

# 2019 SBA Fact Sheet

## CZECHIA

### Key points

#### **Past & future SME performance<sup>1</sup>:**

In the Czech ‘non-financial business economy’, SMEs play a particularly important role. They account for 56.0% of total value added and 66.4% of employment, very similar to the respective EU averages of 56.4% and 66.6%. In recent years, Czech SMEs in the ‘non-financial business economy’ have generated steady growth. In 2014-2018, SME value added increased by 32.9%, with micro and small firms experiencing particularly strong growth of 39.3% and 38.7%, respectively.

#### **Implementing the Small Business Act for Europe (SBA):**

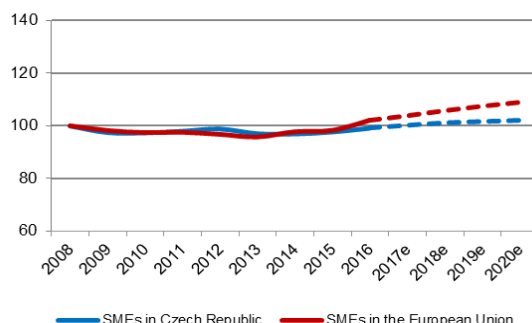
Overall, Czechia’s performance is generally in line with the EU average. According to quantitative SBA indicators, Czechia’s performance is above-average for State aid & public procurement (the qualitative assessment does not paint such a positive picture, however), access to finance and skills & innovation. It is in line within the EU average for ‘second chance’ and environment. On the other hand, entrepreneurship, ‘responsive administration’ and single market are below-average. Czechia has the weakest performance in internationalisation among Member States. During 2018 and the first quarter of 2019, Czechia adopted 8 significant measures, targeting 5 of the 10 SBA principles, with a particular focus on access to finance and skills & innovation.

#### **SME policy priorities:**

Various issues that impact SME development growth remain unaddressed. The biggest opportunities for Czech SMEs are in expanding their international trade within and outside the single market, and if the government were to give the education system a stronger focus on addressing labour market needs. More support for business transfers is also needed. Regulatory and administrative burdens are also still excessive. Moreover, no early warning mechanisms or specific insolvency procedures for SMEs have been introduced and alternative sources of finance remain underdeveloped.

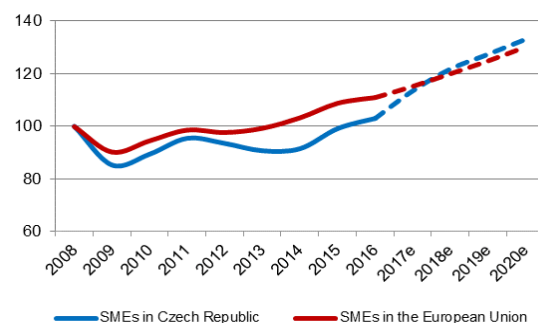
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2017 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		
	Czechia		EU-28	Czechia		EU-28	Czechia		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	986,008	96.0%	93.0%	1,146,896	30.5%	29.7%	22.5	20.6%	20.8%
Small	32,376	3.2%	5.9%	648,790	17.2%	20.1%	17.0	15.5%	17.6%
Medium-sized	6,873	0.7%	0.9%	705,498	18.7%	16.8%	21.6	19.8%	18.0%
<b>SMEs</b>	<b>1,025,257</b>	<b>99.8%</b>	<b>99.8%</b>	<b>2,501,184</b>	<b>66.4%</b>	<b>66.6%</b>	<b>61.1</b>	<b>56.0%</b>	<b>56.4%</b>
Large	1,650	0.2%	0.2%	1,264,285	33.6%	33.4%	48.1	44.0%	43.6%
Total	1,026,907	100.0%	100.0%	3,765,469	100.0%	100.0%	109.2	100.0%	100.0%

*These are estimates for 2018 produced by DIW Econ, based on 2008-2016 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.*

In the Czech 'non-financial business economy', SMEs play a particularly important role. They account for 56.0% of total value added and 66.4% of employment, very similar to the respective EU averages of 56.4% and 66.6%. Annual productivity of Czech SMEs, calculated as value added per person employed, is €24,400, considerably lower than the EU average of €44,600. SMEs in Czechia employ an average of 2.4 people, which is much lower than the EU average of 3.9. The most important SME sectors, both in terms of employment and value added, are manufacturing and wholesale and retail trade.

In recent years, Czech SMEs in the 'non-financial business economy' have generated steady growth. In 2014-2018, SME value added increased by 32.9%, with micro and small firms experiencing particularly strong growth of 39.3% and 38.7%, respectively. SME employment rose more moderately, at 4.3% in the same period, whereas employment in large firms increased by 14.8%. Most recently, in 2017-2018, SME value added grew by 7.3% and SME employment by 0.9%.

This overall strong growth in SME value added was partly driven by the construction sector. In 2014-2018, this sector was

responsible for the highest increase in SME value added, at 54.8%. In contrast, SME employment growth was comparatively weak, at 3.5%. The specialised construction subsector contributed most to SME value added growth, with a rise of 65.3%. In this subsector, micro and small firms performed especially well, generating increases of 68.3% and 68.9%, respectively. Sector demand was further boosted by a policy initiative introduced in 2013 by the Czech government: the Transport Policy of the Czech Republic for 2014-2020, which aims to invest heavily in new transport infrastructure, particularly for the Trans-European Transport Network (TEN-T). Construction growth has also been fuelled by high demand for housing, stimulated by low mortgage rates and rising household incomes. Moreover, the sector has additionally benefited from several other government programmes, such as PANEL 2013+, which provides low-interest loans for renovations carried out to improve energy efficiency in residential buildings.

Most recently, the information and communications sector has also experienced strong growth. In 2014-2018, SME employment rose by 18.0%, while SME value added increased even more, by 44.5%. Furthermore, in 2018, the computer programming and consultancy subsector contributed 61.9% to the sector's overall SME value added. In 2014-2018, the number of micro firms in this subsector increased by 37.9%, indicating a flourishing environment for start-ups that can be linked to policymaking. For example, in 2016, the Czech government adopted the National Plan for the Development of Next Generation Networks, whose goal is to channel both private and public sector investment into the national telecommunications infrastructure, and in particular, to provide high-speed internet access for businesses and households across the country. Another government strategy, Digital Czechia 3, aims to enhance digitalisation of the economy as a whole.

The generally positive economic conditions of recent years are reflected in the business demography, with 31,270 new companies having registered in 2018. Although this represents a decrease of 2.8% from 2017, it is noteworthy that 2017 was a record year for registrations, with the highest number since the economic crisis of 2008. However, in 2018 deregistrations also increased strongly, to a total of 14,570, 79.2% more than in 2017. The net gain was therefore only 16,700 new companies, bringing

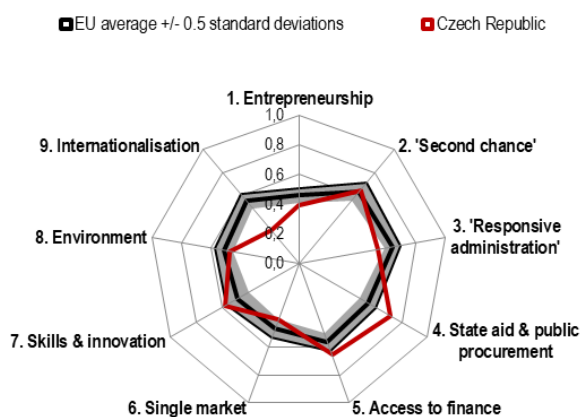
the total number of registered companies to 492,318, the lowest increase for the past 6 years.

