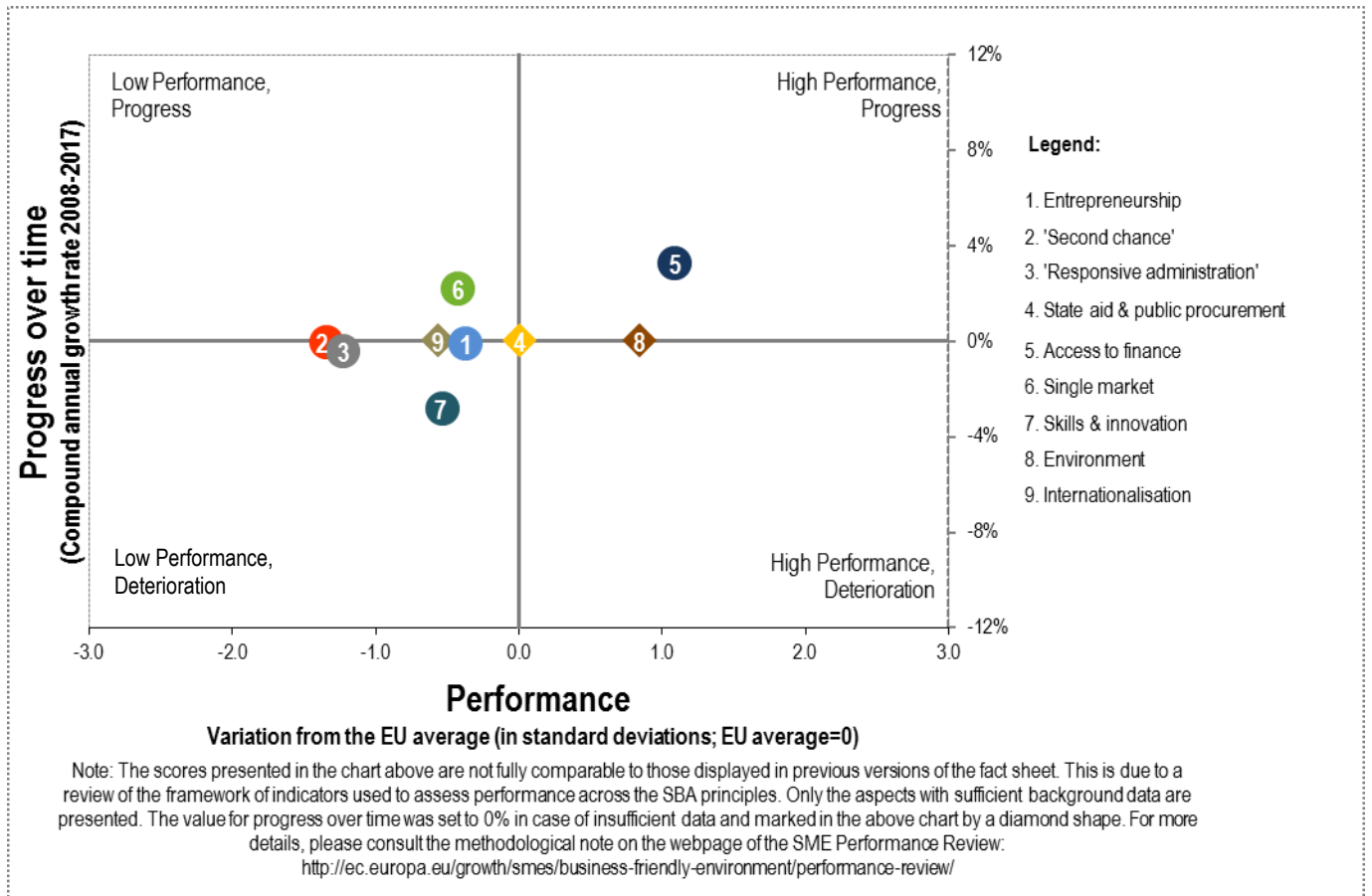
During the current reference period, Slovakia has implemented 13 policy measures, addressing six out of the ten policy areas under the SBA. The policy areas that demonstrated the most significant progress during the current reference period of 2016 to the first quarter of 2017 include 'Think Small First' and 'responsive administration'. Under 'Think Small First', one of the most important measures has been the introduction of the 'Act on the Promotion of Small and Medium Enterprises.' It defines the areas for the application of the better regulation agenda and the SME test to assess the impact of proposed legislation on SMEs. In addition, a new type of company — referred to as a 'simplified joint stock company' or a 'one-euro company' — can now be established due to an amendment of the commercial code in force as of 1.1.2017. The measure aims to make it easier for entrepreneurs to create and close a company at the minimal cost of just one euro. Under 'responsive administration', the most important measure has introduced increases in tax

deductibles for the self-employed. The amount that the self-employed can claim as expenses without evidence was increased, in terms of both percentage and maximum limit per year, reducing administrative burdens.

On the other hand, Slovak entrepreneurs continue to face difficulties and demand improvements to the business environment. The recent minimum wage increase adds to a trend of financial pressure on entrepreneurs coming from low and declining unemployment rates and the difficulty to find qualified labour¹⁴. Likewise, increases in healthcare and social security contributions for the self-employed have added to their financial costs — which could also potentially demotivate people who are thinking of becoming self-employed.

According to the Business Environment Index¹⁵, the biggest concerns for Slovak firms are inequality before law, the functioning of the political system, corruption and the ineffectiveness of the judiciary. Compared to previous years, the (un)availability of qualified labour has quickly made its way to the top of the list of concerns for companies doing business in Slovakia. These findings are confirmed by the 2016 SAFE survey, where 'availability of skilled staff or experienced managers' ranked first (31 % v EU 20 %) and 'other problems' second (18 % v EU 9 %), followed by 'regulation' (15 % v EU 12 %).

