



EN

Enterprise and Industry

SBA Fact Sheet 2013

SLOVAKIA



In a nutshell

Slovakia's SME sector is characterised by a significantly higher concentration of small and medium-sized businesses, in respect of the EU average, in the manufacturing sector integrated into Europe-wide supply chains. The rest of the SME sector however is much less competitive and in much more need of support measures to modernise. In spite of selective intervention, most notably in Environment and Entrepreneurship, 2012 marked a pause in the SBA implementation catch-up trajectory of Slovakia. Pending a new SBA implementation strategy, currently in preparation, the implementation of measures supporting the SMEs was delayed. SMEs would benefit from improvements in adopting the principle of Think small first in its decision-making and by the streamlining of insolvency procedures and contract enforcement, as well as from full implementation of the programme of 41 measures announced by the government.

About the SBA Fact Sheets¹

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 organized around ten principles ranging from Entrepreneurship, to Responsive administration to Internationalisation.

As a move to improve the governance of the Small Business Act, the 2011 review of the Small Business Act asked for an improved monitoring. The SBA Fact-Sheets are produced annually and aim to improve understanding of recent trends and national policies affecting SMEs.

Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

1. SMEs in Slovakia – basic figures

	Number of enterprises			Number of employees			Value added		
	Slovakia		EU27	Slovakia		EU27	Slovakia		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	334.035	95,1%	92,2%	454.433	32,9%	29,7%	6	20,9%	21,5%
Small	14.221	4,0%	6,5%	246.703	17,9%	20,6%	5	15,8%	18,6%
Medium-sized	2.557	0,7%	1,1%	264.996	19,2%	17,2%	6	18,1%	18,3%
SMEs	350.813	99,8%	99,8%	966.131	70,0%	67,5%	17	54,8%	58,4%
Large	571	0,2%	0,2%	413.926	30,0%	32,5%	14	45,2%	41,6%
Total	351.385	100,0%	100,0%	1.380.057	100,0%	100,0%	31	100,0%	100,0%

Estimates for 2012, based on 2008-2010 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by London Economics. The data cover the 'business economy' which includes industry, constructions, trade, and services (NACE Rev. 2 sections B to J, L, M and N). The data do not cover the enterprises in agriculture, forestry, fishing and the largely nonmarket 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.

In Slovakia, the SME sector is above the EU average in terms of employment but below the EU average in terms of value added, mainly driven by the new importance of micro-enterprises within it.² For the first time, the share of micro-enterprises is above the EU average, which is reflected in their superior share employment within the SME sector. This situation can be explained partially by the economic crisis which affected greatly Slovakian businesses between 2009 and 2010. A sharp decline in the total number of employees in microenterprises in 2009 due to the economic crisis was followed by a strong increase in 2010, partly as a consequence of streamlined and simplified administrative steps leading to the creation of start-ups and their operations (registration, standard documentation, lower fees). Since, the number of sole owners and micro-enterprises is increasing every year³.

Looking at the distribution of SMEs across sectors, the manufacturing sector stands out in respect of the EU average, in terms of value added at about 25%, about a fifth higher than, employment at about 30%, four-tenths higher, establishing this sector as the backbone of the Slovak economy as it receives also significant foreign direct investments. The economic openness and geographical location of Slovakia help to explain the importance of this sector over Slovakia economy.

While the manufacturing sector plays an important role for Slovakian SMEs, thanks to their international

integration in the supply chains of large enterprises, the opposite is true for the Accommodation and Food sector. The share of this sector in value added generated by all SMEs is just about 3%, half as much as the EU average, which is due to the weak economic significance of the tourism industry for Slovakia economy. However, the Slovakia's Accommodation and Food sector is clearly dominated by SMEs, as they generated about 97% of the sectoral value added, a quarter higher than the EU average. In fact, a large number of small companies operating bed & breakfast services are heavily represented in several touristic locations, such as the northern and central mountain resorts, where few alternative employment opportunities are available. In contrast, SMEs are underrepresented in the High-Tech manufacturing sector in Slovakia, with a low share of value added and employment (around 15% and 30%, respectively). However, Slovakian SMEs do better in terms of Knowledge-intensive services, representing a quarter of all service SMEs, both in terms of employment and value added.

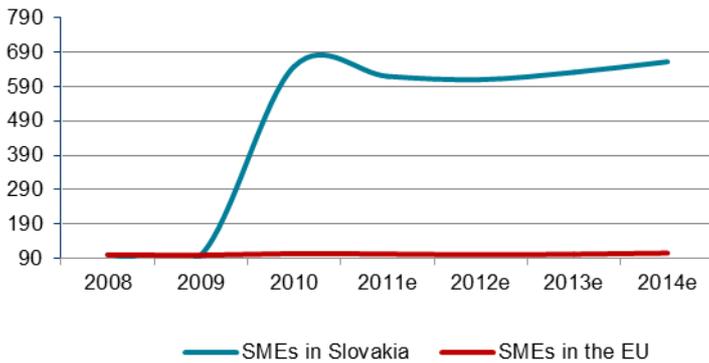
In 2010, SMEs contributed to about 40% of all Slovakia' exports to the EU, compared to about 19% outside the EU⁴. SMEs' contribution to imports is even larger (about 50% for imports from inside EU, compared to 16% from outside EU). The manufacturing sector has the highest share of exports to the EU (about 70%). In addition, the wholesale and retail trade and transport sectors are the most important sectors for both imports and exports.

