



EUROPEAN UNION  
European Structural and Investment Funds  
OP Integrated Infrastructure 2014 – 2020



MINISTRY  
OF TRANSPORT  
AND CONSTRUCTION  
OF THE SLOVAK REPUBLIC



MINISTRY  
OF ECONOMY  
OF THE SLOVAK REPUBLIC

SLOVAK BUSINESS AGENCY



# REPORT ON THE STATE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE SLOVAK REPUBLIC

2019

BRATISLAVA 2020



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European Structural and Investment Funds  
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# **Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2019**

**Bratislava**

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## List of Acronyms

ALMMs	Active labour market measures
ALMP	Active labour market policy
SRDA	Slovak Research and Development Agency
ASPEK	Association of Industrial Ecology in Slovakia
BSK	Bratislava Self-Governing Region
CEB	Council of Europe Development Bank
BRC	Better Regulation Centre
COSME	EU Programme for the Competitiveness of Small and Medium-Sized Enterprises
CRIF	Slovak Credit Bureau s.r.o.
CCPC	Contentious Civil Procedure Code
EaSI	Employment and Social Innovation Programme
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EEN	Enterprise Europe Network
EF	Environmental Fund
EFQM	European Foundation for Quality Management
ERDF	European Regional Development Fund
EIB	European Investment Bank
EIF	European Investment Fund
EIT	European Institute of Innovation & Technology
EC	European Commission
EMAS	Eco-Management and Audit Scheme
ECo	Enforcement Code
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ETC	European Territorial Cooperation
EU	European Union
FLPG	First loss portfolio guarantee
FM UK	Faculty of Management, Comenius University in Bratislava
NP	natural person
GEM	Global Entrepreneurship Monitor
GEW	Global Entrepreneurship Week
GDP	Gross Domestic Product
INKLUPOD	Project promoting inclusion in entrepreneurship of selected disadvantaged groups in Slovakia IROP PO3

IROP PO3	Integrated Regional Operational Programme, Priority Axis 3
SPC	single point of contact
SAS	simplified joint stock company
MH SR	Ministry of Economy of the Slovak Republic
MK SR	Ministry of Culture of the Slovak Republic
MPK	Interdepartmental comment procedure
MPRV SR	Ministry of Agriculture and Rural Development of the Slovak Republic
MPSVR SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
SMEs	Small and medium-sized enterprises
MŠVVaŠ SR	Ministry of Education, Science, Research and Sport of the Slovak Republic
MZ SR	Ministry of Health of the Slovak Republic
MZVaEZ	Ministry of Foreign and European Affairs
MŽP SR	Ministry of Environment of the Slovak Republic
NBS	National Bank of Slovakia
NCP	National Contact Point
NEET	not in employment, education or training
NRFC	Non-repayable financial contribution
NIP	National Labour Inspectorate
NP	national project
NPC	National Business Centre
NR SR	National Council of the Slovak Republic
NS SR	The Supreme Court of the Slovak Republic
NUTS	Nomenclature of Units for Territorial Statistics
OECD	Organization for Economic Co-operation and Development
LP	Operational Programme
OP F	Operational Programme Fisheries
OP R&I	Operational Programme Research and Innovation
OR SR	Business Register of the Slovak Republic
RES	renewable energy sources
pp.	percentage point
JP	job positions
LP	legal person
BC	Business Centre
APA	Agricultural Paying Agency
RAIC	Regional Advisory and Information Centre
PPK	Preliminary comment procedure

Project AROUND ME	Project “Accelerating market growth through entrepreneurial cross-border mobility, networking and support”
Project Biz4Fun	Project “Let’s have fun with the business start-up”
Project BRESE	Project “Border Regions in Europe for Social Entrepreneurship”
Project CERIecon	Project “CENTRAL EUROPE Regional Innovation Ecosystems Network”
Project COCO4CCI	Project “Culture and Creative Industries COoperation COlider”
Project CORD	Project “Crossing Bridges with the Help of Ambassadors”
Project INKLUPOD	Project “Promoting inclusion in entrepreneurship of selected disadvantaged groups in Slovakia”
Project INNO INDUSTRY	Project “Improving innovation delivery of policies within 4.0 industry in Europe”
Project MOVECO	Project “Mobilising Institutional Learning for Better Exploitation of Research and Innovation for the Circular Economy”
Project ROB-SME	Project “Robotics and SMEs”
Project SENSES	Project “Strengthening Social Entrepreneurial Landscape through involving socially responsible corporate Practices in EntrepreNeurial CompentenceS and Skills enhancement in the DANUBE”
Project THINGS+	Project “Introducing Service Innovation into product-based manufacturing companies”
PRSL	Portfolio Risk Sharing Loan
OHS	occupational health service
R&D	Research & Development
RTVS	Radio and television of Slovakia
SAFE	Survey on the Access to Finance of Enterprises
SARIO	Slovak Investment and Trade Development Agency
SBA	Slovak Business Agency
SBAfE	Small Business Act for Europe
SCCF	Slovak Centre for Training Firms
SLSP	Slovenská sporiteľňa
IB	Intermediate Body
SCCI	Slovak Chamber of Commerce and Industry
SP	Social Insurance Institute
SR	Slovak Republic
STU	Slovak University of Technology
SEP	Self-employed person
SZRB	Slovenská záručná a rozvojová banka, a. s.
SASTCW	Slovak Craft Industry Federation
SO	specific objective
SHDF	State Housing Development Fund

SOSR	Statistical Office of the Slovak Republic
TUKE	Technical University in Košice
UCITT	University Centre for Innovation, Technology Transfer and Intellectual Property Protection
JS	job seeker
InQb	University Technology Incubator of the Slovak University of Technology
USP	University Science Park
SOSMT	Slovak Office of Standards, Metrology and Testing
ÚOŠS	central body of state administration
COLSAF SR	Central Office of Labour, Social Affairs and Family
IPO SR	Industrial Property Office of the Slovak Republic
ÚPVII SR	Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatization
ÚVZ SR	Public Health Office of the Slovak Republic
R&D	Research and development
HTU	Higher Territorial Unit
SOSR HRSD	selective detection of human resources of the Statistical Office of SR
TFEU	Treaty on the Functioning of the European Union
YEAS	Young Entrepreneurs Association of Slovakia
EAS	Entrepreneurs Association of Slovakia
ROSR	Representative Office of the Slovak Republic
AfNRFC	Application for non-repayable financial contribution

Amendment to the VAT Act - Act no. 323/2018 Coll., amending and supplementing Act no. 222/2004 Coll. on Value Added Tax, as amended

Amendment to the Act on Social Economy and Social Enterprises - Act no. 374/2019 Coll. and Act no. 112/2018 Coll. on the social economy and social enterprises and on amendments to certain acts

Road Transport Act - Act no. 56/2012 Coll. on road transport as amended

Act on Non-life Insurance Tax - Act no. 213/2018 Coll. on insurance tax and on amendments to certain acts

Public Procurement Act - Act no. 343/2015 Coll. on public procurement and on amendments to certain acts

Act against bureaucracy – Act no. 177/2018 Coll. on certain measures to reduce administrative burdens through the use of public administration information systems and on amendments to certain acts





## Introduction

In a long term perspective, the position of small and medium-sized enterprises (hereinafter referred to as the “SMEs”) in the national economy is significant, especially in terms of contributions to total employment, added value and support for economic development. The importance of small and medium-sized enterprises can also be observed in the structure of economically active business entities. In the reference year of 2019, the slowdown in economic growth had an impact on SME business. The reported growth of the Slovak economy was the lowest in the last three years. The slowdown occurred not only in Slovakia, but was also characteristic of most EU countries, which resulted mainly from the growing trend of adopting protectionist measures in global trade policy and the persisting increased uncertainty. Economic growth was driven primarily by domestic demand. Net exports recorded a negative increase in economic growth. Despite the slowdown in economic growth in 2019, employment continued to grow, which was reflected in a reduction in the unemployment rate in all regions of Slovakia, with the exception of the Prešov Region. The recorded slowdown in economic growth was also reflected in the development of the SME sector. The slowdown was reflected in the development of the growth rate of several indicators, such as the growth rate of gross output of SMEs - legal entities and the value added growth rate. The volume of SME exports, together with the pre-tax profit of SMEs, recorded a year on year decline.

The submitted publication follows up on the series of Reports on the state of SMEs with current information about the positions and trends observable in the Slovak SMEs environment that have been elaborated since 1993. The *Report on the State of SMEs in the Slovak Republic in 2019* (hereinafter referred to as the “Report on the State of SMEs”) provides an overview of the most significant legislative changes affecting SMEs in the period under review, together with proposals to reduce the regulatory burden in favour of the targeted size category of enterprises - SMEs (chapter 1). Chapter 2 provides an overview of the development of the macroeconomic environment in 2019, including an assessment of the position of SMEs in the Slovak Republic. The *Report on the State of SMEs* also includes a summary of the implemented support, which was provided for SMEs in Slovakia in 2019 (Chapter 3). The presented document also contains a summary of conclusions from the analyses and surveys conducted by the Slovak Business Agency (Chapter 4), which completes the overall picture of the position of SMEs. In view of the findings under consideration, the present Report aims to provide relevant recommendations in relation to improving the business environment primarily in the SME sector and supporting the dynamics of their growth. The assessment of the business situation of SMEs in Slovakia in 2019 also includes the presentation of the results of the Global Entrepreneurship Monitor (GEM), which represents a major global study on business dynamics.

The evaluation of the state and development trends of SMEs is used as a basis for an analysis of the state of the Slovak business environment that is submitted to the Slovak government annually as a part of the Report on the State of the Business Environment in the Slovak Republic under the Resolution No. 792 of the Government of SR of 17 July 2002. The Report on the state of SMEs is used as a basis for activities of the SME Envoy. The document is also used as a database for informing EU institutions, OECD, and other entities and for preparation of various analyses and studies of the Slovak business environment.

Similar to previous years, the Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2019 is available to the public through the SBA website. Authors of the document thank to their collaborators from state and public administration organizations, business unions and associations as well as non-governmental organizations for the submitted documents which helped elaborate the Report in the required scope and quality.

## Executive Summary

The submitted *Report on the State of Small and Medium Enterprises in the SR in 2019* presents a comprehensive view of the state and development of the business environment in the sector of small and medium-sized enterprises and support of SMEs in the period under review. The objective of the *Report* is to highlight the developmental trends and the most significant approved and effective legislative changes in course of the year which have an impact on SMEs. It also seeks to highlight the existing barriers, together with proposals for measures to improve the business environment for the benefit of SMEs.

The importance of small and medium-sized enterprises in the Slovak economy may be described using several indicators. In 2019, they represented 99.9% of the total number of business entities in the Slovak economy. SMEs employed approximately three quarters (73.8%) of the active labour force in corporate economy and helped to create more than a half of the added value (54.9%). The slowdown in the growth of the Slovak economy was also reflected in the economic performance of the sector of small and medium-sized enterprises. The value added of SMEs in the non-financial corporate economy reduced its growth rate to 3.6% year-on-year. In absolute terms, there was a year-on-year increase in the gross output of SMEs - legal entities (4.3%). On the contrary, profit before tax of SMEs - legal entities decreased (by 7.8%). According to the preliminary results of the SOSR, the volume of SME exports decreased by 2.5% year-on-year. Despite the reduced volume of SME exports, the share of SMEs increased year-on-year, which was due to the fact that in the reference year of 2019 there was a more significant decrease in the volume of exports of large enterprises compared to small and medium-sized enterprises.

According to records of the Statistical Office of SR (hereinafter referred to as "SOSR"), the number of active business entities<sup>1</sup> in 2019 reached 595,042 while SMEs represented 559,371 out of the above-stated figure. Compared to 2018, the number of active SMEs increased by 6.3%. Out of the total number of enterprises, microenterprises represented 96.9% (577,827), small enterprises 2.4% (14,601) and medium-sized enterprises 0.5% (2,943) and large enterprises 0.1 % (671). The position of the category of micro-enterprises in Slovakia is more significant in comparison with EU countries, given their achieved share of the total number of business entities in Slovakia.

Due to the increase in the number of small and medium-sized enterprises, the rate of business activity of SMEs also increased to 21.6% in 2019. Among the EU countries, Slovakia ranks among the countries with the highest number of small and medium-sized enterprises per total population.

In 2019, there was a positive trend in the number of established small and medium-sized enterprises with their number increasing by 8.7% year-on-year to 84 883 entities. The most significant was the year-on-year increase in the liberal professions. A less positive fact in 2019 was represented by the decrease in the number of disestablished business entities by 7.5%, i.e. 56,097 entities. The higher increase in the number of established entities compared to the disestablished was reflected in the year-on-year growth of the net increase of business entities, which increased by 11.1%, i.e., to 28,786 business entities.

In 2019, the trend of increasing representation of women among natural persons - entrepreneurs was interrupted. The share of women in the total number of natural persons -

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<sup>1</sup>According to SOSR, an 'economically active entity' is an entity which had employees, generated revenues or made investments in the reference period under review. In order to determine their activeness, SOSR used also data on health insurance payers from administrative sources.

entrepreneurs decreased by 1.0 pp. to the level of 28.2%. The development of the age structure of natural persons - entrepreneurs has recently been characterized by an increase in the representation of entrepreneurs in younger age categories of less than 30 years of age. In 2019, the trend of increasing representation of young people also stopped, while the largest representation of entrepreneurs was in the age category from 30 to 49 years.

In line with long-term development trends observed in the sectoral structure of SMEs, in 2019 entities operating in the field of services had the most significant representation (46.4%). A slight increase in representation has been perceived in recent years in the construction sector, which represented 17.9% of all entities within the size category of SMEs in 2019. 17.8% of small and medium-sized enterprises were active in trade, 13.8% in industry and 4.1% in agriculture.

As for the foreign-trade exchange of goods, large enterprises have maintained their long-term dominant position. According to the preliminary results of the SO SR, a year-on-year decrease in SME exports of 2.5% was recorded in 2019. On the other hand, due to a more significant decrease in exports of large enterprises (by 5.0%) than in the case of SMEs (by 2.5%), there was a year-on-year increase in the share of SMEs by 0.5 pp. (to 28.0%). There was also an increase in the SME passive balance, which has been observed continuously for the sixth monitoring period.

The business environment in Slovakia is characterized by frequent legislative changes affecting, among other things, obligations and requirements with an impact on the SME sector. In 2019, a number of major legislative changes affecting SMEs were recorded. The most important of these include the following: the reduction of the VAT rate on accommodation services, the new legal regulation of conditions in the area of taxi services provision, which brings extensive changes in the operation of the taxi service. Other significant changes in the legislation includes the reduction of the administrative burden in connection with the adoption of other measures through which it was possible to amend the Act against bureaucracy. Furthermore, this included the start of functioning of public administration systems which abolished the obligation of natural persons and legal entities to submit several extracts from various registers and from the end of 2019 other obligations were abolished to avoid the need to submit a certificate of tax arrears, a certificate of customs arrears and confirmation of arrears on health insurance.

In 2019 (with effect from 2020), a reduction in the corporate income tax rate was adopted from the original 21% to 15%. The amendment will also affect self-employed persons, whose income tax rate will also be reduced from the original 19% to 15%. In both cases, these are entities whose annual income does not exceed EUR 100,000. At the same time, there has been a legislative change aimed at relieving the courts by stopping some distraint executions. The effective solution to the problem of conducting some long-term distraint executions applies to cases in which the debtor's property is not seized or the execution is not stopped, even though the debtor is poor. In addition, an extensive amendment to the Act on the Social Economy and Social Enterprises was approved. The primary goal of the amendment to the Act was to supplement the legislative regulation of the social economy sector and to create suitable conditions for the social economy to develop and be a benefit not only for increasing employment. The legislator also intended to adjust the support system to be socially acceptable and to fully comply with state aid rules. The amendment is intended to help eliminate specific application problems. The concept of a company with a social impact has also been fundamentally redefined so that more entities can meet the conditions set for a company with a social impact as an "intermediate step" to meet the conditions specified for a social enterprise.

On the other hand, during the monitoring period, the formation or extension of several obligations occurred, in particular the introduction of a new insurance tax. The subject of the tax is insurance in the non-life insurance sectors, which are listed in the annex to the relevant Act. The tax base rate is 8% for the relevant insurance. Insurance tax does not apply to Mandatory contracting insurance (MCI).

The total volume of SME support in 2019 was of the level of EUR 694,626,313.80. In terms of the structure of forms of financing, the direct form of support was the most common and reached a level of EUR 597,824,906.20, i.e., 86.1% of total SME support. A total of EUR 96,801,407.60 was provided in the form of indirect support for small and medium-sized enterprises, i.e., 13.9%. The overall real use was higher year-on-year, but the year-on-year development in the area of SME support lost its dynamic trend. The most significant share in the support of SMEs in terms of individual categories is attributed to the category of loans or credits (40.6% of the total support provided to SMEs) and the category of subsidies, NFP, grants (40.4% of the total support provided to SMEs). Bank guarantees (7.5%) and venture capital (5.1%) were also among the most important categories. A more detailed overview of SME support is provided in Chapter 3.

In 2019, the Slovak Business Agency (hereinafter referred to as "SBA") continued to meet the objectives of providing comprehensive assistance focused on the SME sector, while continuing to support them through the implementation of several national or international projects. In 2017 the SBA launched several national projects funded by the OP Research and Innovation,<sup>2</sup> offering a wide portfolio of services for SMEs and business enthusiasts, whether in Bratislava or in individual regions of the Slovak Republic.

The SBA actively assessed materials with an impact on the business environment, provided opinions and comments on proposals for new regulations through the Better Regulation Centre (hereinafter "BRC"). In 2018, the BRC assessed (from the content and procedural point of view) the reality of the captured impacts in all the *Business Environment Impact Analysis* and provided detailed opinions containing suggestions for better capturing the impacts of the new regulation on business environment.

The submitted *Report on the State of Small and Medium Enterprises in the SR in 2019* contains also comprehensive proposals and recommendations for further improvements of the business environment in the SME sector the main goal of which is to support positive trends and to contribute to a growth of the SME sector and its dynamics and in particular to enhance its competitiveness.

In line with the needs of SMEs, it is necessary to continue to streamline support for SMEs. In order to promote a stable business environment, it is necessary to continue in a systematic cooperation and coordinated approach of all relevant departments, as well as taking into account the proposals and recommendations of individual entities. Mutual and intensive cooperation should be aimed at improving business conditions and, ultimately, at increasing the competitiveness of not only SMEs but also Slovakia as a whole.

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<sup>2</sup>OPVaI and OPII were merged in December 2019 (more details in Chapter 3)

# 1. Monitoring of the legislative environment in 2019 (with an impact on SMEs)

## 1.1 Attitude of the European Union and the Slovak Government to SME support



The aim of this chapter is to provide a brief overview of selected SME support programmes established at European and national level. The European Union has set up several programmes to support SMEs, with the aim of encouraging natural persons to become more involved in business activities. Through its activities, the Government of the Slovak Republic intends to support SMEs through several support measures consisting in the approval of legislative changes and in improving access to finance for SMEs. In 2019, the following support programmes continued to be active.

### Europe's programme for small and medium-sized enterprises (COSME)

Through the Europe's programme for small and medium-sized enterprises (COSME), the European Commission has set itself the objective of promoting entrepreneurship and improving the business environment for SMEs so that these can successfully start their business in the current globalized economy. The COSME programme was designed for the period from 2014 to 2020 with an overall budget of EUR 2.3 billion. The programme is implemented through an annual plan of activities and through support measures. **The action plan was set for 2019 with a total budget of EUR 350 million**, with approximately 60% of the total being earmarked for financial instruments and 20% for activities aimed at promoting businesses' access to markets.

The COSME programme is **implementing the “Small Business Act”**, which reflects the Commission's willingness to recognize the central role of SMEs in the EU economy.

The aim of the support programme is to provide SMEs with better access to finance at different stages of the business life cycle, i.e., during establishing of the business, its

expansion or transfer. Through the loan guarantee facility, the programme provides guarantees and counter-guarantees to financial institutions (e.g. guarantee companies, banks, leasing companies) in order to provide SMEs with more loans and leasing financing.



## EIC Accelerator Pilot

In 2019, the European Innovation Council's Accelerator Pilot replaced the SME Instrument scheme and thus became part of Horizon 2020 to support research and innovation. Since the launch of support for innovative SME Instrument projects under the Horizon 2020 programme, this scheme has raised interest among Slovak companies.

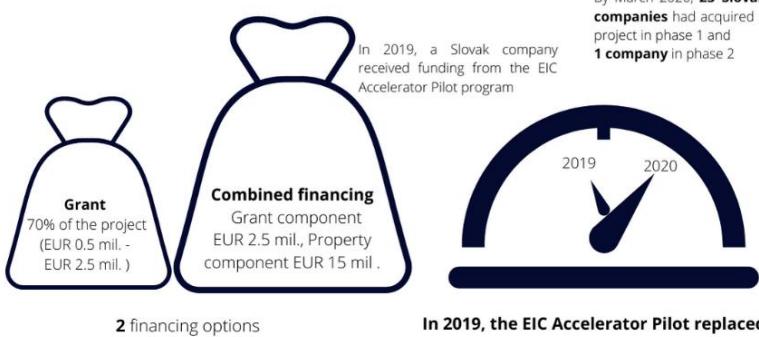
EIC Accelerator Pilot is primarily focused on **supporting outstandingly innovative small and medium-sized enterprises with breakthrough products and ambition to establish themselves in international markets**. The objective is to help fill the gap in funding for early stage high-risk research and innovation, stimulate breakthrough innovations and increase private-sector commercialization of research results using financial, coaching and acceleration tools.

**The pilot phase of the project (2018-2020) works with a budget of EUR 3 billion.**

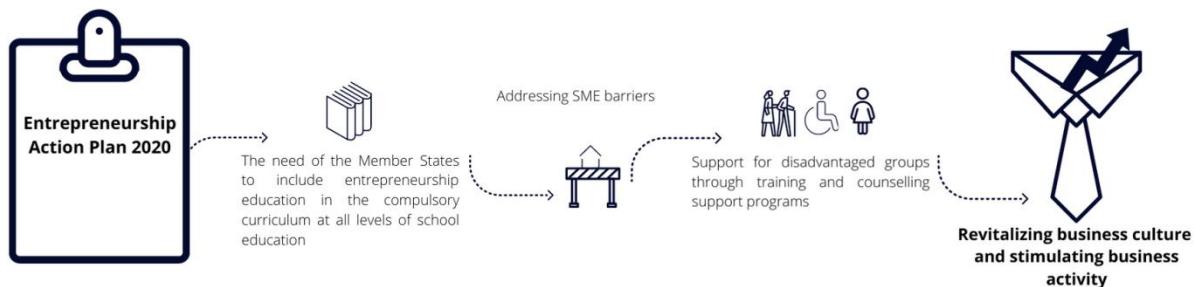
### EIC Accelerator Pilot

#### Evaluation criteria for obtaining project financing

- the product must have the potential to create a new market or distort an existing market
- highly potential innovative, significantly better and different from other options
- high risk of the project
- supports technical and non-technical projects with breakthrough innovation concepts, but also innovations within deep tech, i.e. projects created on the basis of scientific discovery or significant technological innovation
- need for substantial capital  
entity must demonstrate that it is not possible to use the investment from the market in sufficient quantities
- the entity cannot acquire funding

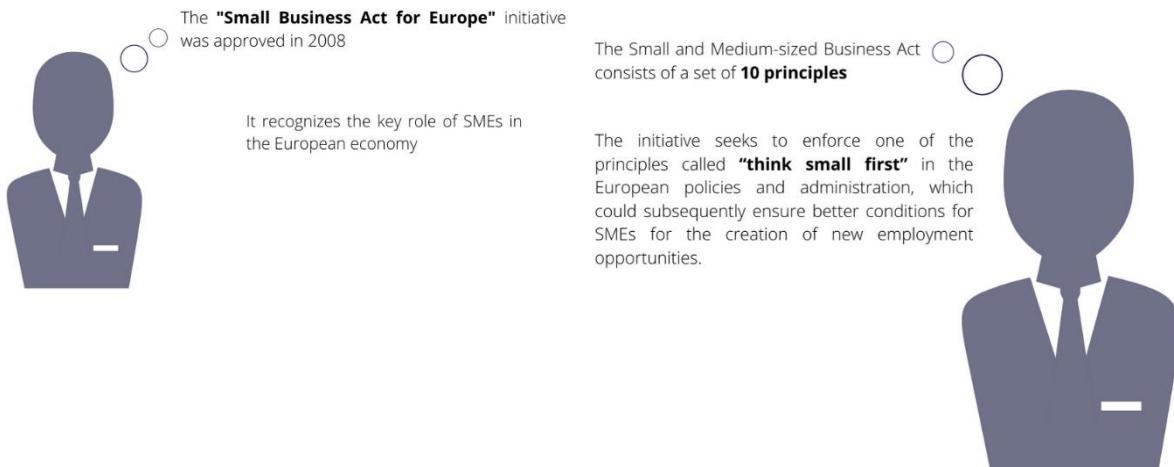


## The Entrepreneurship 2020 Action Plan - 3 Steps to unlock Europe's business potential



The Action Plan addresses a number of obstacles faced by SMEs, including inadequate education and training, complex access to credit and markets, difficulties in transferring businesses, fear of failures and subsequent consequences, a second chance for honest unsuccessful entrepreneurs and excessive bureaucracy.

## Small Business Act for Europe Initiative



## National Reform Programme of the Slovak Republic 2020

In the **National Reform Programme of the Slovak Republic 2020** published in May 2020, the Ministry of Finance of the Slovak Republic presents the structural measures that the Government of the Slovak Republic plans to implement mainly in the upcoming years. The programme examines and identifies the continuing business and societal problems in 2019. The text below describes the selected activities of the Government of the Slovak Republic aimed at supporting SMEs in the period in question.

**In order to increase the efficiency and effectiveness of the judiciary, the parliament in 2019 approved the introduction of the institute of so-called visiting judge.** The visiting judge will work in the place of a judge who is temporarily not working due to maternity or parental leave, long-term sick leave or on traineeship. The aim of this regulation is to ensure the smooth running of the courts, the administration of justice and the resolution of situations in the temporary absence of a legal judge.

**In order to improve the training of future judges, an amendment to the Act on judges and lay judges was adopted.** The knowledge and professional preconditions of the judge trainees have been adjusted so that they are the same as for the judge in the performance

of the service. Legislative changes have also set greater transparency and objectivity in selection procedures.

**In order to relieve the courts of excessive workload, an Act was passed to stop certain execution proceedings.** The Act introduces into practice the possibility to stop execution due to the debtor's lack of property if the execution debt has not been recovered within five years. At the same time, the Act relieves courts of the number of execution files they are required to keep, even if they are unenforceable. MS SR estimates that thanks to this Act, more than 1.2 mil. executions (approximately 30% of all court executions) will be stopped by 2023.

**From March 2019, the legal regulation of the protection of whistle-blowers came into force.** A new *Office for the Protection of Whistle-blowers* has been set up to co-operate and legally assist whistle-blowers. Its role will be to provide protection to whistle-blowers, to monitor compliance with the proposed Act, to provide expert opinions and advice on the application of the draft act, to raise awareness in the field of whistle-blower protection and to provide remuneration to whistle-blowers.

**A strategy has been developed to detect corrupt behaviour in the implementation of projects from EU funds.** At the end of 2019, the UPVII, in cooperation with the OECD, developed a strategy and action plan to strengthen the fight against corruption and fraud in the field of EU funds. The strategy aims to strengthen the effectiveness of strategies to manage the risks associated with fraud and corruption, to put in place control activities and to identify and assess the risks associated with fraud.

**In order to support the reduction of the administrative burden on citizens and companies, the electronic processes in public administration continued.** For this purpose, there were several amendments to the so-called Act against bureaucracy. In the so-called second wave of measures, natural and legal persons no longer have to submit to the public authorities in paper form any certificates of tax arrears or arrears of health and social insurance. From December 2019, it is not necessary to submit a certificate of school attendance and a certificate of receiving a dependent child allowance.

**In course of 2019, several measures from the three anti-bureaucratic packages were fulfilled.** These mainly include measures from the third anti-bureaucratic package, while 24 were fulfilled from this package. During the past year, a total of 30 of them were fulfilled from all three packages. In total, 67 measures out of the total number of 95 planned were fulfilled. Methodological guidelines and checklists for entrepreneurs have been issued, bringing about a clearer and more transparent application of existing legislation. Various public health regulations have also been amended with the aim to reduce the regulatory burden on businesses in catering and sports facilities. Based on The Once Only Principle, the registration of business entities for income tax based on data from the register of legal entities and natural persons has been automated once and for all. The obligation to issue a certificate of liability insurance has also been abolished. However, construction procedures (part of the first anti-bureaucratic package) have not yet been speeded up or simplified. At the same time, construction proceedings are the worst rated area in Slovakia in the Doing Business ranking.

## **Programme Declaration of the Government of the Slovak Republic for years 2016-2020**

In accordance with the Programme Declaration of the Government of the Slovak Republic for 2016 - 2020, the Government and the Ministry of Economy consider small and medium-sized enterprises to be a key prerequisite for economic growth and development in the regions. In support of improving conditions for SMEs, the Government's goal in 2019

remained with the focus primarily on improving the legislative and administrative conditions, the services provided and creating incentives for business support.

The intention of the Government was to continue creating specific measures to ensure access to SME financing not only through grant programmes, but also by introducing new repayable forms of financing using the Slovak Guarantee and Development Fund and the Slovak Investment Holding. In its Programme Declaration, the Government committed itself to supporting the development of business service centres in an effort to increase the share of employees in the area of services with higher added value. The Government endeavours to continue to create adequate conditions for the active use of the principles of the Small Business Act for Europe Initiative and the Entrepreneurship Action Plan 2020.

An important element of SME support is the systematic monitoring of the business environment in order to identify market failures and assess the effectiveness of implemented support measures. The intention of the government is the creation of conditions for a systematic improvement of the Slovak Republic's position vis-à-vis OECD and EU countries in the assessment of the business environment, for example the position of the Slovak Republic in Doing Business ranking.

In line with the wording of the Programme Declaration, the Government will continue to adopt comprehensive solutions to reduce the administrative burden on business. It is also necessary to improve the quality of approved documents in a transparent legislative process. The analytical basis for the legislative process must objectively assess the level of administrative burden in relation to the effect achieved by the proposed regulation. The government intends to amend the strategy paper for better regulation ("RIA 2020") and to adopt a long-term strategy to reduce the regulatory burden on business in the Slovak Republic.

When transposing European legislation, it is still required to distinguish the content necessarily required by the EU from the content included from own initiative. In order to foster economic growth, the government will take action in relation to the internal market. An important element is the continuing issue of availability of information for business and service recipients on modern means of communication, extending the functionality of the electronic single point of contact, physical single points of contact for business and the use and expansion of the EU internal market information system.

### **3<sup>rd</sup> anti-bureaucratic package of measures**

With a resolution of the Government of the Slovak Republic no. 51/2019 of 6 December 2019 the Government approved the III. package of measures of the Ministry of Economy of the Slovak Republic to eliminate unnecessary bureaucracy in order to improve the business environment. State administration bodies, entrepreneurs, but also analysts cooperated in the creation of measures. The package of measures should contribute to the saving of entrepreneurial expenses, which is estimated at around EUR 50 million per year.

The package contains a total of 36 measures. It focuses primarily on the electronization of services and streamlining the processes of starting a business and opening operations. The measures should bring about a significant simplification of the rules for permitting business and should reduce the burden on entrepreneurs with regards to obligations and the submission of certificates, for example in the field of hygiene or construction procedures.

As of 31.12.2019, a total number of 24 measures have been fulfilled from III. of the anti-bureaucratic package, 8 measures remain unfulfilled, 3 measures are partially fulfilled, and 1 measure is being implemented (the deadline for its implementation has not yet expired).

Helpful measures, in accordance with the Resolution of the Government of the Slovak Republic no. 51/2019, include the following selected approved measures:

- Prepare and publish the so-called checklist of the entrepreneur's responsibilities for the opening of business, in the course of business and during the inspection, as well as a list of the most common breaches and a list of examples of good practice.
- Amend Act no. 177/2018 Coll. against bureaucracy, which will expand the scope of data obtained from information systems by 4 certificates - a certificate of school attendance, a certificate of tax arrears, a certificate of arrears on social and health insurance.
- Simplify the process of registering the landlord and registration of accommodated foreigners.
- To enable employers to issue and deliver a certificate of taxable income, annual settlement of tax advances and a certificate of payment of tax electronically to employees by mutual agreement and ensuring the protection of personal data.
- Introduce the registration of business entities for income tax and assign a VAT number at the tax office automatically on the basis of data from the register of legal entities and natural persons on the creation of the right to conduct business and thus fulfil The Once Only Principle.

Individual adopted measures consist of minor legislative changes. However, such steps also help to reduce the administrative burden on entrepreneurs and improve the business of SMEs in Slovakia.

### **Family business support scheme for 2017 – 2020 (De Minimis Aid Schemes)**

One of the projects under the Programme for the Support of Structural Reforms 2017-2020 is the support of family business in Slovakia. The content of the Family Business Support Scheme (2017 - 2020) of the Ministry of Economy of the Slovak Republic is to raise awareness of family business, including transfers, removing barriers, etc. The aim of the scheme is to support the development of family business and to create suitable conditions for the generational exchange process within family businesses.

In the autumn of 2018, the SBA announced a pilot "Call for applications for support under the Family Business Support Scheme 2017 - 2020", for which EUR 410,000 was allocated. The main goal of the call was to help family businesses to address the issue of succession and generational change, as it is a relatively complex process which significantly affects the operation of the business and the life of the family itself.

After evaluation by the selection committee, the successful business projects of family businesses from all over Slovakia used support without their co-financing in the form of professional consulting services until February 2019. The consulting services were provided by 28 experts - specialized collaborators of the SBA. In total, they provided assistance of 1,990 hours of expert consulting for nineteen approved projects.

### **Better Regulation Strategy – RIA 2020**

The long-term continuous priority of the Government of the Slovak Republic is to facilitate business by eliminating unreasonable regulatory barriers and bureaucracy, which cause additional financial costs or time burden. This effort is part of a broader agenda of better regulation, which is not only aimed at entrepreneurs but through the optimizing of regulatory environment also on all Slovak citizens.

**The Permanent Working Committee of the Legislative Council of the Government of the Slovak Republic for the assessment of selected impacts (RIA Commission)** holds the position of the national coordinator of impact assessment in the Slovak Republic. In terms of the individual phases of the legislative process, the RIA Commission is active in the preparatory phase of regulations (ex-ante). It focuses in particular on the assessment of the quality of the selected impacts clause and the relevant analyses of selected impacts through a preliminary comment procedure (hereinafter "PPK") and a final assessment of selected impacts. It does not deal with the substance and content of the submitted documents.

The opinions of the RIA Commission most often relate to incorrect or insufficient completion of the clause of selected impacts and individual analyses of selected impacts and quantification of the costs that the proposed regulation brings. The RIA Commission also comments on the **non-compliance with the selected impact assessment process, which happened a total of six times in 2019**. The most common example is the submission of regulation to the PPK and at the same time to the interdepartmental comment procedure (hereinafter "MPK"), where the RIA Commission stops the PPK process and applies comments within the MPK, basically with a request for submission for final assessment.

**In 2019, the RIA Commission received a total of 273 materials for assessment**, with 84% of them (228) under the PPK. Of the 228 materials in question sent to the PPK, the **RIA Commission issued 36 approval opinions, 73 approval opinions with comments and 104 disapproval opinions; eight materials were exempted and, as mentioned above and for six materials, the process was terminated due to a procedural breach** (i.e. the material was sent to both the PPK process and the MPK process simultaneously) **and in one instance for another reason**. The applicants requested a shortening of the PPK process for a total of 92 cases. Other 45 materials were sent for final assessment during 2019. The RIA Commission issued 15 approval opinions, 13 approval opinions with comments and 17 disapproval opinions.



## 1.2 Overview of the most significant legislative changes in 2019

Also 2019, a number of legislative changes were passed by legislators. Frequent legislative changes are perceived by entrepreneurs as mostly negative, as monitoring them represents inefficient time spent for entrepreneurs. Top ten Acts (Commercial Code, Business Register Act, Value Added Tax Act, Tax Administration Act, Act on Accounting, Labour Code, Income Tax Act, Electronic Cash Register Act, Health Insurance Act, Act on Social Insurance), which should be regularly monitored by SMEs, as they have a strong impact on them, have been amended 56 times in the past year. While this number of amendments represents an increase, compared to 2018, by 24 newly adopted legal regulations. Amendments of Acts in course of 2018 have brought positive changes in business conditions, but also had a negative impact on SMEs. At the end of the chapter, we give a brief overview of the legislation passed in 2019, which will only become effective the following year.



## Legislation passed in 2018 with effect from 2019

The legislation listed below was approved by the National Council of the Slovak Republic in 2018 but did not enter into force in the monitored period until 01.01.2019. Some of the acts mentioned in this section were also part of the Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2018 (as part of a summary of acts that will become effective in the near future).



### a) Tightening the conditions for doing business in tourism

*The newly adopted Act no. 170/2018 Coll. on package tours, combined tourism services, certain conditions for doing business in tourism and on amendments and supplements to certain acts* came into force on 1 January 2019, and at the same time this Act repeals the original Act no. 281/2001 Coll. on package tours and conditions for business of tour agencies and on amendments to the Civil Code, as amended. The present Act tightened the conditions for doing business in tourism services. According to the Explanatory Memorandum, the general objective of the adopted legislation was to remove ambiguities and gaps in the previous legislation and to ensure a high level of protection for passengers when purchasing tours and associated travel services in accordance with the above-mentioned Directive.

Compared to the previous legislation, a **narrower definition of the concept of a tour package** has been legally established, with both a positive and a negative definition. **Combined tourism services** present another new concept regulated by the Act on tour packages. Up until now it was possible to conclude a contract for the provision of a tour package, after the adoption of the Act on the tour packages it is possible to conclude a **tour package contract** between entities - a **travel agency and a passenger**. The tour operator or travel agency that sells the tour package is **obliged to provide the traveller with information using the appropriate form** set out in the Annex to the Act **before concluding the tour package contract or before submitting an offer** acceptance of which may lead to the conclusion of the tour package contract. The legal obligation in question is intended to enable a passenger to compare the services provided by several travel operators. According to the new version of the Act on tour packages, the time limit for submitting a travel complaint by passengers was extended to two years from the date of the end of the tour package or, if the tour package did not take place, from the day when the tour package was to end under the tour package contract.

### b) A new tax was added

*Act no. 213/2018 Coll. on Insurance Tax and on amendments to certain acts* which became effective from 1 January 2019 introduced a new tax. As the title of the Act indicates, the subject of the regulation is the insurance tax. The Explanatory Memorandum to the Insurance Tax Act states that the reason for introducing insurance tax as indirect tax is the current knowledge, which shows that the levy on non-life insurance premiums introduced from 1 January 2017 is a non-systemic and ineffective measure that causes application problems to insurance companies and unequal treatment in connection with the levy of 8% of the insurance received on the basis of insurance contracts concluded before 01.01.2017 and concluded from that date. The subject of the tax is insurance in the non-life insurance sectors

listed in Annex no. 1 of the relevant Act. Insurance tax does not apply to Mandatory contracting insurance (MCI). **The tax rate from the tax base is 8%** for insurance specified in Annex no. 1 of the Act.