As per the data collected by the European Startup Monitor 2019 project<sup>2</sup>, 67% of the Czech startups that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 10% were set up by one female founder or an all-female team of founders. The remaining 24% were set up by at least one man and one woman. In terms of their stage of development, 24% are in the pre-seed or seed stage, 33% in the start-up stage and 43% in the growth stage. Regarding financial aspects, 43% are operating at a loss, 29% currently break-even and 29% are profitable. Of those start-ups that are operating at a loss, 78% expect to break-even in less than 2 years, while 22% expect that it will take them over 2 years to break-even. 71% have a turnover between €1 and €500,000; 24% report having no turnover yet and the remaining 5% have a turnover of over €500,000. They have 7 employees on average, of which around 34% work on a part-time basis. On average they plan to hire 4.7 people within a year.

Many Czech firms have successfully scaled up their operations in recent years. In 2016, 4,241 firms (11.3% of all firms in the 'business economy' with at least 10 employees) were high-growth firms. This is slightly higher than the EU average of 10.7%. High-growth firms are particularly prevalent in information and communication, with a share of 15.0%, and in the administrative and support services sector, at 14.6%. In 2018, Czech SMEs in the specialised knowledge-intensive services and high-tech manufacturing sectors, both of which are usually R&D-intensive, accounted for 29.9% of SME value added in the manufacturing and services sectors. This is somewhat lower than the EU average of 33.0%.

The forecast for SME value added growth in Czechia is optimistic, with a projected rise of 9.3% in 2018-2020. In contrast, SME employment is expected to grow by only 0.9% in the same period. This corresponds to the creation of approximately 22,800 new jobs.

## 2. SBA profile<sup>3</sup>



Overall, Czechia's performance is generally in line with the EU average. The country performs above average on State aid & public procurement<sup>4</sup>, access to finance and skills & innovation, and in line within the EU average for 'second chance' and environment. By contrast, entrepreneurship, 'responsive administration' and single market are below average. Czechia has the weakest performance in internationalisation among Member States. Since 2008, Czechia has improved its performance in most of the SBA areas, particularly in access to finance, 'responsive administration' and State aid & public procurement. In the current reference period — 2018 and the first quarter of 2019 — its performance has not significantly improved nor deteriorated from the previous one.

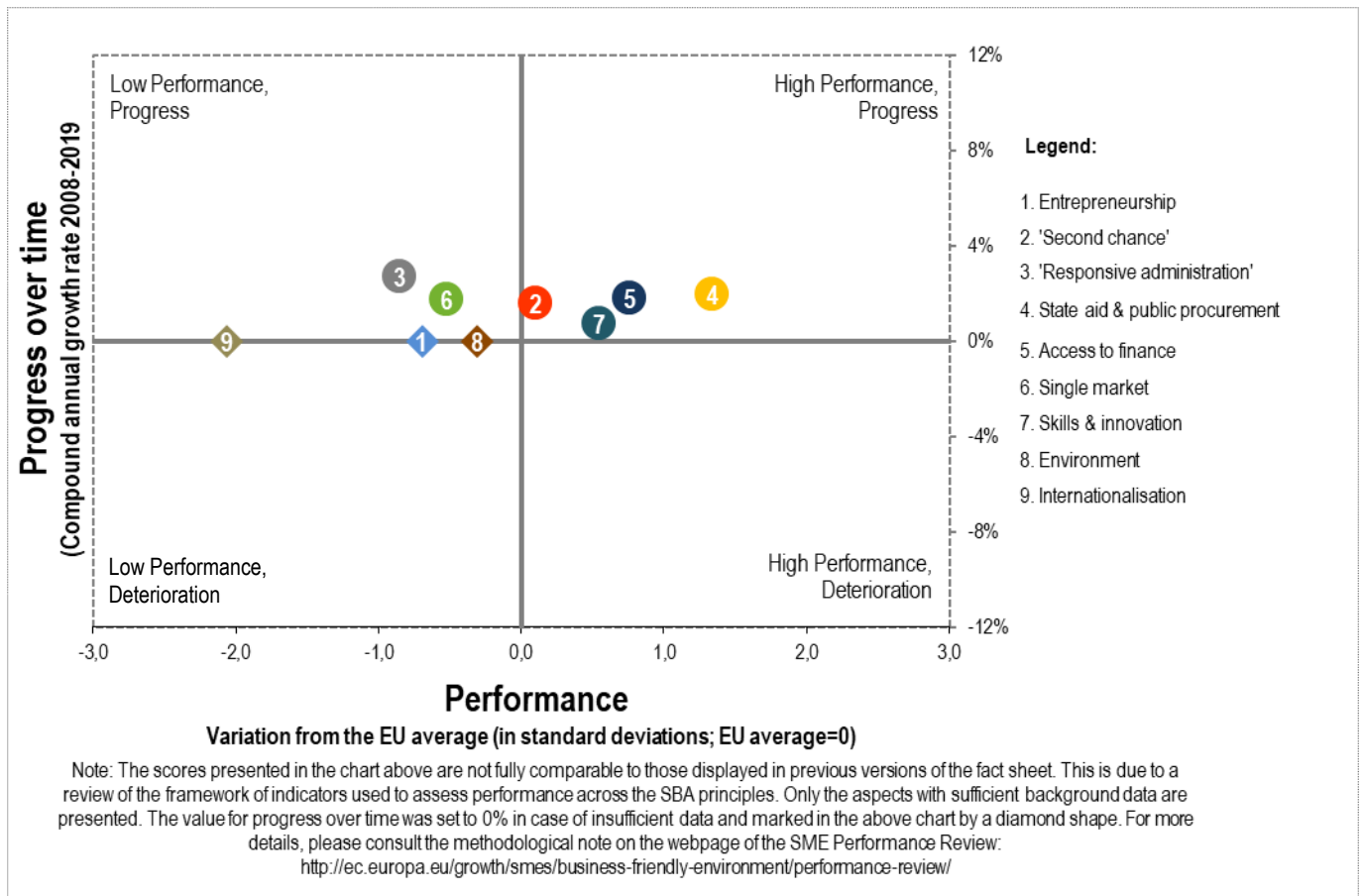
The support for SMEs is enshrined in Czech law<sup>5</sup> and the framework for strategic support to SMEs is defined in the Small and Medium Enterprises Support Strategy 2014-2020<sup>6</sup>. In addition, the annual Action Plan to Support Small and Medium-sized Enterprises has been developed for the past 4 years in cooperation with SME representatives.

Some of the recommendations from the SME action programme have been adopted, including the creation of the now operational European Structural and Investment Funds (ESIF) fund-of-funds for alternative equity and debt financing.

