

2018 SBA Fact Sheet

Slovakia



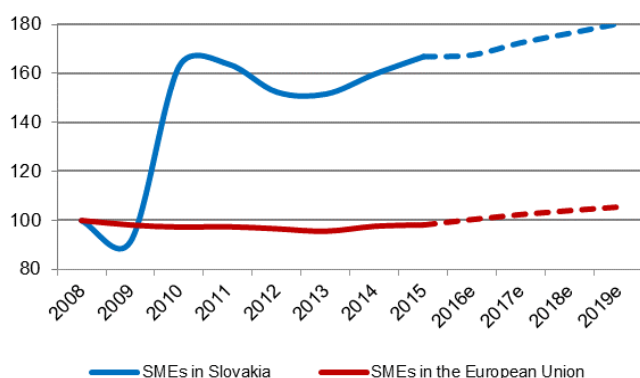
Key points

Past & future SME performance¹: SMEs contribute significantly to Slovakia's 'non-financial business economy'. They generate 52.5 % of total value added and 72.0 % of total employment. Although the SME contribution to total value added is lower than average for the EU, their contribution to total employment is higher than the EU average. Micro firms are particularly important for employment in Slovakia, providing 41.9 % of all jobs. SME employment increased by 13.8 % in 2013-2017. More recently, in 2016-2017, SME employment increased by 3.0 % and SME value added by 3.9 %. In 2017-2019, SME value added is predicted to increase by 17.2 % and SME employment by 4.4 %.

Implementing the Small Business Act for Europe (SBA): Slovakia's SBA performance is a mixed picture. The country combines access to finance as its strongest area with other principles where performance is lagging behind compared to the EU average. This is the case for 'second chance', 'responsive administration', single market, skills & innovation and internationalisation. Since 2008, the country has made significant progress in access to finance. However, it has deteriorated in entrepreneurship and even more so in skills & innovation. In the same period, growth has slowed in 'second chance' and 'responsive administration'. In 2017 and in the first quarter of 2018, which is the reference period of this fact sheet, Slovakia adopted 9 policy measures, addressing 5 out of 10 policy areas under the Small Business Act. Slovakia also announced two new measures — one in 'responsive administration' and one in 'Think Small First'.

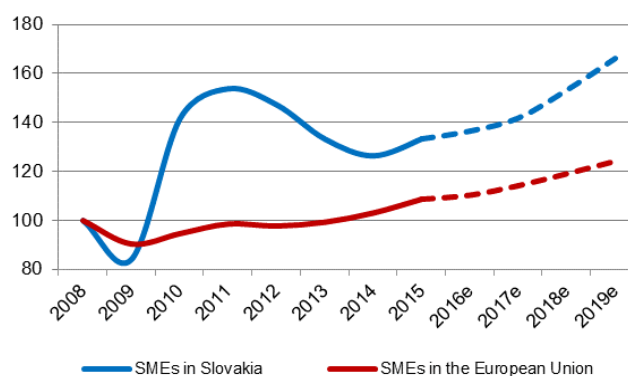
SME policy priorities: Skills & innovation, efficient public procurement, 'second chance' and 'responsive administration' will be instrumental in SME growth in the years to come. New policy measures should support the innovation capacity of businesses, introduce early warning systems to prevent bankruptcies, and make it easier to restart businesses. Measures to tackle complex administrative procedures and improve the quality of regulatory bodies and effectiveness of basic government functions should be introduced. Slovakia also needs to persevere with the ongoing reform of public procurement, to ensure participation of SMEs.

Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2016 onwards)²

Value added of SMEs

(Index: 2008=100, estimates as from 2016 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.

Table of Contents

Key points	1
1. SMEs — basic figures.....	2
2. SBA profile	4
3. SBA principles.....	6
3.0 'Think Small First'	6
3.1 Entrepreneurship.....	7
3.2 'Second chance'.....	8
3.3 'Responsive administration'.....	9
3.4 State aid & public procurement	10
3.5 Access to finance.....	11
3.6 Single market	12
3.7 Skills & innovation	13
3.8 Environment.....	14
3.9 Internationalisation	15
4. Interesting initiative.....	16

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	419 876	96.6 %	93.1 %	647 209	41.9 %	29.4 %	7.9	21.8 %	20.7 %
Small	12 020	2.8 %	5.8 %	229 766	14.9 %	20.0 %	4.8	13.1 %	17.8 %
Medium-sized	2 206	0.5 %	0.9 %	235 023	15.2 %	17.0 %	6.4	17.6 %	18.3 %
SMEs	434 102	99.9 %	99.8 %	1 111 998	72.0 %	66.4 %	19.1	52.5 %	56.8 %
Large	517	0.1 %	0.2 %	432 062	28.0 %	33.6 %	17.3	47.5 %	43.2 %
Total	434 619	100.0 %	100.0 %	1 544 060	100.0 %	100.0 %	36.4	100.0 %	100.0 %

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 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 contribute significantly to Slovakia's total 'non-financial business economy' by generating 52.5 % of total value added and 72.0 % of total employment. Although the SME contribution to total value added is lower than average for the EU, their contribution to total employment is higher than the EU average. This indicates a large productivity differential between SMEs and large firms, with SMEs being much less productive in terms of value added per person employed. Micro firms play an important role for employment in Slovakia, providing 41.9 % of all jobs. Slovak SMEs employ 2.6 people on average, lower than the EU average of 3.9. The biggest sectors for SMEs in Slovakia are *manufacturing* and *wholesale & retail*. Together, both sectors contribute around half of total SME value added and half of total SME employment.

SMEs have been growing in recent years in line with the country's general economic expansion. SME employment increased by 13.8 % in 2013-2017. In the same period, SME value added rose by 6.4 %. However, this growth has been uneven — prior to 2014, SMEs' value added experienced a fall; however, it then grew by 12.2 % in 2014-2017. Nevertheless, despite this steady growth, SMEs are still lagging behind large firms, whose value added grew by 23.5 % in the same period. More recently, in 2016-2017, SME employment increased by 3.0 % and SME value added by 3.9 %.

The SME *manufacturing* sector generated strong growth in 2013-2017. SME value added and employment increased by 29.1 % and 15.4 % respectively. In particular, *other metal fabricated products* — which is the biggest sub-sector — and

motor vehicles were accelerators of this growth and played a key role in boosting overall production, which was driven primarily by thriving exports³. In car manufacturing, Slovakia has become an important destination for automotive foreign direct investment by large multinationals^{4,5}. Investment in the expansion of production facilities in Slovakia's large automotive industry has also benefited other sub-sectors closely linked to car production, such as the *manufacture of rubber and plastic products*⁶.

Information and communication is a sector with a predominance of high-growth firms and where salaries are significantly higher than the average for all sectors⁷. The growth potential of this sector for SMEs remains strong: the value added contribution of this sector for all SMEs in 2017 was 6 %, confirming the historical trend. In fact, SMEs in information and communications technology (ICT) generated strong growth between 2013 and 2017: SME value added increased by 19.4 % and employment by 37.1 %. In particular, micro firms outperformed all other firm size classes, with an increase of 62.5 % in value added and 56.5 % in employment. SMEs benefited from participation in IT clusters and associations such as Košice IT Valley and IT Asociácia Slovenska and from start-up initiatives in the ICT sector such as the *Digital Coalition*⁸. On the demand side, the public sector is the most important driver for ICT services⁹. This is likely to continue in the near future as the government outlines upcoming projects in its 2017-2020 action plan for digitising the public administration¹⁰. However, ICT usage is also on the rise in the private sector. In 2014-2017, the number of firms with internet access and e-commerce presence has grown¹¹.