SBA performance of Slovakia: state of play and development from 2008 to 2017¹⁶



3. SBA principles¹⁷

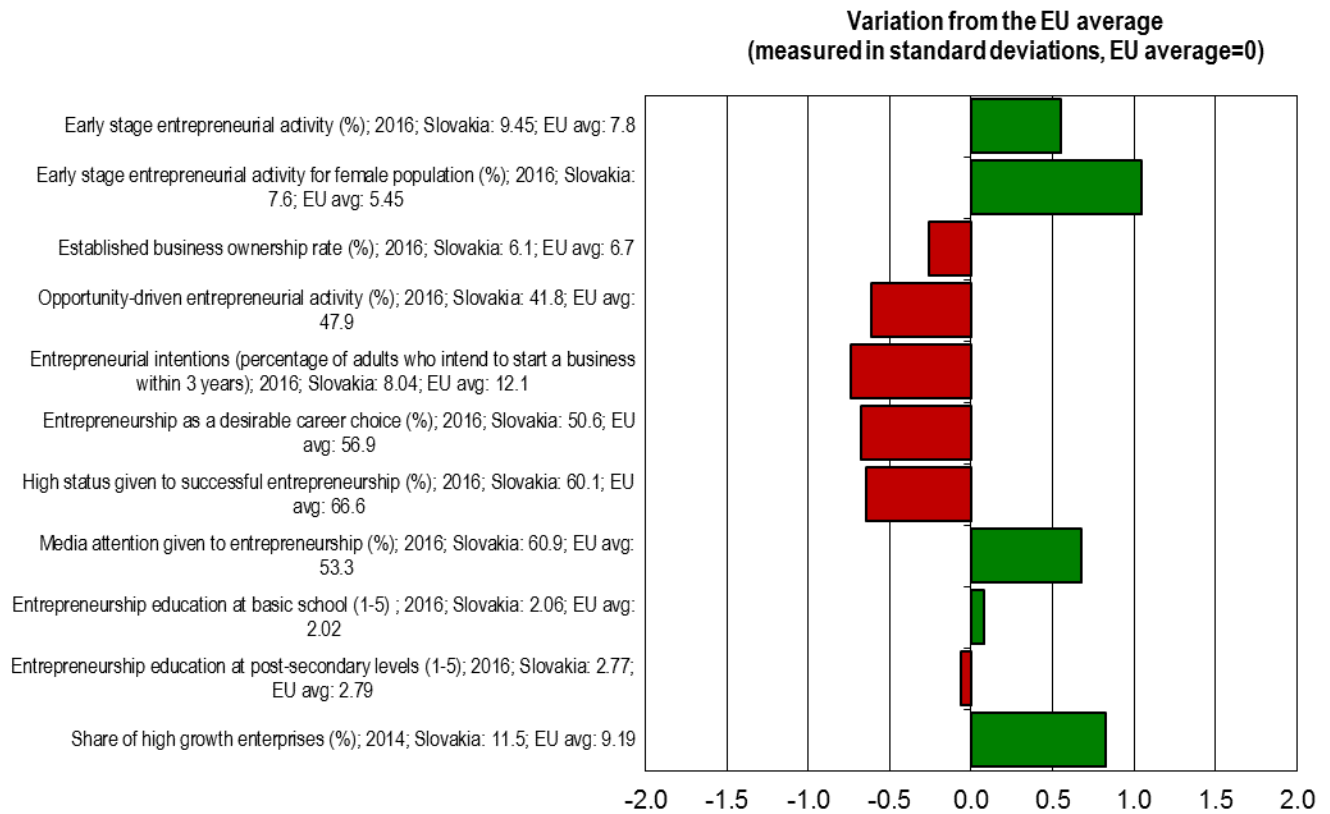
3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy and law-making activities. It requires policymakers 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.

Some measures under 'Think Small First' have been introduced in Slovakia since 2008, such as the regulatory impact assessment (RIA) which was strengthened in 2015 and 2016. The implementation of the RIA is progressing. The Centre for Better Regulation has been established at the Slovak Business Agency and it should perform both *ex ante* and *ex post* assessments of the regulatory impact on SMEs. Based on the approved methodology, all newly developed legislation must be put out for consultation with relevant stakeholders, including those representing SMEs. Nevertheless, relevant stakeholders still seem to be insufficiently consulted and report a lack of evidence-based analysis. Common start dates for implementing new legislation / amendments to existing legislation have still not been applied in Slovakia.

During the reference period, the most significant measure introduced is the 'Act on the Promotion of Small and Medium Enterprises' which entered into force on 1 January 2017. It lists and defines support schemes for SMEs, including elements of the better regulation agenda and the SME test to assess the impact of regulation on SMEs. After a testing phase started in 2016, the adoption of the SME test was accelerated by the ESIF *ex ante* requirement and is now an integral part of the RIA procedure. Another important measure, announced in the 2015 strategy to support the start-up ecosystem, is the introduction of a new type of company that enables entrepreneurs to form a new company for just one euro in capital. The 'simplified joint stock company,' or one-euro company, is intended to make it easier for entrepreneurs to create and close and has been in place since 1 January 2017. Interest in establishing these companies, however, has been low so far¹⁸. This might be due to low awareness among potential start-up owners, to high costs of founding and keeping compared to other forms of companies¹⁹ and to the risks associated with low equity.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Slovakia’s performance in this area is broadly in line with the EU average. Little or no movement has been registered across most indicators, with some exceptions. Compared to the previous year, there has been a significant fall in entrepreneurial intentions (15.7 to 8 %), in opportunity-driven activity (51.3 to 41.8 %) and in high-status to successful entrepreneurship (64.2 to 60.1 %), together with a modest rise in the media attention given to entrepreneurship (54 to 60.9 %).

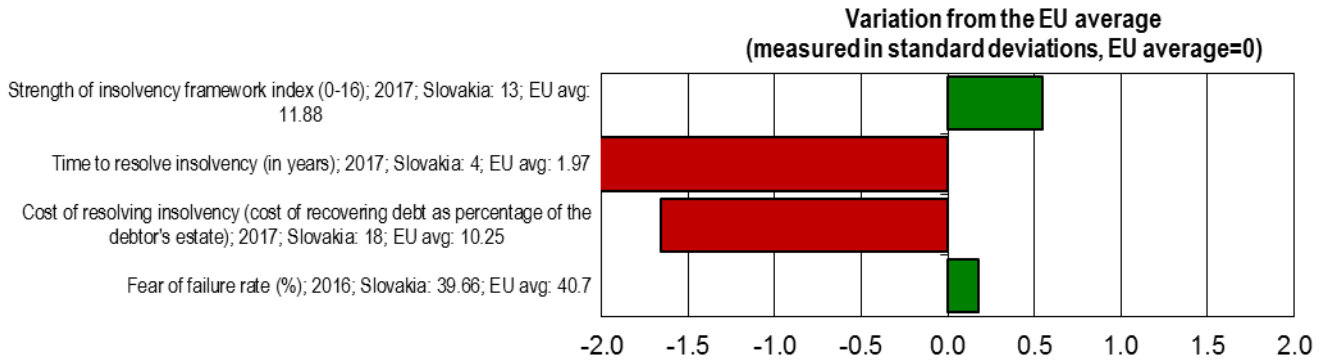
Since 2008, Slovakia’s progress in this SBA area has been gradual and limited to specific aspects. Key measures have focused on helping female entrepreneurs, young people and the unemployed to set up their own business. The main weak points continue to be a lack of entrepreneurship education and a lack of measures to support business transfers.

During the reference period, there have been delays with planned measures. The most significant measure — the ‘National Business Centre’ conceived as a one-stop-shop support for SMEs — entered its pilot testing in mid-2016. It is not yet fully operational and currently provides only a limited number of

services, as its activities have been linked to the availability of ESIF funds²⁰. For the same reason, the planned creation of a network of regional business centres across the country has been postponed. The network, headed by the National Business Centre, should act as a single service provider for entrepreneurs, providing a range of services such as business incubation, business mentoring, consultation and training. The regional centres are intended to help entrepreneurs across the country to grow their businesses.

