

### Slovakia's Fact Sheet in a nutshell:

- ✓ Slovakia's SME sector is expected to recover to pre-crisis levels in 2011, with lasting adverse effects on employment.
- ✓ The SME sector in Slovakia has lost 78000 jobs in 2008–2010, representing almost 12 % of the total workforce.
- ✓ Slovakia scores above or on par with the EU average for three SBA principles, while the rest are below.
- ✓ In 2010/2011, Slovakia addressed seven out of the ten SBA areas through targeted policy measures, focusing on think small first and responsive administration.

### The SBA Fact Sheets<sup>1</sup>:

The Small Business Act (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs).

The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs.

## 1. SMEs in Slovakia — basic figures

	Number of Enterprises			Employment			Value added		
	Slovakia		EU27	Slovakia		EU27	Slovakia		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	47.076	71,0%	92,1%	136.290	13,9%	29,8%	4	16,1%	21,6%
Small	16.858	25,4%	6,6%	221.847	22,6%	20,4%	5	18,8%	18,9%
Medium-sized	1.915	2,9%	1,1%	202.271	20,6%	16,8%	4	17,1%	17,9%
<b>SMEs</b>	<b>65.849</b>	<b>99,2%</b>	<b>99,8%</b>	<b>560.408</b>	<b>57,2%</b>	<b>66,9%</b>	<b>13</b>	<b>52,0%</b>	<b>58,4%</b>
Large	500	0,8%	0,2%	419.880	42,8%	33,1%	12	48,0%	41,6%
Total	<b>66.349</b>	<b>100,0%</b>	<b>100,0%</b>	<b>980.288</b>	<b>100,0%</b>	<b>100,0%</b>	<b>25</b>	<b>100,0%</b>	<b>100,0%</b>

Estimates for 2010, based on 2002-2007 figures from the Structural Business Statistics Database\_revised (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Slovakia's economy is characterised by a significantly higher concentration of small and medium-sized businesses that the European Union as a whole, where very small firms (micros) are comparatively more prevalent.

The sectoral distribution of SMEs in Slovakia closely resembles the European average, with a slightly higher share of SMEs in trade and comparatively fewer in construction.

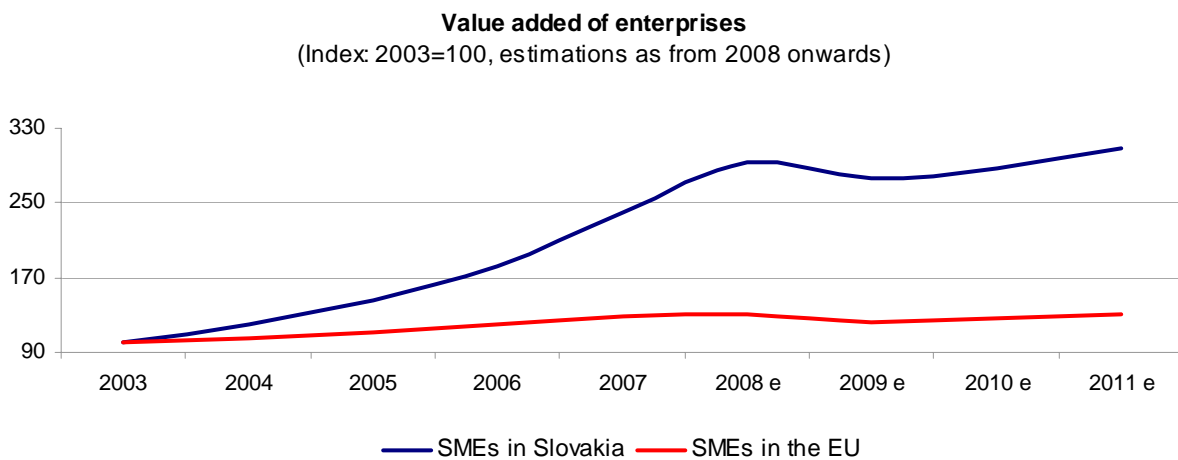
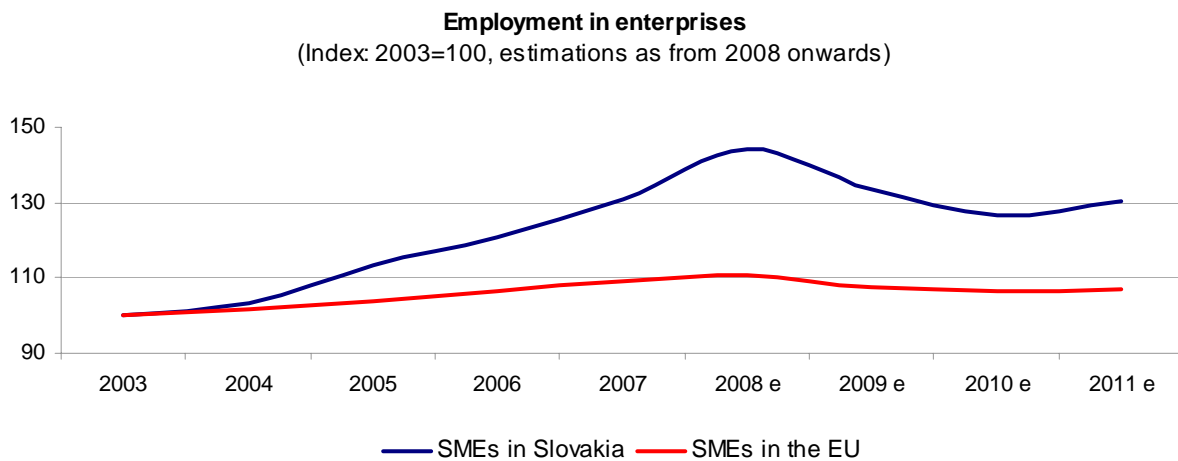
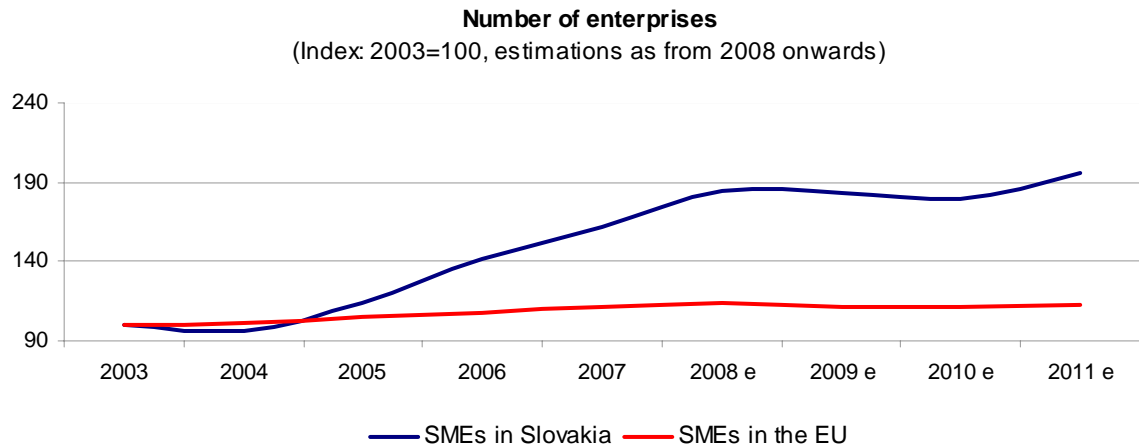
The crisis has taken its toll on Slovakian enterprises, temporarily halting the positive long-term developments in the number of enterprises, their contribution to employment and value added. Given the high internationalisation rate of Slovakia's enterprises, the drop in external demand hit harder than in other EU countries.