Czechia achieved moderate policy progress during the reference period. In total, eight significant measures were adopted/implemented. They targeted 5 of the 10 SBA principles, focusing particularly on access to finance and skills & innovation. No relevant measures were adopted/implemented or announced for 'think small first', 'second chance', State aid & public procurement and internationalisation.

Various issues that impact SME development and start-up growth remain unaddressed. Entrepreneurship education is insufficient and the education system does not adequately address the needs of the labour market. More support for business transfers is also needed. Regulatory and administrative burdens on SMEs are still excessive. Moreover, no early warning mechanisms or specific insolvency procedures for SMEs have been introduced and non-traditional or alternative sources of finance remain underdeveloped.

## SBA performance of Czechia: state of play and development from 2008 to 2019<sup>7</sup>



### 3. SBA principles<sup>8</sup>

#### 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 SMEs’ 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.

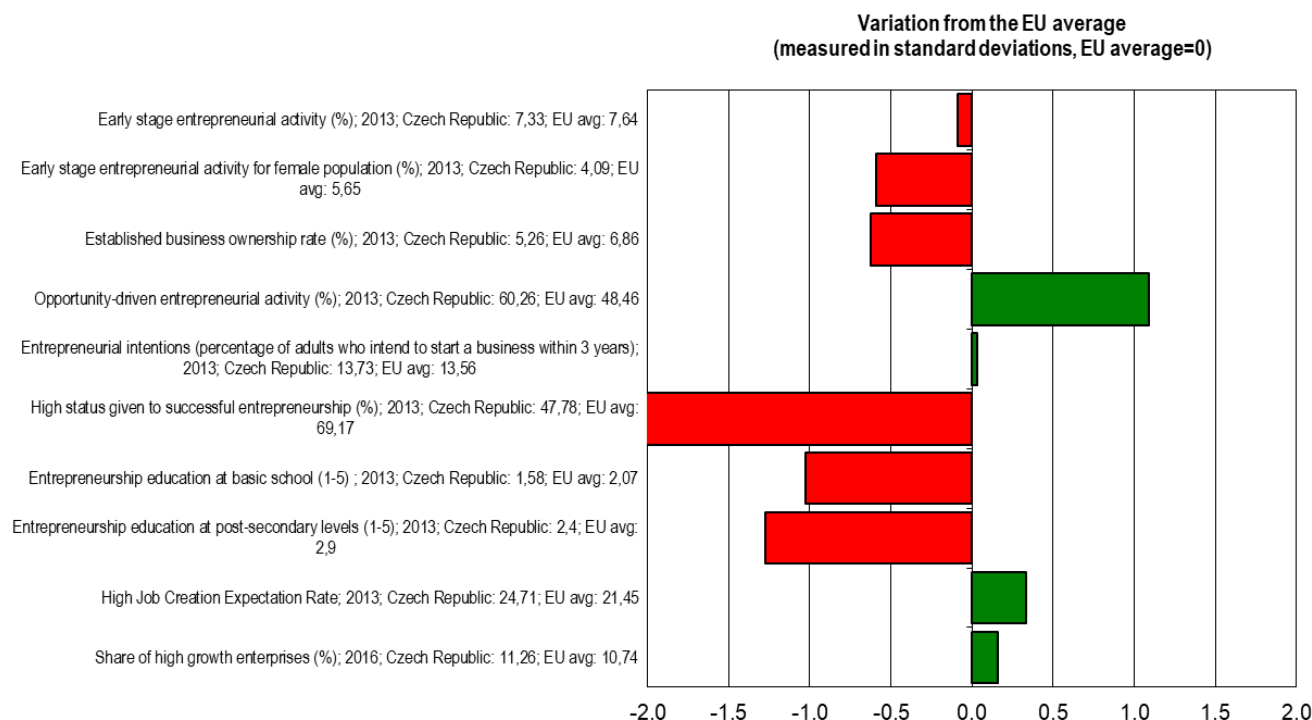
Since 2008, Czechia has achieved moderate policy progress in implementing the SBA recommendations under the ‘think small first’ principle. Regulatory impact assessments<sup>9</sup> are required for all new legislation developed by the government as well as for any regulation with substantial costs for companies. However, legislation proposed by the Parliament and by local and regional authorities is not yet subject to this assessment. Additionally, the ‘SME test’ used to assess the impact of regulation on SMEs is not systematically applied and common commencement dates which

ensure that new laws, administrative decrees and ministerial regulations come into force on fixed dates are not applied. Reducing the administrative and legislative burden is promoted and monitored, but actual progress is yet to be realised.

On a positive note, there is active and regular dialogue between the government and SME stakeholders, especially through the Council of Economic and Social Agreement of the Czech Republic<sup>10</sup> and the Government Council for Competitiveness and Economic Growth<sup>11</sup>.

No new significant measures were announced or adopted in the current reference period.

#### 3.1 Entrepreneurship



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

Based on the only data available, which are from 2013, Czechia performs below the EU average in entrepreneurship. The high status given to successful entrepreneurs is/was among the lowest in the EU and the country also ranks (or ranked) among the

weakest performers in entrepreneurship education at elementary school.

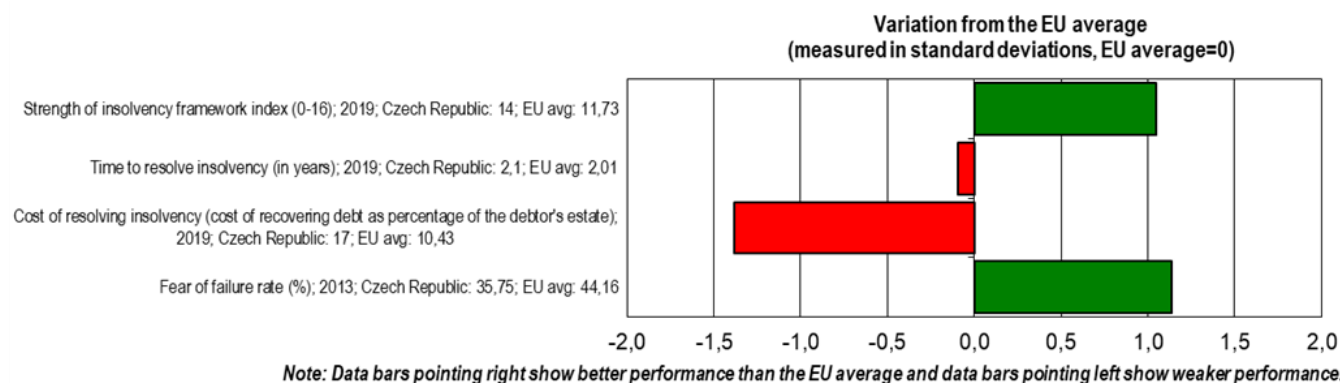
Since 2008, policy progress under entrepreneurship has been moderate. Support programmes targeting technological start-ups

have been introduced. However, the provision of dedicated entrepreneurship support to young people, women, migrants or the unemployed has not been introduced. Furthermore, there is a lack of support for business transfers and generational change in family businesses. Early entrepreneurship education is also insufficient and could benefit from further policy support.