Considering the shares of SMEs across those three sectors yields a mixed picture. In the wholesale and retail trade and transport sectors, the share of exporting SMEs is very high (89% and 99%, respectively). In contrast, SMEs in manufacturing play a subordinate role to large enterprises, with the former

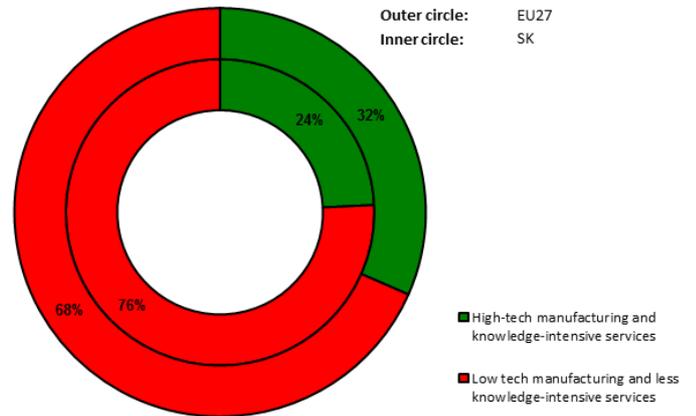
having an export share of only 26%. In spite of the fact that SME exports and imports within the EU were more important than those to outside the EU, the total trade balance of Slovakia is negative, because the trade deficit with third countries exceeds the trade surplus with the EU.

SME trends in Slovakia⁵

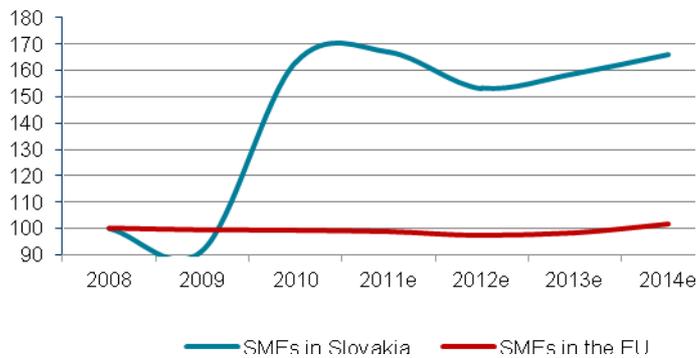
Number of enterprises
(Index: 2008=0, estimations as from 2011 onwards)



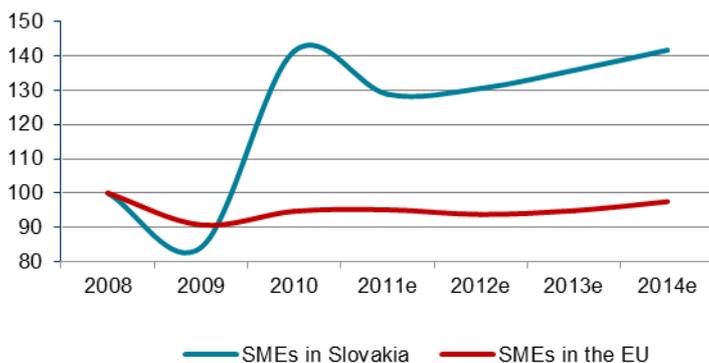
Value added of SMEs



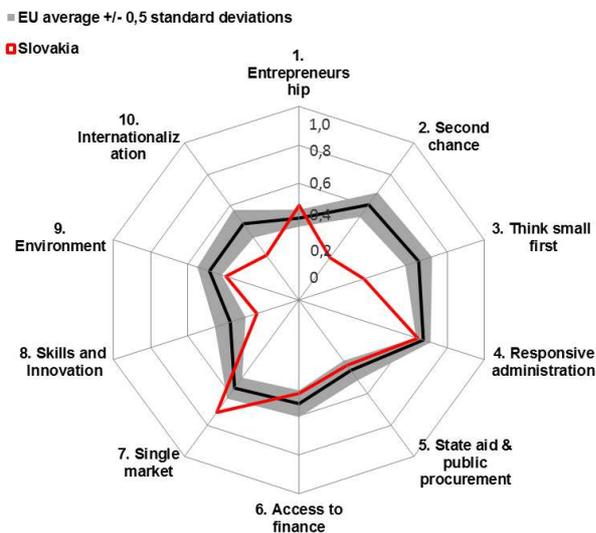
Number of employees
(Index: 2008=0, estimations as from 2011 onwards)



Value added
(Index: 2008=0, estimations as from 2011 onwards)



2. Slovakia's SBA profile



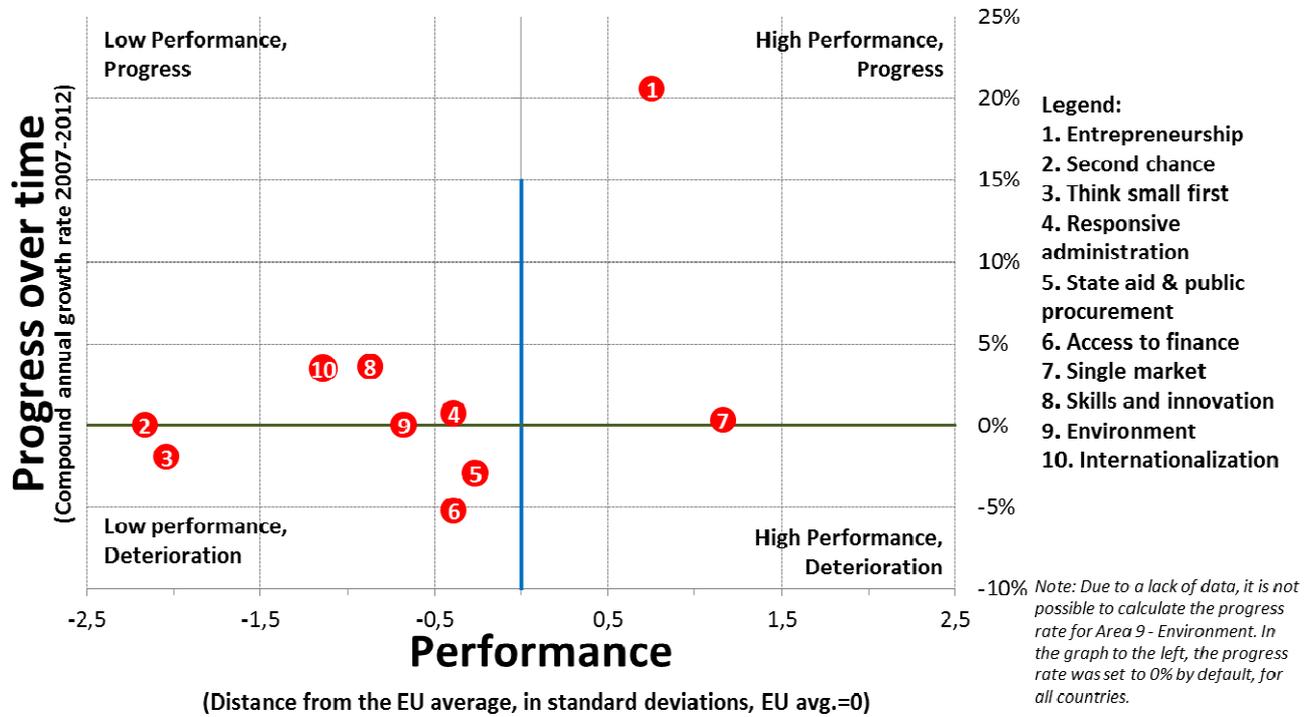
Overall, Slovakia's SBA profile is mixed, with evidence of strengths in certain areas (Single market, Entrepreneurship and Responsive administration) and weaknesses in others (Internationalisation, Second Chance and Think small first as well as Skills & Innovation).