The start-up environment in Slovakia is gradually improving overall. Simpler administrative procedures would have a positive impact on the start-up environment. The key issues facing potential scale-ups in Slovakia are the limited internal market and their limited outreach towards international customers. There is not enough support to help start-ups to access the global market and grow their businesses. While high-growth companies can get risk capital through the innovation and technology fund in Slovakia, start-ups in the early stages face funding gaps.

3.2 ‘Second chance’



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ ensures that honest entrepreneurs can quickly have a second chance to do business after bankruptcy. According to the indicators, Slovakia performs well below the EU average in this area. Slovakia is still rated as one of the three worst performers across the EU in ‘second chance.’ The Slovak insolvency process is the most time consuming in the EU and the second most costly. Slovak entrepreneurs display a moderate degree of fear of failure, higher than the one reported in 2015 (33.7 %) and now more in line with the EU average.

In the context of a justice system framework that still presents several challenges, since 2008 limited policy progress has been achieved. The country lacks a fast-track procedure that allows entrepreneurs to move more quickly through the bankruptcy processes. No regulations have been introduced to support re-starters.

During the reference period, two amendments were made to the ‘Law on Bankruptcy and Restructuring’ and integrated into the legal framework:

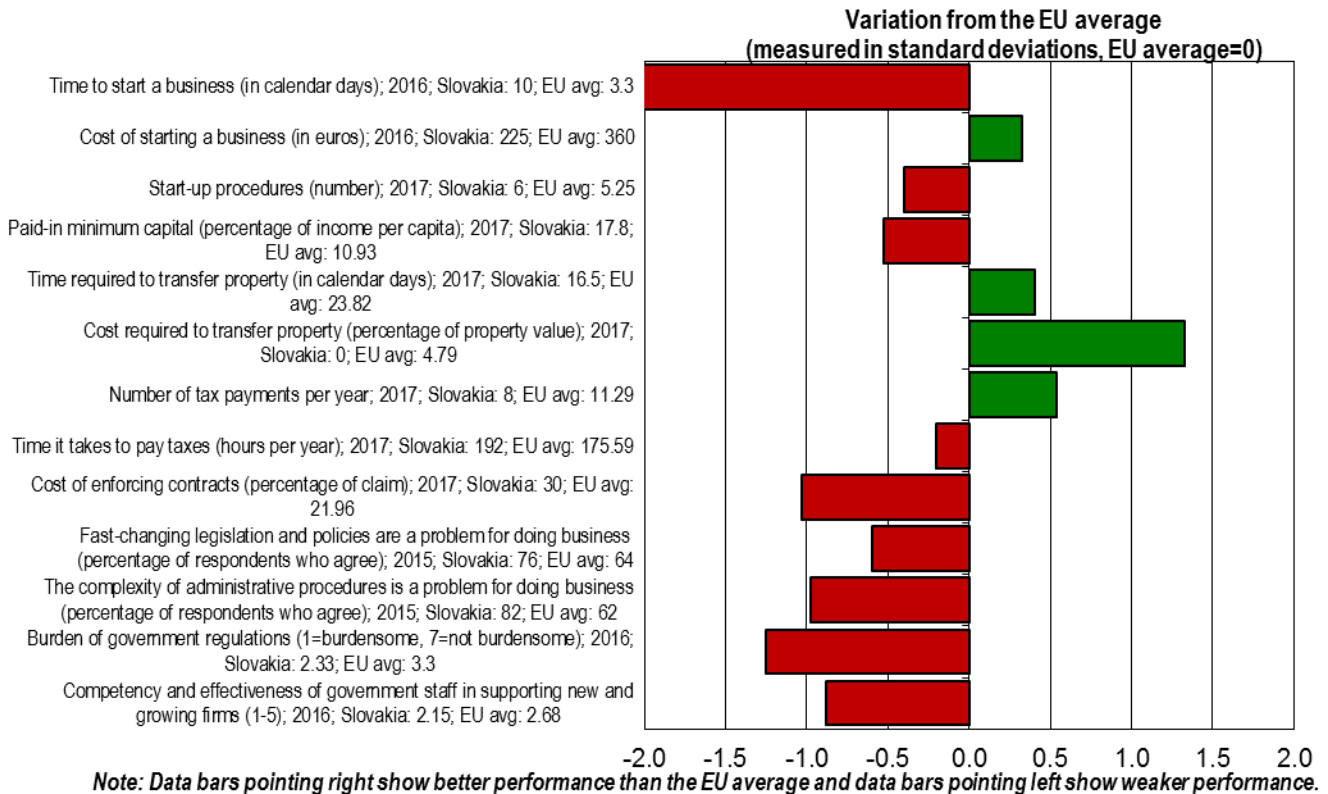
- The ‘Slovak Insolvency Register’²¹ listing companies and entrepreneurs that have been declared bankrupt or are

currently going through insolvency process has been available online, free of charge, since 2016.

- A new legal concept of a ‘company in crisis’ was introduced into Slovak law to satisfy the requirements of unsecured creditors. A company is deemed to be in crisis if it is at risk of bankruptcy. There is now a legal requirement for a company in crisis to satisfy claims made by ordinary creditors before meeting any new obligations to shareholders and members of statutory bodies.

In addition, since March 2017, the self-employed have been given two options for managing insolvency: full bankruptcy followed by debt acquittal based on a court decision, or a repayment plan mechanism. The repayment plan allows the debtor to keep part of the property and continue servicing the rest of the debt via payments whose frequency and level are also determined by the court, leaving some debt unenforceable. These options are to be granted only once in 10 years. A minimum level of property as a precondition to be granted ‘a second chance’ has been abolished altogether while entry fees for the court proceedings are in the process of being lowered.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Overall, Slovakia performs well below the EU average in this area. The process for starting a business in Slovakia is the slowest in the EU, while the associated cost has been lowered compared to the previous year. In addition, government regulations and administrative procedures are considered excessively burdensome and complex by businesses. On a more positive note, Slovakia is the least costly EU country in which to transfer property, as a percentage of property value, and performs well against the EU average in the number of annual tax payments.