It is estimated that in 2008–2010, the SME sector lost 78000 jobs, representing about 12% of its workforce. The most affected were the SMEs in manufacturing, construction, tourism and other services. By comparison, large enterprises lost about 11% of their employees.

Regarding the future outlook for 2011, estimates indicate a recovery at an above-average pace.

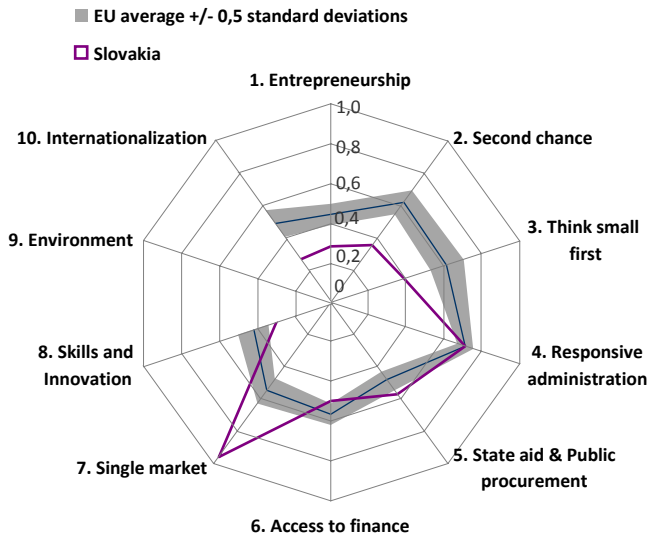
The number of enterprises and their contribution to GDP are expected to exceed pre-crisis levels by the end of 2011. This is not the case for employment in enterprises, where improvements will be much slower, both for Slovakia and the EU as a whole.

## SME trends over time in Slovakia<sup>2</sup>



## 2. Slovakia's SBA profile

Slovakia's performance against the EU average by SBA area<sup>3</sup>



Overall, the statistics on SMEs give a mixed SBA profile for Slovakia.

The country performs better than the EU average in two out of the nine SBA principles for which data are available (there are no data on the area average for principle 9

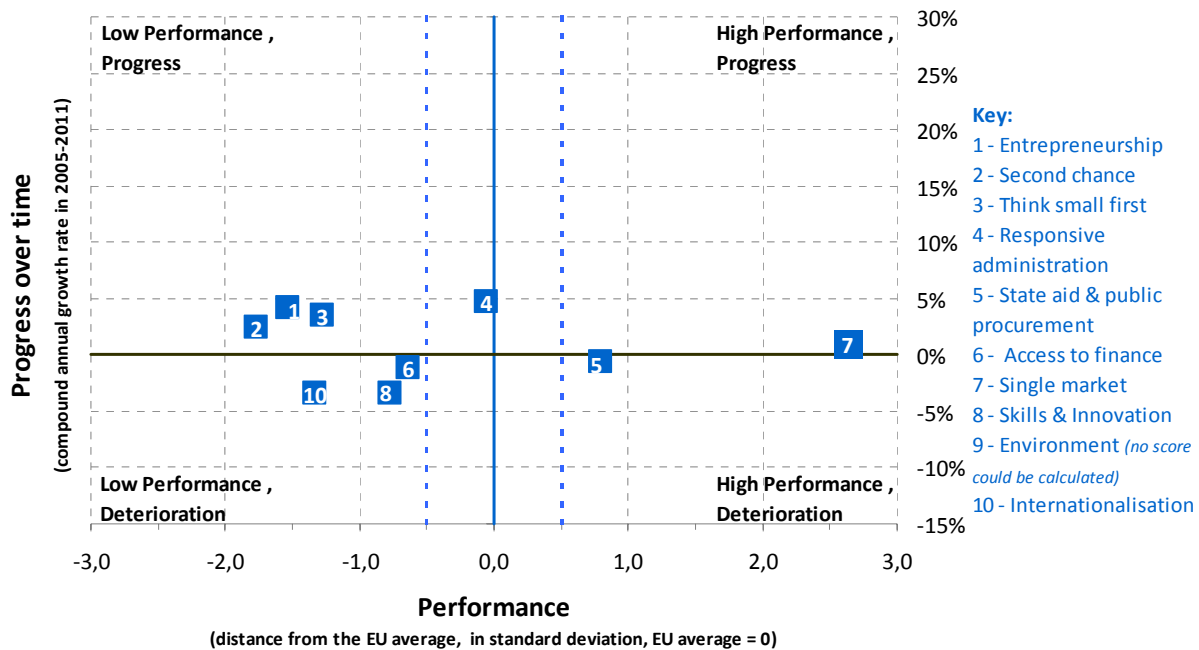
'Environment' for any country), namely Single market and State aid and Public procurement. Responsive administration is the single area in which Slovakia has an average score and, in the remaining six principles, Slovakia performs below its EU peers.