Moreover, the Digital Coalition, which was launched in September 2017, will aim at improving coordination between the government and private, non-profit and academic sectors and thus foster better digital skills¹².

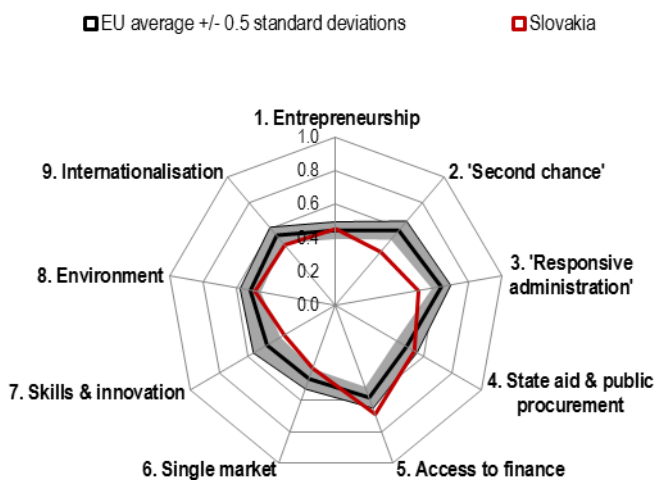
In 2016 there was a net increase of 4 970 business registrations (58 838 registrations against 53 868 de-registrations).¹³ This was significantly lower than the net increase of 9 708 in 2015¹⁴. This shrinking difference is in line with the overall trend in the last decade. In 2016, strong net growth in business registrations was particularly prevalent in *business services* (4 239), *other*

services (869), *agriculture* (854), and *information and communication* (810)¹⁵.

The Slovak Startup Ecosystem has been expanding over the last few years. The typical Slovak founder is male (76.5 %) and holds a university degree (85.3 %). Compared to the EU average of 15.6 % female founders, Slovakia is a great example of female entrepreneurship, which is reflected by a share of 23.5 % female founders. Start-ups in Slovakia are to be found in many sectors such as *software service* (20.6 %) and IT (11.8 %). Slovakia ranks highly for education start-ups in Europe (11.8 % against 3.5 % EU average). Slovak start-ups currently employ 21.2 people on average, which is significantly above the EU average of 12.8. They are looking to expand and plan to hire 9.5 more people within the next 12 months. Unlike most European start-ups, Slovak start-ups are mainly or completely generating revenues both through business-to-business (32.7 %) and business-to-consumer (19.2 %, compared to 6.6 % EU average). With a high interest in doing business outside the eurozone (50.0 %, compared to 39.7 % EU average) and with non-EU countries (40.0 %, compared to 27.0 % EU average), Slovak start-ups are showing a global approach to growing their businesses. Bratislava is the start-up hub in Slovakia¹⁶. Many Slovak firms have also successfully scaled up their operations in recent years. In 2015, 1 816 firms — 12.2 % of all firms in the 'business economy'¹⁷ with at least 10 employees — were high-growth firms.¹⁸ This is substantially higher than the EU average of 9.9 %. High-growth firms are particularly widespread in *transportation and storage*, accounting for 15.9 % of all firms with at least 10 employees in that sector and also — in line with their strong net growth in terms of new business registrations — in the *information and communication* sector, accounting for 14.2 % of all firms in that sector.

A positive trend is expected for SMEs in terms of both value added and employment, with SMEs expected to outperform large firms. In 2017-2019, SME value added is predicted to increase by 17.2 %. The outlook for SME employment in the same period is therefore slightly positive, with an estimated increase of 4.4 %, corresponding to around 49 300 more jobs. This is mainly due to the economy's overall expansion as well as accelerated domestic consumption.

2. SBA profile¹⁹



Overall, Slovakia's SBA profile is a mixed picture. Access to finance is where the country performs better than the EU average, while in 'second chance', 'responsive administration', single market and internationalisation it is below the EU average. Performance in skills & innovation is still sluggish, or even deteriorating when viewed over a longer period. Entrepreneurship, state aid & public procurement are in line with the EU average. On environment, the country's performance has deteriorated since last year and is now in line with the EU average, while it used to be above it.

Since 2008, the country has improved significantly in access to finance, although it has deteriorated in entrepreneurship, state aid & public procurement and even more so in skills & innovation. Over the same period, progress has slowed in 'second chance' and 'responsive administration'.

Policy-wise, Slovakia's strategy in implementing the Small Business Act has not been consistent — which has affected performance and progress in some key policy areas.

In 2017 and in the first quarter of 2018, which is the reference period of this year's fact sheet, Slovakia adopted 9 policy measures addressing 5 out of 10 policy areas under the Small Business Act. Slovakia has also announced two new measures, with one in 'responsive administration' and one in 'Think Small First'.

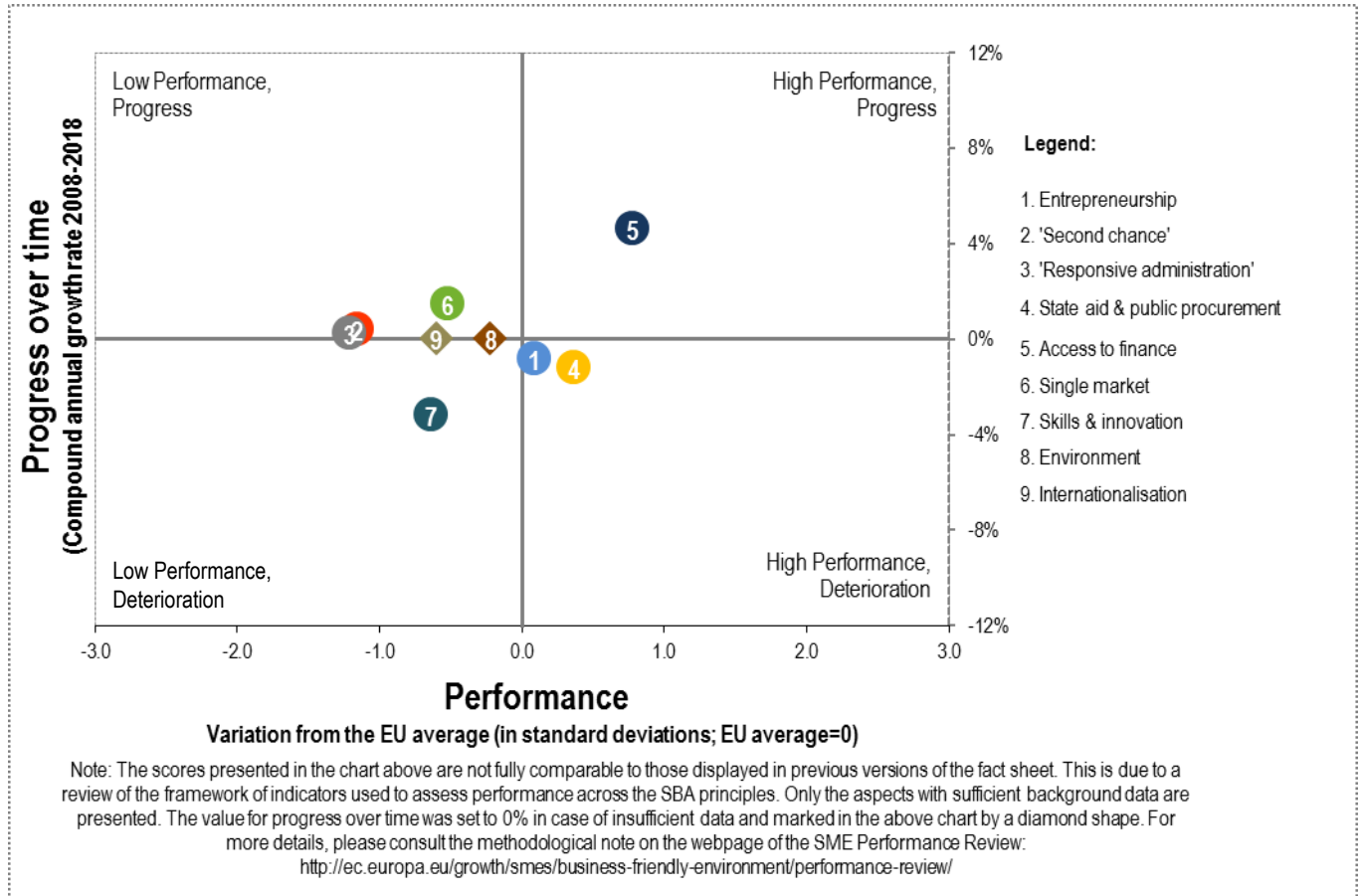
The most significant progress in 2017 and the first quarter of 2018 has been in the area of 'Think Small First' and entrepreneurship. For the former, two measures were introduced and one formally announced. The measures involved simplifying the administrative procedure for hiring seasonal workers (particularly in the agricultural sector) from non-EU countries, and measures to help implement the 'SME test' (used to assess the impact of regulation on SMEs). Although the latter measure had already been adopted, analytical capacities had not been put in place until now and are still not fully in place due to coordination issues between relevant ministries. The measure announced under 'Think Small First' involves revising the criteria for the business size definition. It aims to streamline the thresholds and relevant obligations for businesses. On entrepreneurship, the measures introduced included the creation of the National Business Centre by the Slovak Business Agency. It offers support to new businesses at regional level and support schemes that target start-ups and early-stage businesses.