Additionally, one new measure was announced to introduce the official definition of family business in the legislative framework of the Czechia (*Vymezení rodinného podniku v České republice*). This represents a first step towards providing more targeted support to family businesses.

During the current reference period, one significant measure in the area of entrepreneurship was implemented. The ‘CzechStarter’<sup>12</sup> programme, which provides early stage start-ups with mentoring and training, launched new calls.

### 3.2 ‘Second chance’

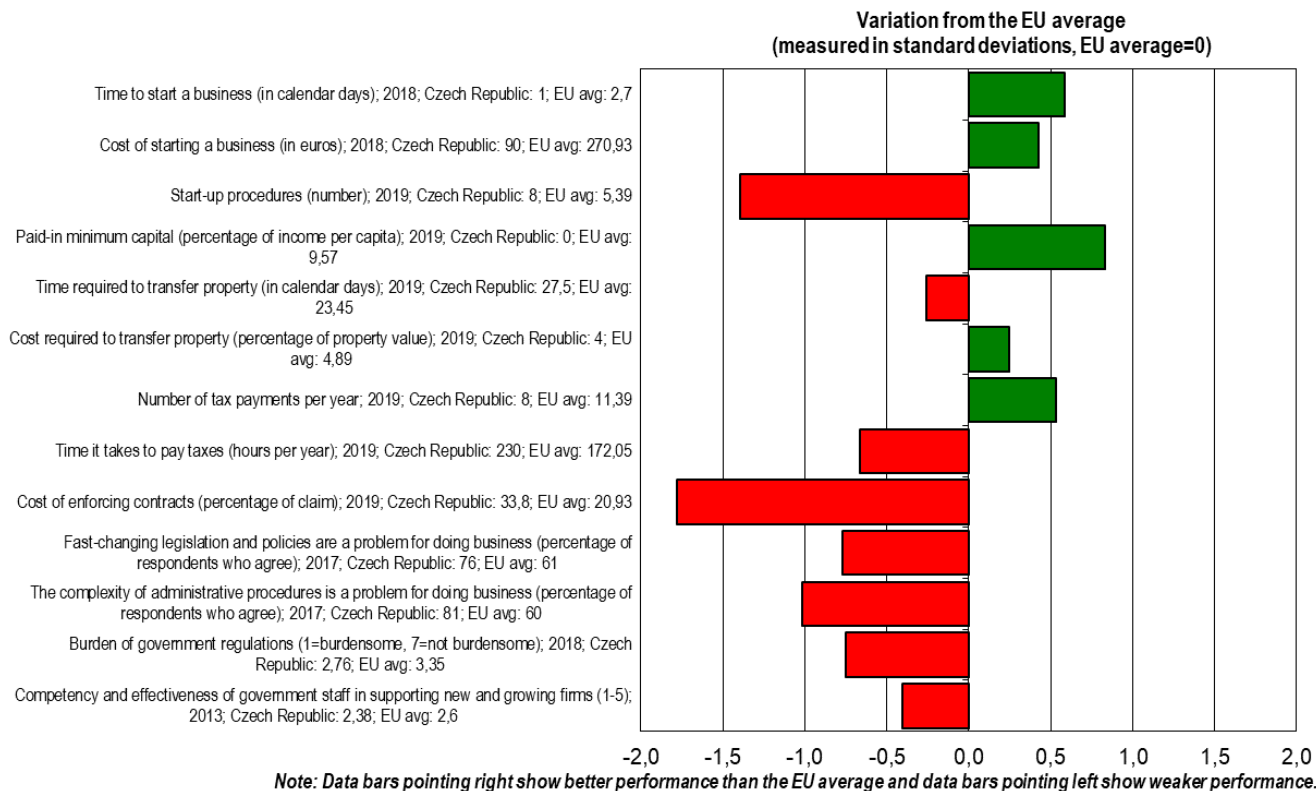


‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Czechia performs in line with the EU average in this area. Overall, indicators remain mostly unchanged since last year. The fear of failure rate is one of the lowest in the EU and the strength of the insolvency framework index also performs better than the EU average. However, the cost of resolving insolvency is among the highest in the EU, increasing by 2.5 percentage points since 2010.

Since 2008, Czechia has achieved limited policy progress in the area of ‘second chance’. For example, early warning mechanisms or fast-track insolvency procedures for SMEs have not been introduced yet.

No new significant measures were implemented or announced under ‘second chance’ during the current reference period.

### 3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Czechia performs worse than the EU average in this area. Most indicators are below or in line with the EU average. Some positive examples are the paid-in minimum capital to start a business, set at zero, and the time needed to start a business — only 1 day. The cost of starting a business has significantly decreased, from €402 in 2015 to €90 in 2018, thanks to the availability of online registration. However, Czechia still has one of the highest numbers of start-up procedures and the cost of enforcing contracts remains the second-highest in the EU. The time it takes SMEs to pay taxes has fallen by over 150 hours since 2012, although it remains higher than the EU average.

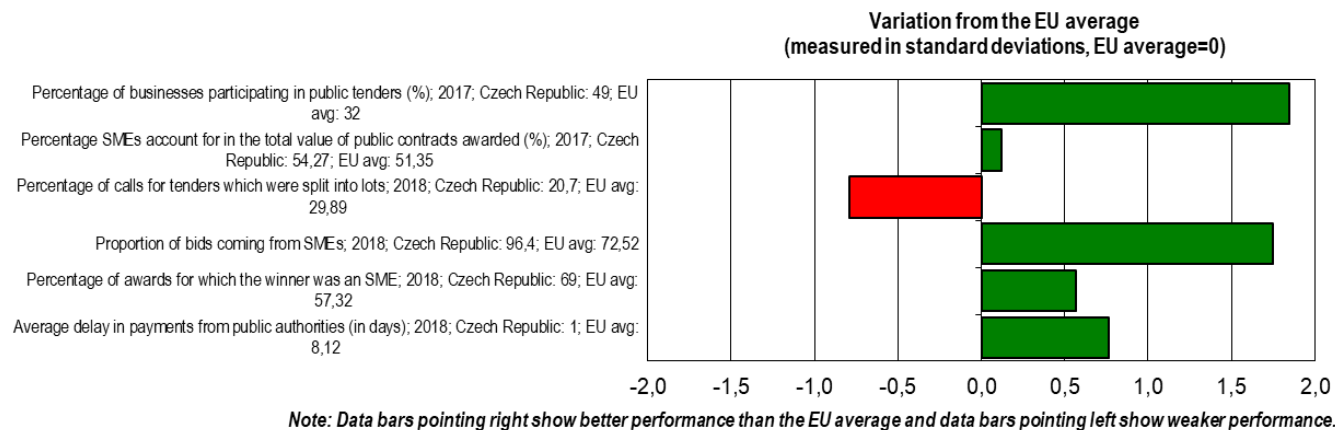
Since 2008, Czechia has achieved moderate policy progress in the area of ‘responsive administration’. In 2014, new legislation<sup>13</sup>

came into force that made starting a business significantly simpler, faster and less demanding in paid-in capital. A single point of contact was also established to help entrepreneurs<sup>14</sup>. However, the burden of regulation and overly complex administrative procedures hinders SMEs from doing business. As for the ‘only once’ principle, ongoing efforts and discussions show the state’s interest in implementing it consistently.