To get a fuller picture Slovakia's policy record was assessed. It revealed that the Government has addressed seven of the ten principles of the Small Business Act through targeted policy measures. A lack of policy initiatives in an area should not automatically be interpreted negatively, as it may also mean that crucial policy measures are already in place.

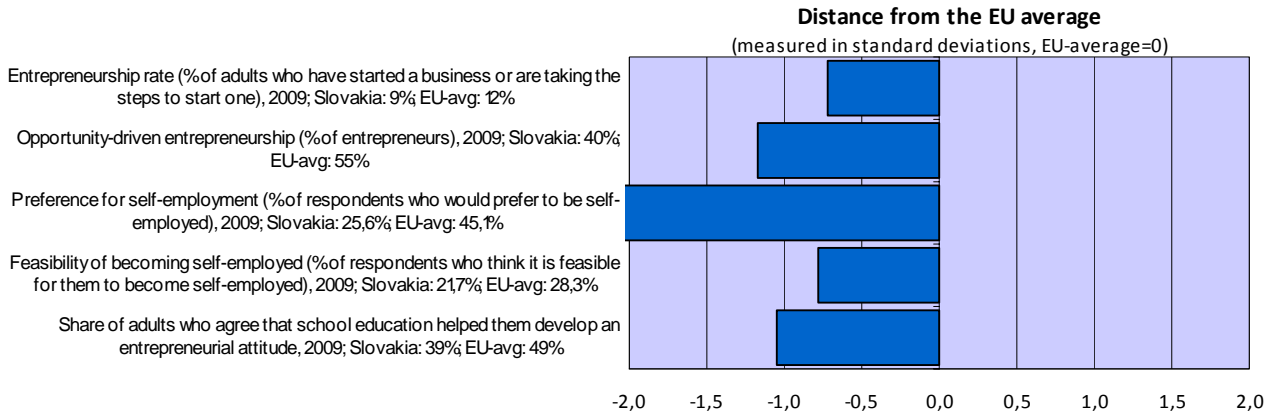
In 2010 and the beginning of 2011, the main focus was on implementing the Think small first principle and Responsive administration.

When comparing Slovakia's performance with the EU average and with the country's own past results, a rather mixed picture emerges. A few policy areas hover around the horizontal axis showing zero or limited progress; some are above and some are below. The greatest improvements seem to have taken place in Responsive administration, Entrepreneurship, Second chance and Think Small First<sup>4</sup>.

### Slovakia's SBA performance: Status quo and development over time, 2005-2011<sup>5</sup>



## I. Entrepreneurship



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

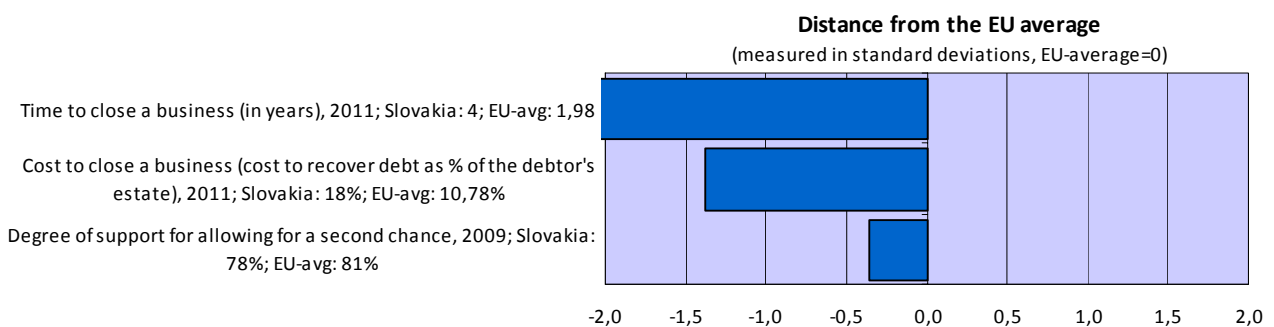
All of the five indicators measuring various aspects of Slovakia's entrepreneurial environment score below the EU average.

There is room for improvement across many components of this area, but especially in the population's attitude to entrepreneurship, which in Slovakia is less positive than in the EU on average. Only 25% of Slovaks, compared to 45% on average in the EU, state that they would prefer to be self-employed given the choice. Even fewer of them (21.7%) also think it is feasible for them to become self-employed, suggesting that there may be some other practical obstacles to entrepreneurship, besides the general attitude of the population. These may be partly connected with the fact that a lower proportion of Slovakia's adult population (39%) as compared to the EU's (49%) think that school education has instilled in them, as students, the sense of initiative and action which is a characteristic of entrepreneurs and business owners.