### c) Reduced tax rate

On 23.10.2018 the National Council of the Slovak Republic approved *Act no. 323/2018 Coll. amending and supplementing Act no. 222/2004 Coll. on Value Added Tax, as amended*, with effect from 01.01.2019. This amendment **reduced the VAT rate on accommodation services**. From the original 20% tax rate, the new VAT rate on accommodation was reduced **to 10%**. The reduced tax rate applies not only to hotel and similar accommodation services, but also to accommodation services in student homes or boarding houses services in rooms or accommodation units for workers' dormitories and the like.

### d) Increase in the minimum wage

On 10.10.2018 the Government of the Slovak Republic established by *Regulation no. 300/2018 Coll.* the amount of the minimum wage for 2019: (a) EUR 520.00 per month for the employee remunerated by the monthly wage; (b) EUR 2.989 for each hour worked by the employee, thus continuing the trend of increasing the minimum wage.

### e) More rights for employees

*Act no. 376/2018 Coll. amending and supplementing Act no. 5/2004 Coll. on Employment Services and on amendments to certain acts, as amended, and amending and supplementing certain Acts*, became effective on 01.01.2019. Article 13 of the Labour Code was supplemented with paragraph 5 as follows: **The employer may not impose an obligation on an employee to maintain confidentiality about his working conditions, including wage conditions and employment conditions**. No one shall be persecuted or otherwise sanctioned in the workplace for not maintaining confidentiality about his/her working conditions, including wage and employment conditions. In connection with the above, the provisions of Article 43 par. 4 were supplemented with a sentence, which regulates the **absolute invalidity** of the provisions of the employment contract, which imposes an obligation of confidentiality on the working conditions of the employee. According to Article 43 par. 4 of the second sentence: **The provisions of the employment contract or other agreement by which the employee undertakes to maintain confidentiality of his/her working conditions, including wage conditions and employment conditions, shall be null and void**.

### f) Introduction of holiday vouchers

On 01.01.2019, the *Act No. 347/2018 Coll. amending and supplementing the Act no. 91/2010 Coll. on the Promotion of Tourism, as amended, and amending and supplementing certain acts, including the Labour Code* became effective. The amendment to the Labour Code supplements the new provision of Article 152a, which, by its wording, regulates the **conditions of recreation of employees**. The employer, who employs more than 49 employees, **is obliged to provide the employee with a recreation allowance**. An employer who employs fewer than 50 employees does not have this statutory obligation but can provide a voluntary recreation allowance. The average number of employees employed in the previous calendar year is understood as the number of employees employed. The recreation allowance is available to any employee who applies for an employer's allowance, if such an employee has been working continuously for at least 24 months based on an employment contract.

## g) E-kasa

In 2018, the National Council of the Slovak Republic approved the amending *Act no. 368/2018 Coll. amending and supplementing Act No. 289/2008 Coll. on the use of the electronic cash register and on the amendment of Act no. 511/1992 Coll. of the Slovak National Council on Tax Administration and Fees and Changes in the System of Territorial Financial Authorities, as amended, and amending and supplementing certain acts*. The amendment to the Act entered into force on 01.01.2019, while part of the provisions entered into force only on 01.04.2019. This amendment to the Act on the Use of Electronic Cash Registers is intended to **ensure the online connection of all electronic cash registers to the financial administration portal, the so-called e-kasa system**. According to the Explanatory Memorandum, e-kasa is a real-time revenue and cash register system which enables online cash registers as well as virtual cash registers to be integrated into the central financial administration database, sending real-time data as well as an off-line mode.

The e-kasa system will represent a reduction in the administrative burden for the procurement of hardware, a reduction in operating costs, a continuous transition between accounting days, data export to simplify VAT reporting, data availability during archiving. The e-kasa system is intended to help combat tax evasion by circumventing the compulsory registration of sales in the cash register. The amendment to the Act applies to entrepreneurs who pursuant to the meaning of Act no. 289/2008 Coll. are obliged to keep records of receipts from the sale of goods or services in the cash register and it also applies to importers and distributors of cash registers.

While before the amendment came into force, the entrepreneurs had the opportunity to choose to connect to financial management systems (in the form of a virtual cash register) voluntarily, after the change, an online connection to financial management should be mandatory. E-kasa represents a modern online solution with benefits for entrepreneurs. The cash register can be not only classic ERP, but also a tablet, mobile phone, computer or VRP. **The obligation for the entrepreneur to start using the online cash register was established from 1 July 2019.**

On 19 June 2019, the National Council of the Slovak Republic approved an amendment (No. 188/2019 Coll.) to the Act on the Use of the Electronic Cash Register. The wording of the amendment entered into force on 1 July 2019, and it included the postponement of the imposition of fines for non-connection to the e-cash register system. The reason for the postponement was the unfinished process of transformation by entrepreneurs, due to technical problems and the inability to fulfil the obligation. Until 31 December 2019, the tax office or customs office could not impose a fine for not using the online cash register on an entrepreneur who uses an electronic cash register to record sales if the client requested the assignment of an e-cash register code no later than the effective date of this Act.

## h) Changes in public procurement

*Act no. 01.01.2019 Coll. amending and supplementing Act no. 345/2018 Coll. on public procurement and on amendments to certain acts, as amended, and amending and supplementing certain Acts*, became effective on 01.01.2019. It was a relatively extensive amendment to the Act on Public Procurement. The amended wording of the Act on Public Procurement was supplemented by the provision of Article 1 par. 14. Pursuant to this provision, the **Act on Public Procurement does not apply to a contract estimated value of which is less than EUR 5,000** during a calendar year or during the term of the contract if the contract is concluded for a period longer than one calendar year. With this wording of the

provision of Article 1 par. 14 of the Act on Public Procurement, small-scale contracts were deleted from the public procurement process.

The provision of Article 5 par. 3 and 4 of the Act on Public Procurement was changed with **the increase of financial limits for civil sub-threshold contracts**. Regarding the **length of retention of documentation** related to public procurement, the period was extended from the original 5 years to 10 years (from the conclusion of the contract). The amendment **changed the definition of the electronic marketplace**. After changing the definition, it is not possible to award contracts for the execution of construction works via the electronic marketplace.

The changes occurred in the provisions of Article 49 of the Act on Public Procurement entitled submission of tenders. As a result of the introduction of electronic public procurement, the amendment in question abolished the original Article 49 par. 5 of the Act on Public Procurement, which **removed the so-called two-envelope system**. The **dynamic purchasing system** regulated by the provision of Article 58 of the Act on Public Procurement has been changed, while the amendment clarified its definition and at the same time other following provisions (Article 59 to Article 61 of the Act on Public Procurement) concerning the dynamic purchasing system were amended.

There have also been several changes in the provisions governing the award of sub-threshold contracts (Article 108), sub-threshold contracts using the electronic marketplace (Article 109), sub-threshold contracts without the use of the electronic marketplace (Article 112), and the award of low-value contracts (Article 117). Pursuant to the new wording of the provision of Article 164 par. 3 of the Act on Public Procurement, the **request for correction is delivered**: a) in electronic form by the functionality of the information system, b) in paper form, if the information system does not allow the delivery of the request for correction according to letter a).

#### i) Modification of conditions in the area of taxi service business

On December 6, 2018, the National Council of the Slovak Republic approved *Act no. 9/2019 Coll.*, which amends *Act no. 56/2012 Coll. on road transport as amended (hereinafter referred to as the "Road Transport Act" or the "Act")*. The Act entered into force on 01.04.2019. The new legislation introduces extensive changes in the operation of the taxi service.

According to the explanatory memorandum, the aim of the adopted Act was to **create more suitable conditions in the area of taxi service business**, to take measures aimed at preventing the illegal way of doing business in the taxi service and to ensure more effective control in this area. The amendment also responds to new trends in the field of collaborative economics and supports the use of digital platforms in business in the field of passenger transport.

The amendment to the Road Transport Act defined new terms such as: **taxi service** or **dispatch**. For the purposes of this Act, dispatch means the **mediation of passenger transport services** by vehicles with **maximum occupancy of nine persons, including the driver, by telephone, digital platform or otherwise**.

Only the holder of a concession according to the Road Transport Act may operate a taxi service. **The concession** entitles the carrier to offer transport services and to conclude contracts for the carriage of passengers. It is granted for a period of **ten years** unless the applicant has requested a shorter concession period. The concession is permanently **non-transferable** to another person.

The operation of the taxi service has thus become more accessible, as the obligation to prove **financial reliability has ceased to exist**, while before the amendment took effect, it was necessary to prove financial reliability in the amount of EUR 1,000 for each vehicle. The condition of **professional competence**, which had to be proved in order for the applicant to obtain a concession, **was also abolished**.

The amendment to Act no. 9/2019 Coll. **abolished the condition of the minimum period of driving license possession** (originally 3 years). The minimum age of a taxi driver was also abolished (originally - 21 years), and at the same time the condition of **professional competence was abolished**.

Pursuant to the Act in question, taxi services may use a fixed or removable roof sign with the word **TAXI in any colour** other than blue, red or orange to mark the vehicle. Until now, taxi services could use the roof sign with the inscription TAXI only in yellow. **The motor vehicle of the taxi service does not have any age restriction** according to the amendments. Before the amendment it was not allowed to provide a taxi service using a motor vehicle older than eight years.

The legislation also affected the taximeter - **if the price for transport is determined on the basis of distance or time, the taxi vehicle must be equipped with a functional taximeter** - which meets the requirements for specified meters, allows the passenger to monitor the instantaneous fare during transport and which issues a receipt. **Taxi vehicles do not have to have a taximeter if the price of transport has been paid in advance.**

**The transport regulations** must be published on the website of the taxi operator or dispatch company, if established by the taxi operator or dispatch company, or must be available in the vehicle or must be available via a digital platform if the taxi is operated via a digital platform.



## Legislation passed in 2019 with effect from 2019

The legislation listed below was approved by the National Council of the Slovak Republic in 2019 but did not enter into force in course of 2019.



### a) Introduction of the term guaranteed electronic invoice

*Act no. 215/2019 Coll. on guaranteed electronic invoicing and the central economic system and on Amendments to certain acts* entered into force on 01.08.2019. The reason for the adoption of the act was the transposition of Directive 2014/55 / EU of the European Parliament and of the Council of 16 April 2014 on electronic invoicing in public procurement. The content of this Act is to regulate the following: the requisites of a guaranteed electronic invoice; guaranteed electronic invoicing procedure; the establishment of an electronic invoicing information system and the conditions for its use; central economic system and its use.

The Act on guaranteed electronic invoicing introduced a new term "guaranteed electronic invoice" into the legal order, which must be distinguished from the term "electronic invoice", which is regulated by the VAT Act. According to the provisions of Article 2 of Act no. 215/2019 Coll. **guaranteed electronic invoice** means a document in electronic form, which contains the requisites pursuant to Article 2 par. 2 of the Act, is prepared in the data

structure and format of the electronic document pursuant to this Act and the generally binding legal regulation issued by the Ministry of Finance pursuant to Article 10 (a) and issued and received through the invoicing system.

The Act in question distinguishes between the terms "**guaranteed electronic invoice**" as **an institute** and "**guaranteed electronic invoicing**" as **a process**. Pursuant to the provisions of Article 4 par. 1 of Act no. 215/2019 Coll. **guaranteed electronic invoicing** means a **procedure** consisting of the stage of **preparation** of a guaranteed electronic invoice, **issuing** of a guaranteed electronic invoice by the supplier and **receiving** the guaranteed electronic invoice for the purposes of its further processing.

**The wording of the newly adopted act applies to entrepreneurs who trade with public administration** (successful bidders from public procurement). At the same time, the legislation will also affect entrepreneurs acting as subcontractors of companies that have been successful in public procurement. The obligation to issue a guaranteed electronic invoice will apply to those economic entities which will be in the position of subcontractors if the financial performance is provided to the subcontractor directly by the contracting authority or entity.

It follows that the Act regulates the relationship between contracting authorities / entities, where, for example, one public administration body may invoice another institution (**G2G**) and between suppliers and contracting authorities / entities, where an invoice is issued by a **legal entity supplying goods or services (B2G)**.

#### **b) New Act on unfair terms in the food trade**

The National Council of the Slovak Republic approved **Act no. 91/2019 Coll.** on *unfair conditions in the food trade and on amendments to certain acts* with the Act entering into force on 01.05.2019. **Unfair conditions are the result of the abuse of economic power by one of the parties to the business relationship.** These can include for example requiring, agreeing or applying unilaterally advantageous business conditions, most often in the form of various monetary benefits or non-monetary benefits of the supplier beyond the agreed purchase price or in the form of discounts on the purchase price, which clearly benefit the customer and conversely, significantly weaken the supplier. The abuse of a stronger position in the business relationship and the practice of applying unfair terms may have a negative impact on the food supply chain as such and may also affect final consumers.

This Act, as amended, regulates the following: the definition of unreasonable conditions in the food trade, the control of unfair conditions and liability for breach of obligations established by this Act. The Act on unfair conditions in the food trade prohibits the use of these conditions in contracts and the same applies to their unilateral demand by one of the parties. The provision of Article 3 of the Act regulates more than 40 unfair contractual conditions. Pursuant to paragraph 1 of the provisions of Article 3, **the Act prohibits the requirement, agreement or application of an unfair condition between the parties to a business relationship.** With regards to the contracts concluded between the participants in the business relationship before 1 May 2019, the participants in the business relationship were obliged to ensure compliance with this Act by 30 September 2019.

#### **c) Corporate scholarships**

**Amendment no. 155/2019 Coll.** effective from 01.07.2019, amended the *Act no. 131/2002 Coll. on Higher Education Institutions and on Amendments to Certain Acts* with the provisions of Article 97a regulating the conditions for providing corporate scholarships. Pursuant to the above-mentioned amendment, **the university may enter into an agreement**

**with an entrepreneur on a scholarship programme** for the provision of corporate scholarships. **The purpose of a corporate scholarship** is to support study in selected study programmes or motivation to choose a particular topic of the final thesis. The average monthly amount of a corporate scholarship awarded to a student in one academic year may not exceed four times the amount of the subsistence level of one adult natural person.

#### **d) Reduction of administration**

*Act no. 221/2019 Coll.* resulted in an amendment to *Act no. 177/2018 Coll. on certain measures for reducing administrative burdens by using public administration information systems and on amendments to certain acts (Anti-Bureaucracy Act)* and amending certain acts. In connection with the adoption of other measures which reduce the administrative burden on natural and legal persons, it was possible to amend the Act against bureaucracy. As of September 1, 2019, the start of functioning of public administration information systems abolished the obligation of natural and legal persons to submit the **following extracts from the register: foundations, civic associations, non-investment funds, non-profit organizations, organizations with an international element and confirmation of school attendance** to state and public institutions. As of December 1, 2019, other obligations to submit certificates were abolished, namely: **a certificate of tax arrears, a certificate of customs arrears and a certificate of arrears on health insurance.**

#### **e) Extensive amendment to the Act on the Register of Partners**

*Act no. 315/2016 Coll. on the Register of Public Sector Partners and on amendments to certain acts* underwent a relatively extensive amendment (Act No. 241/2019 Coll.), which attempted in the provision of Article 2 par. 1 of the Act to more clearly define the entities to which this Act applies. According to the explanatory memorandum, the amendment aimed to redefine the term "**public sector partner**". **Some entities were excluded from the scope of the Act** (e.g. financial sector entities, subcontractors who supply goods or services, acquire property, property rights, other property rights from a health insurance company, companies doing business in the energy sector). According to the Act on the Register of Public Sector Partners, everyone who trades with the public sector and receives funds from the state budget is obliged to identify the authorized person, verify and enter in the public register their end users of benefits - natural persons who benefit from these trades.

The amendment to the act in question responds to the shortcomings revealed by application practice. A new concept of "**public undertaking**" has been introduced. The change in the Act also introduced the so-called **value of the contract**, which represents the value of the performance which gives rise to the obligation to register the entrepreneur. Pursuant to the provisions of Article 2 par. 2 of this Act, it is a negative definition of a **public sector partner, and it does not mean the one to whom a one-time performance under the contract is to be provided, the value of which does not exceed the value of EUR 100,000**. According to Article 2 par. 3 of the Act, **a public sector partner does not mean the one to whom several partial or recurring performances under the contract are to be provided, the total value of which does not exceed EUR 250,000**.

The entrepreneur must be **registered continuously, throughout the period of receiving public funds**. In order to eliminate excessive administration for public sector partners, the amendment **simplifies the process of verification and registration of end users of benefits**. Pursuant to the amendment, entities which do not register their end-users of benefits, do not have to register all members of the top management, it is sufficient to register only the statutory body. In practice, situations have occurred where end-users of benefits have been registered in both the commercial register and the register of public sector partners. The

amendment to the Act removed the above-mentioned duplication of registration, while those who are registered in the register of partners are no longer obliged to register the real owners in the commercial register.

#### **f) Promoting the use of vehicles powered by alternative fuels**

*Act no. 298/2019 Coll., amending and supplementing Act no. 71/2013 Coll. on the provision of subsidies within the competence of the Ministry of Economy of the Slovak Republic, as amended*, entered into force on 01.11.2019. The amendment to the Act aims to extend the provision of subsidies to the area of support for the use of vehicles powered by alternative fuels. The intention of the legislative change is to support the purchase of new vehicles powered by alternative fuels. **The eligible subsidy applicants** include the following: natural persons - non-entrepreneurs, **natural persons - entrepreneurs, legal entities, municipalities or higher territorial units and organizations established by them**.

The condition for the provision of the subsidy is the obligation of the applicant to register the vehicle in the register of vehicles according to a special regulation and the operation of the vehicle for at least two years from the provision of the subsidy. **The subsidy may be provided for a vehicle** according to paragraph 2 up to the amount of: a) EUR 10,000 in the case of vehicles M1 and N1 categories, b) 25% of the total purchase price of the vehicle excluding vehicles M1 and N1 categories, c) 35% of the total purchase price of vehicle, if the applicant has simultaneously removed from the vehicle register a vehicle with an internal combustion engine older than 15 years and this subsidy has not already been provided to the applicant for another vehicle.

#### **g) Introduction of depositing of the single-use packaging**

Newly adopted *Act no. 302/2019 Coll. on the depositing of single-use packaging for beverages and on the amendment of certain Act*. According to the wording of the explanatory memorandum to the Act, the Ministry of the Environment of the Slovak Republic prepared a draft of this Act, which seeks **to introduce a system of depositing of single-use beverage packaging** and thus achieve goals set at the European level and increase the quality of the environment for the citizens of Slovak Republic. In addition, packaging is not biodegradable, disrupts the ecosystem in long-term, can float on the surface and reduces the aesthetic value of the area. The wording of certain provisions of the Act regulating the creation of the administration of the depositing system entered into force on 01.12.2019. The full wording of the Act will not enter into force until 01.01.2022, while these are the provisions governing the actual introduction of depositing of the single-use packaging.

The subject of the legal regulation of the Act includes, among other things, **the establishment of the rights and obligations of legal entities and natural persons (producers and distributors of packaging)** in the depositing of single-use packaging for beverages. **Depositing system** means a set of organizational, administrative, financial, information and other related measures taken by the administrator to recover a deposit paid by the end-user of the packaging at the time of purchase of the goods, the packaging of which is subject to the deposit, with the aim to dispose of packaging waste in accordance with priorities of the waste management. The depositing system for single-use packaging applies to plastic beverages (bottles with a capacity of 0.1 l to 3 l inclusive) and single-use packaging for metal beverages (cans with a capacity of 0.1 l to 3 l inclusive). An implementing Decree of the Ministry of the Environment of the Slovak Republic no. 347/2019 Coll. was approved in connection with the Act and this Decree implements certain provisions of the Act on the depositing of single-use packaging for beverages.



## Legislation passed in 2019 with effect from 2020

The legislation listed below was approved by the National Council of the Slovak Republic in 2019 but did not enter into force in course of 01.01.2020. These Acts significantly change the existing legislation.



### a) Relieving the courts by stopping certain executions

A new *Act no. 233/2019 Coll. on the termination of certain execution proceedings and on the amendment of certain Acts* was approved by the National Council of the Slovak Republic on 26.06.2019 and entered into force on 01.01.2020. Pursuant to the explanatory memorandum the reason for the adoption of this Act is **the need for an effective solution to the problem of conducting some distraint executions in which the debtor's property is not seized or the execution is not stopped, even though the debtor is poor**. One of the main problems of Slovak courts lies in **the large number of pending distraint executions cases**, which must be resolved by extraordinary legislative intervention in order to speed up the whole process of relieving courts from distraint executions cases. The courts of the Slovak Republic currently have about 2.6 million so-called "old" distraint executions (execution proceedings conducted according to the regulations effective until 31 March 2017), in which the creditor does not usually propose the cessation of execution (does not agree with its cessation) mainly due to the risk that he will have to bear the costs of the executor compensation.

The subject of the legal regulation of the Act is to regulate the procedure for terminating execution proceedings initiated before 1 April 2017 and conducted in accordance with regulations effective until 31 March 2017 and the specificities of the procedure for filing a re-application for execution. The Act further regulates the conditions for stopping an old execution, lists executions that cannot be stopped, defines the term old execution and the decisive period. The Act further regulates the conditions for extending the decisive period, filing a re-petition, the costs of the old execution, objections to the notification of the suspension of the old execution and others.

### b) Reduction of the income tax rate

By changing *the Act no. 595/2003 Coll. on income tax, as amended*, approved under no. 315/2019 Coll. on September 18, 2019, **the corporate income tax rate was reduced from the original 21% to 15%**. The amendment will also affect **self-employed persons, whose income tax rate will also be reduced from the original 19% to 15%**. The tax reduction applies to both of these entities, whose **annual income does not exceed EUR 100,000**.

### c) Increase in the non-taxable part of the tax base

The amendment (Act No. 316/2019 Coll.) caused that from 1 January 2020 the amount of the **non-taxable part of the tax base was increased** from the original 19.2 times the amount of the subsistence minimum (representing the amount of EUR 4,035.84) to 21 times the amount of the subsistence amount (representing EUR 4,414.20). The increase from 19.2 to 21 times the amount of the applicable subsistence minimum resulted in an increase in the non-taxable part of the taxpayer's tax base by EUR 378.36. The amendment also contributed to

change of the limit for determining the non-taxable part of the taxpayer's tax base to **92.8 times** (representing the amount of EUR 19,506.56) the amount of the applicable subsistence minimum (from the original 100 times the amount representing EUR 21,020).

#### d) The employment of a family member will not be illegal

*Act no. 82/2005 Coll. on illegal work and illegal employment and on amendments to certain acts, as amended*, and its amendment no. 320/2019 Coll. contributed to improving the business conditions of family businesses. The basis of the adopted amendment to the Act on illegal work includes the **legal regulation of the employment of a family member without the conclusion of a proper employment relationship**. Before the entry into force on 01.01.2020 the legal regulation allowed the employment of family members without compensation of wages for the work performed only to self-employed persons. Amendment of Act no. 320/2019 Coll., **extended this possibility also for the partners of s.r.o., meaning the natural persons and at the same time the only partner of s.r.o.**

In order to achieve the purpose of the Act, it is necessary to meet certain conditions. It follows that: **the relative must be socially secure**, i.e. either a pensioner, insured for pension or a pupil/student up to 26 years of age; **these will only include family members belonging to the following groups of persons**: a) **a relative in the direct line** - child, parent, grandchild, grandparent, but does not apply to persons in the position of father-in-law, brothers-in-law; b) **sibling** - it is not decisive whether the siblings have only one or both common parents; c) **spouse** - it can also be a spouse who does not live in the same household or the spouses are in divorce proceedings.

**For the employer, the administrative burden on the employee will be reduced**, as no employment contract or any of the agreements is concluded. At the same time, the employer does not have to pay a family member's salary and **therefore does not pay levies or taxes**. The Act does **not limit the number of such employees**, even in relation to the total number of employees. If the above legal conditions are met, it will not be considered illegal work for family members. Otherwise, a breach of the prohibition of illegal employment risks imposing a fine in the amount specified by the Act.

#### d) Increase in the amount of the minimum wage

The amount of the minimum wage will also increase in 2020. By adopting the *Regulation of the Government of the Slovak Republic no. 324/2019 Coll. on the minimum wage for 2020*, the amount of the minimum wage for 2020 was set at: (a) EUR 580.00 per month for the employee remunerated by the monthly wage; (b) EUR 3.333 for each hour worked by the employee.

#### f) Change in the criteria for the obligation to have financial statements verified by an auditor

Act no. 363/2019 Coll. contributed to the amendment of *Act no. 431/2002 Coll. on accounting as amended*. The adopted amendment, effective from 01.01.2020, changed the criteria for the assessment of companies, which are subject to the legal obligation to verify the financial statements by an auditor. **The size criteria have changed**. Ordinary individual financial statements and extraordinary individual financial statements must be audited by an accounting entity: a) which is a company and a cooperative, if at least two of the following conditions are met on the date on which the financial statements are prepared and for the immediately preceding accounting period: first condition - **the total amount of assets exceeded EUR 2,000,000** (from the original EUR 1,000,000), while the amount of assets

means the amount of assets determined from the balance sheet in the valuation not adjusted for items according to Article 26 par. 3, the second condition is that the **net turnover exceeded EUR 4,000,000** (from the original EUR 2,000,000), and the third condition is that the average recalculated number of employees in one accounting period exceeded 30.

The amendment also brought a change **in the range of companies** for which it is necessary to monitor compliance with the criteria. From this year, there is also **an obligation for a public trading company and a limited partnership**. Until now, this obligation only applied only to: cooperative, a.s., j.s.a. and s.r.o.

### **g) Several significant changes in the field of social entrepreneurship**

Extensive amendment to the *Act on Social Economy and Social Enterprises - Act no. 374/2019 Coll.* and on the amendment of certain Acts was approved on 16.10.2019. In accordance with the wording of the explanatory memorandum to the Act, the primary objective of the amendment was to supplement the legislation of the social economy sector and create suitable conditions for the development of social economy and bring benefit for the purpose of increasing the employment. In addition, it also aimed to adjust a socially acceptable support system and will fully comply with state aid rules.

The amendment is intended **to eliminate specific application problems** in the application of the Act, such as **clarifying the definition** of how to demonstrate the disadvantage a person with a disability who is not recognized as disabled but has a long-term disability which reduces his or her physical, mental and sensory abilities hindering the full involvement in the work environment (e.g. a person with an autism spectrum disorder). The provision of Article 2 par. 4 of Act no. 112/2018 Coll. **the definition of socially beneficial service has been extended** by letter j), which also includes the provision of financial resources to social economy entities for the performance of a socially beneficial service according to letters a) to i).

The concept of a company with a social impact has also been **redefined so that** more entities can meet the conditions set for a company with a social impact as an "intermediate step" to meet the conditions specified for a social enterprise. The amendment **reduced the percentage of employment of the mix of disadvantaged and vulnerable people from 40% to 30%** in the integration company. **The definition of a positive social impact for the social housing enterprise has been clarified.**

### **h) Establishment of the possibility of providing investment aid in tourism**

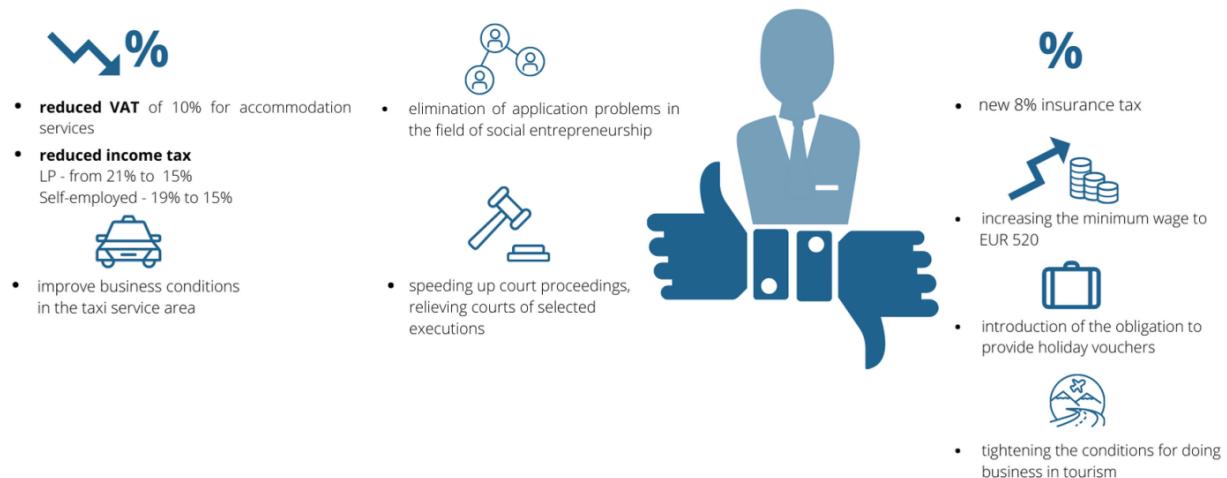
*Act no. 91/2010 Coll. on the promotion of tourism, as amended, has undergone another change.* The adopted legal amendment no. 399/2019 Coll., effective from 01.01.2020, legally established the term **investment plan**, which is considered to be an initial investment project aimed at building a new comprehensive tourism centre or expanding an existing comprehensive tourism centre (Article 2 letter e) of the Act no. 91/2010 Coll.).

The amendment to the Act contributed to the adjustment of the general conditions for the provision of investment aid to support the implementation of an investment plan in tourism in the territory of the Slovak Republic. Pursuant to Section 27b of the Act, **the investment aid** is provided to support the implementation of an investment plan in tourism in the territory of the Slovak Republic in the form of: a **subsidy** for tangible and intangible fixed assets, **income tax relief, contribution to new jobs created, transfer of real estate or lease** of real estate below the value of real estate or lease of immovable property determined by an expert opinion. The recipients of investment aid can include a **natural person - entrepreneur or legal entity** established for the purpose of business.

**The general conditions** specified in the Act (Article 27d) **for the provision of investment aid for tourism include:**

- a) **acquisition of new technological equipment**, which are intended for the provision of services, in the amount of at least 40% of the total value of acquired long-term tangible assets and long-term intangible assets according to Article 27e par. 1a and 1b,
- b) **acquisition of long-term tangible assets and long-term intangible assets** according to Article 27e par. 1a) and b) in the **amount of at least EUR 10,000,000**, while at least 50% must be covered by the equity of a legal entity or the property of a natural person - entrepreneur,
- c) **services, activities, processes, buildings or facilities meeting the conditions for environmental protection** according to special regulations,
- d) the implementation of the investment plan leads to the **creation of a specified minimum number of new jobs**,
- e) the investment plan is implemented in one place, while one place of implementation of the investment plan is considered to be the sum of real estates, which form one company plot of land,
- f) work on the investment plan did not start before the application for investment aid was submitted to the Ministry.

The above amounts of aid and the percentages of own resources vary depending on the districts and unemployment rates in the districts in which the investment aid is to be granted. There is no legal entitlement to investment aid. The Ministry of Transport and Construction of the Slovak Republic provides decisions on the applications for the provision of investment aid. More detailed information is regulated by the wording of the Act.



### 1.3 Proposals for decreasing the regulatory burden in favour of SMEs

The purpose of the section of the *Report on the State of Small and Medium Enterprises in the Slovak Republic in 2019* aims to convey draft measures to improve regulation in favour of SMEs. Despite the efforts of the BRC, in particular in the form of substantive remarks within the preliminary comment procedure, it can be stated that the trend of insufficient quantification of the costs / savings of regulation by the submitters continued in 2019. Submitters quantified the costs of regulation in only 37 unique business impact materials,

which, with a total of 123 unique business impact materials submitted, represents just over 30%. The total costs for the business environment for the 37 unique materials was approx. EUR 144,04 million. The total savings amounted to approx. EUR 35,38 million. Thus, the net costs for the business environment (including administrative costs) in these cases was approximately EUR 108.66 million. However, this figure represents a very distorted view of the total costs of the submitted documents, and it is therefore necessary for the submitters in the future to make substantially greater efforts to quantify the costs of regulation.



The BRC sees the following areas in which reduction could occur for the regulatory burden. The BRC therefore proposes concrete measures:

#### A) Better regulation for SMEs



The principles and recommendations formulated by BRC in part A, based on the experience of its day-to-day activities and cooperation with relevant business organizations representing SMEs should be adopted by all regulators to be an acceptable system of rules for SMEs. Many of these recommendations are part of the strategic document RIA 2020 - Strategy of Better Regulation from the workshop of the Ministry of Economy of the Slovak Republic. These principles and recommendations are classified as follows: a) in terms of the process of applying better regulation rules; b) in terms of their content; c) in the light of existing initiatives which include a collection of measures which have resulted from practice and the application of which is a precondition for eliminating the administrative and other burden on SMEs. In part B the focus is put on the specific content proposals, in case of clear responsibility, the relevant regulator is mentioned.

##### a) In terms of process<sup>3</sup>

- clearly formulate the content of the **preliminary information** to make clear the intention of the regulator as to the potential for impacts on SMEs,
- carry out **consultations** with stakeholders and take their suggestions into account, accept compromises, perceive the consulting SMEs as equal partners in drafting regulation,
- in the **Analysis of the impact on the business environment** determine which of the size categories of enterprises will be affected by the proposed material and to quantify the approximate number of affected entrepreneurs using available statistics, records and data,

<sup>3</sup>From the moment of the idea to amend the regulation to the assessment of its effectiveness after a certain period from the entry into force.

- in the context of introducing new obligations for businesses, consider the obligation to introduce **simplified schemes for SMEs** (e.g. in the form of exemptions from obligations, transitional periods, reduced rates, simplified forms, etc.),
- in case of proposal for a new obligation or stricter existing obligation, propose removal or simplification of another existing obligation or more obligations corresponding to the amount of the burden (the **principle of one in, one out** - accept one, cancel one),
- avoid implementation of EU directives beyond their minimum framework, i.e. not creating unnecessary expanding obligations (the so-called unjustified gold-plating effect),
- extend the rules of the better regulation agenda also to the regulation adopted on the basis of the legislative initiative of deputies and committees of the **National Council of the Slovak Republic** (e.g. mandatory Business Environment Impact Analysis, opinion of the Impact Assessment Commission),
- **introduce a SUNSET clause** (i.e. automatic assignment of expiration to regulations affecting the business environment) and the related obligation to perform **ex post assessments** of regulations affecting business after a certain period (e.g. 3-5 years).

#### b) In terms of content<sup>4</sup>

- the need to **amend the Unified Methodology for the Assessment of Selected Impacts, the Rules of Procedure of the National Council of the Slovak Republic and the Legislative Rules of the Government of the Slovak Republic** in order to fulfil most of the tasks in point a),
- technically ensure the **full functioning of the Slov-lex portal** (e.g. impossibility to change the date, arbitrary download of already uploaded documents, improvement of search filters, introduction of the change tracking mode, etc.),
- **implement all the ambitions of the RIA 2020 project**, including support for building analytical capacities in individual ministries or creating a register of regulations (which would also include a so-called decision tree tool, and through which every entrepreneur would get a practical and easy overview of regulations which apply to his/her business),
- perform the **audit of validity and adequacy of all obligations arising from the regulation of entrepreneurs**, quantify the total costs associated with their fulfilment, make international comparisons in disputed areas and get inspired by best practices from abroad and then eliminate all obligations that are disproportionate (as in relation to the purpose these cause a disproportionate administrative or financial burden on businesses).

#### c) In terms of previous initiatives

- fulfilment of specific measures approved by the previous government in the form of **3 anti-bureaucratic packages**, within which in many cases the deadlines were not met, or only partial solutions were adopted, as well as the approval and subsequent implementation of the already prepared 4th anti-bureaucratic package,
- control of the fulfilment of tasks of individual ministries and ÚOŠS which resulted from the gold-plating audit,
- resolving comments from the business community sent for the **Bureaucratic Absurdity** survey for several years now and evaluated by representatives of the business community and experts on better regulation - so far 30% of complaints from the TOP 10 ranking in the period of 8 years of the survey have been resolved.

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<sup>4</sup>To ensure the functioning of better regulation rules through these institutes.

## B) Specific proposals for regulatory change



### a) Labour law and employment

- complete the liberalization of the occupational health service by removing the last remains of the gold-plating effect (MZ SR),
- adopt a compromise in the payment of overtime, for work on Saturday, Sunday and public holidays for all SMEs without exemption by way of exemption from tax and levy (up to a certain amount / increased or newly established / in full) (MPSVR SR),
- remove the confusing legal regulation of the employee's registration in the Social Insurance Company within 7 days from the commencement of the activity in relation to the performance of control and the possibility of imposing a fine (MPSVR SR),
- abolish the obligation to deregister as an employer from the Social Insurance Agency in the event that the employer no longer has any employee (MPSVR SR; SP),
- extend the deadline for fulfilling the employer's obligation to submit to the Social Insurance Agency a pension insurance record sheet to 30 days from the end of the employment relationship (MPSVR SR),
- specify the obligation to document the power of attorney for the equipment of electronic communication with the Social Insurance Agency so that the SP does not require it verified beyond the scope of the law (SP),
- abolish the obligation to submit, after an inspection, a report to the Social Insurance Agency on the implementation of measures to eliminate the identified deficiencies and their causes (SP),
- abolish the restriction of the possibility of being a contract worker and registered at the Labour Office at the same time in the period of 40 calendar days per year with one employer (MPSVR SR),
- adequately reduce the license fee in the event of an employee leaving the maternity leave or parental leave after being informed by the Social Insurance Agency (MK SR; RTVS; SP),
- remove the prohibition of the contract workers to programme, photograph, create graphic works, professional texts or other copyrighted works (MPSVR SR).
- mitigate the consequences of illegal employment, for which the entrepreneur is punished by a double fine, as well as the consequences resulting from the 5-year entry in the Central register of illegal employers (MPSVR SR),
- abolish the obligation of the entrepreneur to identify whether the employees of its supplier do not perform illegal work (MPSVR SR),
- resolve discrepancies in the area of mandatory recreational vouchers in case of more than 50 employees (e.g. potential threat of unjustified tax relief for claims for an employee with different employers in the same calendar year) (MPSVR SR),
- abolish the obligation of the employer to report a vacancy (MPSVR SR),
- abolish the obligation to submit a notification on behalf of the employer on the establishment, change and termination of the employer to the health insurance company,

the necessary data about the employer, in addition to the account number, are included on the monthly reports (MPSVR SR).

#### **b) Taxes and accounting**

- re-introduce the expenditure up to EUR 500 for occasional work into the costs (MF SR),
- resolution of the tax-levy burden in the case of concurrence of trade and dependent work (if SEP does business in a secondary activity, i.e. especially in addition to primary employment - dependent activity, from the income of which the levies are already paid - this fact should be reflected in a favourable formula for calculating contributions (MF SR; SP; MPSVR SR),
- reduce the annual rate of levy on heavy trucks, i.e. motor vehicles or combinations of vehicles intended exclusively for the carriage of goods by road with a maximum permissible laden weight of at least 12 tonnes, closer to the minimum rates set by EU legislation (MF SR),
- reduce the obligatory period for archiving accounting documents from the current 10 years to at least the original 5 years, as entrepreneurs incurred additional costs by implementing this measure (MF SR),
- remove a pointless request for a refund of overpayment of tax and reduce the frequency of requests for remission of the obligation to pay tax advances (MF SR),
- enable the recording of a tax loss when renting real estate (MF SR),
- abolish the obligation/extend the deadline for notifying the termination of the application of the special VAT application regime on the basis of received payments (MF SR).