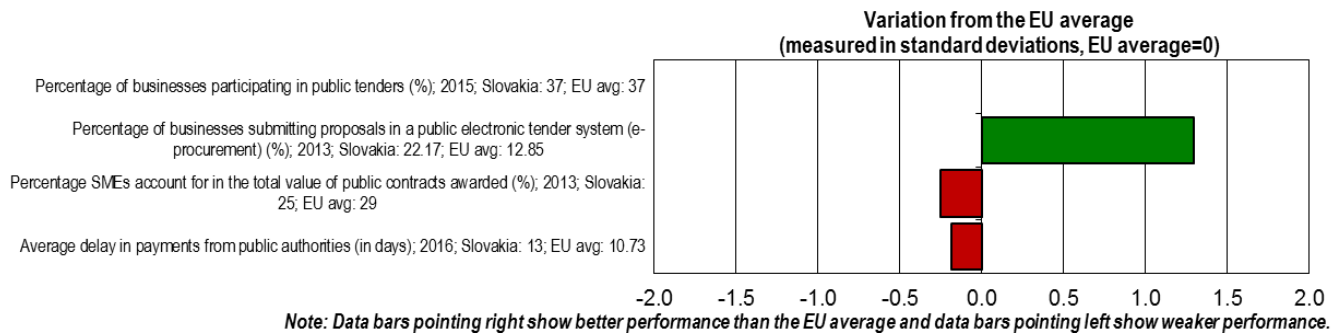
Since 2008, Slovakia has introduced very few policy measures to make public administration more responsive to SME needs. There are a number of problem areas that have yet to be tackled and which would benefit greatly from appropriate government intervention. Slovak entrepreneurs, start-ups and SMEs are hindered by government services that are viewed as inefficient and too slow, such as the services provided by the single point of contact for SME procedures. The obligation to provide duplicated information for each service accessed is another issue that

affects SMEs. Connected government databases would enable efficiencies in service delivery and would reduce the burden on businesses by allowing them to provide information 'only once.'

During the current reference period, two measures have been introduced under 'responsive administration':

- Increases to the maximum threshold and yearly limits for deductible expenses claimed by the self-employed have been introduced without the need to provide evidence. The previous yearly limit of EUR 5 040 has been increased to EUR 20 000.
- It will be mandatory for public administrative authorities to deliver official documents and communications to companies via designated electronic inboxes accessible to the companies' representative. This measure is intended to reduce the administrative burden on SMEs. Initially envisaged for 1 January 2017, the measure was postponed to 1 July 2017, as too many company executives failed to obtain the electronic ID cards necessary to enter the system.

3.4 State aid & public procurement



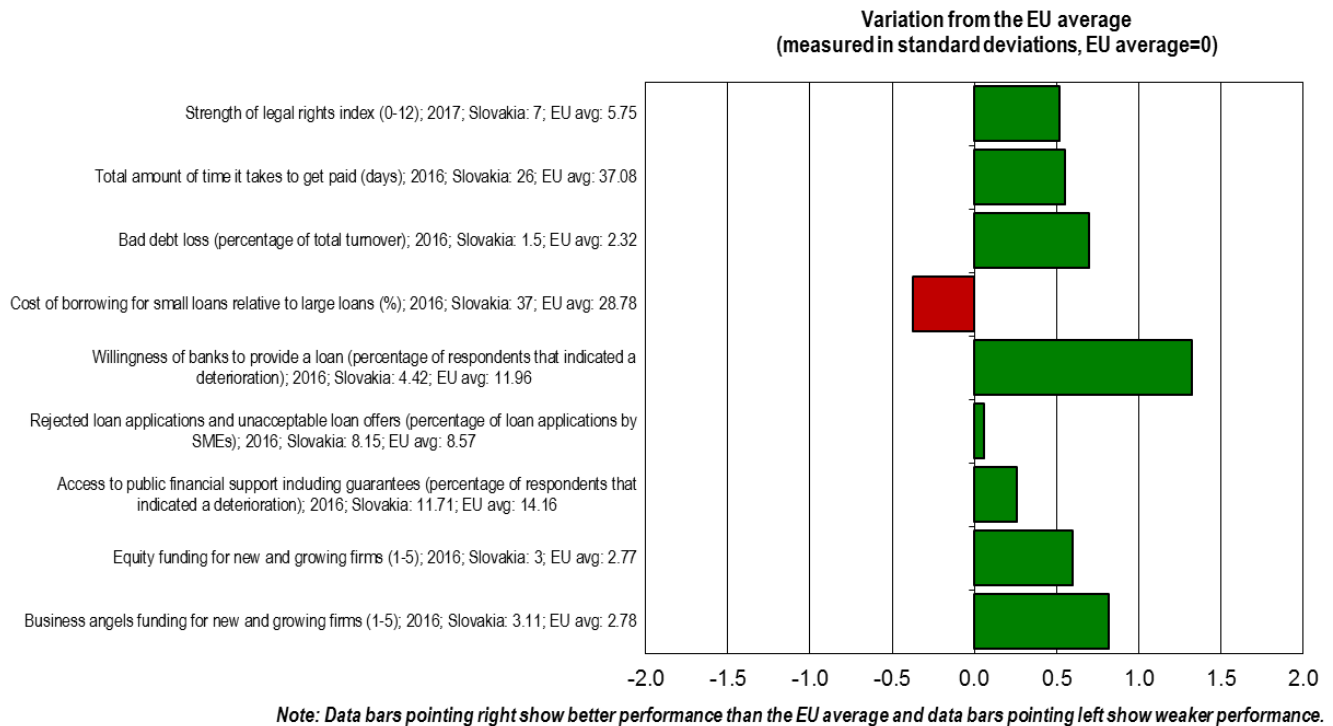
According to the aggregated indicator, Slovakia performs at the EU average in this area. Compared to last year, a marked drop has been recorded in public authority payment performance, highlighted by an increase in the average delay from 5 to 13 days. Payment delays from public authorities in the health sector are among the longest in the EU, at an average of 400 days²², and this particularly affects SMEs that provide medical devices. The Commission has opened a formal investigation²³.

Since 2008, there has been limited overall improvement in performance in this SBA principle. Slovakia does not yet have a state aid policy in place to support SME needs and has implemented relatively few measures in this SBA area. A key issue with state aid is that the government does not apply the same practice to all entrepreneurs, for example, with regard to subsidies and tax holidays. Firms do receive subsidies as incentives to create jobs with some distinctions being made between SMEs and large firms as regards the level of benefits²⁴. Under the Act on Investment Aid, SMEs can apply for state aid with the amount of acquisition of tangible and intangible fixed assets set at up to half of the amount large companies are eligible for.

Under public procurement, the most important development was the 2013 reform of the ‘Public Procurement Act,’ transposing the new EU Directive on public procurement, effective as of November 2015. The new legislation attempted to better ensure fair and objective procurement and introduced most economically advantageous tender (MEAT) criteria. Still, concerns remain over the extent of non-competitive tendering. According to the Single Market Scoreboard, Slovakia’s performance in public procurement in 2015 was still unsatisfactory (5 out of 6 indicators). A key concern for businesses is the lack of transparency in the public procurement process, which reflects a wider perception of corruption caused by rather weak and biased implementation of existing rules²⁵.

During the reference period, no significant new measures have been adopted in the area of state aid. A new act against letterbox companies was introduced as an important transparency measure in fighting corruption. But companies voiced their concerns about the cost of submitting their full ownership structure verified data to the new publicly accessible register of partners of the public sector introduced by the act. Registration is mandatory for all companies doing business with the state in excess of EUR 250 000 a year.