Some recommendations from the SME action programme have also been taken into consideration. This is the case for internationalisation, where Slovakia introduced a central contact point for SMEs looking to export their goods and services to foreign markets.

No significant progress has been made in the areas of 'second chance', access to finance, 'responsive administration', single market and environment. Although Slovakia performs well in access to finance, no significant new measures have been introduced over the last few years.

According to the World Bank's Doing Business Report, Slovakia's business environment is still suffering from the negative impact of administrative burden on starting a business or obtaining permits/licences.²⁰

SBA performance of Slovakia: state of play and development from 2008 to 2018²¹



3. SBA principles²²

3.0 'Think Small First'

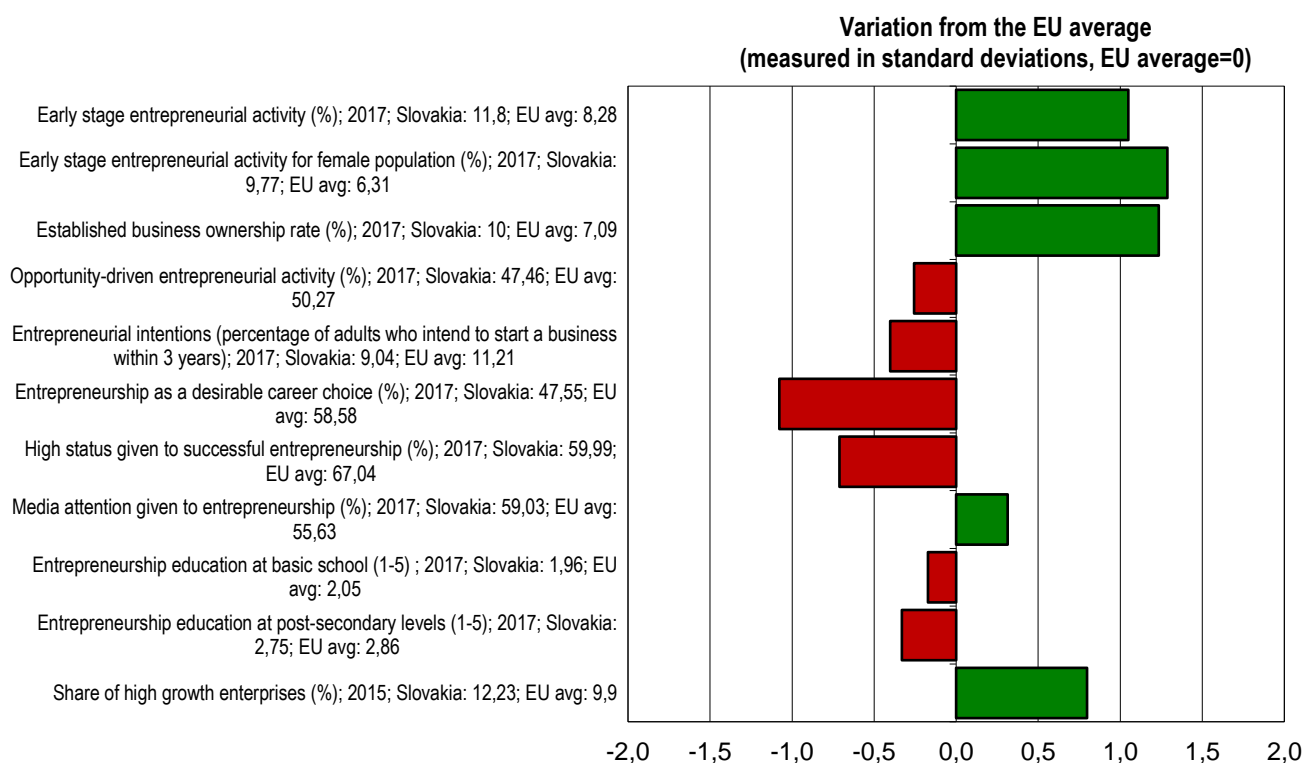
The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policymaking process. The principle also calls for newly designed legislation, administrative rules and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

Since 2008, progress has been made in reducing the administrative burden, carrying out regulatory impact assessments (RIA) and consulting SMEs by way of the 'SME test', which has been in place since 2016. The Centre for Better Regulation was created to evaluate the regulatory impact assessment of policy measures on business and to improve the business environment in Slovakia. It started to systematically conduct the 'SME test' during the current reference period. This has resulted in less strict regulations than originally intended. The combined savings for SMEs were projected to be EUR 11.8 million in just two cases: occupational health services and fees paid by businesses to finance public service broadcasting (both radio and TV). Business organisations recognise that RIA procedures have improved, and further improvements — including preliminary and final assessments — are expected thanks to a new strategy for better regulation, 'RIA 2020', which was adopted in January 2018. 'Common commencement dates' — which ensure that new laws, administrative decrees and ministerial regulations come into force on fixed dates — for introducing new amendments to existing legislation have not yet been applied. However, to improve the business environment the government has already adopted two packages. The first package adopted in June 2017, which introduced 35 measures, was followed by a second package in spring 2018 with 25 measures.

During the current reference period, three new measures were adopted under the 'Think Small First' principle:

- The 'revision of business size' definition intends to reduce the large discrepancy that exists in the SME definition in Slovak legislation. In addition, the measure aims to streamline the thresholds that trigger the various obligations for employers arising from other laws. For example, the obligation to employ workers with a disability applies to employers with more than 20 staff.
- 'Employment of non-EU nationals for seasonal job demand' aims to simplify the red tape associated with recruiting non-EU nationals in Slovakia for seasonal work. The measure helps SMEs to hire seasonal employees particularly in the agriculture sector. With effect from 1 May 2018, the new legislation helps immigrants enter the job market in districts with an unemployment rate below 5 % and in 'shortage occupations'.
- Rigorous application of the 'SME test' aims to analyse the impact of legislative proposals on SMEs to ensure a more business friendly environment. However, this process is still in its preliminary phase, and the Ministry of Interior has still not given the green light to use EU funds for funding the initiative. Out of the 20 full-time economists and lawyers required, there are currently only 4 in place.