One measure on ‘responsive administration’ was implemented during the current reference period. The Action Plan to Support Small and Medium-sized Enterprises for 2018 (*Akční plán podpory malých a středních podnikatelů na rok 2018*)<sup>15</sup>, developed by the Ministry of Industry and Trade in close dialogue with SME representatives, identified a set of specific support activities to address the needs of SMEs in Czechia.



### 3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year’s fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tender which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year’s

Measured by the SBA indicators alone, Czechia performs well above the EU average on State aid & public procurement. In fact, it is one of the top performers in the EU. The country’s best-performing indicator, the share of businesses participating in public tenders, is the highest in the EU. Czechia also performs particularly well in the proportion of bids coming from SMEs, ranking among the highest in the EU. Furthermore, SMEs’ share of

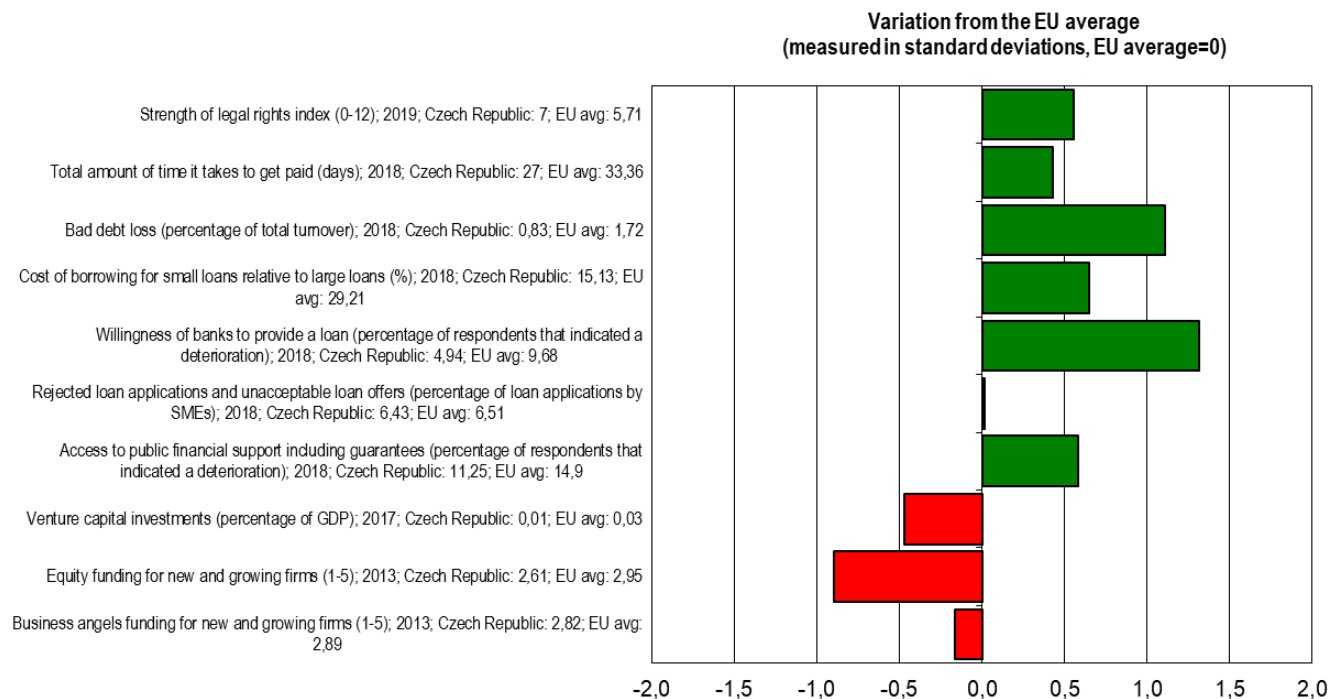
the total value of public contracts awarded improved by 17 percentage points from 2015 to 2017 despite the lower than EU average proportion of tenders split into lots. Additionally, the average delay in payments from public authorities is now only 1 day — 3 fewer than in the last reference period.

Since 2008, Czechia has implemented several measures addressing most of the SBA recommendations in this area. Czechia has a public e-procurement portal<sup>16</sup> as well as legislation protecting companies from late payments<sup>17</sup>. Since 2016, the New Act on Public Procurement No. 134/2016<sup>18</sup> has reduced the administrative burden in public tenders, making them more accessible to SMEs.

However, despite the progress in adopting anti-corruption measures, Czechia continues to face challenges in improving transparency and preventing corruption. This has also been highlighted in the Council of the EU’s Recommendation on Czechia’s 2019 National Reform Programme<sup>19</sup>.

During the current reference period no new significant measures were introduced or announced under State aid & public procurement.

### 3.5 Access to finance



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

Czechia performs above the EU average on access to finance. Most indicators perform in line with or above the average. The willingness of Czech banks to provide loans to SMEs has significantly improved since 2008 and this indicator now scores the highest in the EU. However, the share of rejected loan applications and unacceptable loan offers to SMEs has increased — for the first time since 2011 — by 4 percentage points since the last reference period. Furthermore, access to public financial support is becoming more difficult, with the rate of respondents indicating a deterioration almost doubling from 5.97% in 2015 to 11.25% in 2018.

Since 2008, Czechia has achieved significant policy progress in access to finance. Access to public financial support, including state-subsidised guarantees for loans and credit to finance production or export activities, has improved substantially since the establishment of the Czech-Moravian Guarantee and Development Bank<sup>20</sup>. The ESIF fund-of-funds for Czechia, established in 2017, should start to provide businesses with funds in the first quarter of 2019.

During the current reference period three new significant measures were implemented.

- The ‘Guarantee Fund VADIUM 2018-2023’ (*Záruční fond VADIUM 2018 až 2023*)<sup>21</sup>. Managed by the state-owned Czech-Moravian Guarantee and Development Bank, the fund aims to provide subsidised guarantees to SMEs for public procurement contracts.
- The IX. Call of the ‘Technology – Industry 4.0’ (*Technologie – Průmysl 4.0*)<sup>22</sup> programme was launched. The call aims to support SMEs in the purchase of machinery, equipment, technology, software and hardware, databases and licences by SMEs to modernise production in the age of Industry 4.0.
- The new ‘EXPANSION – Guarantees’ (*EXPANZE – záruky*)<sup>23</sup> programme. This facilitates SMEs’ access to operating and investment loans from commercial banks by providing loan guarantees in the range of CZK 4-25 million.

Additionally, one new measure was announced. The ‘Foreign Development Cooperation Guarantee Programme’ (*Program Záruka zahraniční rozvojové spolupráce*)<sup>24</sup> aims to support private investment by SMEs in developing countries through bank guarantees.