So it is not surprising that the indicators measuring actual entrepreneurial activity in Slovakia are below the EU average. Most worrying is the fact that opportunity-driven entrepreneurship — meaning people who are pulled into entrepreneurship because they recognise an opportunity — is below par.

**On the policy front,** Slovakia has done some work to simplify the tax system for entrepreneurs, to promote entrepreneurship. As of 1 January 2010, the Act of Amendment transposes three European Directives (2008/8/EC, 2008/9/EC, 2008/117/EC) into Slovakian law, simplifying tax rules for cross-border supply of services and reimbursement of taxes to foreign taxpayers and providing effective measures to combat tax evasion. On 21 December 2010, the Act on Income Tax was amended to eliminate some of the exemptions and thus improve the business environment.

## II. Second chance



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

The indicators measuring 'second chance' suggest that Slovakia offers relatively unfavourable conditions for

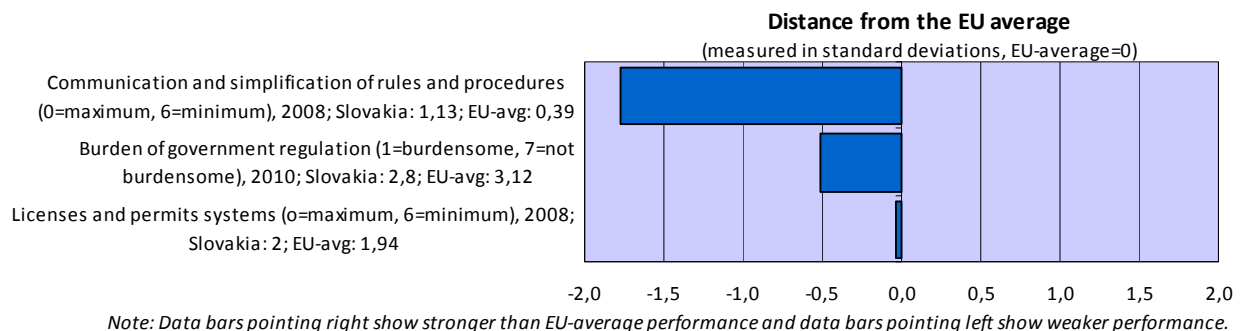
honest entrepreneurs who have failed and want to start over again. Both the time needed to close a business (4

years) and the corresponding cost (18% of the debtor's estate) are significantly higher than the EU-27 average. In addition, Slovaks are also slightly less inclined than

average Europeans to allow a fresh start for entrepreneurs who have faced bankruptcy before.

**On the policy front**, no significant measures were reported in this area in 2010 or the first quarter of 2011.

### III. Think Small First



The data on 'Think small first' show that Slovakia is trailing its European peers in this area.

The indicator on 'Communication and simplification of rules and procedures' reflects action to reduce and simplify the administrative burden of interacting with government. Calculated using the country's self-reported answers from 2008, it gives below-average results. This is confirmed by the entrepreneurs' perceptions that there still is some burden on businesses to comply with governmental administrative requirements for permits and reporting. However, the situation is on par when it comes to the system for issuing licenses and permits.

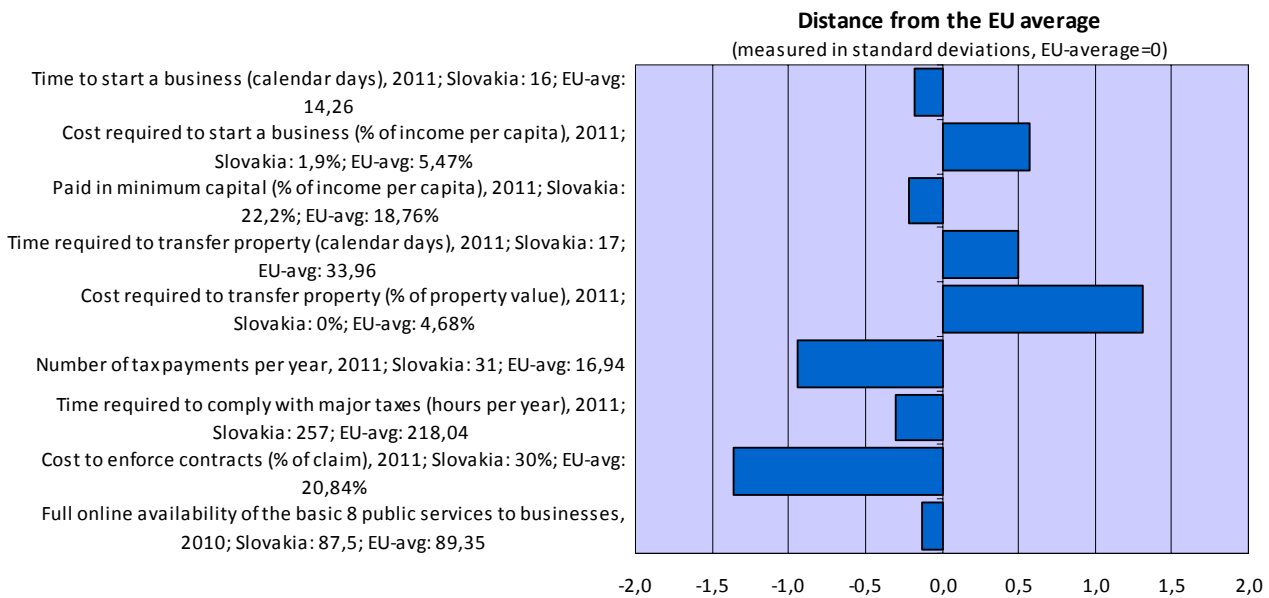
Looking at **recent policy developments**, some progress was made towards implementing the think small first principle. For example, a single methodology was implemented in July 2010 for evaluating the impact of forthcoming legislation on the state administration budget, on the business environment, social impact, environmental impact and information society/e-government. The impact on the business environment has become a compulsory part of the legislation preparation process and may be positive, negative or neutral. One of the evaluation centres was located in the Ministry of Economy. The objective is to analyse the impact of the projected legislation/regulations

on the business environment, from the point of view of the supposed character of the regulations, related costs and benefits, administration costs, impact on the functioning of business entities and their numbers, and socio-economic impact.