In terms of progress, the period over 2012 and the first quarter of 2013 marked a complete reversal of fortune for Entrepreneurship in respect of last year factsheet, which is now above the EU average. In fact most of the 2012/2013 measures were concentrated in this area (7 out of 21 measures). Also Environment witnessed a consistent number of measures. Limited progress was registered in other policy areas, partly also due to general elections in March 2012.

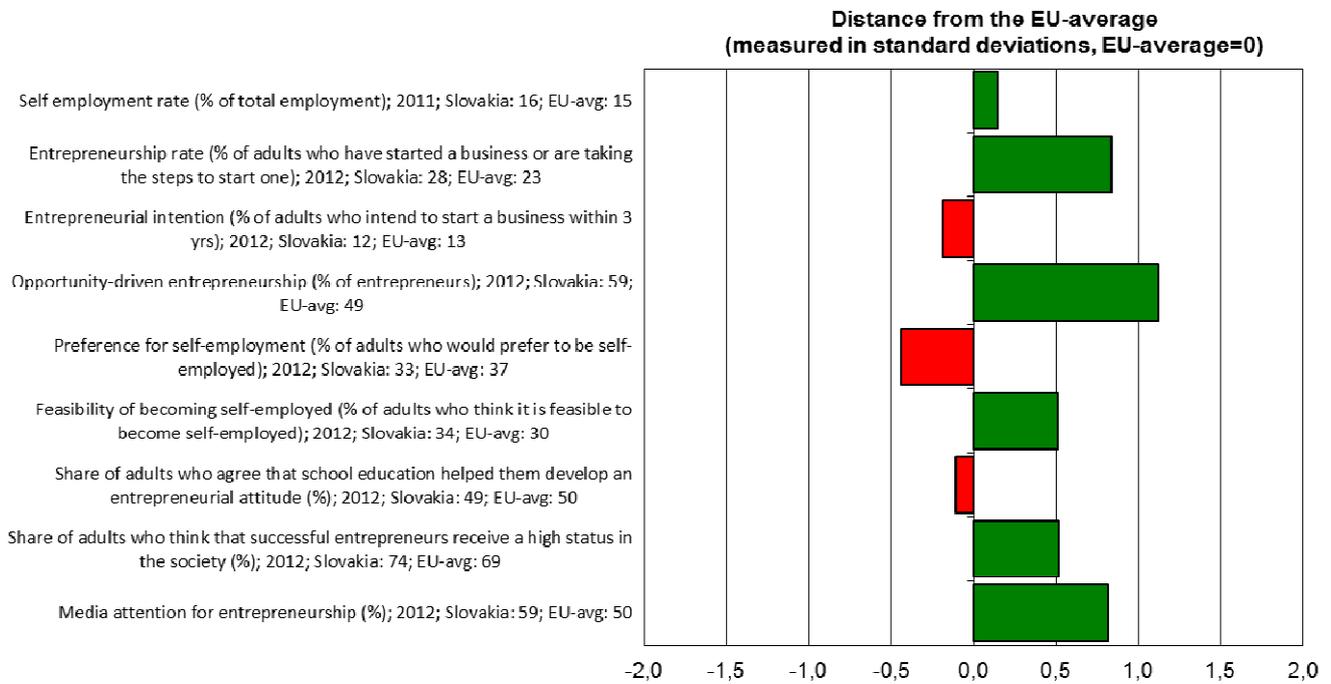
A new SBA implementation strategy was under preparation and expected in the first quarter of 2013 by the National Agency for Development of Small and Medium Enterprises (NADSME), at the request of the new elected government. One of its first most SME-relevant decisions has been the cancellation of the Project Singapore. This project was introduced by the former government, aiming to improve the business environment and decrease the administrative burden for entrepreneurs. The new government is developing a replacing programme, called 41 measures, which follows the objectives of the former project Singapore. In addition, the new government has started a policy of fiscal consolidation, adopting several legislative acts with mostly negative impact on the SMEs: in particular the changes in the income tax (general increase of taxes, limitation of lump-sum expenses for sole traders), Value added tax (required VAT registration for risky entities, decreased limits for VAT monthly/quarterly VAT payments), Social and Health Insurance (general increase in social security and health contributions) as well as in labour law.