### 3.6 Single market

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

Number of single market directives not yet transposed; 2018; Czech Republic: 7; EU avg: 7,4

Average transposition delay for overdue directives (in months); 2018; Czech Republic: 8,9; EU avg: 8,4

Number of pending infringement proceedings; 2018; Czech Republic: 31; EU avg: 25

Public contracts secured abroad by SMEs (percentage of total value of public contracts); 2017; Czech Republic: 4,31; EU avg: 3,82

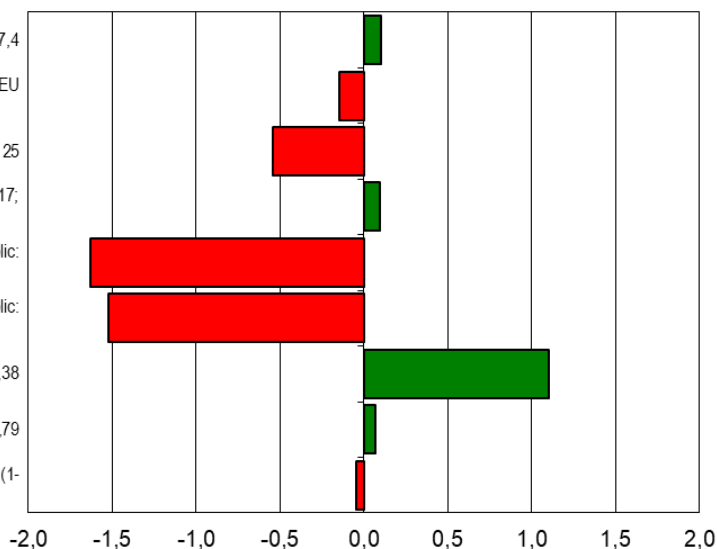
SMEs with intra-EU exports of goods (percentage of SMEs in industry); 2016; Czech Republic: 2,46; EU avg: 16,56

SMEs with intra-EU imports of goods (percentage of SMEs in industry); 2016; Czech Republic: 2,22; EU avg: 26,62

Intra-EU online exporters (% of SMEs); 2017; Czech Republic: 12,07; EU avg: 8,38

Easy market access for new and growing firms (1-5); 2013; Czech Republic: 2,82; EU avg: 2,79

Market access for new and growing firms without being unfairly blocked by established firms (1-5); 2013; Czech Republic: 2,78; EU avg: 2,8



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

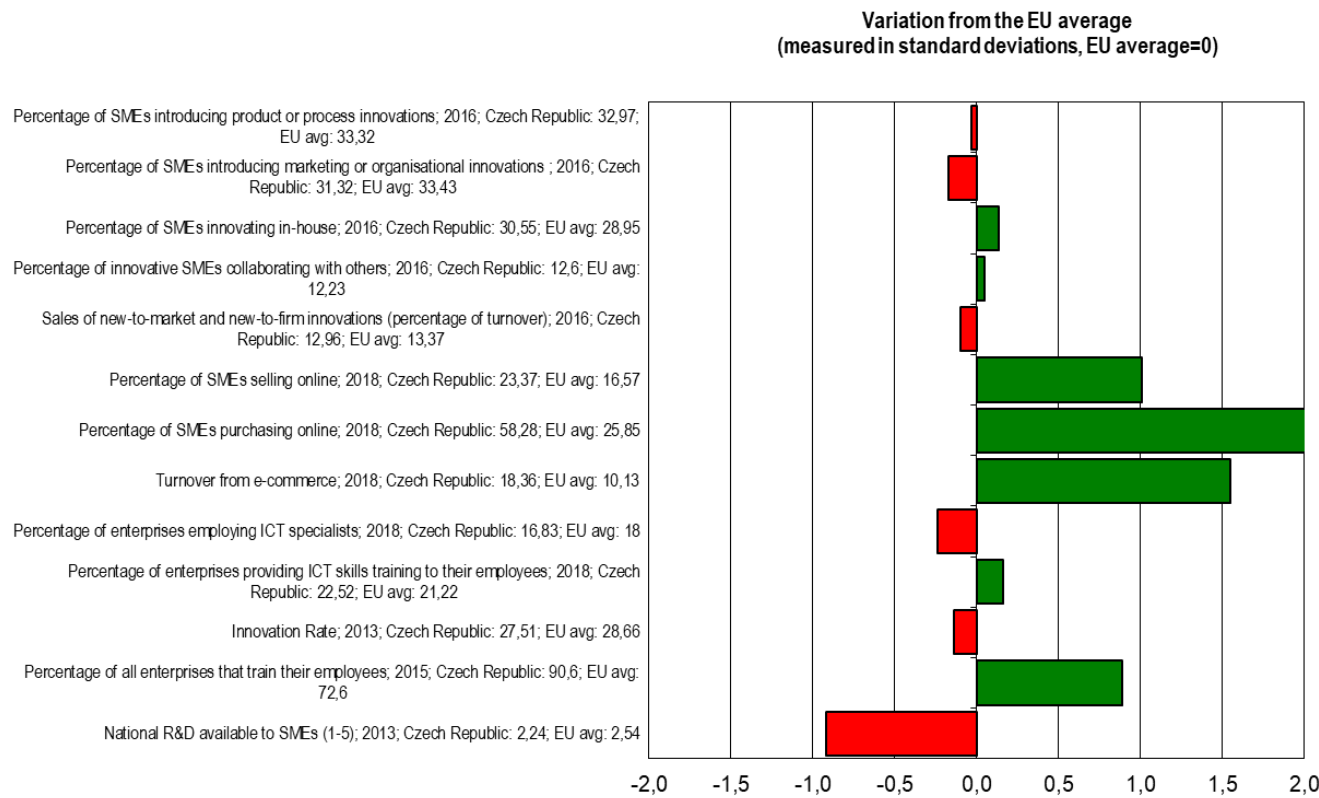
Czechia performs below the EU average on the single market, as most indicators are in line with or below the average. Czechia is the weakest performer in both intra-EU imports and intra-EU exports. The number of public contracts secured abroad by SMEs, while within the EU average, has dropped by almost 5 percentage points since 2015. In addition, with 31 European Commission infringement proceedings against it, Czechia is in a group of 10 Member States with the highest number of single market-related cases. It has not had so many cases since May 2010. By contrast, the number of single market directives not yet transposed has fallen – from 12 in 2017 to 7 in 2018 – and the average transposition delay for overdue directives has also improved by 6

months since the last reference period. Both indicators are now within the EU average.

Since 2008, Czechia has achieved moderate policy progress on the single market. There are 15 fully functional electronic and physical single points of contact<sup>25</sup> across the country and the SOLVIT centre<sup>26</sup> has been operational since 2004. Additionally, abstracts of all valid European technical standards are freely available to SMEs.

During the current reference period no new significant measures concerning the single market were implemented or announced.

### 3.7 Skills & innovation



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

Czechia performs above the EU average in this area, thanks to the use of e-commerce by SMEs. Most indicators perform in line with the EU average, except for national R&D available to SMEs. The share of SMEs purchasing online has improved by 20 percentage points since 2011 and is now among the highest in the EU. The same holds true for turnover from e-commerce, which has improved by 10 percentage points since 2008. The share of Czech businesses that train their employees also ranks among the highest in the EU. However, the share of businesses providing ICT skills training to their employees has only improved by 3 percentage points since 2008. Additionally, the share of SMEs introducing marketing or organisational innovations increased by 6 percentage points from 2014 to 2016.