3.1 Entrepreneurship



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

Slovakia continues to perform in line with the EU average. Performance has also improved in certain areas compared to last year: on 'early stage entrepreneurial activity' and 'early stage entrepreneurial activity for female population', Slovakia's performance was among the top three in the EU. On 'established business ownership rate' Slovakia's performance was impressive, scoring 10 % compared to 6.1 % last year; this places it among the top performing countries. Conversely, 'entrepreneurship as a desirable career choice' remains below the EU average, although its performance has only fallen slightly since last year, from 50.6 % to 47.6 %. Despite a slight improvement in 'entrepreneurial intentions' since last year (up from 8 % to 9 %), the country's performance in this area has declined significantly since 2011, when the relevant score (17.8 %) was almost double the current one.

Since 2008, policy progress in entrepreneurship has been moderate. The main measures adopted that target the SBA recommendations focused on helping female entrepreneurs, young people and the unemployed to create their own businesses. By contrast, Slovakia still needs to further adopt measures to support entrepreneurial education and business transfers.

During the reference period, three measures were introduced under the entrepreneurship principle:

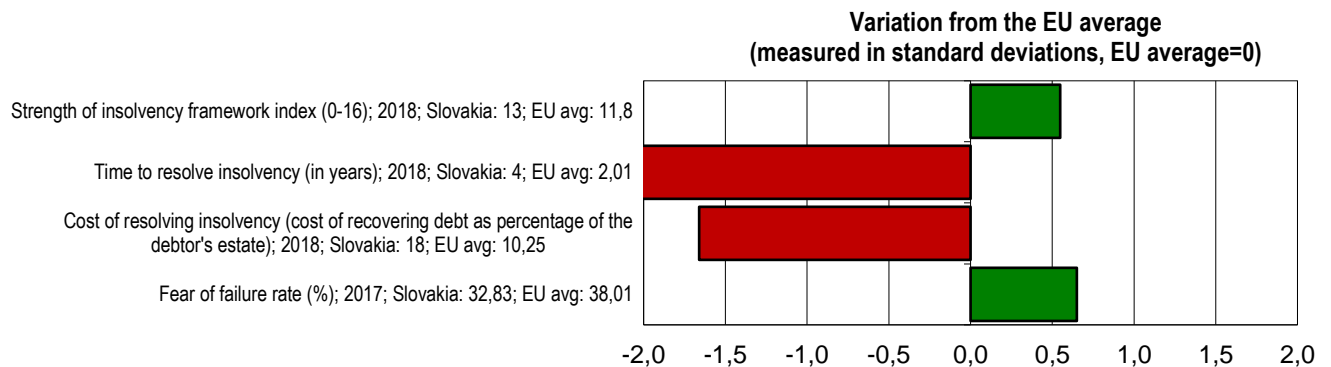
- The 'National Business Centre' managed by the Slovak Business Agency kicked off its work in August 2017 to help SMEs and self-employed become more competitive. The main services include (i) expert group activities for SMEs and self-employed; (ii) short and long-term individual advice; (iii) a virtual business incubator programme; (iv) events for professionals and trainees to transfer knowledge and improve the business environment; (v) entrepreneurial activities for secondary and higher education students; and (vi) advice on access to finance. Bratislava was selected as a pilot region and serves as a model for creating future national business centres in other Slovak regions.
- The 'scheme for the promotion of family business' aims to help families interested in creating a business. The programme provides consulting services from external expert and, seminars.
- The 'scheme for start-up support — internships' is a training programme that allows start-up owners to

experience a foreign business incubator for 1 month. The EU provides funding.

The scale-up environment in Slovakia is slowly improving. One key issue that limits the growth of start-ups is the fragmentation of initiatives and instruments, which would

benefit from consolidation. However, both the number of start-ups and the success rate of founded companies remains low in general, which jeopardises the opportunities for a more innovation-driven economy. 65 % of Slovak businesses currently survive the first 2 years, and only 43 % achieve a five-year survival rate²³.

3.2 ‘Second chance’



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

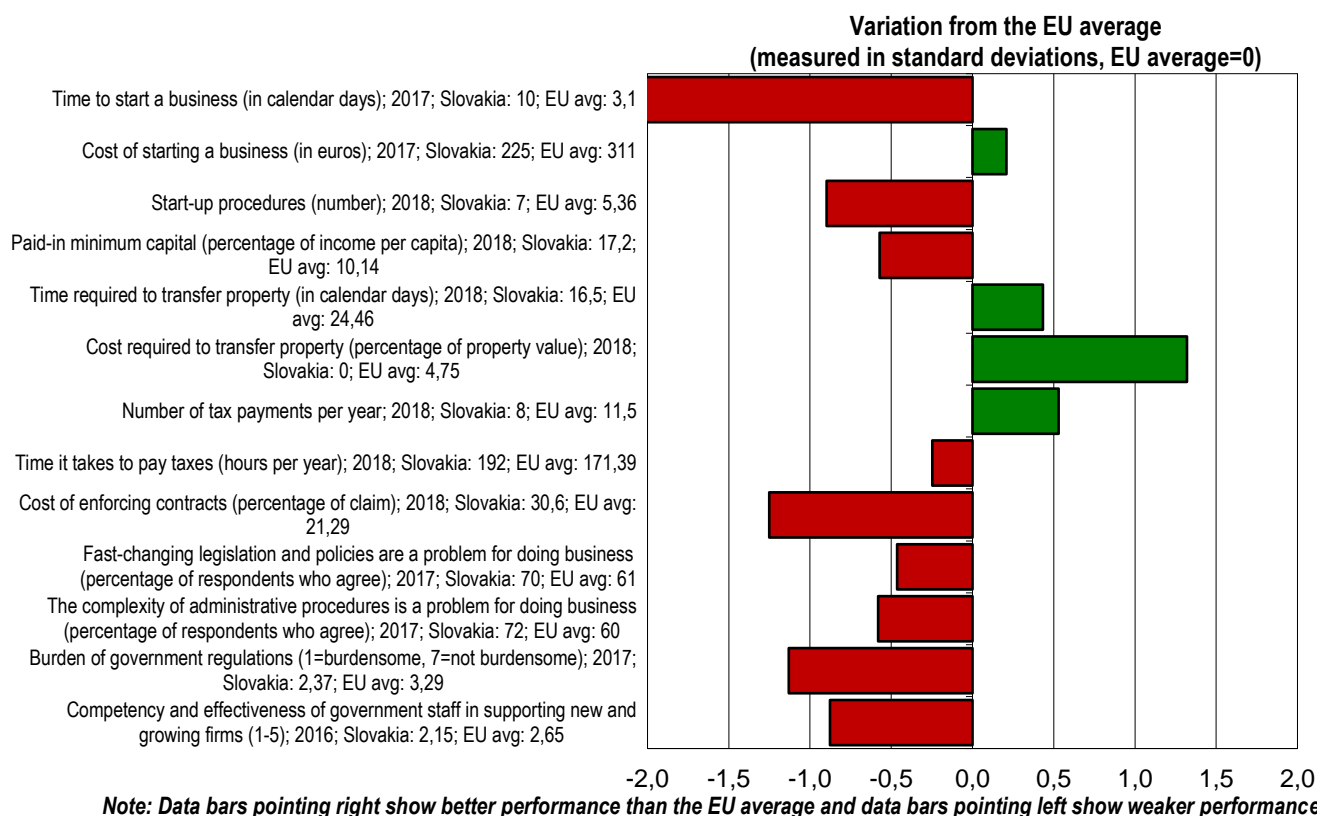
‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Overall, Slovakia performs below the EU average on this SBA principle. Little or no movement has been registered across most of the indicators. The insolvency procedure is still one of the longest and most expensive in Europe. Dissenting classes of creditors can unfairly obstruct the restructuring process²⁴. On a positive note, Slovakia has a relatively low fear of failure compared to the EU average, with improvements made in this area since last year.