3.5 Access to finance



According to the aggregated indicator, Slovakia passed from being in line with the EU average last year to becoming one of the three best performers. It was above the EU average in almost all indicators. Compared with banks in other EU countries, Slovak banks are now the second most willing to provide business loans. The percentage of rejected SME loan applications has dropped from 15.52 % in 2015 to 8.15 % in 2016. Bad loss debt has fallen, as a percentage of total turnover, from 5.2 % in 2015 to 1.5 % in 2016. One negative change, however, has been the increase in the number of days it takes to get paid by the customer (average of B2C, B2B, and public authorities), up from 19 days in 2015 to 26 days in 2016 — which is still better than the EU average. It is likely that this change has been mostly influenced by the sharp rise in payment delays from public administrations.

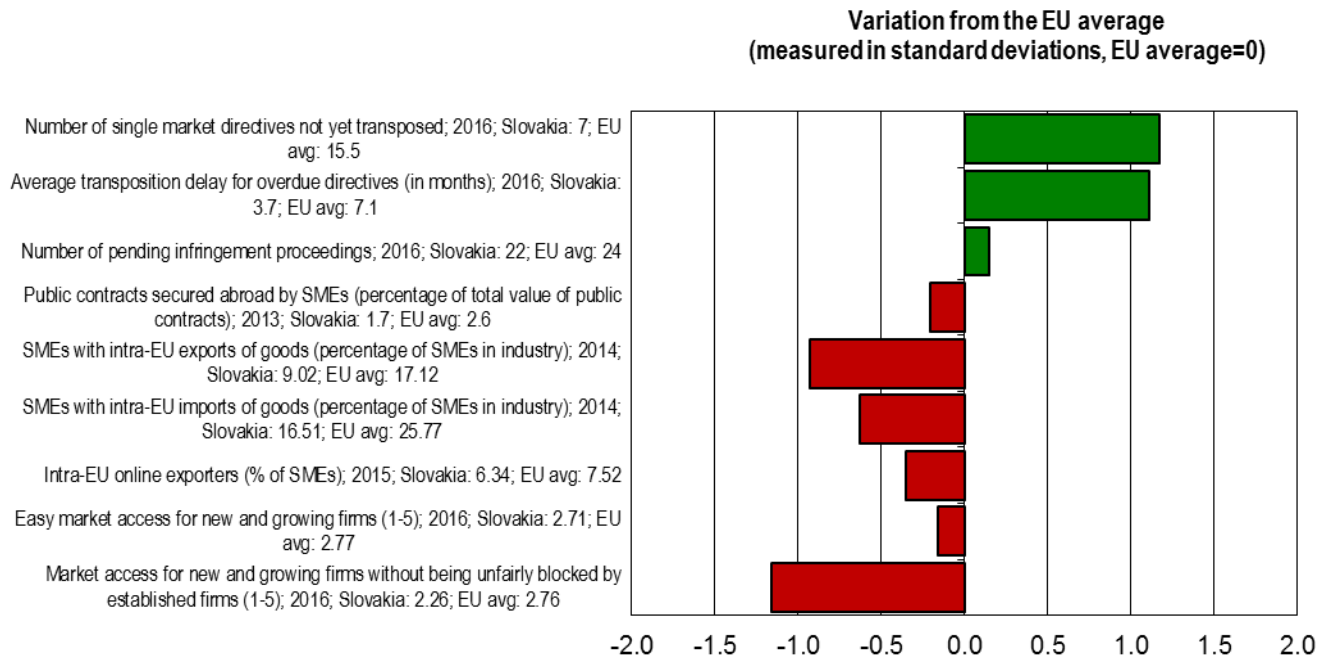
Access to finance dropped from being the most important concern for 18 % of SMEs in Slovakia in 2013 to 7 % in 2016 (against 9 % at EU level)²⁶. According to the OECD²⁷, the Slovak Republic — together with Portugal — is the country with the highest level of SME loans as a percentage of total outstanding business loans (more than 80 % of loans go to SMEs) and it has been showing a shift towards long-term lending (the share of short-term SME loans as a proportion of all SME loans decreased from 50 % in 2007 to 35 % in 2015), often used for investment purposes

Since 2008, overall policy progress in access to finance has been moderate. Policies adopted in line with the SBA recommendations have helped to create additional funding

sources to support export initiatives and innovation projects. An example is ‘the innovation and technology fund’ — a public venture capital fund which provides investment to innovative SMEs in all investment phases, but mostly to the seed and start-up phases. Another important measure is the micro-loans programme, which was set up by the Slovak Business Agency to support micro SMEs. However, funding sources and programmes are needed to support early stage start-ups. Slovakia also lacks an adequate national grant programme to support start-ups. Since 2015, it has had a state-funded programme of support with early allocation of more than EUR 1 million, providing mentoring, advice and other types of non-financial support for start-ups. SMEs will be supported by measures financed from the ESIF in the new programming period from OP Research and Innovation (with an allocation of some EUR 400 million). The implementation of ESIF instruments (e.g. loans, guarantee schemes) builds on experience with the JEREMIE initiative targeting SMEs. Access to SME funding from EU sources is being delayed due to slow implementation of EU programmes. The Slovak government only recently started to push through several measures easing the financial burdens for early-stage businesses²⁸.

During the reference period, no significant measures have been adopted under access to finance.

3.6 Single market



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Slovakia performs broadly in line with the EU average in this area, but there are two distinct aspects: it shows a good track record in the timely transposition of single market directives but lower than EU average scores in the indicators linked to market access.

With just seven single market directives yet to be transposed, Slovakia ranks as the third best in the EU in this indicator, significantly better than the EU average, and with one of the lowest average transposition delays. There has also been a fall in the number of pending infringement proceedings (from 27 in December 2015 to 22 in December 2016).