The main bodies responsible for the implementation of the SBA in Slovakia are the Ministry of Economy and the National Agency for Development of Small and Medium Enterprises (NADSME), which is also the body responsible for the monitoring of SBA implementation. However, the country does not provide an annex on SBA implementation and there is no direct reference to SBA in the National Reform Programme.⁶

Slovakia's SBA performance: Status quo and development over 2008-2013⁷



I. Entrepreneurship



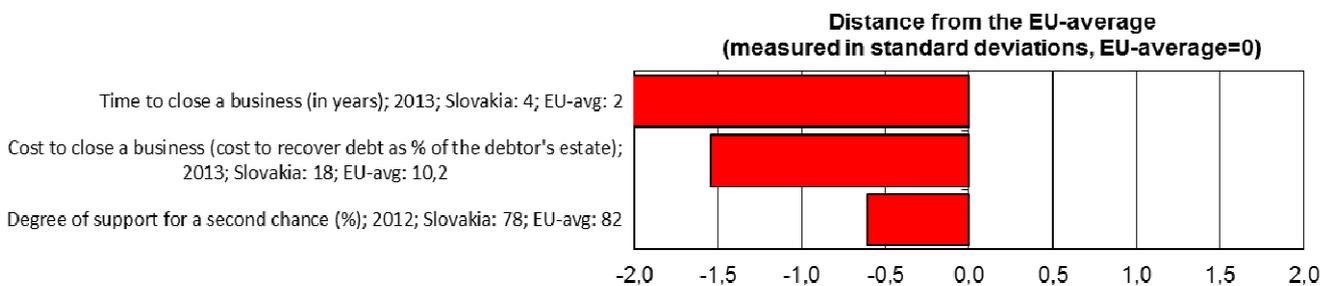
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance

Overall, Slovakia's performance in this policy area is above the EU average, with an especially good score in opportunity-driven entrepreneurship, higher than the EU average by 10 percentage points. To this general positive assessment, there are minor exceptions, in the category of entrepreneurial intention (down of 6 percentage points since last year), preference for self-employment (up 7 percentage points) and share of adults who agree that school

education helps to develop entrepreneurial attitude.

On the policy front, the Entrepreneurs Association of Slovakia, under the auspices of the Ministry of Economy, adopted a national competition called 'Young Innovative Entrepreneur 2012', as well as the 'Female Entrepreneur of the Year 2012' Award. In addition, another initiative was the Governmental Act on Vocational Education and Training to tailor education and training to labour market requirements.

II. Second chance



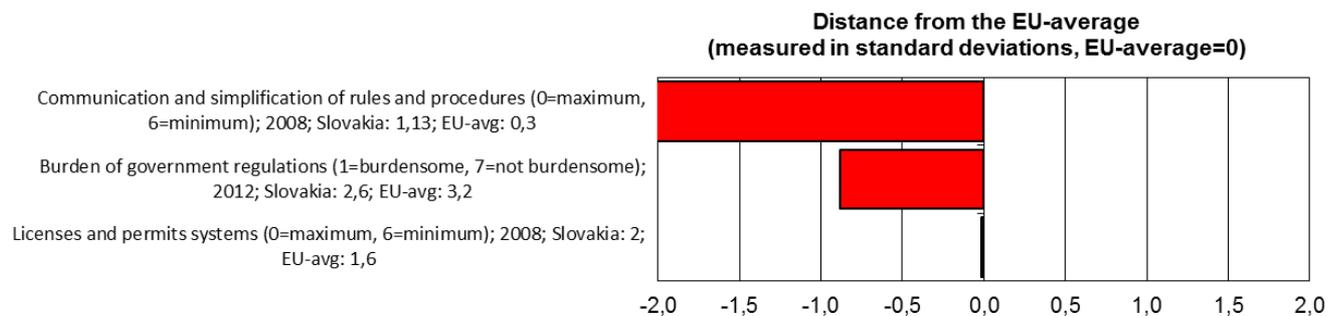
Note: Data bars pointing right show stronger than EU average performance and data bars pointing left show weaker performance.

Slovakia's performance in this policy area is significantly below the EU average, mainly driven by the time (twice the EU average) and cost (80% higher than the EU average) to close a business. IN addition

to these unfavourable framework conditions, the degree of support for entrepreneurs taking a second chance is also below the EU average. No new significant policy initiative was announced or

implemented over the reference period.