Since 2008, limited policy progress has been achieved in this area. The country still does not have a fast-track procedure that

would allow entrepreneurs to move more quickly through the bankruptcy process. Furthermore, no policy initiatives have been adopted to facilitate early restructuring, which is still subject to strict conditions. There is also no early warning or help desk mechanism to prevent entrepreneurs from going into bankruptcy. The recovery rate for secured creditors at the closure of the insolvency proceedings is below the EU average (55 % in SK against 65 % in the EU)²⁵.

During the current reference period, no other significant measures were adopted or announced.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Slovakia performs well below the EU average in this area, with the third worst score of all EU countries. The time required to start a business continues to be one of the longest in the EU at 10 calendar days. In addition, the efficiency of the Slovak judicial system in resolving commercial disputes remains low compared to the EU average, with the cost of enforcing contracts as a proportion of claims — 30.6 % — higher than the EU average of 21.3 %.

On a positive note, the cost to transfer property is still 0 % of the property value this year, the best score of all EU countries. Furthermore, administrative procedures are perceived to be less complex compared to the last reference period (72 % against 82 % last year) — although the proportion of respondents that consider the complexity to be a problem for doing business is still higher than the EU average (60 %). However, there has been an improvement in the proportion of businesses reporting fast-changing legislation and policies as a problem, down from 76 % in 2015 to 70 % in 2017, and in line with the EU average this year.

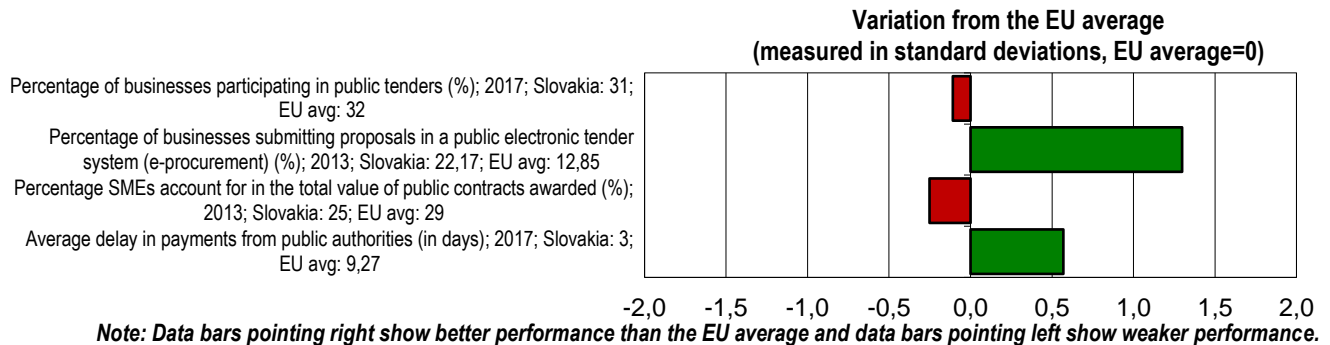
Slovakia's policy progress in this SBA area has been limited since 2008. Only a few measures have been introduced, and some

problems have still not been addressed. For example, the single point of contact for start-up procedures is perceived to be inefficient. In addition, databases still need to be better connected to ensure that the 'once-only principle' (i.e. to prevent public administrations from asking for or requiring information that is already available) is applied successfully. Moreover, businesses complain about a 'major deterioration of the business environment' and the 'increasing failure of the basic functions of the state'²⁶. Extensive red tape, fast-changing regulations and the poor quality of regulatory bodies are in fact holding back the potential of businesses²⁷.

However, against this background no other significant measures were adopted during the current reference period. Only one new measure was formally announced in March 2018, the *One-time is enough* initiative, to successfully apply the 'once-only principle'.

On a positive note, Slovakia's performance in e-government services has also improved, up from 24th to 20th in the EU thanks to improved scores in almost all the relevant indicators²⁸. The adoption of the 'Action plan on digitisation of public administration' in October 2017²⁹ confirms the country's firm commitment to modernising public administration.

3.4 State aid & public procurement



Slovakia's performance in state aid & public procurement is in line with the EU average. Compared to the last reference period, the proportion of businesses participating in public tenders has fallen from 37 % to 31 %. The number of days that public authorities take to pay their providers has been reduced by 10 days compared to the previous reference period. Slovakia is now performing above the EU average, although payment performance remains critical for some sectors (e.g. health). The proportion of SMEs that submitted proposals using the e-procurement platform remains significantly above the EU average.

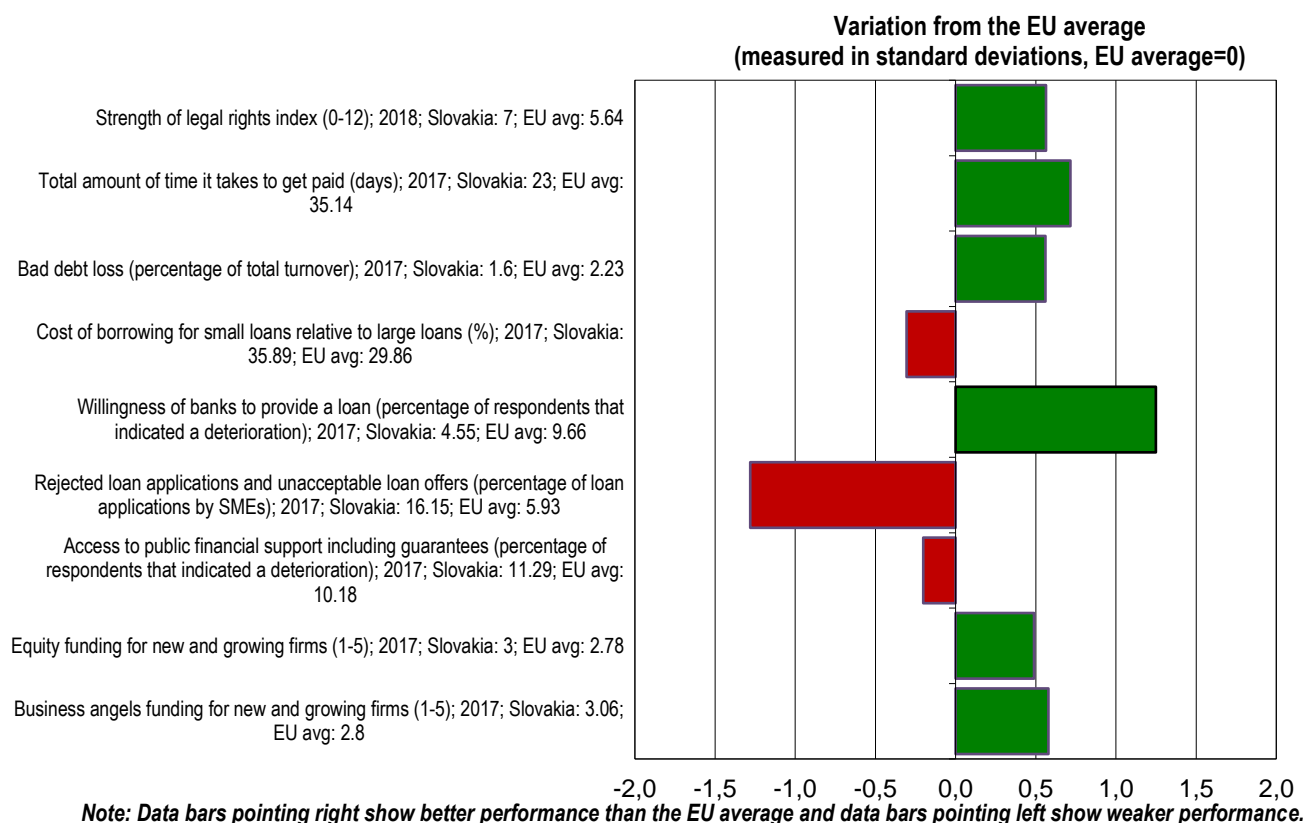
Since 2008, Slovakia has introduced a limited number of measures under this SBA principle. The country still lacks a comprehensive and impartial state aid policy that supports the needs of SMEs.