On 1 June 2010, the guidelines for preparing documents for the meetings of the Slovak Government, adopted by Government Decree No 512/2001, became effective. The objective was to incorporate the opinions and comments of all stakeholders, including the public and private entities. This means that comments by state institutions and other stakeholders, including the public, on documents to be submitted to the Slovak Government (suggestions, reports, strategies, information, legislation etc.) will be taken into consideration before the material goes to the Government.

Finally, some steps were made towards reforming the Tax and Customs Administration (UNITAS Project), aiming to reach this goal by 2013.

#### IV. Responsive Administration



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

Slovakia has an average score for this principle, but there are some marked disparities between the individual indicators.

On the one hand, the start-up conditions<sup>6</sup>, reflected by the time and paid-in minimum capital required to open a business, score close to the average, while the cost is clearly lower, at only 2% of income per capita in Slovakia compared to 5.4% in the EU as a whole.

The formal property registration system and procedures are clearly more efficient and less costly in Slovakia than in most of the other EU peer countries.

On the other hand, there is still room for improvement regarding operations important for day-to-day business, such as the number and duration of tax payments, and the cost of enforcing contracts.

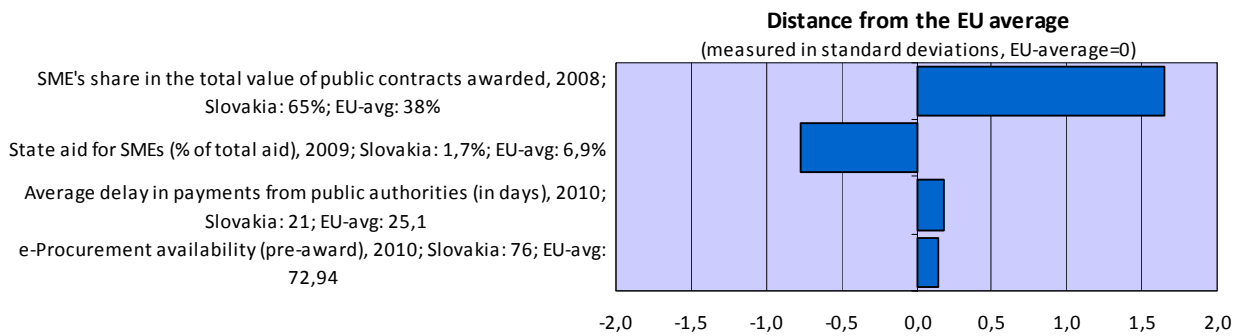
Lastly, the indicator measuring the online availability of 8 basic public services to businesses (social contributions, corporate tax, VAT, registration of a new company, submission of data to the statistical office, customs declaration, environment-related permits and public procurement) has not yet reached 100%, although it is close to the EU average of almost 90%.

In the past year, Slovakia took a few policy measures to further improve the environment for SMEs and reduce the administrative burden in interacting with the administration.

The Act on Trade Licensing was amended and came into force on 1 June 2010, simplifying the starting of a business, setting the standard period for issuing a trade license at a maximum of 5 working days, and further reducing the fees for registering a business.

In 2010, several measures were taken by Statistical Office of the Slovak Republic, including gradual development of the use of administrative data as a substitute for statistical surveys; omitting physical entities (mainly those having no employees) from annual and monthly statistics collections and deriving their data from administrative sources and statistical models; introducing electronic data collection; modernising information systems; optimising the Statistical Office structures. The objective was to eliminate statistical burdens on SMEs.

## V. State aid and Public procurement



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

Slovakia scores above the EU average on state aid and public procurement.

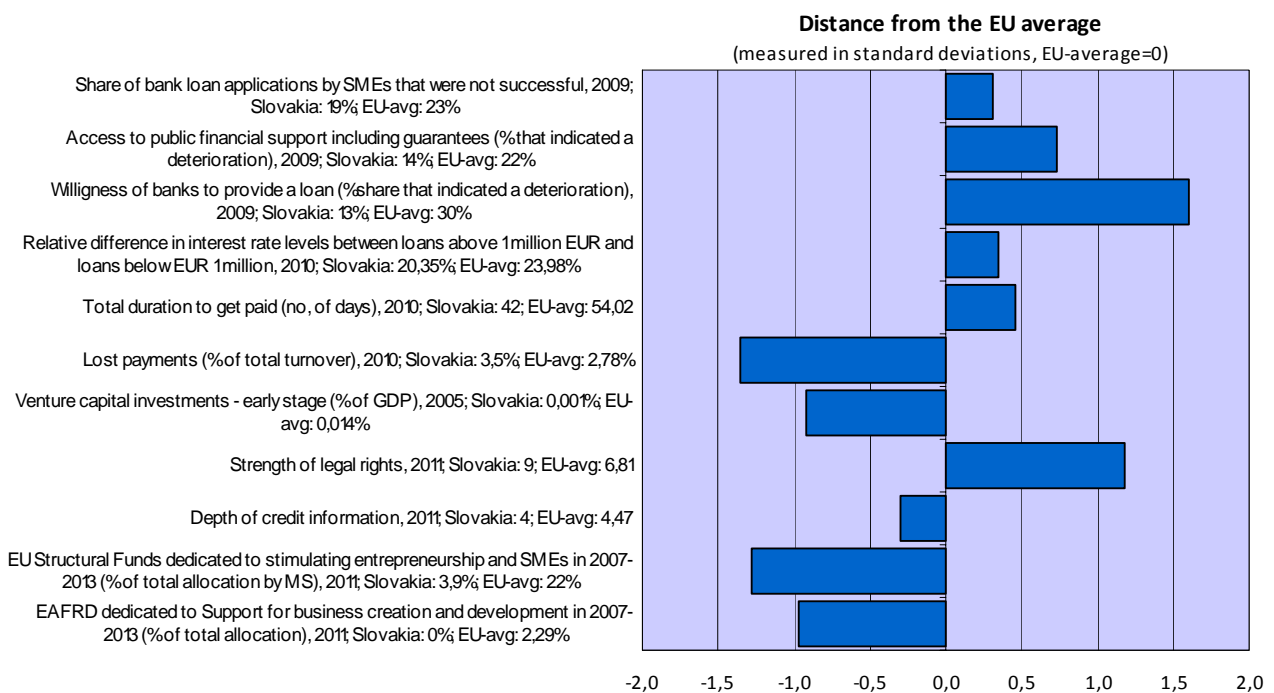
Small and medium-sized enterprises in Slovakia account for a comparatively higher proportion of the value of public procurement contracts (65% vs. 38% in the EU).