III. Think small first

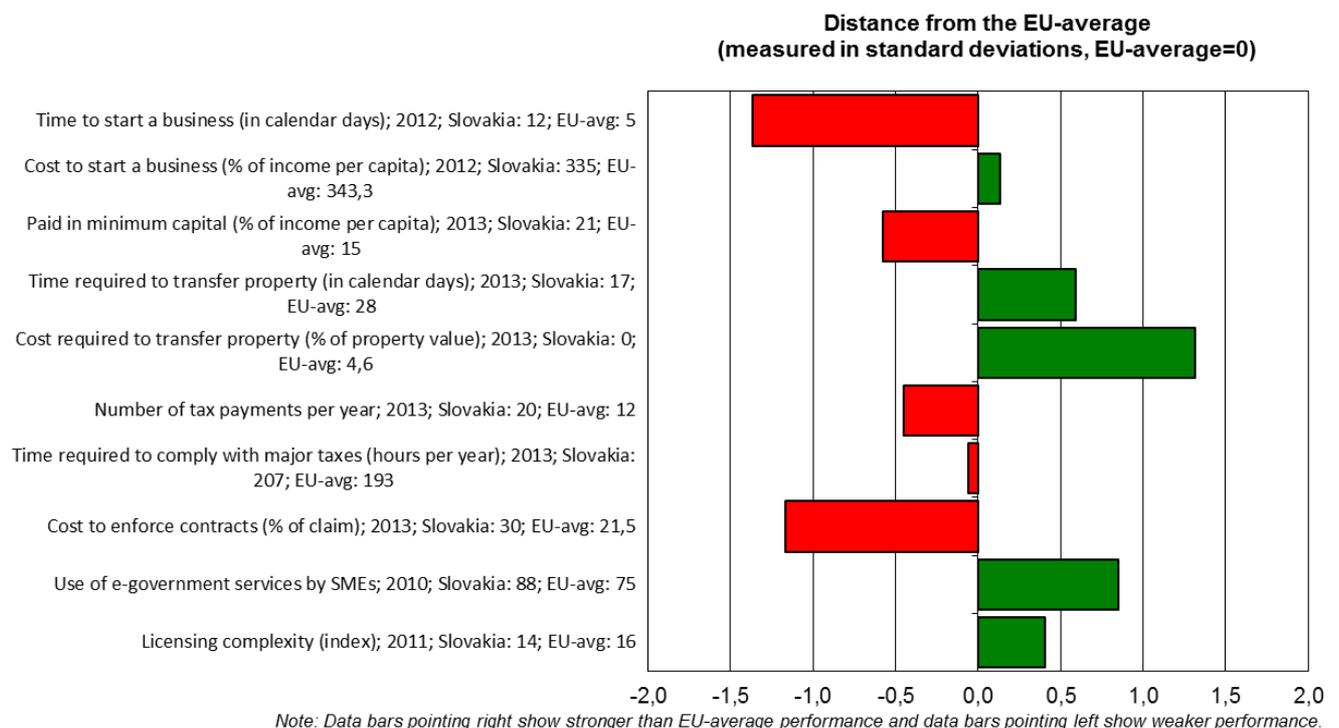


Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Slovakia's performance in this policy area remains consistently below the EU average. Whereas the two main regulatory indicators were not updated since last year, the unsatisfactory level of the performance in this policy areas was confirmed by the entrepreneurs' perception that the burden of government regulations still remain conspicuous and much remain to be done

in this respect. Against this backdrop, however, no new significant policy initiative was announced or implemented in 2012 and the first quarter of 2013, as the SME test, i.e. the analysis of the impact of the new legislation on the SMEs before its adoption, is still not implemented.

IV. Responsive administration



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

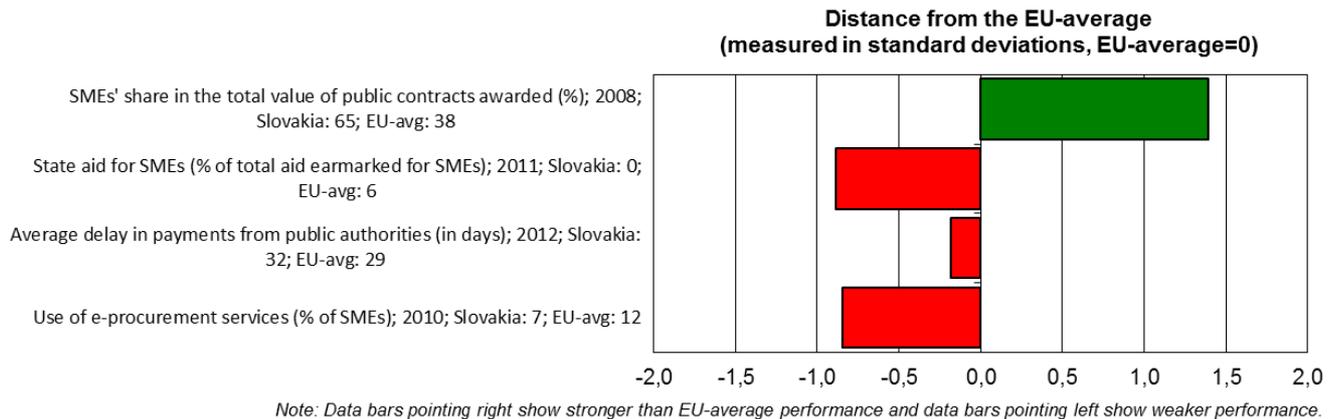
Slovakia's remains practically unchanged since last year, for lack of update of most relevant indicators,

well below the EU average. On the policy front, actual progress was limited, but the new administration is addressing this topic and a new web site is being

developed to check if the request of information by state authorities is duplicated. The aim of the portal is to map the information requirements and to reduce

the amount of information that is unnecessarily requested from the entrepreneurs.