Following the transposition of the modernised public procurement directives in 2016, Slovakia has been taking steps to create an effective and efficient public procurement system.

Efforts are being made to improve transparency, strengthen staff training at the Public Procurement Office and to implement e-government and most economically advantageous tender (MEAT) criteria; however, more should be done to improve the effectiveness of procedures. An amendment to public procurement legislation, intended to accelerate projects financed by European Structural and Investment Funds (ESIF) and to simplify 'below threshold' procedures, is currently being discussed. One of the main issues with public procurement in Slovakia is that only 25 % of the contracts are awarded to SMEs. This shows that SMEs in Slovakia either have difficulties in competing with larger, more established companies or that the conditions or required qualifications are neither fair nor balanced for SMEs³⁰.

During the current reference period, no other significant measures were adopted or announced.

3.5 Access to finance



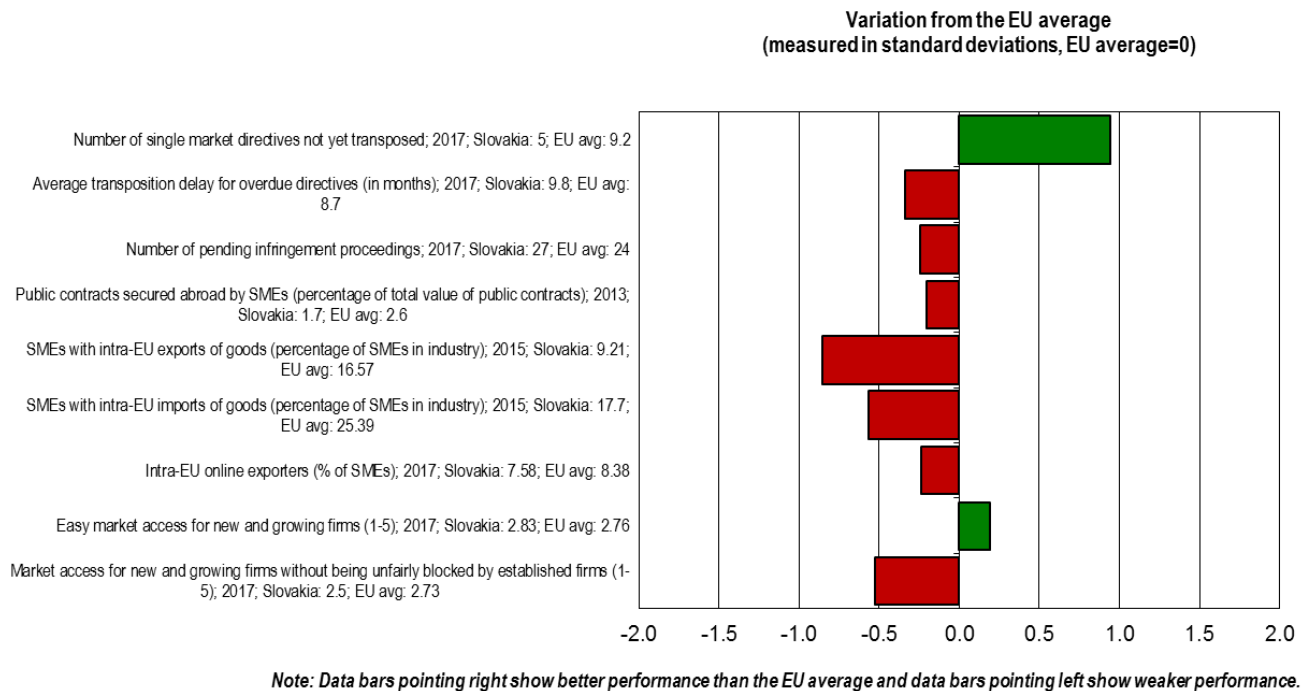
Slovakia performs above the EU average in this area. The country's score is among the best in the EU, although it scored slightly worse than last year. Overall, the Slovak financial environment continues to be positive for SMEs. Businesses consider that Slovak banks are willing to provide loans. In fact, the proportion of respondents indicating a deterioration in the willingness of banks to provide loans has fallen by 10 percentage points since 2011, with Slovakia scoring well above the EU average. The availability of financing such as equity funding and business angel funding for new and growing firms has also remained more or less stable. However, the main reason for the overall deterioration is because the proportion of rejected loan applications and unacceptable loan offers jumped from 8.15 % in 2016 to 16.15 % in 2017. On a positive note, the total amount of time it takes to get paid has fallen since last

year from 26 days to 23. Furthermore, Slovakia has significantly improved in this indicator since 2012, when the total amount of time to get paid was 46 days.

Since 2008, policy progress in access to finance has been moderate. The government adopted measures to target some SBA recommendations. These measures include the creation of additional sources of funds for innovation investments and a micro-loan programme set up by the Slovak Business Agency to support micro enterprises. While Slovakia has allocated a substantial proportion of EU funds to SME support measures, the measures have faced delays in implementation.

During 2017 and the first quarter of 2018, no other significant measures were adopted or announced.

3.6 Single market



Slovakia performs below the EU average in this area, while it was in line with the EU average last year. However, the country has steadily improved since 2008. Despite the slight deterioration compared to last year, many indicators moved into a positive direction. The number of single market directives not yet transposed fell from 7 to 5 since last year, which is still better than the EU average of 9.2.

Conversely, the average transposition delay for overdue directives, which was well above the EU average in the previous period, is now above the EU average, up from 3.7 months to 9.8. The number of pending infringement proceedings increased from 22 to 27.

On single market access, new and growing firms still face difficulties as they tend to be blocked by more established firms, although the score for this indicator has improved greatly compared to last year. The SME trade indicators show that Slovak SMEs are performing below the EU average in the traditional export and import of goods. They perform better in

online exports. However, the scores for all three indicators improved compared to last year.