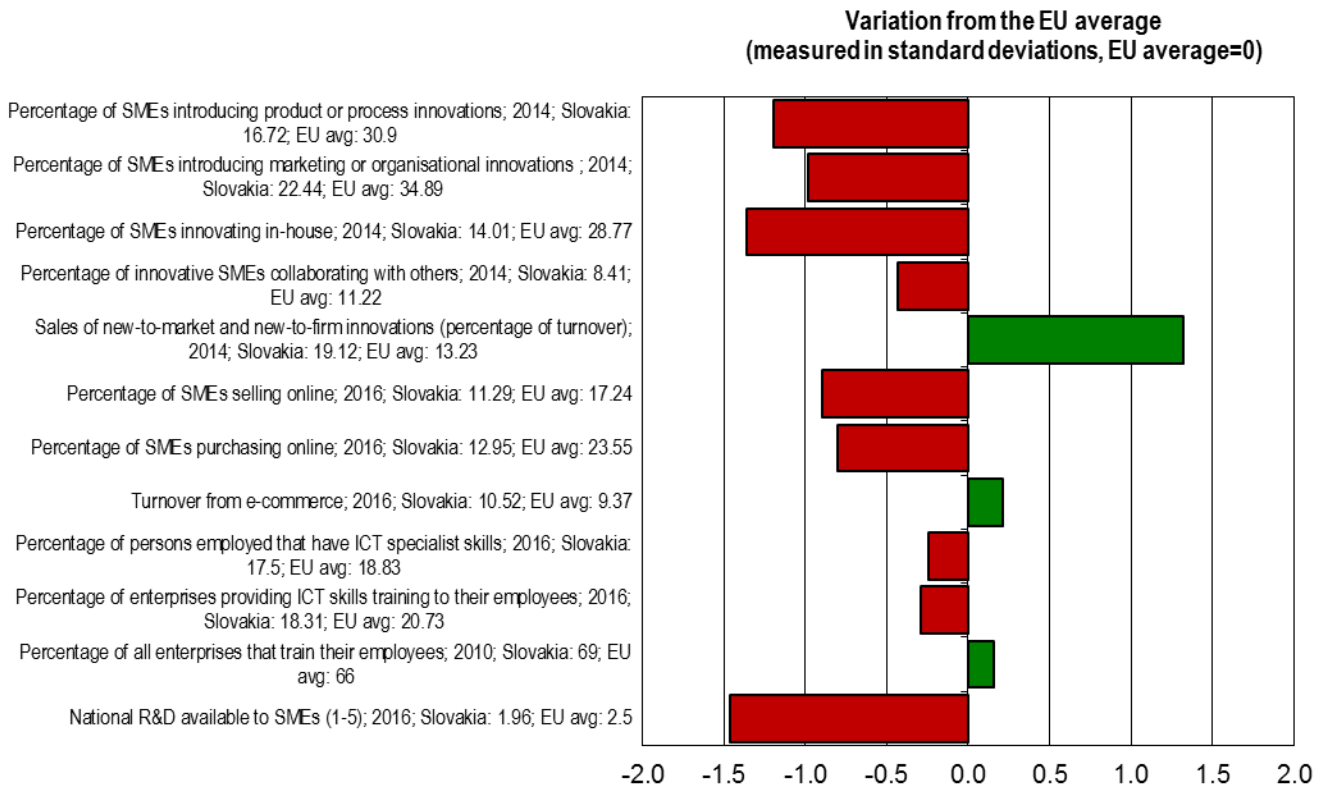
On market access, while the percentage of SMEs directly exporting or importing goods within the EU appears low, Slovakia is the Member State with the highest trade integration in the single market for goods (67.4 % GDP 2014). It is therefore likely that indirect participation by SMEs in the single market for goods is much higher and most probably driven by a good degree of

integration in European automotive value chains. On a less positive side, asked whether they can access markets without being unfairly blocked by established firms, on a scale of 1 (disagree) to 5 (agree), Slovak SMEs recorded the third worst score in the EU. Using the same scale, SMEs also indicated that market access is becoming more difficult.

Since 2008, single market has been the SBA principle in which Slovakia has achieved the most progress. Other than timely transposition of single market directives, policy initiatives have mostly focused on information gathering and communication in relation to single market issues. Slovakia has operated a SOLVIT centre since May 2004 with good performance in the handling of cases and continues to perform well in the Internal Market Information System²⁹. However, the need for a standardisation system has still not been properly addressed.

During the reference period, no new significant measures were adopted under the single market principle.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

While skills-related indicators show a situation comparable to the EU average, Slovakia appears to perform significantly below the EU average on innovation³⁰. Its performance has also significantly deteriorated since 2010 in most of the key indicators, with a steadily falling trend in SMEs innovating in-house (21.6 % to 14.0 %), introducing product or process innovations (25.5 % to 16.7 %) and marketing or organisational innovations (27.3 % to 22.4 %). Business R&D expenditure in 2015 was stable, at one of the lowest levels in the EU, and the proportion of researchers employed by businesses relative to total employment was still low in 2014 (1 % v 3.6 % for the EU). Slovak companies are less likely to invest in R&D and software development, but more likely to invest in acquisition of machines, equipment, software or licences compared to the EU average. They are also more likely to consider the lack of financial resources and the complexity of legal or administrative requirements as obstacles to their future investment in innovation³¹. On a more positive note, Slovakia ranks as the second-best EU performer when it comes to innovation sales as a percentage of turnover.

Since 2008, a limited number of policy measures have been adopted to improve innovation in Slovakia. Measures have been

taken, for example, to boost SME research projects, to support and promote innovation capacity, and to support high-growth technology and innovation projects. Since 2015, companies have been allowed to deduct 25 % of R&D-costs (to be increased to 100 % from 2018) from their tax base, plus up to 25 % of labour costs in R&D. While this measure is appropriate and has been used by large companies with an established history of research and development, it is not attractive to SMEs. While discussions are under way to match the higher deductions offered by neighbouring countries, this measure should also be reviewed and adapted to the needs of SMEs. The innovation voucher scheme offers opportunities for businesses with less than 250 employees to receive grants in total worth EUR 5 000, which can be used to develop licences, patents or purchase software or other types of property. These measures, however, have not so far been successful in bringing Slovakia closer to the EU average. Financial programmes available in Slovakia are not sufficiently encouraging and supporting of SME innovation. In some areas, such as proof of concept and commercialisation of innovation, financial support is entirely absent.

Given comparably strong economic growth and falling unemployment, the availability of skilled labour is becoming the greatest barrier for companies to grow further³². While an

increasing proportion of manufacturing companies report difficulties in hiring people with the right skills, for instance in the automotive sector³³, there is no comprehensive labour market intelligence system to inform education and training systems about graduates' results in the labour market and about future labour market skills needs. The lack of such a system rules out analysis of vertical or horizontal mismatches and makes it difficult for education and training providers to adapt their learning offer to the needs of the labour market³⁴. Slovakia is preparing to reform higher education in order to improve its quality and labour market relevance. The reform will address cooperation with employers.