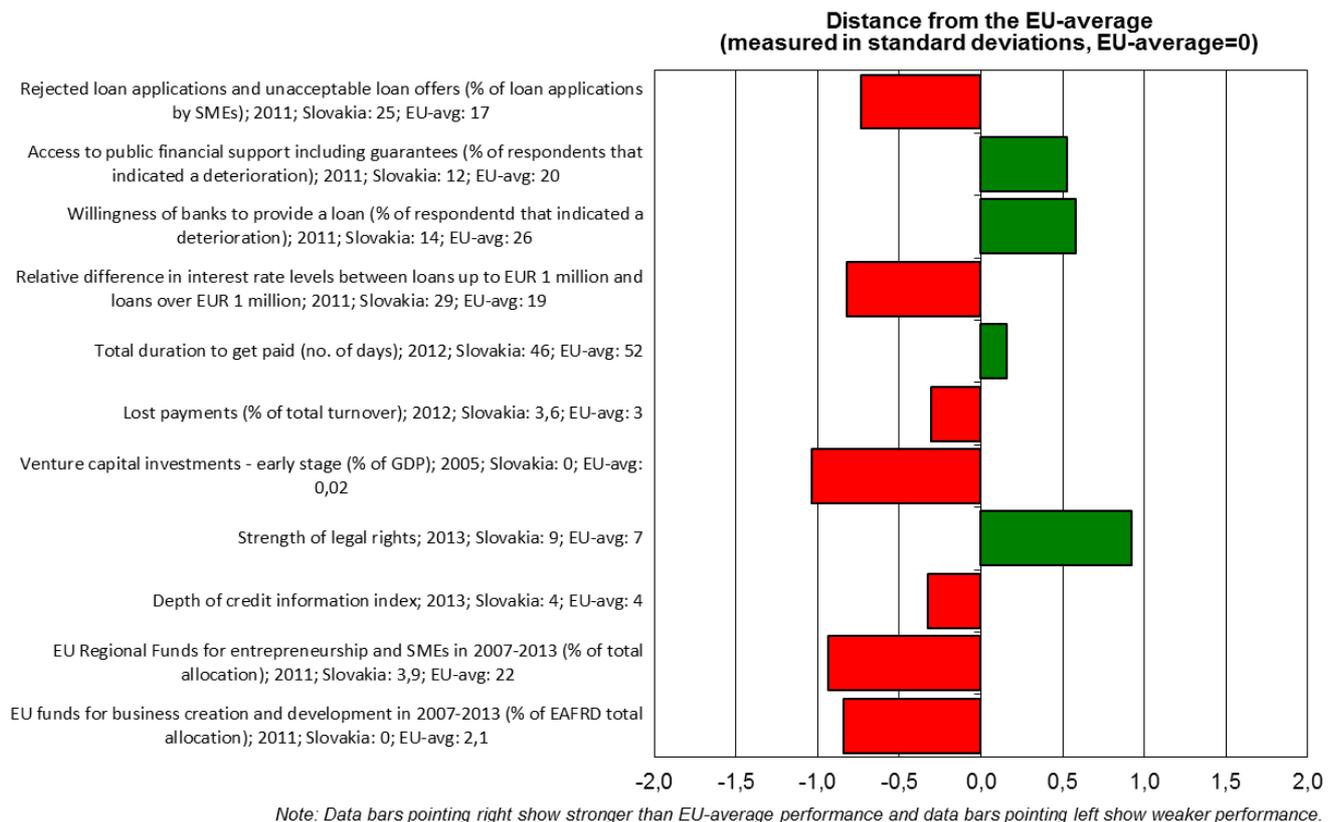
V. State aid & Public procurement



Slovakia's performance in this policy area is close to the EU average, driven by a good score in SMEs' share of public contracts awarded, and despite the absence of any earmarked aid for SMEs, with the possible exception of specific industry schemes.

Policy-wise, no new significant policy was announced or implemented in 2012 and the first three months of 2013.

VI. Access to finance

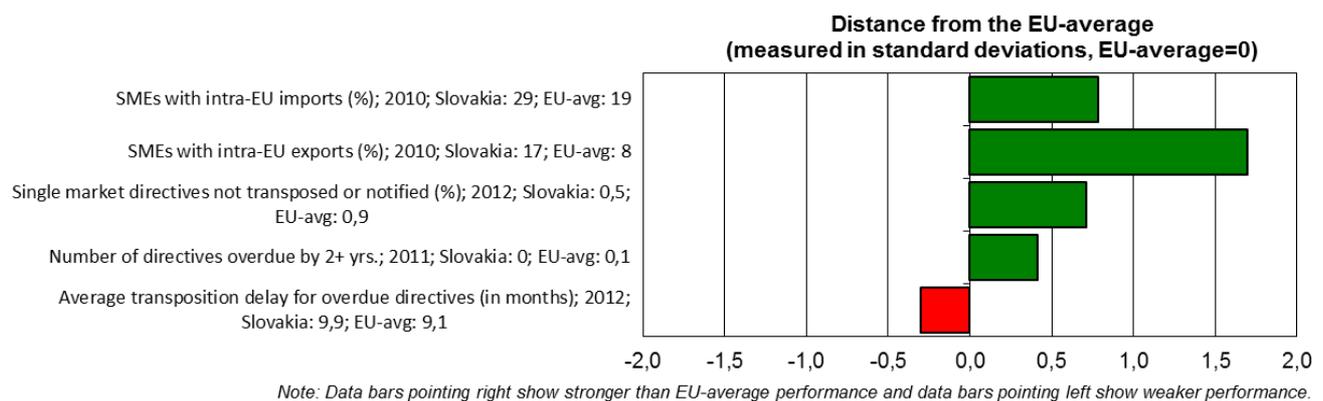


Slovakia's performance in this policy area is slightly off the EU average. The indicators concerning the general credit conditions were not updated, but they point to unfavourable conditions in terms of rejection rate (one out of four in Slovakia against one out of five in the EU) and differential interest rate (29% against 19% on average) applied to SMEs as well as a quasi-complete absence of venture capital investment. On the other hand, the conditions for commercial transaction were confirmed as favourable, even if lost payments increase their impact on turnover of creditor companies. Use of EU funds remains well below the EU average. Regarding JEREMIE financing schemes,

they remain underdeveloped in Slovakia due to low interest of commercial banks. The main barriers are the cumbersome rules and low commercial opportunity perceived by the banks.

On the policy front, a micro lending program has been implemented as of January 2013, to increase the survival rate of small entrepreneurs and start-ups, as a condition for maintaining existing employment and enabling creation of new jobs. In addition, the Ministry of Economy has adopted in 2012 a measure introducing a state aid scheme to support business activities in tourism, linked to integrated all-year-around tourism products.