Since 2008, Czechia has achieved significant policy progress in skills & innovation. Increasing SMEs' R&D capacities has been one of the key policy priority areas. The Operational Programme Enterprises and Innovation (*Operační program Podnikání a inovace; 2007–2013*) and the Operational Programme Entrepreneurship and Innovations for Competitiveness (2014–2020) provide financial support to innovative projects and the creation of business incubators and innovation centres. On the other hand, additional policy efforts would help to better align the education system to labour market needs.

Two new significant measures were implemented during the reference period.

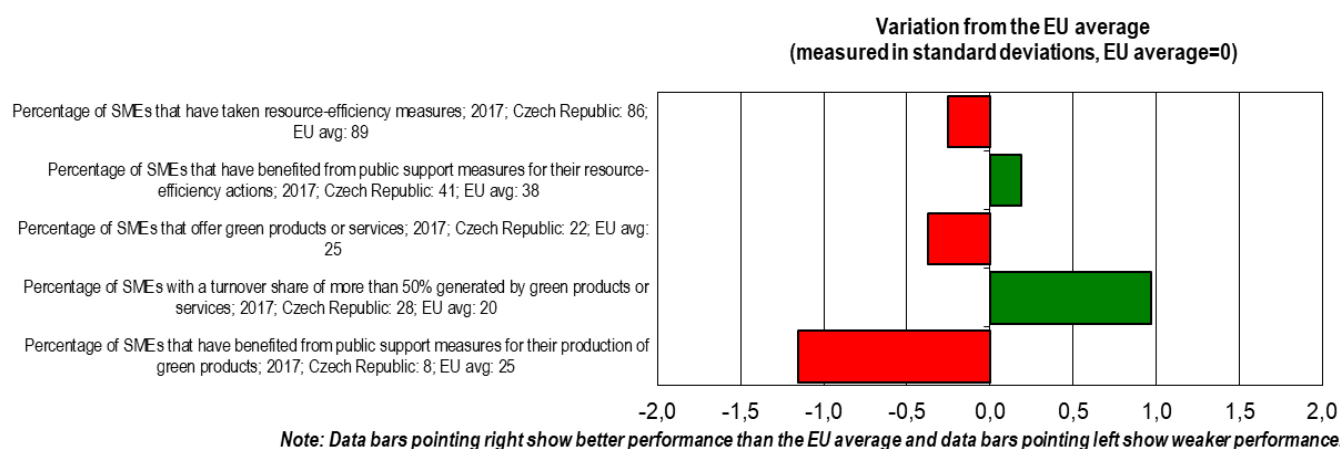
- The new call under the 'Innovation – Project for the protection of industrial property rights' (*Inovace – projekt na ochranu práv průmyslového vlastnictví*)<sup>27</sup> programme. This aims to increase the use of intellectual property rights protection tools and to help protect the intellectual property of Czech SMEs, especially in foreign markets.
- Four calls for participation were published under the 'CzechAccelerator' programme. This enables SMEs/start-ups to take advantage of a three-month acceleration programme in Silicon Valley, New York, Singapore or London, including mentoring and participation in workshops and networking events.

Furthermore, a new measure was announced, the sixth call for 'Infrastructure Services' (*Služby infrastruktury*)<sup>28</sup>. The call aims to finance joint research, development and innovation activities by SMEs through the improvement of research infrastructure services. It will focus in particular on the implementation of new technologies and the development of competitive products and services.

In February 2019 the Czech government introduced the new 2019-2030 Innovation Strategy. This includes a clear roadmap to improve the entire innovation system, from strategic management through education and research to monitoring of the latest trends and development of digital and other modern technologies and skills.

One of the first measures prepared under the Innovation Strategy was ‘The Country for the Future’ programme. This supports the emergence of innovative companies, the development of digital services and the deployment of R&D-based innovations with an emphasis on SMEs. The programme will be implemented in three sub-programmes: 1) Start-ups, 2) Digital leaders and 3) Innovation into practice. A call for sub-programme 3 is planned by the end of 2019.

### 3.8 Environment



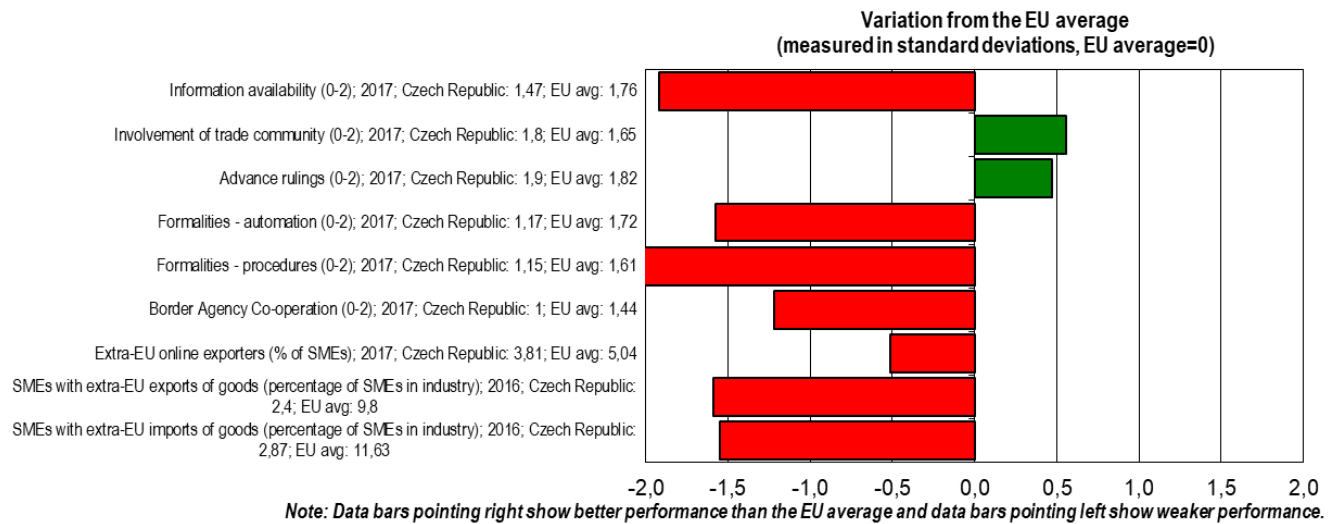
Czechia performs in line with the EU average in environment. The share of SMEs that have benefited from public support measures for their production of green products is Czechia’s worst indicator, having dropped from 64% in 2016 to just 8% in 2017. In contrast, the proportion of SMEs who generate more than half their turnover from green products and services has increased by 6% since 2016 and performs better than the average.

Since 2008, Czechia has implemented most of the SBA recommendations in the environment area. There is support available for entrepreneurs, with projects focusing on air quality improvement, waste management, landscape protection,

renewable energy and low carbon technologies. Incentives for SMEs to get certified to the EU eco-management and audit scheme (EMAS) are also in place. In contrast, the green public procurement instrument, in place since 2017, still remains voluntary.

During the current reference period, Czechia introduced one new measure in this area. The ‘Energy Savings – Energy-efficient buildings’ (*Úspory energie – Energeticky efektivní budovy*)<sup>29</sup> programme launched a call for proposals to reduce the energy intensity of the business sector through the construction of new energy-efficient business buildings.