The introduction of a dual VET scheme in 2015 has been successful in terms of setting the framework conditions and attracting companies to join the scheme. However, experience of its implementation so far proves that more resources need to be

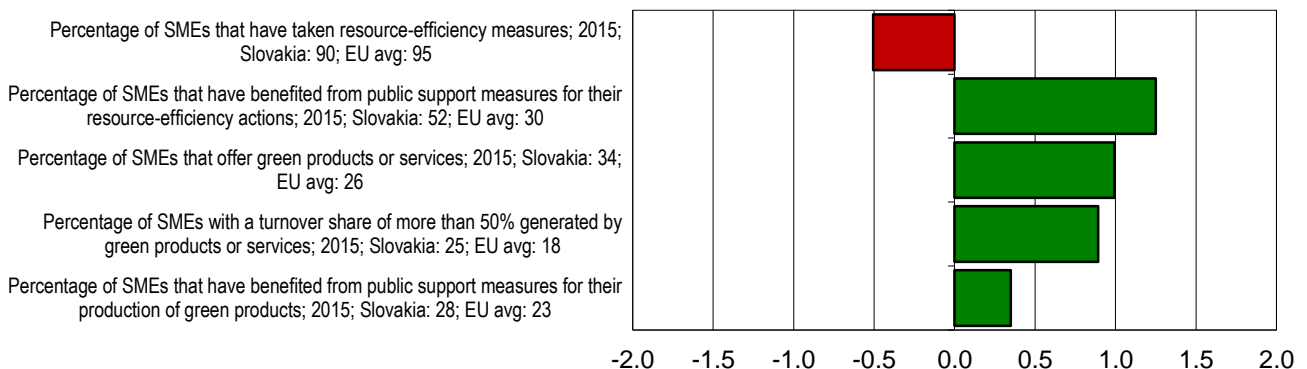
invested in encouraging young people to enter the scheme. Innovative schemes, in particular those to make professions with skills shortages more attractive, should be explored and expanded (such as existing practices where companies provide a 'job guarantee' for people who enter their dual VET programme).

In order to increase the pool of qualified workers, measures should address the need for up-skilling and re-skilling low-qualified³⁵ and (long-term) unemployed people. Other factors that should be taken into account are the brain drain and Slovakia's attractiveness to high-skilled foreigners³⁶.

During the reference period, the National Business Centre was established in a pilot phase to provide SMEs with a range of business support services. The setting-up of its regional network is currently linked to the delayed implementation of the Operational Programme Research&Innovation.

3.8 Environment

Variation from the EU average
(measured in standard deviations, EU average=0)



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

According to the indicators, Slovakia performs above the EU average in this area. SME uptake of resource efficiency measures is the only indicator in this area that is not above the EU average, despite the high proportion of SMEs that have received public support for this. More than a third of SMEs in Slovakia declare that they offer green products or services.

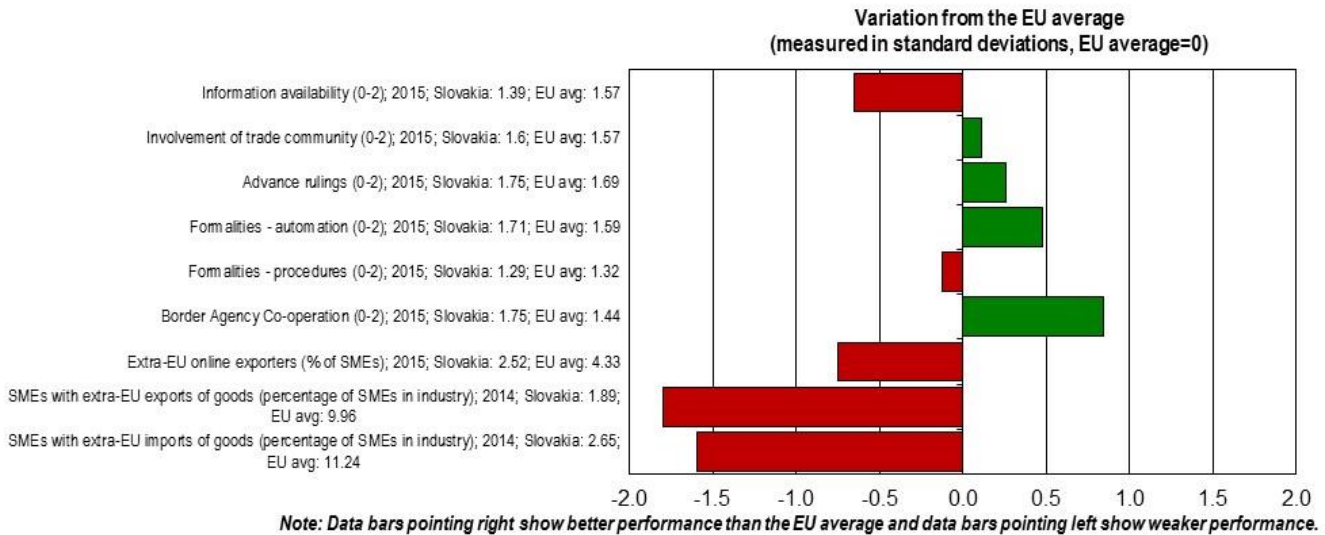
Since 2008, policy measures have targeted most SBA environment recommendations. Measures have been put in place to support EMAS certification, including an eco-innovation action plan and a process of environmental technology verification. The most significant measure implemented in recent years is the Energy Efficiency Act, which settles a framework for providing energy efficiency audits and support. The goal is to improve energy efficiency and savings, and to reduce consumption. Despite the progress achieved, important gaps continue to be an issue: efforts to promote energy efficiency and the use of

renewable energy sources have not yet been translated into results. The energy intensity of the economy is still one of the highest in the EU, approximately 80 % higher than the EU average.

Slovakia has a high rate of landfilling of municipal waste (68 % in 2015 v EU 25 %) and a low recycling rate (15 % in 2015 v EU 45 %). The current fees, among the lowest in the EU at EUR 5-10 per tonne, are allegedly one of the reasons for the very low share of waste recycled in Slovakia. The new law on waste which entered into force on 1 January 2016 is expected to improve the circularity of the economy, in particular via the extended producer responsibility scheme.

During the current reference period, no new significant measures were adopted under environment.

3.9 Internationalisation



Important methodological changes have been introduced for this principle in this year's fact sheet. All World Bank indicators (time and cost to export and import) have been replaced by six OECD trade-facilitation indicators (following a scale where 0 is the worst and 2 is the best score)³⁷. Therefore, the overall performance in this area cannot be compared to last year's.

Slovakia continues to perform below the EU average in this area. Slovakia has the lowest percentage of SMEs that directly engage in extra-EU import and export activity, in comparison to other EU countries. Across most internationalisation indicators, there has been little or no movement since 2010, with some exceptions. Automated formalities and procedures have recently improved, as has border agency cooperation.

Since 2008, measures have mainly focused on boosting trade and exports, and providing financial support to encourage SMEs to internationalise their businesses. Support for clusters and

trade organisations is also available. The most important measures in recent years include the 'MISIA 14 — Made in Slovakia' project to increase SME exports and the '2014-2020 External Economic Relations Strategy,' which established the Slovak framework to support international trade. Another measure introduced a central electronic file information system as an e-service to improve the speed and efficiency of import and export procedures. Measures are planned to provide business support services to SMEs for expanding their businesses abroad by providing strategic, operational, legal and financial support services. A national project is under preparation and will be financed from ESIF.

During the current reference period, no significant new measures have been implemented in this area.



4. Interesting initiative

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

Simplified joint stock company

Entrepreneurs can start up a company in the form of a 'simplified joint stock company' — a new legal form of business where the minimum required capital of the company is set at just one euro. The measure was adopted on 1 April 2016 and became effective on 1 January 2017.