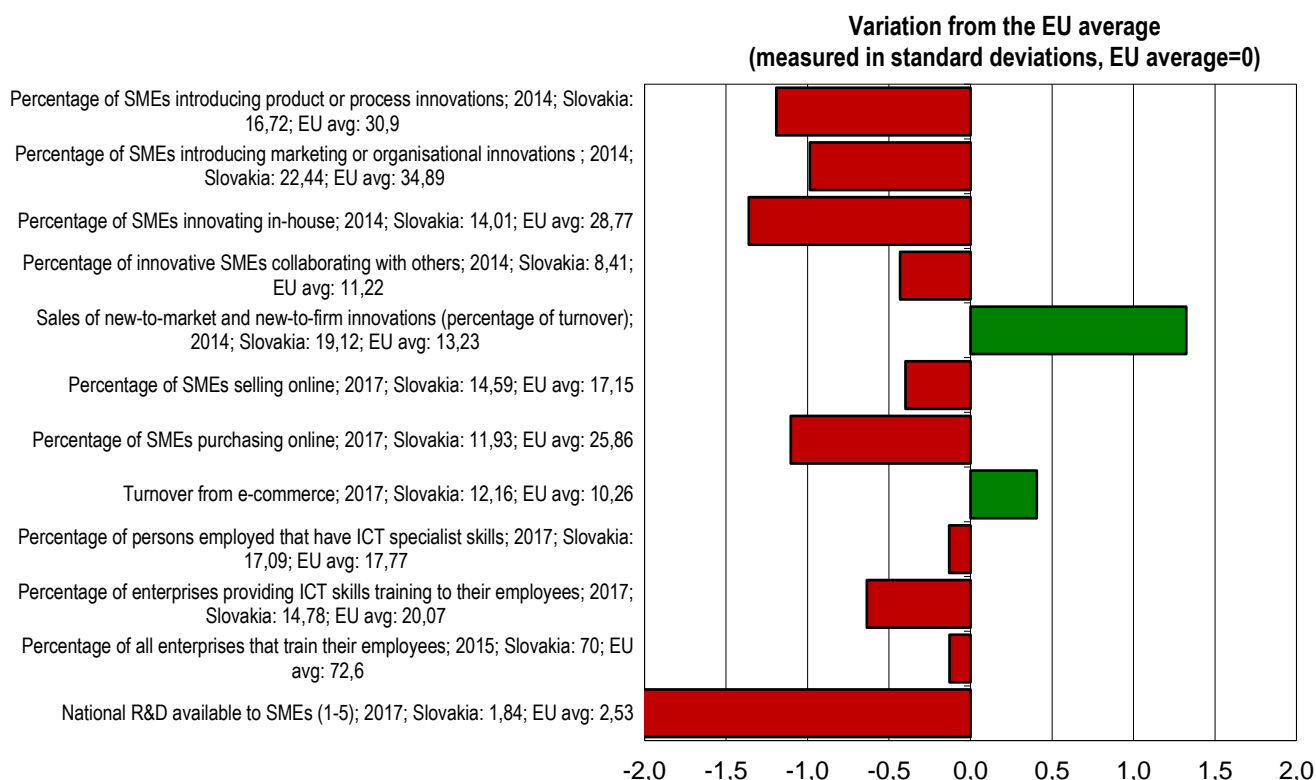
On the policy side, Slovakia has significantly improved in this area. In fact, the single market is the SBA area where Slovakia has improved the most since 2008.

Policy initiatives have mainly focused on making it easier to access information on issues related to the single market. Since 2004, Slovakia has a SOLVIT centre in the country and a national information system on the single market. There is a single point of contact in place that supports SMEs within the single market.

The country has not yet aligned national labour market conditions with EU standards. Further attention to the standardisation system may help to boost the Slovak economy.

During 2017 and the first quarter of 2018, no significant additional measures were introduced.

3.7 Skills & innovation



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

Slovakia continues to perform below the EU average in skills & innovation. Since 2008, the country's performance has been deteriorating. No update was available for the relevant innovation indicators. Compared to the previous year, there has been some improvement in the proportion of SMEs selling online (11.3 % to 14.6 %) and the share of turnover that SMEs earn from e-commerce (10.5 % to 12.2 %). However, the national R&D funding available to SMEs is the lowest among all EU countries, with Slovakia this year registering the lowest score since 2011. Business RDI (Research, Development and Innovation) intensity also remains the lowest in the EU. The proportion of enterprises that provide training to their personnel to develop their ICT skills has also fallen compared to the previous reference period, and is below the EU average this year. In September 2017, the Digital Coalition was set up to connect partners from the public, private, non-profit and academic sectors and focus on measures to improve students' digital skills and strengthen the digital literacy of employees, job seekers and entrepreneurs.

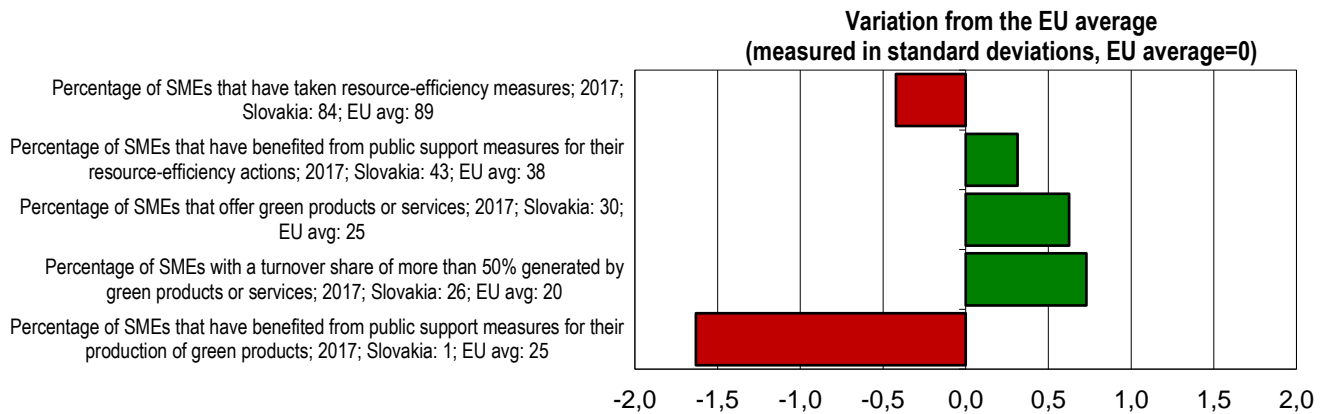
Since 2008, Slovakia has implemented a limited number of SBA recommendations in this area. The country has adopted measures to boost research activities in SMEs, promote

development and innovation competences and support high-growth innovative firms. Innovation voucher schemes have also been put in place. However, until recently the government has failed to properly address persistent issues facing SMEs in Slovakia to innovate and employ persons with ICT skills.

During the current reference period, the government has managed to introduce three relevant measures:

- The 'Scheme to support development of creative industry', which is funded by the EU and managed by the Slovak Innovation and Energy Agency, provides assistance and free advisory services to SMEs that have the potential to become more competitive by developing innovative products and services.
- The 'Scheme to support improvement of innovation performance of business entities and clusters' will provide free innovation advisory services to enterprises and clusters.
- The 'Reduction of R&D expenses' allows for a tax deduction of 100 % of R&D costs to stimulate companies and especially SMEs to invest in R&D.