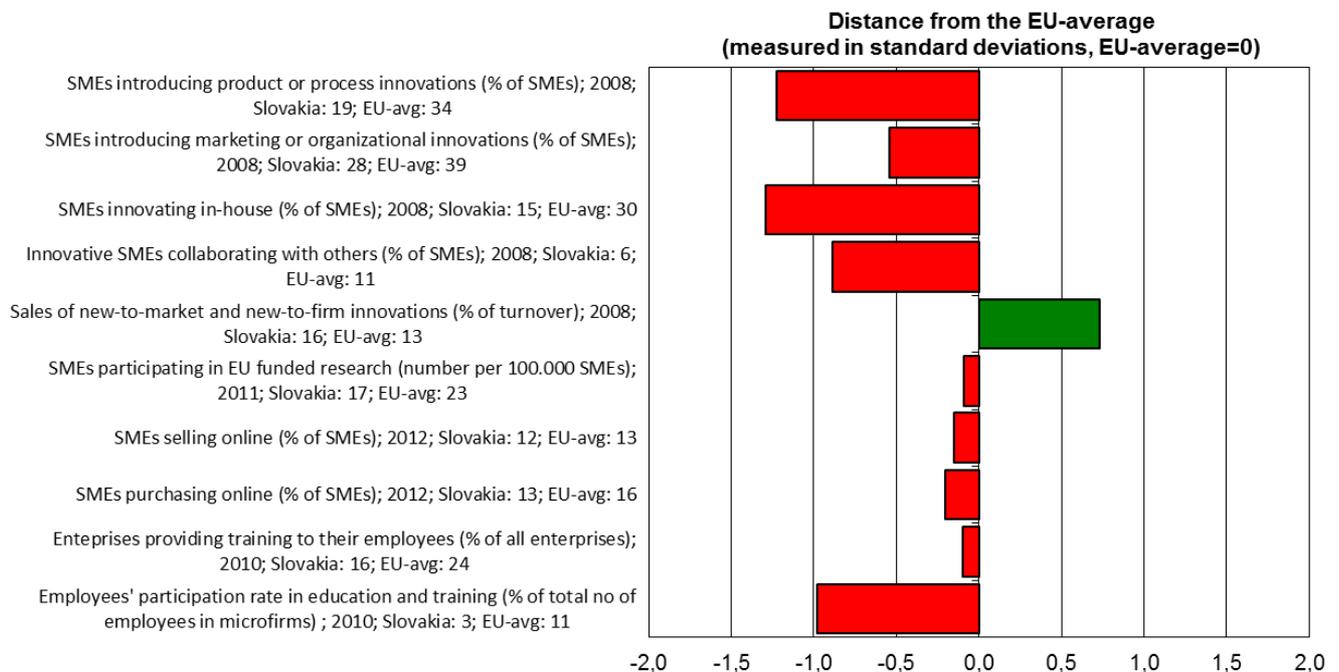
VII. Single market



Slovakia's performance in this policy area is its best, outperforming the EU average by a good margin, where the only negative score concerns the average transposition delay for overdue directives, where it is 10% higher than the EU average. This overall positive assessment is mainly driven by trading activity of

Slovakia's SMEs which take full advantage of the Single Market, also thanks to the economic openness and geographical location of Slovakia. No new significant policy initiative was announced or implemented in 2012 or the first quarter of 2013.

VIII. Skills and innovation

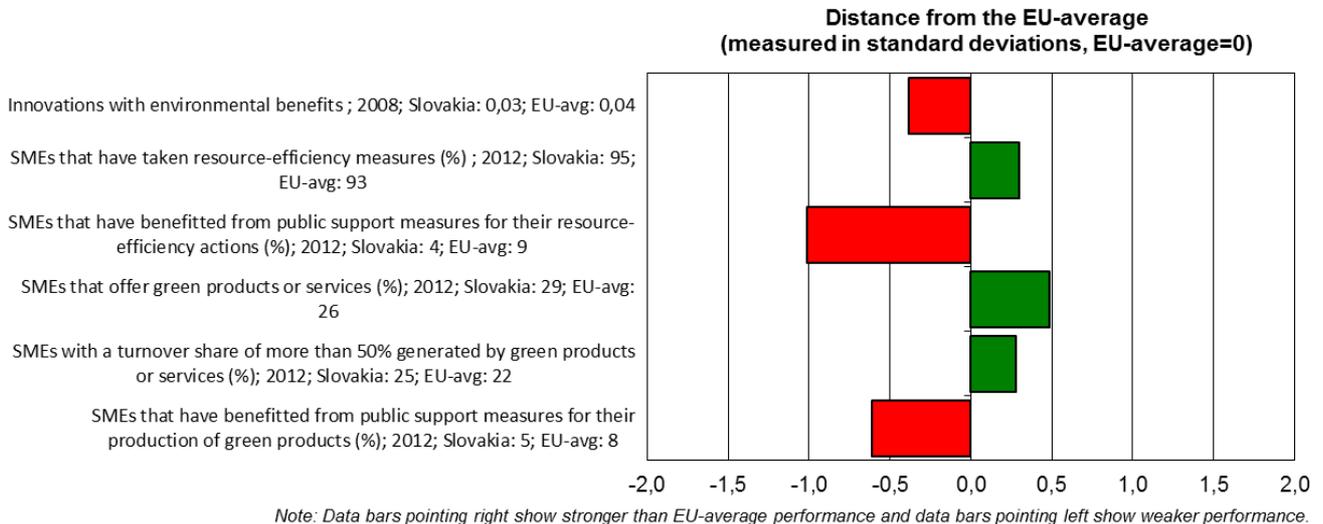


Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Slovakia is consistently below average in this policy area and shows little or no sign of progress. All but one of the indicators are below par. In particular, SMEs in Slovakia are less likely to introduce innovations, collaborate with each other or innovate in-house. The only successful aspect is the capacity of Slovakia's SMEs to convert new products or processes into sales revenues. Training is particularly difficult to obtain for employees in micro-enterprises, in respect of the EU average. On the policy front, as of January 2013, the Ministry of economy has adopted

a State aid scheme to support the introduction of innovative and advanced technologies in industry and services. Moreover, a programme to support clusters was implemented by the Slovak Innovation and Energy Agency. It aims at connecting the business with scientific and research institutes, to facilitate the subsequent development of new manufacturing processes and materials. The South Moravian Innovation Centre has introduced the Innovation Vouchers granted as a subsidy to entrepreneurs to work with specialists for knowledge transfers.