This new legal form makes it easier for entrepreneurs to start or end a business and for investors to enter and exit a company. Shareholders can enter into a shareholders' agreement in which they can establish special rights, including the right to add to the allotment of shares, the right to require the transfer of shares and the right to acquire shares. Another advantage is that this type of company is not obliged to set up a supervisory board.

References:

<https://www.podnikajte.sk/start-podnikania/c/2406/category/ine-obchodne-spolocnosti-a-druzstvo/article/jednoducha-spolocnost-na-akcie-2017.xhtml>

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, they 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:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

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 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 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/>.

² National Bank of Slovakia: Comment (12. 8.2016), available at: http://www.nbs.sk/img/Documents/komentare/2016/492_FlashHDP_zam_2q16.pdf, last accessed 30.3.2017.

³ Statistical Office of the Slovak Republic: Information report (10.03.2017), available at: <https://slovak.statistics.sk:443/wps/portal?urile=wcm:path:obsah-sk/informativne-spravy/vsetky/ca505b33-5994-4891-bf25-648a4ff524a0>, last accessed 30.3.2017.

⁴ Ročenka slovenského stavebníctva 2015, publikácia MDVRR SR (Ministerstvo dopravy, výstavby a regionálneho rozvoja Slovenskej republiky), Bratislava 2015.

⁵ Ibid.

⁶ Ročenka slovenského stavebníctva 2013, publikácia MDVRR SR (Ministerstvo dopravy, výstavby a regionálneho rozvoja Slovenskej republiky), Bratislava 2013, available at: http://www.telecom.gov.sk/index/open_file.php?file=vystavba/StavebnictvoDokumenty/RocenkyStavebnictva/rocenka2013.pdf; last accessed 11.4.2017.

⁷ Article on TREND.SK (5.2.2016), available at: <https://www.etrend.sk/ekonomika/prekona-ekonomika-v-roku-2016-minulorocny-rast.html>, last accessed 30.3.2017.

⁸ Article on TREND.SK (3.2.2016), available at: <https://www.etrend.sk/ekonomika/ekonomike-sa-dari-vlani-vzniklo-20-tisic-novych-firiem.html>, last accessed 30.3.2017.

⁹ Ibid.

¹⁰ <https://www.etrend.sk/ekonomika/ekonomike-sa-dari-vlani-vzniklo-20-tisic-novych-firiem.html>, last accessed 30.3.2017.

¹¹ Persons employed and self-employed persons refer to persons aged 15-64. Source of the data is Eurostat. To calculate the 2016 value, quarterly data from the LFS series was averaged over all quarters for which information was available on 20.3.2017.

¹² In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 10.4.2017). Due to data availability on Eurostat, the data on high-growth firms refers to the 'business economy', which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹³ The 2017 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.

¹⁴ 31 % of companies find the availability of skilled employees and managers the most pressing problem (SAFE survey, 2016). Slovakia, the Czech Republic and Estonia are the countries with the highest figures.

¹⁵ The Business Environment Index compiled quarterly by the Slovak Business Alliance dropped by 2.1pp in the last quarter of 2016 compared to the previous one. In terms of recent developments, businesses negatively viewed the new tax on dividends, the levy on non-life insurance and the increase in the ceiling rates on healthcare and social contributions. On the other hand, they were satisfied with the reduction in the CIT rate and with recent reforms in the judiciary, notably changes in bankruptcy and restructuring rules and in enforcement proceedings.

¹⁶ 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 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, 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 2017. 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/>

¹⁷ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2017 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 the form of a policy database on the DG GROW website.

¹⁸ Some 16 simplified joint stock companies (SJSCs) were registered by April 2017.

¹⁹ The initial cost of setting up an SJSC is about EUR 600, while the standard LTD-type company can be set up for EUR 200-300. The SJSC must be registered with the National Central Depository of Securities (NCDS): annual registration costs are about EUR 300; by contrast, an LTD-type company does not need to register with the NCDS.

²⁰ There was a significant decrease in investment co-financed from EU funds in 2016 due to the closure of the 2007-2013 programme in 2015 and the slow launch of the 2014-2020 programme.

²¹ <https://ru.justice.sk/ru-verejnost-web/>

²² Data provided by the SK authorities to the Commission in August 2016.

²³ http://europa.eu/rapid/press-release_IP-17-239_el.htm

²⁴ The Slovak government granted 176 investment subsidies worth EUR 1.65 billion to 148 beneficiaries during the 2002-2016 period: <http://4liberty.eu/stimulated-investment-subsidies-in-slovakia/>

²⁵ Slovakia ranked 54th out of 176 countries in the 2016 Corruption Perceptions Index published by watchdog Transparency International, ranking seventh worst in the EU.

²⁶ According to the latest SME Access to Finance Survey (SAFE) covering all EU countries, published on 30 November 2016 by the European Commission: <http://ec.europa.eu/growth/safe>

²⁷ 'Financing SMEs and entrepreneurs 2017', http://www.oecd-ilibrary.org/docserver/download/8517011e.pdf?expires=1496761229&id=id&accname=oid031827&checksum=47BE1_E17_OA93_A79_AED_5DC2_3403E3C_017.

²⁸ <https://www.state.gov/e/eb/rls/othr/ics/2016/eur/254415.htm>

²⁹ http://ec.europa.eu/internal_market/scoreboard/performance_by_member_state/slovakia/index_en.htm

³⁰ According to the European Innovation Scoreboard, Slovakia is a 'moderate innovator', with performance relative to the EU at 67 % of the EU average in 2015. Except for *Human Resources*, Slovakia performs below the EU average for all dimensions, and also for most indicators. Performance in most dimensions and most indicators has improved. (Source: http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en)

³¹ Flash Eurobarometer 433, February 2016.

³² According to the latest SAFE survey (2016), the most important problem faced by Slovak companies is the availability of skilled staff or experienced managers (31 % vs EU 20 %).

³³ European Business Statistics, 2016.

³⁴ Education and Training Monitor, 2016, https://ec.europa.eu/education/sites/education/files/monitor2016-sk_en.pdf.

³⁵ Slovakia's employment rate is in line with the EU average for recent graduates with ISCED educational attainment levels 3-8 (20-34-year-olds having left education 1-3 years before the reference year). However, it has the lowest employment rate in the EU for those who have not attained upper secondary education (25-64-year-olds with ISCED 0-2 qualifications). (Source: Education Training and Monitor 2016).

³⁶ IMD World Talent Report 2015 http://www.imd.org/globalassets/wcc/docs/talent_2016_web.pdf.

³⁷ Please see Moisé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No 118, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kg6nk654hmr-en> for more information on the methodology applied to construct the indicators; further information is available at <http://www.oecd.org/trade/facilitation/indicators.htm>, last accessed 06/07/2017.