#### **c) Commercial law**

- allow the use of raw materials from small growers for business (MPRV SR),
- adjust the consequences of withdrawal from the contract for the seller in the case of the sale of goods on the basis of a distance contract (MH SR),
- abolish the obligation to list 50% of Slovak food in advertising materials, as this is in conflict with the free movement of goods and services (MPRV SR),
- introduce the possibility to interrupt the trade for at least 1 month or indefinitely (MV SR),
- abolish the condition for the owners of nurseries to have a university education and barrier-free operation (MŠVVaŠ SR).

#### **d) Excessive bureaucracy, disproportionate financial burden and legal uncertainty**

- significantly liberalize the illogical obligation to report accommodated foreigners within 5 days of accommodation to the Foreign Police, which, apart from excessive administrative burden, does not bring the desired purpose, as the average period of accommodation is less than 5 days (MV SR),
- simplify the process of assessing applications for indirect forms of business support (MH SR),
- reduce the regulatory burden on business entities by setting up automatic creation, change or termination of the license fee by RTVS (MK SR, RTVS),
- deal with the situation in the exchange of ID card with an electronic chip when the temporary document cannot be used for login into the electronic mailbox (MV SR),

- eliminate the obligation of the entrepreneur to report each company based in the same premises for the purpose of ensuring hygiene separately and to pay EUR 50 for each company (MZ SR, Public Health Authority),
- remove the obligation to apply for a permit with a municipality if the employer wants to give the employee a pallet for domestic use (MŽP SR),
- abolish duplicate information obligations when posting employees abroad (MPSVaR SR, National Labour Inspectorate),
- clarify the obligations in the area of waste management and to re-evaluate their justification towards entrepreneurs who produce a minimum of waste in their business activities (MŽP SR),
- where the "Once Only" principle has not yet been applied by public administration authorities for the entrepreneurs, to fully implement it (e.g. some notifications to the Social Insurance Agency, health insurance companies, COLSAF SR, executors, post office, cadastre office, commercial register, etc.) for the purpose of adequate application of the Act on e-Government and the Act Against Bureaucracy, and thus significant administrative relief for entrepreneurs (ÚPVII SR),
- avoid conflicting regulations (e.g. absence of the obligation to have a stamp and its subsequent punishment by the Slovak Environmental Inspectorate fine, insistence of the Labour Inspectorate on compliance with technical standards that are not legally binding, meaningless mandatory inspection of CNG/LNG tanks with their expiration date given by the producer, unification of the content of the electronic invoice and accounting document in order to support a smooth transition to electronic accounting, issuance of a decree on the method of determining the origin of meat referred to in relevant legislation the publication of which is delayed by several months (MF SR; SP etc.),
- set a deadline of 60 days for the issuance of the consent of the tax administrator for the deletion of a company from the Business Register (currently without a deadline) (MF SR),
- to extend the validity of the power of attorney for the issuance of an extract from the criminal record to 90 days (MS SR),
- ensure the abolition of the possibility to request an extract from the OR SR when requesting an extract from the criminal record of a legal entity due to the removal of doubts about the accuracy of data verifying the identity of the legal entity,
- introduce a deadline for correction or harmonization of data in the business register at 5 calendar days,
- abolish the obligation to have a price list posted in the accommodation facility, as the entrepreneur can fulfil the obligation to inform about the prices of services in another, more convenient method,
- introduce the so-called second chance into the legislative sanction mechanism (e.g. the Consumer Protection Act or the Waste Act) - i.e. the imposition of a fine should be preceded by a warning and the possibility of remedying minor deficiencies.

## 2. Development of the economic environment in 2019

### 2.1 Development of the macro-economic environment in 2019

#### Gross domestic product

**In 2019, the Slovak economy slowed down its growth rate.** The reported growth of the Slovak economy was the lowest in the last three years. The slowdown in economic growth did not occur only in Slovakia but was characteristic of most EU countries. The lower growth in the economic performance of Slovakia and the EU countries resulted from the growing trend of adopting protectionist measures in global trade policy and the continuing increased degree of uncertainty.

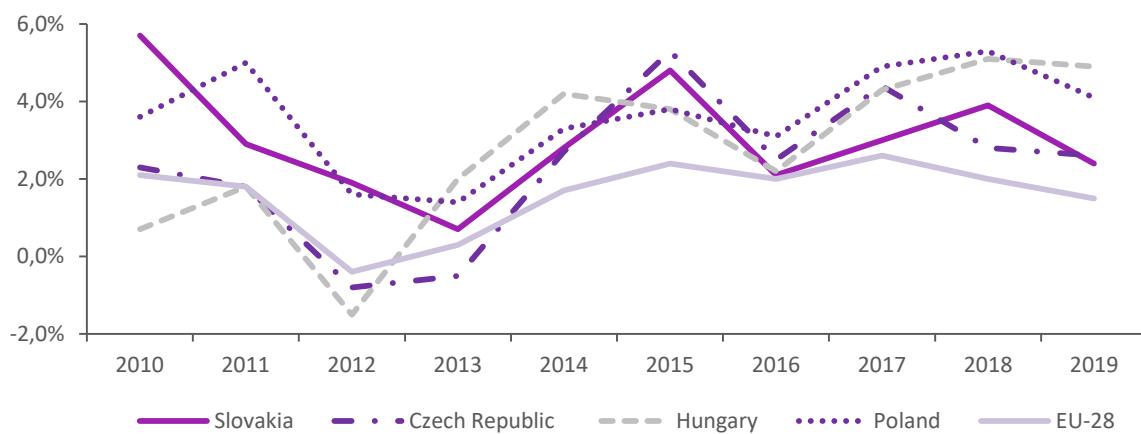
According to preliminary data of the SO SR, **Slovakia's gross domestic product (GDP) increased by 2.4% in 2019.** Economic growth was significantly lower than in 2018 (3.9%). Within individual quarters, the dynamics of economic growth slowed down from 3.7% in the first quarter to 1.5% in the third quarter of 2019. The GDP growth rate increased slightly to 2.1% in the last quarter. In terms of individual items of the production method of compiling gross domestic product, its creation was influenced by the year-on-year growth of gross production by 1.2%, intermediate consumption by 0.6% and value added by 2.2%. Net taxes on products increased by 4.4% year-on-year.

**The growth of the Slovak economy in 2019 was also positively affected by the growth of domestic demand,** which reached 3.2%. Growth in domestic demand was driven by both consumer and investment demand. Growing household incomes and favourable labour market situation led to a 2.1% increase in final household consumption. A large increase in course of last year was also recorded for the final consumption of public administration (by 4.6%) and non-profit institutions serving households (by 7.2%). Gross capital formation increased by 4.7%. Last year, net exports made a negative contribution to economic growth.

**Investment activity also recorded a positive development in 2019.** Increased investment activity creates favourable conditions for further growth of economic activity in the future. Gross fixed capital formation increased by 6.8% year-on-year. In terms of individual sectors, the positive development in the area of investment was evident especially in the sectors of agriculture, construction, transport, information and communication services. Investments increased in machinery and equipment, vehicles, but also in construction. The decline in investment recorded in the industrial production sector was related to lower investment activity in the transport equipment sector.

**Although Slovakia shows higher GDP growth than the EU-28 countries, in recent years it has increasingly lagged behind the V4 countries in economic performance.** Of the V4 countries, the highest increase in gross domestic product was recorded in Hungary (4.9%) and Poland (4.1%). The Czech Republic increased by 2.6%. Compared to 2018, the growth dynamics decreased in all V4 countries, while the most significant slowdown in performance growth was recorded in Slovakia. Last year, our most important trading partner, Germany, also showed a slowdown in the growth rate of the economy, with the growth achieving (0.6%) the lowest level in the last six years.

Chart 1 Year-on-year GDP growth at constant prices in the V4 countries and in the EU-28



Source: Eurostat, processed by SBA

In 2019, industry accounted for more than one-fifth of total gross domestic product. **The growth of industrial production reached a rate of only 0.4%**, while the sales of entities performing their main activity in industry decreased by 0.9% in real terms. The decline in industry sales was achieved for the first time since the crisis year of 2009. The low growth of industrial production was mainly influenced by the decline in production in the vehicle production sector, which was recorded during the second half of 2019. The most important sectors of industrial production with highest recorded growth include the manufacture of machinery and equipment (by 12.2%) and the manufacture of electrical equipment (by 21.7%). On the contrary, production decreased again in manufacture of computer, electronic and optical equipment (by 5.1%) and manufacture of basic metals and fabricated metal products (by 12.7%).

**After the previous increase, construction output fell by 3.5%.** Compared to 2018, revenues from own services and goods in construction decreased by 0.1% at constant prices. The decline in construction output in 2019 was mainly due to a decline in domestic construction output. The decline in domestic construction was mainly caused by the decline in public construction on civil engineering in the segment of infrastructure construction (motorways). On the contrary, construction output realized abroad recorded an increase. **The services sector (including trade) achieved a 3.3% increase in sales in 2019.** Sales growth was significantly lower than in 2018 (by 8.2%). The main drivers of the growing demand for services was the increase in real incomes of the population.

## Foreign Trade

Slovakia's foreign trade in 2019 lagged behind its results from previous years. In a year-on-year comparison, the growth rate of foreign demand decreased from 7.2% in 2018 to 1.7%. Goods and services in the total value of 87,713.7 mil. were exported from Slovakia. Imports of goods and services achieved higher growth dynamics than exports. In year-on-year comparison, imports increased by 2.8%, with the volume of imported goods and services reaching 86,738.5 mil. Faster growth in imports compared to exports resulted in a decrease in the external trade surplus by more than a half to EUR 1.1 billion. The export performance of the economy, which represents the share of exports of goods and services in GDP, reached 93.1%. The import intensity, representing the share of imports of goods and services in GDP, was 92.1%.

From a territorial point of view, exports of goods to the most important trading partners increased the most for Germany (by 2.3%), France (by 13.1%), Hungary (by 6.9%), the United Kingdom (by 12.1%), Romania (by 3.4%) and China (by 24.5%). On the other hand, year-on-year exports of goods decreased to the Czech Republic (by 4.8%), Poland (by 0.7%), Austria (by 1.4%), Italy (by 18%), the United States of America (by 4%, 1%), Spain (by 0.4%), the Netherlands (by 3.6%) and the Russian Federation (by 5.7%).

With respect to the commodity structure, exports of cars and other means of transport increased (by 8.8%), which was positively affected by the production of the fourth Slovak carmaker. Exports of machinery and equipment also grew (5.6%). On the other hand, a decrease in exports was recorded for the area of computers, electronic and optical equipment (by 4.7%), but also in basic metals (12.4%).

## Labour market

The labour market was able to generate new jobs in 2019 as well. **The average number of persons employed in the national economy increased by 1.0% year-on-year.** In absolute terms, it reached 2,416.1 thousand employed persons (according to the quarterly corporate reporting of the SOSR), which represented 23 thousand more persons than in 2018. However, the increase in the number of employed persons was half the level in the previous year. New jobs were created mainly in construction and services. On the contrary, job losses have been reported by industry. From the point of view of individual stakeholders on the labour market, employment in the SME sector increased by 1.7% year-on-year. The average number of persons employed in large enterprises decreased by 1.5% year-on-year, while the decline in employment in large enterprises was recorded for the first time since 2016.

This increase in employment was naturally reflected in further decrease in the unemployment rate, which fell by 0.8 p.p. to 5.8% (according to methodology of LFS SO SR). In 2019, the number of unemployed decreased by 12.1% to 157.7 thousand persons. The decrease in unemployment was recorded in all regions of the SR, except for the Prešov region where the number of unemployed decreased (by 1.8%). At the same time, the Prešov Region reached the highest number of unemployed persons (40.7 thousand) of all regions of the Slovak Republic. The unemployment rate in individual regions ranged from 2.4% in the Bratislava region to 10.6% in the Prešov region.

Due to the lack of skilled labour force companies are forced to recruit workers from abroad more significantly. The number of employed foreigners increased to 78 thousand in 2019. However, the increase in the number of working foreigners was significantly lower than in 2018. Of the third-country nationals, our employers were most interested in employees from Serbia and Ukraine.

**Chart 2 Development of the average number of employed persons and of the unemployment rate in SR**



Source: SO SR, processed by SBA

The average nominal monthly wage of an employee in the Slovak economy continued to increase in 2019, reaching the level of EUR 1,092. In comparison to the previous year it increased by 7.8%. Real wage growth reached 5%. Wage growth was driven mainly by a lack of spare capacity in the labour market, on the one hand linked to economic and employment growth, and on the other hand by the unfavourable demographic situation manifested by an aging population and insufficient influx of new labour into the labour market. The increase in the average wage took place last year in all size categories of enterprises. Wages of employees in medium-sized enterprises increased the most (by 7.5%). Wages in small enterprises increased the least (by 4.1%).

From a sectoral point of view, the highest wage was achieved in the financial and insurance sector (EUR 1,941) and information and communication sector (EUR 1,922). On the other hand, the lowest is recorded in hotels and restaurants sector (EUR 658), in other activities (EUR 720) and in construction (EUR 746). In a year-on-year comparison, the average wage increased in the whole spectrum of industries. Employees working in the Bratislava region received the highest average wage (EUR 1 359) from all regions of the Slovak Republic. In other regions, the average wage ranged from EUR 844 (Prešov Region) to EUR 1 025 (Trnava Region). The highest year-on-year increase in the average nominal wage was recorded in the Banská Bystrica Region (by 9.8%) and in the Nitra Region (by 9.3%).

### Price development

The trend of rising inflation continued in Slovakia in 2019. The average inflation rate increased to 2.7% from 2.5% in 2018. Inflation was largely related to rising food prices. Consumer food prices increased by 4.0%. Core inflation reached 2.3%. Growth was also recorded in regulated prices, which increased by 3.9% compared to the previous year.

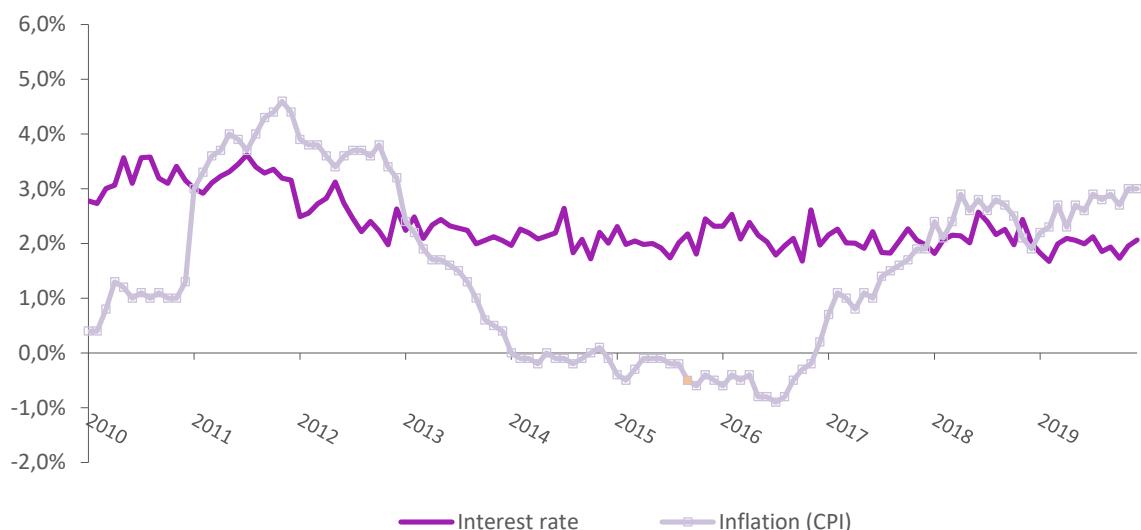
Entrepreneurs in Slovakia also had to deal with rising product prices in 2019. Domestic industrial producer prices increased by 2.5%. Industrial producer prices for export were higher by 1.5%. In construction, prices of construction work increased by 3.9% and prices of materials and products consumed in construction by 1.8%.

## Provision of bank loans

According to the information of the National Bank of Slovakia<sup>5</sup>, the growth of the use of bank loans by Slovak entrepreneurs slowed down slightly. The lower growth in the use of bank loans resulted from a slowdown in the growth of the economic performance of the economy and a more pessimistic perception of future developments. In terms of size categories of enterprises, increased lending activity was recorded on the part of large enterprises. The lower growth rate was characterized by the lending activity of small and medium-sized enterprises. The most significant decline in credit growth was recorded for investment loans with a maturity of over 5 years. The cooling of business lending activity was evident in sectors of industry, construction, trade, transport and storage. On the other hand, higher growth in loans was perceived in the energy supply and administrative activities sector. In comparison with EU countries, when considering the use of bank loans, the Slovak corporate sector is at the level of the countries of the central and eastern part of the EU and slightly above the median level of EU countries. From the point of view of the change in the growth dynamics of the use of bank loans, Slovakia ranks among the countries with the largest slowdown.

The main factor in the decline in demand for corporate loans was the lower interest in financing investment activities. Due to the cooling of the economy and other factors, credit standards have been tightened. Credit standards have been tightened mainly on the part of small and medium-sized enterprises. The easing of credit standards occurred mainly in large companies. Interest rates on new corporate loans fell slightly in course of 2019. From the international point of view, interest rates of small and medium-sized enterprises, which mainly use small loans, are slightly higher. It follows that financing of the Slovak small and medium-sized enterprises is relatively expensive.

**Chart 3 Development of average interest rates of corporate loans and of the inflation in SR**



**Source:** NBS, SO SR, processed by SBA

<sup>5</sup>Source: NBS, Analysis of the Slovak Financial Sector 2019

## Expected performance of the Slovak economy in 2020

The economic performance of Slovakia in 2020 will be influenced mainly by external factors or will be affected by the economic effects of the coronavirus pandemic. The coronavirus pandemic represents a significant shock not only to the economy of the EU but also for Slovakia. Economic activity has stalled due to the adoption of anti-pandemic measures. According to several forecasts, the Slovak economy should record a significant downturn in 2020. According to estimates of some institutions, it should fall by more than 10%. In order to mitigate the negative effects of the coronavirus crisis on the Slovak business sector and maintain employment, the Slovak government has taken several support measures.

The downturn in economic performance will also have a negative impact on the Slovak labour market. The NBS estimates that approximately 70,000 jobs will be lost in 2020.<sup>6</sup> Employment is expected to fall by 2.1% and the unemployment rate will reach more than 8%. The recovery in the labour market is expected only after a more significant recovery in economic activity, which should occur in 2021.

Uncertainty about the future epidemiological situation can be seen as the main risk of further development. The economic recovery will depend on how successfully the spread of coronavirus is eliminated and when the vaccine is developed. Future developments will be largely influenced by the rate of use of financial assistance from support measures for businesses, as well as the process of border opening, as Slovakia is one of the most open economies.

## 2.2 Development of quantitative indicators from the SME environment in 2019

### Number of SMEs

The number of small and medium-sized enterprises is one of the basic quantitative indicators characterizing the state of the SME sector.

According to the Statistical Office of the SR, the number of small and medium-sized enterprises increased in 2019, after a previous decrease. **The number of small and medium-sized enterprises increased by 6.3% to 595,371 in 2019.** In absolute terms, the number of SMEs increased by 35 530 business entities.

In terms of individual size categories of enterprises, the increase in the number of small and medium-sized enterprises was related mainly to the increase in the number of micro-enterprises (0-9), the number of which increased by 6.5%. The number of small enterprises (10-49) increased by 1.9%. On the contrary, a negative contribution to the growth of small and medium-sized enterprises was recorded by medium-sized enterprises (50-249), the number of which decreased by 1.5%. The increase in the number of micro-enterprises was due to the growth in the number of active self-employed persons, the number of which increased by 6.6% after a previous decrease.

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<sup>6</sup>Source: NBS, Medium-term forecast, 2nd quarter 2020

Table 1 Number of active enterprises by size category of enterprises in 2019

Size category	total number	in %	Index 2019/2018	total diff.
<b>Microenterprises (0-9)</b>	577,827	96.9%	106.5	35,302
<b>Small enterprises (10-49)</b>	14,601	2.4%	101.9	273
<b>Medium enterprises (50-249)</b>	2,943	0.5%	98.5	-45
<b>Large enterprises (250 and more)</b>	671	0.1 %	98.7	-9
<b>SMEs - total</b>	<b>595,371</b>	<b>99.9%</b>	<b>106.3</b>	<b>35,530</b>
<b>Enterprises in total</b>	<b>596,042</b>	<b>100.0%</b>	<b>106.3</b>	<b>35,521</b>

Source: SO SR, processed by SBA

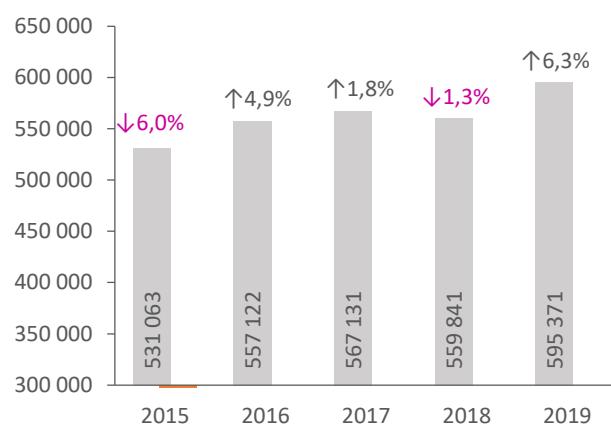
**Micro-enterprises (96.9%) still account for the largest share of the total number of active business entities.** Significantly lower share is achieved by small (2.4%) and medium-sized enterprises (0.5%). Compared to other EU countries, Slovakia has the highest share of micro-enterprises in the total number of business entities.

In the sectoral structure of SMEs, the largest share of SMEs is operating in the service sector (46.4%; 276,237). Almost one fifth of active SMEs were active in the construction sector (17.9%; 106,725) and in trade sector (17.8%; 106,262). 13.8% (82,030) of small and medium-sized enterprises operated in industry and 4.1% (24,117) in agriculture.

The long-term development of the SME sectoral structure is characterized by an increasing representation of the service sector, which is accompanied by a decline in the trade sector. The representation of agriculture and industry has not changed in recent years. The construction industry has shown a slight increase in its share in recent years.

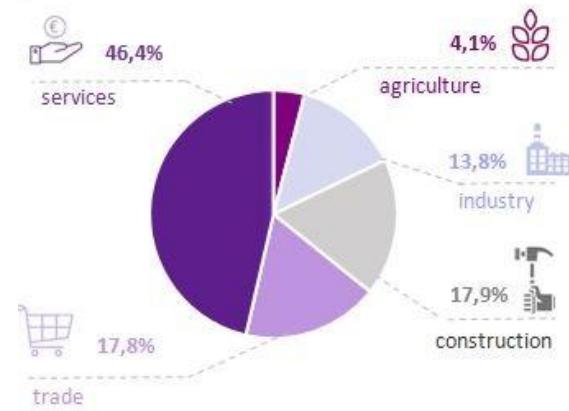
The individual size categories of SMEs are characterized by a differentiated sectoral structure. The industry sector has a dominant position in the SMEs with higher number of employees. On the contrary, micro and small enterprises are characterized by a higher representation of the construction and services sectors.

Chart 4 Number of SMEs in the period 2015-2019



Source: SO SR, processed by SBA

Chart 5 Sectoral structure of SMEs in 2019



Source: SO SR, processed by SBA

Due to the increase in the number of small and medium-sized enterprises, the rate of business activity of SMEs also increased to 21.6% in 2019. The rate of entrepreneurial activity of SMEs expresses the number of active small and medium-sized enterprises per 100 economically active inhabitants in Slovakia. Compared to other EU countries, Slovakia ranks among the countries with the highest number of small and medium-sized enterprises per total population.

The structure of SMEs by legal form continues to be characterized by a predominant share of natural persons - entrepreneurs (58.6%), despite the continuous decline in their representation. The share of SMEs - legal persons in the total number of SMEs represented 41.4%.

After a previous year decrease, the number of active natural persons - entrepreneurs increased in 2019 by 5.6%. The dynamic growth of natural persons - entrepreneurs was mainly related to the increase in the number of self-employed persons by 6.6%, whose activity has been positively influenced by the increase in flat-rate expenditures in the recent period. From the sectoral point of view, the most significant increase in number of self-employed persons was recorded in construction. The number of persons doing business in the liberal professions decreased by 5.8% year-on-year. The number of self-employed farmers has not changed significantly compared to 2018.

**The growth of small and medium-sized enterprises - legal entities continued in 2019. Compared to 2018, their number increased by 7.4% to 246,464 entities. Limited liability companies (90.6%) achieved the highest share of individual legal forms of SME-LP, which are also characterized by dynamic growth in the long-term.**

### **Establishment and disestablishment of business entities <sup>7</sup>**

The favourable development of the Slovak economy and the continuing interest of people to enter business were reflected in the growing number of established business entities in 2019. According to data processed from the Register of Organizations of the SO SR, the number of established small and medium-sized enterprises increased by 8.7% to 84,883 entities.

An increase in the number of established business entities was recorded in almost all assessed legal forms. The number of persons doing business in the liberal professions increased the most (by 31.5%). The number of SMEs - legal entities increased by 11.1% and the number of established self-employed persons, which accounted for up to two thirds of the total number of established SMEs, increased by 6.5%.

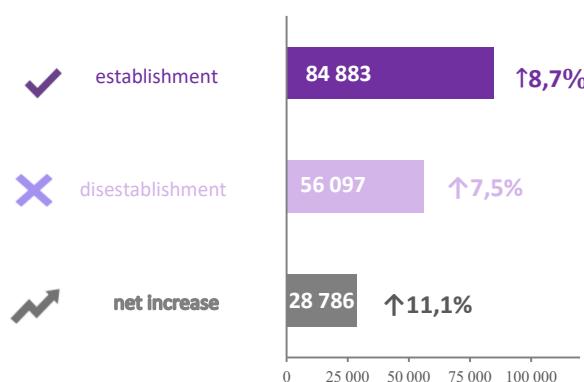
The number of established self-employed farmers in 2019 decreased again. Compared to 2018, their number decreased by more than half (by 53.1%).

Similarly to the case of established entities, in 2019 the number of disestablished businesses also increased. Compared to 2018, their number increased by 7.5% to 56,097 entities. The dominant share in the total number of the disestablished entities was self-employed, which accounted for up to four-fifths of the total number of disestablished entities.

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<sup>7</sup>Data is processed based on the date of establishment and disestablishment of the entity from the total number of active and inactive business entities.

## Chart 6 Establishment, disestablishment and net increase of business entities in 2019



**Source:** Register of organizations SO SR, processed by SBA.

In the year-on-year comparison, the number of disestablished self-employed persons increased (by 10.5%) as well as self-employed persons (by 13.6%). On the contrary, the decrease in the number of disestablished entities continued in 2019 in the case of legal entities - enterprises (by 17.4%) and self-employed farmers (by 27.6%).

The higher increase in the number of established entities than in disestablished entities was reflected in the year-on-year growth in the net increase in business entities. The net increase of business entities increased by 11.1% to 28,786 in 2019, thus reaching the level equal to the one achieved in the pre-crisis year of 2008 for the first time.

According to the data of the Ministry of Justice of the Slovak Republic, in 2019 the number of declared bankruptcies decreased by 6.6% to 242. The number of approved restructurings reached 13 and did not significantly change year-on-year.

According to Eurostat data, Slovakia ranks among the countries with a high share of established as well as disestablished entities in the total number of business entities, which indicates a high dynamic of business in Slovakia. Slovakia lags slightly behind the EU countries even in the case of the survival rate of business entities after two years of its establishment.

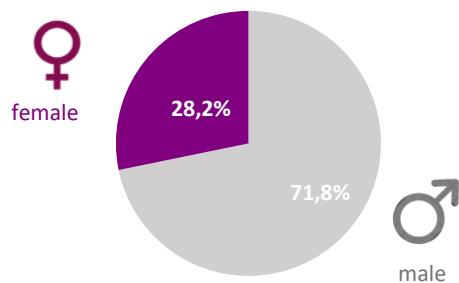
### Gender and age structure of NPs - entrepreneurs

In 2019, the trend of increasing representation of women among natural persons - entrepreneurs was interrupted. The share of women in the total number of natural persons - entrepreneurs decreased by **1.0 pp. to the level of 28.2%**. Men accounted for more than two thirds (71.8%) of the total number of active natural persons - entrepreneurs. In absolute terms, the number of women natural persons - entrepreneurs increased by two thousand to 98.5 thousand (or by 2.1%). Due to a more significant absolute increase in male entrepreneurs (by 7.1%), there was a year-on-year decrease in the representation of women.

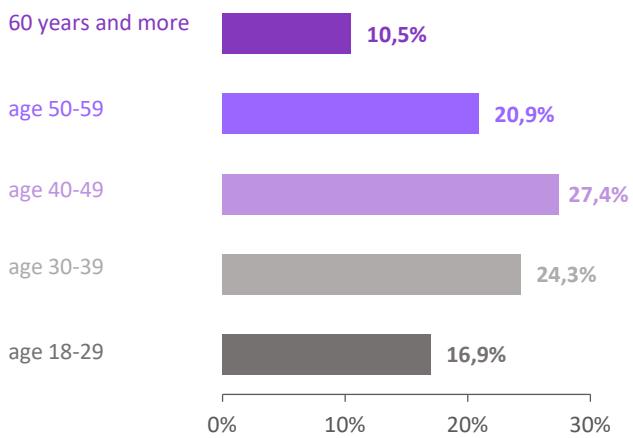
**The highest representation of active natural persons - entrepreneurs in terms of age is in the category of 40 to 49 years of age. Their share reached more than a quarter (27.4%) in 2019.** The second most numerous group in terms of age were entrepreneurs in the age category of 30 to 39 years (24.3%) followed by the age category of 50 to 59 years (20.9%). The category of less than 30 years accounted for 16.9% of the entrepreneurs and 10.5% of the entrepreneurs were included in the age category of 60 and over.

The development of the age structure of natural persons - entrepreneurs has been characterized in recent years by an increase in the representation of entrepreneurs in younger age categories of less than 30 years of age. In 2019, the trend of increasing youth representation stopped. At the same time, the share of older entrepreneurs aged 60 and over increased slightly to 10.5%, after a previous decline in 2018.

Chart 7 Gender structure of NPs - entrepreneurs in 2019      Chart 8 Age structure of NPs - entrepreneurs in 2019



Source: SO SR, processed by SBA



Source: SO SR, processed by SBA

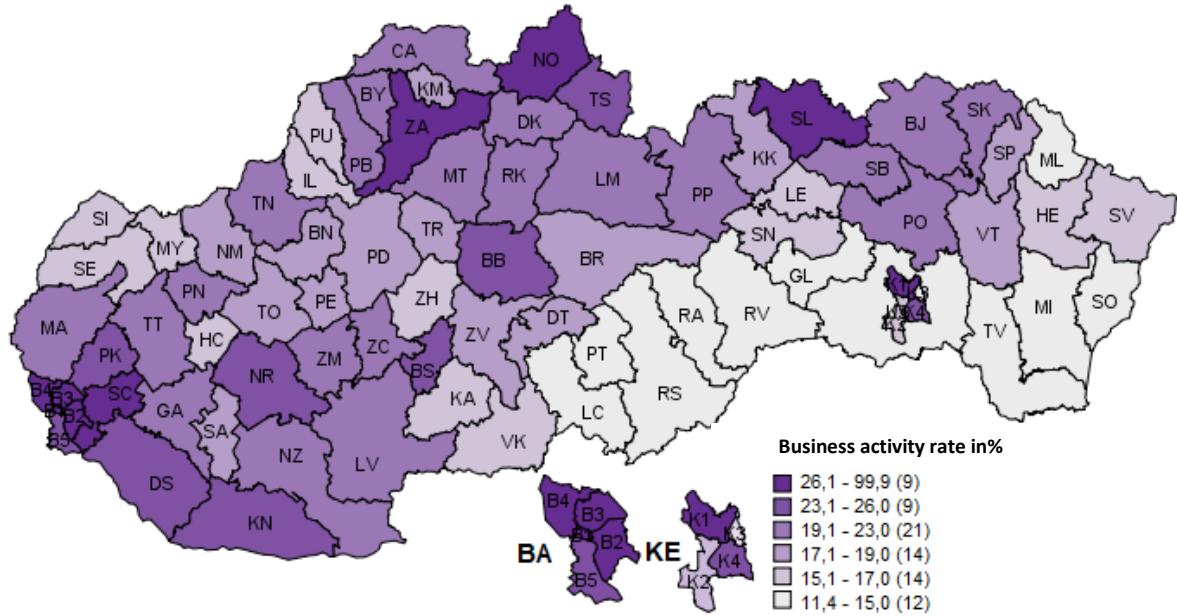
### Regional aspects of SME business

The regional structure of SMEs has long been characterized by a dominant representation of business entities based in the Bratislava Region. In 2019, approximately one in five (21.9%) of all active small and medium-sized enterprises were based in this region. Other regions contribute to the total number of SMEs substantially more evenly, from 9.4% (Trenčín region) to 13.7% (Žilina region). The number of small and medium-sized enterprises increased in all regions of the Slovak Republic, while the most significant increase was recorded in the Prešov Region (by 8.0%). On the contrary, the lowest growth was achieved in the Banská Bystrica Region (by 4.5%).

The highest level of business activity<sup>8</sup> is achieved in the districts of the city of Bratislava, Košice and in selected districts of northern Slovakia. Higher levels of entrepreneurial activity are generally characteristic for the regions of western and northern Slovakia, while the low level of entrepreneurial activity is seen in eastern Slovakia and southern central Slovakia.

<sup>8</sup>The rate of entrepreneurial activity expresses the number of active small and medium-sized enterprises per 100 economically active inhabitants in Slovakia.

Map 1 Rate of business activity within districts of SR in 2019



Map background © Office of Geodesy, Cartography and Cadastre of the Slovak Republic.

**Source:** Register of organizations SO SR and COLSAF SR. The business activity rate is calculated as the ratio of the number of SMEs to the total number of economically active population in%.

### SMEs employment

From the point of view of employment small and medium-sized enterprises have a dominant position in the field of job creation in the Slovak economy. **In 2019, the share of small and medium-sized enterprises in employment in the business economy represented 73.8% and in the total employment in the Slovak economy this figure was 59.2%. In a year-on-year comparison, employment in the SME sector increased by 1.7%** (by 23.5 thousand persons) to 1,430.8 thousand employed persons (according to the quarterly corporate reporting of the SOSR). In 2019, small and medium-sized enterprises recorded higher employment growth than in the previous year (1.4%).

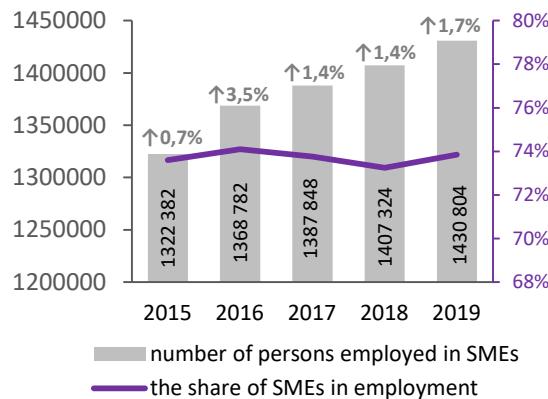
In terms of individual size categories and legal forms, NP - entrepreneurs (NP - entrepreneurs and persons employed by them) accounted for one third (33.3%) of the total number of employed persons in the corporate sector. The share of micro-enterprises was 13.4%, small enterprises 12.4% and medium-sized enterprises 14.8%.

Employment increased in all categories except small businesses. Employment increased most significantly in relative terms within micro-enterprises (by 3.1%) and medium-sized enterprises (by 3.2%). A significantly lower employment growth was achieved among natural persons - entrepreneurs (by 1.1%). There was a slight decrease in employment in small enterprises (by 0.1 pp.).

From the sectoral point of view, SMEs - legal entities have the highest share of employment in the accommodation and food service activities sector (93.4%), agriculture (89.1%) and construction (89.7%). Approximately two thirds of jobs are created by SME-LPs in the sectors of trade (68.3%), business services (70.7%) and other services (62.9%). More than half of employment (55.4%) is created by SME-LPs in sectors of transport and information and communication activities. The only sector in which the dominance of large companies in employment is shown is the industry sector (the share of MSP-LP is 44.6%).

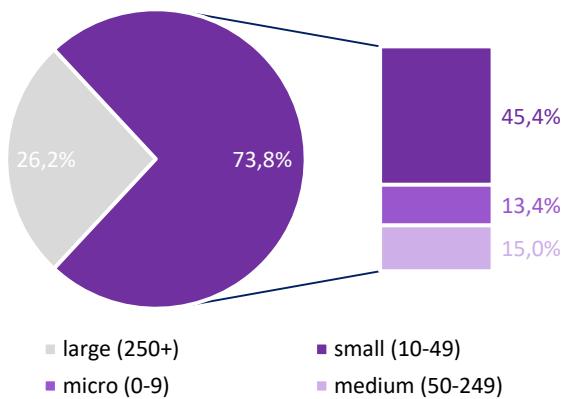
In an international comparison, Slovakia continues to be one of the countries with an above-average share of small and medium-sized enterprises with respect to the employment.

**Chart 9 Number of persons employed in SMEs and share of SMEs in employment in business economy**



Source: SO SR, calculation by SBA

**Chart 10 Employment in business economy: by size category of enterprise in 2019**



Source: SO SR, calculation by SBA

### SME economic indicators

The slowdown in the growth of the Slovak economy in 2019 was also reflected in the economic performance of the sector of small and medium-sized enterprises. The value added of small and medium-sized enterprises in the non-financial corporate economy reduced its growth rate to 3.6% year-on-year. In absolute terms, the added value created in the SME sector reached the level of EUR 25,055 mil. Year-on-year, value added increased in all size categories of enterprises, except micro-enterprises (0-9), for which it decreased by 0.5%.

**In 2019 the share of SME - legal persons in the created value added in the non - financial business sector increased to 54.9%.** The share of SMEs currently recorded is the highest in the last seven years.

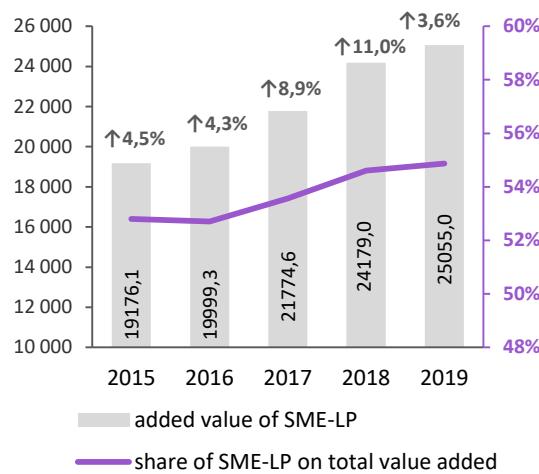
Industry remains the most important sector in terms of SME value added. In 2019, more than a quarter (25.1%) of the total value added of legal entities were created by SMEs in industry. However, the position of industry in terms of value added for SMEs has been weakening in recent years. Trade and the business services sector (sections SK NACE from K to N) accounted for more than one fifth of the total value added. The share of other sectors was of a significantly lower level, which indicates the lower importance of these sectors in the added value creation of SMEs.

In comparison with other EU countries, Slovak SMEs continue to lag behind in their share of value added. The lower level of economic performance of the Slovak SME sector is also confirmed by labour productivity. In the EU-28 countries, labour productivity of SMEs is almost two and a half times higher than in Slovakia.