At the same time, small businesses in Slovakia — like most small businesses across the European Union — only make marginal use of state aid schemes, with only about 1.7% of total aid going to SMEs in 2009. Nevertheless,

the average payment delay by public authorities of 21 days is slightly shorter than the EU average of 25 days.

**On the policy front**, the new Act on Tourism support was implemented on 1 January 2011 and was aimed at supporting activities to increase domestic and foreign tourists and integrate tourist information systems. This should result in tourists spending more days in the Slovak Republic and, in turn, increasing their contribution to SMEs and the Slovakian economy.

## VI. Access to finance



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

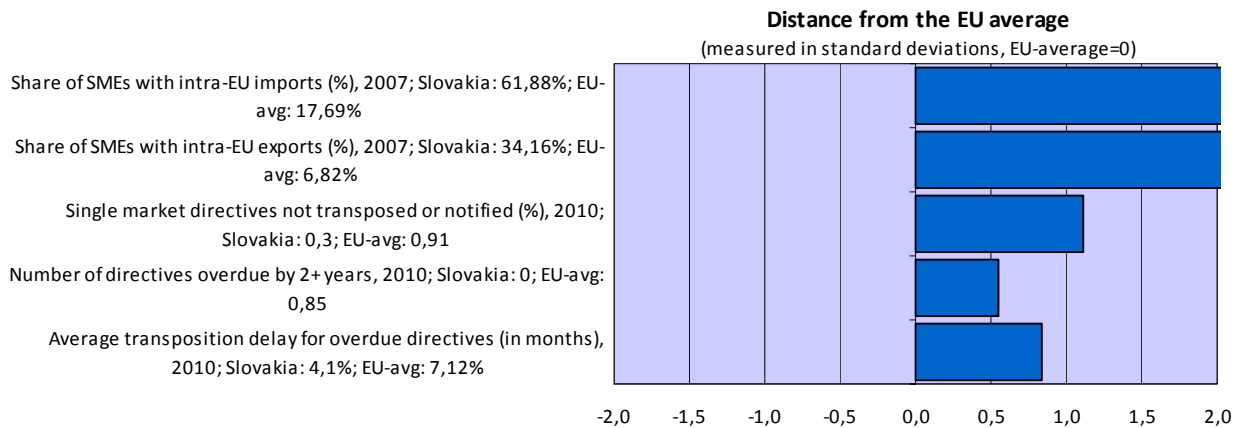
Slovakia is below par in this area, and the trend has been negative in recent years, with a relative deterioration of the situation.

However, as regards credit lending from private sources, the deterioration was somewhat smaller in Slovakia than the EU average. Indicators measuring access to loans from banks indicate a situation which is better than in the EU: 13% of the SME owners had noticed a declining willingness of banks to provide loans, and about 19% of the entrepreneurs who applied for credit were refused. The interest rate differential between loans under €1 m and loans above €1 m is 20%, meaning that on average the cost of credit is about 20% more expensive for small businesses than for large ones.

The venture capital market is not yet highly developed in Slovakia. This limits the availability of risk capital for highly innovative companies in the early stages of development.

The effects of the liquidity problems caused by payment delays are mixed: on the one hand, Slovakian businesses have their invoices paid faster than in the other EU

## VII. Single market



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

The single market is the SBA principle where Slovakia exhibits the best performance relative to the EU average. In terms of internal market legislation and the transposition of EU legislation into national law, Slovakia seems to be performing slightly faster than its EU peers.

Being part of a small, open economy, SMEs in Slovakia are very inclined to make use of the internal market — through importing from and exporting to — the other EU countries. About 61% of Slovakian SMEs report having imported from other EU states in 2007, while more than 34% have exported.

countries; on the other hand, the amounts not paid by debtors have a higher impact on their turnover, of which 3.5% needs to be written off.