3.8 Environment



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

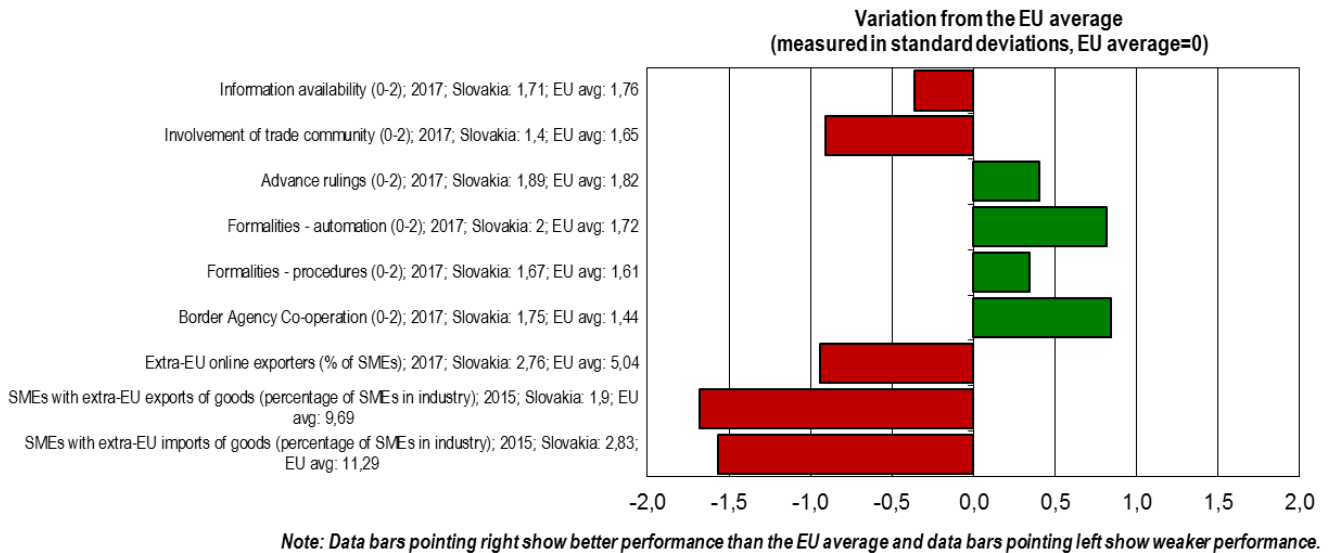
Slovakia's performance in this area is broadly in line with the EU average. However, its overall performance deteriorated compared to the previous reference period, when the country scored above the EU average. For instance, fewer SMEs have benefited from public support measures for their resource-efficiency measures, falling from 52 % in 2015 to 43 % in 2017 but still in line with the EU average. Slovakia continues to perform above the EU average in terms of the proportion of SMEs offering green products or services; however, it has fallen by 4 percentage points since 2014. The biggest decline in this area is the proportion of SMEs benefiting from public support measures to produce green products, which fell from 28 % in 2015 to 1 % in 2017 — making Slovakia the second worst performer in the EU. A national project with a budget of EUR 27

million, financed by ESIF/OP VI, was also launched to increase the innovative performance of the Slovakia economy.

Since 2008, policy progress in the environment has been moderate. However, Slovakia has implemented a majority of the SBA recommendations in this area. In recent years, the most important measure is the 'Energy Efficiency Act', which provides a framework for energy efficiency audits and reduces energy consumption.

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

3.9 Internationalisation



Overall, Slovakia performs below the EU average in this area. It has one of the lowest proportions of SMEs with extra-EU imports and exports compared to other EU countries. Slovak SMEs are also underperforming in online exports. On a positive note, Border Agency cooperation remains stable, with performance better than the EU average. Slovakia has also improved the availability of information, going from below average to within the EU average since the last period. There is still room for improvement on this indicator, which is due to a lack of judicial decisions being published on custom matters. The country has also registered a decrease in the involvement of the trade community, which is now below the EU average. This low score is due to the lack of public consultations. Since 2008, policy progress in internationalisation has been moderate. The

government adopted measures targeting most of the SBA recommendations in internationalisation. Despite the weaker performance, policy initiatives have aimed to stimulate trade and exports, financially support the internationalisation of SMEs and help to develop clusters. There is a lack of targeted and effective support measures that could help SMEs to enter new markets.

However, during the current reference period the government introduced the 'National Support for the Internationalisation of SMEs' with a budget of EUR 31 million. The measure provides support services and a contact point for SMEs looking to enter new foreign markets. Support will include information on foreign markets together with financial and legal assistance.

4. Interesting initiative

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

Scheme for start-up support

This initiative, launched by the Ministry of Economy and the Slovak Business Agency, provides training programmes that are hosted abroad in a mature business ecosystem. Selected start-ups get the opportunity to experience a foreign business incubator for 1 month; they share ideas, receive mentoring from renowned specialists as well as attend local networking events. The programme objectives include:

- supporting early-stage start-ups by promoting networking opportunities and helping to improve skills;
- increasing the survival rate of start-ups and accelerating their scale-up opportunities;
- providing mentoring and support for business transfers.

References:

http://www.sbagency.sk/sites/default/files/schema_na_podporu_startupov_.pdf

¹¹ Statistical Office of the Slovak Republic (2018), ICT in enterprises, available at: [http://statdat.statistics.sk/cognosext/cgi-bin/cognos.cgi?b_action=cognosViewer&ui.action=run&ui.object=storeID\(%22iF656BB5617D94B22872CB96564161686%22\)&ui_name=ICT%20in%20enterprises%20%5bis1003rs%5d&run.outputFormat=&run.prompt=true&cv.header=false&ui.backURL=%2fcognosext%2fcps4%2fportlet%2fcommon%2fclose.html&run.outputLocale=en](http://statdat.statistics.sk/cognosext/cgi-bin/cognos.cgi?b_action=cognosViewer&ui.action=run&ui.object=storeID(%22iF656BB5617D94B22872CB96564161686%22)&ui_name=ICT%20in%20enterprises%20%5bis1003rs%5d&run.outputFormat=&run.prompt=true&cv.header=false&ui.backURL=%2fcognosext%2fcps4%2fportlet%2fcommon%2fclose.html&run.outputLocale=en), last accessed 5.5.2018, and Slovak Business Agency (2017), Malé a stredné podnikanie v číslach v roku 2016, available at: http://www.sbagency.sk/sites/default/files/image/msp_v_cislach_v_roku_2016_final_v_20_10_2017_002.pdf, last accessed 7.5.2018.

¹² <https://itas.sk/digitalna-koalicia-jej-fungovanie-a-principy/>, last accessed 26.7.2018.

¹³ Slovak Business Agency (2017), Vznik a zánik malých a stredných podnikov na Slovensku v r. 2016, available at: http://www.sbagency.sk/sites/default/files/pictures/vznik_a_zanik_msp_2016_final.pdf, last accessed 7.5.2018.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ The data presented were collected by the EU Startup Monitor project, www.startupmonitor.eu

¹⁷ Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹⁸ In line with Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees at the beginning of their growth and average annualised growth in number of employees greater than 10 % per year, 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 13.4.2018).

¹⁹ The 2018 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.

²⁰ The World Bank, Doing Business 2018, at <http://www.doingbusiness.org/data/exploreeconomies/slovakia>

²¹ 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 2018. 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 2018. 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/>

²² The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 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.

²³ Boosting the Slovak start-up ecosystem — Horizon 2020 Policy Support facility <https://rio.jrc.ec.europa.eu/en/library/specific-support-slovakia-boosting-slovak-startup-ecosystem>

²⁴ Early restructuring and second chance for entrepreneurs — fact sheet — DG JUST, 2016 ec.europa.eu/information_society/.../sk_insolvency_country_factsheet_40011.pdf

²⁵ See endnote 24.

²⁶ <https://spectator.sme.sk/c/20834213/survey-shows-deteriorating-business-environment-in-slovakia.html> - 24.5.2018.

²⁷ Council Recommendation for Slovakia (COM 2018 424) https://ec.europa.eu/info/sites/info/files/file_import/2018-european-semester-country-specific-recommendation-commission-recommendation-slovakia-en.pdf

²⁸ Digital Economy and Society Index (DESI) — Slovakia, 2018 http://ec.europa.eu/information_society/newsroom/image/document/2018-20/sk-desi_2018-country-profile_eng_B4415E7E-9154-E26E-7B403212919F3F7C_52238.pdf

²⁹ <https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-slovakia-en.pdf>

³⁰ http://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/public-procurement/study/country_profile/sk.pdf