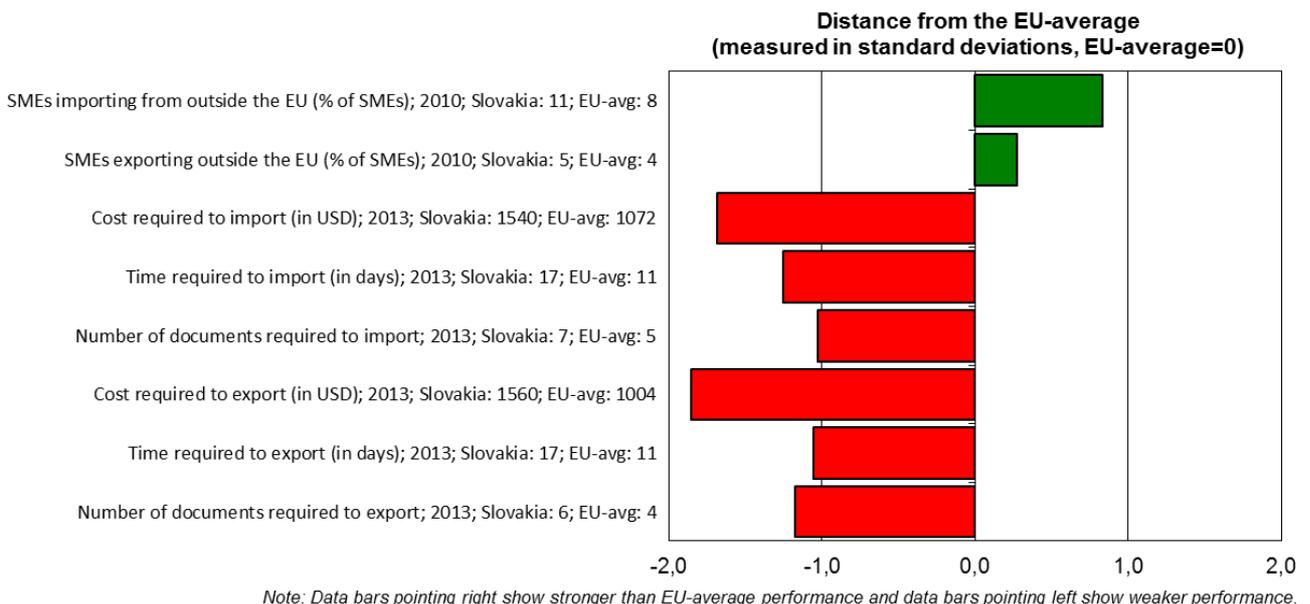
IX. Environment



Slovakia' SME performance in terms of Environment is in line with the EU average, despite having less public support either to become more resource efficient (less than half the EU average) or to provide green products and services (just more than half the EU average). Nonetheless, Slovakia' SMEs are more likely than their EU peers to take steps to be more environmentally friendly (only one in twenty do not take action) and to specialise in green markets (one in four), even if that they develop less innovations with

environmental benefits. On the policy front, as of January 2013, a state aid scheme was adopted to increase energy efficiency in production and consumption and to introduce the use of advanced technologies in the energy field. More generally, the Regulatory Office for Network Industries has adopted a decree in September 2012 establishing price regulation for gas supply to small business and a decree establishing price regulation for electricity supply to small business.

X. Internationalization



Overall, Slovakia's performance in this policy area is well below the EU average, despite its SMEs being more active than average within the Single Market, both in terms of imports and exports. The overall negative score is mainly driven by the unfavourable general framework conditions for trading, where Slovakia offers a more cumbersome environment than

in other EU countries. In spite of much room for improvement, either in number of documents, time and costs required for importing or exporting, no new policy initiatives were announced or implemented in this policy area in 2012 and the first three months of 2013.

3. Good practice

To show what the government does to promote SMEs, we include an example of good practice:

The Risk Capital programme of NADSME helps to invest into developing business, for example the company Window Glass in the area of isolation glass (www.windowglass.sk).

Another company, Partnering, finalist of the Win an investor 2012 project, and submitted its request for financing from the risk capital program. The Partnering company is a software vendor and a solution provider best known for a range of innovative IT products tackling particular complex business challenges from telecommunication, marketing and finance space. (www.callinspector.com).

Another good practice of 2012 is an annual program Businesswoman of Slovakia. The program is aimed to recognize and support the successful woman in business and entrepreneurship (www.podnikatelkaslovenska.sk).

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 an economic analysis of SME issues. They combine the latest available statistical and policy information for the 28 EU Member States and another 9 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 also 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

Small Business Act:

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

Entr-SPR@ec.europa.eu

¹ The SBA Fact Sheets 2013 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.

² Unless stated otherwise, the shares and growth rates are calculated based on the data available for Slovak Republic provided by the EU-commission. The numbers of 2011 and 2012 are estimates that have been produced by London Economics. See http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.html

³ CHANGE OF METHODOLOGY

⁴ The calculations are based on data from ComExt Database, Eurostat, <http://epp.eurostat.ec.europa.eu/newxtweb/>

⁵ The three graphs below describe 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 2011, the graphs show estimates of the development over time, based on 2008-2010 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by London Economics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data do 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

⁶ The policy measures presented in this SBA Fact Sheet represent only a selection of the measures taken by the government in 2012 and the first quarter of 2013. The selection was made by the SME policy country expert contracted by CARSA Spain (DG ENTR's lead contractor for the 2013 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.

⁷ 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 progress over time, i.e. the average annual growth rates for the period 2007-2012. The growth rates are those of 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 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 to the extent of progress made in the period 2008-2013.