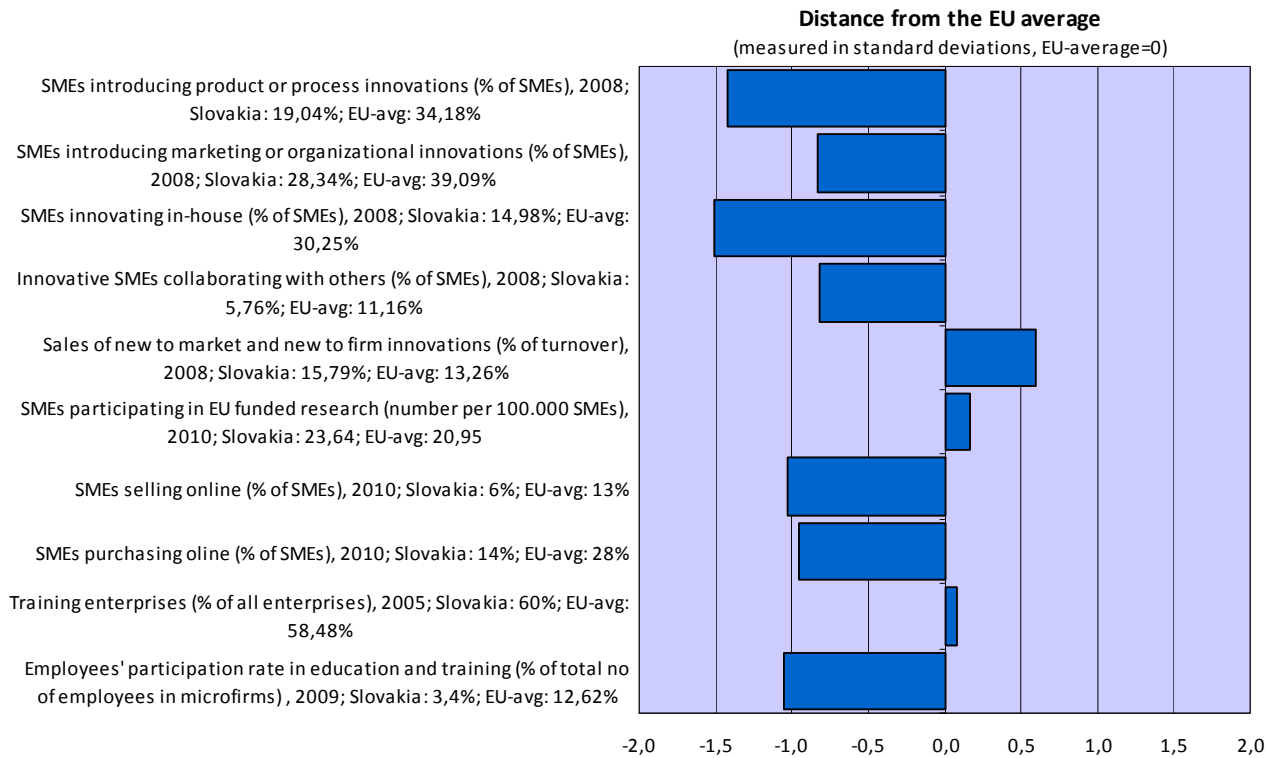
Regarding SMEs' access to structural funds, it is significant that public authorities have earmarked a clearly lower-than-average share of the EU structural funds for SME-related financing programs.

On the policy front, Slovakia has reintroduced a Micro Finance Programme providing loans of €2500–€50 000 to SMEs employing fewer than 50 people, to finance the entrepreneurs' development and start-up activities in all Slovakian regions and boost their survival rate. The programme sounds good but in fact shifts towards centralisation and was not perceived as positive change by the regions.

**On the policy front**, no significant measures were reported in this area in 2010 or the first quarter of 2011.



## VIII. Skills and innovation



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

Slovakia is below average in this area, which covers both skills/training and innovation aspects.

All but one of the core innovation indicators are below par. Accordingly, SMEs in Slovakia are less likely to introduce innovations, collaborate with each other or innovate in-house. However, the firms that do innovate are more successful than their EU peers in converting these new products or processes into sales revenues. Apart from the innovation indicators, the Slovakian SMEs perform below average on other aspects, such as their IT readiness, defined by their ability to sell products and make purchases online.

The two indicators measuring training and skills development show somewhat diverging results: while the proportion of enterprises providing vocational training to their employees is close to the EU average (60%), Slovakian micro firms are significantly less likely than their counterparts in the other EU countries to ensure that their employees participate in lifelong learning activities.

**On the policy front**, no significant measures were reported in this area in 2010 or the first quarter of 2011.

## IX. Environment



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

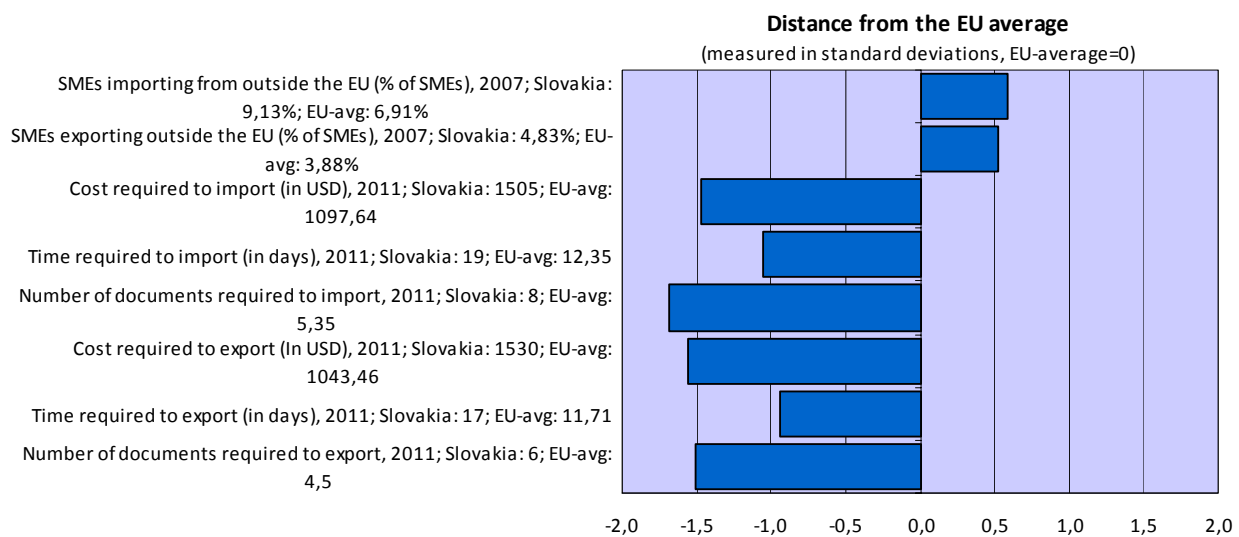
Only one indicator tracking performance on environmental aspects is available, namely the share of small and medium-sized enterprises that produce innovations with environmental benefits for the enterprise and/or end-user. It is therefore insufficient to draw any general conclusions.