In a year-on-year comparison, other economic indicators of SMEs also increased in absolute terms. The growth of gross production of SMEs - legal entities reached 4.3%, which was, however, significantly less than in 2018 (7.8%). After a previous decline, the investment activity of small and medium-sized enterprises also had a positive development. Gross fixed capital formation of SMEs increased by 12.9% year-on-year. In absolute terms, it reached a

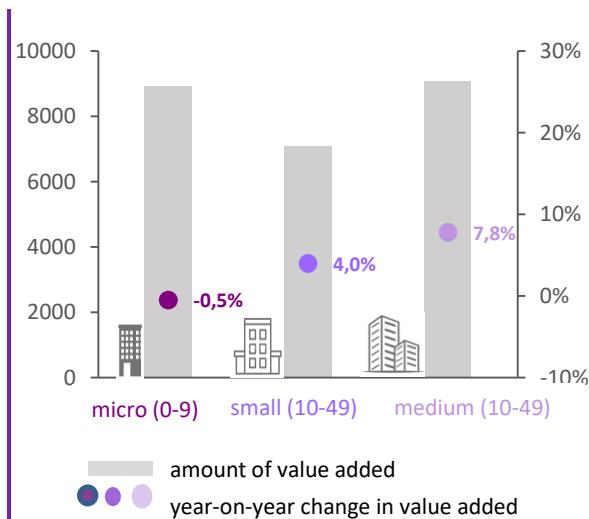
volume of EUR 7,562.50 mil. On the contrary, profit before tax of SMEs - legal entities decreased (by 7.8%).

**Chart 11 Development of value added of SME-LP non-financial corporations (in millions of EUR)**



Source: SO SR, processed by SBA

**Chart 12 Volume of value added (in millions of EUR) and year-on-year change in value added by size categories of SMEs in 2019**



Source: SO SR, processed by SBA

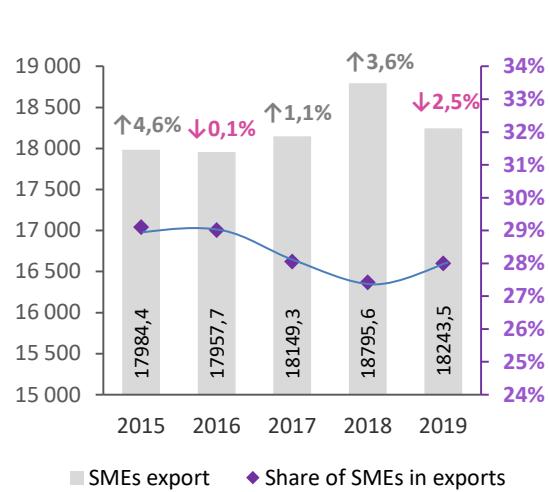
## Foreign trade of SMEs

According to the preliminary results of the SO SR, the export of SMEs **decreased by 2.5% year-on-year**. In absolute terms, SMEs exported goods worth EUR 18,243.50 million. The decrease in total SME exports in 2019 is mainly due to a decrease on the part of small (10-49) and medium-sized enterprises (50-249), which reached 13.6% and 1.2% respectively. The positive development of export activity was recorded only by micro-enterprises, whose exports increased by 7.8% year-on-year.

Due to a more significant decrease in exports of large enterprises (by 5%) than small and medium-sized enterprises (by 2.5%), there was a year-on-year increase in the share of SMEs in total exports by 0.5 pp. to 28.0%. The territorial structure of exports of small and medium enterprises is characterized by a high representation of the EU common market. Only 9.3% of total SME exports went to countries outside the EU. Compared to other EU countries, SMEs from Slovakia are characterized by the lowest share of exports to third countries, indicating the need for stronger support for SMEs in this area.

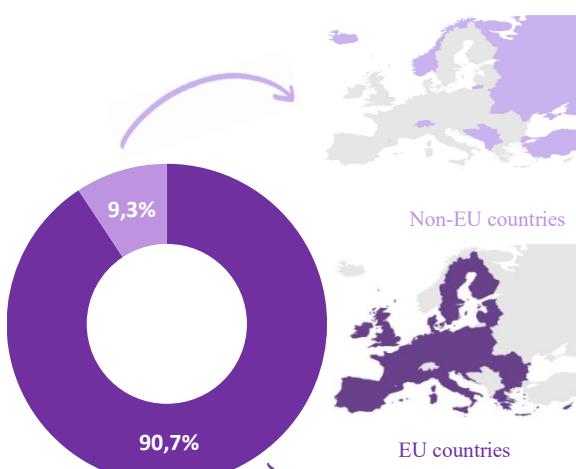
Imports of small and medium-sized enterprises in 2019 increased by 2.5%. The volume of imported goods reached the value of EUR 27,590.90 mil. Year-on-year increase in the volume of imported goods was recorded by micro-enterprises (by 4.3%) and small enterprises (by 5.1%). In the case of medium-sized enterprises, the volume of imported goods decreased by 0.6%. The share of SMEs in total imports increased to 39.3%.

**Chart 13 Development of SME exports  
(in EUR mil.)**



Source: SO SR, processed by SBA

**Chart 14 Territorial structure of exports of SMEs in 2019**



Source: SO SR, processed by SBA

### 3 Support for small and medium-sized enterprises

#### 3.1 Overview of used direct and indirect support for SMEs in 2019

The system of institutional support for SMEs in the conditions of the Slovak Republic is implemented on a vertical as well as a horizontal level. Institutions which provide support (direct or indirect) for SMEs in Slovakia include, in particular, central state administration bodies, specialized agencies, banking institutions and funds, as well as interest, professional and trade associations. The main objectives of support for small and medium-sized enterprises include, in particular, the creation of a suitable business environment and the elimination or removal of obstacles which may affect the further development of SME business.

Small and Medium Business support Act no. 290/2016 Coll. regulates the forms of providing support in the field of small and medium-sized enterprises, distinguishing between direct (non - repayable financial contribution, subsidy, etc.) and indirect forms of support for SMEs (information and advice, education, organization and support of participation in internships, exhibitions, etc.). Following this breakdown of the forms of the provided support, the text below presents the results on the support provided to small and medium-sized enterprises in the past year.

The professional literature in the field of SME business support approaches the breakdown of individual categories within the forms of support from various perspectives. For the purposes of this *Report on the State of SMEs* and from the point of view of capturing a comprehensive understanding of support for small and medium-sized enterprises, the primary and key starting point is the Act on the Support of Small and Medium-sized Enterprises. With regard to the goal of capture the understanding, the starting point also includes other theoretical knowledge, which allows a comprehensive interpretation of the results of the implemented support of SMEs in Slovakia.<sup>9</sup> With the above intention, the classification of the individual categories of aid is in line with the one used by the European Commission.

The result of the clash of a combination of several approaches is the breakdown of SME support in the following structure. The following chapter includes the following categories of **direct form of SME support**: subsidies, non-repayable financial contributions, grants; loans and credits for small and medium-sized enterprises and risk capital instruments. The **indirect forms of support** for small and medium-sized enterprises includes the following categories: bank guarantees (taken over), incentives and reliefs for taxes and fines; including project schemes which indirectly contribute to the support of SME business (e.g. consulting services, information services, mentoring, entrepreneurship education, incubator services, etc.) - category Other. The data given in table no. 2 are the result of background material collected from the relevant institutions. The quantified support for small and medium-sized enterprises is limited to the delivered documents, which were delivered by the closing date of the records of received documents. With regard to the supplied documents, one of the other limiting factors was the fact that some of the addressed institutions do not record the implemented

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<sup>9</sup>In connection with capturing a comprehensive understanding of support, the inspiration was also provided by the following: Šúbertová E., Kinčíková M., Business support for small and medium-sized enterprises. 2014; Šúbertová et al. Business of small and medium enterprises. 2011; Chodasová A., Bujnová D., Business of small and medium enterprises. 2008.

support according to the size category of enterprises.<sup>10</sup> Also for these reasons, the total financial use may deviate from the actual situation.<sup>11</sup>

The total volume of SME support in 2019<sup>12</sup> was of the level of EUR 694,626,313.80. In terms of the structure of forms of financing, the direct form of support was the most common and reached a level of EUR 597,824,906.20, i.e. 86.1% of total SME support. A total of EUR 96,801,407.60 was provided in the form of indirect support for small and medium-sized enterprises, i.e. 13.9%. The most significant share in the support of SMEs in terms of individual categories is attributed to the category of loans or credits (40.6% of the total support provided to SMEs) and the category of subsidies, NFP, grants (40.4% of the total support provided to SMEs). Bank guarantees (7.5%) and venture capital (5.1%) were also among the most important categories. The category of incentives, tax reliefs and fines reached 4.8% of the total volume of support for SMEs and the category of other 1.6%. In terms of the breakdown of support for small and medium-sized enterprises, financial support was significantly dominant.

A positive fact is that in the year-on-year comparison, the real use of support was higher than in 2018 (approximately by 12%).<sup>13</sup> In the year-on-year comparison of the achieved share of individual categories of support, the categories of subsidies, NFP, grants and loans or borrowings were dominant also in 2019. The share of subsidies, NFP, grants is lower due to the non-utilization of several instruments (compared to last year). On the other hand, the positive fact is that the volume as well as the achieved share of risk capital in the total volume of support, which was directed to aid for SMEs, increased in year-on-year comparison.

Table 2 Volume of SME support by form of financing in 2019

Form of support	Support category	Amount of financial funds (in EUR)	Percentage of the form of support in the total support of SMEs
Direct form of support	Subsidies, NFP, grants <sup>14</sup>	280,325,485.2	40.4%
	Loans or credits	281,900,421.0	40.6 %
	Risk capital	35,599,000.0	5.1%
Indirect form of support	Bank guarantees	51,803,000.0	7.5%
	Incentives, tax relief and fines	33,544,358.0	4.8%
	Other (consulting and services)	11,454,049.6	1.6%
Total SME support		694,626,313.8	100%

Source: SBA, processed on the basis of delivered materials from the addressed or cooperating institutions

<sup>10</sup>In some cases, only the allocation of funds was quantified.

<sup>11</sup>To a certain extent, the situation related to COVID-19 also affected the process of data collection.

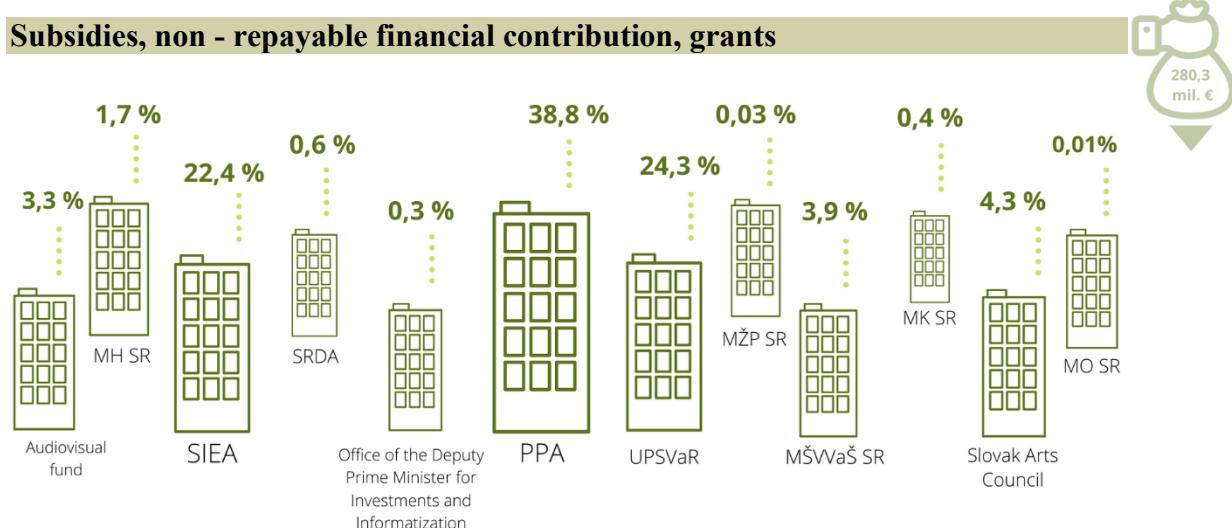
<sup>12</sup>The figure given as the total volume of SME support corresponds to the real use in the observed year 2019. The total volume of implemented SME support, in accordance with the internal methodology, does not include data for delivered documents, which did not state the actual use or documents in which even after a repeated request for provision of real use, these data were not provided. At the same time, data for a cumulative period of several years are not included. This includes year for which it was not possible to quantify the use in the monitored year 2019 as required, and data of which would distort the results of the actual use of support for SMEs in the past year.

<sup>13</sup>For the purposes of the year-on-year comparison, the results of the volume of SME support for 2018 were recalculated. Due to the adjustment of the breakdown of support categories, the recalculated results for 2018 will not coincide with the stated volume calculated in last year's *Report on the State of SMEs*.

<sup>14</sup>within the category of subsidies, NFP, grants, the data from the Ministry of Economy of the Slovak Republic for the OP R&D is included, within which the data for the EU source (ERDF) were specified. Co-financing from the state budget is not provided, each beneficiary (enterprise) is obliged to finance part of the project from its own resources, or de minimis. The given amount for the MH SR includes only data for demand-oriented projects and did not include the amounts for national projects for SBA, SARIO (Other category) and SIEA (Subsidies, NFP, grants category) which are calculated separately.

## 3.2 Description of the aid provided to SMEs in terms of direct and indirect forms of SME support

### 3.2.1 Direct form of support for SMEs



**Ministry of Economy of Slovak Republic (MH SR)<sup>15</sup>** is the most important institutional actor in support of SMEs, acts as a guarantor and coordinator of many activities. In 2019, a total of 123 SMEs were supported under the **OP R&D operational programme<sup>16</sup>**, of which 48 were micro-enterprises, 47 small enterprises and 28 medium-sized enterprises. Approximately 16 jobs were supported in the companies. The amount of allocated funds for small and medium-sized enterprises was of the level of EUR 65,443,849.08 and the amount of actual use was of the level of EUR 4,204,359.90, of which micro-enterprises used support in the amount of EUR 295,215.04, small enterprises in the amount of EUR 1,629 EUR 674.53 and medium-sized enterprises in the amount of EUR 2,279,470.33. Through the **Innovation Fund**, the purpose of which is to support the innovative development of the Slovak Republic through the continuous development of values in the field of research and science, a call was declared in 2019 for the submission of applications for NFP with an allocation of EUR 1.2 mil. As part of the call, 3 applications were submitted, which have not yet been evaluated. As part of the support of international cooperation in the field of industrial research and development, from the point of view of announcing calls through the subsidy programme in particular with the State of Israel, it opens special opportunities for international application of the results of Slovak research, development and implementation of innovations. Through the 2nd call for application for grants for **joint projects of industrial research and experimental development**, which was completed in February 2018, funds in the total

<sup>15</sup>The share of the MH SR mentioned in the infographic contains only the support tools that are listed in the text. If other instruments were included within the organizations that are part of the competence of the ministry, the share would be many times higher.

<sup>16</sup>The European Commission has decided to approve the merging of the Operational Programme Integrated Infrastructure (OP II) with the Operational Programme Research and Innovation within the (OP R&D) for the programming period 2014-2020. On 20 December 2019, the contract on the performance of part of the tasks of the managing authority for OP II by the intermediate body entered into force. This contract was concluded between the Ministry of Transport and Construction of the Slovak Republic as the managing authority and the MH SR as the intermediate body. At the same time, on 21 December 2019, the power of attorney agreement for the performance of part of the tasks of the intermediate body within OP II entered into force. This agreement was concluded between the MH SR as an intermediary body and SIEA as an authorized contributory organization. More information on website: [https://www.opvai.sk/aktuality/informacia\\_zlucenie\\_operacnych\\_programov/](https://www.opvai.sk/aktuality/informacia_zlucenie_operacnych_programov/).

amount of EUR 57,135.22 were released in March 2019, thus supporting one micro-enterprise. In 2019, support through **innovation vouchers** did not take place due to the absence of financial resources.<sup>17</sup> In May 2018, the MH SR announced a pilot call for the submission of projects as part of the Scheme to support SMEs in the implementation of innovative solutions in cities with an allocation of EUR 595,000. In course of the year, a total of EUR 442,165.92 was released for the implementation of projects through this call, which supported 10 SMEs, of which 7 were micro-enterprises, 2 small enterprises and 1 medium-sized enterprise. In August 2019, the Ministry of Economy of the Slovak Republic announced the second call for projects with an allocation of EUR 1,020,000. The maximum subsidy per project for Phase I of the project was EUR 20 000 and for Phase II this was EUR 150 000. To assess the application, the Commission approved 8 projects in the amount of EUR 665,109.36, of which EUR 139,659.36 was contracted in 2019 and EUR 60,829.68 was paid out for the implementation of Phase I. Approval under phase II of the implementation will not take place until 2020. The overall results of the implementation of the pilot scheme will be known in course of 2020.

Table 3 MH SR: implemented support for SMEs in 2019

Implemented support	Amount of real use in 2019
<b>OP R&amp;I</b>	EUR 4,204,359.90
<b>Support international cooperation in the area of industrial research and experimental development</b>	EUR 57,135,22
<b>Scheme to support SMEs in implementing innovative solutions in towns (De minimis scheme) 2018</b>	EUR 442,165.92
<b>Scheme to support SMEs in implementing innovative solutions in towns (De minimis scheme) 2019</b>	EUR 60,829.68
<b>OP Integrated Infrastructure - part of research and innovation under the responsibility of SO MH</b>	EUR 4,204,359.90

Source: MH SR

**Slovak Innovation and Energy Agency (SIEA)** acts as an intermediate body and implementing agency for EU Structural Funds. In the programming period 2014 - 2020, it implements two operational programmes - OP Research and Innovation and OP Quality of the Environment. **Through the OP R&D**, in 2019 the SIEA supported SMEs in the total amount of EUR 50,344,033.01 for the specific objectives listed below. Through the specific objective 1.2.2 Growth of research and development and innovation capacities in industry and services (OP VaI-MH / DP / 2016 / 1.2.2.-02) the real use amounted to EUR 41,833,740.45<sup>18</sup> (use for micro-enterprises in the amount of EUR 19,018,316.42, for small enterprises EUR 15,901,032.92 and for medium - sized enterprises EUR 6,914,391.11). Through the specific objective 3.1.1 Increase in the emergence of new, competitive SMEs (OP VaI-MH / DP / 2016 / 3.1.1-03), the amount implemented in 2019 intended to support small and medium-sized enterprises was EUR 8,510,292.56<sup>19</sup> (of which micro-enterprises used support in the amount of EUR 7,584,772.26 and small enterprises in the amount of EUR 925,520.30). **Through the OP Environmental Quality**, in 2019 the SIEA supported small and medium-sized enterprises in the total amount of EUR 12,539,496.57 for the following specific

<sup>17</sup> However, the MH SR in 2019 amended the relevant de minimis scheme. The possibility was added for involving students of the I. and II. degree of their studies as part of their preparation of bachelor's and master's theses and institutes of the Slovak Academy of Sciences operating in the territory of the Slovak Republic in accordance with the relevant legal regulations and standards. In addition, the total value of the voucher has been increased to a maximum of EUR 10 000 excluding VAT, with a maximum aid intensity of 100% of eligible expenditure. The call for projects was published on the website of the MH SR in the period from 04.02.2020 to 03.04.2020.

<sup>18</sup> EU resources.

<sup>19</sup> EU resources.

objectives. Through specific objective 4.2.1 Reducing energy intensity and increasing the use of RES in enterprises (OP KZP-PO4-SC421-2017-30), the real use amounted to EUR 2,285,809.97 (use for micro-enterprises EUR 375,521.58, for small enterprises 1,106 EUR 346.79 and for medium-sized enterprises EUR 803,941.60). Through the specific objective 4.5.1 Development of more efficient centralized heat supply systems based on usable heat demand (OP KZP-PO4-SC451-2017-20), SMEs were supported in the amount of EUR 10,253,686.60 (of which micro enterprises amounted to EUR 586,406.29 EUR, small enterprises EUR 9,449,435.57 and medium - sized enterprises EUR 217,844.74).

Table 4 SIEA: implemented support for SMEs in 2019

Operational Programme	Specific goal	Amount of real use in 2019
OP R&I	<b>1.2.2 Growth of research and development and innovation capacities</b>	EUR 41,833,740.45
	<b>3.1.1 Increasing the emergence of new competitive SMEs</b>	EUR 7,584,772.26
OP QE	<b>4.2.1 Reducing the energy intensity and increasing the use of RES in enterprises</b>	EUR 2,285,809.97
	<b>4.5.1 Developing more efficient systems of centralized heat supply based on the demand for usable heat</b>	EUR 10,253,686.60

Source: SIEA

**The Ministry of Labour, Social Affairs and Family of the Slovak Republic (MPSV SR) - the Centre for Labour, Social Affairs and Family** provided assistance to SMEs in 2019 to support employment<sup>20</sup> from public funds, mostly from the European Social Fund and to a lesser extent from the Slovak state budget. **The total volume of state aid provided for the Centre for Labour, Social Affairs and Family in 2019** was EUR 85.51 mil. of which the headquarters provided assistance to SMEs in the **total amount of EUR 68.16 mil.**, which represents 79.71% of the total amount of state aid provided. State aid was implemented through an active employment and labour market policy, which implements and supports active labour market measures (ALMM), which, in addition to supporting disadvantaged people, also help to develop business by supporting the creation of new jobs and maintaining existing jobs and employees in these supported locations.

<sup>20</sup>The assistance provided was in accordance with EU legislation pursuant to: a) Commission Regulation (EU) No. 14707/2013, which is the legal basis of the De minimis Aid to support employment no. 16/2014 (hereinafter referred to as de minimis scheme No. 16/2014); b) Commission Regulation no. 1408/2013, which is the legal basis of the De minimis aid scheme to support employment in the primary agricultural production sector no. 17/2015 (hereinafter referred to as "de minimis scheme No. 7/2015"); c) Commission Regulation (EU) No 651/2014, which is the legal basis of the State Aid Scheme for the Support of Training and Aid for the recruitment and employment of disadvantaged employees and employees with disabilities no. SA 40975 (2015X) (hereinafter referred to as "Scheme SA.40975 (2015 / X)").

Table 5 COLSAF SR: aid provided to support employment in 2019

State aid granted in accordance with the scheme 16/2014	Enterprise type		EUR 85.51 mil.	Share (in %)
	Out of the SMEs	Microenterprises	EUR 47.58 mil.	55.64 %
		Small enterprises	EUR 16.69 mil.	19.52 %
		Medium-sized enterprises	EUR 3.89 mil.	4.55 %
	SMEs - total		EUR 68.16 mil.	79.71 %
	Aid for large enterprises		EUR 12.70 mil.	5.44 %
	Not specified *		EUR 4.65 mil.	14.85 %

Source: COLSAF SR

Note: \* in the category "Not provided" there are recipients of the contribution who at the time of concluding the agreement do not have the completed economic characteristic of the applicant - the size of the company in the ISSZ.

Through the regional investment aid, support was provided to investors in 2019 in the form of a contribution to the creation of a new job. The aid was granted to one small enterprise totalling EUR 0.02 mil. and to eight large companies in the total amount of EUR 1.64 mil.

Table 6 COLSAF SR: investment aid provided to investors in 2019

Regional investment aid	Enterprise type		EUR 1.66 mil.	Share (in %)
	Out of that SMEs	Microenterprises	EUR 0.00 million	0.00 %
		Small enterprises	EUR 0.02 million	1.20 %
		Medium-sized enterprises	EUR 1.64 million	98.80 %
	SMEs - total		EUR 0.02 million	1.20 %
	Aid for large enterprises		EUR 1.64 million	98.8 %

Source: COLSAF SR

**In accordance with Act no. 185/2009 Coll. on research incentives the Ministry of Education, Science, Research and Sport of the Slovak Republic (MŠVVaŠ SR)** supported a total of 25 SMEs in 2019, of which 10 micro-enterprises, 8 small enterprises and 7 medium-sized enterprises.<sup>21</sup> The allocation of funds for SMEs in the amount of the actual use of funds for supported SMEs, i.e. at the level of EUR 9,621,513.20 (of which for micro-enterprises EUR 4,039,333.20, for small enterprises EUR 2,751,188 and for medium-sized enterprises EUR 2,830,992). In 2019, 155 SMEs, specifically micro-enterprises, **were supported through the state aid scheme to support of dual education**, while the amount of actual use by the supported micro-enterprises was of the level of EUR 527,782.70.<sup>22</sup> In 2019, the MŠVVaŠ provided financial support through ECSEL JU<sup>23</sup> to two small and medium-sized enterprises, in which 13 jobs were supported. The allocation of funds was EUR 800,000, while the amount of actual use for the two supported SMEs was EUR 538,946.50. Through the Eurostars 2 programme<sup>24</sup>, established by Decision No. 553/2014 (EU), MŠVVaŠ SR financed 1 medium-sized enterprise in 2019. The amount of allocated funds was the actual use in total amount of EUR 203,560.

<sup>21</sup>The support provided to SMEs was in the form of a subsidy pursuant to the relevant law.

<sup>22</sup>the data was confirmed by the State Institute of Vocational Education.

<sup>23</sup>The ECSEL JU Joint Undertaking, which focuses mainly on technology areas of strategic importance with high added value for the EU economy, was set up in 2014 by merging the joint undertakings ENIAC and ARTEMIS JU.

<sup>24</sup>The focus of the Eurostars 2 programme is to support cooperation of R&D SMEs on international projects aimed at developing new products, processes and services.

Table 7 MŠVVaŠ SR: implemented support for SMEs in 2019

Implemented support	Amount of real use in 2019
Pursuant to the Act on incentives	EUR 9,621,513.20
State aid scheme to support dual education	EUR 522,782.70
ECSEL JU	EUR 538,946.50
Eurostars 2	EUR 203,560.00

Source: MŠVVaŠ, State Vocational Education Institute (ŠIOV)

In 2019, the **Agency for the Support of Research and Development (SRDA)** implemented activities to support small and medium-sized enterprises through the provision of NFP for solving research and development projects in accordance with state aid schemes SA.42450 and SA.49175 and minimum ad hoc aid in accordance with the Act no. 358/2015 Coll. on the regulation of certain relations in the field of state aid and minimum aid and on the amendment of certain acts (the State Aid Act). In 2019, the Agency supported 23 enterprises in the SME size category, of which 21 SMEs were supported through the above-mentioned State aid schemes (SA. 42450 and SA.49175). In terms of more detailed specifications, there were 6 micro-enterprises, 5 small enterprises and 10 medium-sized enterprises. Two SMEs were supported through this minimum ad hoc aid, of which 1 was a micro and 1 was a small enterprise. The purpose of the aid was to support research and development in order to fulfil selected objectives and targets in line with the long-term objective of state science and technology policy. The amount of funds actually used within the supported enterprises from the size category of SMEs in 2019 was of the level of EUR 1,714,551.72 (of which EUR 1,705,551.72 was provided through the above-mentioned state aid schemes and EUR 9,000 through the minimum ad hoc aid).

Table 8 SRDA: SME implemented support in 2019

	Microenterprises	Small enterprises	Medium-sized enterprises	SMEs - total
Schemes	335,205.92	573,313.00	797,032.80	1,705,551.72
Ad hoc	6,000.00	3,000.00	0.00	9,000.00
Total	341,205.92	576,313.00	797,032.80	1,714,551.72

Source: SRDA

In 2019, the **Ministry of Agriculture (MPRV SR)** provided state aid through the rural development programme and in accordance with special legal regulations. According to the data provided by the Agricultural Paying Agency (PPA), SMEs were supported under the Rural Development Programme in 2019 in the areas listed in the summary table below.

Table 9 implemented support for SMEs in 2019

Area	Amount of real use in 2019
4.1 Aid for investment in agricultural holdings	EUR 37,110,737.17
4.2 - Aid for investments for processing/launching and/or developing agricultural products	EUR 35,792,593.69
6.1 Business start-up support for young farmers	EUR 670,000.00
6.4 Aid for investments in the creation and development of non-agricultural activities	EUR 17,296,971.78
8.3 Prevention and restoration of damage to forests from forest fires and natural disasters and catastrophic events	EUR 5,931,074.47
8.4 Support for the restoration of forests damaged by forest fires and natural disasters and catastrophic events	EUR 7,286,340.97
8.6. Support of investments in forestry technologies and in processing, in mobilising and in the marketing of forest products	EUR 3,923,729.30
16.4 Support for horizontal and vertical cooperation between supply chain actors in the establishment and development of short supply chains and local markets and for promotional activities in the local context related to the development of short supply chains and local markets	EUR 776,116.38

Source: APA

In 2019, a total of 14 SMEs were contracted through the Operational Programme Fisheries 2014-2020. The number of approved contributions amounted to a total of EUR 1,852,724.30.<sup>25</sup>

**The Ministry of Culture of the Slovak Republic (MK SR)** supported a total of 85 SMEs in the form of a subsidy from the state budget in the total amount of EUR 980,449 through the subsidy system of the Ministry of Culture of the Slovak Republic. The grant system in 2019 consisted of the 3 following programmes: A total of 37 SMEs were supported with an amount of EUR 644,500 through the Let's Renew Our House programme. The Culture vouchers programme provided support in the form of a subsidy for 47 SMEs in the total amount of EUR 325,949, and 1 enterprise from the SME size category was supported with an amount of EUR 10,000 through the Culture of Disadvantaged Groups programme. Through the Integrated regional operational programme, Priority Axis 3 - Mobilization of Creative Potential in the Regions, the phase of professional evaluation within the call IROP-PO3-SC31-2016-5 was completed in 2019. Subsequently at the end of the second half of 2019, the SO for IROP PO3 started the process of contracting EU financial resources, which will presumably positively impact, after contracting all approximately 287 applications for NFP, the increase of the number of newly created jobs in the cultural and creative industries. In 2019, 23 contracts on the provision of NFP were concluded with the total amount of the provision of NFP EUR 3,545,376.06 (of which EU resources amounted to EUR 3,221,916.56 and resources from the state budget EUR 323,459.50). In 2019, according to the documents received, there was no real use.

**The Slovak Arts Council**, as a public institution for the support of artistic activities, culture and creative industries, supported a total of 1,646 SMEs within its main support activity, of which 1,445 were micro-enterprises, 164 small enterprises and 37 medium-sized enterprises. The amount of actual use of funds amounted to EUR 11,902,656 as of 31.12.2019.

**Table 10 The Slovak Arts Council: implemented support for SMEs in 2019**

Programme	Microenterprises	Small enterprises	Medium-sized enterprises
<b>Art</b>	5,697,427.00	185,600.00	66,818.00
<b>Events, cultural centres and magazines</b>	2,092,199.00	85,000.00	0.00
<b>Research and educational activities</b>	885,190.00	10,000.00	23,600.00
<b>Traditional culture and cultural and public enlightenment activities</b>	2,053,195.00	208,400.00	11,600.00
<b>Memory institutions and councils</b>	94,465.00	310,760.00	67,000.00
<b>Capital of culture</b>	91,220.00	11,732.00	8450.00
<b>Total</b>	<b>10,913,696.00</b>	<b>811,492.00</b>	<b>177,468.00</b>

Source: Slovak Arts Council

Through the **Fund for the Support of the Culture of National Minorities**, support was provided to 792 SMEs in 2019 in the form of a subsidy in the total amount of EUR 6,931,673.60, which were financed from the state budget. Individual programmes <sup>26</sup>have an

<sup>25</sup>Information on the amount of real use was not quantified by the closing date of the documents.

<sup>26</sup>The programmes include: a) Support for cultural, enlightenment and educational activities, science and research activities

b) The support for literary and publishing activities; Promotion of theatrical, musical, dance, visual and audiovisual arts; c) Support for ensuring intellectual dialogue and understanding between citizens of Slovak nationality and citizens belonging to national minorities and ethnic groups.

impact on the origin, distribution and presentation of the results of cultural and scientific activities. According to the provided documents the amount of actual use of funds in 2019 could not be quantified yet due to the fact that not all of projects for which subsidies were granted in that year were concluded.

**Audiovisual Fund** supported a total of 78 SMEs in 2019 through a subsidy system, with a total amount of EUR 9,319,000. The entities were supported through the following programmes. **Through the Creation and Realization of Slovak Audiovisual Works programme**, 76 SMEs (of which 75 micro-enterprises and 1 small enterprise) were supported in the form of a subsidy in 2019. The amount of actual use in the monitored year was of the level of EUR 7,406,000 <sup>27</sup>(of which EUR 7,256,000 was used by micro-enterprises and EUR 150,000 by a small enterprise). A total of 55 enterprises from the size category of SMEs (of which 47 micro-enterprises, 7 small enterprises and 1 medium-sized enterprise) were supported in 2019 **through the Distribution and Other Presentation of Audiovisual Works programme** in the form of a subsidy. The actual use amounted to EUR 832 thous. (of which micro enterprises used EUR 576 thous., small enterprises EUR 165 thous. and medium sized enterprise EUR 91 thous.). **Through the Research, Education and Publishing programme in the field of audiovisual culture**, 6 SMEs (of which 5 micro-enterprises and 1 small enterprise) were supported in the form of a subsidy. The amount of actual use for SMEs was EUR 27 thous. (of which micro enterprises used EUR 25 thous., and small enterprise EUR 2 thous.). **Through the Development of audiovisual technologies in the Slovak Republic programme**, 6 SMEs (of which 4 micro-enterprises and 2 small enterprises) were supported in the form of a subsidy. The amount of used financial contributions in the monitored year was EUR 84 thousand. Last but not least, through the Support for the Audiovisual Industry in the Slovak Republic programme, 11 SMEs, resp. 11 micro-enterprises. The amount of actual use in 2019 was EUR 970 thousand.

Table 11 Audiovisual fund: implemented support for SMEs in 2019

Subsidy system of the Audiovisual Fund	Amount of real use in 2019
<b>Creation and performance of Slovak audio-visual works</b>	EUR 7,406,000
<b>Distribution and other display of audio-visual works in the public</b>	EUR 832,000
<b>Research, education and editorial activities in the field of audio-visual culture</b>	EUR 27,000
<b>Development of audio-visual technology in the Slovak Republic</b>	EUR 84,000
<b>Support of audio-visual industry in the Slovak Republic</b>	EUR 970,000

Source: Audio-visual Fund

In 2019, the **Ministry of the Environment of the Slovak Republic** (MŽ SR) supported 2 entities of the SME size category in activity E1 from the Environmental Fund in the form of a subsidy: Environmental education, training and promotion. The subsidy provided amounted to a total of EUR 90,750. In the monitored year, no entity of the SME size category was supported in the form of a loan from the Environmental Fund. In 2019, calls were planned through the OP Quality of the Environment, within which companies could also apply for support. These calls included the ones specified in the table below. Calls under the OP QE in 2019 for business entities.

<sup>27</sup> Programme: Creation and realization of Slovak audiovisual works, Distribution and other publishing of audiovisual works, Research, education and publishing in the field of audiovisual culture and the Development of audiovisual technologies in the Slovak Republic programme are financed from contributions to the Audiovisual fund according to Articles 24 to 29 of the Act no. 516/2008 Coll. on the Audiovisual Fund and on the amendment of certain acts. The Support for the Audiovisual Industry in the Slovak Republic programme is exclusively financed from the state budget.

Table 12 MŽP SR: call under OP QE in 2019 for business entities

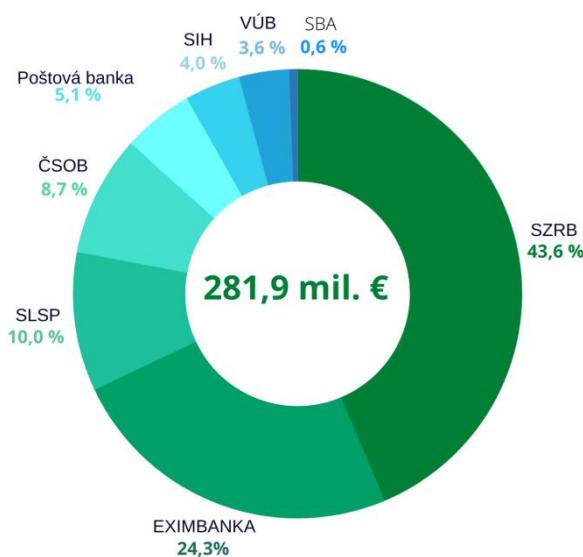
Specific goal	Indicative amount of fin. funds for the call in EUR (EU resources)
<b>1.1.1 Increasing the degree of waste recovery while focusing on preparing them for re-use and recycling and supporting prevention of waste generation</b> <b>Eligible activity B:</b> Preparing for re-use and recovery with a view to recycling non-hazardous waste, including support for separated municipal waste collection systems and support for the prevention of biodegradable municipal waste - <i>support for the recovery of biodegradable waste - construction of biogas stations used for combined heat and power production - state aid scheme</i>	10,000,000
<b>1.1.1 Increasing the degree of waste recovery while focusing on preparing them for re-use and recycling and supporting prevention of waste generation</b> <b>Eligible activity B:</b> Preparing for re-use and recovery with a view to recycling non-hazardous waste, including support for separated municipal waste collection systems and support for the prevention of biodegradable municipal waste - <i>support focused on the recovery of biodegradable municipal waste (BRKO) by building composting plants (including BRKO sorting and mechanical treatment of BRKO) - state aid scheme</i>	8,000,000
<b>4.5.1 Developing more efficient systems of centralized heat supply based on the demand for usable heat</b> <b>Eligible activity A:</b> Construction, reconstruction and modernization of heat distribution	30,000,000
<b>4.5.1 Developing more efficient systems of centralized heat supply based on the demand for usable heat</b> <b>Eligible activity B:</b> Construction, reconstruction and modernization of high-efficiency cogeneration plants with a maximum heat input of 20 MW	25,000,000

Source: MŽP SR

**The Office of the Deputy Prime Minister for Investment and Informatization**<sup>28</sup> supported 15 SMEs (of which 14 micro-enterprises and 1 small enterprise) through the Scheme of Support for Experimental Development and Innovation in the Slovak Republic (de minimis aid scheme) no. DM - 19/2018. The amount of actual use for supported entities amounted to EUR 789,650, of which EUR 740,000 was for micro-enterprises and EUR 49,650 for one small enterprise.

**The Ministry of Defence of the Slovak Republic (MO SR)** supported one micro-enterprise through the Interdepartmental Program 060EI - Research and Development to Support State Defense. The amount of allocated funds was the same as the actual use of the financial funds, i.e. an amount of EUR 21,039.08.

<sup>28</sup>From 1 July 2020, the Resolution of the Government of the Slovak Republic no. 417 approved statute of the Ministry of Investment, Regional Development and Informatization of the Slovak Republic.



**Slovenská záručná a rozvojová banka, a. s.** In 2019 (SZRB) continued to support small and medium-sized enterprises **through the provision of direct loans**, which are aimed at supporting the financing of investment and operational needs of small and medium-sized enterprises, financing the development of regions, municipalities and legal entities established under special regulations. In 2019, SZRB approved 652 direct loans for SMEs in the total amount of EUR 146.17 mil., while the average loan amount was EUR 224.19 thousand. The volume of provided (used) direct loans was in the total amount of EUR 122.90 mil.

Table 13 SZRB: Direct credits for SMEs in the period from 2016 to 2019

Period	2016		2017		2018		2019	
	Indicator	Amount in EUR thousand	Number	Amount in EUR thousand	Number	Amount in EUR thousand	Number	Amount in EUR thousand
Approved	98,348.00	529	111,209.00	450	74,085.00	440	146,174.00	652
Granted	102,119.00	621	80,786.00	525	85,124.00	537	122,903.00	720
Portfolio	295,407.00	1469	273,336.00	1310	261,712.00	1197	275,547.00	1 329

Source: SZRB

**Slovak Investment Holding, a.s. (SIH)** which is 100% owned by the Slovenská záručná a rozvojová banka, supported small and medium-sized enterprises in 2019 through the **loan instrument OP Integrated Infrastructure: Scheme DM – 14/2016 PRSL**. A total of 51 SMEs (of which 24 micro-enterprises, 24 small enterprises and 3 medium-sized enterprises) were supported through the scheme in question in a cumulative period (from November 2018 to December 2019).<sup>29</sup> The program has an impact on improving SMEs' access to finance, while financing operational and investment needs. Overall 727 jobs were maintained in supported enterprises, of which 90 were in the microenterprises, 440 were in small enterprises and 197 in medium-sized enterprises. The actually used amount for SMEs in 2019 was in an amount of EUR 24,2 mil.<sup>30</sup>

<sup>29</sup>The target group for the aid includes enterprises within the meaning of Article 107 (1) of the Treaty on the Functioning of the EU (see the relevant scheme DM 14/2016 PRSL). From the point of view of size category of enterprises, it is the "SMEs" which meet the definition of small and medium-sized enterprises in Annex I to Commission Regulation No. 651/2014.

<sup>30</sup>information on the total real use, including the volume of funds from the financial intermediaries' own resources.

Table 14 SIH: PRSL loan instrument provided for SMEs in 2019

Credit lines	Total amount of SME support
OP Integrated infrastructure scheme DM-14/2016- PRSL	EUR 11,311,000.00

Source: SIH

The Export-Import Bank of the Slovak Republic (EXIMBANKA SR) supports the SME segment by an appropriate combination of banking and insurance products and the correct setting of payment and delivery conditions for foreign buyers, thus enabling Slovak exporters to successfully execute export contracts, even if their credit profile is weak. In 2019, EXIMBANKA SR focused primarily on providing direct loans to exporters. In 2019, the share of SMEs in equity exposure reached 20.1%, or EUR 68,484 thous. in monetary terms. Year-on-year, the total share of SMEs in equity exposure increased by 0.92 pp. (resp. by 13 431 thous.).

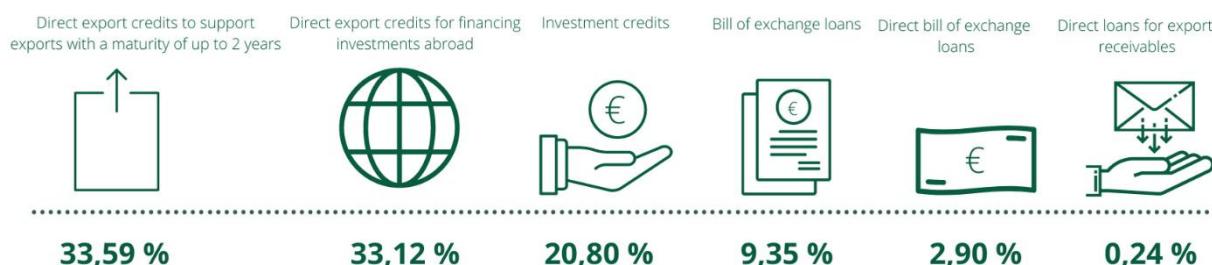
Table 15 EXIMBANKA SR: direct loans provided to SMEs - structure of receivables as of 31 December 2019

Bank products	31.12.2019 (in EUR thousand)	Out of that SMEs as of 31 Dec 2019 (in EUR thousand)
Investment credits	171,116.00	14,247.00
Direct export credits to support exports with a maturity of up to 2 years	58,925.00	23,007.00
Direct export credits for financing investments abroad	96,037.00	22,684.00
Direct loans for export receivables	3,120.00	165.00
Bill of exchange loans	8,953.00	6,404.00
Direct bill of exchange loans	1,977.00	1,977.00
<b>Total direct credits</b>	<b>340,128.00</b>	<b>68,484.00</b>

Source: EXIMBANKA SR

Clients in the SME segment used loans to support exports for up to two years (pre-export financing). Working capital financing in connection with the execution of individual export contracts through pre-export as well as through acceptance credit and direct credit for export receivables remained the only way for many SMEs to penetrate foreign markets and implement an export contract.

Figure 1 Eximbanka SR: percentage representation of individual banking products on direct credits for SMEs in 2019



Source: SBA, prepared according to documentation provided by EXIMBANKA SR

Slovenská sporiteľňa, a. s. (SLSP) was providing special credit and guarantee programmes to SMEs in cooperation with both international and Slovak institutions in 2019. In 2019 SLSP provided 35 credits worth EUR 35,961,493 from the EIB credit line, with 18 credits totalling EUR 14,284,453 for SMEs, thus supporting 18 SMEs. A total of 3 loans from the EBRD credit line in the amount of EUR 2,086,882, which included loans for 3 small and

medium-sized enterprises. In 2019, SLSP provided 157 credits to entrepreneurs starting their own business, based on their business plan in the amount of EUR 3,200,000, thanks to which 237 jobs were created in Slovakia. During the period under review 6,400 business accounts were also opened free of charge for 12 months after establishment of the company and 265 individual consultations related to preparation and validation of business plans/financial plans by reviewing the business partners and by mentoring were provided free of charge. In 2019, SLSP provided **a total of 509 loans guaranteed by the EaSI - Microfinance portfolio guarantee** amounting to EUR 8 704 439, of which 439 loans amounting to EUR 7,693,150 were provided to micro-entrepreneurs and 70 loans amounting to EUR 1,011,289 were provided to entrepreneurs starting their own business, thus supporting 430 micro-enterprises and 70 entrepreneurs starting their own business.

Table 16 SLSP: credit lines provided for SMEs in 2019

Credit lines	Total amount of SME support
<b>Credits from the European Investment Bank (EIB)</b>	EUR 14,284,453.00
<b>Loans from the European Bank for Reconstruction and Development (EBRD)</b> <b>(to promote energy efficiency in the private sector and apartment buildings)</b>	EUR 2,086,882.00
<b>Loans from EU Programme for Employment and Social Innovation EaSI – Microfinance (to support micro-entrepreneurs)</b>	EUR 7,693,150.00
<b>EaSI – Microfinance (to support start-up entrepreneurs)</b>	EUR 1,011,289.00
<b>Credits to support start-up entrepreneurs</b>	EUR 3,200,000.00

Source: SLSP

**Všeobecná úverová banka, a.s. (VÚB)** provided loans from various sources to support SMEs in Slovakia in 2019. A summary of credits granted in the reference year review is given below. In 2016, VUB signed a **credit line with the European Investment Bank** Luxembourg, and projects in 2019 were financed from this line. In 2019, a new line was signed with EIB Luxembourg for the same type of clients and projects (SMEs, large corporations, cities and municipalities). Investment sources from EIB resources are intended to support regional development and are aimed at supporting sectors such as the environment, infrastructure, the development of the knowledge economy and society, energy efficiency, health and education. In 2019, VUB financed 4 projects of small and medium-sized enterprises with a total amount of EUR 5,801,999 from EIB resources. VUB Bank provides **credits from the European Bank for Reconstruction and Development sources** on the basis of the credit line of the Program for the Support of the Development of Energy Efficiency and Renewable Energy Sources in Slovakia (SLOVSEFF III. - Slovakia Sustainable Energy Finance Facility). The programme focuses on promoting energy efficiency in industry, renewable energy projects and residential energy efficiency. The main benefit of the programme is obtaining a non-repayable grant of 5-20 - 20% of the volume of the credit, which is financed from the credit line resources. As part of the SLOVSEFF III programme, investments for 13 projects with a total amount of EUR 4,325,560 were provided for small and medium-sized enterprises in 2019. **Support for SME financing** by VÚB Bank also includes **credits provided in connection with the drawing of structural funds**. The bank has concluded an Agreement on Cooperation and Joint Action between the bank and bodies representing the SR (with the Ministry of Education, Science, Research and Sport of the SR, Ministry of Environment, Ministry of Agriculture and Rural Development of the SR and Agricultural Paying Agency) as part of the Operational Programmes Research and Innovation, Environmental Quality, Integrated Regional Operational Programme and Rural Development Programme. It provides two types of credits to finance projects related to the

drawing of EU funds: a bridging credit to pre-finance a non-repayable financial contribution and an investment credit in the form of co-financing. A bridging credit is provided by VÚB banka to bridge the time mismatch between the need to reimburse the applicant's eligible costs and the reimbursement of those costs up to the amount of the approved non-repayable financial contribution (NFC). In 2019, the bank provided financial support to 95 clients, in the total amount of EUR 28,646,048.39. An investment credit (co-financing) which represents financing beyond the own resources of the client and NFC up to 100% of the project costs, is provided by the bank for the co-financing of the project beyond the eligible costs if the project complexity so requires. For the purpose of co-financing, VÚB Bank provided credits to 55 clients in 2019 in the total amount of EUR 16,681,724.95 Eur. VUB Bank provides entrepreneurs (farmers) with the option to pre-finance subsidies/direct payments which are paid from the state budget of the Slovak Republic and refunded from the EU budgets (through **Flexi loan for entrepreneurs**). The entrepreneur can obtain up to 100% of the anticipated direct payments before their payment from the Agricultural Paying Agency, with minimum security, free Special Account, whereas the entire credit, including interest, principal as well as remuneration for the arrangement of the obligation is payable only from the provided subsidies. In 2019, the VÚB banka supported 301 entrepreneurs in a total amount of EUR 87,394,090. VÚB does not limit the volume of funds that will be used to provide FLEXI credit to farmers in the coming years.

Table 17 VÚB: credit lines provided for SMEs in 2019

Credit lines	Total amount of SME support
Credits from the European Investment Bank (EIB)	EUR 5,801,999.00
Loans from the European Bank for Reconstruction and Development (EBRD) Programme SLOVSEFF III.	EUR 4,325,560.00

Source: VÚB

**Československá obchodná banka, a.s.** In 2019, ČSOB successfully continued the fulfilment of the COSME programme and provision of credits. In reference year, 631 small and medium-sized enterprises in Slovakia used ČSOB loans from the COSME programme, which is part of the so-called Juncker's plan. In total, 7 696 jobs were supported (newly created and maintained). The programme provides guarantees for credits to SMEs totalling EUR 100 million, while in 2019 the total volume of allocated funds amounted to EUR 25.3 million. The actual use was EUR 24.4 million.

Table 18 ČSOB: credit lines provided for SMEs in 2019

Credit lines	Total amount of SME support
Loans in cooperation with the European Investment Fund (EIF). EU programme for the Competitiveness of Small and medium-sized enterprises (COSME)	EUR 24,400,988.00

Source: ČSOB

Within the framework of funding support the **Poštová banka, a.s.** concluded an Agreement on Cooperation and Joint Action between the bank and bodies representing the SR (with the Ministry of Education, Science, Research and Sport of the SR, Ministry of Environment, Ministry of Agriculture and Rural Development of the SR and Agricultural Paying Agency) as part of the Operational Programmes Research and Innovation, Environmental Quality, Integrated Regional Operational Programme and Rural Development Programme. Although they did not provide new **loans as part of the co-financing of**

**projects with the support of structural funds** in 2019, Poštová banka was paid (part of the OP Rural Development Program) a total of EUR 2 mil. of NFP from the already financed projects for 2 co-financed projects. Despite the lower participation of the bank in the support of small and medium-sized enterprises in financing from the state budget or EU resources, in 2019 they continued to support this segment in the form of **operating and investment loans or SME project financing**, providing 31 loans to SMEs in the total amount of EUR 14,469 thous. **In 2019, Poštová banka introduced a new loan for tax small entrepreneurs with an annual turnover of up to EUR 1 mil.** through which entrepreneurs did not have to cease the necessary investments for development or significantly use the approved overdrafts on their accounts, even during the period of submitting tax returns. This tool amounted to a total of 37 loans in the amount of EUR 129 thous.

Table 19 Poštová banka: credit lines provided for SMEs in 2019

Credit lines	Total amount of SME support
<b>Operating and investment loans, SME project financing</b>	EUR 14,469,000.00
<b>Credits for tax financing (New credit)</b>	EUR 129,000.00

Source: Poštová banka

**Slovak Business Agency** implements the **Microloan Programme**, which is intended for small entrepreneurs employing up to 50 employees. Microcredits can be used to buy movable and immovable investment assets, to reconstruct operational areas and to purchase the necessary reserves, raw materials or goods as well as for other investment projects. The microcredit amount may range from EUR 2 500 to EUR 50 000.

The status of claims from the "old" programme<sup>31</sup> which were transferred from individual cooperating organizations during 2012 and 2013 are as of 31 December 2019:

- transferred claims EUR 2,771,687.31,
- the balance of claims from the old programme as of 31 December 20019 amounts to EUR 1,128,975.

The status of claims from the "new" current programme which were provided from April 2013 to 31 December 2019:

- microcredits provided EUR 11,358,280,
- the balance of claims from the new programme as of 31 December 2019 amounts to EUR 3,600,423.73.

In the reference year 2019, 86 microloans in the amount of EUR 1,800,100 were provided, while 2,250 microloans in the amount of EUR 42,547,346 were provided since the beginning of the implementation of the Microloan Programme.

Table 20 SBA: provided microloans for SMEs from the Microloan Programme in 2019

Credit lines	Total amount of SME support
<b>Microcredit programme</b>	EUR 1,800,100.00

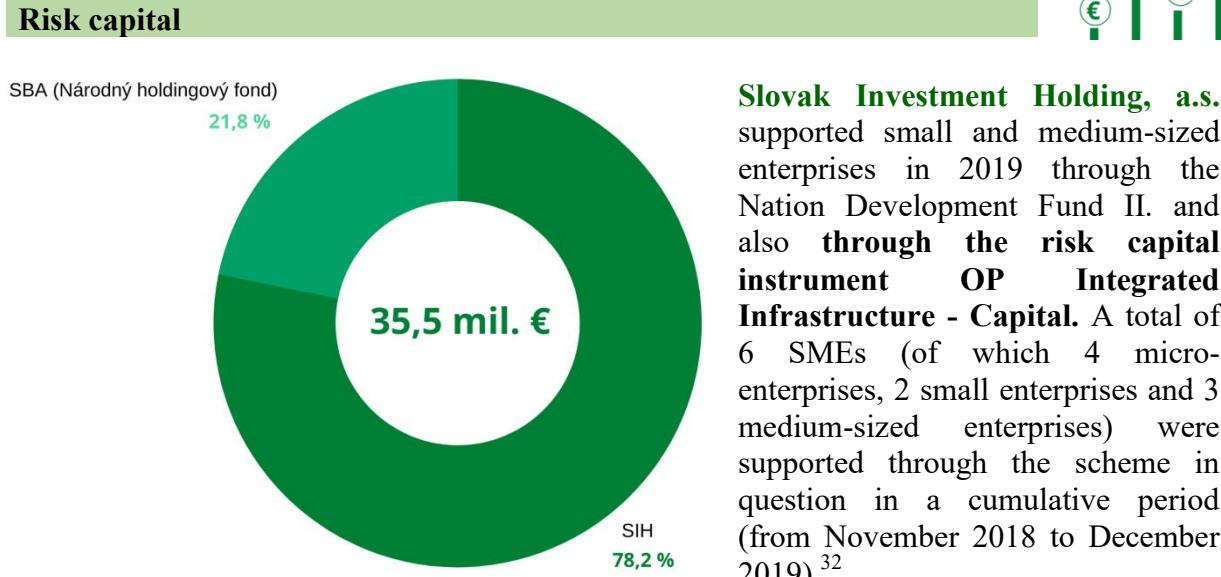
Source: SBA

<sup>31</sup>The programme has been implemented since 1997. By the Resolution of the Government of the Slovak Republic no. 64/2010, the current Microloan Programme was approved. SBA started to implement the new Microcredit Programme in April 2013 with cooperating organizations of RAIC Poprad, RAIC Prievidza, RAIC Prešov, RAIC Dunajská Streda, National Holding Fund, RAIC Trebišov and RAIC Komárno.

Figure 2 SBA: micro-loans provided to SMEs from a sectoral perspective



Source: SBA



**Slovak Investment Holding, a.s.** supported small and medium-sized enterprises in 2019 through the Nation Development Fund II. and also **through the risk capital instrument OP Integrated Infrastructure - Capital**. A total of 6 SMEs (of which 4 micro-enterprises, 2 small enterprises and 3 medium-sized enterprises) were supported through the scheme in question in a cumulative period (from November 2018 to December 2019).<sup>32</sup>

Overall 260 jobs were maintained in supported enterprises, of which 98 were in the microenterprises and 162 in medium-sized enterprises. The amount of actual use of funds within the size category of small and medium-sized enterprises in 2019 was in the amount of EUR 26.77 mil.<sup>33</sup> SIH also supported small and medium-sized enterprises **through the OP Integrated Infrastructure - SEED / START-UP CAPITAL FUNDS**. The support is intended for start-ups in the seed and start-up phases. Two micro-enterprises were supported through this program in a cumulative period (November 2018 to December 2019).<sup>34</sup> One job was maintained in the supported companies. In 2019, the amount of real use of the funds was in the total amount of EUR 1,08 mil.<sup>35</sup>

Table 21 SIH: risk capital provided for SMEs in 2019

Venture capital instrument	Total amount of SME support
Risk capital	EUR 26,767,000.00
SEED/START-UP CAPITAL FUNDS (OP Integrated infrastructure)	EUR 1,075,000.00

Source: SIH

<sup>32</sup>The target group for the aid includes enterprises within the meaning of Article 107 (1). 1 Treaty on the Functioning of the EU From the point of view of size category of enterprises, these include "SMEs" which meet the definition of small and medium-sized enterprises under Commission Recommendation 2003/361/EC of 6 May 2003, or an enterprise which does not meet the definition of SMEs.

<sup>33</sup>Information on the total real use, including the volume of funds from the independent investors' own resources.

<sup>34</sup>The target group for the aid includes enterprises within the meaning of Article 107 (1). of the Treaty on the Functioning of the EU (see the relevant State aid scheme for the Seed and Start-up Capital Instrument SA.56488). From the point of view of size category of enterprises, it is the "SMEs" which meet the definition of small and medium-sized enterprises in Annex I to Commission Regulation No. 651/2014.

<sup>35</sup>Information on the total real use, including the volume of funds from the independent investors' own resources.

**The Slovak Business Agency** supports growth-oriented business projects by providing venture capital (deposit in the share capital of companies) through a specialized subsidiary, Národný holdingový fond, s.r.o. (until 20.03.2014 under the business name of Fond fondov, s.r.o.). A long-term mission of the company is to guide the activities of individual funds in such a manner as to stimulate the development of the SMEs sector across Slovakia, to increase the value of the financial means of individual funds and to use the profits made to pursue the long-term goal of supporting SMEs.

National holding account Fond štartovacieho kapitálu, Regionálny fond štartovacieho kapitálu, Fond SISME, Fond inovácií a technológií, a.s., Slovenský Rozvojový Fond, a.s., Slovenský rastový kapitálový fond, a.s.<sup>36</sup>

In the monitored year of 2019, the total amount of investments of EUR 13,535,000 was approved through the above-mentioned managed funds (EUR 3,535,000 from the Innovation and Technology Fund and EUR 10 million from the Slovak Growth Capital Fund). Compared to 2018, the volume of approved investments was higher by EUR 13,335,000 (in 2018, the volume of approved investments was in an amount of EUR 200,000). The amount of realized investments was of the level of EUR 7,757,000. Of this, an investment in the amount of EUR 1,910,000 was made from the Innovation and Technology Fund and EUR 5,847,000 from the Slovak Growth Capital Fund. In a year-on-year comparison, the total amount of realized investments increased by EUR 7,306,990, which is 17 times more compared to 2018. From the point of view of the company's life cycle when implementing investment proposals, there were 5 enterprises in start-up phase and two in the development phase. From the sectoral structure point of view of implemented investment proposals, 6 investment proposals were from the information technologies sector in the amount of EUR 4,910,000 and 1 investment proposal, in the amount of EUR 2,847,000 was included in the category of other proposals.

Table 22 SBA: risk capital provided for SMEs in 2019

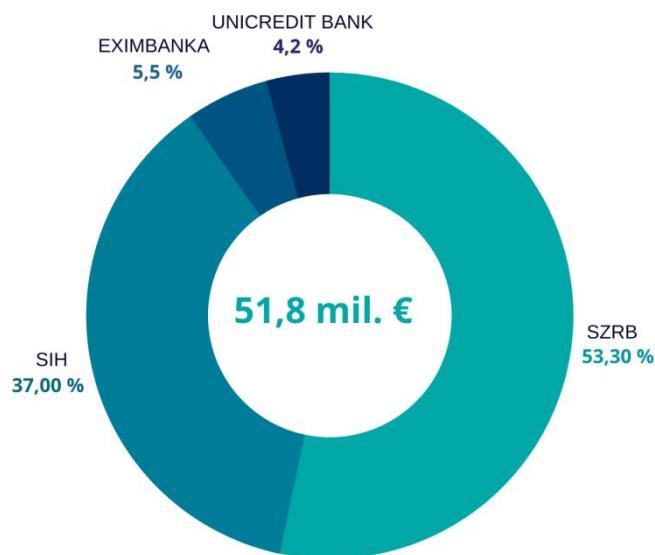
Fund name	Approved investments in year 2019		Investments made in year 2019	
	Number	Amount (in EUR)	Number	Amount (in EUR)
<b>Fond inovácií technológií</b>	5	3,535,000	5	1,910,000
<b>Slovenský rastový kapitálový fond, a.s.</b>	2	10,000,000	2	5,847,000
<b>Funds total</b>	<b>7</b>	<b>13,535,000</b>	<b>7</b>	<b>7,757,000</b>

Source: SBA

<sup>36</sup>In 2020, the transition to Eterus Capital. The conditions and settings for the provision of investments are also changing, more information on this change will be the subject of the forthcoming *Report on the state of SMEs*.

### 3.2.2 Indirect form of support for SMEs

#### Bank guarantees



In 2019 **Slovenská záručná a rozvojová banka, a.s.** continued to support small and medium-sized enterprises also through the provision of guarantee programs. In the monitoring year of 2019, SZRB approved and provided 214 guarantees for small and medium-sized enterprises in the total amount of EUR 27.62 mil., of which approximately 61.96% were quick guarantees for loans from commercial banks.

Table 23 SZRB: guarantee programme provided for SMEs in 2019

Guarantee instruments	Total amount of SME support
Guarantee programmes (provided)	EUR 27,618,000.00

Source: SZRB

The **Slovak Investment Holding, a.s.** supported small and medium-sized enterprises in 2019 through the guarantee instrument of the OP Integrated infrastructure: Scheme DM 15/2016 – FLPG. A total of 38 SMEs (of which 9 micro-enterprises, 17 small enterprises and 12 medium-sized enterprises) were supported through the scheme in question in a cumulative period (from November 2018 to December 2019).<sup>37</sup> In 2019, the allocation of funds for SMEs was in the total amount of EUR 12,1 mil. The actual use in 2019 was of the level of almost 19.15 mil.

Table 24 SIH guarantee programme provided for SMEs in 2019

Guarantee instruments	Total amount of SME support
FLPG (FIRST –LOSS PORTFOLIO GUARANTEE)	EUR 19,147,000.00

Source: SIH

**Export-Import Bank of the Slovak Republic (EXIMBANKA SR)** provided also guarantee programmes in 2019. Compared to 2018, EXIMBANKA SR recorded a decrease of approximately EUR 7 million in the volume of bank guarantees provided in the SME segment in 2019. Of the total amount EUR 5 mil. was represented by the reclassification of a client from an SME to a large client segment in course of 2019. In total, bank guarantees were issued for the SME segment in the amount of EUR 2,838,000.

<sup>37</sup>The target group for the aid includes enterprises within the meaning of Article 107 (1) of the Treaty on the Functioning of the EU (see the relevant scheme DM 15/2016 PRSL). From the point of view of size category of enterprises, it is the "SMEs" which meet the definition of small and medium-sized enterprises in Annex I to Commission Regulation No. 651/2014, from the regions of Slovakia except for BSK.

Table 25 EXIMBANKA: guarantee programme provided for SMEs in 2019

Guarantee instruments	Total amount of SME support
Issued bank guarantees in the SME segment	EUR 2,838,000.00

Source: EXIMBANKA

In order to support SMEs in Slovakia, **UniCredit Bank, a.s.** provided in 2019 the InnovFin SME Guarantee facility programme in cooperation with EIF. As part of the program in question, a total of 4 SMEs in the total amount of EUR 2.2 mil. were supported in course of 2019. The objectives of the support included increasing the competitiveness of SMEs, improving the economic situation of SMEs, promoting employment and simplifying access to new technologies. At the end of 2018, UniCredit Bank, a.s., as the only bank, launched a new program by SZRB, which was fully utilized in 2019. The program supported a total of 36 companies from the SME size category. Through the provision of a soft loan, it is possible to invest in tangible and intangible assets or to invest in working capital related to the development and expansion of business activities. The amount of allocated funds in 2019 was of the level of EUR 17 million, while the actual use was of the level of EUR 12.4 million.

Table 26 UniCredit Bank: guarantee programmes provided for SMEs in 2019

Guaranty lines	Total amount of SME support (in EUR)
Loans guaranteed by the EIF Guarantee from the INNOVFIN SME GUARANTEE FACILITY Programme	EUR 2,200,000.00
FLPG (FIRST -LOSS PORTFOLIO GUARANTEE)*	EUR 12,400,000.00

Source: UniCredit Bank

\* Note. it was only a financial intermediary of the FLPG - it is not included in the table



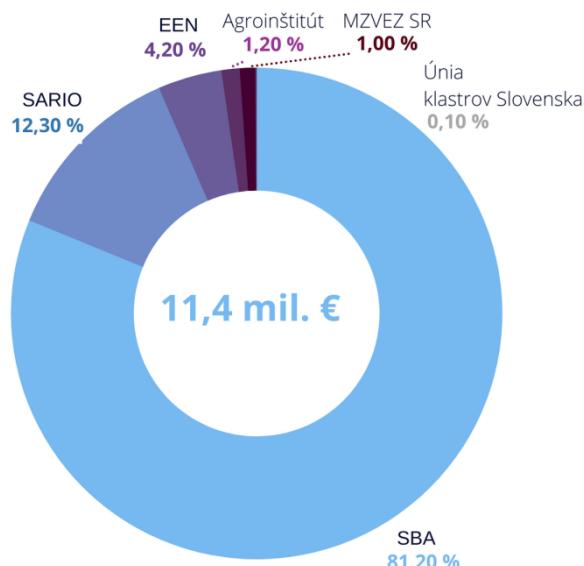
### Incentives, tax relief and other concessions

According to the data of the Financial Directorate of the Slovak Republic, as part of the individual activities and projects aimed at supporting SMEs in 2019, the tax relief for recipients of investment aid was provided: A total of 7 SMEs were supported, of which 2 were small and 5 were medium-sized enterprises. The amount of the total tax relief for the beneficiaries was of the level of EUR 228,617.19, of which the aid for small enterprises amounted to EUR 52,960.42 and for medium-sized enterprises to EUR 175,656.77. No entity was supported in 2019 through the relief provided to beneficiaries of incentives under the Act on Incentives for Research and Development. A total of 196 SMEs claimed the deduction for research and development expenditures in the total amount of EUR 33,106,166.45, of which 52 micro-enterprises in the amount of EUR 2,304,442.85, 83 medium-sized enterprises in the amount of EUR 11,039,578.56 and 61 medium-sized enterprises in the amount of EUR 19 762 145.04. A total of 50 SMEs were supported through the relief under the minimum aid scheme DM 12/2018, of which 32 were micro-enterprises, 13 were small enterprises and 5 were medium-sized enterprises. The total amount of aid was EUR 209,574.38, of which the amount of aid for micro-enterprises was EUR 76,596.18, for small enterprises EUR 104,140.08 and for medium-sized enterprises EUR 28,838.12. Pursuant to the *Report on State Aid Provided in the Slovak Republic for 2019*<sup>38</sup>, the financial administration authorities provided aid through tax authorities as well as customs authorities. In 2019, the tax authorities provided state aid in the total amount of EUR 13.57 million. The total share of state aid provided to SMEs in 2019 was 1.69% of the total state aid provided by tax authorities. In

<sup>38</sup> More information in the document Report on provided state aid in the Slovak Republic for the year 2019 available at: [http://www.statnapomoc.sk/wp-content/uploads/2020/07/1\\_Vlastny-material.pdfmm](http://www.statnapomoc.sk/wp-content/uploads/2020/07/1_Vlastny-material.pdfmm)

2019, the customs authorities provided state aid in the total amount of EUR 131.47 million. The total share of state aid provided by customs authorities under the state aid schemes to SMEs was 33.26%.

## Other (consulting and services)



### National projects

#### • National project „NBC II – BA region“

During the monitoring year of 2019, within the framework of the National Project NPC II - BA region, support was provided in the form of services offered by individual programs to a total of 1,313 unique entities (new participants). Of this number, 408 + 55 (CVTI) were NP clients - non-entrepreneurs and 850 participants from small and medium-sized enterprises (SMEs).

There was a total of 613 unique SMEs supported in 2019 (out of a total of 1,186 SMEs that used various services in 2019). The following summary infographic (Figure 3) shows an overview of professional activities that were implemented through individual programmes. The total allocation of funds within NPC II - BA region in 2019 was identical to the actual use, i.e. EUR 2,907,888.55.

During the monitoring period of 2019, the following professional activities were carried out, which are listed in the overview infographic.

### Slovak Business Agency

Slovak Business Agency, as a key specialized institution in terms of supporting SMEs in Slovakia, continued its activities in 2019. The following section details the support provided to small and medium-sized enterprises.



National projects



International projects



Other activities

Figure 3 NPC II - BA region: overview of implemented activities in 2019



### Front Office

- informing about the offer of NPC BA services and entities represented in the Front Office,
- mediation of services for entities represented in the Front Office, project partner (implemented by SCSTI) and other services of the beneficiary,
- additional services,
- cooperation in registration and verification of mandatory registration data of clients,
- cooperation in completing the test of a company in difficulty and verifying the eligibility of the target group



### Acceleration program

- professional individual consulting,
- group modular consulting,
- summer school,
- group consulting - information and promotion activities (Motivational activities, networking support),
- group consulting - professional consulting (one-time professional consulting, roadshow),
- for high schools and universities - visits of NPC representatives to schools, organization of school excursions to NPCs,
- Coworking,
- accelerator and related services,
- Examples of events which were organized as part of the National Project NPC II BA region; Idea maps are the key to creativity; Financial skills in hand,
- Branding - how to build a brand



### Internship program

- for the target group of SMEs, these were mainly international professional events, in which the participation of 32 SMEs in selected international professional events within the EU was ensured,
- for the target group of NP - non - entrepreneurs there was a call launched, while the commission will meet only in March 2020.



### Incubation program

- incubator (Physical membership), while from June 2019 a total of 9 new SMEs started using the service. in December 2019, the selection committee met, new clients will start using the service only from 1 January 2020

**Note.**  
**Services provided for::**



SMEs



NP-non-entrepreneur



SMEs and NP-non-entrepreneur



### Growth program

- short-term individual consulting,
- long-term individual consulting,
- professional project consulting for the involvement of SMEs in EU community programs,
- motivational and activation team activities for individual SMEs,
- information and promotion activities (conferences, seminars, presentations of examples of successful business practice),
- group professional consulting (lectures, workshops, professional seminars),
- Networking - networking support
- educational events



### CREATIVE POINT

- professional individual consulting, one-off,
- ad hoc - group consulting (special workshops, regular form of group consulting, Technical Tuesdays, Workshop cycle, Roadshow for high schools and universities and excursions)

Source: SBA

• **National project “NBC in regions”**

During the monitoring year of 2019, within the framework of the National Project NPC in regions, support was provided in the form of services offered by individual programs to a total of 1,437 u SMEs. The following summary infographic shows an overview of professional activities that were implemented through individual programmes. The actual use of funds as part of the NPC in the regions in 2019 was of the level of EUR 4,945,840. The most frequently used service in the monitoring year of 2019 remained the short-term individual counselling, which is used by a large group of clients. At the same time, long-term individual

counselling began its implementation, which, after contracting with clients, provides professional assistance as needed.

The following summary infographic (Figure 4) shows an overview of professional activities that were implemented through individual programmes.

**Figure 4 NPC in regions: overview of implemented activities in 2019**



### Front Office

- during the monitoring year of 2019, premises in the regions of Trnava, Nitra, Trenčín, Banská Bystrica and Prešov were procured as part of the NPC in the regions. For the Košice and Žilina region, the premises are still being addressed,
- in each of the regional cities, the Front Office team provides information and cooperation in the entire registration process, in the subsequent mandatory client verification process and subsequently in the process of the client's actual registration for the event,
- the client centre itself does not organize its own events, but hosts excursions for visitors of NPC clients, during which clients are provided with complete information about the offer of SBA services. NPCs and partners and also provides space for individual consultations with clients within the services of NPCs



### Acceleration program

- professional individual consulting,
- group modular consulting (Business skills course),
- group consulting (professional one-off, motivational activities),
- summer school,
- examples of events which were organized as part of the National NPC project in the regions:
  - Communication skills and assertiveness in business;
  - Digital marketing on the move;
  - Unique design for your business



### Internship program

- international professional events. The clients had the opportunity to participate in international professional events in London, Athens, Paris, Berlin, Vienna, Munich, Salzburg, Stockholm, Cologne, Milan, Düsseldorf, Verona, Barcelona, Hamburg, Lyon, Hanover, Riga, Rimini, Budapest and other cities.



### Incubation program

- It was an Incubator (Virtual Membership)



### Growth program

The services are divided into two basic directions through the program in question:

- services for entrepreneurs who are interested in the growth and expansion of their business. Entrepreneurs can use different forms professional consulting (individual or group business or project consulting).
- services for entrepreneurs as part of their internationalization activities and expansion into foreign territories. Clients can participate, for example, in promotional and professional events abroad

#### Note.

#### Services provided for:



SMEs



NP-non-entrepreneur



SMEs and

NP-non-entrepreneur

**Source:** SBA

#### • **National project “Promoting the Internationalization of SMEs”**

The main goal of the national project in question is to strengthen the internationalization capacities of SMEs, including presentation of their business potential, and to provide free presentation, cooperation and advisory services to SMEs in order to increase their involvement in international cooperation.

In the monitoring year of 2019, a total of 419 SMEs (of which 373 SMEs were micro-enterprises, 45 small enterprises and 1 medium-sized enterprise) were supported through the NP Support for the Internationalization of SMEs. The total allocation of funds in 2019 was EUR 484,582.77, while the actual use was EUR 384,791.44 Eur.

**Figure 5 National project “Promoting the Internationalization of SMEs”: focus of the project**



- incentivizing existing and future entrepreneurs to internationalize,
- increasing efficiency in the implementation of business activities, production results and services,
- improving the level of presentation activities, positions and competitiveness of Slovak SMEs,
- increasing the professional capacity of SMEs and their level of awareness,
- increasing the involvement of SMEs in transnational and regional chains of subcontractors,
- increasing the involvement of SMEs in EU support programs,
- raising awareness of the benefits and opportunities of using alternative trading platforms,
- raising the knowledge level of SMEs in the field of e-business.

**Source:** SBA

#### • **National project “Monitoring the business environment in accordance with the ‘Think Small First’ principle”**

In 2019, the SBA continued to monitor the business environment through the national project in question. The following is going to be performed as a part of the project:

**Figure 6 Focus of the National project “Monitoring the business environment in accordance with the “Think Small First” principle”**



- continuous monitoring of the business environment,
- processing analyses and surveys, creating and maintaining a data base of SME indicators,
- mapping the actual SME condition and situation from the point of view of applying the SBA initiative principles,
- identifying and analysing the barriers hampering the development of SMEs’ business activities,
- comparing the situation in SR with business conditions in other countries (with an emphasis on the neighbouring EU countries),
- identifying suitable examples of measures to be transferred to the environment of SR.

**Source:** SBA

In the reference year of 2019, a number of reports, analyses and information materials were prepared to assess the quality of business in Slovakia in terms of the SBAfE agenda and the application of the Think Small First principle. The regular published analytical outputs included, for example: "Small and medium-sized enterprises in numbers", "The position of small and medium-sized enterprises in foreign trade", "Analysis of the gender and age composition of NP - entrepreneurs" and others. The preparation of irregular outcomes in 2019 focused on disadvantaged groups and <sup>39</sup>family-owned businesses<sup>40</sup>. Information materials are

<sup>39</sup>"Social entrepreneurship in Slovakia in the context of the current potential for the development of the social economy." "Entrepreneurial potential of young people in the regions of the Slovak Republic". "Business of women in the regions of the Slovak Republic" (<http://monitoringmsp.sk/2020/05/21/analyticke-a-statisticke-vystupy-nepravidelne/>).

also published and in 2019 these focused on the explanation of basic legislative regulations, obligations, as well as on the approximation of the necessary permits to obtain authorization to conduct business in the field of healthcare, accommodation services and sports professionals.

Since 2019 the published information materials also include thematically structured documents. The thematically structured output published in 2019 included, for example, a document entitled *Why simple stock company is suitable for STARTUP*, which provides entrepreneurs with an overview of the main advantages and disadvantages of the last legal form of a company - simple stock company. In addition, the Entrepreneur's Calendar is published on a monthly basis, which provides information on current tax and levy obligations arising from acts on a monthly basis.

In course of 2019, three regional events with different topics were held (in Banská Bystrica, Košice and Bratislava). In Banská Bystrica, the topic "Women's Entrepreneurship in the Regions of the Slovak Republic" was discussed, the aim of which was to identify common and different features of women's entrepreneurship in the regions of the Slovak Republic. The participants in the discussion included experienced as well as starting entrepreneurs and representatives of several institutions, associations and platforms.

In Bratislava and Košice, the central theme was Family-owned business (especially generational change, succession of family members and property). The participating entrepreneurs from the field of family businesses, as well as the successors of functioning family businesses, focused their discussion on the evaluation of the conditions of family business and the identification of the barriers that they most often encounter.

At the same time, the Working Group for the Implementation of the Principles of the Small Business Act continued its meetings in 2019 to ensure the transfer of information and proposals related to the application of the SBAfE principles. The members of the working group met in May and October 2019 to discuss the results and form of outputs and to make suggestions and proposals for improving the business environment as part of its monitoring.

In December 2019, the second Annual NP Monitoring Conference was held, which was primarily focused on the evaluation of the business environment in Slovakia from the perspective of selected groups of entrepreneurs, supported by the GEM survey results in cooperation with the Faculty of Management, Charles University in Bratislava. The conference was attended by representatives of public institutions, ministries and universities.

Additionally, a new website ([www.monitoringmsp.sk](http://www.monitoringmsp.sk)) was launched in 2019, which covers comprehensive information on implemented outputs, activities and events in a clear form.

## International projects

In course of 2019, the Slovak Business Agency continued to implement pilot projects to open up the topics of the Small Business Act - international projects that covered various areas. The overview infographic provided summary information on individual projects:



<sup>40</sup> Barriers to family-owned business in Slovakia (<http://monitoringmsp.sk/2020/05/21/analyticke-a-statisticke-vystupy-nepravidelne/>).

## 1. AROUND ME

- Erasmus programme for young entrepreneurs - “Accelerating market growth through entrepreneurial cross-border mobility, networking and support”
- two-year project (February 2018 - January 2020)
- 8 partners from eight European countries Bulgaria, Portugal, Lithuania, Spain, Slovakia, France, Iceland and Greece.
- the main aim is to promote cross-border mobility and the exchange of business experience
- in 2018 and 2019, a total of 15 internships were successfully completed, of which 10 were abroad and 5 in Slovakia
- the exchange of business experience took place in the following areas: development of mobile and web applications, marketing and branding, event management, video production, graphic and product design, etc.
- further information about the project: [www.sbagency.sk/erasmus-podnikatelia](http://www.sbagency.sk/erasmus-podnikatelia)

## 2. CERIEcon

- three year project (June 2016 – May 2019)
- the main goal of the project "CENTRAL EUROPE Regional Innovation Ecosystems Network" is to improve the business skills of persons interested in starting their own business, young entrepreneurs, especially SMEs, and their employees in the field of new technology, innovative products, services, processes and social innovation contributing to the fulfilment of regional RIS3
- in 2019, the 3rd cohort of Playpark Bratislava was completed with the last workshops, a regional pitching event and the subsequent participation of the winning start-up at international "pitching finals" in Vienna and personal mentoring for the three best start-ups
- in March 2019 Playpark Bratislava welcomed the participants of the third period of Playpark Stuttgart and subsequently sent the participants to Playpark Rijeka
- The biggest successes of Playpark Bratislava include the **S-Case** project, which aims to improve health diagnostics, especially in remote locations in third world countries through a portable device or the **Living Elements** project combining design and response to food shortages in the form of interior lighting, which also serves as a cultivator for superfoods - spirulina dishes
- more information about the project:  
<http://www.interregcentral.eu/Content.Node/CERIEcon.html>



## 3. MOVECO

- two-year project (January 2019 - August 2019)
- the main goal is to improve the framework conditions for eco-innovation
- 16 partners from 10 countries of the Danube Region (Slovenia, Romania, Hungary, Austria, Slovak Republic, Germany, Croatia, Bulgaria, Serbia and Moldova) participated in the project.
- in 2019, the SBA implemented a series of events aimed at introducing the concept of the circular economy in more detail, providing examples of good practice from Slovakia and abroad, as well as support for innovation
- in order to respond to the information demand from entrepreneurs, information and educational materials were prepared
- since the beginning of the project, the SBA has contributed to the creation of a dialogue between stakeholders, on the basis of which the Strategy and Action Plan materials to support the transition in the countries of the Danube region have been developed.

- Thanks to these activities, the SBA has become part of a stakeholder group including representatives of the public and private sectors, academia and the third sector, which aims to create a platform to support the circular economy in Slovakia.
- more information about the project: <http://www.interreg-danube.eu/approved-projects/moveco>

#### 4. SENSES

- The "Strengthening Social Entrepreneurial Landscape through involving socially responsible corporate Practices in EntrepreNeurial CompetenceS and Skills enhancement in the DANUBE region" project was implemented by a consortium of 8 partners and 5 associated partners from 8 countries within the Danube region: Hungary, Slovakia, Czech Republic, Slovenia, Austria, Serbia, Romania, Moldova and Belgium
- main results for 2019: Pitching event for social entrepreneurs, Final conference of the project held in Budapest, E-learning platform for social entrepreneurship, Action plan for the Strategy of Social Entrepreneurship, Strategy of Social Entrepreneurship, Facebook group "Friends of Social Entrepreneurship"
- more information about the project: <http://www.interreg-danube.eu/approved-projects/senses>

#### 5. THINGS +

- the "Introducing Service Innovation into product-based manufacturing companies" project is implemented within the INTEREG CENTRAL EUROPE programme
- three year project (June 2017 – May 2020)
- the main goal is to increase the competitiveness of SMEs within the domestic as well as the international market through the introduction of service innovations.
- the basics of the servitization concept is to combine the offer of core products with additional services for the customer
- in the monitoring year of 2019, the SBA organized a training cycle of four consecutive workshops for selected Slovak companies
- 4 companies operating in the field of production of ecologically produced and biodegradable school bags and accessories, packaging for documents and laptops, as well as the production of printed circuit boards and control systems for industrial use were created within the framework of these workshops
- each of the participating companies was able to create their own service concept based on its participation in the training cycle and at the same time start to implement the concept into its portfolio and provide it to customers
- in 2019 the consortium of partners also finalized a handbook for policy makers on how to support the creation of conditions at national and regional level to support service innovation in SMEs
- more information about the project: <https://www.interreg-central.eu/Content.Node/THINGS-.html>

#### 6. INKLUPOD

- The "Promoting the entrepreneurship inclusiveness of selected disadvantaged groups in Slovakia: pragmatic approach" project is financed by the Slovak Research and Development Agency located in Bratislava
- implemented over a period of four years (July 2015 - June 2019)
- the project leader was the Faculty of Management of the Comenius University in Bratislava, while the SBA acted as a partner organization.
- the project was focused on business development as one of the ways to solve the current problems of national economies (such as unemployment, low job creation and stagnant economic growth)

- the project was in its final stage in the monitoring year of 2019, within which the research teams of SBA and FM UK continued to analyse the development and state of business inclusivity from the point of view of individual disadvantaged groups.
- main activities of the project were related to the finalization work on the Comprehensive Methodology for the development of business inclusiveness of disadvantaged groups at national and regional level, which also includes a case study of its potential impacts and measuring the impact on selected target groups (women, migrants, seniors and young people)



## 7. V4 Network on Entrepreneurship

- co-financed by the governments of the Czech Republic, Hungary, Poland and Slovakia, through Visegrad grants from the International Visegrad Fund.
- the main goal is to concentrate the knowledge of experts and researchers with a focus on the topic of business and SMEs in the countries of the Visegrad region and thus create a new cross-border network
- in the monitoring year, the project started with an introductory meeting in March 2019 in Budapest, where the individual activities of the project were planned
- in September 2019, an international conference focused on SMEs was organized
- at the end of 2019, the partners focused on the preparations for the final workshop scheduled for the end of January 2020
- the output of the workshop will include a package of joint recommendations and proposals for further changes in the acts governing business.
- more information about the project: <http://hetfa.eu/v4-network-on-entrepreneurship/>

## 8. CORD

- the objective of the project “Crossing Bridges with the Help of Ambassadors” was to strengthen cooperation between organizations providing support to potential and existing entrepreneurs and to support the cross-border dimension in the Slovak-Hungarian border area.
- ongoing activities during the project until the end of 2019 included mapping of existing services for start-ups and existing entrepreneurs and especially women entrepreneurs with a focus on supporting cross-border activities which are available in the Hungarian-Slovak cross-border region
- the project activities also included the transfer of a unique scheme of EEN Hungary network ambassadors, which was recognized as one of the most effective tools for raising awareness of EEN services among potential clients in Hungary.
- Final products of the CORD project:
  - o [Handbook on doing business in Slovakia and Hungary](#)
  - o [Videos about doing business in Hungary \(in Slovak\) and Slovakia \(in Hungarian\)](#)
  - o [Map of support services](#)
  - o [HUSK business portál7](#)
- more information about the project: <http://www.skhu.eu/funded-projects/crossing-bridges-with-the-help-of-ambassadors>

## 9. Biz4Fun

- in 2019 SBA launched the project "Let's have fun with the business start-up"
- the aim of the project is to respond to the need to ensure the possibility of lifelong learning and support for business activities
- in the monitored year of 2019, within the preparation of educational seminars for the virtual educational environment, several dozen questionnaires were processed, and personal interviews were conducted with several representatives (entrepreneurs, young people, educational institutions and policy makers)
- at the same time, materials for the creation of the 3D Virtual World Social Game educational platform were prepared in the year under review
- more information about the project: <http://www.biz4fun.eu/>

## 10. ROB-SME

- The international project "Robotics and SMEs" is co-financed by the Erasmus + program
- the main goal is to enable SMEs to introduce robots / artificial intelligence efficiently and effectively to the workplace in order to increase productivity and competitiveness
- the project was successfully launched in the autumn of 2019, when it started with a "kick-off meeting" in Kingston upon Hull
- at the same time, the first activities were implemented
- more information about the project: <https://www.robsme.com/>

## 11. INNO INDUSTRY

- international project "Improving innovation delivery of policies within 4.0 industry in Europe" is co-financed by the Interreg Europe programme
- main aim of the project is to increase rate of clusters that develop activities to support the transformation towards Industry 4.0 by 2022
- The international exchange of experience, which aims to improve regional and national support policies, contributes to this aim
- the project proposes to set up strategic working groups in each region, as well as of international level, in order to share best practices and knowledge related to cluster activities
- since its beginning in August 2019, the first regional stakeholders' workshop was held on the following topic: "SWOT" analysis of the current state of cluster policy and industry 4.0 in Slovakia
- more information about the project: <https://www.interregeurope.eu/innoindustry/>

## 12. BRESE

- The ambition of the "Border Regions in Europe for Social Entrepreneurship" project is to identify barriers in the field of social entrepreneurship and based on international experience and the exchange of examples of good practice, to contribute to their elimination
- the project consortium consists of partners from Germany, the Netherlands, Croatia, Poland and Latvia
- in December 2019, the first meeting of actors / stakeholder groups on social entrepreneurship took place and was entitled: "Possibilities of cooperation in support of social entrepreneurship"
- more information about the project: <https://www.facebook.com/BRESEproject/>

- **Enterprise Europe Network (EEN)**

The European Commission has created a large number of tools to support the development of SMEs and to accelerate their efficient operation on the single European market. One of the tools supporting the development of internationalization and international cooperation of SMEs is also an international network supporting entrepreneurship - Enterprise Europe Network (EEN) - which operates in over 60 countries around the world. In Slovakia, it is represented by the BISS Slovakia 2020 project (Business and Innovation Support Services in Slovakia 2020), while the project partners include: BIC Bratislava, Slovak Business Agency, Slovak Chamber of Commerce and Industry and Regional and Advisory Information Centre Prešov (RPIC Prešov). This initiative of the European Commission provides “one stop shop” points of contact to entrepreneurs where they may acquire information and advice and use a broad range of easily accessible services focused on promoting entrepreneurship.

Figure 7 EEN activities

**Consulting, support and information activities**



- regional information seminars and training focused on various topics; answers to business questions (access to markets and doing business in foreign markets, EU regulations, EU programs and access to finance, eco-innovation and green business, innovation and transfer of technology and know-how, intellectual property rights); client visits; in-depth consultations; business and technology audits.

**International partnership activities**



- identifying partners abroad, or international business events, so-called cooperative events and business missions, database of partnership opportunities - business, technology and R&D profiles (cooperation in EU programs)

**Feedback from SMEs to the EC**



- collecting comments from SMEs on EU business legislation and regulations; informing the European Commission about SME problems through various tools such as SME Feedback database, online consultations, panels for SMEs and other

**Innovative support for Horizon 2020**



- improving the innovation management; upgrading the innovation processes and innovation control and implementation.

**Source:** SBA

In the reference year of 2019, a total of 906 SMEs were supported for the consortium through the EEN project, while the total use of support was of the level of EUR 480,586.29 (of which 60% was the European Commission's contribution).

As part of the EEN network, the SBA implemented information and assistance services aimed at developing international SME cooperation in the field of entrepreneurship for innovation and research. In 2019, 186 SMEs were supported by the SBA under the above

mentioned project. SBA support for the SMEs amounted to EUR 73,253.01, of which the EC contribution amounted to EUR 43,951.81 (60%).

Comprehensive information on the activities and services of the Enterprise Europe Network in Slovakia is available on the following website: <https://www.een.sk/>

## Other activities and activities of the Slovak Business Agency to support SMEs

### • Family business support scheme for 2017-2020 – 2020 (De Minimis Aid Schemes)

The aim of the scheme is to support the development of family business and to create suitable conditions for the viable business of family businesses in Slovakia and for the successful management of significant obstacles, or milestones in their business, which include the process of generational change, the management of family and work relationships, as well as the transfer of ownership.

Already in the autumn of 2018, the SBA announced a pilot "Call for applications for support under the scheme, for which EUR 410,000 was allocated. The main objective of the call was to help family owned businesses address succession and generation exchanges. After evaluation by the selection committee, the successful business projects of family owned businesses from all over Slovakia used support without their co-financing in the form of professional consulting services until February 2019. The consulting services were provided by 28 experts - specialized collaborators of the SBA. In total, they provided assistance of 1 990 hours of expert consulting for nineteen approved projects. Areas of support as part of professional consulting for supported family owned businesses:

#### Figure 8 Areas of support as part of professional consulting for supported family owned businesses



- development of family business capacities - work with human resources, processes,
- setting up a corporate culture,
- supporting the process of generational exchange, long-term planning and internal communication focused on these issues;
- setting and implementing succession strategies;
- setting talent management program and developing employee potential,
- setting career development plans for key family members and senior management
- managing internal situations and conflicts, mediation and facilitation of conflicts;
- self-leadership for owners and leaders in family businesses;
- self-motivation and motivation of employees,
- drafting of rules within the family which are necessary for making future intergenerational transfers (succession plan for family property),
- preparation of assets for intergenerational transfer (valuation of assets for the purpose of ownership transfer).

Source: SBA

Following the completion of the projects, the commission evaluated the achievement of the objective of supported family owned businesses as beneficiaries of assistance under the scheme. Technical assistance was aimed at starting the process of generational exchange or at shifting a certain phase of this process. The implementation of the pilot call was completed on March 31, 2019, while the provided assistance in the financial calculation amounted to EUR 341,591.

## • Start-up support scheme 2017-2020

In 2019, start-up support continued in line with the approved Start-up Support Scheme<sup>41</sup>, through indirect support provided in three components, listed in the overview table:



Table 27 SBA: support for SMEs through a programme and scheme to support start-ups in 2019

Component 1	Component 2	Component 3
<ul style="list-style-type: none"> <li>• educational activities</li> <li>• ensuring the participation of those interested in entrepreneurship and start-ups in domestic and international events focused on innovations, technologies and start-ups,</li> <li>• in 2019, 62 participants were sent to technological and innovation events,</li> <li>• in the reference year, there was a lower interest in participating in events abroad, which, also with regard to communication with SMEs and FO, can be attributed to a change in eligible expenditures under the Programme and the Scheme. In the reference year, the beneficiaries were not entitled to payment of accommodation costs.</li> </ul>	<ul style="list-style-type: none"> <li>• consulting services and professional advice related to:           <ol style="list-style-type: none"> <li>1. preparation of feasibility study,</li> <li>2. completion of product development or production of a functional prototype, including testing and initial presentation,</li> <li>3. programming and marketing,</li> <li>4. pricing, marketing research,</li> <li>5. creation of a project team and other related activities.</li> </ol> </li> <li>- in 2019, the aid was provided to 10 beneficiaries (9 SMEs and 1 NP).</li> </ul>	<ul style="list-style-type: none"> <li>- consulting services, advice related to the internship and professional assessment of the Application (project) / a in the form of completion of a foreign internship for a starting entrepreneur.</li> <li>- in 2019, this component was not implemented due to the unfinished public procurement in connection with the provision of a foreign internship.</li> </ul>

Source: SBA

With regard to the above information, only Component 1 and Component 2 of the Programme and Schemes for the support of start-ups were implemented in the reference year of 2019, while the total use was of the level of EUR 396,101.29. A total of 30 SMEs were supported.

## • Supporting successful business practice

The main goal of supporting successful business practice is to indirectly participate in creating a favourable business environment, to support the creation of not only new businesses but also start-ups and to develop awareness of business as an attractive and advantageous alternative to work among the general public.

<sup>41</sup>Start-up support scheme 2017-2020 (de minimis aid scheme, published in the Business Journal No. 166/2017 on 30.08.2017. More information available at: [http://www.sbagency.sk/sites/default/files/schema\\_na\\_podporu\\_startupov.pdf](http://www.sbagency.sk/sites/default/files/schema_na_podporu_startupov.pdf). Startup Support Programme 2017-2020, published in Business Journal no. 54/2017 on 17.3.2017. More information available at: <https://justice.gov.sk/PortalApp/ObchodnyVestnik/Web/Stiahnut.aspx?IdOvSubor=60241>

Figure 9 Focus on supporting successful business practice



- stimulation of business ambitions,
- development of business skills,
- promotion of successful entrepreneurs and their companies, products or ideas,
- public-private partnerships and initiatives to support business development and entrepreneurial thinking

Source: SBA

By means of the above activities, various projects are supported in particular in the following form:

- organization and co-organization of events, conferences and other activities aimed at presenting examples of successful business practice,
- organization and co-organization of information campaigns and provision of the necessary media space,
- organization, co-organization and promotion of professional and information events/webinars focused on business issues,
- organizing and co-organizing of competitions, meetings with investors and business angels (e.g.: Young innovative entrepreneur, Start-up Awards and others).

Activities carried out in 2019 in which SBA was a partner or performed them itself include:

#### **Business Fiesta**

- the Business Fiesta was held also held in 2019 in cooperation with AMI Communications Slovakia and METRO Cash & Carry, the Entrepreneurs association of Slovakia and the Young Entrepreneurs Association of Slovakia.
- the event takes place in connection with the annual Private Business Day. The discussion included the possibilities in the area of non-cash payments, such as payments by card, mobile phone or watch, and how entrepreneurs can make it easier for customers to shop in this way and how to avoid the risks associated with cashless payments.

#### **Skills for the unknown future**

- The Entrepreneurs association of Slovakia in cooperation with the SBA and other partners organized the second year of the conference, where representatives of the private sector and the education community discussed what and how to teach if we want to prepare graduates for the world of future and professions that do not exist today. EAS promotes the focus of schools on the development of the so-called soft skills, character traits and the so-called STEM knowledge, knowledge of science, technology and mathematics.

#### **Metro On Line 2019**

- in May 2019, one of the largest international conferences in Slovakia focused on technologies and start-ups was organized and the SBA was not missing as a partner.
- For 5 days, participants had the opportunity to engage in discussions on the latest trends and innovations in telecommunications, smart cities or IT security.

#### **Via Bona Slovakia 2019**

- SBA also supports social and responsible entrepreneurship, such as the Via Bona Slovakia project organized by the Pontis Foundation.
- The aim of the project was to raise the awareness about the examples of responsible business and to inspire the general public to think about responsible business from the very beginning of their own business.

- **Supporting the digital economy**

Activities undertaken to promote the internet economy were an effective tool for training and informing the general public on the use of online tools. They also contributed to improving the online skills that are now essential for business development, enabling participants to grow personally and in business. Through its activities in support of the Internet economy, the SBA not only seeks to motivate the general public to start a business, but also to raise awareness of cyber threats as well as ways to prevent them, mainly through support for the “Kry-sa” (*Beware*) project. Projects supported in 2019 include the IT HRY 2019 (IT games), which was focused on retail and working with data, as well as the area of the IT world. An interesting project also included a series of Meet & Learn events, which began in late 2019. These events aim to motivate the general public (especially future young entrepreneurs) to start their own companies through successful business stories from the online environment.

Promoting the Internet economy: providing support services aimed at using e-commerce tools and developing electronic services

**Figure 10 Promoting the Internet economy: providing services aimed at using e-commerce tools and developing electronic services**



- information activities,
- activities to promote and promote the Internet economy,
- creation of tools for the introduction of electronic services
- creation of electronic platforms

Source: SBA

### **Slovak Investment and Trade Development Agency (SARIO)**

Agency receiving contribution from the state budget and is under the auspices of the Ministry of Economy of the Slovak Republic focused on supporting the inflow of investments and supporting export activities of Slovak companies. It provides services to small and medium-sized enterprises from Slovakia and abroad interested in investments or internationalization. Through the National Project "Support for the Internationalization of SMEs" (OP Integrated Infrastructure), 209 SMEs were supported in 2019 (of which 81 were micro-enterprises, 73 small enterprises and 37 medium-sized enterprises) The actual use of funds in the monitored year of 2019 was of the level of EUR 1,413,584.44 mil. The support is intended for SMEs, with the exception of companies based in the Bratislava Region, and is aimed at strengthening competitiveness, internationalization and access to entrepreneurial skills.

SMEs are supported through the following activities:

- supporting the participation in national stalls at foreign fairs and exhibitions,
- enhancing the effectiveness during performance of business activities through participation in business missions both in Slovakia and abroad,
- enhancing the cooperation with foreign partners which would lead to strengthening the position, sustainability and competitiveness of SMEs through participation in sourcing and cooperation events,
- increasing the expert capacities of SMEs through participation in seminars of the Export Academy,

- clarifying the situation in supplier chains in individual areas of industry and services in Slovakia by creating a comprehensive interactive system.

In 2019, the SARIO agency also continued its educational activities implemented for Slovak small and medium-sized enterprises within the framework of the National Project "Support for the Internationalization of SMEs". A total of 18 seminars were organized, which were attended by a total of 209 companies and 294 participants. The aim of the Export Academy is to increase the level of knowledge of techniques and practices in the field of foreign trade of Slovak SMEs among the exporters, and thus to support their further expansion into new and riskier foreign markets. The Export Academy's pro-export seminars focus on "hard skills" (techniques and operations in foreign trade) as well as "soft skills".

### **The Union of Slovak Clusters (ÚKS)**

It is the only organization representing clusters in Slovakia. In 2019, the Union of Slovak Clusters supported small and medium-sized enterprises through the INTERREG DANUBE TRANSNATIONAL PROGRAMME - a total of 30 SMEs in the amount of EUR 9,168 (of which EUR 7,793 were from EU resources).

**Figure 11 Objectives of ÚKS**



- support for the creation and development of cluster policy in Slovakia,
- strengthening research, product development, innovation and technology transfer,
- improving all education systems in the areas of interest of member clusters,
- support for the exchange of information at national and international level in the field of innovation,
- involvement in international partnerships as part of the projects in the field of education, development, research and know-how transfer.

**Source:** ÚKS

Through the Rural Development Programme - Area 1 Knowledge transfer and information actions and Area 2 Advisory services, farm management assistance services - the **Agroinstitute of Nitra** supported a total of 405 SMEs in the total amount of EUR 140,435.

**The Ministry of Foreign and European Affairs of the Slovak Republic (MZVEZ SR)** supported small and medium-sized enterprises through a project scheme of economic diplomacy, which contributes to strengthening the export performance of the Slovak economy and the internationalization of SMEs. The projects are financed from the budget of the MZVEZ SR, while in 2019 a total of EUR 130,000 was allocated for economic diplomacy. From this tool, embassies abroad implemented 32 projects, in which a total of 249 SMEs participated. The amount of total use of funds for SMEs was of the level of EUR 119,733.

### **Area of improving the business environment**

#### **• BRC activities**

The year of 2019 was the fourth year of operation of the SBA's analytical and legal department in question, which was set up to meet the objectives of the Better Regulation agenda for micro, small and medium-sized enterprises (under the European Commission's "Small Business Act" for Europe together with the Recommendation of the OECD

Regulatory Policy and Governance Council - “Better Regulation”).<sup>42</sup> The motto accompanying the agenda is to create regulation rules according to the “Think Small First” principle, i.e. that the public administration authorities should respond to the needs of SMEs and adapt the public policy tools to their needs.

### Member of the Permanent Working Commission for the assessment of selected impacts



Considering the membership in the Permanent Working Commission for the assessment of selected impacts in the Legislative Council of the Government of the Slovak Republic (hereinafter referred to as “Permanent Working Committee”), the BRC covers the assessment of the impact on SMEs in accordance with the conditions set out in the basic procedural document, adopted in the form of a resolution of the Government of the SR - the so-called Uniform methodology for assessing selected impacts. The strategic document RIA 2020 - Strategy of Better Regulation, which was approved by the Government of the Slovak Republic at the beginning of 2018, should introduce the principles of its simplicity, clarity and transparency into the process of legislative preparation in the coming years.

### SME Impact Assessor



In 2019, the BRC assessed the information on the preparation of the material on a daily basis, by requesting detailed information (in form of specific questions) on its brief content to address the potential impact on SMEs and the BRC also identified the need to recommend that the business concerned be consulted. At the same time, BRC actively participated in consultations and in cooperation with business organizations representing MPS submitted proposals for alternative solutions already during the preparation of materials, applying the principle of “think small first”, the principle of reducing administrative burdens and financial burdens, as well as best practices from foreign legislation. As part of this process, the BRC took into account, in particular, the suggestions of the Entrepreneurs Association of Slovakia, the Slovak Craft Industry Federation and other business organizations, as well as freely available suggestions from the business community.

As part of its competence entrusted to it by the above-mentioned legal acts, it assessed the actuality of the recorded impacts in all prepared Business Environment Impact Assessments and provided a total of 116 opinions containing proposals for better inclusion of the effects of the new regulation on the business environment.

From a factual point of view, the BRC actively participated, on its own initiative, in the content commenting of proposed new regulations (consultations). It was subsequently invited to discuss the points of proposed regulations, resulting in the incorporation of some important BRC suggestions into the proposed regulation's own material. This it has succeeded to some extent in reducing the negative regulatory impact on SMEs.

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<sup>42</sup>The CLR presented the **outputs** of individual activities not only on its website [www.lepsiezakony.sk](http://www.lepsiezakony.sk) or via social networks (Facebook + LinkedIn), but also in the media. In addition, BRC also **participated** in conferences and seminars with an emphasis on business issues in Slovakia, actively participated in discussions at these events and regularly provided information about their content.

## SME test administrator



As part of the tasks entrusted by Act No. 290/2016 Coll. on the support of small and medium-sized enterprises and on the amendment of Act no. 71/2013 Coll. on the provision of subsidies within the competence of the Ministry of Economy of the Slovak Republic as amended and the Unified Methodology the BRC assessed the impacts through the SME Test *ex ante* (i.e. in advance, in the preparation phase of the regulation) and *ex post* (i.e. subsequently, the so-called cost and benefits analysis of the already effective regulation). In 2019, the BRC prepared two SME Tests, both of which were performed *ex ante*. The SME test on the minimum wage for 2020, in which, in cooperation with the Ministry of Labour, Social Affairs and Family of the Slovak Republic, it calculated the estimated amount of costs associated with increasing the minimum wage by **EUR 60** per SME **in the amount of EUR 101.7 mil.** The second SME Test included the parliamentary bill concerning the introduction of a mandatory recreation allowance even for companies with 1 employee, where the BRC quantified the costs for this group of employers (1 to 49 employees) in the amount of at least **EUR 89.1 million.** This parliamentary proposal, **also due to the publishing of the resulting amount of costs in the media**, was not approved in the 2nd reading. The importance of analyses of over-regulation caused as a result of the process of transposing European law into Slovak legislation (the so-called gold-plating effect) cannot be overlooked.

## Expert consultant for the Bureaucratic Absurdity of the Year project



The BRC assessed approximately 69 complaints delivered by citizens to the Bureaucratic Absurdity of the Year survey for 2019. The BRC also assessed the impact of the survey. The complaints of approximately one third of the finalists of the 2012-2018 survey were resolved. The assessment also includes the preparation of proposals for substantive measures to optimize the regulatory burden. The BRC also analysed the individual legal institutes burdening SMEs outside the polls, in which case the initiative was based on business representatives or on its own research activity. Legal support for specific cases was provided to the founders of SBA - the Entrepreneurs Association of Slovakia and the Slovak Craft Industry Federation.

## Other activities



In addition to the above activities, the BRC professionally processed 4 information materials in order to facilitate SMEs to do business in the following fields: sports activities, accommodation facilities, providing health care or operating an e-shop. The BRC also contributed to the creation of the 4th package of the Proposal of measures for the Improvement of the Business Environment with 24 specific proposals, of which 5 proposals were resolved, 16 proposals received a negative opinion of the manager or require more work in terms of substance and time. Three BRC proposals were shortlisted.

Through the EU Structural Funds the BRC continues to participate in a project entitled "Enhancing Specialist Capacities of the Better Regulation Centre", which significantly influenced the work of the BRC in 2019 and will continue to do so in 2020.

- **Entrepreneurs Association of Slovakia (EAS)**

The Entrepreneurs Association of Slovakia protects entrepreneurs against restrictions of their rights and freedoms and prevents any political and economic measures leading to deterioration of an equal market business environment. In 2019, EAS carried out the following activities:

### **Commenting on the legislation**



EAS is concerned about the gradual but long-term restriction of business freedoms and the massive increase in regulation, which complicates or makes it impossible to do business. EAS is therefore actively involved in drafting of legislation with an emphasis on promoting a significant reduction of the regulatory burden and simplification of the regulatory framework.

### **Bureaucratic Absurdity 2019**



EAS was the expert guarantor of the annual Bureaucratic Absurdity the Year survey. This is an anti-award announced annually by the Young Entrepreneurs Association of Slovakia, the purpose of which is to identify pointless bureaucratic measures unnecessarily burdening entrepreneurs and draw the attention of the competent authorities in order to remove them from the legislation. Of the 69 nominated measures in 2019, the obligation to state the signature record of the person responsible for the accounting case, as well as the person responsible for its accounting, as well as the designation of the accounts on which the accounting case is recorded, finished in the top place. As a result, many small businesses do not switch to electronic accounting and electronic storage of accounting documents, which prevents them from being digitized (electronic storage of accounting documents).

### **SBA Better regulation centre support activities**



Thanks to the EAS initiative, the Better Regulation Centre was established in the Slovak Business Agency. BRC has already assessed the impact of dozens of legal standards on the business environment, including providing comments and calculating costs (for more information, see the BRC section).

### **Young innovative entrepreneur 2019**



EAS in cooperation with Junior Chamber has been organizing and announcing the results of competitions the aim of which is to find and honour young entrepreneurs. This competition is part of the worldwide "Creative Yong Entrepreneur Award" competition

## 30 years of business in Slovakia



EAS is the first organization of entrepreneurs in the modern history of Slovakia, which was founded in December 1989 and in 2019 celebrated the 30th anniversary of its existence. On this occasion, it organized several activities, the focus of which was the 1989-2019 conference: 30 years of business in Slovakia. Its goal was to emphasize the importance of entrepreneurship, entrepreneurs and their entrepreneurial initiative, for the functioning of society after 1989.

Through the perspective of companies, the event, brought closer the milestones of the period from 1989 to 2019, there was talk of doing business in Slovakia today, but also of the vision for the economy and society for the next 30 years.

## Family business and innovation in education



In recent years, the Entrepreneurs Association of Slovakia has begun to emphasize the topic of education and the topic of family business and generational exchange as part of its activities. In 2019, EAS implemented a series of activities in support of these topics.

### • **Young Entrepreneurs Association of Slovakia (YEAS)**

The main activities of the Young Entrepreneurs Association of Slovakia in 2019 reflected on the findings of the latest survey of obstacles in youth entrepreneurship in Slovakia, which was carried out by the SBA in cooperation with YEAS. YEAS activities were focused mainly on:

- business inspiration,
- assistance with expansion, training and exchange of experience and
- identification and removal of barriers to young people's entrepreneurship



In 2019, YEAS organized another event from the Business walks series in Banská Bystrica, in which young people interested in entrepreneurship visit interesting regional companies, where they meet experienced entrepreneurs, inspire each other and establish cooperation.



In the area of legislation and the business environment, YEAS continued to announce the annual Bureaucratic Absurdity of the Year survey and to expand the BiznisInfo application, which will alert not only young entrepreneurs to changes in their responsibilities in a timely and common manner.



In addition to its own activities and projects, YEAS in order to fulfil its goals as widely as possible cooperated on the Day of Private Entrepreneurship, TECH INNO DAY, Fair of Training Companies and the Young Creator exhibition, JA conferences 100 years of experience, Skills for the Unknown Future, 30 years of doing business in Slovakia, Doing Business in Austria, Upterdam, Be READY FOR THE FUTURE and many other activities.

#### • **Slovak association of self-employed trade and craft workers (SASTCW)**

SASTCW continued its activities also in the reference year 2019 and its activities were aimed at improving business conditions for sole proprietors and SMEs. A brief description of the SASTCW activities is provided in the overview.

#### **Figure 12 Brief description of the SASTCW activities**

##### **1. Promoting entrepreneurship and a balanced business environment**



- participation in the preparation of an analysis of trade business, in cooperation with BRC,
- cooperation with Office for Public Procurement in organizing seminars in regional cities in order to inform entrepreneurs about the new legislation in the field of public procurement,
- participation in the 3-year international project - EXPRESS, which aims to facilitate the use of renewable energy sources through public procurement and the search for innovative solutions in SMEs and others.

##### **2. Support for education**



Slovak Craft Industry Federation draws attention to the long-term shortage of high school graduates in craft professions and the lack of interest of students in education in crafts. The focus in this area was mainly on:

- mapping the main issues of secondary schools, and in cooperation with the principals of secondary schools preparation of a summary material "Vocational education in crafts from the point of view of experts from practice",
- involvement in the preparation of a new structure of fields of study in construction,
- monitoring the activities of the Dual Education II project and finding a common solution for improving the state of vocational education with representatives of the employers' organization and the Association of Industrial Associations.

##### **3. Support for increasing the construction of rental housing**



To support the development of real estate business, activities were focused on:

- discussion with representatives of various political parties,
- supporting the NARKS regional road show in cooperation with the SBA to raise the profile of rental housing issues and raise awareness of real estate issues and more.

#### 4. Tax conditions



For solving the tax issues:

- participation in consultations with the MF SR on the prepared amendment to the Income Tax Act,
- establishing cooperation with Poštová banka, which provided a loan to entrepreneurs to pay income tax payable for 2018 and other

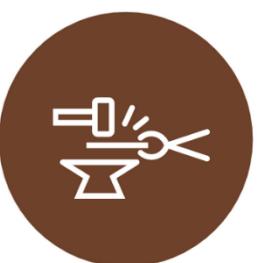
#### 5. Social situation of self - employed and SMEs



In the field of social security and family business:

- contributed their proposals to the 4th package of anti-bureaucratic measures, which were accepted for resolution,
- member companies of the Slovak Craft Industry Federation joined the SBA program for succession solutions in family-owned companies,
- they organized meetings with the Ministry of Labour, Social Affairs and Family on the issue of accident insurance,
- as a full member, Slovak Craft Industry Federation participated in the activities of the commission of the Monitoring Committee for the Operational Program Human Resources.

#### 6. Support of crafts in legislation and in practice



In order to promote crafts and craft businesses:

- Delegated representatives of Slovak Craft Industry Federation member organizations acted as experts in craft professions within national projects: Sector-Driven Innovation II and Labour Market Forecasts II,
- supported the amendment to the Trade Licensing Act in the field of real estate activities,
- created a series of 7 videos about crafts in cooperation with SSA and presented them at the CONECO exhibition,
- supported the annual Charity Event of the Guild of Painters of Slovakia.

#### 7. Support for the involvement of self - employed and SMEs in the activities of Industry 4.0



- as a project partner in the V4 project entitled Impact of digitalisation on SME productivity, in cooperation with IPOSZ and other organizations associating entrepreneurs from V4 countries, they participated in an international conference in Budapest and conducted a survey among companies,
- established cooperation with SIEA within the following program: Innovation consulting for companies.

## 8. Promoting the protection of public health and Changes in the field of safety and health at work



- in cooperation with the Guild of DDD Professionals and the Association of Industrial Associations, called for an amendment to the Act on the Protection of Public Health in order to strengthen the performance of preventive rodent control and disinsectisation in towns and villages and pointed out the unresolved situation in the field of gasification technology in rodent control. The requirements were only partially accepted, so this task remains open for further resolution in 2020.
- as a full member of the commission at the Monitoring Committee for the Operational Program Quality of the Environment, he contributed with his expertise to directing resources to programs aimed at improving the environment.

Source: SBA

### • **Slovak Chamber of Commerce and Industry (SCCI)**

It emphasizes the following areas:

- Increasing the quality of the business environment with emphasis on the legislative environment,
- increasing competitiveness,
- increasing the efficiency of activities in cooperation with EU,
- supporting the Slovak production and exports,
- strengthening the position and improving the activities of SOPK.

SCCI activities by type of services provided:

- legislative, advisory and consulting activities,
- activities in the field of coordination of the ATA system and the accredited system of issuing certificates of origin,
- **business missions**,
- educational activities.



Table 28 **SCCI: business missions carried out in 2019**

Missions to EU countries	Missions from EU countries	Missions to countries outside the EU	Missions from countries outside the EU
Monaco (5.-8.3.2019), Bulgaria (20.-21.5.2019)	Germany (19.3.2019). Austria (16.10.2019)	Russian federation, Moscow (1.-4.4.2019)	Russian federation, Tatarstan (11.12.2019)
Spain (2.-3.9.2019)	Czech Republic (5.12.2019*)		Georgia (14.6.2019)
Luxembourg (27.9.2019)			
Czech Republic (7.-9.10.2019)			
Austria (26.11.2019*)			

Source: SCCI

Note: \* as part of the EEN project

#### • **American Chamber of Commerce in the Slovak Republic**

The American Chamber of Commerce in the SR (AmCham) represents more than 330 member companies. As part of its activities, it also focuses on supporting SMEs, especially non-financial support in the form of various professional and educational events. In the monitoring year of 2019, the following events for SMEs were held:

##### **Professional events - Workshops / seminars**

- Workshop in Košice (29.4.2019)
- MSP Workshop (23.5.2019)
- Employment of socially excluded groups: untapped growth potential of Slovakia (28/05/2019)
- Workshop (6.9.2019), (1.12.2019)

##### **Professional Events - Sharing successful examples of SMEs among AmCham members**

- Inspiring stories by local heroes (18.3.2019), (14.10.2019)

##### **Professional events - Aimed at establishing personal contacts:**

- Business Breakfast (19.3.2019), (11.6.2019), (1.10.2019), (21.11.2019)
- Speed Business Meeting (30.1., 14.3., 22.10.2019)



### • **Association of Industrial Ecology in Slovakia (ASPEK)**

ASPEK is non-governmental, independent and non-profit association, founded with the aim to help reduce the impact of production and other activities on the environment with its activities. Association of Industrial Ecology in Slovakia (ASPEK) includes the following:



- Industrial enterprises that wish to decrease the adverse impact of their activities on the environment,
- research, production, project-consulting and other entities, universities and high schools as well as natural persons focused on dealing with the environmental impact related to industrial production and other economic activities.

In 2019 the following activities were performed:

#### **Announcement of the 7th year of the competition for the National Business Award for the Environment in the Slovak Republic 2019**

- in 2019 ASPEK organized the competition in question together with the Slovak Chamber of Commerce and Industry,
- the competition is held in cooperation with the Ministry of the Environment of the Slovak Republic and the Ministry of Economy of the Slovak Republic, which are represented in the assessment commission,
- the competition is the national round of the important European Business Awards for the Environment (EBAE) competition, which is awarded by the European Commission,
- the aim of the competition (both at national and European level) is the support of the activities of business entities which significantly contribute to the reduction of negative impacts on the environment.
- informative and process materials related to the competition are available on the website: <https://www.aspek.sk/aktivity-aspek/sutaze-aspek/npc-aspek/>

### • **Federation of employers' associations of the Slovak Republic (AZZZ SR)**

It is the top employer organization in the Slovak Republic, and its members are employers' and business associations and associations operating throughout the Slovak Republic in almost all sectors of the economy. In its activities, in particular:

- coordinates the activities of its members in resolving issues of common interest and in preparing common positions,
- comments on draft laws and other legally binding regulations concerning the interests of employers,
- submits its own proposals and lobbies during the process of preparing and taking important political and economic decisions at the national and international level and others.

## Supportive educational infrastructure

Also in 2019, universities in Slovakia continued to implement activities focused primarily on:

- business education,
- entrepreneurship education,
- cooperation between universities and SMEs,
- other educational activities.

A more detailed overview of the implemented activities is provided by the following infographics, which are processed according to documents from individual universities. The activities of the **University of Economics in Bratislava (hereinafter referred to as "EUBA")** in 2019 focused mainly on the mediation of small and medium-sized enterprises through various options of subjects (only a selection of them is mentioned in the infographics in question). In addition, experts from selected SMEs have long been participating in lectures (at individual faculties). From the point of view of activities prepared in 2020, the university wants to continue to deepen cooperation with companies, as well as to continue updating professional subjects, strengthening lectures from practice, as well as organizing professional and scientific conferences focused on SME issues. Last but not least, the university is interested in participating in the professional training of employees.

The **University of Žilina in Žilina (hereinafter referred to as "UNIZA")** continued to cooperate with SMEs in the form of organizing educational activities for entrepreneurs, as well as in developing cooperation in the form of the implementation of joint projects in the field of science and research. In addition, UNIZA implemented various courses and training for small operators in the field of road transport business and operation in course of 2019. For instance, a targeted training was organized in the monitoring year of 2019 and it was attended by 23 participants in the field of energy and environmental technology. For the support of business education, UNIZA has created a university-wide course: *Start-up program Occupation entrepreneur*, which is focused on the support of theoretical knowledge, but also on the exchange of practical experience between students and experts from practice. The university also participated in several calls within the OP R&D (transition to the OP Integrated Infrastructure).

The interconnection of theory and practice is supported at the **Slovak University of Agriculture in Nitra (hereinafter referred to as "SPU")**. Cooperation with practice includes in particular the participation of experts from practice in the educational process in the form of selected lectures, exercises and workshops. In addition, the cooperation also includes special activities aimed at developing competencies for better employment of graduates in the labour market, as well as the provision of professional internships in order to increase practical competencies outside the university. SPU also focuses on supporting research activities. At the end of 2019, as part of the Rural Development Program of the Slovak Republic 2014-2020, the educational project Basics of Agribusiness in Specialized Plant and Animal Production was approved. This project will be implemented in 2020 and 15 people interested in doing business in the agro-sector will be supported through this project. SPU in Nitra has established a specialized university-wide workplace, which connects research with practice. Its role is to transfer knowledge and technology into practice and to protect intellectual property, primarily in the agricultural and food sectors. The university also implements international cooperation in the field of transfer activities (operating in the Danube Transfer Centres network).

Table 29 Selected activities implemented by universities in 2019

Implemented activities	University of Economics in Bratislava (EUBA)	University of Žilina (UNIZA)	Slovak University of Agriculture in Nitra
 <b>Business education</b>	<ul style="list-style-type: none"> <li>Business of small and medium enterprises.</li> <li>Current trends in environmental and social entrepreneurship in the Slovak Republic</li> <li>Social entrepreneurship,</li> <li>Business management</li> <li>International business,</li> <li>Capital structure of business entities</li> <li>Innovative management</li> <li>Theory and policy of business entities</li> <li>etc.</li> </ul>	<p>Startup program "Occupation entrepreneur"</p>	<p>MBA Agribusiness and Commerce (provides management training and the latest information in the field of agribusiness and entrepreneurship)</p>
 <b>Entrepreneurship education</b>	<p>The Department of Services and Tourism provides a program for startups through a memorandum of cooperation with the SBA</p>	<ul style="list-style-type: none"> <li>Various courses and training for small operators in the field of road transport business and operation</li> <li>Accredited lifelong education programs</li> <li>Targeted training for STEFE SK employees in the field of energy and environmental technology, etc.</li> </ul>	<p>At the end of 2019, the educational project "Basics of agribusiness in specialized plant and animal production" was approved within the Rural Development Program of the Slovak Republic 2014-2020.</p>
 <b>Cooperation with SME</b>	<p>Professional internships of students in companies belonging to the size category of SMEs in cooperation with SMEs are implemented in several classes, e.g. in subjects:</p> <ul style="list-style-type: none"> <li>Finance of small and medium-sized enterprises</li> <li>Financial management, etc</li> </ul>	<p>UNIZA has been involved in various calls which have fostered cooperation with SMEs. These included mainly the following areas:</p> <ul style="list-style-type: none"> <li>support for innovation;</li> <li>support for long-term strategic research.</li> </ul>	<ul style="list-style-type: none"> <li>The EIT Food Hub program at SPU in Nitra supports innovative agri-food startups within the largest European initiative to support innovation in the agri-food sector</li> </ul>
 <b>Other activities</b>	<ul style="list-style-type: none"> <li>Publication of scientific and professional works focusing on SME issues, participation of teachers / employees in solving various scientific and professional projects related to SMEs within various recruitment schemes</li> <li>Employee participation in various international scientific conferences, etc.</li> </ul>	<p>Organizing educational activities for entrepreneurs, etc.</p>	<p>Agricultural consulting - in 2019, several experts were certified who will provide professional advice for SMEs in agriculture in the period 2020-2023 as part of the Rural Development Program of the Slovak Republic 2014-2020</p>

Source: SBA, processed on the basis of documents received from the above-mentioned universities

• **Slovak University of Technology (STU)**



**Start-up office programme**

- Students or graduates who are planning to set up an innovative company focused on providing products and services in the field of technology can apply to enter the Start-up office
- In 2019, 10 people with a total of 5 projects joined this program, of which 2 startups joined the InQb program
- As of October 31, 2019, there were 4 startups in UT1



**InQb programme**

- The target group of the support included companies focused on providing products and services in the field of IT and education
- The area of support includes innovation
- In 2019 program was used by 8 companies

Source: SBA, prepared according to documentation provided by STU

- **Technical University in Košice (TUKE)**

The Technical University of Košice provides its environment with a scientific and technological knowledge base, innovations and a workforce, to shape a beneficial and sustainable future and quality of life for citizens. UVP TECHNICOM plays a key role in fulfilling this mission of the TUKE.<sup>43</sup>

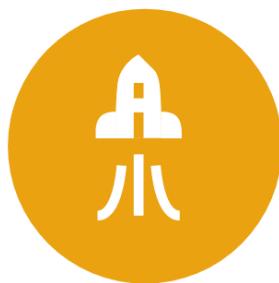
## University Science Park TECHNICOM



-  Creates conditions for connecting areas of research and development with business practice, especially in relation to SMEs
-  Helps create the conditions for the promotion of innovation, technology transfer and the protection of intellectual property.
-  The aim is to support the creation and development of firms which use the results of development research for their innovative products, goods or services.
-  In 2019, 8 research and development contact and collaboration workplaces were active within the premises of UVP TECHNICOM and these were established by external entities (industry representatives, clusters).
-  <sup>43</sup> In 2019, a total of 43 SMEs were supported through UVP TECHNICOM

**Source:** SBA, prepared according to documentation provided by TUKE

## Startup centre and TUKE incubator



-  The aim is to provide an incubation environment to ensure the acceleration process for the creation and development of small and medium-sized hi-tech companies, or startup and spin-off companies.
-  An important role in this area is played by the issue of intellectual property protection, within which support, advice and consultations were provided to entities from the category of SMEs in the field of copyright protection and in the field of industrial and legal protection.
-  In 2019, the Industrial Property Office of the Slovak Republic granted 11 patents to the Technical University in Košice, registered 36 utility models and 4 designs.
-  <sup>10</sup> In 2019, there were 14 startups in the Startup centre and 10 startups in the Incubator

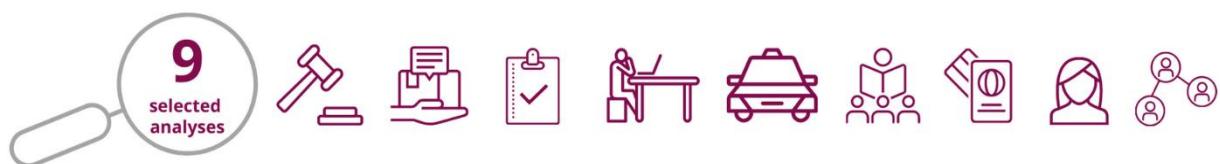
**Source:** SBA, prepared according to documentation provided by TUKE

<sup>43</sup> More information available at: [www.uvptechnicom.sk](http://www.uvptechnicom.sk)

## 4 Summary of conclusions from selected performed analyses and surveys

### 4.1 Summary of conclusions from selected performed analyses

As in previous periods, in 2019 the Slovak Business Agency contributed to the overall monitoring of the business environment through the creation of analytical and statistical documents aimed at small and medium-sized enterprises. In addition to mapping the state and trends, the aspiration of each prepared analytical topic is to identify and name the current problems in the research area affecting the SME business environment. At the same time, the objective is to propose optimal solutions of identified barriers in individual areas. In the following part of this chapter we summarize the main findings from selected published nine analytical outputs.



#### Analysis of the issue of judicial system in Slovakia

The judicial system has long been identified by business associations as one of the problematic and key factors influencing the quality of the business environment. The aim of the analysis was to compare the performance of the judicial system in the Slovak Republic with the neighbouring countries of Central Europe belonging to the V4 group.

Based on the performed comparisons, the analysis revealed that in order to resolve the case in the first instance, the judicial system of the Slovak Republic needs a comparable amount of time as in the Czech Republic, but longer than in Hungary and Poland. According to statistics, the **resolution rate is improving**, i.e. the burden of older cases is gradually being reduced. The European comparison makes insufficient use of Alternative Dispute Resolution methods (mediation, arbitration, etc.).

**The total expenditure of public administration for the functioning of courts** in the European comparison is relatively low and slightly lower than in the surrounding V4 countries. The number of judges per 100,000 population is slightly above the European average, although slightly lower than in other V4 countries. Compared to Western European countries, Central European countries have relatively high numbers of judges.

In addition to the primary objective, the analysis also focused on the issue of the **specialization of the judiciary**. It came to the conclusion that in case the process of material specialization should continue in the form of entrusting a defined type of agenda to a selected court of a particular degree, the authors propose, beyond the current situation, the concentration of commercial law agenda to the District Court in the seat of the County. In the field of electronic payment orders, based on the results of the comparative analysis, it would be appropriate to consider, after consultation with all stakeholders (e.g. Ministry of Justice, Notary Chamber, courts), the introduction of a Hungarian model in which **issuing payment orders was transferred under the competence of notaries**. This model makes it possible to divert a significant part of the agenda out of the judicial system, helping to reduce the overall

burden on the courts and thus freeing up capacity that could be used elsewhere in the judicial system.

**Insufficient degree of specialization of judges** in individual courts is one of the problems of the Slovak Republic. Specifically, there are several courts with a low number of judges, with several courts having very small judicial districts and fewer than 10 judges working on them. For these reasons, the authors of the analysis propose to reduce the number of District Courts so that they are concentrated and subsequently can make better use of human, financial and material resources, which will indirectly support the specialization of judges in staff-strengthened courts.

One of the practical problems which the entrepreneurs face in contact with the courts is the **inconsistency and diversity of court decisions in a similar type of cases**. Compared to the Supreme courts of other V4 states, where the unification of case law can be described as their main function, this function is less significant in the case of the Supreme Court of the Slovak Republic, as the Supreme Court of the Slovak Republic also performs the activities of a second instance court. The analysis also contains several recommendations for improving conditions in the Slovak judiciary, which could contribute to the support of the business environment.

- Improving the resolution rate
- The total expenditure of public administration for the functioning of courts in the European comparison is relatively low and slightly lower than in the surrounding V4 countries



- Insufficient specialization of judges
- Inconsistency and diversity of court decisions in a similar cases

### Analysis of the effectiveness of support programmes for SMEs

Support measures for entrepreneurs are an important economic tool which contributes to the stabilization and development of the SME sector. **In order to support the business environment of SMEs in Slovakia, more than EUR 3 billion was used in the past 5 years.**

The analysis is structured into five thematic units, including:

- a summary of the legislative and institutional framework of the support system for start-ups and new entrepreneurs;
- main results of the use of SME support programmes in Slovakia in 2018;
- comparison of the status and use of support programmes from the international context;
- assessment of the state of the start-up ecosystem in Slovakia;
- assessment of the success of the beneficiaries of the intervention from the Start-up program of the Slovak Business Agency in the period 2015 - 2016.

The analysis was thematically focused on the **assessment of the success of beneficiaries of intervention from the start-up program** Slovak Business Agency in the period 2015 - 2016, in which the supported entities participated in international start-up events. The task of the support programme was to improve the conditions for innovative companies to enter the market and reduce the risk of their failure. **The results of the assessment** of the survival rate of the supported entities point to the fact that these entities were able to overcome even more serious obstacles in starting a business and did not have a significant problem with failure.

**Representatives of start-ups assessed positively not only the quality of individual events, but also the whole process associated with the organization of support from the Slovak Business Agency.** According to the beneficiaries of the intervention, participation in international start-up events appears to be very beneficial and helps Slovak start-ups in various areas.

At the same time, the supported start-ups highlighted the high participation of experts from various fields, which enabled them to consult their procedures, get feedback on the presented product and suggestions for further improvements. Start-ups consider the opportunity to present an already established brand, technology or product to new customers and expand into new markets as a significant advantage of participating in events of global significance.

- 2/3 of supported entities recorded increased sales, of which more than half increased sales by more than 100%
- Every 4th supported entity recorded an increase in sales of more than 500%
- The group of supported applicants showed higher average sales than rejected applicants during the period under review, by as much as 341%.



- More than one third of the supported entities recorded a decrease in sales or sales did not change after the intervention.
- Despite the intervention obtained, almost a quarter of supported entities were unable to gain a significant foothold in the market

Two years after the adoption of the intervention, almost half of the supported start-ups amounted to more than EUR 50,000 in sales of products and services. Almost every fourth supported entity in the post-intervention period achieved sales of more than EUR 200,000. Despite the intervention obtained, almost a quarter of supported entities were unable to gain a significant foothold in the market. After two years from the received intervention, the given subjects achieved zero sales or levels lower than EUR 5 thousand.

### **The analysis of selected changes in labour law legislation and their impact on SMEs**

In addition to the Labour Code, labour law legislation in the Slovak legal system is regulated in several legal acts and by-laws. There is constant change in this legislation, many of which result in an increase in direct or indirect financial costs or administrative costs for employers. Frequent changes in legislation contribute to the deterioration of the quality of the business environment in Slovakia. **Employment laws have changed an average of 36 times in one calendar year in the last five years.**

In its wording **the analysis focuses on 25 significant changes** in the field of labour law, which were adopted and/or entered into force in the period from 1 January 2016 to 1 January 2020. The analysis includes, for example, changes consisting of: an increase in the minimum wage, the conditions for prohibiting illegal employment, the abolition of the deductible item for health insurance for employers, an increase in wage benefits (supplements) for work at night, on Saturday, Sunday and public holidays; recreation allowance of employees and many more.

The individual amendments to the Acts in question showed that **in the case of 40% of significant changes in labour law legislation, the standard legislative process did not take place** and the impacts on the business environment were not quantified. In most cases, these were negative changes which brought about an increase in the employer's costs.

The **legislative period** (i.e. the period from the date of approval to the date of entry into force of the relevant legislation), the **average length of which was 122 days**, was also

analysed. However, with many changes, this period was too short, which can cause considerable problems for employers in practice.

The findings of selected legislative changes also showed that **amendments to Acts were approved in less than 50% of cases with effect from 1 January of the calendar year** (specifically, 18 amendments out of 40). The changes took effect at any time during the year. The employer's costs in the area of the **minimum wage** increase every year. The increase in the minimum wage in the monitored period of 2016 - 2020 brought a year-on-year increase in the price of labour from 7.41% to 11.54% (**between 2020 and 2016 this means a 52% increase**). The employer also contributes to the **meal allowance for its employees**. In 2020, compared to 2016, the minimum contribution (from the minimum value of a meal voucher) increased **by 22%**.

A significant increase in costs was also brought about by the **increase in surcharges for work on weekends, public holidays and nights**. The model example of gastronomic operation in the field of tourism showed that the increase as of 01.01.2020 is at the level of 18.73% in comparison with the situation that was valid as of 30.04.2018. **The cost of work related to surcharges has increased up to sixfold in the model example**. Wages or personnel costs in gastronomic establishments after the introduction of surcharges are around 40% of the company's total costs.

This analysis contains a **summary of formulated recommendations** for changes in labour law legislation in the Slovak Republic. The largest part has been devoted to the process of accepting the change itself, in which much greater discipline is needed. The analysis included a qualitative survey aimed at determining the impact of selected changes in labour law regulation on SMEs.

Part of the *Analysis of Selected Changes in Labour Law Legislation and Their Impacts on SMEs* was a qualitative survey aimed at determining the impacts of selected changes in labour law regulation on SMEs. Slovak Business Agency conducted a survey at the turn of 2019 and 2020, the aim of which was: 1) to identify changes in labour law legislation which significantly affected SMEs in the observed period of 2016-2020; 2) to identify the impacts or quantify them and find out the consequences of these changes on the business or employment of the addressed SMEs. Interviews were conducted with ten representatives of SMEs. Small and medium-sized enterprises are particularly sensitive to the increase in the minimum wage, which has been increasing dynamically, especially in recent years. From their point of view, the minimum wage is set relatively high for unskilled employees (e.g. in the position of a help job in the kitchen). A special problem includes the wage benefits for night work, work on holidays, Saturdays and Sundays (surcharges), which significantly increase the price of labour. Even smaller items, such as a meal allowance or larger items such as supplements and recreation allowances, significantly increase the cost of labour cumulatively. The majority of respondents cited a significant problem in the form of the increase in administrative costs with almost every change in labour law legislation, e.g. the procedure of processing applications and paying the recreation allowance. In smaller companies, monitoring the changes in legislation is a problem, as these companies do not have entire legal or accounting departments. All of the respondents consider the positive changes in the cancellation of the submission of statements brought by the so-called anti-bureaucratic law.

- Employment legislation has changed up to 36 times in the last 5 years
- 25 significant changes
- The standard legislative process did not take place in 40% of changes in labour legislation



- SMEs are sensitive to the increase of the minimum wage, as well as the increase of wage benefits and various allowances (e.g. for meals)
- 52% increase in the minimum wage from 2016 to 2020
- 22% increase of the min. meal allowance from 2016 to 2020

## Analysis of business in taxi service in Slovakia

The development of digital technologies has also significantly affected the taxi and passenger transport sector at local and national level in many countries. The first platforms of the shared economy tried to enter the Slovak market as late as 2015, when the Uber platform started offering its services. With the start of this platform, the traditional provision of passenger transport by taxi services was disrupted, which was regulated by legal conditions. Drivers providing their services through this platform violated the rules of providing transport in this sector on the basis of Act no. 56/2020 Coll. on road transport as amended.

In its wording, the analysis deals with the **change of regulation in the taxi sector**, which reflected the new ways of providing services using digitization and technology in order to remove redundant regulation in this sector. The amendment to the Road Transport Act, which entered into force in April 2019, removed a number of unnecessary conditions which the drivers, as well as taxi services, had to meet. In particular, the amendment made it possible to set prices for transport without the use of a taximeter using modern technologies - digital platforms, which removed the obstacle to the operation of digital platforms of the shared economy in the taxi sector in Slovakia.

The next part of the document analysed the **development of business in the taxi sector at the level of the EU, V4 countries and selected EU countries**. There is currently no uniform regulation focused exclusively on the taxi services sector at the European level. There are several directives and regulations in force which, in addition to the above-mentioned sector, also regulate other sectors of transport or professional drivers in transport sector. In case of the examination of the V4 countries and selected EU countries, the analysis focused primarily on conditions and regulation in the taxi services sector. The analysis also examined the reactions of individual national legislations to mobile applications or the phenomenon of shared economy platforms in this sector. This part of the analysis is complemented by recommendations focusing on examples of best practice that have been implemented in selected countries.

The next chapter also **identifies the determinants of the emergence and development of shared economy platforms**, which were based on the evaluation of several secondary sources: ecology and reduction of driving in cities, driver loyalty, the relationship, impact and interaction of digital platforms and the labour market, price development in taxi services sector and business regulation in the field of taxi services. The last determinant is the comparison of the relationship between digital platforms and taxi services with crime level.

In the chapter focusing on the **assessment of obstacles and requirements from the point of view of taxi service operators in Slovakia**, a survey conducted among representatives of traditional taxi services in Slovakia and representatives of the shared economy platforms themselves was evaluated.

The analysis also contains **recommendations for changes in rules and legislation in the environment of taxi services in Slovakia**.

- Identification of determinants of the origin and development of shared economy platforms
- Increased attention to active measures to support SMEs
- The change in legal regulation reflects on new ways of providing services with the use of digitization and removes a number of unnecessary conditions



## Dual education and SMEs

In the case of the introduction of a dual system of education, it is true that it is a link between the labour market and educational institutions. The launch of dual education has contributed to solving several problems. The main one is the technological backwardness of schools and the low connection of vocational education with the needs of practice. The dual education system involved the employers in defining training standards which better reflect labour market requirements.

The content of the analysis focused on the observation of the current state and legislative conditions of dual education and came to several conclusions. The first Act on vocational education had the ambition to set up dual education, but it contained several critical points, which the amendment from 2018 managed to solve. Today, **employers should be sufficiently motivated to enter the system, at the same time the system is sufficiently simple and administratively undemanding** (which, however, does not mean zero complexity for any of the stakeholders). The system should benefit all secondary schools which plan to participate.

Despite efforts to remove most of the barriers to the smooth application of dual education, there are still some obstacles in this area. It is necessary to **improve information**, despite the establishment of the so-called dual points, as several employers willing to participate in the dual education system feel that the system is complex and complicated. **Lack of a simple manual for small entrepreneurs to get involved in the dual education system**. On the other hand, parents of graduating students do not sufficiently understand the dual education system. On the other hand, parents of graduating students do not sufficiently understand the dual education system.

It is necessary to continue the establishment of vocational training centres. In this respect there are only the first emerging centres in place and only by the initiative of private organizations, rather than as a result of systematic support from the state. **Another problem includes the setting up of career guidance**, which in the case of Slovakia has been given new legislative rules, but their implementation into practice is relatively difficult.

The result of the whole process so far is the fact that relatively few small (and partly also medium-sized) employers are involved in the system, while a look at statistical information shows that the dual education system is used primarily by large enterprises.

Despite the above-mentioned problems that the system of Slovak education and vocational education undoubtedly has, there is a positive statement that we are not lagging behind our neighbouring countries such as Poland, Hungary or the Czech Republic. On the contrary, in the case of the Czech Republic, we can state that so far only the initial testing of the functioning of the dual education system is taking place there. In one of its parts, the analysis focused on the **comparison of dual education systems** taking place **abroad**. Several countries are mentioned, such as the Netherlands, Finland, Germany, Latvia and others.

The whole Dual Education project is implemented within the European Dual Education and increasing the attractiveness and quality of VET project. By 2020, the project in the Slovak Republic had the goal of achieving the involvement of 12,000 students. In the case of the Slovak Republic, it is probable that the indicator of students involved will be met narrowly by October 2020.

As this analysis shows, the trends of recent years are growing, even significantly, and in the case of dual education, a positive rather than a negative future of the system can be expected. Examples from Germany, Switzerland and other European economies, which the analysis addressed, also offer a number of **positive experiences** on how to improve the functioning of the system in Slovakia.

- Dual education system simple enough and administratively undemanding
- It does not lag behind neighbouring countries either



- Lack of a simple manual for small entrepreneurs to participate in the dual education system
- The issue of setting up career guidance

### Analysis of business conditions and employment of foreigners in Slovakia

Through the analysis of legal regulations and statistical indicators relating primarily to the conditions of business and employment of foreigners in Slovakia, it can be stated that the **Slovak Republic allows employment and business of foreigners under the same or similar conditions as other member states of the European Union or European Economic Area**. The system of admitting foreign nationals from the so-called third countries is different, however, as the legislative conditions are determined by individual EU member states separately.

Statistical indicators proved an upward trend in the number of foreigners in the Slovak Republic in the period from 2016 to 2018. In total a larger number of EU nationals were present in Slovakia up until 2017. This ratio changed quantitatively in 2018, when the number of foreigners from third countries in Slovakia exceeded those from the EU countries. Both categories of foreigners were mostly employees.

While foreigners from EU/EEA countries have a relatively stable growth in the number of employees in Slovakia, **employers in Slovakia addressed the shortage of labour** mainly by hiring labour from third countries, especially in **2017 and 2018, when the growth rate of employment of foreigners increased by 142.52%**. This is not about pushing Slovak employees out of their job positions, but rather about the lack of workers in Slovakia which the employers compensate with foreigners. **Most foreigners from EU/EEA countries employed in Slovakia came from Romania, the Czech Republic, Hungary and Poland.** Most employed foreigners from EU/EEA countries were concentrated in three regions - Bratislava, Trnava and Nitra. **Citizens of Ukraine and Serbia employed in Slovakia together made up half of employees from third countries.** A relatively important group of foreigners employed in Slovakia were also citizens of Russia, China, Korea, Vietnam and the USA. **Among all EU countries, Slovakia ranks in one of the last places in the rate of granting of work permits on the basis of a blue card**, despite the fact that the Strategy states that the Slovak Republic is particularly interested in highly qualified foreigners from third countries.

Especially in **2017 and 2018, Slovakia became interesting for foreigners who intended to do business in Slovakia**. The number of granted temporary stays for business purposes has increased rapidly. Throughout the analysed period, **citizens from Ukraine, the Russian**

**Federation and Vietnam were particularly interested in entrepreneurship.** In the last two years, the citizens of the above countries were also **joined by Serbians**. Foreign nationals were interested in doing business mainly in the Bratislava and Trnava regions, on the other hand, they were least interested in doing business in the Trenčín and Nitra regions.

**Entrepreneurs in Slovakia suffer mostly from the same problems, regardless of whether they come from Slovakia or abroad.** In addition, foreigners doing business in Slovakia are confronted with a foreign language (Slovak). For this reason, these entities would give priority to less frequent legislative changes and their clarification. Entrepreneurs - foreigners would also welcome the improvement of the publication of **information materials in foreign languages**, which would include an overview of the amended legislation and other legal obligations related to the stay in the territory of the Slovak Republic and the performance of their business. **Translating some basic laws governing the business of foreigners into English or German** would help to improve the business conditions of foreigners.

In particular, entrepreneurs would welcome **the simplification of the process of applying for a temporary stay for business purposes**. Entrepreneurs from abroad evaluated this process as confusing and complicated. Similarly to Slovak entrepreneurs, foreigners have also expressed interest in **shortening the deadlines for the Foreign Police** - in their case, for a decision on a temporary stay for business purposes. They also recommended strengthening the staff of the Foreign Police in order to reduce the time needed to process documents in its departments. The analysis also contains other practical recommendations leading to improved business and employment conditions for nationals from other countries.

- Employment of foreigners under the same or similar conditions as other EU or EEA countries



- Lack of information materials in a foreign language for entrepreneurs - foreigners
- The need for a larger number of selected Acts governing business in a foreign language
- Administratively demanding process of applying for a temporary stay for business purposes and long deadlines in case of the Foreign Police

### Entrepreneurship of women in the regions of the Slovak Republic

The primary purpose of the analysis was to draw more attention to women's entrepreneurship through focusing on the topic, but secondarily, the authors also analyses the position of women entrepreneurs in EU countries and individual territorial regions of the Slovak Republic, their activity in the labour market, their remuneration compared to men and as a conclusion on their goals and plans in business life.

Equal opportunities are very important for creating equality between men and women in the labour market but also in the business environment. Although not all jobs are intended for women and men alike, there are **differences in the unemployment rate for women between EU countries**. While unemployment rates in the northern EU are falling, there is still a high female unemployment rate in the southern EU. The problem of (un)employment of women is also related to the problem of women's wages. In EU countries, the **gender pay gap ranges on average from 4.8 to 27.5% in favour of men**. Although the Slovak Republic is at the bottom of the ranking, which means that the differences between the salaries of men and women are approaching the upper limit (the average for 2013-2017 was 19.4%), in Slovakia there are also occupations in which women earn on average more than men (7-30%).

Recently, the stories of successful women entrepreneurs have been published more and more, which could evoke that there is a sufficient number of women entrepreneurs in Slovakia. **However, compared to EU countries, the number of women entrepreneurs in Slovakia is below the EU average.**

The vast majority of beginning entrepreneurs are under the age of 30. The most established entrepreneurs on the market are in the age group of 40 - 49 years. Numerous representations of women entrepreneurs are located in the Bratislava and Žilina regions, with the regions of Trenčín and Trnava having the lowest representation.

Part of the analysis concerning women's entrepreneurship in the regions of the Slovak Republic also included a **questionnaire survey** conducted among women entrepreneurs in individual territorial regions of the Slovak Republic. A total of 243 women entrepreneurs took part in the questionnaire survey. In addition to the quantitative survey, the analysis also contains information obtained through a qualitative survey, in the form of a personal discussion with the participants of the so-called round table event organized in Banská Bystrica.

- Profile of a typical Slovak businesswoman
  - age between 30 and 39
  - university education
  - 2 to 3 children
  - operating in the field of services
  - LP or NP
  - SME



### **Social entrepreneurship in Slovakia in the context of the current potential for the development of the social economy.**

The strong point of the assumption of the development of the SE sector in Slovakia was the creation of the basis for the social economy by the legislator through Act no. 112/2018 Coll. on the social economy and social enterprises and on the amendment of certain acts, which in its current form creates a legislative framework for the sector of the entire social economy, not only for social enterprises. This Act is part of the overall **strategy for the development of the social economy**, which is **based on three pillars - the legislative environment, advisory infrastructure and financial support**.

The concept of social enterprise in the adopted Act on the social economy and social enterprises, in comparison with the legislation of the surrounding states, has its legal basis in the Act effective from 01.05.2018. The legislator in the Czech Republic sought a similar legal regulation with the legal introduction of the term social enterprise. In Poland, various movements and associations have long sought to enact a legal definition of social enterprise. Hungary, too, does not have its legal definition of a social enterprise directly regulated by law. The Austrian legislation lacks the legislation of a social enterprise as such. Although individual states do not have a comprehensive legal regulation of the concept of social enterprise and social entrepreneurship enshrined directly in one piece of legislation, this does not mean that real social enterprises do not operate in selected states.

According to current assumptions, **social enterprises form an important contribution in the field of promoting employment and social inclusion, as well as the social development of localities at the regional and local level**. The results of in-depth interviews with selected registered social enterprises showed that the **success of a sustainable concept** cannot be achieved without **reaching a balance between financial sustainability and maximizing social impact**. In the near future, it is necessary to **create associations of social**

**enterprises** (this fact is also pointed out by experience from abroad), which could be more effective in enforcing the necessary legislative changes. Social enterprises draw attention to the need to improve access for social enterprises to a wider range of financial instruments within the services provided by commercial banks.<sup>44</sup>

In the current legislation, social enterprises also offer special **space for the integration and social inclusion of people with disabilities**. Social enterprises are an appropriate tool for increasing the precondition of employability of disadvantaged jobseekers in the open labour market.

The analysis came to several conclusions, while a certain limitation remains a question for the future, focusing on the moral consideration of the nature of the main business activity of the social enterprise. The Act on the social economy and social enterprises in its current form does not limit social enterprises in the subject of business, while it allows the operation of e.g. distillery, which can come into ethical conflict with the fulfilment of a positive social influence. Although the employment of disadvantaged people in such a company meets the conditions for a social enterprise, the result of the activity, the final product, in our opinion does not bring a socially beneficial service. Several similar examples may appear in practice.

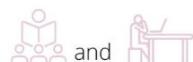
- 3 pillars of the social development strategy economy
  - legislation
  - consulting infrastructure
  - financial support
- Promotion of employment on local and regional level
- Integration and social inclusion of the disabled



## 4.2 Summary of conclusions from selected performed surveys

A number of different research approaches and applied methods are used to better understand the business environment. The most commonly used include qualitative and quantitative surveys. Thanks to them we may have a more relevant view of different areas and specific features of the business environment. The following part contains a **brief summary of selected quantitative surveys** which dealt with the issue of business environment in Slovakia and in other EU Member States from the point of view of SMEs in 2019.

In cooperation with its partners, the Slovak Business Agency conducted a number of quantitative and qualitative surveys. The following section will present the basic results of the following surveys:



mentioned in subparagraph 4.1

<sup>44</sup>In course of 2019, the Ministry of Labour and Social Affairs of the Slovak Republic worked intensively on the preparation of the national project Investment Aid for Social Enterprises - a non-repayable component, the aim of which is to create and launch a functional system of investment support for social enterprises.

## Global Enterprising Monitor (GEM) – Views of the public on business

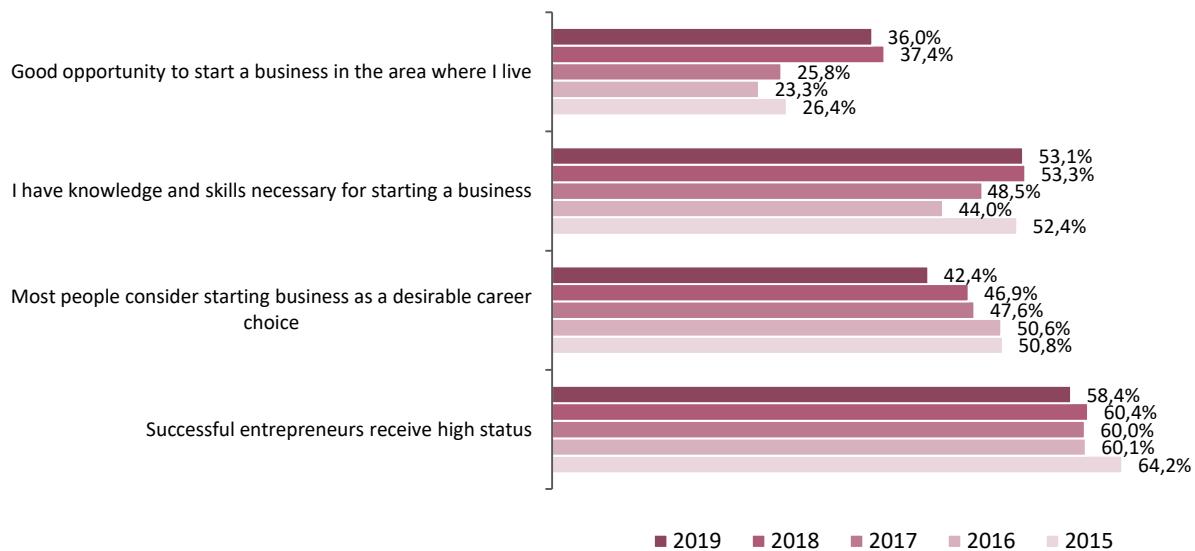
Global Entrepreneurship Monitor can be seen as an international consortium associating more than 300 researchers from around the world. It represents one of the most important global studies about entrepreneurship dynamics. **GEM has three priority goals:** to measure the differences at the level of business activities among the countries, to reveal factors which have an effect on the level of business activities in individual countries and to propose policies which may increase the national level of business activities. The information is updated annually at two levels. The first one is the Adult Population Survey (APS) with a representative sample of at least 2,000 respondents. The second level is the National Expert Survey (NES). Slovakia has been a part of the Global Business Monitor continuously since 2011.

The results of the GEM of the adult population (APS) in 2019 present the persisting high self-confidence of the adult population (18 - 64 years) in business in Slovakia. **Overall 36% of Slovaks perceive good business opportunities in their environment**, which represents a slight decrease of 1.4 pp. compared to the previous year of 2018. In spite of the increase of the perception of favourable opportunities for doing business in last two years, Slovakia has long been one of the **EU countries with the most pessimistic views**. Approximately half (52.1%) of European respondents see suitable business opportunities in their area.

The high self-confidence of Slovaks is mainly reflected in the perception of their **knowledge and skills, which are necessary for starting a business**. More than half (53.1%) of respondents think that they have sufficient skills to start a business. The perception of knowledge and skills for starting a business in Slovakia did not change year-on-year. **When compared internationally the perceived ability to start a business was high in Slovakia** (European average 43.8%). At the same time, the growing self-confidence of Slovaks in business is hampered by fears of possible failure. The share of the population who expressed concerns about the failure of their business increased by 14.3 pp year-on-year. to the current level of 43.7%.

Slovaks present slightly contradictory social attitudes to business. **About four out of ten respondents (42.4%) consider entrepreneurship to be a suitable career choice**. Compared to the previous year, the proportion of the population perceiving entrepreneurship as a suitable career choice decreased by 4.5 p.p. According to long-term development, the perception of business as a suitable career choice is gradually deteriorating. In this respect, Slovakia lags significantly behind the European average (58.2%). **The perception of successful entrepreneurs and of their social status almost did not change**. 58.4% of Slovaks think that social recognition is also associated with success in business. However, compared to other EU countries, successful entrepreneurs are still perceived less positively in Slovakia (the EU average reached 63.1%).

**Chart 15 Selected attitudes of the Slovak population to entrepreneurship according to GEM (% of affirmative responses)**



**Source:** Global Entrepreneurship Monitor, processed by SBA

Positive features are shown by the results evaluating individual phases of business. **The proportion of adults who are interested in starting their own business in the next 3 years** reached a level of 13.6% which means the same as in 2018. Slovaks show a slightly higher interest in starting a business than the European average of 13.1%. Compared to the previous year, the indicator of the **total early-stage entrepreneurial activity (TEA)**, expressed as a percentage of adults (aged 18 to 64) who are just starting their own business or are owners-managers of new companies, increased from 12.1% to 13.3%. Out of sixteen EU countries, Slovakia ranked second. The share in the group of **well-established entrepreneurs** (doing business for more than 42 months) is **also increasing year-on-year** from 4.6% to 5.9%, which corresponds to the development of the number of active SMEs according to the Register of Organizations of the Statistical Office of the Slovak Republic.

- High self-confidence of Slovaks in terms of confidence in their own ability to do business
- Growth of interest in starting a business in the coming years
- High total early-stage entrepreneurial activity (TEA)



- Insufficient perception of business opportunity
- Low perception of business as a suitable career choice

### Experience of SMEs in public procurement

In 2019, the Slovak Business Agency prepared an Analysis of the Public Procurement Process from the Perspective of SMEs in Slovakia. The analysis also included a qualitative survey conducted in the form of personal interviews with representatives of selected small and medium-sized enterprises. The aim of the survey was to identify the experience of small and medium-sized enterprises in the field of public procurement and to identify shortcomings and barriers in this process from the point of view of small and medium-sized enterprises. The interviews took place in December 2019 and January 2020 with 10 representatives of micro, small and medium-sized enterprises participating in public procurement as tenderers.

All representatives of small and medium-sized enterprises who participated in the interview obtain **information on tenders and announced public procurement, in particular through regular monitoring of the Public Procurement Bulletin** published by the Public Procurement Office. In addition, majority of SMEs use specialized internet portals, where they are registered as applicants. According to the representatives of SMEs, another source of information on the announced tenders includes the **direct contact to the contracting authority through a call for tenders**. However, these were mostly low-value contracts. A relatively frequent source of information on the announced public procurement is information from another business entity or from experts or public procurement companies.

The barrier to obtaining information on announced tenders is represented mainly by the **portals which are not clear enough** as well as the **absence of a single portal** which would contain information on all types of contracts, including low-value contracts. The most problematic way for entrepreneurs is to obtain information about low-value contracts.

**When deciding on the participation in public procurement, the most important criterion for SMEs is sufficient experience with the subject of the contract, as well as the capacity to carry out the contract.** Requirements for depositing a guarantee or its amount is another of the criteria which affects the participation of business entities in public procurement. The decision-making process of SMEs is also influenced by the set deadline for submission of tenders or the clarity of tenderers. In the case of short deadlines for submission of tenders, or incomprehensible requirements, SMEs prefer not to be involved in public procurement.

According to the SME representatives, **the method of preparing the offer** depends on the form of participation in public procurement. In case of the most common form of participation - submission of the offer separately, where the business entity acts in the position of a tenderer, entrepreneurs prepare the offer **independently with their own capacities**. In some cases, SMEs work with an **external company** specializing in public procurement consulting or consult with friends or former colleagues who have experience in the field. **The use of external capacities depends mainly on the demands on the content of the offer.** In case of complex procurements, external capacities are used more frequently.

The most complex area of processing a tender for public procurement for SMEs includes the **preparation and obtaining of documents for proving the fulfilment of the conditions for participation**, e.g. demonstration of professional capacities for the implementation of the contract (references / certificates of experience with the implementation of the subject of the contract and CVs of experts). Complications are also caused by the not-so-clear and ambiguous conditions of participation stated in the tender documents. In terms of time, the most demanding part for SMEs is the preparation of documents to prove compliance with the conditions of participation, especially in cases of participation in public procurement with another entity and the provision of guarantee. Most SME representatives are willing to participate in public procurement, in which a guarantee of a maximum amount of EUR 10 to 20 thousand is required. However, even in this case, they prefer to participate in the public procurement with another entity in order to share the costs associated with the guarantee.

SMEs consider **communication with the contracting authority to be without any issues**. All SME representatives stated in the interviews that they have no experience with providing objections and comments so far, although some have already considered this option due to exclusion from the competition. According to SMEs, the **introduction of electronic communication**, which they consider necessary to increase the transparency of public procurement, is **very positive**. According to the SMEs, the disadvantage of existing e-

procurement portals is their inconsistency, which requires the provision of special access to individual portals and familiarity with individual differences.

Surveyed entrepreneurs do not see a problem in the bid evaluation process itself. According to these entrepreneurs, the **tender evaluation process is sufficiently described in the tender documents** as well as the method of applying the tender selection criteria. This is also caused by the fact that the criterion of the lowest price prevails.

Many entrepreneurs have **experienced insufficient reasons for not accepting an offer**. The non-acceptance of the tender offer in these cases was justified by the finding that another tenderer had submitted a "better tender offer" or a "lower price", without giving any specific figures or reasons. This applies especially to low value contracts. Education in the field of public procurement is not considered as matter of course among SMEs. Given that entrepreneurs in many cases prepare the documents for public procurement themselves, the absence of education in this area is a serious shortcoming. **Representatives of SMEs prefer practical training focused on practice in public procurement, as well as electronic form of training (e-learning)**.

- Public Procurement Bulletin and specialized internet portals as a basic source of information on public procurement calls
- Preparation and obtaining documents for proving the fulfilment of the conditions for participation in public procurement as the most complex area



- Confusing public procurement portals
- Absence of a single portal with information on all types of contracts, including low value contracts

## SME access to finance (SAFE)

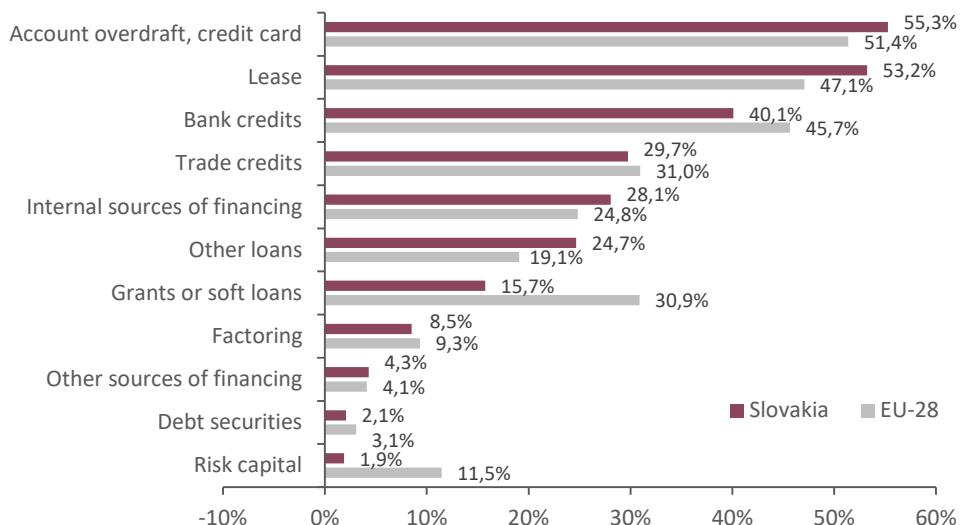
The European Commission, in cooperation with the European Central Bank, monitors developments in access to finance for SMEs through the joint Survey on the access to finance of enterprises (SAFE), which dates back to 2008. The survey is carried out on an annual basis from 2013 onwards and in 2019 covered 36 countries: all EU-28 Member States, Iceland, Turkey, Montenegro, Albania, Serbia, Macedonia, Kosovo and Bosnia and Herzegovina. The most current survey was carried out between September and October 2019 on all size categories of SMEs. 460 small and medium-sized enterprises from Slovakia participated in the survey.

According to the survey results, the **access to finance is considered to be the most serious problem for only 7% of SMEs in Slovakia**. Of the many problems faced by SMEs in Slovakia, the availability of financing is one of the less serious. An equal share of SMEs see access to finance as the most serious problem at EU-28 level. Since 2013, when access to finance was considered the key issue by almost a fifth (18%) of SMEs in Slovakia, **there has been a gradual decline, indicating a gradual improvement in SMEs' access to funding sources**. Most of the SMEs consider **the availability of a skilled workforce and experienced managers** to be the **most important problem for SMEs in Slovakia (34%)**. Compared to the EU-28, the share is higher by 8 pp. 14% of SMEs perceive regulation as the most serious problem of their business. Another 12% of SMEs consider high production costs and labour costs to be the most significant problem.

In Slovakia, the most commonly used or considered funding sources for small and medium-sized businesses include three basic sources. **The bank account overdraft or credit card** is the most relevant source of funding for 55% of SMEs in Slovakia and 51% of SMEs in the EU-28. For more than half of SMEs in Slovakia (53%), **leasing** is an important source

of financing and for another 40% this includes **bank loans**. **SMEs in Slovakia are lagging behind in the rate of use of financing forms such as grants or venture capital**, which is overall the least used source of funding.

Chart 16 Relevant sources of financing for SMEs in Slovakia and the EU



Source: Survey on the Access to Finance of Enterprises (SAFE)

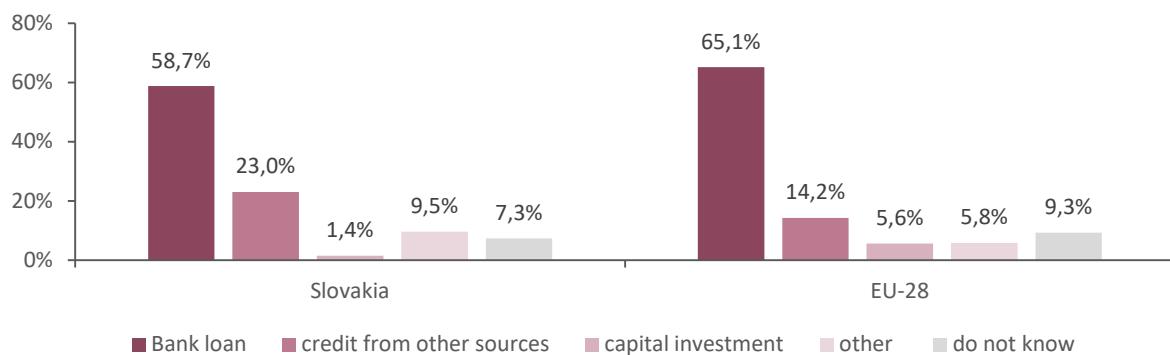
The results of the survey show that in the period between **April and September 2019**, **22% of SMEs based in Slovakia** (24% in the EU) **applied for a bank loan**. Of the surveyed SMEs **5% of did not apply for a bank loan because of possible rejection** and another 37% of companies did not apply for a bank loan because of sufficient internal resources.

Of the total number of small and medium-sized entrepreneurs from Slovakia who applied for a bank loan between April and September 2019, **56% of entrepreneurs were fully satisfied**, which is 15 pp. less than the EU-28 average. **Bank loan applications were rejected for 12% of Slovak SMEs**. By comparison, at EU-28 level it was only 7%. A bank loan was not approved in the required amount for 19% of SMEs and another 11% of SMEs are still waiting for the evaluation of their application. The above information shows that a total of **31% of Slovak small and medium-sized enterprises were unable to obtain a bank loan in the required amount**. At EU-28 level this represented 18%.

**15% of Slovak SMEs recorded an improvement in the availability of bank credit financing** during the six months prior to the survey. 60% of representatives of small and medium-sized enterprises from Slovakia and 64% of enterprises in the EU-28 did not notice any changes in the availability of bank credit financing.

If external sources of financing are needed to **implement further business growth ambitions**, **approximately six out of ten Slovak SMEs (59%) would prefer a bank loan** and almost a quarter (23%) a loan from other sources, e.g.: business loans, related companies, shareholders or public resources. Only 1% of the surveyed SMEs prefer the possibility of capital investments, which only confirms the fact that the capital investment market in Slovakia is undeveloped and with low demand and supply rates. In the EU-28, both bank loans and equity investment are more often preferred for SME growth ambitions.

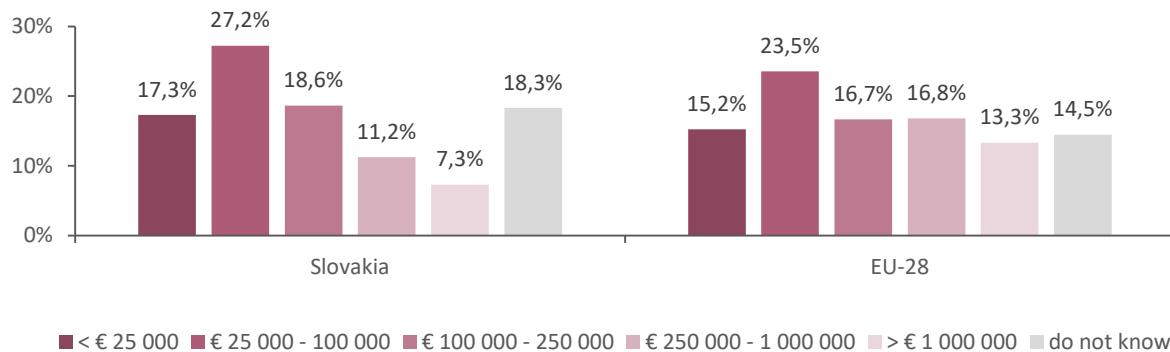
**Chart 17 Preferred external sources of financing for the implementation of further growth ambitions of SMEs**



**Source:** Survey on the Access to Finance of Enterprises (SAFE)

Companies most often need EUR 25,000 to 100,000 to finance further growth ambitions. According to the data in the following graph, this applies equally to SMEs in Slovakia and in the EU-28 countries. For the implementation of other growth ambitions, Slovak SMEs will suffice with a smaller volume of finance, e.g. 45% of SMEs in Slovakia and 39% in the EU-28 prefer financing up to EUR 100,000. Higher financial resources - approximately a quarter (19%) of addressed SMEs from Slovakia and almost a third (30%) of SMEs from EU countries prefer over EUR 250,000.

**Chart 18 Preferred amount of funding for further growth ambitions**

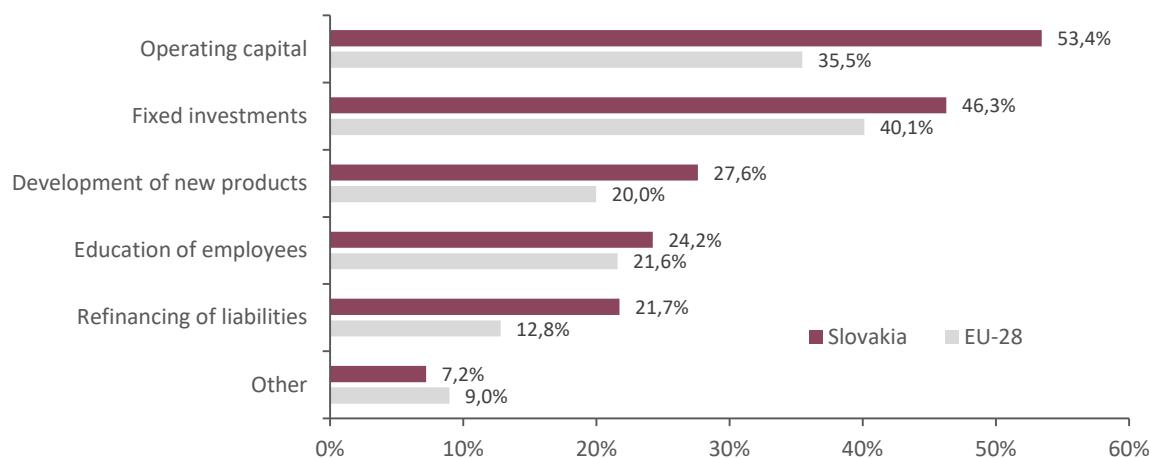


**Source:** Survey on the Access to Finance of Enterprises (SAFE)

**More than half of SMEs from Slovakia (53%) used the obtained funds as operating capital, i.e. funds which need to be permanently maintained in order for the company to be able to ensure its production and supply cycle. A significant proportion of small and medium-sized enterprises (46%) used the funds to secure investments in property, plant or equipment.**

Fewer entrepreneurs (28%) have invested financial resources in the development of new products or services and 24% in training and recruitment. In case of 22% of Slovak SMEs, the funds obtained were used to refinance their liabilities. Another 7% of businesses used them for other purposes.

Chart 19 Purposes of use of acquired financial resources of SMEs in Slovakia and EU-28



Source: Survey on the Access to Finance of Enterprises (SAFE)

**More than one third (34%) of the surveyed SMEs in Slovakia does not perceive any major obstacles to accessing finance**, while the EU-28 average is 45%. For 16% of respondents in Slovakia, the most serious obstacle to accessing finance is the cost of financing, including interest rates and prices. Complex administration is the most important limiting factor for access to finance for 15% of SMEs. Insufficient guarantees are considered a barrier by 12% of SMEs.

**More than half (54%) of SMEs in Slovakia have experienced the problem of late payments during a period of six months before the survey.** Approximately one-fifth (21%) of the surveyed entrepreneurs encountered this problem regularly. Another third (33%) of SMEs recorded occasional delays in payments from their customers. The significance of the problem of late payment of invoices in Slovakia is fully demonstrated in the international comparison. According to the answers of SMEs, Slovakia ranks among the 8 EU countries that have the most frequent experience with late payments. Worse experience has been reflected by the SMEs in the Czech Republic or Poland. Countries like Germany, Sweden or the Netherlands are on the other side of the spectrum, where two thirds of companies do not face the problem of late payments at all.

**Delays in the maturity of invoices** have in many cases a negative impact on various areas of SME business. In Slovakia, this impact is **shown to the largest extent (44% of SMEs) on delays in payments to other suppliers**. In the case of almost a quarter (23%) of SMEs, the delay in payments from customers affects the planned investments and the recruitment of new employees, and another 19% negatively affects production and operations. For 17% of SMEs, late payments result in delays in repayment of loans or the need to use additional financing.

- Availability of financing as a less serious problem of SMEs in Slovakia
- Top 3 sources of financing: approved overdraft of bank account or credit card, leasing and bank loans



- Lagging of SMEs in the use of grants or venture capital financing
- Frequent cases of invoice delays (more than half of SMEs)

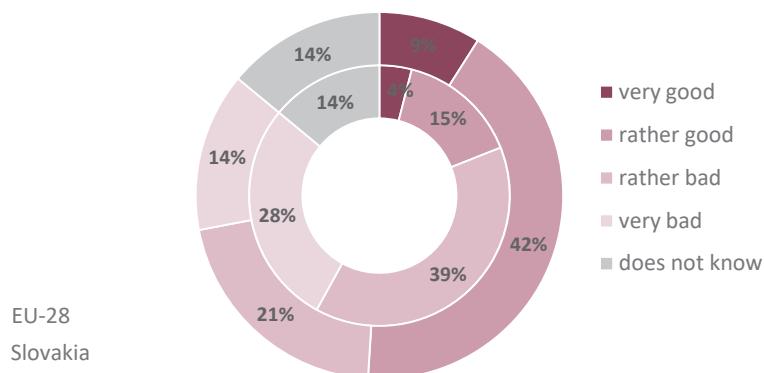
## Perceptions of independence of national judicial systems in the EU from business perspective

As part of the Flash Eurobarometer surveys for 2019, the European Commission has prepared a survey focusing on the perception of the independence of national judicial systems in EU countries from a business perspective. Since 2016, entrepreneurs' views on the independence of judicial systems have been monitored annually. The aim of the survey is to answer two questions as a matter of priority: how companies assess the independence of courts and judges in their country and the reasons for these assessments. The survey was conducted in 28 EU member states in January 2019 on a total sample of 6808 enterprises of various size categories. 200 small and medium-sized enterprises from Slovakia were involved in the survey.

The results of the survey show a different assessment of the independence of courts and judges by entrepreneurs in Slovakia and in other EU-28 member states. **Approximately two out of ten representatives of small and medium-sized enterprises from Slovakia rated the independence of courts and judges in Slovakia positively (19%).** Up to two thirds of the surveyed SMEs presented negative attitudes to the issue of judicial independence in Slovakia. **Almost four out of ten (39%) respondents perceive the current situation in the area of judicial independence rather poorly, and more than a quarter (28%) consider the independence of the judiciary to be very poor.** Another 14% of small and medium-sized enterprises from Slovakia did not comment on this issue.

Across the European Union, companies assessed the independence of courts and judges much more positively, which is also documented in the following chart no. 20. **More than half (51%) of the entrepreneurs surveyed are satisfied with the independence of the courts in their country.** Within the group of companies with positive assessment, only 9% rated the independence of the judicial system in their country very well and the remaining 42% rated it as rather well in their responses. **Dissatisfaction was expressed by a total of 35% of business entities from EU countries**, while 14% assessed the independence of the courts in their countries as very bad.

Chart 20 Assessment by companies of the independence of courts and judges in Slovakia and the EU in 2019



**Source:** Flash Eurobarometer 475; Perceived independence of the national justice systems in the EU among companies

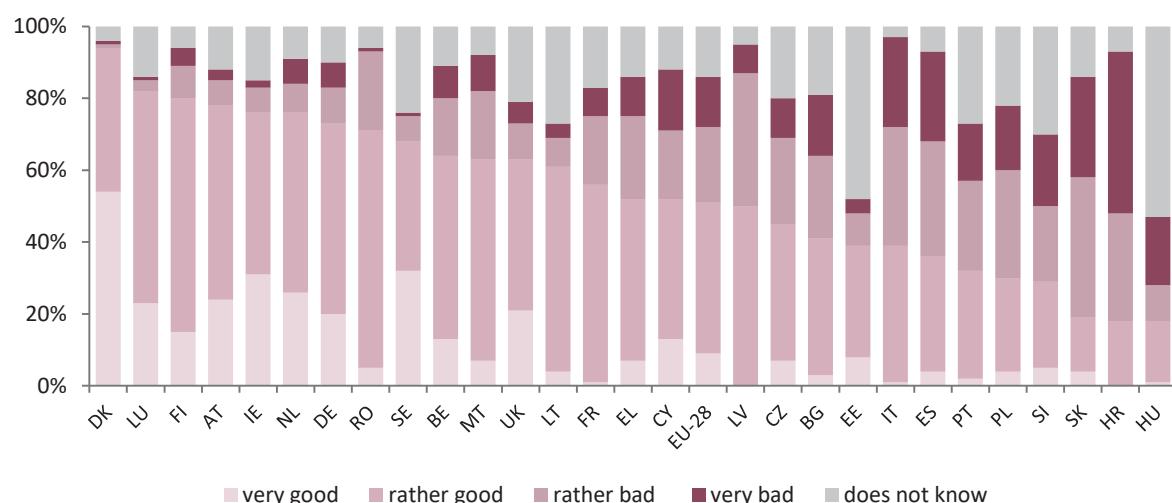
Among SMEs in Slovakia, satisfaction with the **independence of judicial systems is growing with the increasing size of companies.** This statement applies both to Slovakia and

to the EU-28 as a whole. Approximately a quarter (18%) of micro-enterprises (1 - 9 employees) and small enterprises (10 - 49 employees) in the survey leaned towards a positive assessment of the independence of courts and judges in Slovakia. Among micro-enterprises in EU countries, there is a more positive perception of the judicial systems with a positive response rate of 51%. In case of small businesses, up to 56% of respondents expressed satisfaction. **The highest level of satisfaction with the independence of the courts in Slovakia was presented by medium-sized enterprises (50 - 249 employees).** Approximately every third representative of a medium-sized company (30%) was in favour of a positive assessment. In the EU-28, 66% of medium-sized enterprises are satisfied with the independence of the judiciary.

According to the results of the survey, the **independence of courts and judges in Slovakia is perceived most positively by companies operating in the manufacturing sector** (SK NACE D - F). More than a fifth (22%) of the entrepreneurs operating in this sector are of this view. Entrepreneurs from the services sector also assessed the independence of the judicial system in Slovakia in a similar way (21%). There is less satisfaction among SMEs in the sectors of industrial production (SK NACE C) and trade (SK NACE G), where the independence of courts was assessed very well or rather well by only 15% of entrepreneurs.

The assessment of judicial systems at national level varies considerably from one EU Member State to another. The results of the survey show that **Slovakia is one of the EU countries with the least positive view of the independence of the judiciary**. Slovakia, together with Croatia and Hungary, thus found itself in a group of three countries, where only less than a fifth of entrepreneurs are satisfied with the independence of the judiciary. Slovakia also ranked among the 4 EU countries with the most critical assessment of the judicial system in terms of its independence. This group includes: Croatia (75% of companies rated very badly or rather badly), Slovakia (67%), Italy (58%) and Spain (57%). On the contrary, most companies rated the independence of the courts positively (evaluation very well and rather well) in Denmark (94%), Luxembourg (82%) and Finland (80%).

**Chart 21 Assessment of the independence of courts and judges by individual EU countries**



**Source:** Flash Eurobarometer 475; Perceived independence of the national justice systems in the EU among companies

**The main reason which negatively affected** the respondents in assessing the perception of the independence of the judicial system in Slovakia is the **interference and pressure from the government and politicians**. For this reason, up to 84% of small and medium-sized enterprises in the survey were in favour of a negative assessment. The problem of interference

and pressure from the government and politicians is considered by 67% of SME representatives in Slovakia to be an important reason that negatively affects the independence of the judiciary.

**The second reason**, which greatly (46%) or only to a lesser extent (25%) influenced the negative perception of the independence of courts and judges in Slovakia, was **the interference and pressure associated with economic or other specific interests**. Social status and the status of judges, which does not sufficiently guarantee their independence, had the least impact (51%) on the negative assessment of business entities.

- Negative assessment of the independence of the courts in Slovakia
- Slovakia is one of the EU countries with the least positive view of the independence of the judiciary



- Reasons
  - intervention and pressure from government and politicians
  - interference and pressure associated with economic or other specific interests

## Conclusion

In 2019, the business sector developed in an environment characterized by a slower pace of economic growth. The growth was the lowest recorded in the last three years. In addition to Slovakia, lower growth in economic performance was also characteristic of most EU countries, and the reasons for the slowdown include the trend of adopting protectionist measures in global trade policy and the continuing increase in the degree of uncertainty. Despite the above information, Slovakia's economic growth in 2019 remained above average compared to EU countries. The growth dynamics were positively influenced primarily by domestic demand. Growing household incomes and favourable labour market situation led to an increase in final household consumption. The final consumption of general government also achieved high growth in 2019. The favourable situation on the labour market was reflected in a decline in the unemployment rate, which was 5.8%. The recorded decrease in the unemployment rate was recorded in all regions of the Slovak Republic except the Prešov Region. In the monitored year, net exports made a negative contribution to economic growth.

SMEs are seen as one of the significant drivers of the economy, mainly because they play a significant role in creating jobs, formation of added value and thus contribute to economic growth. In 2019, the share of SMEs in employment in the business economy represented 73.8% and in the total employment in the Slovak economy this figure was 59.2%. At the same time, the share of SMEs - legal persons has increased in the created value added in the non-financial business sector to 54.9%. The recorded share of SMEs is the highest in the last seven years. Industry remains the most important sector in terms of SME value added. In a year-on-year comparison, other economic indicators of SMEs also increased in absolute terms. For example, the growth of gross production of SMEs - legal entities reached 4.3%. On the other hand, profit before tax decreased by 7.8%. The volume of SME exports also recorded a year-on-year decrease of 2.5%. The decrease in total SME exports in 2019 was mainly caused by a decrease on the part of small (with 10-49 employees) and medium-sized (with 50-249 employees) enterprises. Despite the reduced volume of SME exports, the share of SMEs increased year-on-year, which was due to the fact that in the reference year of 2019 there was a more significant decrease in the volume of exports of large enterprises compared to SMEs. From the territorial structure point of view of SMEs, the EU market remains crucial (90.7% of total SME exports). Only 9.3% of total SME exports went to non-EU countries, pointing to the continuing need for stronger support for SMEs in the area.

The importance of small and medium-sized enterprises can also be observed in the structure of economically active business entities. As in the previous year, in 2019 SMEs reached a 99.9% share of the total number of economically active business entities. Year-on-year, their number increased by 6.3% to 595,371 entities, while from a regional point of view, the concentration of SMEs based in the Bratislava region persists for a long time now. In line with the development trends in the sectoral structure of SMEs, the most significant representation was held by SMEs operating in the field of services (46.4%). According to data from the Register of Organizations of the SO SR, the number of established small and medium-sized enterprises increased in 2019 by 8.7% to 84,883 entities. The increase in the number of established business entities was recorded in almost all monitored legal forms, while the number of established self-employed persons accounted for up to two thirds of the total number of established SMEs. A less favourable fact recorded in 2019 is the increase in the number of disestablished entities to 56,097 entities. Compared to 2018, their number increased by 7.5%. Even in case of disestablished business entities, self-employed persons were the most represented. The higher increase in the number of established entities compared to disestablished entities was reflected in the favourable development of the net increase in

business entities, as evidenced by the fact that in 2019 for the first time the numbers equalled those from the pre - crisis year of 2008. In this respect, Slovakia ranks among the countries with a high share of established and disestablished entities, which shows a relatively high dynamics of business in Slovakia. Nevertheless, Slovakia lags behind the EU countries in the survival rate of business entities after two years of its establishment. In the reference year, more than half of the natural persons were aged 30 to 49 years. When considering the natural persons - entrepreneurs, the positive growth of the representation of women was interrupted (28.2% in 2019).

From the position of small and medium-sized enterprises as important contributors to job creation and added value and contributors to economic growth and regional development, it is essential to continue the process of improving the business environment, especially in relation to the needs and requirements of SMEs. The ten most important Acts which the SMEs should regularly monitor, as they are closely affected by them (and which are listed in subchapter 1.3), were amended 56 times last year. The year-on-year comparison showed an increase in newly adopted legislation. Amendments of Acts in course of 2018 have brought positive changes in business conditions, but also had a negative impact on SMEs. From 01.01.2019, a reduced VAT rate for accommodation services became effective. From the original 20% tax rate, the new VAT rate on accommodation was reduced to 10%. With effect from 01.04.2019, conditions have been introduced which improve the area of business in the taxi service. The new legislation introduces extensive changes in the operation of the taxi service. The purpose of the adoption of the new legislation was, in particular, the adoption of measures aimed at preventing illegal conduct of business in the taxi service and ensuring more effective control in this area. The amendment also responds to new trends in the field of shared economy and supports the use of digital platforms in business in the field of passenger transport. In 2019, there was also a reduction introduced in the administrative burden in connection with the adoption of other measures which reduce the administrative burden of natural or legal persons, and through which it was possible to amend the Act against bureaucracy. As of September 1, 2019, the start of functioning of public administration information systems abolished the obligation of natural and legal persons to submit to submit several extracts from various registers and from 01.09.2019 other obligations to submit a certificate of tax arrears, a certificate of customs arrears and a certificate of arrears on health insurance have been abolished.

In 2019 (with effect from 2020), a reduction in the corporate income tax rate was adopted from the original 21% to 15%. The amendment will also affect self-employed persons, whose income tax rate will also be reduced from the original 19% to 15%. In both cases, these are entities whose annual income does not exceed EUR 100,000. At the same time, in the monitored year of 2019 (with effect from 2020), the courts were relieved with the approval of the cessation of certain executions in order to effectively solve the problem of conducting some executions in which there is no execution of the debtor's property or a cessation of execution despite the fact that the debtor is poor. In addition to the above positive changes, with effect from 01.01.2019, a new tax was legally established. The subject of the regulation is the insurance tax in the non-life insurance field. The tax rate from the tax base is 8%. Insurance tax does not apply to Mandatory contracting insurance. In addition to the above mentioned legislative changes, other, partial measures have been adopted in order to support the business environment, which are presented in the section *Overview of the most significant legislative changes in 2019*.

In the past year, support for SMEs was mainly provided in direct form. The total volume of SME support in 2019 was of the level of EUR 694,626,313.8. The direct form of support was of the level of EUR 597,824,906.2, i.e. reached 86.1% of total SME support. A total of

EUR 96,801,407.6 was provided in the form of indirect support for small and medium-sized enterprises, i.e. 13.9%. The overall real use was higher year-on-year, but the year-on-year development in the area of SME support lost its dynamic trend. The most significant share in the support of SMEs in terms of individual categories is attributed to the category of loans or credits (40.6% of the total support provided to SMEs) and the category of subsidies, NFP, grants (40.4% of the total support provided to SMEs). Bank guarantees (7.5%) and venture capital (5.1%) were also among the most important categories.

Continuous improvement of SMEs' access to funding sources is an important indicator. Nevertheless, Slovak SMEs continue to lag behind EU countries in the use of grants or venture capital.

In course of 2019, the Slovak Business Agency monitored the state and development of the business environment and published the results of its findings in a number of analytical outputs, which in essence touched on specific questions of entrepreneurs. The published analytical documents have the task of identifying and describing the current problems in the researched area related to the SME sector, in addition to mapping the status and trends within each area of focus. In each of the analyses and surveys carried out, observations and recommendations are expressed, which should, by their nature, contribute to the deepening of the knowledge and development opportunities as well as improve the conditions of doing business for small and medium-sized enterprises.

The results of the conducted surveys and analyses also show other problem areas that SMEs have faced during the monitoring period. This includes particularly the continuing trend of a shortage of skilled labour and experienced managers. The long-term perceived pitfalls of SMEs also include dissatisfaction with the conditions for doing business in Slovakia, especially in the field of labour law regulation, regulation of prices of goods and services, as well as environmental protection and frequent changes in legislation. As part of the assessment of the judicial systems at the national level, Slovakia is one of the EU countries with the least positive view of the independence of the judicial system. At the same time, the degree of satisfaction with the independence of the courts increases with the growing size of companies. From the SME point of view, therefore, medium-sized enterprises present the highest level of satisfaction with the independence of the courts. Surveys also show that in Slovakia more than half of the SMEs surveyed (54%) have experienced the problem of late payments. The significance of this problem is fully demonstrated in an international comparison, in which Slovakia ranks among eight EU countries which have the most frequent experience with late payments. Delays in the maturity of invoices have in many cases a negative impact on various areas of SME business. In Slovakia, this fact is most pronounced in secondary insolvency. Late payments also negatively affect planned investments and new recruitment. These problem areas may present a potentially important element influencing the competitiveness and development of the SME sector in the future.

The results of the GEM survey in 2019 show a persistently high self-confidence of the adult population in business in Slovakia. The high self-confidence of Slovaks is mainly reflected in the perception of their knowledge and skills, which are necessary for starting a business. More than half of the respondents (53.1%) think that they have sufficient skills to start a business, which in an international comparison can be described as above average or high (European average is 52.7%). On the other hand, the growing self-confidence of Slovaks in business is hampered by fears of possible failure. The share of the population who expressed concerns about the failure of their business increased by 14.3 pp year-on-year. to the current level of 43.7%. Overall 36% respondents in Slovakia perceive good business opportunities in their environment, representing a decrease by 1.4 pp. compared to 2018. The

perception of successful entrepreneurs and of their social status almost did not change. Positive features are shown by the results evaluating individual phases of business. The share of adults who are interested in starting their own business in the next 3 years is slightly above the EU average. The representation in the group of established entrepreneurs is also increasing year-on-year, which corresponds to the development of the number of active SMEs according to data from the Register of Organizations of the SO SR.

The *Report* also presents the results of efforts to improve business conditions in Slovakia. These efforts have been promoted by the Better Regulation Centre for the fourth calendar year now. As a member of the Permanent Working Committee for the assessment of selected impacts as part of the Legislative Council of the Government and tasks resulting from its membership, the BRC registered 123 unique regulatory proposals affecting the business environment. In 2019, the trend of insufficient quantification of the costs/savings of regulation by the applicants continued with only 37 materials quantifying the costs of regulation, out of the aforementioned number of 123 submitted materials with business environment impact. The BRC sees opportunities in the following areas, which would lead to a reduction in the regulatory burden, with specific measures being described in the Report: labour law and employment, taxes and accounting, business law, excessive bureaucracy, disproportionate financial burden and legal uncertainty. Other organizations have been given room in the *Report* to present proposals for improving the business environment, which propose to eliminate a number of individual partial shortcomings that are hidden in the legislation.

The SMEs represent one of the key actors in the national economy involved in creating employment, added value and growth. It is therefore desirable that there is continual development in this sector. In general, SMEs are more sensitive to frequent legislative changes than large companies. In order to ensure the development of SME business, it is essential that Slovakia continues to improve the business environment including the enforcement of legislative proposals in the area of SMEs, increasing transparency, particularly in the process of public procurement and taking other measures aimed at reducing administrative and regulatory burdens.

The outlook for the performance of the Slovak economy in 2020 is less favourable. The Slovak economy will be affected mainly by the economic effects of the coronavirus pandemic. According to estimates, the Slovak economy may experience an economic decline of 8-10%, while some institutions estimate a decline of more than 10%. The economic recovery will therefore depend to a large extent on the development of the epidemiological situation, the recovery of foreign demand, as well as the ability to introduce support measures and the rate of using financial assistance for businesses the economic activity of which has been stopped or limited by the impact of measures to alleviate the coronavirus pandemic in Slovakia.

In line with the above, it is also necessary to continue to make support for SMEs more effective within the needs of small and medium-sized enterprises. At the same time, it is necessary to continue systematic cooperation and take into account the proposals and recommendations of individual entities in relation to improving business conditions for SMEs. In this way it is possible to contribute to the overall improvement of the quality of the business environment and ultimately contribute to the increase of Slovakia's competitiveness.

## Annexes: Infographics

### REPORT ON THE STATE OF SMEs IN THE SLOVAK REPUBLIC

2019  
SLOVAK BUSINESS AGENCY

#### Active business entities

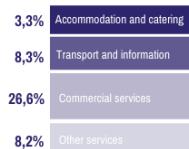
Large enterprises  
0,1%



Microenterprises 96,9%  
Small enterprises 2,4%  
Medium-sized enterprises 0,5%

SMEs 99,9%

#### Sectoral structure of SMEs



#### Establishment

84 883

Corporate entities

#### Disestablishment

56 097

Corporate entities

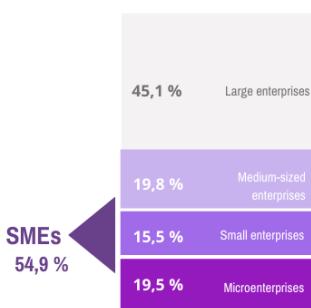
#### Net increase

28 786

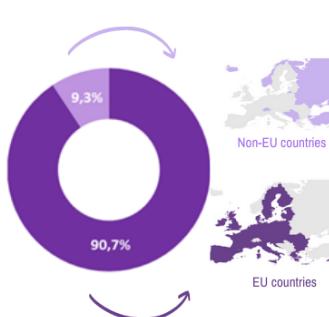
Corporate entities

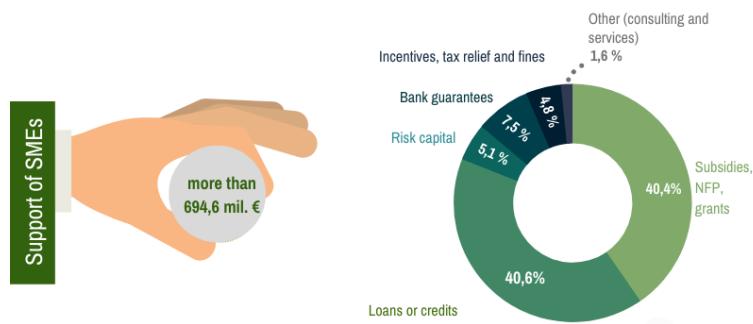
#### Share of SME-LP on total value added

(Total value added 45 662,8 mil. €)



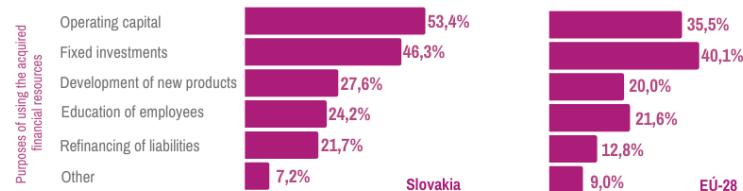
#### Territorial structure of exports of SMEs





### Summary of conclusions from selected performed surveys

SME access to finance (SAFE)  
(460 SME respondents)



more than  
54% of SMEs

Problem with late payments  
over the previous 6 months

### Impact of late payment of invoices ►

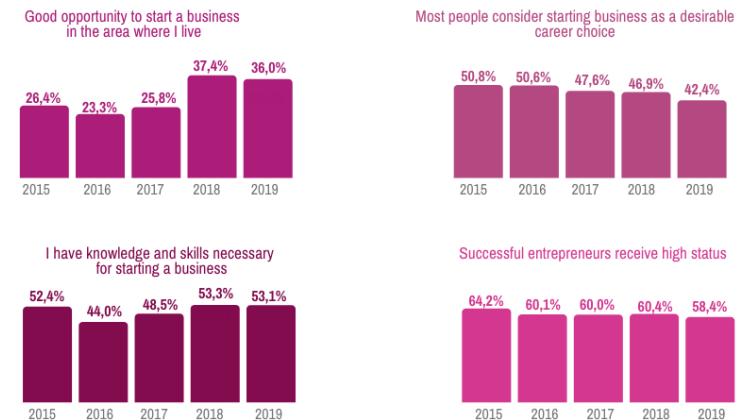
for 44% of SMEs the impact on late payments to other suppliers

almost a quarter of SMEs have an impact on planned investments and recruitment

for 19% of SMEs a negative impact on discharge or operation

for 17% of SMEs the impact on late payment of invoices, late repayment of loans or the need to use additional funds

Global Entrepreneurship Monitor (GEM) - views of the population towards entrepreneurship  
(possibility of multiple answers, sample of 200 adults)



### Regulation of the business environment