### 3.9 Internationalisation



Czechia performs well below the EU average for internationalisation — indeed, overall it is the weakest performer in the EU. The formalities on procedures have the worst score in the EU, while the country’s performance in automation of formalities is also among the weakest. The same holds true for information availability and border agency cooperation. The percentages of extra-EU exports and imports of goods by SMEs are also among the lowest in the EU.

Policy progress in internationalisation since 2008 has been moderate. Czechia provides support to SMEs through preferential

loans, and insurance and export guarantees. Furthermore, it encourages SME participation in foreign trade missions and has actively engaged in economic diplomacy. The 2012-2020 Export Strategy of the Czech Republic defines the framework for export policy and activities. Export credit guarantees and instruments to manage risks in foreign markets are also available for SMEs<sup>30</sup>.

During the current reference period, no new significant measures on internationalisation were implemented or announced.

## 4. Interesting initiative

Below is an example of an initiative from Czechia to show what governments can do to support SMEs.

### SME support programme: 'Innovation - Project on the protection of industrial property rights'

The SME support programme 'Innovation - Project on the protection of industrial property rights' was introduced in Czechia at the beginning of 2018 and the call for proposals to participate remained open until the end of that year.

The programme aims to strengthen innovation by Czech companies and increase their competitiveness through more effective protection of intellectual property rights (IPR), especially in foreign markets. It will promote increased use of IPR instruments among SMEs as well as public research institutions and higher education institutions.

The grants range from a minimum of CZK 100 000 to a maximum of CZK 1 million. They cover 50% of eligible expenditures, which include the IPR services of authorised representatives and administration fees.

References:

<https://www.agentura-api.org/programy-podpory/inovace/inovace-vyzva-vi-projekt-ochranu-prav-prumysloveho-vlastnictvi/>

## Important remarks

The European Commission's 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](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>



## Endnotes

<sup>1</sup> 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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 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/>.

<sup>2</sup> [www.europeanstartupmonitor2019.eu](http://www.europeanstartupmonitor2019.eu)

<sup>3</sup> The 2019 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.

<sup>4</sup> Measured in the context of the SBA indicators exclusively.

<sup>5</sup> Act No. 47/2002 Coll. on the promotion of small and medium-sized enterprises, <https://www.zakonyprolidi.cz/cs/2002-47>.

<sup>6</sup> Small and Medium Enterprises Support Strategy 2014 – 2020, <https://www.mpo.cz/assets/dokumenty/47605/54370/599917/priloha001.pdf>.

<sup>7</sup> 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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/>.

<sup>8</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 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.

<sup>9</sup> Information about the implementation of the RIA in Czechia, <https://ria.vlada.cz/ria-in-czechia/>.

<sup>10</sup> Council of Economic and Social Agreement, <https://www.vlada.cz/cz/ppov/tripartita/tripartita-139224/>.

<sup>11</sup> Government Council for Competitiveness and Economic Growth, <https://www.vlada.cz/cz/ppov/archiv/rada-vlady-pro-konkurenceschopnost-a-hospodarsky-rust-126168/>.

<sup>12</sup> Programme 'CzechStarter'; <http://www.podporastartupu.cz/projekty/czechstarter-2-2/>.

<sup>13</sup> The Civil Code 89/2012 Coll., <https://www.zakonyprolidi.cz/cs/2012-89>.

<sup>14</sup> Single-point-of-contact in Czechia, <https://www.businessinfo.cz/cs/clanky/jednotna-kontakti-mista-jkm-cr-3092.html>.

<sup>15</sup> The Action Plan to Support Small and Medium-sized Enterprises for 2018, <https://www.mpo.cz/assets/cz/podnikani/male-a-stredni-podnikani/studie-a-strategicke-dokumenty/2018/4/Akcní-plan-MSP-na-rok-2018.docx>.

<sup>16</sup> The National Electronic Tool (NEN), a complex electronic tool for administration, public procurement and concessions in all categories of public procurement, <https://nen.nipez.cz/>.

<sup>17</sup> New Civil Code, Act No. 89/2012 Coll., § 1963, <https://www.zakonyprolidi.cz/cs/2012-89>.

<sup>18</sup> The New Act on Public Procurement, no. 134/2016 Coll.; <https://www.zakonyprolidi.cz/cs/2016-134>.

<sup>19</sup> Source: Council Recommendation on the 2019 National Reform Programme of the Czech Republic and delivering a Council opinion on the 2019 Convergence Programme of the Czech Republic, COM(2019) 503 final.

<sup>20</sup> The Czech-Moravian Guarantee and Development Bank (CMZRB), Products & Services for SMEs, <https://www.cmzrb.cz/podnikatele/rc>.

- <sup>21</sup> The Czech-Moravian Guarantee and Development Bank (CMZRB), 'The Guarantee Fund VADIUM 2018-2023', <https://www.cmzrb.cz/podnikatele/zaruky/zaruka-za-nabidku-v-programu-vadium-2018-az-2023/rc>.
- <sup>22</sup> Agency for Entrepreneurship and Innovation, SMEs' support programme 'Technology - Industry 4.0', [https://www.agentura-api.org/wp-content/uploads/2019/02/1TECH-IX\\_Text-v%C3%BDzvy.pdf](https://www.agentura-api.org/wp-content/uploads/2019/02/1TECH-IX_Text-v%C3%BDzvy.pdf).
- <sup>23</sup> The Czech-Moravian Guarantee and Development Bank (CMZRB), the 'EXPANSION – Guarantees' programme, <https://www.cmzrb.cz/podnikatele/zaruky/expanze-zaruky/rc>.
- <sup>24</sup> The Czech-Moravian Guarantee and Development Bank (CMZRB), Foreign Development Cooperation Guarantee Programme', <https://www.cmzrb.cz/podnikatele/zaruky/zaruka-zrs/rc>.
- <sup>25</sup> Businessinfo.cz, Official Czech business web portal, List of Czech single points of contact, <https://www.businessinfo.cz/cs/clanky/adresy-jednotnych-kontaktnich-mist-jkm-4851.html#b14>.
- <sup>26</sup> SOLVIT – Ministry of Industry and Trade of the Czech Republic, <https://www.mpo.cz/dokument43828.html>.
- <sup>27</sup> SMEs' support programme 'Innovation - Project for the protection of industrial property rights' - VI. Call for Proposals; <https://www.agentura-api.org/programy-podpory/inovace/inovace-vyzva-vi-projekt-ochranu-prav-prumysloveho-vlastnictvi/>.
- <sup>28</sup> SMEs' support programme 'Infrastructure Services' - VI. Call for Proposals; <https://www.agentura-api.org/programy-podpory/sluzby-infrastruktury/sluzby-infrastruktury-vyzva-vi/>.
- <sup>29</sup> SMEs' support programme 'Energy Savings - Energy-efficient buildings' - II. Call for Proposals; <https://www.agentura-api.org/programy-podpory/uspory-energie/uspory-energie-energeticky-efektivni-budovy-vyzva-ii/>.
- <sup>30</sup> Export Guarantee and Insurance Corporation (EGAP), SMEs support, <https://www.egap.cz/cs/podpora-msp>.