On the policy front, Slovakia has taken some measures to create the foundations for future green growth. In 2010, the Act extending the number of renewable sources of aerothermal and hydrothermal energy was passed, with effect from 1 January 2011. The objective is to enhance the use of renewable energies and expand opportunities for entrepreneurs to ask for state incentives. Opportunities have also been created in the area of renewable resources for fuels and other energy products for transportation.

In December 2010, the Eco-Design Act came into effect, imposing environmental requirements on energy-using products to enable free movement of goods in the EU. The objective was also to prohibit unlicensed use of energy labels. Energy labels used in the marketing of products should also indicate their energy efficiency class.

The New Packaging Act was passed in 2010, with effect from 1 May 2010. The law requires that product packages and their labels provide consumers with accurate information on the manufacturing and contents of the product. The objective was to minimise the environmental impact of companies by indicating the rights and obligations of businesses regarding the collection and processing of discarded packaging.

## X. Internationalisation



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

Based on the available indicators measuring internationalisation, Slovakia is falling behind the EU average.

However this stems largely from the less favourable general framework conditions for trading, where Slovakia appears clearly more bureaucratic than the other EU countries. For example, the number of documents, time and cost necessary for importing and exporting are all higher than the EU average.

However, the performance indicators measuring the share of Slovakian SMEs actually exporting to or importing from third markets remain better than the EU average values.

In 2010, the Ministry of Foreign Affairs of the Slovak Republic took over responsibility for managing the Trade-Economic Department, creating opportunities for closer

cooperation and direct communication by the Ministry of Foreign Affairs in support of business plans abroad and internationalisation of entrepreneurial activities.

The Ministry of Foreign Affairs established a Business Information Centre on 1 January 2011, which should more effectively promote exports of Slovakian products and services, capital exports, cooperative links and joint ventures abroad. The Business Information Centre is designed for operational communication and information exchange between businessmen and Slovakian embassies abroad and to provide updated and relevant information to promote business ideas abroad.

## Good practice

**To show what the government actually does to promote SMEs, we include an example of a good practice.**

The Single Methodology for evaluating the impact of forthcoming legislation on the state administration budget, on the business environment, social impact, environmental impacts and information society/e-government. This methodology means that the impact on the business environment becomes a compulsory part of the legislation preparation process. The impact may be evaluated as positive, negative or neutral. One of the evaluation centres for this purpose was located in the Ministry of Economy. The objective is to analyse the impact of projected legislation/regulations on the business environment, from the point of view of the supposed character of the regulations, related costs and benefits, administration costs, impact on the functioning of business entities and their numbers, and socio-economic impact. At the moment, the weak point of the methodology is that stakeholders do not really calculate the financial impact of a regulation on companies in precise figures. It is more about stating whether it will or will not have an impact. In coming years, when all the stakeholders are used to the methodology, it will produce proper results. The impact evaluation form based on this methodology is part of the process for preparing documents for the meetings of the Slovak Government. Incorporating the results of this evaluation is compulsory under the guidelines adopted by Government Decree No 512/2001, effective as of 1 June 2010. Comments from state institutions and other stakeholders, including the public, on documents to be submitted to the Slovak Government (suggestions, reports, strategies, information, legislation, etc.) must be taken into consideration before the material goes to the Slovak Government. This ensures that the opinions and comments of all stakeholders, including public and private entities, are taken into account.

## About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The Fact Sheets — produced annually — help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They document the status quo and progress. They are not an assessment of Member State policies but should be regarded as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please see the end notes overleaf.

## For more information

SME Performance Review:

[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)

Small Business Act:

[http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)

The European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

[Entr-SPR@ec.europa.eu](mailto:Entr-SPR@ec.europa.eu)

<sup>1</sup> The SBA Fact Sheets 2010-2011 benefited substantially from input by 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>2</sup> The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2003, with the base year 2003 set at a value of '100'. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>3</sup> The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the EU average. The individual values represent averages across all available indicators for this area. The scale is from '0' (minimum or 'worst in the EU-27 class') to '1' (maximum or 'best in class'). The EU average is located between those extremes and plotted as a grey band in the chart. Due to a lack of data, there is no area average for principle 9 ('Environment') for any country.

<sup>4</sup> The policy measures presented in this SBA Fact Sheet may only be a selection of the measures taken by the Government in 2010 and the first three months of 2011. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

<sup>5</sup> The quadrant chart combines two sets of information: firstly it shows the status quo 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 EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals the progress over time, i.e. average annual growth rates for the period 2005-2011. The growth rates are those of the individual indicators which make up the different SBA area averages. Hence, the location of a particular SBA area average in any of the 4 quadrants provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made in the period 2005-2011.

<sup>6</sup> The start-up indicators are based on World Bank data. For methodological details, please consult the Doing Business 2011 report at <http://www.doingbusiness.org/>. It should be noted that these findings differ from corresponding figures obtained directly from Member States, through a self reporting exercise according to which, in 2010, it took 12 days and a cost of 335 Euros to start a business in Denmark. For more details please see: [http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm).