



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

2020

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Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020

Bratislava

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List of abbreviations

ALMM	Active labour market measures
ALMP	Active labour market policy
APVV	Slovak Research and Development Agency
ASPEK	Industrial Ecology Association in Slovakia
BSR	Bratislava Self-Governing Region
BRC	Better Regulation Centre
COSME	The EU programme for the Competitiveness of Small and Medium-sized Enterprises
COVID-19	disease caused by SARS-CoV-2 coronavirus
CRIF	Slovak Credit Bureau s.r.o.
EASI	EU Programme for Employment and Social Innovation
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EEN	Enterprise Europe Network
EF	Environmental Fund
EIB	European Investment Bank
EIF	European Investment Fund
EC	European Commission
ER	Execution Regulations
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FLPG	First loss portfolio guarantee
FM UK	Faculty of Management of the Comenius University
NP	natural person(s)
GEM	Global Entrepreneurship Monitor
GDP	gross domestic product
IROP	Integrated regional operational programme
s.c.s.	simple company for shares
ME SR	Ministry of Economy of the Slovak Republic
MIRDI SR	Ministry of Investments, Regional Development and Informatisation of the Slovak Republic
MC SR	Ministry of Culture of the Slovak Republic
ICP	Inter-ministerial comment procedure
MARD SR	Ministry of Agriculture and Rural Development of the Slovak Republic
MLSAF SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
SMEs	small and medium-sized enterprises

MESRS SR	Ministry of Education, Science, Research and Sport of the Slovak Republic
MFEA SR	Ministry of Foreign and European Affairs of the Slovak Republic
MEs SR	Ministry of Environment SR
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
NBC	National Business Centre
NRP	National Reform Programme
NC SR	National Council of the Slovak Republic
SC SR	Supreme Court of the Slovak Republic
NUTS	Nomenclature of territorial units for statistics
OECD	Organisation for Economic Cooperation and Development
OP	Operational Programme
OP II	Operational Programme Integrated Infrastructure
OP F	Operational Programme Fisheries
CR SR	Commercial Register of the Slovak Republic
RES	renewable energy sources
p. p.	percentage point
WP	work places (jobs)
LP	legal entity(s)
BC	Business Centre
RRP	Recovery and Resilience Plan
PPA	Agricultural Paying Agency
PCP	Preliminary comment procedure
PRSL	Portfolio Risk Sharing Loan
GPS	Government Programme Statement
OHS	occupational health service
R&D	Research & Development
RAIC	Regional Advisory and Information Centre
SACR	Slovak Tourism Agency
SAFE	Survey on the Access to Finance of Enterprises
SAMRS	Slovak Agency for International Development Cooperation
SARIO	Slovak Investment and Trade Development Agency
SBA	Slovak Business Agency
SBAfE	Small Business Act for Europe
SDGs	Sustainable Development Goals

SIHAG	SIH Anti-Corona Guarantee
SLSP	Slovak Savings Bank
IB	Intermediate body
SOPK	Slovak Chamber of Commerce and Industry
SR	Slovak Republic
STU	Slovak University of Technology
SEP	Self-employed person
SZRB	Slovak Guarantee and Development Bank, a. s.
SŽZ	Slovak Craft Industry Federation
SO	specific objective
SO SR	Statistical Office of the Slovak Republic
TUKE	Technical University of Košice
JAs	job applicants
COLSAF SR	Central Office of Labour, Social Affairs and Family of the Slovak Republic
ÚPV SR	Industrial Property Office of the Slovak Republic
UTI STU	University Technology Incubator of the Slovak University of Technology
USP	University Science Park
R&D	Research and Development
HTU	Higher territorial unit
TFEU	Treaty on the Functioning of the European Union
ZMPS	Young Entrepreneurs Association of Slovakia
ZPS	Entrepreneurs Association of Slovakia
RO SR	Representative Office of the Slovak Republic
AfNRFC	Application for a non-repayable financial contribution
Project Biz4Fun	Project "Let's have fun with the business start-up"
Project BRESE	Project "Border Regions in Europe for Social Entrepreneurship"
Project COCO4CCI	Project "Culture and Creative Industries COoperation COLider"
Project INNO INDUSTRY	Project "Improving innovation delivery of policies within 4.0 industry in Europe"
Project ROB-SME	Project "Robotics and SMEs"
Project THINGS+	Project "Introducing Service Innovation into product-based manufacturing companies"

Introduction

In the long term, the position of small and medium-sized enterprises (hereinafter referred to as "SMEs") in the national economy is significant, particularly in terms of their contribution to total employment, value added and support for economic development. The importance of SMEs can also be observed in the structure of economically active business entities.

In the monitored year 2020, the COVID-19 pandemic was unquestionably central to the economic environment. The decline in economic activity did not occur only in Slovakia, but was also characteristic of other countries. In the European Union as a whole, economic performance has declined, mainly as a result of the downturn in the major EU economies. The impact of the new type of coronavirus has also been reflected in the economic performance of the SME sector. The unfavourable economic situation in Slovakia affected the development of the monitored economic indicators of SMEs.

The present publication is a continuation of the series of the Reports on the State of Small and Medium-Sized Enterprises, which have been compiled since 1993 and annually provide up-to-date information on the status and trends in the environment of small and medium-sized enterprises in Slovakia. The Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020 (hereinafter referred to as the "Report on the State of Small and Medium-Sized Enterprises") provides an overview of the most significant legislative changes with an impact on 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 evolution of the macroeconomic environment in 2020, including an assessment of the position of SMEs in the Slovak Republic and a section on COVID-19 in the context of its impact on the economy. The Report on the State of Small and Medium-Sized Enterprises also includes reviewing of the support provided to SMEs in Slovakia in 2020 (Chapter 3). The present document also contains a summary of conclusions from analyses and surveys conducted by the Slovak Business Agency (Chapter 4), which complete the overall picture of the position of SMEs. The intention of the presented Report is to provide relevant recommendations in relation to improving the business environment, preferably in the SME sector, and supporting the dynamics of their growth, taking into account the findings that are the subject of the treatment. Part of the assessment of the SME entrepreneurship situation in Slovakia in 2020 is the presentation of the results of the Global Entrepreneurship Monitor (GEM) survey, which is an important global study on the dynamics of entrepreneurship.

The assessment of the status and trends of SME development is the basis for the analysis of the state of the business environment in the Slovak Republic, which is submitted annually to the Government of the Slovak Republic as part of the Report on the State of the Business Environment in the Slovak Republic in accordance with Government Resolution No. 792 of 17 July 2002. The Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic serves as a basis for the activities of the SME Envoy. The document is also used as a data base for conveying information to the institutions of the European Union, OECD and other entities, while it also serves in the processing of various analyses and studies of the business environment in Slovakia.

The Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020 is, like its previous editions, available to the public via the SBA website. The authors of the document would like to thank the collaborators from the state administration, public administration, business unions and associations, as well as from the non-governmental sector for the provided documents, without which it would not have been possible to prepare the document in the required scope and quality.

Executive Summary

The presented Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020 presents a comprehensive view of the state and development of the business environment in the SME sector and SME support in the period under review. The purpose of the Report is to highlight developments and the most significant legislative changes adopted and effective in the monitored year that have an impact on small and medium-sized enterprises. At the same time, it seeks to highlight 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 is described by several indicators. Small and medium-sized enterprises account for 99.9 % of the total number of business entities in the Slovak economy. They account for almost two-thirds of employment in the business economy and contribute more than half of total value added.

The year 2020 was exceptional in terms of the development of exogenous factors that changed the development of both the Slovak and the global economy in an extraordinary way. The COVID-19 pandemic was unquestioningly central to the economic environment in 2020. The year 2020 was not only characterised by a significant drop in economic performance. The spread of a new type of coronavirus in 2020 was also largely associated with a relatively high level of uncertainty and risk, primarily based on the evolution of the epidemiological situation, which is also linked to the economic activity of business entities.

The performance of the Slovak economy slumped due to the pandemic after years of continuous growth. The recorded decline was steepest in the second quarter of 2020, in which a decline of almost 11 % was recorded. In the second half of the year, the Slovak economy managed to moderate the pace of its decline. GDP decline in the second half of the year was much lower (it was -2.1 % in the fourth quarter).

The decline in economic activity did not occur only in Slovakia, but was also characteristic of other countries. In the European Union as a whole, economic performance contracted by 6.1 %, mainly due to the slump in the major EU economies. Among the V4 countries, Poland recorded the lowest year-on-year decline in economic performance. Slovakia and Hungary ranked significantly behind Poland. As a result of the complex pandemic situation, the Czech Republic experienced the deepest slump of the Visegrad Group countries.

In terms of the production side of the gross domestic product development, the economic slump of the Slovak economy was related to a decline in gross output (by 9.0 %), intermediate consumption (by 11.7 %) and value added (by 4.7 %). Net taxes on products decreased by 4.8 % year-on-year. The downturn in the Slovak economy was also related to a decline in domestic demand. Household final consumption decreased by 1.1 %. Government final consumption stagnated after previous growth. Investment activity also experienced a negative trend in 2020. Gross capital formation fell by 12 % year-on-year. Total exports of goods and services also decreased by 7.5 % compared to 2019. Goods and services worth EUR 78,469.8 million were exported from Slovakia.

The decline in the performance of the Slovak economy was also reflected in the labour market. In the months of April and May 2020, there have already been year-on-year declines in employment across almost the entire spectrum of industries. The relaxation of anti-pandemic measures during the summer of 2020 has contributed to a temporary improvement in the labour market situation. At the beginning of the fourth quarter of 2020, the labour market situation deteriorated again, due to the second wave of the pandemic and the tightening of restrictions. Entrepreneurs operating in the accommodation and restaurant services sector in particular had problems retaining their employees. The construction and industrial sectors were among the

other sectors with a significant decline in employment. The only sector of the economy in which labour demand grew was the information and communication services sector.

In 2020, SMEs accounted for 74.2 % of employment in the business economy. The share of SMEs in total employment in the Slovak economy was 59.1 %. Despite support measures to maintain employment, the average number of persons employed in the category of small and medium-sized enterprises (including natural persons - entrepreneurs) decreased year-on-year by 2.1 % (i.e. by 29.9 thousand persons) to 1,400.9 thousand persons employed. Employment declined year-on-year in all size categories and legal forms except micro-enterprises, which recorded a 1.4 % year-on-year increase in the number of persons employed. Small enterprises (down 4.5 % year-on-year) and medium-sized enterprises (down 3.3 %) struggled to retain employees.

The negative impact of the corona crisis on the Slovak economy was also reflected in the economic performance of the small and medium-sized enterprise sector. The unfavourable economic situation affected all monitored economic indicators of SMEs. The value added of SMEs - legal entities decreased by 3.8 % year-on-year. Although negative results were recorded in all size categories, the most significant drop in value added was recorded by small enterprises. Industry remained the most important sector in terms of SME value added. Labour productivity also confirmed the lower level of economic performance of the Slovak SME sector. In the EU-27, labour productivity in SMEs is more than twice as high as in Slovakia. The gross output of SMEs - legal entities also decreased (by 4.8 % year-on-year). Gross fixed capital formation of SMEs declined by 13.6 % and profit before tax of corporate SMEs decreased by 11.8 % year-on-year.

In 2020, the growth trend in the number of active business entities was also suspended.¹ According to the data of the Statistical Office of the Slovak Republic, the achieved growth in the number of active SME business entities was only 0.3 %, which was influenced by the negative contribution of small and medium-sized enterprises. Micro-enterprises have managed to maintain their dominance. Their share was 97.2 %. Slovakia is also characterised by the highest share of micro-enterprises in the EU countries in the size category of micro-enterprises.

The SME entrepreneurship rate remained almost unchanged at 21.8 % in 2020. Slovakia ranks among the EU countries with the highest number of small and medium-sized enterprises in relation to the total population.

In 2020, the number of active natural persons - entrepreneurs decreased by 2.9 % after the previous increase. The decline is mainly due to the lower number of sole traders as the most important legal form of natural persons - entrepreneurs.

The pandemic has also contributed to a reduction in the number of new businesses in 2020. According to the data, there has been a 2% reduction in the number of SMEs created (or by 1,709 business entities). Interest in going into business has increased among self-employed farmers and freelancers.

Paradoxically, the situation associated with COVID-19 and the measures taken to prevent the spread of the coronavirus in order to protect the life and health of the population in 2020 have not led to an increase in the number of disappeared entities. Conversely, the number of terminations decreased by 15.1 %, to a total of 47,648 business closures. The lower number of business closures is also due to the adoption of coronavirus support measures, the use of which was conditional on the maintenance of business activity. The number

¹ The Statistical Office of the SR considers an economically active entity to be an entity that had employees, sales or investments in the monitored reference period. To determine the activity, the Statistical Office of the SR also used data from administrative sources on health insurance payers.

of disappearances decreased most significantly in the liberal professions (by 32.1 %). Closures of enterprises - legal entities did not change significantly year-on-year.

More than four-fifths of the total number of disappeared entities were sole traders (82.1 %). The year-on-year evolution of the net increase in business entities was therefore to a significant extent influenced by the development of the number of entities that were closed. Compared to 2019, the amount of net increase increased by almost one-quarter (23.4 %) to 35,526 business entities.

The gender structure of natural persons - entrepreneurs did not change significantly in 2020. The representation of women among natural persons - entrepreneurs remained at 28.2 %, identical to 2019. In terms of individual legal forms of natural persons - entrepreneurs, the representation of women shows differentiated results. The highest proportion of women is among freelancers (49.8 %). The share of women in the legal form of sole traders is considerably lower (26.7 %). The development of the age structure of natural persons - entrepreneurs in the medium term is characterized by an increase in the representation of entrepreneurs in the younger age categories less than 30 years old. In recent years, there has also been a slight increase in the representation of older entrepreneurs aged 60 and over. The largest number of natural persons - entrepreneurs is in the age category of 40–49 year olds.

In line with the long-term development tendencies observed in the sectoral structure of SMEs, entities operating in the services sector had the most significant representation in 2020 (47.4 %). The construction sector has shown a slight increase in representation in recent years, accounting for 18.1 % of all entities within the SME size category in 2020. 16.9 % of SMEs were active in trade, 13.6 % in industry and 4.0 % in agriculture.

Disrupted buyer-supplier chains during 2020 (especially during the first wave) and declining demand have also negatively impacted our export-oriented SMEs. According to the preliminary data of the Statistical Office of the Slovak Republic, there was a decline in exports, which amounted to 3.1 % in the year under review. The decline in export activities was recorded for all size categories of enterprises, but most significantly on the side of medium-sized enterprises (by 4.0 %). Small enterprises (3.1 %) and micro-enterprises (1.6 %) recorded a slightly lower decline, which contrasts with the evolution of the share of SMEs in total exports. Given that the decline in exports of large enterprises was more pronounced (by 9.8 %), there was a year-on-year increase in the share of SMEs in total exports (by 1.5 p.p.). The territorial structure of SME exports is characterised by strong links to the EU common market. Only 11.7 % of total SME exports went to non-EU countries. Compared to other EU countries, SMEs in Slovakia have the lowest share of total exports to third countries.

The business environment in Slovakia is characterised by frequent legislative changes which, among other things, affect the obligations and requirements affecting the SME sector. In 2020, a number of important pieces of legislation were passed (and effective) to respond to address the emergency situation that arose in the Slovak Republic due to the outbreak of the COVID-19 pandemic in the economic, social and economic spheres. The legislation was primarily aimed at reducing and minimising the negative impacts of the pandemic. Among the most important of these is the entry into effect of Act No. 198/2020 Coll. - "Lex corona". A package of 115 measures to improve the business environment and reduce the administrative burden has been reflected in the text of the law. Most of the measures have been reflected in the text of specific laws. Others include: the introduction of tenant protection and temporary protection for entrepreneurs; the provision of financial assistance to ensure the liquidity of SMEs; the regulation of the provision of rent subsidies; the provision of subsidies to support small and medium-sized enterprises; the suspension of trades for less than 6 months; the

regulation of the so-called "home-office"; as well as other provisions of emergency measures in connection with the pandemic of the COVID-19 disease in the financial sector, among others.

The total amount of support for SMEs in 2020 in the context of the COVID-19 pandemic was many times higher than in previous years. In terms of the structure of the forms of financing of regular support (excluding the so-called COVID support), the direct form of support dominated, accounting for 79.1 % of the total support for SMEs. The indirect form of support amounted to 20.9 % in the case of ordinary support (a slight year-on-year increase in the indirect form of support). The overall real use of ordinary support was lower year-on-year. The main reason for this was that funds earmarked for planned activities in the current year were partly reallocated (and/or also increased) and accumulated in instruments and measures with the intention of mitigating the negative impacts of the COVID-19 pandemic. The most significant share of support for SMEs in terms of individual categories of ordinary support was accounted for by the category of subsidies, NFA, grants (42.9 % of the total support provided to SMEs) and the category of credits or loans (30.2 %). In the context of the evaluation of the COVID support provided to the SME sector in 2020, it can be stated that financial or direct support prevailed. The most important providers of COVID support included the Ministry of Labour, Social Affairs and Family of the Slovak Republic, the Ministry of Economy of the Slovak Republic and SIH. A more detailed overview of support for SMEs is given in Chapter 3.

In 2020, the Slovak Business Agency (hereinafter referred to as "SBA") continued to meet its objectives in the area of providing comprehensive assistance targeted at the sector of small and medium-sized enterprises, while continuing to support them through the implementation of a number of national projects, offering a wide portfolio of services for SMEs and those interested in entrepreneurship, whether in Bratislava or in the individual regions of the Slovak Republic. SBA also implements international (pilot) projects for the purpose of opening up the topics of the "Small Business Act".

SBA actively evaluated materials with an impact on the business environment, provided opinions and comments on proposals for new regulations through the Better Regulation Centre (hereinafter referred to as "BRC"). In the monitoring year, the BRC assessed (in terms of content and process) the realism of the impacts captured in all the Business Impact Analyses produced and provided detailed opinions containing suggestions for better capturing the impacts of the new regulation on the business environment.

The present Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020 also contains a complex of proposals and recommendations, primarily for the purpose of supporting the continuous improvement of the business environment in the SME sector in relation to improve their competitiveness and support growth dynamics.

Supporting the creation and growth of businesses, especially small and medium-sized enterprises, is one of the key activities that ultimately improves the performance not only of regions but also of the economy as a whole. In line with the needs of SMEs, it is therefore essential to continue to streamline support for SMEs (at both regional and national level). Entrepreneurship support is an important tool for the development and stabilisation of the business sector and the competitiveness of the country. In order to promote a stable business environment, it is necessary to continue systematic cooperation and a coordinated approach of all involved ministries, as well as to take into account the suggestions and recommendations of individual entities. Mutual and intensive cooperation should be aimed at improving business conditions for SMEs.

1. Monitoring the legislative environment in 2020 (with impact on SMEs)

1.1. EU and national government approach to supporting SMEs



The intention of the subchapter is to provide a brief overview of selected support programmes for SMEs created at European and national level (continuously in force or currently adopted). The European Union has set up a number of programmes to support SMEs, in an effort to encourage natural persons to become more involved in entrepreneurial activity. Through its activity, the Government of the Slovak Republic intends to support SMEs with a number of supportive measures consisting of legislative changes and improved access to finance for SMEs.

Considering the particularity of the situation related to the spread of COVID-19 as a central factor of the economic environment in 2020, this subchapter also elaborates support programmes or measures in the context of the pandemic and in an effort to prevent negative impacts on the business sector, especially SMEs.

European SME Support Programme (COSME)

Through the European SME Support Programme (COSME), the European Commission has set itself the objective of promoting entrepreneurship and improving the business environment for SMEs so that they can and will be able to successfully launch their business ventures in today's globalised economy. The COSME programme was designed for the period 2014–2020 with a budget of EUR 2.3 billion. The programme is implemented through an annual action plan and through supporting measures. **The year 2020² was the last year of implementation of the COSME programme and worked with a budget of EUR 400 million.** The Annual Action Plan focused on the following four main objectives in 2020:

² The European Investment Fund (EIF) and the European Commission launched specific support in 2020 for COVID-19 (COSME COVID-19). Under this scheme, the EIF will be able to provide better conditions for guarantees to incentivise financial intermediaries to provide working capital financing to European SMEs affected by the economic impact of the coronavirus pandemic. The EIF has extended the period of support for COVID-19 until 30 June 2021, with an option to extend it until 31 December 2021.

1. Improving access to finance for SMEs.
2. Improving access to markets, in particular within the European Union, but also at global level.
3. Promoting the competitiveness and sustainability of businesses, focusing in particular on SMEs operating in the tourism sector.
4. Promoting entrepreneurship and entrepreneurial culture.

COSME is the programme **implementing the Small Business Act initiative**, which reflects the Commission's desire to recognise the central role of SMEs in the EU economy.

The intention of this support programme is to provide SMEs with better access to finance at different stages of the business lifecycle, i.e. when setting up, expanding or transferring a business. Through the Loan Guarantee Facility, the programme provides guarantees and counter-guarantees to financial institutions (e.g. guarantee companies, banks, leasing companies) to enable them to provide more loans and lease financing to SMEs. In the new programming period (2021–2027), COSME will become part of the EU's Single Market Programme.



EIC Accelerator Pilot

In 2019, the European Innovation Council's (EIC) Accelerator pilot programme replaced the SME Instrument scheme and became part of the Horizon 2020 programme to support research and innovation. Since the launch of the **SME Instrument** support for innovation projects under Horizon 2020, this scheme has aroused interest among Slovak companies.

The EIC Accelerator Pilot is primarily aimed at **supporting highly innovative SMEs with breakthrough products and the ambition to enter international markets**. The aim is to overcome the underfunding of the early stages of high-risk research and innovation, to stimulate breakthrough innovations and to increase the commercialisation of research results within the private sector through funding, coaching and acceleration tools. The pilot phase of the project (2018–2020) worked with a budget of EUR 3 billion. The scheme will continue in the next programming period (2021–2027) under the name EIC Accelerator, but will have significantly modified proposal submission rules. In 2020, no Slovak company received funding from the EIC Accelerator Pilot programme. By the end of 2020, 23 Slovak companies had been awarded a project in phase 1 and 1 company a project in phase 2.

Pilot phase of the project (2018–2020)

Evaluation criteria for obtaining project funding:

- The product must have the potential to create a market or disrupt an existing market.
- High-potential innovative, significantly better and different from other options.
- High project risk.
- It supports both technical and non-technical projects with ground-breaking innovative concepts, as well as deep tech innovations, i.e. projects resulting from a scientific discovery or a major technological innovation.
- The need for significant capital.
- The enterprise must demonstrate the impossibility of recovering sufficient investment from the market.
- The enterprise is deemed to be unfinanceable.



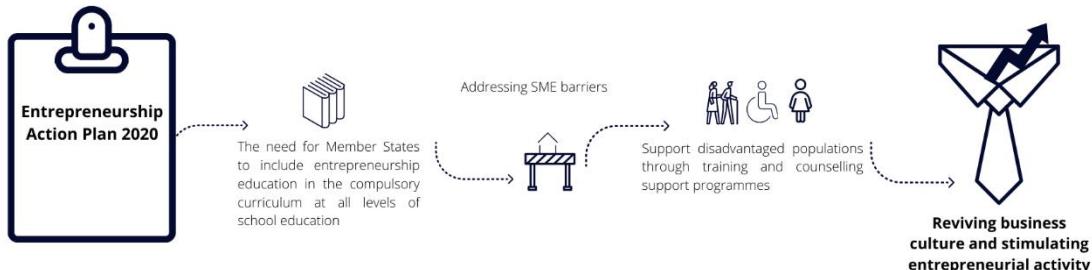
2 variants of financing

By the end of 2020, **23 Slovak companies** had been awarded a project in phase 1 and **1 company** a project in phase 2.



In 2019, the EIC Accelerator Pilot replaced the SME Instrument scheme.

Entrepreneurship Action Plan 2020 - Three steps to unlock Europe's entrepreneurial potential



The Action Plan addresses a number of obstacles faced by SMEs, including inadequate education and training, difficult access to credit and markets, difficulties in transferring businesses, fear of failure and its consequences, second chances for honest failed entrepreneurs, and excessive bureaucracy.

Small Business Act for Europe Initiative



"Small Business Act for Europe" Initiative was approved in 2008.

Recognises the key role of SMEs in Europe's economy.

The Small and Medium-sized Enterprises Act consists of a set of **10 principles**.



The initiative seeks to promote one of the "**think small first**" principles in European policy and administration, which would then provide better conditions for SMEs to create new jobs.

Recovery plan for Europe

The COVID-19 pandemic has put EU Member States to an extraordinary test. The crisis they began to face was a combination of a health crisis and a recession. In the immediate aftermath of the pandemic, the EU started taking various measures to support jobs, businesses and Member States in particular.

By a concerted effort at the EU level, a recovery fund has been set up to target the hardest hit sectors and to tackle the overall emergency situation in a first step and a gradual economic recovery in a second step. In May 2020, the Joint Recovery Plan was presented for the first time, outlining its key areas of focus. Subsequently, in the second half of July 2020, European leaders agreed on a recovery package to support not only Europe's recovery but also the transformation of the economy. The underpinning pillars of the Recovery Plan are therefore, *inter alia*, the green and digital transformation, which, together with the Single Market, are intended to foster new forms of growth and promote convergence and strengthen the EU's resilience.³ EU leaders then agreed at the Extraordinary European Council meeting that at least 20 % of the Recovery and Resilience Facility funding (including for SMEs) will be made available for digital transformation as one of the pillars of the EU's recovery. In the first half of February 2021, the Council of the EU adopted a Regulation⁴ establishing a Recovery and Resilience Facility for a total amount of EUR 672.5 billion. EU Member States will receive support on the basis of their National Recovery and Resilience Plans, which must set out a coherent package of projects, reforms and investments covering six policy areas of European importance. National recovery and resilience plans had to be submitted to the EC by 30 April 2021.



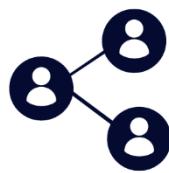
Green transformation



Digital transformation



Smart, sustainable, inclusive growth and jobs



Social and territorial cohesion



Policies for the next generation, children and youth, including education and skills



Health and resilience

Programme Statement of the Government of the Slovak Republic for the period 2020–2024

Pursuant to the new Programme Statement of the Government of the Slovak Republic for 2020–2024⁵ (hereinafter referred to as the "Programme Statement of the Government of the Slovak Republic" or the "PSG of the Slovak Republic"), **the Government is committed to**

³ More information available online: <https://www.consilium.europa.eu/sk/policies/eu-recovery-plan/>

⁴ Regulation (EU) 2021/241 of the European Parliament and of the Council establishing a Mechanism to support recovery and resilience.

⁵ The PSG SR for 2020–2024 was updated in April 2021.

creating favourable business conditions in the spirit of simple laws with low administrative, financial and regulatory burdens for all. It is also committed to fundamentally simplifying the tax and levy system and paying attention to domestic companies. In terms of strengthening the systemic approach to improving business conditions, which has long been absent, a flexible labour code and labour law legislation are identified as key, which is considered particularly important not only during booms and crises, but also for adapting to new post-crisis conditions.

In the context of the business environment linked to small and medium-sized enterprises, the current Programme Statement of the Government of the Slovak Republic states a commitment to creating a favourable environment for the development of SMEs and taking into account the application of the "Think Small First" principle. It further states that the Government will focus on the introduction of universal free trade and will create more favourable conditions not only for the development of family business, but also entrepreneurship for young people, women and seniors. In the field of social economy, the Government will support the development of the social economy and the creation of social enterprises, for which it will also provide quality servicing and advisory services in cooperation with the Ministry of Labour, Social Affairs and Family of the Slovak Republic. By involving SMEs in subcontracting chains, the Government of the Slovak Republic is committed to supporting the internationalisation of SMEs. The Government of the Slovak Republic is committed to supporting the improvement of the export performance of the Slovak economy and the creation of appropriate conditions for access to international markets. In addition, starting a business is to be made easier, in particular through the introduction of a flat tax-levy rate for sole traders and small businesses. This is to increase the attractiveness of entrepreneurship, especially for young people. According to the aforementioned Programme Statement of the Government of the Slovak Republic, the renewal of the State Research and Development Programmes should also be considered, which support the development of enterprises in sectors with high added value, which at the same time also support domestic research and innovation. The Government also plans to carry out a comprehensive audit of the fee burden on business in order to make the fee system more transparent and to reconsider the collection of fees only in justified cases. At the same time, an audit of all reports and statements required by the State is planned. At the same time, the dual education system and the development of entrepreneurial skills are to be promoted. Efforts to improve the links between the education system and the business sector and retraining are also to be pursued. The development of 21st century skills and competences, i.e. digital and entrepreneurial skills and competences, critical thinking as well as effective problem solving, will also be promoted.

In the area of better regulation policy, the Government has committed to cutting some red tape by 2020 through changes to laws that will make it easier to do business. In an abbreviated legislative procedure, the Government adopted measures to improve the business environment, the so-called Lex-Korona. It will then make regular and systematic proposals for action in this area. At the same time, it is committed to continuing to implement the Better Regulation agenda, which is a prerequisite for improving the quality of the legislative process and the laws adopted. Based on input from businesses, the Government will conduct an ex post assessment of regulatory and administrative obligations in legislation affecting business. Furthermore, the Government of the Slovak Republic will ensure compliance with and control of the principle of the effectiveness of changes to the most important laws affecting business once a year (as of 1 January). The problem of unpredictability and non-transparency of the approval of laws in Parliament, the absence of impact assessment of parliamentary proposals, as well as the lack of consultation of these proposals will be addressed by the Government through the introduction of more consistent comments on parliamentary bills, the introduction of a sufficient period between the second and third reading in the National Council of the Slovak

Republic, and a detailed impact assessment. In the new Programme Statement, the Government has also committed to introducing the institution of binding opinions in individual departments, offices or agencies, as well as to introducing other measures that will help entrepreneurs to be well informed of their obligations and that will be publicly accessible to all entrepreneurs.

The Government of the Slovak Republic also undertook to introduce an obligation for submitters of new regulations in the first phase not to increase and subsequently reduce the regulatory burden in their competence. The Government of the Slovak Republic has committed to introduce the "1 in - 1 out" principle in 2021 and, with effect from 1 January 2022, "1 in - 2 out" principle. The aim is to halt the increase and then achieve a reduction in regulatory obligations. At the same time, the existing form of the Business Impact Analysis will be reviewed. An innovative approach will be promoted in the development of regulations, using smart solutions in line with e-Government principles.

Given the extraordinary nature of the situation associated with COVID-19, the Programme Statement of the Government of the Slovak Republic also responded to the need to minimize health risks and protect people's lives. It also responds to the need to overcome the economic and social crisis caused by the pandemic. Specifically in the area of crisis management and civil protection, the Government of the Slovak Republic undertakes to review the current state of legislation, the structure of crisis management, material and technical equipment and staffing, and to push for a new Concept of the Security System of the Slovak Republic. It is also about **ensuring public safety**, as well as **improving public health care**.

In order to combat COVID-19, the Government's immediate priority is short-term and targeted measures to help vulnerable groups of businesses, employees and sole traders. Primarily, cash assistance and loans with a state guarantee for entrepreneurs and citizens. After the stabilisation phase, the Government of the Slovak Republic is committed to focusing on measures that will lead to a resumption of economic growth.

In cooperation with the EC, the Government of the Slovak Republic undertakes to ensure the use of resources from the ESIF to minimize the negative impact on health care in the Slovak Republic, the economic impact and other consequences related to the disease of a new type of coronavirus. In the new programming period 2021–2027, the Ministry of Investment, Regional Development and Informatisation of the Slovak Republic will be the managing authority for the single operational programme Slovakia and for the cross-border cooperation programmes Slovakia-Austria and Slovakia-Czech Republic. In addition, the Government of the Slovak Republic perceives the need to simplify the implementation of the EU funds in order to be able to respond flexibly to changes in the regional context.

In the area of employment, the priority is to overcome the economic and social crisis triggered by the pandemic and to restore wages, social security and the standard of living of citizens. In this regard, the Government of the Slovak Republic is committed to pursuing measures to maintain employment and create new jobs, including improving the quality of the business environment, reducing bureaucracy in employment and reducing the tax burden.

In the area of competitiveness, in the context of the pandemic, the Government of the Slovak Republic will facilitate the structural changes that will be necessary for the Slovak economy to adapt to the new situation after the crisis. Therefore, in general, the priority will be to support the diversification of the Slovak economy. In this context, the Government is also committed to creating conditions to promote innovation in areas that will not only help to mitigate the impact of the current crisis, but will also help to prevent similar situations in the future. According to the Programme Statement of the Government of the Slovak Republic, investments with higher added value will be supported. In terms of investment support, it will be oriented primarily towards less developed regions with the aim of creating jobs in a way that

distorts the business environment as little as possible. In promoting and deploying innovation, the Government will favour approaches that reduce energy, material and emissions intensity, and that enable the establishment of a functioning circular economy in micro and macro environments.

According to the Programme Statement of the Government of the Slovak Republic, the Strategy for the Development of Sustainable Tourism until 2030 should determine the further orientation **in the field of tourism**.⁶ The strategy in question is to be part of the National Strategic Plan, which will define strategic objectives, tools and tasks for their implementation with a view to sustainable use of the country's potential. In the context of COVID-19, dealing with the negative consequences of the pandemic, as well as the recovery of the sector in Slovakia, should be a priority. In this regard, the Government of the Slovak Republic has undertaken to take measures aimed at maintaining employment and ensuring the competitiveness of tourism entities. It is also committed to stimulating domestic tourism demand. Specifically, through the introduction of the recreation allowance, where the mechanism of this instrument is to be reviewed in order to effectively assist in the re-launch of tourism after the end of the pandemic. The State's marketing and promotional activities should also be used to stimulate demand.

In connection with COVID-19, the Government of the Slovak Republic has also committed to support the tourism sector through:

- consideration of a reduction in the rate of value added tax (in line with EU law) on all tourism services (including accommodation and catering services in hotels and guesthouses, as well as travel and information agency services, guide and leisure services, etc.),
- preparation of the concept of support for renting private rooms in family houses with a total capacity of less than 10 beds in rural tourist areas of Slovakia (i.e. also in municipalities with less than 5,000 inhabitants). The concept is to be based on tax measures or financial support from the public administration budget.

The Government of the Slovak Republic will support the activities of the Tourism Agency (Slovakia Travel). The Agency will be financed from the state budget as well as from the business community. Its task will be mapping and analysis of tourism facilities in Slovakia, promotion of Slovak tourism abroad, as well as analysis of individual foreign markets. It will be a partner for already existing regional tourism organisations that focus on the development of tourism in individual parts of Slovakia. Removing the administrative burden on tourism operators is also an important task for the next period, as well as addressing frameworks for the sharing economy in the tourism sector and supporting initiatives aimed at improving the quality of services, protection and safety of tourists.

In the area of environment and climate change, the Government is responding to the pandemic in terms of the urgency of systemic changes in the governance of the State and the activities of individual departments beyond the remit of the Department of the Environment. In this respect, Slovakia will see COVID-19 as a turning point in previous attitudes towards the responsibility of the State in protecting the health and lives of citizens. The Government is therefore committed to actively promoting national interests and shaping EU environmental and climate policy. At the same time, it has pledged to play an active and responsible role at the international level to support the achievement of the Sustainable Development Goals

⁶ The Government of the Slovak Republic is of the opinion that the basic infrastructure that would create a market for tourism business should in principle be created by the State. The Programme Statement of the Government of the Slovak Republic for the period 2020–2024.

(SDGs) and to dynamically develop regional and bilateral cooperation in the environmental and climate field. Particular attention will be paid to the European Green Deal, which represents a significant opportunity for the modernisation of Slovakia. The Government of the Slovak Republic is committed to implementing the measures of the Environmental Policy Strategy of the Slovak Republic until 2030 and other related sectoral strategies. It also committed to revise the Low Carbon Strategy and the National Integrated Energy and Climate Plan, and to adopt a climate change law to promote decentralisation and deregulation of the energy sector. In the field of the environment, it is also about implementing a comprehensive reform of the functioning of the Environmental Fund with an emphasis on transparency, objective measurable criteria and the four-eyes rule. The Slovak Government will consider changes in tax policy towards a green, fiscally neutral tax reform. At the same time, the Ministry of Environment of the Slovak Republic will support the integration of subsidy programmes.

Recovery and Resilience Plan of the SR⁷

The Recovery and Resilience Plan (RRP) was developed in response to the significant economic downturn experienced as a result of the pandemic. It is also a response to the identified challenges of the Slovak economy, with the target areas taking into account the key problems of the economy. It is based on Slovakia's global vision⁸ and is intended to contribute to restarting Slovakia's economy. It focuses on five main areas of public policy. These areas include:

- Green economy,
- Education,
- Science, research and innovation,
- Health,
- Efficient public administration and digitalisation.

It is also intertwined with the six pillars of the Recovery and Resilience Facility, which, according to Article 3 of Regulation (EU) 2021/241, should provide effective and substantial financial support for a stronger implementation of sustainable reforms in EU Member States. In the context of global megatrends, the challenge is also to increase the resilience of the economy to demographic, technological and climate change on the one hand, and the ability to make the most of new opportunities on the other.

Better Regulation Strategy - RIA 2020

A long-term continuous priority of the Government of the Slovak Republic is to facilitate entrepreneurship by removing unjustified regulatory barriers and bureaucracy that cause additional financial costs or time burdens. This effort is part of the broader Better Regulation agenda, which is not only aimed at entrepreneurs, but also at all citizens of the Slovak Republic through the optimisation of the regulatory environment.

The Permanent Working Commission of the Legislative Council of the Government of the Slovak Republic for the Assessment of Selected Impacts (RIA Commission) acts as the national coordinator of impact assessment in the Slovak Republic. In terms of the different phases of the legislative process, the RIA Commission is active in the preparatory phase of

⁷ Slovakia sent the Recovery and Resilience Plan of the Slovak Republic to the European Commission on 28 April 2021. The Government of the Slovak Republic approved the Recovery Plan Act on 16 June 2021. More information on the recovery plan available at: <https://www.planobnovy.sk/>

⁸ The global vision for Slovakia is based on three pillars: an innovative economy; a modern state; and a healthy economy.

regulations (ex ante). It focuses primarily on assessing the quality of the selected impacts clause and the relevant analyses of the selected impacts through the Preliminary Comment Procedure (hereafter referred to as "PCP") and the final assessment of the selected impacts. It does not deal with the substance and content of the documents submitted.

The opinions of the RIA Commission are most often related to incorrect or insufficient completion of the selected impacts clause and individual analyses of the selected impacts and quantification of the costs that the proposed regulation entails. The RIA Commission also comments **on non-compliance with the SEA process, which happened a total of ten times in 2020**. The most common example is the submission of a regulation to the PCP and also to the inter-ministerial comment procedure (hereafter referred to as "IMCP"), where the RIA Commission stops the PCP process and claims the comments within the IMCP, in principle with a request for submission for final consideration.

The RIA Commission received a total of 191 materials for consideration in 2020, 84 % of them (161) under the PCP. Of the 161 materials sent to the PCP, the RIA Commission issued 27 approving opinions, 35 approving opinions with a proposal for refinement and 99 disapproving opinions; eight materials were granted a waiver and, as noted above, for ten materials the process was terminated due to a violation of the process (i.e. the material was sent by the submitter to both the PCP process and the IMCP process at the same time). A further 30 materials were sent for final consideration during 2020. The RIA Commission issued 4 approving opinions, 6 approving opinions with a proposal for refinement and 20 disapproving opinions.



1.2. Overview of the most important legislative changes in 2020

Also in 2020, there have been a number of legislative changes passed by lawmakers. Frequent legislative changes are perceived mostly negatively by entrepreneurs, as monitoring them represents an inefficient use of time for entrepreneurs. The ten most important laws (Commercial Code, Commercial Register Act, Value Added Tax Act, Tax Administration Act, Accounting Act, Labour Code, Income Tax Act, Act on the Use of Electronic Cash Register, Health Insurance Act, Social Insurance Act), which should be regularly monitored by SMEs as they are closely related to them, were amended a total of 42 times in the past year (number of changes effective in 2020), respectively 44 times (the number of changes approved by the National Council of the Slovak Republic in 2020 with effect in 2020 and beyond). Compared to 2019, when the above-mentioned laws affecting the business environment were amended a total of 34 times (the number of changes with effect in 2019), this is a year-on-year increase of 23.5 %. However, it should be stressed that many of the changes being adopted in 2020 were necessary to mitigate the negative impacts associated with the COVID-19 pandemic. The amendments to the laws in the year in question brought with them positive changes in business conditions, but at the same time they also had a negative impact on SMEs. At the end of the chapter, we provide a brief overview of the laws that were passed in 2020 and did not enter into effect until the following year.



Laws passed in 2019 with effect from 2020

The following laws were approved by the National Council of the Slovak Republic in 2019, with entry into effect as late as from 1 January 2020. These are laws that significantly change the existing legislation.



(a) Relieving the courts of the burden by stopping certain executions

The new **Act No. 233/2019 Coll. on the Termination of Certain Execution Proceedings and on Amendments and Supplements to Certain Acts** was approved by the National Council of the Slovak Republic on 26 June 2019 and did not enter into effect until 1 January 2020. The reason for the adoption of this law, according to the explanatory memorandum, is **the need to efficiently solve the problem of conducting some executions in which the property of the debtor is not executed and the execution is not stopped despite the fact that the debtor is indigent**. One of the main problems of the Slovak courts lies in **the large number of pending execution cases**, which needs to be addressed by extraordinary legislative intervention in order to speed up the whole process of relieving the courts of execution cases. There are currently approximately 2.6 million so-called "old" execution proceedings (execution proceedings conducted under the regulations in force until 31 March 2017) pending in the courts of the Slovak Republic, in which the beneficiary does not generally propose to stop the execution (does not agree to stop it), mainly because of the risk of having to bear the costs of the bailiff's execution.

The object of the legal regulation of the Act is to regulate the procedure for termination of execution proceedings initiated before 1 April 2017 and conducted according to the regulations effective until 31 March 2017 and the specifics of the procedure for filing a renewed petition for execution. The Act further regulates the conditions for stopping an old execution, lists the executions that cannot be stopped, defines the concept of an old execution or also the decisive

period. The present Act further regulates the conditions for extension of the decisive period, filing of a new petition, costs of the old execution, objections to the notice of discontinuance of the old execution, and others.

(b) Reduction of the income tax rate

The amendment to Act No. 595/2003 Coll. **on Income Tax, as amended**, approved under **No. 315/2019 Coll.** on 18 September 2019 reduced **the income tax rate for legal entities from the original 21 % to 15 %**. The amendment will also affect **sole traders, whose income tax rate will also be reduced from the previous 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 amount of the non-taxable part of the tax base

The amendment (Act No. 316/2019 Coll.) caused that as of 1 January 2020 **the amount of the non-taxable part of the tax base was increased** from the original 19.2 times the minimum wages amount (amounting to EUR 4,035.84) **to 21 times the minimum wages amount** (amounting to EUR 4,414.20). The increase of the multiplier from 19.2 to 21 times the applicable minimum wages resulted in an increase in the non-taxable part of the tax base per taxpayer of EUR 378.36. The amendment also contributed to **changing the threshold for determining the non-taxable part of the taxpayer's tax base to 92.8 times** (amounting to EUR 19,506.56) the applicable minimum wages (from the original 100 times amounting to EUR 21,020).

(d) Employing a family member will not be illegal

Act No. 82/2005 Coll. on Illegal Work and Illegal Employment and on Amendments and Supplements to Certain Acts, as amended, and its amendment No. 320/2019 Coll. contributed to the improvement of business conditions for family businesses. The essence of the adopted amendment to the Illegal Work Act lies in **the legal regulation of the employment of a family member without a proper employment relationship**. Prior to its entry into effect on 1 January 2020, the legislation only allowed sole traders to employ family members without wage compensation for the work performed. Amendment to Act No. 320/2019 Coll., **extended this possibility also for partners of limited liability companies, which are natural persons and at the same time it is the sole partner of the limited liability company**.

In order to achieve the purpose of the Act, certain conditions must be met. It follows from the above: **the relative must be socially secure**, i.e. either a pensioner, insured for a pension or a pupil/student up to the age of 26; **only family members belonging to the following groups of persons will be considered:** (a) **immediate relative** - child, parent, grandchild, grandparent, but does not apply to persons in the position of parents-in-law, brothers-in-law; (b) **sibling** - it is not relevant whether siblings have only one or both parents in common; (c) **spouse** - this may include a spouse who is not cohabiting, or the spouses are in the process of divorce proceedings.

For the employer, the administrative burden on the employee will be reduced as there is no employment contract or any of the agreements. At the same time, the employer does not have to pay the family member's salary and therefore **does not have to pay contributions and taxes**. The law **does not limit the number of such employees**, even in proportion to the total number of employees. If the above-mentioned legal conditions are met, this will not be the illegal work of family members. Otherwise, the violation of the prohibition of illegal employment is punishable by a fine of the statutory amount.

(e) Increase in the amount of the minimum wages

The minimum wage amount also increased in 2020. With the adoption of **Slovak Government Regulation No. 324/2019 Coll., which establishes the amount of the minimum wages for 2020**, the amount of the minimum wage for 2020 has been set at: (a) EUR 580.00 per month for an employee remunerated by a monthly wage, (b) EUR 3.333 for each hour worked by an employee.

(f) Change in the criteria for the obligation to have the financial statements audited

Act No. 363/2019 Coll. contributed to the amendment to **Act No. 431/2002 Coll. on Accounting, as amended**. The adopted amendment, effective from 1 January 2020, changed the criteria for assessing trading companies subject to the legal obligation to have their financial statements audited by an auditor. **There has been a change in the size criteria**. Ordinary individual financial statements and extraordinary individual financial statements must be audited by an accounting entity which is a trading company and a cooperative if at least two of the following conditions are met at the date on which the financial statements are drawn up and for the immediately preceding accounting period: the first condition - **the total amount of assets exceeds EUR 2,000,000** (from the original EUR 1,000,000), where the amount of assets is understood to be the amount of assets ascertained from the balance sheet at the valuation unadjusted for the items referred to in Section 26(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 number of employees in one accounting period exceeded 30.

The amendment also brought **a change in the circle of trading companies** for which it is necessary to monitor compliance with the criteria. From this year, **the obligation also applies to public company and limited partnerships**. So far, this obligation has only applied to cooperatives, joint-stock companies, simple companies for shares and limited liability companies.

(g) A number of substantial changes in the field of social entrepreneurship

An extensive amendment (No. 374/2019 Coll.) to **Act No. 112/2018 Coll. on Social Economy and Social Enterprises** and on Amendments and Supplements to Certain Acts was approved on 16 October 2019. According to the wording of the explanatory memorandum to the draft law, the primary objective of the amendment to the law was to supplement the legislative regulation of the social economy sector and to create appropriate conditions for the social economy to develop and be beneficial not only for increasing employment, as well as to regulate the system of support, which will be socially acceptable and will fully comply with the rules of state aid.

The amendment should lead to **the elimination of specific application problems** in the application of the law, such as the **clarification of the definition** of how the disadvantage of a disabled person who is not recognised as disabled but has a long-term disability reducing his/her physical, mental and sensory abilities, which prevents his/her full participation in the working environment (e.g. a person with autistic spectrum disorder), is to be demonstrated. In the provisions of Section 2(4) of Act No. 112/2018 Coll., **the definition of socially beneficial service has been expanded** to include point (j), which is also the provision of financial resources to social economy entities for the implementation of socially beneficial service under points (a) to (i).

There has also been a substantial **redefinition of the notion of a social impact enterprise** so that more entities can meet the conditions set for a social impact enterprise as an "intermediate step" to meeting the conditions set for a social enterprise. The amendment

reduced the percentage threshold for employing a mix of disadvantaged and vulnerable persons from 40% to 30% in an integration enterprise. The definition of positive social impact for a social housing enterprise has been clarified.

(h) The embodiment of the possibility of granting investment aid in tourism

Act No. 91/2010 Coll. on the Promotion of Tourism, as amended, has undergone another change. The adopted statutory amendment No. 399/2019 Coll., effective from 1 January 2020, legally embodied the notion of an **investment plan**, which is considered to be a project of initial investment aimed at building a new complex tourism centre or expanding an existing complex tourism centre (Section 2(e) of Act No. 91/2010 Coll.).

The amendment to the Act contributed to the modification of the general conditions for the provision of investment aid to support the implementation of an investment project in tourism in the Slovak Republic. Under Section 27b of the Act, **investment aid** is provided to support the implementation of an investment project in tourism in the Slovak Republic in the form of: **subsidies** for tangible fixed assets and intangible fixed assets; **income tax relief**; **contribution to new jobs created**; **transfer of immovable property or lease** of immovable property for less than the value of the immovable property or the value of the lease of the immovable property as determined by an expert's opinion. The recipient of investment aid may be a **natural person - entrepreneur** or a **legal entity** established for the purpose of business.

The general conditions laid down in the Act (Section 27d) **for the granting of investment aid for tourism** are:

- (a) **the acquisition of new technological equipment** intended for the provision of services, in the value of at least 40 % of the total value of the acquired tangible fixed assets and intangible fixed assets pursuant to Section 27e(1)(a) and (b),
- (b) **the acquisition of tangible fixed assets and intangible fixed assets** under Section 27e(1)(a) and (b) **in the amount of at least EUR 10,000,000**, at least 50 % of which must be covered by the equity of a legal entity or the property of a natural person - entrepreneur,
- (c) **services, activities, processes, buildings or installations meeting the conditions for environmental protection** under special regulations,
- (d) the implementation of the investment project leads to **the creation of a minimum number of new jobs**,
- (e) the investment project shall be carried out at a single location, when the aggregate of the properties constituting a single corporate land shall be deemed to be a single location for the implementation of the investment project,
- (f) work on the investment project has not started before the application for investment aid is submitted to the Ministry.

The above aid amounts and percentages of own resources vary according to the districts and their unemployment rates in which the investment aid is to be granted. There is no legal entitlement to investment aid. Applications for investment aid are decided by the Ministry of Transport and Construction of the Slovak Republic. The text of the law provides further details.

(i) Changes in commercial law, liquidation, compulsory registration of birth numbers, computerisation

At the end of 2019, **Act No. 390/2019 Coll., amending Act No. 513/1991 Coll., the Commercial Code, as amended, and amending certain acts** (hereinafter referred to as the "amendment to the Commercial Code") was approved, which, with effect from 1 October 2020,

changes in particular the legal regulation of liquidations of trading companies. The amendment to the Commercial Code **regulates** in detail **the liquidation process** from its very beginning, introducing a number of new obligations for both the dissolved company and the liquidator and indirectly setting the minimum duration of the liquidation. The amendment to the Commercial Code changes **the moment of a company's entry into liquidation, which will be deemed to be the registration of the company's liquidator in the Commercial Register**. Thus, the specific date of liquidation will depend on the speed of registration of the particular district court in the Commercial Register. The **requirements for the person of the company's liquidator** are also changed, who may only be a person entered in the list of administrators of the bankruptcy assets or another person who is entered in the register of natural persons, consents to the appointment as liquidator and could otherwise be appointed as a member of the company's statutory body. Another significant change is the introduction of a **liquidation advance of EUR 1,500**. With the modification of the liquidation, the minimum length of the liquidation is also modified, as it can be **completed no earlier than 6 months after the announcement of the company's entry into liquidation**.

Another significant change introduced by the amendment to the Commercial Code is also a change in **the registration of trading companies and changes to data in the Commercial Register**, which as of 1 October 2020 takes place **exclusively electronically**. In the field of the Commercial Register, another new obligation is introduced for trading companies, namely **the obligation to register the birth number or other identifier** (ID card or passport number) of a **natural person** in the Commercial Register for partners or sole shareholders, members of statutory bodies and supervisory boards; in the case of companies that have already been established it is compulsory for them to comply with this obligation by **30 September 2021**. The amendment to the Commercial Code also introduces the obligation, when registering a new registered office and changing the registered office of a company that is not also the owner of the property where the registered office is to be registered, to provide the consent of the owner of the property with the officially certified signature of the owner, at the same time it also explicitly adds that in the case of co-ownership of property, the consent of the majority of the co-owners of the property or a part of the property is required. However, the amendment provides for an exception in the case "if the right to use the property or its part as a registered office or place of business results from the Land Registry". This means that if the legal entity is the sole owner or majority (more than 50 %) co-owner of the property where the registered office/place of business is to be registered, no consent is required. However, this applies only in the case where the legal entity itself is registered as the owner/co-owner in the Land Registry and such an exception cannot be applied to situations where the owner/co-owner is a member of the statutory body of the company concerned or its shareholder.

Laws passed in 2020 with effect from 2020

The following laws were approved by the National Council of the Slovak Republic in 2020 and entered into effect still during 2020. They are important legal regulations that responded to addressing the emergency situation that arose in the Slovak Republic due to the outbreak of **the COVID-19 pandemic** in the economic, social and economic spheres. The legislation was primarily aimed at **reducing and minimising the negative impacts** of the COVID-19 pandemic.



(a) Establishment of emergency measures in relation to the COVID-19 pandemic

At the time of the COVID-19 pandemic and the subsequent declaration of an extraordinary situation as well as the subsequent state of emergency, the new and important **Act No. 62/2020 Coll. on Certain Emergency Measures in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary and Amending Certain Acts** was approved by the National Council of the Slovak Republic on 25 March 2020, and it entered into effect on 27 March 2020. The reason for the enactment of this law was to take certain measures **to prevent some of the negative effects of the COVID-19 pandemic and in the judiciary**.

The most important changes brought about by Act No. 62/2020 Coll. on Certain Emergency Measures in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary and Amending Certain Acts are, for example:

- **Restriction of periods of limitation and time limits in private law relations.** Missing the deadline may affect the exercise of rights in court or, conversely, the defence of rights.
- **Limitation of procedural time limits** on the part of the parties and the parties to the proceedings. At the same time, the time limits set by the courts do not expire either. If the matter cannot be delayed because of a threat to the life, health, safety, liberty, or substantial harm of a party or a party to the proceeding, the court may at the same time set **a new reasonable period of time**.
- **Restricting the need to hold hearings**, main hearings and public sessions **in the courts and limiting public participation** in these hearings in times of an extraordinary situation and state of emergency. The court may conduct hearings **only to the extent necessary**. If the court excludes the public from the hearing for health reasons, it shall make **an audio recording** of the entire hearing, which shall be made available to anyone without delay after the conclusion of the hearing.
- **Extension of the deadline** for filing a debtor's petition for **bankruptcy** for 60 days.
- Allowing **per rollam decision-making**, i.e. **voting by correspondence**, or allowing members to participate in a meeting of such a body by electronic means, even if this does not result from their internal rules or statutes, in the case of collective bodies of legal entities.
- The introduction of a **temporary ban on the exercise of the right of pledge**.
- **Introduction of a temporary ban on auctioning.** The bailiff is obliged to refrain from executing the execution by sale of the property.

(b) Introduction of tenant protection and temporary protection for entrepreneurs.

Act No. 92/2020 Coll. amended Act No 62/2020 Coll. on Certain Emergency Measures in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary and Amending Certain Acts, as amended. The amendment was approved by the National Council of the Slovak Republic on 22 April 2020 and is effective from 25 April 2020.

The amendment added to the original wording of the Act provisions relating to **the provision of protection to tenants and the regulation of tenancy relations between the landlord and the tenant**. The protection of tenants consists in particular in **the landlord's inability to unilaterally terminate the lease** of a property, including an apartment or non-residential space, by the end of 2020 if the reason for the tenant's delay in paying the rent is due to circumstances related to the spread of the COVID-19 disease.

This amendment also introduced a section on **the protection of entrepreneurs** during the COVID-19 pandemic into Act No 62/2020 Coll. on Certain Emergency Measures in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary and Amending Certain Acts, as amended. An entrepreneur with a registered office or place of business in the territory of the Slovak Republic, whose business licence was established before 12 March 2020, is entitled to apply for temporary protection and must prove that:

- he/she is eligible to apply for temporary protection due to a significant increase in the number of overdue receivables or a significant decrease in his/her sales compared to the same period in 2019, which substantially jeopardizes the operation of his/her business,
- was not in bankruptcy as of 12 March 2020,
- at the date of the application, there are no grounds for its annulment and it is not subject to the effects of bankruptcy or restructuring,
- as of 12 March 2020, there were no execution proceedings pending against him/her for the satisfaction of a claim arising out of his/her business activities,
- as at 12 March 2020, the enforcement of a pledge in respect of its business, property, right or other asset belonging to the business has not been commenced,
- did not distribute profit or other own funds in 2020,
- has not taken action in 2020 that threatens its financial stability,
- keeps proper accounting records.

The **effects of the temporary protection granted to the entrepreneur** include, for example, the following:

- **Proceedings on a creditor's petition for the declaration of bankruptcy on the assets** of an entrepreneur under temporary protection, filed after 12 March 2020, **shall be suspended**. The effect applies equally to creditors' petitions filed during the period of temporary protection. Insolvency proceedings in which bankruptcy has not been declared shall also be suspended.
- **Execution proceedings** commenced after 12 March 2020 against an entrepreneur under temporary protection for the satisfaction of a claim arising out of his/her business activities **shall be suspended**.
- At the same time, an entrepreneur under temporary protection **is not obliged to file for bankruptcy** of his/her property for the duration of the temporary protection.
- **It shall not be possible to initiate the enforcement of a pledge** against an entrepreneur under temporary protection in respect of its business, property, right or other asset belonging to the business.
- A claim which arose against an entrepreneur under temporary protection after the granting of temporary protection may not be set off against a claim which arose against such entrepreneur before the granting of temporary protection, if it is a claim which belongs or belonged to a person related to the entrepreneur under the insolvency law.

- **The other party cannot terminate the contract, rescind the contract or withhold performance under the contract** because of the delay of the entrepreneur under temporary protection, on the understanding that the delay must have occurred as of 12 March 2020 and the cause of the delay was due to the effects of the spread of COVID-19. This does not apply if the other party would thereby immediately jeopardise the operation of its business.
- **Time limits** for asserting a right against an entrepreneur under temporary protection do not expire during its **duration**.
- An entrepreneur under temporary protection is obliged to **endeavour to satisfy his/her creditors** to the fullest extent possible, giving priority to the common interest of his/her creditors over his/her own interests - in particular, he may not distribute profits or other resources of his/her own.
- An entrepreneur under temporary protection (for the duration of the temporary protection) shall be obliged to pay liabilities that are immediately related to the maintenance of the operation of the business and that have arisen after the granting of the temporary protection in priority to previously due liabilities.

(c) Establishment of emergency measures in relation to the COVID-19 pandemic in the financial area

Another new *Act No. 67/2020 Coll. on Certain Extraordinary Measures in the Financial Area in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19* with effect from 4 April 2020 contains in particular measures in the tax, customs and accounting areas, as well as in the area of the financial market and financial assistance, which are aimed at mitigating the negative effects of the pandemic of the COVID-19 disease in the financial area. The measures under this Act shall apply in the period from 12 March 2020 until the end of the calendar month in which the Government of the Slovak Republic revokes the extraordinary situation in the territory of the Slovak Republic.

The Income Tax Measures provide that all natural persons and legal entities that are required to file an income tax return may apply **for a deferral of the obligation to file an income tax return and the obligation to pay income tax**:

- for the taxable year, which is calendar year 2019, without any notice until the end of the calendar month following the end of the pandemic period (replacing the original deadline of 30 June 2020),
- for the taxation period, which is the financial year, on the basis of a notice to extend the deadline for filing the tax return filed by the end of the calendar month following the end of the pandemic period by no more than three full calendar months or six full calendar months (if he/she had income from abroad) from the original deadline for filing the tax return,
- if he/she has filed a duly deferred return and the extended filing period expires during the pandemic period, without any notice until the end of the calendar month following the end of the pandemic period.

It also postpones **the obligation to pay advance income tax** due during the pandemic period for the period immediately following the period in which the tax subject's sales have fallen by at least 40 %. The unpaid advance payments will have to be settled by the tax subject in the tax return for 2020, i.e. by March 2021. The deferral of income tax advances has been applied for the first time to income tax advances due in May 2020.

Eligible applicants are self-employed persons and trading companies paying advance payments of income tax, payable during the pandemic period, who have experienced a fall in sales of at least 40% compared with the same period in the previous calendar year.

Act No. 67/2020 Coll. on Certain Extraordinary Measures in the Financial Area in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 further stipulated that **an overpayment** of income tax claimed by a tax subject in an income tax return filed during the pandemic period shall be refunded by the tax administrator to the tax subject within 40 days of the end of the calendar month in which the tax subject filed the income tax return.

The Act in question further provided for **the postponement of tax execution during the pandemic period.**

The Act also regulated the position of an entrepreneur who has made a tax loss in previous taxation periods and has a positive tax base in the current taxation period. If a tax subject has already filed an income tax return and wishes to **claim a tax loss deduction**, he/she may do so by filing an amended tax return or a supplementary tax return.

The provisions of Section 30i et seq. of this Act regulate **the conditions for deferment of repayment of a loan granted to a small entrepreneur and another entrepreneur - a natural person.** The **debtor** shall be deemed to be a small entrepreneur or another entrepreneur - a natural person against whom the creditor has a claim under a credit agreement or a claim under a guarantee of that agreement; a small entrepreneur shall be deemed to be an entrepreneur who, as of 31 December of the year preceding the year in which the application for deferment of repayment of the loan is made, employs fewer than 250 persons and whose annual turnover does not exceed EUR 50,000,000 or the total amount of his/her assets does not exceed EUR 43,000,000.

Deferment of repayment of a loan shall be deemed to be a postponement of repayments of the principal of the loan, repayments of principal and interest on the loan, or repayment of a loan repayable in one lump sum.

The creditor is not obliged to grant a deferment of repayment of the loan if:

- the borrower is in default on the loan for which the deferment of repayment is requested for more than 30 days prior to the date of the loan repayment deferment request,
- the borrower was more than 30 days in arrears of at least EUR 100 on another loan granted by the same creditor on 29 February 2020,
- the borrower was in a state of default under a special regulation on the date of the application for deferment of repayment of the loan,
- the application for deferment of repayment of the loan is not properly completed; or
- the application for deferment of repayment of the loan does not contain the particulars in accordance with the model set out in Annex 3 to the Act.

During the pandemic period (from 12 March 2020 until the emergency is lifted), **the deadlines for accounting units to comply with certain obligations** under Act No 431/2002 Coll. on Accounting **are also extended.** This includes the obligation to keep accounts, draw up financial statements, annual reports and have the accounts audited and to deposit the accounting documents in the register of financial statements. Obligations may be fulfilled by the end of the third calendar month after the end of the pandemic period or by the deadline for filing the tax return, whichever is earlier.

The deadline for filing a tax return and paying **the motor vehicle tax** that has not expired before the start of the pandemic period or started running during the pandemic period (from 12 March 2020 until the extraordinary situation is lifted) shall be deemed to have been complied with if the tax return is filed and the tax is paid by the end of the calendar month following the end of the pandemic period.

(d) Provision of financial assistance to ensure the liquidity of SMEs

Amendment (*Act No. 120/2020 Coll.*) to Act No. 67/2020 Coll. on Certain Extraordinary Measures in the Financial Area in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 brought about a modification of **the financial assistance to ensure the liquidity of SMEs**, which is provided by the Ministry of Finance of the Slovak Republic through the institutions - the Export-Import Bank of the Slovak Republic and the Slovak Guarantee and Development Bank, a. s.

Financial assistance may be granted in the form of **a bank loan guarantee or remission of the bank loan guarantee fee**.

(e) Lex corona

On 21 July 2020, Act No. 198/2020 Coll., amending certain acts in connection with the improvement of the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19 (hereinafter referred to as the "Lex corona"), entered into effect. A package of 115 measures to improve the business environment and reduce the administrative burden in the modern history of Slovakia has been reflected in the text of the Act and most of the measures are reflected in the text of specific laws.

On the basis of the Lex corona, the obligation laid down in Act No. 513/1991 Coll., the Commercial Code, as amended, for limited liability companies, which are not obliged to audit the company, to submit an audit of the company at the time of an increase in the registered capital, is abolished. It also moves the date for compliance with the obligation to reconcile the registration of all identifying data on shareholders, statutory bodies or members of statutory bodies, heads of organisational units of undertakings, proxies, members of the supervisory body, liquidators, receivers and their deputies, heads of undertakings or organisational units of undertakings of foreign legal entities on the Commercial Register to 30 September 2022.

In the area of consumer protection, the obligation to have a complaints procedure in retail and catering establishments is abolished, the period for complaints starts running only after the seller has taken over the product complained about. Another change is the preference of correcting minor violations of the obligations of entrepreneurs before the Slovak Trade Inspection imposes a sanction in the performance of control activities.

Another change is **the modification of the obligations of tour providers** by amending Act No. 170/2018 Coll. on Tours, whereby the obligation to send insurance certificates and insolvency insurance contracts, quarterly interim financial statements with annexes to the supervisory authority of travel agencies and travel agents for foreign travel agencies whose products they sell is abolished. The obligation for travel agents and travel agencies to have officially submitted documents proving their authorisation to do business is also abolished.

The modification of Act No. 289/2008 Coll. on the Use of the Electronic Cash Register **abolishes the obligation to make available at each point of sale a representation of the cash register document** produced by each electronic cash register.

Other changes improving the business environment include **the simplification of the procedure for the registration of tied trades for authorised persons for the regular**

inspection of heating and air conditioning systems, the reduction of the fee for the placement of a nutritional supplement on the market to EUR 30 per product, and others.

(f) Adjustment of entitlement to the so-called nursing allowance

Act No. 63/2020 Coll. amending Act No. 461/2003 Coll. on Social Insurance, as amended, and amending certain acts, is effective as of 27 March 2020. This Act introduced provisions relating to the so-called sick pay. Employees and compulsorily sickness-insured self-employed persons are entitled to sick pay if they have been declared temporarily unfit for work due to illness or injury, or if they have been ordered to be quarantined or isolated, which is regarded as temporary incapacity for work.

Where an employee has been declared temporarily unfit for work during an extraordinary situation, state of emergency or martial law declared in connection with the COVID-19 pandemic, he/she shall be entitled to sick pay **from the first day of the temporary incapacity for work**, the amount of sick pay being **55% of the daily assessment base**.

During an extraordinary situation, state of emergency or martial law declared in connection with the COVID-19 pandemic, entitlement to the nursing allowance shall also accrue to a person **who personally and on a full-time basis treats or cares** for a child under the age of 16 years or a relative.

The amendment also introduced **the employer's obligation to excuse the employee's absence** from work during the employee's temporary incapacity for work due to illness or injury, maternity leave and parental leave, quarantine, personal and full-day care of a sick family member, personal and full-day care of a person, and during the period when a person who is otherwise caring for a child under 10 years of age undergoes an examination or treatment in a medical facility that could not be arranged outside of the employee's working hours. It applies that **the employee is not entitled to wage compensation** for this time.

(g) Regulation of legal relations between travel agents and clients

In the context of the global pandemic of the COVID-19 disease, it was necessary to regulate the legal relations between travellers or clients and travel agencies. Therefore, an amendment to Act No. 170/2018 Coll. on Tours, Related Tourism Services, Certain Conditions of Business in Tourism and on Amendments and Supplements to Certain Acts, as amended by Act No. 119/2019 Coll. (**Act No. 136/2020 Coll.**) was adopted, which introduced **the possibility for travel agencies to postpone the provision of a tour, the possibility for certain groups of travellers to refuse the postponement of a tour, and the arrangement of the relationship between the travel agency and the traveller**.

If, as a result of an emergency situation due to the COVID-19 disease in the Slovak Republic or a similar situation at the destination or at any point on the itinerary of the tour, **it is not possible to provide the traveller with the basic features of tourism services** within the meaning of the concluded tour contract, the travel agency is entitled to propose to the traveller **a change in the tour contract or to send a notice of a replacement tour** if the traveller does not accept the proposed change in the tour contract.

The traveller is entitled to refuse the replacement trip in writing within 14 days from the date of receipt of the notification of the replacement trip, if:

- he/she is included in the register of job applicants during the emergency situation due to the COVID-19 disease in the Slovak Republic,
- a self-employed person or a one-person limited company that has been granted a financial contribution under a project to support the maintenance of employment

in connection with the declaration of an emergency situation, state of emergency or martial law,

- a lone parent who has been granted entitlement to pandemic nursing allowance,
- a pregnant woman,
- a person aged 65 or over.

If a traveller who has concluded a tour contract refuses or does not accept a replacement tour, the travel agency is obliged to **reimburse all payments** received from the traveller by 14 September 2021 at the latest. The travel agency is obliged to **agree a replacement tour with the traveller by 31 August 2021 at the latest**.

(h) Suspension of trade for less than 6 months

Act No. 73/2020 Coll., amending certain acts within the competence of the Ministry of the Interior of the Slovak Republic in connection with COVID-19, effective from 9 April 2020, brought, among other changes, an important change in the legal regulation of trade business by amending *Act No. 455/1991 Coll. on Trade Licensing (the Trade Act), as amended*.

Pursuant to the amendment, during an emergency situation, state of emergency and martial law declared in connection with the COVID-19 disease, the condition pursuant to Section 57(6) of *Act No. 455/1991 Coll. on Trade Licensing (the Trade Act), as amended*, pursuant to which the suspension of a trade may not last for less than 6 months, shall not apply. It follows from the above that **during a crisis situation the suspension of a trade may last even less than 6 months**.

(i) Adjustment of the granting of rent subsidies

The aim of the two amendments to *Act No. 71/2013 Coll. on the Provision of Subsidies under the Competence of the Ministry of Economy of the Slovak Republic, as amended* was to mitigate the negative effects of the pandemic of COVID-19 disease on business entities in the Slovak Republic, which were often unable to repay the agreed rent due to the recurrent reduction in their income.

Act No. 155/2020 Coll., amending Act No. 71/2013 Coll. on the Provision of Subsidies under the Competence of the Ministry of Economy of the Slovak Republic, as amended and supplementing Act No. 62/2020 Coll. on Certain Emergency Measures in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19 and in the Judiciary and Amending Certain Acts, as amended by Act No 92/2020 Coll. (with effect from 17 June 2020), introduced measures under which **subsidies for the payment of rent** may be granted within the competence of the Ministry of Economy of the Slovak Republic.

The use of this support measure requires an **agreement** concluded between the landlord and the tenant, which consists in granting a **discount on the agreed amount of rent**.

For the purposes of providing the rent subsidy, account shall be taken of the tenancy relationships of applicants whose right to occupy the leased premises commenced no later than **on 1 February 2020**.

The subject of the lease may be a room or part thereof or a set of rooms intended for purposes other than housing and in which the tenant sells goods or provides services to final consumers (including service and storage areas) and a **market place**.

The rent subsidy may be granted to the tenant in the amount in which the rent discount was granted on the basis of an agreement between the landlord and the tenant, **but not more than**

50 % of the rent for the period of difficult use of the subject of the lease. The object of the subsidy granted is only the rent, without related financial accessories.

A rent subsidy may be provided to a tenant at the request of the landlord, which may be:

- natural person - non-entrepreneur,
- natural person - entrepreneur,
- legal entity - non-business,
- legal entity – business.

Another amendment to *Act No. 71/2013 Coll. on the Provision of Subsidies under the Competence of the Ministry of Economy of the Slovak Republic, as amended (Act No. 349/2020 Coll.)* with effect from 9 December 2020 brought a new legal regulation under which, for the purposes of providing a subsidy for rent, the rental relationships of applicants whose right to use the subject of the lease began no later than **1 August 2020** are taken into account.

(j) Adjustment of the so-called "home-office"

Act No. 66/2020 Coll., amending and supplementing Act No. 311/2001 Coll., the Labour Code, as amended, and supplementing certain acts, brought an important legislative change. The amendment is effective as of 4 April 2020, and its adoption introduced a modification of **work from the employee's home - the so-called "home-office"** and the provisions on the "home-office" were added to *Act No. 311/2001 Coll., the Labour Code, as amended*, regulating the performance of work by employees in this form **in times of an extraordinary situation, state of emergency or martial law and for two months after their dismissal**.

"Home-office" differs from domestic work, already embodied in *Act No. 311/2001 Coll., the Labour Code, as amended*, by its **irregularity**. The staff member performs "home-office" most often from home or from another pre-arranged location, either **occasionally** or in certain **extraordinary circumstances** (e.g. the pandemic of COVID-19 disease).

According to the amendment, the employer may **order the employee to perform work from home** if the agreed type of work allows that. On the other hand, **an employee has the right to perform work from home**, if the agreed type of work allows it and there are no serious operational reasons on the employer's side that do not allow the employee to perform the work in this way.

According to the amendment, the employer is obliged to notify the employee of the distribution of working hours minimally **two days in advance** (unless the employee and the employer agree on a shorter period), with a validity of at least **one week**.

The amendment also shortened the period within which the employer is obliged to notify the employee of the compulsory use of leave. The employer has the option to **order employees to take leave at least seven days in advance** (or at least two days in advance if it is untaken leave from the previous year), unless the employee and the employer agree otherwise.

The employer is further obliged to **excuse the employee from work during the employee's important personal impediment to work, which is quarantine or isolation**, for which time the employee is not entitled to wage compensation.

If an employee is prevented from performing his/her work, in whole or in part, because the employer's activities have been suspended or restricted by a decision of a competent authority or as a result of the declaration of an extraordinary situation, state of emergency or martial law (i.e., for example, because of measures ordered during an emergency situation), it is an **obstacle**

to work on the part of the employer, and the wage compensation in such a situation shall be at least **80% of the employee's average wage**, but not less than the minimum wage.

(k) Adjustment of state statistics

The amendment to *Act No. 540/2001 Coll. on State Statistics, as amended by Act No. 107/2020 Coll.*, effective from 5 May 2020, regulates **the performance of state statistical surveys** for the duration of martial law, state of emergency, extraordinary situation or the related circumstances.

The amendment provides that if the reporting unit **is objectively unable to fulfil its reporting obligation** in the form, manner, scope or within the time limit, the authority, ministry or other state administration body may:

- **interrupt or postpone** a statistical survey already started (and set a replacement deadline),
- change the form and method of the statistical survey (including shortening or extending the deadline),
- provide an alternative form of data collection,
- change the scope of the reporting obligation.

(l) Provision of subsidies to support small and medium-sized enterprises

Act No. 198/2020 Coll., amending certain acts in connection with the improvement of the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19, brought, among other substantial changes aimed at improving the business environment, **a change in the provision of subsidies to SMEs** as a form of support for small and medium-sized enterprises in connection with the mitigation of the negative consequences of the pandemic of the COVID-19 disease.

Under the amendment in question, subsidies may also be granted to **compensate for damage caused as a direct or indirect consequence of the COVID-19 pandemic**.

Laws passed in 2020 with effect from 2021

The legislation below was approved by the National Council of the Slovak Republic in 2020, with entry into effect in 2021. This is a law that responds to the ongoing extraordinary situation that has arisen in the Slovak Republic and is still ongoing in 2021 **due to the COVID-19 pandemic**.



Regional investment aid

Act No. 420/2020 Coll., amending and supplementing Act No. 57/2018 Coll. on Regional Investment Aid and on Amendments and Supplements to Certain Acts, as amended, and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, approved by the National Council of the Slovak Republic on 1 December 2020 and effective from 1 January 2021, responded to the pandemic of the COVID-19 disease, which unpredictably affected **the recipients of investment aid**, as well as their ability to fulfil the obligations and conditions resulting from the decision on the acceptance or approval of investment aid. The aim of Act No 420/2020 Coll. is therefore to ensure that such decisions are not revoked.

Act No. 420/2020 Coll. amending and supplementing Act No. 57/2018 Coll. on Regional Investment Aid and on Amendments and Supplements to Certain Acts, as amended, and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, **eases the conditions for**

new investments wishing to apply for investment aid, and introduces a **later commencement of the procurement of investment property**; the deadline for the completion of the investment project has also been extended, as well as the time limit for the application of the agreed tax relief.

For proceedings commenced in 2021 and not completed in the same year, the obligation to acquire the asset has been extended to **24 months**; the obligation to complete work on the capital asset has been extended to **5 years** (or **7 years** for major capital projects).

Under the previous legislation, at least 85% of the eligible costs approved in the investment aid decision had to be incurred. Pursuant to Act No. 240/2020 Coll., it is permissible to reduce the costs to **70 %**.

At the same time, investment incentives and investment aid that have been approved until the end of 2020 **remain valid to the extent and under the conditions** as specified **in the decision granting the investment incentives or in the decision approving the investment aid**.



Laws passed in 2020 with effect from 2021 in the standard legislative process

The following laws were approved by the National Council of the Slovak Republic in 2020, with entry into effect from 2021. These are laws that significantly change the existing legislation.



(a) Minimum wage increase for 2021

The amendment to Act No. 663/2007 Coll. on Minimum Wage, as amended (**Act No. 294/2020 Coll.**) brought the following from 1 January 2021:

- **an increase in the minimum wage for 2021 to EUR 623**, which represents an increase of EUR 43 compared to the minimum wage for 2020,
- **an increase in the hourly minimum wage to EUR 3,580.**

Act No. 294/2020 Coll. amending Act No. 663/2007 Coll. on Minimum Wage, as amended, and amending and supplementing Act No. 311/2001 Coll. the Labour Code, as amended, also brought about a **change in the method of calculating** the minimum wage. From 1 January 2021, the minimum wage for the following calendar year will be determined as **57 % of the employee's average monthly nominal wage** for the calendar year two years preceding the calendar year for which the amount of the monthly minimum wage is determined.

(b) Increase in staff allowances for 2021 and change in the method of calculating their amount

The same amendment to Act No. 663/2007 Coll. on Minimum Wage, as amended (**No. 294/2020 Coll.**) brought an **increase in the amount of surcharges** for employees **for Saturday work, Sunday work and night work as of 1 January 2021**. The above allowances are linked to the minimum wage.

From 1 January 2021, the premium for work on Saturdays shall be at least EUR 1.79 per hour, and a lower amount may be agreed, but not less than EUR 1.61 per hour. The premium for work on Sundays shall be at least EUR 3.58 per hour, although a lower amount may be

agreed, but not less than EUR 3.22. The night work premium shall be at least EUR 1.43 per hour for non-hazardous work and at least EUR 1.79 per hour for hazardous work.

The amendment in question also brought about a **change in the mechanism for determining the amount of premiums**. Employee premiums will now be determined **by a fixed amount** which is based on the amount of the minimum wage, i.e. not by a percentage, as has been the case under the current legislation.

(c) Introduction of a 15% income tax for entrepreneurs with an annual turnover of up to EUR 49,790

Amendment to Act No. 416/2020 Coll., amending and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, and amending certain acts, with effect from 2021 the **15 % income tax rate** is retained only for legal entities and natural persons with business income whose income does not exceed **EUR 49,790** for the taxation period (which is the maximum threshold for maintaining the status of a **micro-taxpayer**, but other conditions also apply to micro-taxpayers; only the turnover condition is crucial for the tax rate). For 2020, the revenue threshold was EUR 100,000.

(d) Introduction of temporary protection for entrepreneurs and regulation of small-scale insolvency

The new **Act No. 421/2020 Coll. on Temporary Protection of Entrepreneurs in Financial Difficulties** and on Amendments and Supplements to Certain Acts (hereinafter referred to as the "Act on Temporary Protection"), which as of 1 January 2021 creates a more permanent timeframe during which debtors would be protected from creditors and would thus be able to continue their business.

Eligible to apply for temporary protection is an **entrepreneur with the centre of its main interests in the Slovak Republic**, as well as a foreign business entity that does business in the Slovak Republic, its management takes most of its decisions in the Slovak Republic and a substantial part of its assets are located in the Slovak Republic. Temporary protection can be applied for until 31 December 2022.

Only four courts in the Slovak Republic are competent to grant temporary protection:

1. Trnava District Court for the circuit of the regional courts in Trnava and Bratislava,
2. Žilina District Court for the circuit of the regional courts in Žilina and Trenčín,
3. Banská Bystrica District Court for the circuit of regional courts in Banská Bystrica and Nitra,
4. Prešov District Court for the circuit of the regional courts in Prešov and Košice.

The registered office or place of business at the time of application submission is decisive for determining jurisdiction to grant temporary protection.

The application for temporary protection shall be submitted electronically by means of a designated form, which must be **authorised by the applicant or his/her representative**, and shall contain the general and specific elements specified in the Act on Temporary Protection. The application shall be accompanied by the written consent of a supermajority of the debtor's creditors, calculated according to the amount of their claims, disregarding the claims of creditors related to the debtor. Among other things, he/she must declare that:

- has no obligation to file for bankruptcy,
- keeps proper accounts and stores the financial statements,

- has not distributed any profit or other own resources in the 12 months preceding the application submission,
- no execution or similar enforcement proceedings are pending in respect of him/her, and no enforcement of a pledge has been commenced in respect of the undertaking or in respect of the assets belonging to the undertaking.

The court shall grant interim protection without delay and the interim protection shall be deemed to have been granted on the day following the date of publication of the information in the Commercial Gazette. Temporary protection is effective against third parties from the moment when they become aware of it.

The granting of temporary protection for entrepreneurs in financial difficulties has the following effects:

- during the period of temporary protection, **a decision cannot be taken to open insolvency proceedings** against the protected entrepreneur,
- an entrepreneur under temporary protection **is not obliged to file for bankruptcy of his/her assets**,
- for a claim that arose against the protected entrepreneur prior to the granting of the temporary protection, the business, property, rights or other assets may not be sanctioned by the execution or enforcement of a judgement during the period of protection, except in the case of recovery of:
 - unlawful state aid,
 - claims incurred in the implementation of joint programmes between the SR and the EU,
 - the benefit granted by a decision of an EU institution, body, office or agency,
- for a claim that arose against the protected entrepreneur prior to the granting of the temporary protection, the exercise of a security right may not be commenced during the period of protection, and such right may not be exercised in relation to an undertaking, thing, right or other asset,
- during the temporary protection, there are no time limits for asserting a right against the protected entrepreneur, including time limits for asserting an opposable right.

During the period of temporary protection, the entrepreneur shall be obliged to pay the liabilities immediately related to the ordinary course of business and to the performances necessary to maintain the operation of the business incurred after the granting of the temporary protection in preference to previously due liabilities and in preference to unrelated creditors and shall give priority to the interests of his/her creditors. For the duration of the temporary protection, the entrepreneur must be registered in the register of public sector partners.

Temporary protection is granted for 3 months and may be extended for a further 3 months. The written consent of a two-thirds majority of the creditors not older than 30 days must be attached to the request for extension by the applicant. **An entrepreneur whose temporary protection has lapsed is not entitled to apply for a new temporary protection for the next 48 months.**

(e) Fewer reporting obligations to the Social Insurance Institution

The new Act No. 198/2020 Coll., amending certain acts in connection with the improvement of the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19, has also brought changes in the field

of social security, fewer reporting obligations and simplified communication with the Social Insurance Institution with effect from 1 January 2021.

Employers **no longer have to notify the Social Insurance Institution** of certain changes in their employee's data, or of the employee's maternity or parental leave.

The employer's obligation to deregister from the register of employers kept by the Social Insurance Institution within 8 days of the date on which it no longer employs any employee has also been abolished. The employer is excluded from the register by the Social Insurance Institution after the last employee has deregistered.

Act No. 198/2020 Coll., amending certain acts in connection with the improvement of the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19 also introduces the so-called **second chance for natural persons and legal entities that have not fulfilled their obligations** to the Social Insurance Institution in time, within the time limits set by the individual provisions of Act No 461/2003 Coll. on Social Insurance, as amended. Such natural persons and legal entities have an **additional 7 days** to comply with their obligations, and if they subsequently comply with their obligations within this period, **they will not be fined** by the Social Insurance Institution.

From 1 January 2021, when communicating with the Social Insurance Institution employers **are obliged to provide the so-called legal relationship identification number (LRIN)**, assigned by the Social Insurance Institution after the employee has been registered for a specific insurance relationship, as a unique identifier of the legal relationship. Employers are obliged to indicate the LRIN, for example, when submitting the Individual's Registration Letter as well as when reporting the assessment base in the Monthly Statement of Insurance Premium and Contributions and the Statement of Insurance Premium and Contributions.

(f) Mandatory electronic communication with health insurance companies

Act No. 393/2020 Coll. amending and supplementing Act No. 580/2004 Coll. on Health Insurance and amending Act No. 95/2002 Coll. on Insurance Sector and on Amendments and Supplements to Certain Acts, as amended, and amending certain acts, introduces, with effect from 1 October 2021, compulsory **electronic communication** between the employer and the relevant health insurance company. Employers are obliged to **send the monthly statement to the relevant health insurance company exclusively electronically**, regardless of the number of their employees - the condition that if the employer has at least three employees, it is obliged to communicate with the health insurance company electronically is deleted from the wording of the Act in question.

The amendment will also abolish the employer's obligation to notify the relevant health insurance company of a change in the insurance premium payer (in the case of receipt of parental allowance, sickness benefit, nursing allowance, maternity allowance, compensation of service income or employee's salary) if information on the change in the insurance premium payer has already been provided to the health insurance company by another authority (e.g. the Social Insurance Institution).

(g) Change in the criteria for the obligation to have the financial statements audited

Act No. 198/2020 Coll., amending certain acts in connection with the improvement of the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19, again changes the size criteria for the obligation for companies to have their individual financial statements audited as of 1 January 2021.

In 2021 and 2022, the size criteria of companies for the obligation to have their accounts audited are to be increased, with the turnover criterion finally rising from EUR 4 million to EUR 8 million, the number of employees rising from 30 to 50 and the amount of assets rising from EUR 2 million to EUR 4 million. This will result in fewer companies (especially SMEs) having an audit obligation.

For the accounting period beginning **no earlier than 1 January 2021**, the following **criteria are set out for the obligation to have the individual financial statements audited**:

- the total amount of the company's assets must exceed EUR 3 million,
- the net turnover must exceed EUR 6 million; and
- the average number of employees in any one accounting period must exceed 40.

If a company does not meet these conditions, it is not obliged to have its individual accounts audited.

(h) Possibility of correcting the tax base

Amendment No. 344/2020 Coll., amending Act No. 222/2004 Coll. on Value Added Tax, as amended, makes also a change in the tax area, on the basis of which the possibility of correcting the tax base by the supplier in the event of an irrecoverable receivable is introduced. Under normal circumstances, the supplier is obliged to pay VAT on the supplied goods or services; from 1 January 2021, the supplier will be able to correct the tax base and claim a VAT refund from the State on the irrecoverable receivable, and the customer will in turn be obliged to reimburse the state for the VAT the customer has deducted on the purchase of the goods and services.

A receivable becomes irrecoverable in cases specified by law and if 12 months have elapsed from the due date of the receivable for the supply of goods or services and the receivable is not more than EUR 300, including tax. At the same time, the VAT payer is obliged to prove the performance of an act aimed at obtaining payment for a receivable that has become irrecoverable.

It is possible to correct the tax base under the following conditions:

- the claim must meet the conditions of irrecoverability,
- the tax base may be adjusted at the earliest in the tax year in which the receivable has become irrecoverable, up to a maximum of the amount of the non-received consideration for the supply of the goods or services,
- the original tax base cannot be reduced by the amount received by the supplier after the receivable became irrecoverable. If the customer pays part of an irrecoverable receivable, the supplier cannot correct the tax base by the full amount of the receivable, but only by the unpaid part.

It will not be possible to correct the taxable amount of an irrecoverable receivable if the goods or services were supplied to the customer after the customer has been declared bankrupt or if the supplier has a special relationship with the customer.

(i) Introducing changes in waste management

Act No. 285/2020 Coll. amending Act No. 79/2015 Coll. on Waste and on Amendments and Supplements to Certain Acts, as amended, and amending Act No. 302/2019 Coll. on the Backup of Disposable Beverage Packaging and amending certain acts, as amended by Act

No. 74/2020 Coll., with effect from 1 January 2021, brought a change in the waste management and the area of waste management.

The change will mainly affect producers of packaging and non-packaging products. According to the law, producers of packaging and non-packaging products who terminate their contractual relationship with a producer responsibility organisation without giving a reason are obliged to conclude a **new contractual relationship with the producer responsibility organisation for packaging** no later than 31 October of the same calendar year in which they gave their notice of termination.

Furthermore, the responsibility of packaging producers to ensure the fulfilment of their obligations in relation to packaging placed on the market in the Slovak Republic does not cease even if the producer has not placed packaging on the market in the Slovak Republic in the following calendar year, has breached the obligation to register in the Register of Packaging Producers, or has been deleted from the Register of Packaging Producers.

The amendment in question also introduced new **obligations for producer responsibility organisations for packaging**, which, in addition to the existing obligations, are also obliged to ensure the implementation of the separate collection of municipal waste for packaging and non-packaging waste, to pay the costs of ensuring the separated collection and recovery of packaging and non-packaging waste, as well as to deliver to the Ministry and the Coordination Centre for the packaging and non-packaging waste stream the data necessary for the calculation of its market share.

Obligations are also added **for municipalities**, which are obliged to ensure **the introduction and implementation of separate collection of municipal waste** for paper, plastics, metals, glass and cardboard-based composite packaging.

1.3. Proposals to reduce the regulatory burden in favour of SMEs

The aim of this part of the Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020 is to convey proposals for measures to improve regulation for the benefit of SMEs. Despite the BRC's efforts, particularly in the form of substantive comments in the PCP and the ZP, it can be noted that the trend of inadequate quantification of the costs/savings of regulation by submitters continued in 2020. Submitters quantified the costs of regulation in only 23 unique business impact submissions, representing slightly less than 23 % of the total 101 unique business impact submissions. The total cost to the business environment for the 23 unique materials in question was approximately EUR 123.9 million, while the total savings amounted to approximately EUR 306.46 million. However, the amount of total savings was significantly distorted by the impact of the abolition of the special levy on banks, which the Ministry of Finance of the Slovak Republic as the submitter of the material quantified at EUR 303.72 million. The abolition of the bank levy, which represented 0.4 % of banks' liabilities less equity, directly affected only banks. Secondarily, however, the abolition of the bank levy will also have a positive impact on business entities outside the banking sector, due to the expected increase in bank lending activity. However, at present it is not possible to quantify this positive secondary impact. The net savings for the business environment (including administrative costs) in these 23 cases amounted to approx. EUR 179.92 million. However, as noted above, this figure represents a significantly distorted view of the total cost of the submissions, as it is both significantly distorted by the impact of the abolition of the bank levy, which did not have a direct impact on SMEs, and by the failure to quantify the cost of 77% of the submissions submitted for consideration. Thus, going forward, it is imperative that submitters make a much greater effort to quantify the costs of regulation.



Unique materials with an impact on the business environment

Unique materials with quantified costs for entrepreneurs

Total cost of the business environment

Source: Better Regulation Centre, lepsiezakony.

The BRC sees scope for reducing the regulatory burden in the following areas (where it proposes specific measures):

A) Better regulation for SMEs



The principles and recommendations formulated by the BRC in Part A, based on the BRC's experience of its day-to-day activities and its work with relevant business organisations representing SMEs, should be adopted by all regulators in order to make it an acceptable system of rules for SMEs. Many of these recommendations are part of the strategic document RIA 2020 - Better Regulation Strategy by the Ministry of Economy and Trade of the Slovak Republic. The principles and recommendations are classified: (a) in terms of the process of application of better regulation rules; (b) in terms of their content; (c) in terms of the initiatives taken so far, the content of which is a collection of measures that have emerged from practice and the application of which is a prerequisite for the removal of administrative and other burdens on SMEs. In Part B, attention is given to specific substantive proposals; where there is clear responsibility, the relevant regulator is identified.

(a) In terms of the process⁹

- make the content of **the advance information** sufficiently clear so that the intention of the regulator as regards the potential for impacts on SMEs is apparent,
- **consult** stakeholders and take their suggestions into account, accept compromises, see consulting SMEs as equal partners in the regulatory process,
- identify in **the Business Impact Analysis** which of the size categories of enterprises will be affected by the proposed material and quantify the approximate number of affected entrepreneurs using available statistics, records and data,
- in the context of introducing new obligations for businesses, consider the obligation to introduce **simplified regimes for SMEs** (e.g. in the form of exemptions from obligations, transitional periods, reduced rates, simplified forms, etc.),
- in the case of proposing a new obligation or tightening an existing obligation, also propose the removal or simplification of another existing obligation

⁹ From the moment the idea of amending the regulation was conceived to the reassessment of its appropriateness after a certain period of time has elapsed since its entry into effect.

or several obligations with a corresponding level of burden (**the principle of "one in, one out"** - one to accept, one to abolish),

- avoid implementing EU directives beyond their minimum scope, i.e. not creating unnecessary extended obligations (the so-called **unjustified gold-plating effect**),
- extend the rules of the Better Regulation agenda to include the regulation adopted on the basis of legislative initiatives of MPs and committees of **the National Council of the Slovak Republic** (e.g. compulsory Business Impact Analysis, opinion of the Commission for Impact Assessment),
- **introduce a SUNSET clause** (i.e. automatic assignment of the expiry date of regulations with an impact on the business environment) and a related obligation to carry out an **ex post evaluation** of regulations affecting business after a certain period of time (e.g. 3–5 years),
- in line with OECD recommendations, introduce an impact assessment process also for **regulations adopted at the regional level** (i.e. at the level of cities, municipalities and higher territorial units).

(b) In terms of content¹⁰

- complete the planned **amendment to 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** for the fulfilment of 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 downloading of already uploaded documents, improvement of search filters, introduction of a change tracking mode, updating of the legislative process of individual materials as well as the accompanying documentation, etc.),
- **implement all the ambitions of the RIA 2020 project**, including support for analytical capacity building in individual ministries or the creation of a register of regulations (which would also include a decision tree tool, through which every entrepreneur could get a practical and simple overview of the regulations that concern them),
- conduct an **audit of the justification and proportionality of all obligations imposed on businesses by regulation**, quantify the total costs associated with their implementation, make international comparisons in contentious areas and take inspiration from best practices from abroad, and then remove any obligations that are disproportionate (as they impose a disproportionate administrative or financial burden on businesses in relation to their purpose).

(c) In terms of initiatives to date

- the implementation of specific measures approved by the previous government in the form of 3 **anti-bureaucratic packages**, where deadlines were not met in many cases or only partial solutions were adopted, as well as the approval and subsequent implementation of the already prepared 4th anti-bureaucratic package,
- follow-up on the implementation of the tasks identified for the individual ministries and the central state administration bodies as a result of the gold-plating audit,
- addressing suggestions from the business community sent for several years to the survey **Bureaucratic Nonsense of the Year** and evaluated by representatives of the business

¹⁰ To ensure that better regulation rules work through the above-mentioned institutes.

community and experts in better regulation - so far, approximately 32 % of the 9 years of the TOP 10 ranking have been resolved.

B) Specific proposals for regulatory change



(a) Labour law and employment

- adopt a compromise in the payment of allowances to employees for overtime, Saturday, Sunday and public holiday work for all SMEs without exception - in the form of tax and levy exemptions (up to a certain amount/increased or newly established/full amount) (MLSAF SR),
- clarify the obligation to provide proof of authorisation for electronic communication with the Social Insurance Institution so that the Social Insurance Institution (SP) does not require it to be authenticated beyond the scope of the law (SP),
- abolish the restriction on the possibility of being employees working based on agreements on work performed outside an employment relationship and at the same time being registered at the labour office for 40 days per calendar year with one employer (the Ministry of Labour, Social Affairs and Family of the Slovak Republic),
- adequate reduction of concession fees in case of an employee's departure on maternity or parental leave after being informed by the Social Insurance Institution (MC SR; RTVS - Slovak Radio and Television; SP),
- delete the prohibition for employees working based on agreements on work performed outside an employment relationship to program, photograph, create graphic works, professional texts or other copyrighted works (the Ministry of Labour, Social Affairs and Family of the Slovak Republic),
- mitigate the consequences of illegal employment, for which the entrepreneur is punished twice - by a fine, as well as by the consequences resulting from the 5-year registration in the Central Register of Illegal Employers (MLSAF SR),
- resolve inconsistencies in mandatory holiday vouchers from 50 employees (e.g. potential threat of unjustified tax relief for employees claiming from multiple employers in the same calendar year) (MLSAF SR),
- streamline and rationalise the provision of health surveillance, including medical preventive examinations of employees pursuant to Act No. 124/2006 Coll. on Occupational Safety and Health Protection, as amended, without requiring redundant examinations for occupations where requiring an examination is unnecessarily burdensome (the Ministry of Labour, Social and Affairs and Family of the Slovak Republic),
- relax the conditions of fixed-term employment, as today it is possible to extend a fixed-term employment contract only twice within 24 months, whereas in the Czech Republic, for example, such a contract can be concluded for up to 3 years (the Ministry of Labour, Social and Affairs and Family of the Slovak Republic),
- allow unpaid help from relatives in trading companies with more than one partner not to be considered illegal work (the Ministry of Labour, Social and Affairs and Family of the Slovak Republic),

- abolish the tax-levy obligation for benefits provided to employees from the employer's social fund (the Ministry of Labour, Social and Affairs and Family of the Slovak Republic).

(b) Taxes and accounting

- allow again the exemption of income from occasional activities up to EUR 500 for a natural person, even in the case of a counterparty that claims this expense as a tax expense (or can claim it) (MoF SR),
- reintroduce a reduced tax rate for entities with a turnover of up to EUR 100,000 (MoF SR),
- solving the tax-levy burden in the case of concurrence of trade and dependent work (if the self-employed person runs a business as a secondary activity, i.e. mainly in addition to employment - dependent activity, from the income of which he/she already pays levies, this fact should be reflected in the preferential formula for the calculation of taxes (MoF SR; SP; MLSAF SR),
- reduce the mandatory archiving period for accounting documents from the current 10 years to at least the original 5 years, as entrepreneurs have incurred additional costs due to securing this measure, introduce the possibility of electronic archiving and harmonise the archiving periods for all types of compulsorily archiveable documents in accordance with the applicable legislation (MoF SR),
- eliminate the nonsensical request for a refund of overpaid tax and reduce the frequency of requests for remission of the obligation to pay tax advances (MoF SR),
- allow a tax loss on rental property (MoF SR),
- change the obligation to send monthly reports on withheld and paid tax advances to at least quarterly reports on withheld and paid tax advances, which will reduce the administrative burden on entrepreneurs (MoF SR),
- reassessment of the 8 % tax on non-life insurance (MoF SR),
- increase or complete abolition of the limit of EUR 20,000 for the application of lump-sum expenses for self-employed persons (MoF SR),
- an increase in the percentage of flat-rate expenditure from the current 60 % in key sectors of the economy (e.g. business in agriculture) (MoF SR),
- change in the complex formula used for the calculation of the monthly assessment base on which the amount of social insurance of self-employed persons is based (MoF SR),
- introduction of a simplified tax-levy regime for self-employed persons with a certain income threshold, below which income tax and social and health insurance contributions would be replaced by a single monthly fee (MoF SR).

(c) Commercial law

- allow the use of raw materials from smallholders for business (the Ministry of Agriculture and Rural Development of the Slovak Republic),
- abolish the obligation to include 50 % Slovak food in advertising material, as this is contrary to the free movement of goods and services (the Ministry of Agriculture and Rural Development of the Slovak Republic),
- introduce a definition of family business and, accordingly, to regulate the transfer of assets within the framework of generational exchange in trading companies (the Ministry of Economy of the Slovak Republic),

- abolish the requirement for nursery owners to have a university degree and barrier-free operation (the Ministry of Education, Science, Research and Sport of the Slovak Republic),
- reduce the required registered capital of a limited liability company (Ltd.) to EUR 1 (the Ministry of Justice of the Slovak Republic),
- establish that a limited liability company with a registered capital of at least EUR 5,000 does not have to create a reserve fund (the Ministry of Justice of the Slovak Republic),
- in line with the increasing level of digitalisation, to allow companies to participate in management by remote means (i.e. per rollam) and to introduce rules and conditions for such voting in trading companies (the Ministry of Justice of the Slovak Republic),
- introduce the institute of general free trade (the Ministry of the Interior of the Slovak Republic),
- abolish the obligation to deposit an advance on the liquidator's remuneration if the liquidator performs his/her function without remuneration (the Ministry of Justice of the Slovak Republic),
- establish a limitation period for claims of the trading company against the members of the bodies, which will be running from the date on which they cease to hold their office (the Ministry of Justice of the Slovak Republic),
- abolish the obligation to verify the signature on the property owner's consent to the establishment of the registered office of a trading company (the Ministry of Justice of the Slovak Republic),
- introduce as a standard regime of gratuitous performance of the functions of members of the statutory body, proxies, members of the supervisory body and the head of the organisational unit (the Ministry of Justice of the Slovak Republic),
- harmonise the terminology in the field of commercial, accounting, bankruptcy and tax law in terms such as e.g. registered capital, business capital, authorised capital, enterprise, etc. (the Ministry of Economy of the Slovak Republic; the Ministry of Justice of the Slovak Republic).

(d) Excessive bureaucracy, disproportionate financial burden and legal uncertainty

- significantly liberalise the illogical obligation to report accommodated foreigners within 5 days of accommodation to the Aliens Police, which in addition to the excessive administrative burden does not serve the desired purpose, as the average duration of accommodation is less than the 5-day period (MoI SR),
- simplify the process of assessing applications for indirect forms of business support (ME SR), with a temporary document it is not possible to be logged into the electronic mailbox (MoI SR),
- remove the obligation to seek permission from the municipality if an employer wants to give a pallet to an employee for use in the home (MEn SR),
- abolish duplicative information obligations when posting employees (MLSAF SR; NIP),
- clarify the obligations in the field of waste management and to reconsider their justification towards entrepreneurs who produce a minimum of waste in their business activities (MEn SR),
- where the principle of "once and enough" is not yet applied by public administration authorities towards entrepreneurs, to fully implement it there (e.g. some notifications to

the Social Insurance Institution, health insurance companies, the Central Office of Labour, Social Affairs and Family of the Slovak Republic, bailiffs, the post office, the Land Registry, the Commercial Register, etc.) for the purpose of adequate application of the e-Government Act and the Anti-Bureaucracy Act, and thus a significant administrative relief for entrepreneurs (the Office of the Deputy Prime Minister of the Slovak Republic for Investment and Informatisation),

- reduce the amount of penalties for breaches of obligations under the Personal Data Protection Act (GDPR) and introduce the possibility of a second chance, or remission of the penalty for the first breach (the Office for Personal Data Protection of the SR - ÚOOÚ SR),
- remove conflicting regulations (e.g. the absence of the obligation to have a stamp and its subsequent punishment by the Slovak Environmental Inspectorate with a fine, the insistence of the Labour Inspectorate on compliance with technical standards that are not legally binding, the nonsensical mandatory inspection of CNG/LNG tanks, on which the date of their lifetime is indicated by the manufacturer, the unification of the content of the electronic invoice and the accounting document in order to promote a smooth transition to electronic accounting, the issue of a decree on the method of determining the origin of meat, which is referred to in the law and yet its publication is delayed by several months (the Ministry of Finance of the SR; Ministry of Health of the SR; the Statistical Office of the SR; SP, etc.),
- to extend the validity of the power of attorney to issue an extract from the criminal record for 90 days (the Ministry of Justice of the SR),
- abolish the possibility of requesting an extract from the CR SR when requesting an extract from the criminal record of a legal entity in order to remove doubts about the correctness of the data verifying the identity of the legal entity (the Ministry of Justice of the SR),
- introduce a time limit for correction or reconciliation of data in the Commercial Register of 5 calendar days (the Ministry of Justice of the SR),
- introduce the possibility of registration in the Commercial Register of the SR through notary offices, following the example of the Czech Republic (the Ministry of Justice of the SR),
- introduce a deadline of 1 working day for declaratory entry of data into the Commercial Register of the SR (the Ministry of Justice of the SR),
- ensure a more efficient, flexible and faster functioning of the CR SR, as well as its faster decision-making in accordance with the applicable legislation (the Ministry of Justice of the SR),
- introduce the so-called second chance into the sanction mechanism of laws (e.g. Consumer Protection Act or Waste Act) - i.e. the imposition of a fine should be preceded by a warning and the possibility of correcting minor deficiencies (MoI SR; ME SR; MEn SR),
- abolish the obligation for beekeepers to declare where they will be travelling with their colonies during the year, together with the exact order of the locations and the exact dates, as it is not possible to estimate these accurately, and if the estimate is not accurate, it is necessary to declare the data again (the Ministry of Agriculture and Rural Development of the SR),
- abolish the obligation to pay concession fees for legal entities (the Ministry of Culture of the SR; the Ministry of Economy of the SR),

- narrow down the range of legal entities for the development of the so-called programme of own activities aimed at combating the legalization of proceeds from criminal activity and financing of terrorism (the Office for Personal Data Protection of the SR),
- create a one contact point allowing in one step to make and report changes in the Commercial Register of the SR and alignment with other registers, such as the Central Securities Depository, the National Central Securities Depository, the Securities Trader, the Trade Register of the Slovak Republic, and the related centralized system for managing, updating, registering and sharing data between public institutions (the Ministry of Justice of the SR).

2. Development of the economic environment in 2020 in the context of the impact of COVID-19

2.1. COVID-19 outbreak and impact on the Slovak economy

The initial outlooks on the development of the Slovak economy, which were presented at the end of 2019, pointed to an expected slowdown in growth. Similar developments were expected in 2020 as in 2019. On the other hand, a possible continuity in the introduction of further protectionist measures, which could trigger a recession in several economies, has also been signalled.

At the beginning of 2020, forecasts for economic developments have changed significantly. The outbreak of a new type of coronavirus (hereafter referred to as "COVID-19") was the reason for the significant change in the predictions of the relevant institutions. According to official information from the World Health Organization (WHO), the virus spread in early 2020 from its original location (China) to other parts of the world and also affected the territory of Slovakia.¹¹ Initial global estimates of the economic impact began to point to an economic downturn, or the so-called deep depression.

Taking into account the uniqueness of unexpected events at the beginning of 2020 in the field of exogenous factors (outbreak of COVID-19), these **events changed the forecasts of the overall development of the Slovak economy, the development of the global economy in an extraordinary way and were the central factor of the economic environment in 2020 without any reservation.**

On the one hand, the outbreak of a new type of coronavirus is associated with a decline in growth. On the other hand, the pandemic is characterised by a relatively high level of uncertainty and risk, which is primarily based on the evolution of the epidemiological situation, which is also linked to the economic activity of business entities. The outbreak of a new type of coronavirus is to some extent also characterised by structural changes and affects the adaptive capacity of firms and households. The pandemic associated with the spread of the coronavirus was an immediate supply shock due to production constraints. Secondarily, it was also a demand shock.

The intention of this subchapter is to point out the following significant features of the development of the economic environment in 2020, which will contribute to the overall picture of the environment in which small and medium-sized enterprises in Slovakia operated.

It is important to note that early estimates have started to point to the fact that Slovakia is likely to be one of the countries that will be more significantly affected by COVID-19. There were a number of reasons for this, including a slowdown in growth already prior to the coronavirus outbreak. Therefore, in the following section, attention is paid to important factors that complete the overall picture of the magnitude of the potential impact of the new type of coronavirus on the Slovak economy.¹²

¹¹ On 6 March 2020, the first case of a new coronavirus (COVID-19) was registered in Slovakia.

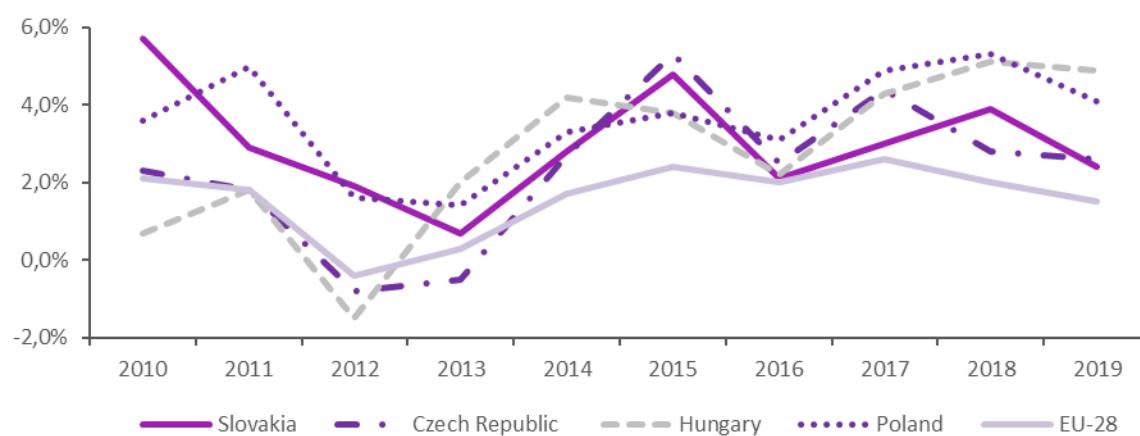
¹² E.g. Frank K. - Morvay K. et al. Slovakia's economic development in 2019.

Slowdown in economic growth already in 2019

The Slovak economy slowed down in 2019. This slowdown was mainly related to the expected cyclical slowdown, which was mainly due to the contribution of external demand, which was exposed to less favourable developments in the external environment. Among the reasons cited in the Report on the State of Small and Medium-Sized Enterprises in 2019 were the trend towards protectionist measures in global trade policy and the continued increase in uncertainty. The level of economic growth in 2019 was the lowest in the last three years under review. In the same way, the dynamics of external demand has been the lowest in the last period in 2019.

Within the euro area, growth was generally limited by a slump in industrial production. The slowdown was also typical for other EU countries, but in terms of comparing growth dynamics in the V4 region, it was the most pronounced slowdown in the case of Slovakia. Slovakia's weaker position in terms of economic growth within the V4 countries has persisted for several years. Other reasons include the fact that the competitiveness of the economy was already weakening before the pandemic, also in connection with the worsening position of the Slovak Republic in international competitiveness rankings.

Chart 1 Annual GDP growth at constant prices in the V4 countries and the EU-28



Source: Report on the State of Small and Medium-Sized Enterprises in 2019

With the outbreak of a new type of coronavirus, Slovakia's continuous economic growth was interrupted in 2020, with the most significant drop in economic activity recorded in the second quarter of 2020.¹³

The crisis associated with the coronavirus outbreak is not affecting economic activity in the same way

In general, the COVID-19 pandemic is not affecting economic activity in the same way. Globally, the decline in demand has been seen in traditional industries and services that have been directly linked to the measures put in place to prevent the spread of the coronavirus in order to protect health and lives. Many establishments, especially in the services sector, have been closed for this reason. On the other hand, the crisis associated with the spread of the coronavirus has led to a surge in demand for sectors and services with digital penetration (e.g. this has been reflected in a surge in demand for information and communication

¹³ Which is also referred to as the steepest decline in the history of Slovakia's independence. SOPK: Basic macroeconomic frameworks for the Slovak economy in 2021.

technology (ICT) products). It appears that the country's technological readiness or digital transformation may be key in this regard in the near term.

Also, industrial production in particular (due to disrupted buyer-supplier chains), together with exports and imports, have been more severely affected. Weakening foreign and domestic demand plays a major role in the decline in the performance of the Slovak economy.¹⁴ One of the reasons is the degree of openness of the country. Export performance has long been one of the main sources of growth in the Slovak economy. Given the strong links with developments abroad, the COVID-19 pandemic has also affected expectations of economic activity of business entities. Buyer-supplier chains have also been temporarily interrupted.¹⁵ Related to the above, coronavirus has also had an impact on reducing the intensity of foreign trade. Therefore, the gradual recovery of global markets has had, or will have, an impact on the recovery of foreign demand.

Other causes of the recession in EU countries in the year 2020 under review include a reduction in private consumption. This reduction was due to a number of influences. First, some households have directly experienced a reduction in income, which has led to an immediate reduction in their consumption. In addition, some plants were closed in various sectors, some types of consumption could not be realised (so called forced savings). But also as a result of increased uncertainty about future developments, part of private consumption has been postponed (the so-called precautionary savings).

Given the uncertainty caused by exogenous factors, a decline in investment activity was also recorded. The pandemic is affecting the liquidity of companies, which is reflected in caution and the related postponement of investment plans.

The decline in the performance of the Slovak economy was also reflected in the labour market. Already in the first quarter of 2020, there was a decrease in the employment rate and a decrease in the number of employees in the immediate aftermath of the outbreak of the pandemic. Government measures taken to maintain jobs have mitigated the decline in the number of employees, but only gradually. At the beginning of the fourth quarter of 2020, the labour market situation deteriorated again, due to the second wave of the pandemic and the tightening of restrictions (as of December 2020). A more sustained improvement in the labour market is expected as late as in 2021.

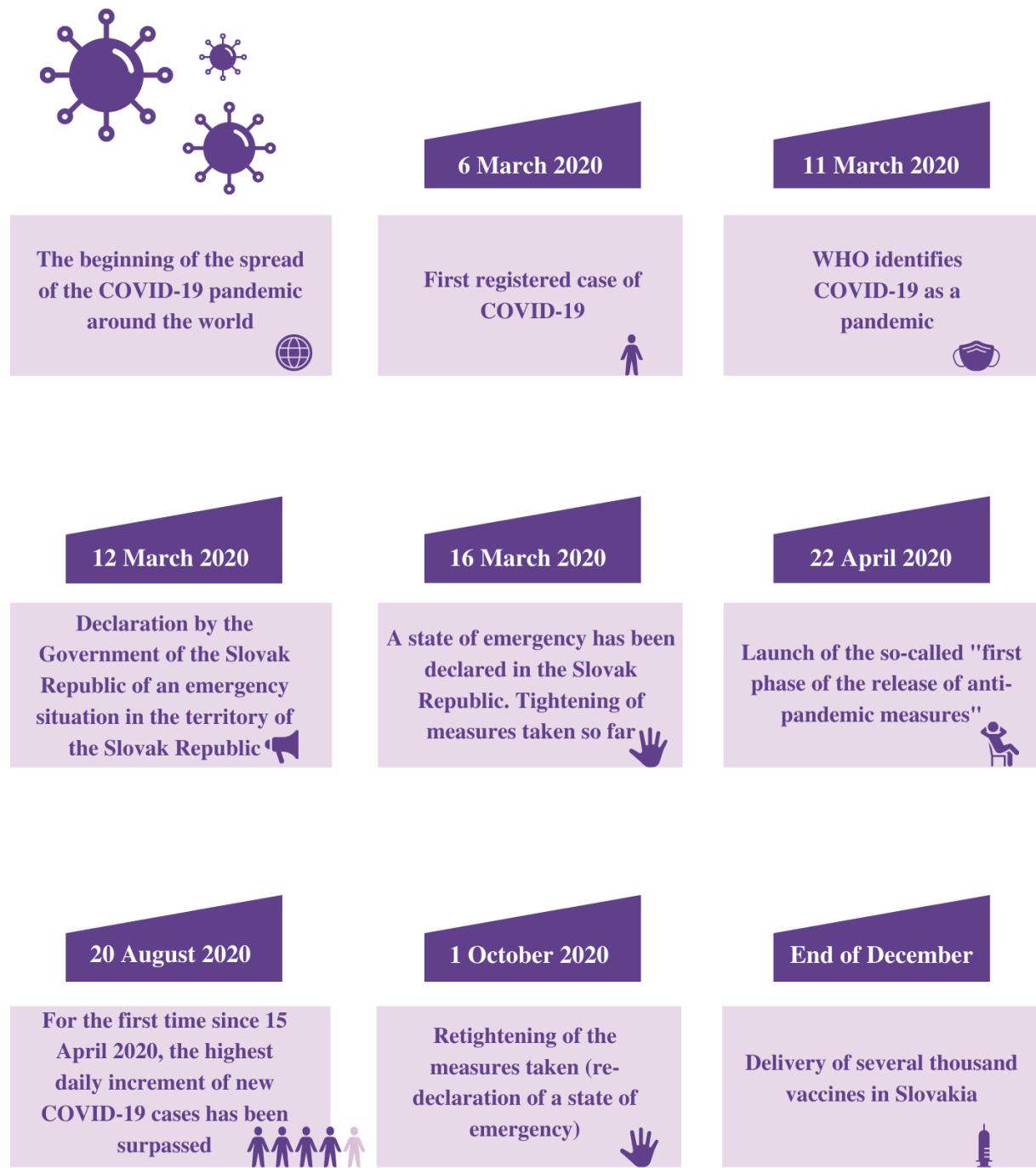
A necessary condition for economic recovery is the waning of the pandemic

Since the global outbreak of COVID-19, which penetrated Slovakia in early March (the first registered case in Slovakia was, according to available statistics on 6 March 2020), more than a year has passed. In general, the economic downturn has been more pronounced in countries with more severe epidemics. The evolution of the epidemiological situation in the context of sustained economic activity is therefore crucial for economic recovery. There was some positive news in this regard at the end of 2020 regarding the progress of vaccine development and the success of vaccine testing.

¹⁴ NBS.2020. Medium-term forecast Q2 2020.

¹⁵ NBS. 2020. Medium-term forecast Q1 2020.

Infographics 1 Selected milestones in the course of the outbreak and spread of COVID-19 in the context of the Slovak Republic



Source: SBA

Note: The WHO office in China was officially informed of cases of lung disease of unknown origin on 31 December 2019.

2.2. Development of the macroeconomic environment in 2020

Gross domestic product

The performance of the Slovak economy fell into negative figures due to the pandemic, after years of continuous growth. The decline in economic activity did not occur only in Slovakia, but was also characteristic of other EU countries. The slowdown in economic performance was due to the adoption of anti-pandemic measures, which necessitated the closure or downsizing of many firms. The downturn in the Slovak economy was milder than in 2009, during the economic and financial crisis. However, the decline in economic performance was the steepest in Slovakia's history. At the same time, the current crisis has different causes, manifestations and transmission channels. The durations and impacts on different segments of the economy are also differentiated.

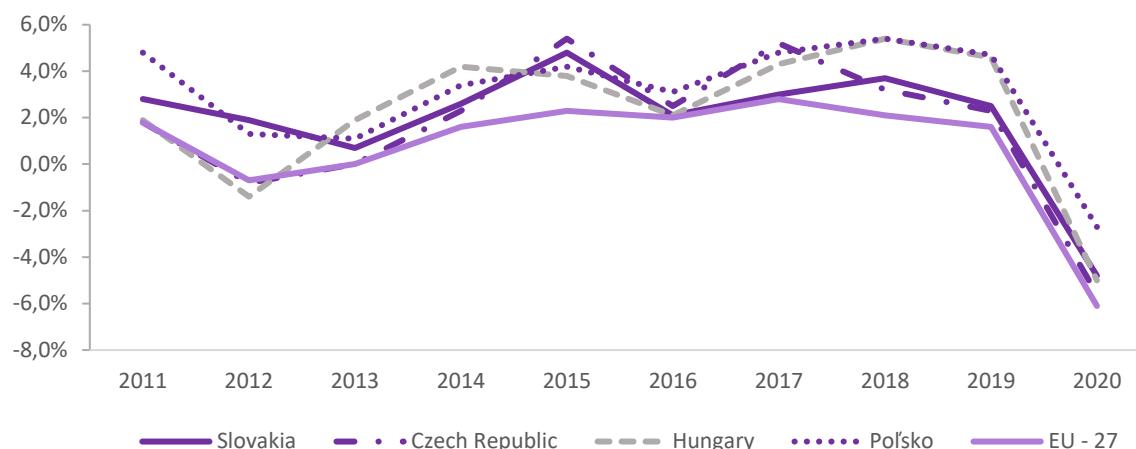
According to preliminary data from the Statistical Office of the Slovak Republic, Slovakia's gross domestic product (GDP) decreased by 4.8 % in 2020. The decline in gross domestic product followed the previous increase achieved in 2019 (of 2.5 %). Within individual quarters, the economic slump was most pronounced in Q2, during the first wave of the pandemic, when the Slovak economy recorded its highest-ever contraction of almost 11 %, which was at the same time 7.4 p.p. more than in Q1. The impact of the second wave of the pandemic on the Slovak economy was much milder. In the second half of the year, the Slovak economy managed to moderate the pace of its decline. The fall in GDP in the second half of the year was much smaller, at just over 2 %.

In terms of the individual items of the production method of compiling gross domestic product, the economic downturn was associated with a decline of 9.0% in gross output, 11.7 % in intermediate consumption and 4.7 % in value added. Net taxes on products decreased by 4.8 % year-on-year. The downturn in the Slovak economy was also related to a decline in domestic demand. / The slump in the Slovak economy was also influenced by a decline in domestic demand. Household final consumption fell by 1.1 % due to the anti-pandemic measures taken and concerns about future uncertainties. Government final consumption stagnated after previous growth. Gross capital formation fell by more than a fifth.

Investment activity also experienced a negative trend in 2020. Gross fixed capital formation fell by 12 % year-on-year. In terms of individual sectors, the negative trend in investment was particularly pronounced in the agriculture, manufacturing, construction and transport sectors. Investment was reduced in machinery, equipment and vehicles. The decline in investment recorded in the manufacturing sector was also related to lower investment activity in the transport equipment manufacturing sector.

The unfavourable economic development related to the pandemic has also left its mark on the economy of Slovakia's neighbouring countries. Among the V4 countries, Poland coped best with the negative consequences of the pandemic. The performance of the Polish economy contracted by only 2.7 % year-on-year. Slovakia (down 4.8%) and Hungary (down 5.0 %) were well behind Poland. As a result of the difficult pandemic situation, the Czech Republic's economy experienced the deepest decline (down 5.6%). In the European Union as a whole, performance declined by 6.1 %, mainly due to the slump in major European Union economies such as France and Spain.

Chart 2 Annual GDP growth at constant prices in the V4 countries and the EU-27



Source: Eurostat, compiled by SBA

The slowdown in economic activity and lower demand from trading partners during the pandemic also affected the performance of Slovak industry, the most important sector of the economy, which accounts for more than one-fifth of the total gross domestic product. **Industrial production fell by almost one tenth (9.1 %) year-on-year.** The most significant drop in industrial production during the year was recorded in April, when it reached an all-time low with a year-on-year decline of 42 %. Industrial production fell for the first time since 2009, when the Slovak economy was hit by the economic crisis. In 2009, however, the industry contracted more sharply (by 13 %). Most industries had lower output levels than in 2019. In the key sector of transport equipment manufacturing, output fell by 16.4 %. The production of machinery and equipment (down 12.8 %), production of metals and metal structures (down 6.5 %) also declined, as well as the production of electrical equipment (down 6.7 %).

The construction sector also experienced a negative development in 2020. **Total construction output fell by 11.2 %.** It decreased mainly as a result of a fall in production in the domestic market. The decline in the domestic construction sector is mainly due to a lower volume of work on repairs and maintenance, as well as on new construction, modernisations and reconstructions. Despite the corona crisis, construction output abroad has increased. Revenues from own performance and goods in the construction industry decreased by 11.7 % year-on-year at constant prices. An increase in sales was recorded in wholesale trade (up 1.1 %, at current prices). Retail sales, on the other hand, decreased (down 1.1 %, at constant prices). Revenues also fell in other sectors that were hit hard by the restrictions taken. The closure of accommodation establishments and the restriction of population movements accounted for 45.2 % of the fall in sales in accommodation services. Catering sales fell by more than a tenth.

Foreign trade

The pandemic has also affected the demand of foreign trading partners for our products and services. Compared to 2019, total exports of goods and services decreased by 7.5 %. Goods and services worth EUR 78,469.8 million were exported from Slovakia.

Imports of goods and services decreased more significantly (down 8.3 %) than exports, the volume of imported goods and services amounted to EUR 77,729.1 million. The positive balance of foreign trade was at the level of EUR 740.7 million. The export performance of the economy, which measures the share of exports of products and services in GDP, reached

85.7 %. The import intensity, reflecting the share of imports of goods and services in GDP, was 84.9 %.

Territorially, exports to the following most important trading partners declined: Germany (6.1 %), the Czech Republic (10.1 %), Poland (1.1 %), France (2.6 %), Hungary (7.1 %), Austria (8.8 %), the United Kingdom (14.9 %), Italy (12.5 %), Romania (6.8 %), Spain (20.1 %) and the Netherlands (5.3 %). Exports, on the other hand, increased to the United States (up 12.7 %) and China (up 21.1 %).

The commodity structure was characterised by a decrease in exports of cars and other transport equipment of 1.2 %, electrical machinery and apparatus of 5.0 % and machinery and equipment of 9.1 %.

Labour market

The coronavirus pandemic and the anti-pandemic measures taken have had a negative impact on the Slovak labour market. As a result of forced business retrenchment and a decline in consumer demand, many employers have been put under pressure to cut costs, including through redundancies. The decline in the number of employees occurred in spite of the support measures taken by the State to boost employment and prevent more significant redundancies.

After the previous six years of unprecedented employment growth, the average number of people employed in the national economy fell by 1.8 % year-on-year in 2020 to 2,372.0 thousand (according to the quarterly business reporting of the SO SR).

The anti-pandemic measures taken have restricted the activities of a significant part of the business sector. This has also had an impact on the ability of firms to retain their employees during the crisis period. The decline in persons employed in the profit-oriented corporate sector was naturally more significant than for the national economy as a whole. Employment in the corporate sector decreased by 2.5 % (down 48.7 thousand persons) to 1,888.9 thousand persons. In 2020, the share of persons employed in the profit-oriented corporate sector in the total number of persons employed in the national economy of the Slovak Republic has also decreased to 79.8 %.

Across sectors of the national economy, the employment situation gradually deteriorated with the arrival of the first wave of the pandemic. In the months of April and May, there was already year-on-year decline in employment in almost the entire spectrum of sectors. The relaxation of anti-pandemic measures during the summer has contributed to a temporary improvement in the labour market situation. However, the arrival of the second wave of the pandemic has again led to an increase in the number of unemployed persons.

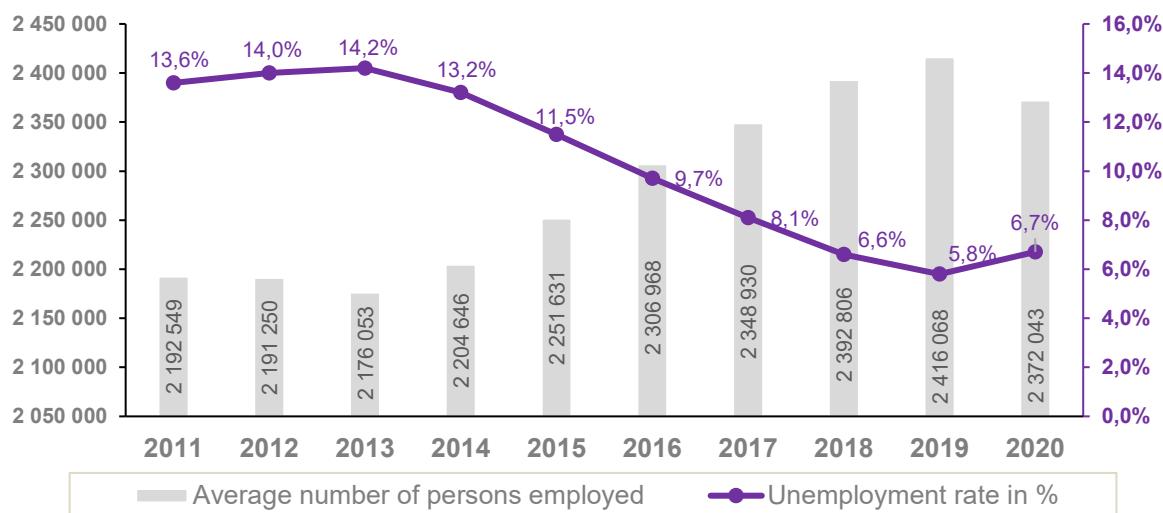
According to the results of the annual employment indices, there has been an overall decline in employment in almost all sectors of the economy. Entrepreneurs operating in the accommodation and restaurant services sector in particular had problems retaining their employees.

Employment in these sectors fell by 14.2 % and 8.2 %, respectively. The construction and industrial sectors were among the other sectors with a significant decline in employment. Employment in these sectors fell by almost 6%. The information and communication services sector was the only sector of the economy where companies managed to recruit new employees despite the crisis.

The reduction in the number of workers was naturally reflected in the increase in the unemployment rate. According to the methodology of the Labour Force Survey of the Statistical Office of the Slovak Republic, the unemployment rate increased by 0.9 p.p. year-on-year to 6.7 %. The number of unemployed persons increased in all regions of the Slovak Republic,

except for the Banská Bystrica Region. The highest unemployment rate remains in the Prešov Region (12.1 %). In other regions, the unemployment rate was in the range of from 3.4% in the Bratislava Region to 8.9 % in the Košice Region.

Chart 3 Development of the average number of employed persons and the unemployment rate in the Slovak Republic



Source: Statistical Office of the Slovak Republic, compiled by SBA

The corona crisis also reduced the number of foreigners working in Slovakia. After a period of annual growth in the number of working foreigners, the number of working foreigners decreased by 11.9 % to 69,000 in 2020. Ukrainians and Serbs continue to be the largest group of foreigners working in Slovakia.

The pandemic-related decline in economic activity had a dampening effect on stronger growth in the average wage of employees in the Slovak economy in 2020. The average nominal wage growth achieved in 2020 (3.8 %) was significantly lower than in the previous year (7.8 %). The growth of the average wage was maintained in all regions of the Slovak Republic, while the most significant increase was recorded in the Prešov and Banská Bystrica Regions. Last year, average wages increased in almost all size categories of business entities. Wages and salaries of employees in large enterprises increased most significantly (up 2.9 %). Slightly lower growth in average wages was achieved in medium-sized and small enterprises. In the case of micro-enterprises, the average wage of employees remained unchanged year-on-year.

In terms of sector, the highest wages were achieved in the financial and insurance activities sector (EUR 1,969), information and communication activities (EUR 1,967). On the contrary, the lowest is recorded in accommodation and catering activities (EUR 613), in other activities (EUR 727) and in construction (EUR 760).

Price development

Consumer price growth slowed down in 2020. The annual inflation rate decreased by 0.8 percentage point to 1.9 % in 2019. The inflation rate achieved was the lowest since 2017. Among the individual components of the consumer basket, the year-on-year decline in transport prices in particular had an impact on its level, mainly due to the decrease in fuel prices. There was no major decline in inflation, mainly due to price increases in housing, food and services. Core inflation reached 2.0 %. Regulated prices also grew, they increased compared to the previous year by 3.4 %.

Producer prices experienced an uneven development in 2020. Domestic industrial producer prices rose by 0.8 %. Industrial producer prices for exports declined. In the construction sector, prices of construction work rose by 2.9 %. In contrast, prices of materials and products consumed in the construction industry fell by 0.8 %.

Provision of bank loans

According to the NBS information,¹⁶ the corona crisis did not significantly affect the use of bank loans by the business sector. The start of the first wave of the corona crisis was not reflected in a lower rate of bank lending. In the first quarter of 2020, bank lending to the business sector grew at a similar pace as in 2019.

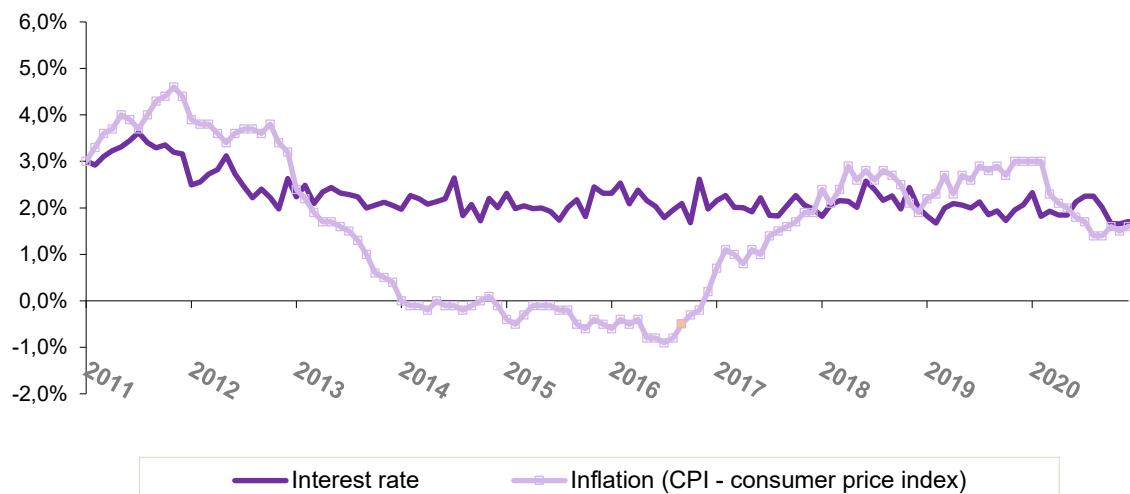
Lending to the corporate sector maintained its steady momentum in the second and third quarters. The use of bank loans by entrepreneurs was supported by firms' increased need for liquidity following the slump in sales. Demand for loans also grew slightly during the fourth quarter of 2020, mainly as a result of increased operational financing and the need for debt restructuring. In 2020, banks tightened lending standards mainly through credit spreads. The tightening of credit standards was more pronounced during the first wave of the pandemic.

In terms of individual types of loans, the period of the pandemic was characterised by a decrease in the dynamics of the use of investment loans and an increase in the use of operating loans, which were mainly used by entrepreneurs to finance their operational needs as a result of a shortfall in sales.

State-guaranteed loans also supported corporate lending activity in 2020. Guaranteed loans had the highest representation in the second half of the year. During this period, guaranteed loans were of key importance, especially for small and medium-sized enterprises. They accounted for more than half of new SME loans.

¹⁶ Source: NBS, Quarterly Macroprudential Policy Commentary July 2020, Quarterly Macroprudential Policy Commentary October 2020, Macroprudential Commentary March 2021, Financial Stability Report May 2021.

Chart 4 Development of the average interest rate on corporate loans and inflation in the Slovak Republic



Source: NBS, Statistical Office of the Slovak Republic, compiled by SBA

Expected performance of the Slovak economy in 2021

Slovakia's economic performance in 2021 will be affected by the potential impact of a third wave of a coronavirus pandemic. According to the NBS estimate of 30 March 2021, the Slovak economy should reach pre-crisis levels as late as in the second half of the year. According to several forecasts, the Slovak economy is expected to grow by up to 5 % in 2020. The expected economic growth in our main partners, Germany and the Czech Republic, should also give a boost to the economy. Slovakia's economic growth will be supported by growth in domestic demand, mainly due to household consumption, which declined as a result of the measures taken during the pandemic.

The labour market situation in the first half of 2021 was influenced by the support measures taken to promote employment. According to NBS estimates,¹⁷ employment should gradually grow in the second half of the year, which will be reflected in a declining number of unemployed persons.

The further economic development of Slovakia will depend on the future epidemiological situation, the vaccination rate of the population and the impact of a possible third wave of the pandemic. Slovakia's economy should also be supported by increased investment activity stemming from the use of EU funds. In the medium term, the key will be the use of funds from the Recovery Plan, which should increase Slovakia's GDP by 1.8 % by 2024.¹⁸

¹⁷ Source: NBS, Economic and Monetary Developments - Spring 2021.

¹⁸ Source: MoF SR, Recovery Plan.

2.3. Development of quantitative indicators from the SME environment in 2020

Number of SMEs

The number of SMEs is one of the key quantitative indicators characterising the state of the SME sector.

The negative impact of the corona crisis on Slovakia's economy was also felt by small and medium-sized enterprises, which are more sensitive to the change in business conditions. According to the data of the Statistical Office of the Slovak Republic, the growth trend in the number of active small and medium-sized enterprises was suspended in 2020. The growth achieved was only 0.3 %, with the number of SMEs increasing by 6.3 % in 2019. **In absolute terms, the number of active SMEs was 597,171.** In the year-on-year comparison, their number increased by almost 2 thousand entities, mainly due to the increase in the number of micro-enterprises (0–9), whose number grew by 0.5 %.

The decline in small (10–49) and medium-sized enterprises (50–249) had a negative effect on the growth of the total number of SMEs. The number of entities in the category of small enterprises decreased most significantly (down 7.6 %). The number of medium-sized enterprises fell by 6.9 %. Even large enterprises have not been able to maintain their size, with their number falling by 4.3 %.

Table 1 Number of active businesses by size category in 2020

Size categories	absolute number	in %	Index 2020/2019	absolute difference
Micro-enterprises (0–9)	580,940	97.2%	100.5	3,113
Small enterprises (10–49)	13,491	2.3%	92.4	-1,110
Medium-sized enterprises (50–249)	2,740	0.5%	93.1	-203
Large enterprises (250 or more)	642	0.1%	95.7	-29
Total SMEs	597,171	99.9%	100.3	1,800
Total business entities	597,813	100.0%	100.3	1,771

Source: Statistical Office of the Slovak Republic, compiled by SBA

In terms of individual size categories, micro-enterprises continue to dominate. Their share in 2020 was 97.2 %. Small (2.3 %) and medium-sized enterprises (0.5 %) are significantly under-represented. Slovakia has the highest share of micro-enterprises among EU countries.

The sectoral structure of SMEs is characterised by the most significant representation of the services sector (47.4 %; 282,945). Almost one fifth of active SMEs were active in the construction sector (18.1 %, 108,136). The top three industries are completed by trade (16.9 %, 101,066). In addition, 13.6 % of active SMEs were active in the industrial sector (81,149) and 4.0 % in the agricultural sector (23,875).

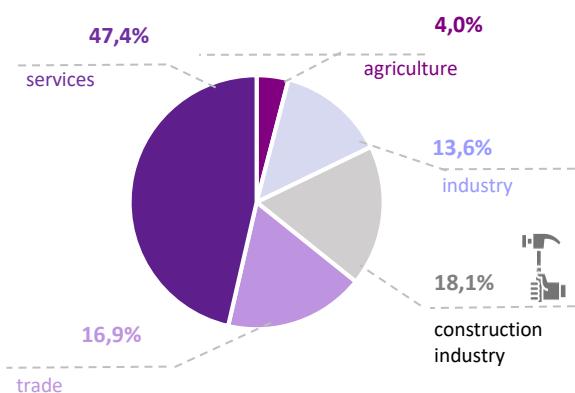
In the long term, the sectoral structure of SMEs is characterised by an increasing representation of the services sector, which is accompanied by a decline in the trade sector. The representation of agriculture and industry has remained unchanged in recent years. The construction industry has shown a slight increase in representation in recent years.

Within the different size categories of enterprises, the sectoral structure is highly differentiated. Industry has a higher representation in SMEs with a higher number of employees. Micro and small enterprises, on the other hand, are characterised by a higher representation of the construction and services sectors.

Chart 5 Evolution of the number of SMEs in the period 2016–2020



Source: Statistical Office of the Slovak Republic, compiled by SBA



Source: Statistical Office of the Slovak Republic, compiled by SBA

The SME entrepreneurship rate, which measures the number of small and medium-sized enterprises per 100 economically active population, remained almost unchanged at 21.8 % in 2020. Compared to other EU countries, Slovakia ranks among the countries with the highest number of small and medium-sized enterprises to total population.

The structure of SMEs by legal form continues to be characterised by a predominant share of natural persons - entrepreneurs (56.8 %), despite a continuous decline in their representation. The share of corporate SMEs in the total number of SMEs increased to 43.2 %.

In 2020, the number of active natural persons - entrepreneurs decreased by 2.9 % after a previous increase. The decrease is mainly due to the lower number of sole traders, the most important legal form of natural persons - entrepreneurs, whose number decreased by 3.6 %. The number of self-employed peasants remained unchanged year-on-year and the number of freelancers increased by 7.3 % despite the corona crisis.

On the other hand, the corona crisis has not stopped the growth in the number of small and medium-sized enterprises - legal entities in 2020. Their number increased by 4.8 % to 258,174 enterprises. The highest share of the individual legal forms of SMEs - legal entities was achieved by limited liability companies (90.2 %), which are also characterized by a dynamic growth in number in the long term.

Establishment and dissolution of business entities¹⁹

The pandemic has also contributed to a reduction in the number of new business entities. According to the data processed from the Register of Organizations of the Statistical Office of the Slovak Republic, in 2020, after the previous increase, **the number of established small and medium-sized enterprises decreased by 2.0 % (or by 1,709) to 83,174 business entities.**

SMEs - legal entities accounted for more than a quarter (27.3 %) of the total number of newly registered SMEs. The share of natural persons - entrepreneurs was 72.7 %. A decrease in the number of entities created was recorded in the category of SMEs - legal entities

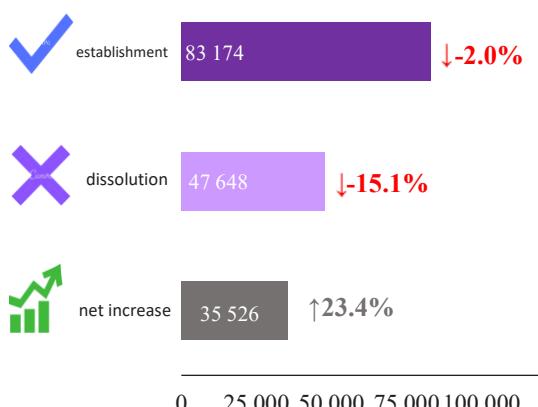
¹⁹ The data are processed on the basis of the date of establishment and dissolution of the entity from the total number of active and inactive business entities.

(down 9.5 %). The number of new sole traders remained almost unchanged year-on-year. Interest in going into business has increased among self-employed peasants and freelancers.

Paradoxically, the pandemic situation and the associated measures taken to prevent the spread of COVID-19 in order to protect the life and health of the population did not lead to an increase in the number of disappeared entities in 2020. **Conversely, the number of closures decreased by 15.1 %, to 47,648 business entities.** The lower number of business closures is also due to the adoption of coronavirus support measures, the use of which was conditional on the maintenance of business activity.

More than four-fifths (82.1 %) of the total number of disappeared entities were sole traders. One in ten of the dissolved entities was an enterprise - legal entity (9.4 %). The share of freelancers and self-employed peasants was 7.9 % and 0.6 %, respectively.

Chart 7 Establishment, dissolution and net increase of business entities in 2020



Source: Register of organisations of the Statistical Office of the Slovak Republic, compiled by SBA

The number of disappearances decreased most significantly among freelancers. The decrease amounted to almost one third (32.1 %). The number of disappeared sole traders decreased by 14.5 % and self-employed farmers by 7.3 %. Closures of enterprises - legal entities did not change significantly year-on-year.

The year-on-year evolution of the number of established and closed entities influenced the increase in the net increase of business entities. Compared to 2019, the amount of net increase increased by almost one-quarter (23.4 %) to 35,526 business entities. The increase in net increase occurs annually since 2017.

According to data from the Ministry of Justice of the Slovak Republic, the number of bankruptcies declared in 2020 decreased by more than one quarter to 177. The number of authorised restructurings increased year-on-year to 21.

According to Eurostat data, Slovakia ranks among the countries with an above-average share of both established and closed entities in the total number of business entities, which points to the high dynamics of entrepreneurship in Slovakia.

Gender and age structure of natural persons - entrepreneurs

The gender structure of natural persons - entrepreneurs did not change significantly in 2020. The representation of women among natural persons - entrepreneurs remained at 28.2 %, identical to 2019. Men accounted for more than two-thirds (71.8 %). In absolute terms, the number of female natural persons - entrepreneurs decreased by 2.8 thousand to 95.7 thousand.

In terms of individual legal forms of natural persons - entrepreneurs, the representation of women shows differentiated results. The highest proportion of women is among freelancers. In 2020, almost half (49.8 %) of all freelancers were female. The share of women in the legal form of sole traders is considerably lower (26.7 %). The only legal form under which there was an increase in female representation in 2020 was self-employed farmers. The share of women increased by 1.1 percentage points, to 23.5 %.

In 2020, the largest number of natural person-entrepreneurs in terms of age was in the 40 to 49-year-old category. More than one quarter (26.6 %) of the total number of natural persons - entrepreneurs were in that age category. The second largest group in terms of age were entrepreneurs in the age category of 30 to 39-year-olds, who accounted for almost one-quarter (23.5 %) of the total number of natural persons - entrepreneurs. The top three most represented age categories are complemented by entrepreneurs in the 50 – 59 age group, whose share represented almost one-fifth (19.8 %).

The development of the age structure of natural persons - entrepreneurs in the medium term is characterized by an increase in the representation of entrepreneurs in the younger age categories below 30 years of age. In recent years, there has also been a slight increase in the representation of older entrepreneurs aged 60 and over.

Chart 8 Gender structure of natural persons - entrepreneurs in 2020

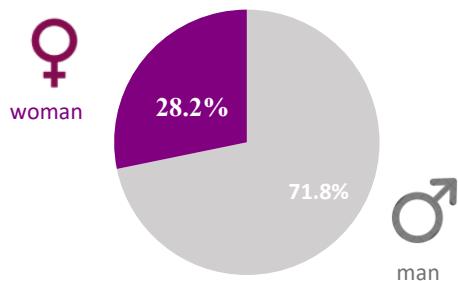
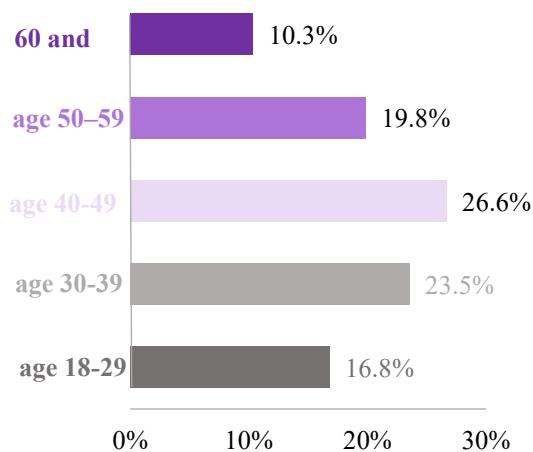


Chart 9 Age structure of natural persons - entrepreneurs in 2020



Source: Statistical Office of the Slovak Republic, compiled by SBA

Source: Statistical Office of the Slovak Republic, compiled by SBA

Regional aspects of SME entrepreneurship

The regional structure of SMEs has long been characterised by a dominant representation of business entities based in the Bratislava Region. Approximately one in five (22.7 %) active SMEs were based in the region in 2020. Other regions contribute to the total number of SMEs much more evenly, from 9.3 % (Trenčín Region) to 13.5 % (Žilina Region).

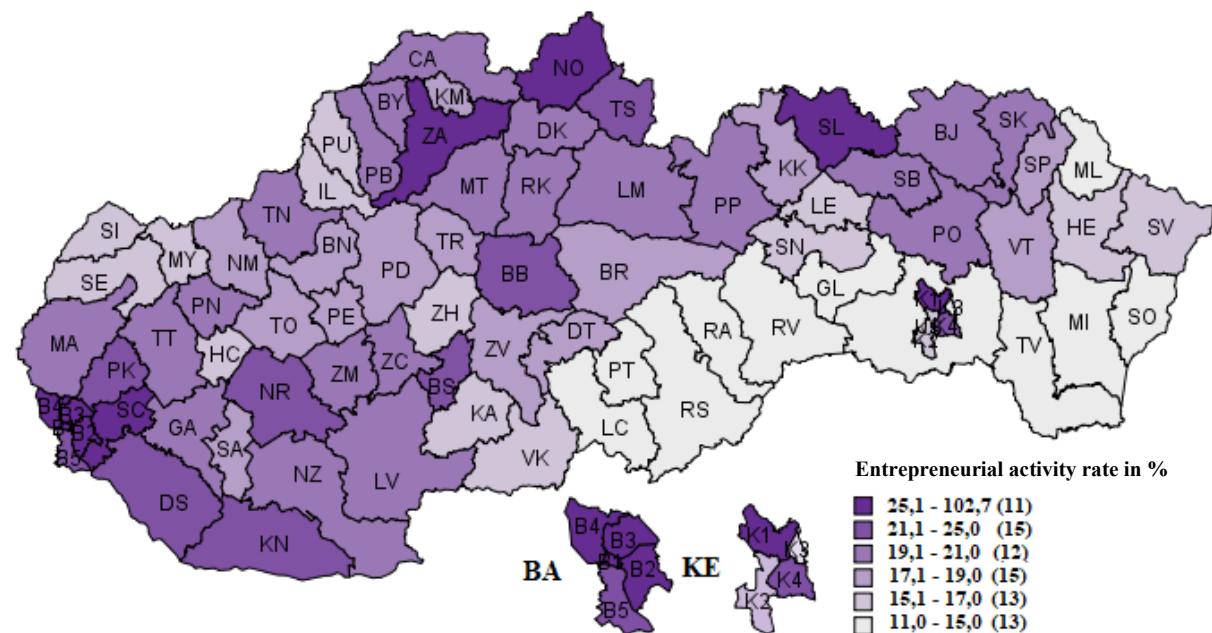
The decline in small and medium-sized enterprises in 2020 was characteristic of most regions of the Slovak Republic. The number of SMEs decreased the most in the Banská Bystrica Region (down 2.8 %) and the Trenčín Region (down 1.5 %). The pandemic did not significantly affect the number of SMEs in the Trnava, Košice and Banská Bystrica Regions. In these regions, the number of SMEs increased year-on-year.

The highest level of entrepreneurial activity²⁰ is achieved in the districts of Bratislava, Košice and in selected districts of northern Slovakia. Higher levels of entrepreneurial activity are generally found in the regions of western and northern Slovakia, while low levels of

²⁰ The level of entrepreneurial activity reflects the number of active small and medium-sized enterprises per 100 economically active population in the Slovak Republic.

entrepreneurial activity are found in less developed regions, eastern Slovakia and south-central Slovakia.

Map 1 Entrepreneurial activity rate in districts of the Slovak Republic in 2020



SME employment

The coronavirus pandemic has adversely affected employment in the national economy, including the corporate sector. After the previous increase, the average number of employed persons in the national economy decreased by 1.8 % year-on-year to 2,372.0 thousand in 2020 (according to the quarterly business reporting of the SO SR). An even more significant decline in employment (down 2.5 %) was achieved in the corporate sector.

Small and medium-sized entrepreneurs were also under pressure to lay off their employees. **Despite the support measures taken to maintain employment, the average number of persons employed in the category of small and medium-sized enterprises (including natural persons - entrepreneurs) decreased by 2.1 % year-on-year (down 29.9 thousand persons) to 1,400.9 thousand persons employed.** The decline in employment in the SME sector has thus interrupted the previously continuous growth that had been taking place since 2014.

Employment declined year-on-year in all size categories and legal forms except micro-enterprises, which saw a 1.4 % increase in the number of persons employed. Small businesses had the biggest problem retaining their employees, with employment falling by up to 4.5 % year-on-year. Medium-sized enterprises recorded a decline in employment of 3.3 %. The average number of employed persons also decreased for natural persons - entrepreneurs (down 2.0 %).

In 2020, SMEs accounted for 74.2 % of employment in the business economy. The share of SMEs in total employment in the Slovak economy was 59.1 %.

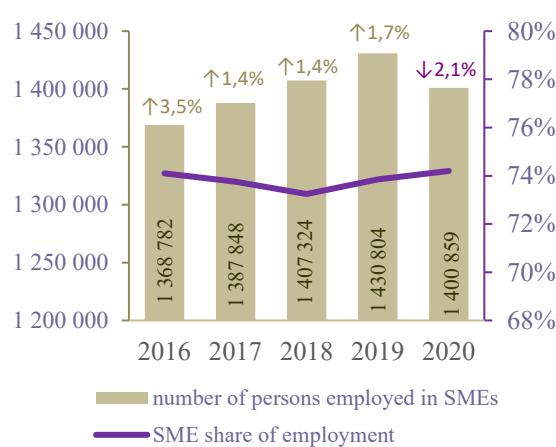
Micro-enterprises (including natural persons - entrepreneurs) continue to account for the largest share of employment, accounting for 46.3 % in 2020. The share of small (13.0 %) and medium-sized enterprises (14.8 %) is considerably lower. Large enterprises accounted for more than one-quarter (25.8 %) of employment in the business economy.

From a sectoral point of view, it is possible to monitor the employment situation by size category for a group of enterprises - legal entities on the basis of the available data. The highest share of SME - legal entities in employment is in agriculture (89.2 %), accommodation and catering (93.5 %) and construction (91.0 %). Around two-thirds of jobs are created by SMEs - legal entities in the trade (66.9 %), business services (71.9%) and other services (65.0 %) sectors. More than half (55.3 %) is accounted for by SMEs - legal entities in transport and information and communication activities.

The only sector in which the dominance of large enterprises (legal entities) in employment is evident is industry (the share of SMEs - legal entities is 44.7 %), which is natural given the position of large industrial enterprises in the national economy of the Slovak Republic.

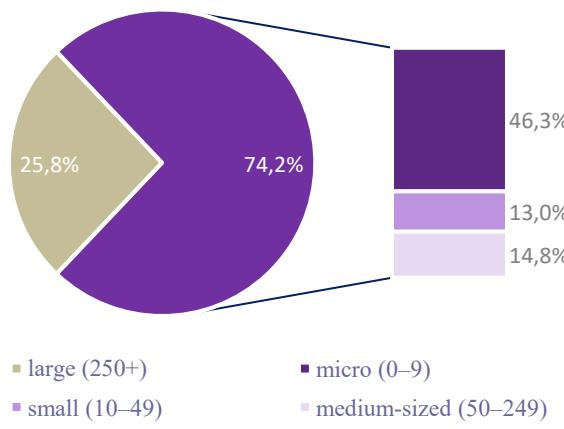
In international comparison, Slovakia continues to rank among the countries with an above-average share of small and medium-sized enterprises in employment.

Chart 10 Number of persons employed in SMEs and share of SMEs in employment in the business economy



Source: Statistical Office of the Slovak Republic, SBA calculation

Chart 11 Employment in the business economy by business size category in 2020



Source: Statistical Office of the Slovak Republic, SBA calculation

Economic indicators of SMEs

The unfavourable economic situation caused by the pandemic also had a negative impact on the value added of the business sector. Small and medium-sized enterprises also had to cope with the anti-pandemic measures as they struggled to survive in the worst-affected sectors. In 2020, the continuous trend of growth in the value added of small and medium-sized enterprises, which has persisted since 2014, was halted. **The value added of SMEs - legal entities decreased by 3.8 % year-on-year.** However, the decline achieved was less than half that of the crisis year 2009 (9.8 %). In absolute terms, the value added of SMEs amounted to EUR 24,096 million. The negative effects of the pandemic were felt in the results of all size categories of SMEs. The most significant drop in value added was recorded by small enterprises.

In 2020, the share of SME - legal entities in value added created in the non-financial corporate sector reached 53.6 %. In the year-on-year comparison, the share achieved decreased by 1.3 p.p. The decline in the share of SMEs was recorded after the previous three-year increase.

Industry remains the most important sector in terms of SME value added. Industry accounted for one-quarter (25.0 %) of the total value added of corporate SMEs in 2020. The position of industry in terms of SME value added has weakened slightly in recent years. The second most important sector is trade, which accounted for more than one-fifth (22.1 %) of SMEs' value added in 2020. The top three sectors are completed by business services with a similar share as trade (21.4 %).

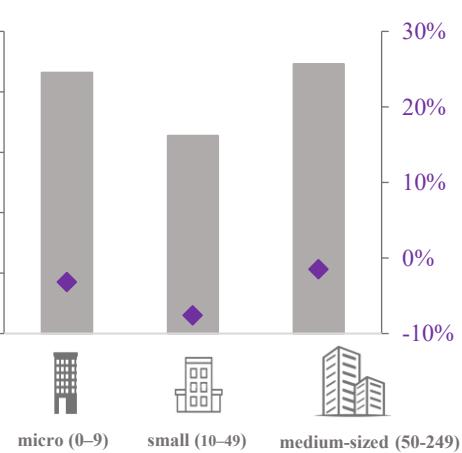
Slovakia ranks among the countries with a lower level of value added share. The lower level of economic performance of the Slovak SME sector is also confirmed by labour productivity. In the EU-27 countries,²¹ labour productivity in SMEs is more than twice as high as in Slovakia.

Other economic indicators of SMEs also declined year-on-year. The gross production of SMEs - legal entities decreased by 4.8 % year-on-year. The investment activity of small and medium-sized enterprises also developed negatively. Gross fixed capital formation of SMEs fell by 13.6 %. Profit before tax of SMEs - legal entities decreased year-on-year by more than a tenth (down 11.8 %).

Chart 12 Development of value added of SMEs - legal entities non-financial corporations (EUR million)



Chart 13 Volume of added value (EUR million) and year-on-year change in value added by SME size category in 2020



Source: Statistical Office of the Slovak Republic, compiled by SBA

Source: Statistical Office of the Slovak Republic, compiled by SBA

Foreign trade of SMEs

Broken buyer-supplier chains during the pandemic and declining demand have also negatively affected our export-oriented SMEs. **According to the preliminary results of the**

²¹ The data for the EU covers the 27 member countries, as the UK left the EU on 31 January 2020 by accepting the Withdrawal Agreement. Under this agreement, the United Kingdom became a third country from 1 February 2020.

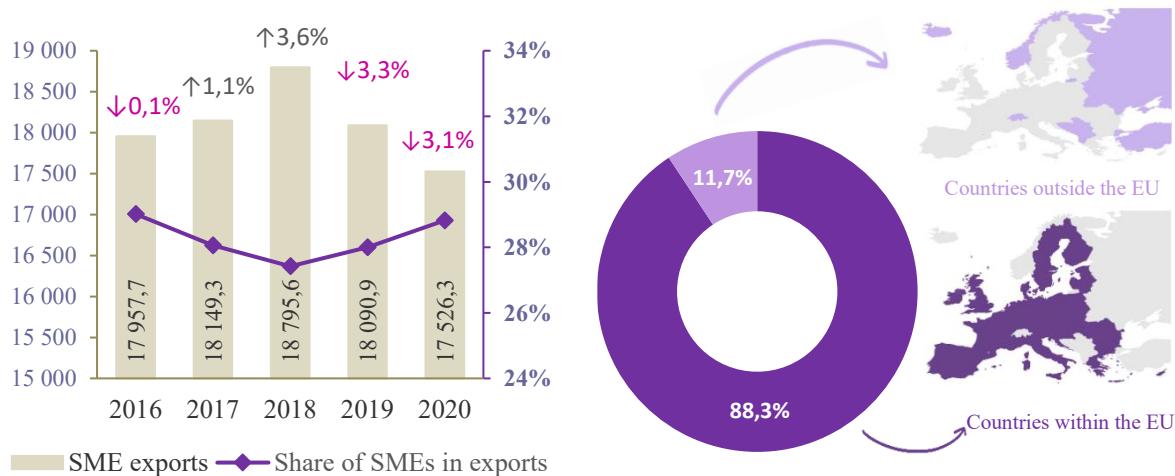
Statistical Office of the Slovak Republic, SMEs recorded a decline in exports also in 2020. The decline in exports amounted to 3.1 %. In absolute value, SMEs exported goods worth EUR 17,526.3 million. There was a decline in export activity on the part of all size categories of enterprises, with the most significant decrease in exports on the part of medium-sized enterprises (down 4.0 %). Small enterprises (down 3.1 %) and micro-enterprises (down 1.6 %) recorded slightly lower declines.

As a result of a more pronounced decline in exports of large enterprises (down 9.8%) than of small and medium-sized enterprises (down 3.1 %), the share of SMEs in total exports increased year-on-year by 1.5 p.p., i.e. to 29.3 %.

The territorial structure of SME exports is characterised by strong links to the EU common market. Only 11.7 % of total SME exports went to non-EU countries. Compared to other EU countries, SMEs in Slovakia have the lowest share of total exports to third countries, which points to the need for stronger support for SMEs in this area.

Similar to exports, imports by SMEs also declined. Year-on-year, SME imports decreased by 6.0 %. The volume of imported goods reached a value of EUR 25,853.4 million. The decrease in imported goods was recorded by all size categories of enterprises, with the most pronounced decrease for medium-sized enterprises (down 8.7 %). The share of SMEs in total imports rose to 40.6 %.

Chart 14 Export development of SMEs **Chart 15 Territorial structure of SME exports in 2020**



Source: Statistical Office of the Slovak Republic, **Source:** Statistical Office of the Slovak Republic, compiled by SBA

3. Support for small and medium-sized enterprises

3.1. Overview of direct and indirect support for SMEs in 2020

The system of institutional support for SMEs in the Slovak Republic is implemented at both vertical and horizontal levels. Institutions providing support (direct or indirect) to SMEs in Slovakia include in particular central state administration bodies, specialised 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 that may also arise from the nature of the size category of enterprises and, at the same time, affect the further development of SME entrepreneurship.

Act No. 290/2016 Coll. on the Support of Small and Medium-Sized Enterprises regulates the forms of providing support in the field of small and medium-sized enterprises, distinguishing between direct (non-refundable financial contribution, subsidy, etc.) and indirect forms of SME support (information and counselling, education, organisation and support for participation in internships, exhibitions, etc.). Following this breakdown of the forms of support provided, the results of the support provided to SMEs in the past year are presented in the text below.

The literature in the field of SME business support approaches the breakdown of individual categories within forms of support from different perspectives. For the purposes of this Report on the State of Small and Medium-Sized Enterprises and in terms of capturing a comprehensive understanding of SME support, the primary and key reference point is the Act on Support for Small and Medium-Sized Enterprises. Taking into account the aim of the capture, other theoretical knowledge is also a starting point, which allows to comprehensively interpret the results of the implemented support for SMEs in Slovakia.²² With the above in mind, the classification of the different categories of support is in line with that used by the European Commission.

As a result of the clash of several approaches, support for SMEs is structured as follows. The following categories are included in the following chapter **under direct forms of support** for SMEs: subsidies, non-repayable financial contributions, grants; loans or credits granted to SMEs; and venture capital instruments. **Indirect forms of support** for SMEs include the following categories: bank guarantees (assumed), incentives and tax and penalty relief; including project schemes that indirectly contribute to the promotion of SME entrepreneurship (e.g. counselling, information services, mentoring, entrepreneur training, incubator services, etc.) – category Others. The data presented in Table 2 are the result of background material collected from the relevant institutions. The quantified support for SMEs is limited to the submissions received by the deadline for registration of submissions. With regard to the documentation provided, one of the other limiting factors was the fact that some of the institutions contacted do not record the support implemented by size category of enterprises.²³

²² In terms of capturing a holistic view of support, inspiration was also provided in: Šúbertová E., Kinčíková M.. Business support for small and medium-sized enterprises. 2014; Šúbertová et al.. Entrepreneurship in small and medium-sized enterprises. 2011; Chodasová A., Bujnová D.. Entrepreneurship in small and medium-sized enterprises. 2008.

²³ And in some cases, only the allocation of funds has been quantified.

Also for these reasons, the overall financial implementation may deviate from the actual situation.²⁴

The total amount of support for SMEs in 2020²⁵ in the context of the COVID-19 pandemic was many times higher than in previous years.²⁶ As a result of the extra support associated with the elimination of the negative impacts of the coronavirus on the business sector, the volume of total support for SMEs is broken down into the normal support that was routinely reported until the advent of the pandemic. Part of the overall support is the so-called COVID support, which was established in response to the coronavirus situation.

In terms of the structure of the forms of financing of ordinary support (apart from the specific COVID support), the direct form of support dominated unconditionally, accounting for 79.1 % of the share of ordinary support for SMEs. The indirect form of support amounted to 20.9 % in the case of ordinary support (a slight year-on-year increase in the indirect form of support). The most significant share of ordinary support for SMEs in terms of individual categories was accounted for by **the category of subsidies, NFA, grants** (42.9 %) and **the category of loans or credits** (30.2 %). Other major categories included incentives and tax and penalty relief (11.8 %), bank guarantees (7.3 %) and venture capital (6.0 %). In terms of the breakdown of support for SMEs, **financial support was significantly predominant**.

On a year-on-year basis, the level of actual spending of ordinary support was lower than in 2019 (around 11.8 %).²⁷ The main reason for this was the fact that funds earmarked for planned activities in the current year were reallocated (and/or also increased)²⁸ and accumulated in instruments and measures with the intention of mitigating the negative impacts of the COVID-19 pandemic.

A positive change recorded in 2020 is the representation of each category of the total amount of support directed to the SME sector. In the year-on-year comparison there was an increase in the representation of all monitored categories (except for the category of credits or loans)²⁹, however, the most significant was the increase in the representation of the category of subsidies, NFA, grants, as well as bank guarantees or venture capital. Another positive fact is that there has also been a slight year-on-year increase in the representation of the category Others, which also includes advisory services and other indirect forms of support activities.

At the same time, in the year under review, several activities and services provided were adapted to the evolution of the pandemic situation (e.g. specific coronavirus counselling was provided, several activities where possible were transferred to the online space). On the other

²⁴ The situation related to COVID-19 also played a role to some extent in the input gathering process.

²⁵ The figure given as the total volume of SME support corresponds to the actual spending in the reference year 2020. In accordance with the internal methodology, the total amount of support implemented for SMEs does not include data for deliverables which did not indicate the actual spending or source documents which did not provide such data even after a renewed request for completion of the actual spending. Submissions that were incomplete or that were not complete as required by the closing date or for which no additional correction had been made in accordance with the internal methodology were also excluded. At the same time, data for a cumulative period of several years are not included, for which it was not possible to quantify the spending in the monitored year 2020 as required, and whose data would have distorted the results on the actual spending of support for SMEs in the past year.

²⁶ Therefore, in this year's Report on the State of Small and Medium-Sized Enterprises, we distinguish between the so-called COVID support and regular support (which was commonly reported until the advent of COVID-19).

²⁷ For the purposes of year-on-year comparison, there has been a correction in the volume of support in a number of monitored categories of SME support volume for 2019. Due to the above correction, the 2019 results will not match the reported volume (and share) quantified in last year's Report on the State of Small and Medium-Sized Enterprises.

²⁸ Other reasons included, for example, the fact that SME instruments from the previous period had been used up.

²⁹ Particularly in favour of the COVID loans provided (part of the results of COVID support).

hand, activities such as those related to restricted movement across borders (e.g. business missions) were severely affected. As a result, a number of planned activities (other than COVID activities) have not been fully implemented or have been implemented to a low degree, especially when compared to planned activities in the current year.

In the context of the evaluation of the COVID support provided to the SME sector in 2020, it can be stated that financial support was unqualifiedly predominant. The largest volume of support for SMEs was provided by the Ministry of Labour, Social Affairs and Family of the Slovak Republic. Other important providers of the so-called COVID support included the Ministry of Economy of the Slovak Republic and SIH (see more in the section Description of aid provided to SMEs). In terms of the categories monitored, the categories with the largest representation in COVID support for SMEs were: subsidies, NFAs, grants, bank guarantees and the category of credits or loans.

Given the situation created by the evolving pandemic situation in the country, access to finance was one of the key areas of support. The purpose of providing soft loans to finance investment projects and operational needs for the SME sector and an interest rate subsidy to reduce interest rates (the so-called interest rate bonus) was to help SMEs cope with the limited access to capital caused by the crisis situation (outside the control of the enterprises). At the same time, the purpose of the support instruments was also to enable them to keep their jobs, despite the situation arisen.

On the other hand, increased indebtedness may pose a risk to SMEs in the future, which may theoretically limit future project financing options (in the form of debt financing).

Table 2 Volume of support for SMEs by form of financing in 2020

	Form of support	Category of support	Amount of funds (EUR million)	Percentage representation of the form of support in the total support for SMEs
Normal support	Direct form of support	Subsidies, NFP, grants ³⁰	270.0	42.9 %
		Loans or borrowings	189.9	30.2 %
		Venture capital	37.9	6.0 %
	Indirect form of support	Bank guarantees	45.7	7.3 %
		Incentives, tax and penalty relief	74.3	11.8 %
		Other (advice and services)	11.3	1.8 %
		Total support for SMEs (normal support)	628.9	100 %
COVID support			1,406.2	-

Source: SBA, compiled on the basis of documents provided by the contacted or cooperating institutions

³⁰ Within the category of subsidies, NFA, grants is included data from ME SR for OP Research and Innovation, where data for the EU resource (ERDF) was provided in the documents. Co-financing from the state budget is not provided, each beneficiary (enterprise) is obliged to finance part of the project from its own resources, the intensity of the provided aid is in terms of state aid schemes or de minimis. The quantified amount for ME SR included only data for demand-oriented projects and did not include amounts for national projects for SBA, SARIO (category Other) and SIEA (category Subsidies, NFP, grants), which are quantified separately.

3.2. Description of aid granted to SMEs in terms of direct and indirect forms of support for SMEs

3.2.1. Direct form of support for SMEs



Ministry of Economy of the SR (ME SR) is the most important institutional actor in support of SMEs, acting as a guarantor and coordinator of many activities. A total of 154 SMEs (including 42 micro-enterprises, 61 small enterprises and 51 medium-sized enterprises) were supported under **the Operational Programme OP II (part under the responsibility of the Ministry of Economy of the Slovak Republic)** in 2020. The amount of allocated funds for SMEs was EUR 104,553,442.77 and the actual spending amounted to EUR 5,788,927.68 (of which micro-enterprises benefited from EUR 739,138.74, small enterprises from EUR 3,233,827.96 and medium-sized enterprises from EUR 1,815,960.98). Through **the Innovation Fund**, the purpose of which is to support the innovative development of the Slovak Republic through the sustainable development of values in the field of research science, no call for proposals was launched in 2020, but from the projects submitted at the end of 2019, one enterprise in the SME size category was supported in the amount of EUR 100,433 during 2020.³¹ Under the call, 3 applications were submitted but have not yet been evaluated. Under **the State aid scheme for the promotion of international cooperation in the field of industrial research and experimental development**, as amended by Amendment No. 1, (through a subsidy programme specifically with the State of Israel), funds were released in 2020 on the basis of subsidy contracts concluded in previous years for a total of 2 SMEs (1 micro-enterprise and 1 small enterprise) in the total amount of EUR 366,272.75.³² In 2020, 30 SMEs were supported through **innovation vouchers** (of which 15 micro-enterprises, 9 small and 6 medium-sized enterprises).³³ The actual spending for SMEs was at the level of EUR 300,000.

³¹ This was repayable financial assistance, part of direct aid.

³² No new call has been launched in 2020.

³³ However, in 2019, the ME SR amended the relevant de minimis scheme. The scheme added the possibility of involving students of the first and second degree in the preparation of their bachelor's and master's theses and institutes of the Slovak Academy of Sciences operating in the territory of the Slovak Republic within the meaning of the relevant legislation 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 submission of projects was published on the website of the Ministry of Economy of the Slovak Republic in the period from 4 February 2020 to 3 April 2020.

In 2020, 3 beneficiaries of investment aid, 3 medium-sized enterprises, benefited from investment aid in the form of subsidies for purchased tangible fixed assets and intangible fixed assets. The proportional part of the subsidy was EUR 438,286.34 for 3 medium-sized enterprises.³⁴

In 2020, EUR 69,829.68 was released under Smart City - Support for Innovative Solutions in Cities to co-finance the implementation of the remaining part of Phase I of the projects approved under the call in 2019. Due to the decision of the Ministry of Economy of the Slovak Republic to use the remaining funds allocated for the call in question (also in connection with COVID-19), the support for the projects was terminated and the implementation within their Phase II did not continue.

There has also been a significant increase in the OP II financial instruments in the reference year 2020 **to help SMEs facing the consequences of the COVID-19 pandemic.**³⁵ Pursuant to a resolution of the Government of the Slovak Republic No. 257/2020, more than EUR 330 million were reallocated from the ERDF source, with a total increase of more than EUR 437 million. SIH, in cooperation with the Ministry of Economy of the Slovak Republic, created guarantee programmes, the so-called SIH Anti-Corona Guarantee (SIHAG), which enables the provision of soft bridging loans (see more in the SIH Guarantees section). ME SR supported SMEs in the context of the COVID-19 outbreak also in the field of non-scheduled bus transport. In 2020, 374 SMEs were thus supported. The total allocation amounted to EUR 13,500,000, while the actual spending for the supported SMEs was EUR 6,300,000.

Table 3 ME SR: implemented support for SMEs in 2020

Support implemented	Amount of real spending in 2020
OP Integrated Infrastructure - part of research and innovation under the responsibility of the intermediary body of the Ministry of Economy	EUR 5,788,927.68
Innovation vouchers	EUR 300,000.00
Innovation Fund*	EUR 100,433.00
State aid scheme to promote international cooperation in industrial research and experimental development	EUR 366,272.75
Investment aid	EUR 438,286.34
Scheme to support SMEs in implementing innovative solutions in cities	EUR 69,829.68
Support for SMEs - Non-scheduled bus services - COVID-19	EUR 6,300,000.00

Source: ME SR

*repayable form of aid

The Slovak Innovation and Energy Agency (SIEA) acts as an intermediary body and implementing agency for the Structural Funds. In the 2014–2020 programming period, it implements two operational programmes - OP II³⁶ and OP Environmental Quality. **Through OP II**, SIEA supported SMEs in 2020 in the total amount of EUR 17,661,077.09 for the specific objectives listed below. Through the specific objective 1.2.2 Growth of R&D and innovation capacities in industry and services (OP VaI-MH/DP/2016/1.2.2.-02) 64 SMEs were supported. The actual spending was EUR 12,021,719.94³⁷ (of which the spending for micro-enterprises was EUR 3,664,825.72, small enterprises EUR 4,047,500.72 and medium-sized enterprises

³⁴ In 2020, the Government of the Slovak Republic did not approve investment aid for a beneficiary meeting the SME criterion at the time of granting.

³⁵ The ME SR also provided subsidies for the payment of rent. The total amount of support for SMEs had not been specified by the deadline for submissions.

³⁶ Note: until 12/2019 OP Research and Innovation. Available at: <https://www.siea.sk/strukturalne-fondy-eu/operacny-programme-integrated-infrastructure/>

³⁷ EU resources.

EUR 4,309,393.5). Through the specific objective 3.1.1 Increase in the creation of new competitive SMEs (OP VaI-MH/DP/2016/3.1.1-03), 143 SMEs were supported in 2020. The actual spending for SMEs was EUR 5,639,357.15³⁸ (of which micro-enterprises benefited from EUR 5,232,153.63 and small enterprises from EUR 407,203.52). **Through the OP Environmental Quality**, SIEA supported a total of 133 SMEs in 2020 in the total amount of EUR 12,666,359.95 for the following specific objectives. Through the specific objective 4.4.1 Increasing the share of renewable energy sources in the gross final energy consumption of the Slovak Republic, 3 enterprises from the SME size category were supported in 2020. The actual spending for the supported SMEs was EUR 138,810.63. Within the specific objective 4.2.1 Reduction of energy intensity and increase of RES use in enterprises, the real use amounted to EUR 6,306,289.74. 116 SMEs were supported through this objective. Under specific objective 4.4.1 Increasing the number of local plans and measures related to the low-carbon strategy for all types of territories, 1 enterprise from the SME size category was supported, while the actual spending for the supported enterprise was at the level of EUR 43,424.09. Through the specific objective 4.5.1 Development of more efficient demand-based district heating systems for usable heat, 13 SMEs were supported in the amount of EUR 6,177,835.49.

Table 4 SIEA: implemented support for SMEs in 2020

Operational Programme	Specific objective	Amount of real spending in 2020
OP II	OPVaI ³⁹ -MH/DP/2016/1.2.2-02	EUR 12,021,719.94
	OPVaI-MH/DP/2016/3.1.1-03	EUR 5,639,357.15
OP EQ	4.1.1 Increasing the share of renewable energy sources in the gross final energy consumption of the Slovak Republic	EUR 138,810.63
	4.2.1 Reducing energy intensity and increasing the use of RES in enterprises	EUR 6,306,289.74
	4.4.1 Increasing the number of local plans and actions related to the low carbon strategy for all types of areas	EUR 43,424.09
	4.5.1 Development of more efficient demand-based district heating systems for usable heat	EUR 6,177,835.49

Source: SIEA

Ministry of Labour, Social Affairs and Family of the Slovak Republic (MLSAF SR) – Central Office of Labour, Social Affairs and Family provided assistance to SMEs in 2020 to support employment⁴⁰ from public funds, mostly from the European Social Fund (ESF) and to a lesser extent from the state budget of the Slovak Republic. **The total volume of state aid provided for the Central Office of Labour, Social Affairs and Family in 2020** amounted to EUR 116.68 million, of which the Central Office of Labour, Social Affairs and Family provided aid to SMEs in the total amount of EUR 109.71 million, which represents 96.52 % of the total amount of state aid provided. The assistance was implemented through active labour market employment policy, which implements and supports active labour market measures

³⁸ EU resources.

³⁹ The European Commission has decided with effect from 13 December 2019 to approve the OPII with the Operational Programme OP Research and Innovation.

⁴⁰ The aid granted was in accordance with EU legislation under: (a) Commission Regulation (EU) No 14707/2013, which is the legal basis of the de minimis aid scheme No. 16/2014 for employment support (hereinafter referred to as de minimis aid scheme No. 16/2014); (b) Commission Regulation (EU) No 1408/2013, which is the legal basis of the de minimis aid scheme No. 17/2015 for employment support in the agricultural primary production sector (hereinafter referred to as de minimis aid scheme No. 17/2015); (c) Commission Regulation (EU) No 651/2014, which is the legal basis of the State aid scheme No. SA 40975 (2015X) for the promotion of training and recruitment and employment of disadvantaged and disabled employees (hereinafter referred to as scheme SA.40975 (2015/X)).

(ALMM), national and regional projects that facilitate the integration and reintegration of job applicants (JAs), in particular disadvantaged groups in the labour market, through the provision of allowances. **Active labour market measures also help business development** by supporting the creation of new jobs and the retention of existing jobs and employees in those supported jobs.

Table 5 COLSAF: State and minimum aid granted in 2020 by size of enterprise

State and minimum aid granted in 2020 (by size of enterprise)	Total support provided		Amount of aid in EUR mil.	Share (%)
	Of which SMEs	Micro-enterprises	EUR 70.50 mil.	62.02 %
		Small enterprises	EUR 32.94 mil.	28.98 %
		Medium-sized enterprises	EUR 6.27 mil.	5.52 %
		Total SMEs	EUR 109.71 mil.	96.52 %
	Aid for large enterprises		EUR 3.22 mil.	2.83 %
		Not entered*	EUR 0.75 mil.	0.66 %

Source: COLSAF

Note: * in the category "Not entered" there are allowance beneficiaries who do not have the economic characteristics of the applicant - the size of the enterprise entered in the District Social Security Administration at the time of concluding the agreement.

In 2020, regional investment aid provided support to investors in the form of a job creation allowance. According to the data, no allowance was made in 2020 for the creation of a new job for a beneficiary in the SME size category. A total of 6 large enterprises were supported for a total amount of EUR 1.62 million.

Table 6 COLSAF: investment aid granted to investors in 2020

Investment aid granted in 2020 (by company size)	By type of enterprise		Amount of aid in EUR mil.	Share (%)
	Of which SMEs	Micro-enterprises	-	-
		Small enterprises	-	-
		Medium-sized enterprises	-	-
		Total SMEs	-	-
	Aid for large enterprises	EUR 1.62 mil.	100.0 %	

Source: COLSAF

In the context of the coronavirus, the Government of the Slovak Republic approved at the end of March 2020 measures aimed at mitigating the economic impact of the COVID-19 pandemic. Measures of direct assistance to maintain jobs under the so-called "First Aid" for employees, entrepreneurs and self-employed persons were also presented. The aid consists of a number of measures based on direct financial support for jobs and entrepreneurship co-financed by the European Social Fund. According to the data available as of 1 June 2021, a total of EUR 705,178,197.95 (including the non-designated category) has been provided as support to SMEs in the period March to December 2020. According to the data, micro-enterprises have made the most intensive use of the "First Aid" tool.⁴¹

In 2020, the Ministry of Education, Science, Research and Sport of the Slovak Republic (MESRS SR) supported a total of 17 SMEs, including 8 micro-enterprises, 3 small enterprises and 6 medium-sized enterprises, under Act No. 185/2009 Coll. on Incentives for Research.⁴² The allocation of funds for SMEs was equal to the actual spending of funds for the supported

⁴¹ More information available online: <https://www.employment.gov.sk/sk/ministerstvo/vyskum-oblasti-prace-socialnych-veci-institut-socialnej-politiky/analyticke-komentare/prva-pomoc-slovensku.html>.

⁴² The support provided to SMEs was in the nature of a subsidy through the relevant law.

SMEs, i.e. at the level of EUR 3,342,023.64 (of which EUR 1,474,712.64 for micro-enterprises, EUR 638,912 for small enterprises and EUR 1,228,399 for medium-sized enterprises). **Through the support of dual education (Section 21a of Act No. 61/2015 Coll. on Vocational Education and Training and on Amendments and Supplements to Certain Acts⁴³)** 505 SMEs were supported in 2020. The amount of the actual spending for the supported SMEs was at the level of EUR 2,020 thousand. In 2020, **through the ECSEL** (Electronic Components and Systems for European) **Joint Undertaking⁴⁴**, the Ministry of Education, Science, Research and Sport of the Slovak Republic provided financial support to three SMEs (including 1 micro and 2 small enterprises). The allocation of funds within the state budget was EUR 800,000 from the state budget and EU resources in the amount of EUR 200,000, while the amount of actual spending for the three supported SMEs amounted to EUR 383,415.00 (of which EUR 76,683 from EU resources and EUR 306,732 from state budget resources). **Through the Eurostars 2 programme⁴⁵**, established by Decision No 553/2014 of the European Parliament and of the Council (EU), the Ministry of Education, Science, Research and Sport of the Slovak Republic funded in 2020 two entities belonging to the SME size category (of which 1 micro and 1 small enterprise). The allocation of funds amounted to EUR 500,000 (state budget). The actual spending for the two supported SMEs was at the level of EUR 456,611.2. 33 SMEs were supported **through OP Integrated Infrastructure**. The allocation of funds amounted to EUR 22,917,672.16 (of which EUR 21,793,540.3 from EU resources and EUR 1,124,131.86 from the state budget), while the total drawdown for the supported SMEs was EUR 1,102,876.46 (of which EUR 943,154.51 from EU resources and EUR 159,721.95 from SB resources).

Table 7 MESRS SR: implemented support for SMEs in 2020

Support implemented	Amount of real spending in 2020
Within the meaning of the Incentives Act	EUR 3,342,023.64
Support for dual education	EUR 2,020,000.00
ECSEL Joint Undertaking	EUR 383,415.00
Eurostars 2	EUR 456,611.20
OPII	EUR 1,102,876.46

Source: MESRS

In 2020, **the Agency for the Promotion of Research and Development (APVV)** implemented activities to support small and medium-sized enterprises through the provision of non-repayable funds for the solution of research and development projects within the meaning of state aid schemes SA.42450 and SA.49175 and ad hoc minimum aid. In 2020, the Agency supported 23 SMEs. In terms of further specification, there were 8 micro-enterprises, 6 small enterprises and 9 medium-sized enterprises. The purpose of the aid was to support research and development in pursuit of selected aims and objectives in line with the long-term objective of the national science and technology policy. In 2020, the amount of funds actually spent by the supported enterprises in the SME size category was EUR 1,727,854.36.

Table 8 APVV: implemented support for SMEs in 2020

	Micro-enterprises	Small enterprises	Medium-sized enterprises	Total SMEs
Total	383,432.22	697,383.00	647,039.14	1,727,854.36

Source: APVV

⁴³ The aid scheme for the promotion of dual education No. SA 53526 was valid until 21 October 2019. In the context of the abolition of the state aid scheme, the State Institute of Vocational Education and the Employers' Council concluded the Memorandum of Cooperation for the dual education system.

⁴⁴ The ECSEL JU, which focuses mainly on technology areas of strategic importance with high added value for the EU economy, was created in 2014 through the merger of the ENIAC and ARTEMIS JU.

⁴⁵ The Eurostars 2 programme is aimed at promoting collaboration between R&D performing SMEs in international projects aimed at developing new products, processes and services.

In 2020, the **Ministry of Agriculture and Rural Development (MARD SR)** provided state aid through the Rural Development Programme and under specific legislation. Through data from the Agricultural Paying Agency (PPA), the Rural Development Programme in 2020 supported SMEs in the areas listed in the table below.

Table 9 PPA: implemented support for SMEs in 2020

Area	Amount of real spending in 2020
4.1 Aid for investment in agricultural holdings	EUR 24,944,394.39
4.2 Support for investment for processing/marketing and/or development of agricultural products	EUR 29,617,611.26
6.1 Start-up aid for young farmers	EUR 2,830,000.00
6.4 Aid for investment in the establishment and development of non-agricultural activities	EUR 15,652,550.34
8.3 Support for the prevention of damage to forests caused by forest fires and natural disasters and catastrophic events	EUR 1,842,006.43
8.4 Aid for the restoration of forests damaged by forest fires and natural disasters and catastrophic events	EUR 1,690,743.99
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 4,671,533.94

Source: PPA

In 2020, a total of 5 SMEs of 1 entity with no specified size category were contracted through the Operational Programme Fisheries 2014–2020. The total amount of approved contributions was EUR 1,748,562.39.⁴⁶

The **Ministry of Culture of the Slovak Republic (MC SR)** supported through the subsidy system of the MC SR in 2020 a total of 167 SMEs in the form of a subsidy from the state budget in the total amount of EUR 1,377,370 (including COVID support). For 2020, the subsidy system consisted of the following programmes. Through the **Renew Your House** programme, 26 SMEs were supported in the amount of EUR 784,100. The **Cultural Vouchers** programme provided support in the form of a subsidy to 40 SMEs in the total amount of EUR 292,390, and the **Culture of Disadvantaged Groups** programme supported 2 enterprises from the SME size category in the amount of EUR 16,300. In order to reduce the economic impact **related to the COVID-19 pandemic**, 88 SMEs were supported through the **Cultural Emergency Relief Programme** for a total amount of EUR 284,580. Furthermore, through the Integrated Regional OP for priority axis 3 - Mobilisation of creative potential in regions, the Ministry of Culture of the Slovak Republic supported a total of 258 SMEs in the amount of EUR 2,549,730.40.

Table 10 Ministry of Culture of the SR: implemented support for SMEs in 2020

Support implemented	Number of supported SMEs	Amount of aid (EUR)
Subsidy system*	167	1,377,370.00
Integrated Regional OP for Priority Axis 3 - Mobilisation	258	2,549,730.40

Source: Ministry of Culture of the SR

*including COVID support

In 2020, through the **Fund for the Promotion of National Minority Culture**, it supported 762 SMEs in the total amount of EUR 6,946,794.0 in the form of subsidies, which were

⁴⁶ Information on the actual spending had not been provided by the deadline for submissions.

financed from the state budget. The individual programmes⁴⁷ have an impact on the creation, dissemination and presentation of the results of cultural and scientific activities.⁴⁸

In 2020, **the Audiovisual Fund** supported a total of 143 SMEs in the amount of EUR 10,049,453 (EUR 10,406,753 including COVID support) through the subsidy system. The entities were supported through the following programmes. In 2020, 68 SMEs (including 65 micro and 3 small enterprises) were supported **through the Creation and Realisation of Slovak Audiovisual Works programme** in the form of subsidies. The actual spending in the year under review was EUR 6,411,470⁴⁹ (of which EUR 5,623,470 was used by micro-enterprises and EUR 788 thousand from small enterprises). In 2020, a total of 48 enterprises in the SME size category (of which 38 micro, 9 small and 1 medium-sized enterprise) were supported in the form of a subsidy **through the Distribution and Other Performances of Audiovisual Works programme**. The actual spending was EUR 1,291,313 (of which the spending for micro-enterprises was EUR 767,036, small enterprises EUR 475,447 and medium-sized enterprises EUR 37,580). 6 SMEs (namely 6 micro-enterprises) were supported **through the Research, Education and Editorial Activities in Audiovisual Culture programme** in the form of subsidies. The total actual spending for SMEs was EUR 36,950. **Through the Development of Audiovisual Technologies in the Slovak Republic programme**, 5 SMEs (namely micro-enterprises) were supported in the form of subsidies. The amount of financial contributions spent in the year under review was EUR 30,940. Last but not least, 16 SMEs (14 micro enterprises and 2 small enterprises) were supported **through the Support for the Audiovisual Industry in the Slovak Republic programme** in the form of subsidies. The amount of actual spending in 2020 was EUR 2,290,030 (of which EUR 2,139,695 for micro-enterprises and EUR 150,335 for small enterprises).

A total of 17 SMEs (of which 13 micro, 2 small and 2 medium-sized enterprises) were supported through the COVID Special Call No. 9/2020, through the programme **Distribution and other public performances of audiovisual works**. The amount of actual spending was EUR 357,300 (of which EUR 99,500 for micro-enterprises, EUR 40,500 for small enterprises and EUR 217,300 for medium-sized enterprises).

Table 11 Audiovisual Fund: implemented support for SMEs in 2020

Audiovisual Fund grant system	Amount of real spending in 2020
Creation and realisation of Slovak audiovisual works	EUR 6,411,470
Distribution and other public presentation of audiovisual works	EUR 1,280,063
Research, education and editorial activities in the field of audiovisual culture	EUR 36,950
Development of audiovisual technologies in the Slovak Republic	EUR 30,940
Support for the audiovisual industry in the Slovak Republic	EUR 2,290,030
COVID SPECIAL CALL 9/2020 (Distribution and other public presentation of audiovisual works)	EUR 357,300

Source: Audiovisual Fund

⁴⁷ The programmes include: (a) Support for cultural and educational activities, science and research; (b) Support for literary, publishing and editorial activities; Support for theatre, music, 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.

⁴⁸ As a result of the pandemic situation, the Fund for the Promotion of National Minority Culture has postponed the deadline for the implementation of projects and the use of funds for all beneficiaries in 2020 until 31 March 2021. The total amount for projects that were not implemented by the deadline was refunded to the Fund.

⁴⁹ Programme: Creation and realisation of Slovak audiovisual works, Distribution and other public presentation of audiovisual works, Research, education and editorial activities in the field of audiovisual culture and the programme Development of audiovisual technologies in the Slovak Republic are financed from contributions to the Audiovisual Fund under Sections 24 to 29 of Act No. 516/2008 Coll. on the Audiovisual Fund and on Amendments and Supplements to Certain Acts. The Audiovisual Industry Support Programme in the Slovak Republic is exclusively financed from the state budget.

Ministry of Environment of the SR (ME SR). In 2020, no entity falling into the SME size category was subsidised by the Environmental Fund.⁵⁰ In the year under review, no entity from the size category of small and medium-sized enterprises was supported by a loan from the Environmental Fund either. In 2020, through the call OPKZP-PO1-SC111-2016-16, 3 SMEs (including 2 micro and 1 small enterprise) were supported, while the actual spending for the supported SMEs was at the level of EUR 4,164,435.08. In 2020, a total of 24 SMEs (including 6 micro-enterprises, 7 small enterprises and 11 medium-sized enterprises) were supported through the call OPKZP-PO4-SC421-2017-30. The total spending for the supported SMEs was at the level of EUR 3,582,497.44. In particular, SMEs can be supported under the following specific objectives of the OP Environmental Quality (EQ):

Table 12 ME SR: areas of support for SMEs under the OP EQ

Specific objective
1.1.1 Increasing the recovery of waste, with a focus on preparing it for re-use and recycling, and promoting waste prevention
1.3.1 Improving the conservation status of species and habitats and enhancing biodiversity, particularly within the network Natura 2020
1.4.1 Reducing air pollution and improving air quality
4.1.1 Increasing the share of renewable energy sources in the gross final energy consumption
4.2.1 Reducing energy intensity and increasing the use of RES in enterprises
4.5.1 Development of more efficient demand-based district heating systems for usable heat Eligible activity A: Construction, reconstruction and modernisation of heat distribution systems
4.5.1 Development of more efficient demand-based district heating systems for usable heat

Source: MEn SR

The Ministry of Investment, Regional Development and Informatisation of the Slovak Republic⁵¹ (MIRDI SR) through the support of the least developed districts, according to Act No. 336/2015 Coll. on the Support of the Least Developed Districts and on Amendments and Supplements to Certain Acts, provided assistance to 172 SMEs in 2020. The amount of the actual spending for the supported SMEs was EUR 7,889,750.

The Ministry of Defence of the Slovak Republic (MD SR) supported one medium-sized enterprise through the Interdepartmental Programme 060EI - Research and Development in Support of National Defence (in the field of research and development of new nanocomposite ceramic materials with increased resistance to mechanical and thermal effects of projectiles of current small calibre weapons). The allocation of funds was at the level of EUR 20,940.40 and the amount of actual spending of funds was EUR 10,438.05.

Bank loans/borrowings



In 2020, **Slovak Guarantee and Development Bank, a.s. (SZRB)** continued to support the entrepreneurship of small and medium-sized enterprises **through the provision of direct loans** aimed at supporting the financing of the investment and operational needs of small and medium-sized entrepreneurs, financing the development of regions, towns, municipalities and legal entities established under special regulations. In 2020, SZRB approved 842 direct loans for SMEs with a total amount of EUR 146.17 million, while the average loan amount was EUR 120.84 million. The amount of direct loans granted (drawn) amounted to EUR 107.11 million.

In addition to SZRB's continued support of small and medium-sized businesses through its product offerings, **in 2020 SZRB introduced two new products, the "Operational Loan**

⁵⁰ Pending submission deadline.

⁵¹ Resolution of the Government of the Slovak Republic No. 417 of 1 July 2020 approved the statute of the Ministry of Investment, Regional Development and Informatisation of the Slovak Republic.

ENTREPRENEUR 2020" and the "SIH Loan", due to the emergency measures taken in the Slovak Republic in connection with the spread of the dangerous contagious human disease **COVID-19** under specific regulations and the relevant state aid and minimum aid schemes, respectively. The operating loan Entrepreneur 2020⁵² serves to support the maintenance of operations of small or medium-sized enterprises, with the possibility of obtaining financial assistance from the Ministry of Finance of the SR in connection with the spread of the dangerous contagious disease COVID-19, in the form of:

- loan guarantees,
- interest rate bonus on the loan.

The SIH loan serves to support the basic level of liquidity needs of SMEs, including micro-enterprises, with the possibility of obtaining financial assistance from the Ministry of Transport, Construction and Regional Development of the SR, as the managing authority for the OPII, and the Ministry of Economy of the SR, as the intermediary body for the funds provided from the OPII for assistance under the State Aid Scheme, in the form of:

- loan guarantees,
- remission of the guarantee fee.

Table 13 SZRB: direct lending to SMEs in the period 2016–2020

Period	2017		2018		2019		2020	
Indicator	Amount in EUR thous.	Number						
Approved	111,209.00	450	74,085.00	440	146,174.00	652	120,841.00	842
Granted	80,786.00	525	85,124.00	537	122,903.00	720	107,711.00	844
Portfolio	273,336.00	1,310	261,712.00	1,197	275,547.00	1,329	301,111.00	1,591

Source: SZRB

According to data from SZRB, as of 31 December 2020, under the loan "ENTREPRENEUR 2020", a total of 279 loans in the amount of EUR 27.4 million were drawn by SME clients, and under the SIH-guaranteed loan a total of 110 loans in the amount of EUR 22.6 million were drawn.⁵³

Slovak Investment Holding, a.s. (SIH) supported SMEs in 2020 through the **OP II credit facility: Scheme DM - 14/2016 PRSL**. A total of 72 SMEs were supported through the scheme in question in the cumulative period (November 2018 to December 2020).⁵⁴ The programme has the impact of improving SMEs' access to funds, serving to finance operational and investment needs. The amount of actual spending in 2020 (for the supported SMEs in the monitoring year) was EUR 5.56 million⁵⁵ (of which EUR 3.23 million from the resources of the ESIF and the state budget).

⁵² The product is provided pursuant to Section 25 of Act No. 67/2020 Coll. on Certain Extraordinary Measures in the Financial Area in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19, as amended.

⁵³ The figures for the instruments in question are part of the SZRB's total direct lending.

⁵⁴ The target group of the aid is undertakings within the meaning of Article 107(1) of the Treaty on the Functioning of the EU (see the relevant scheme DM 14/2016 PRSL). In terms of the size category of enterprises, it is an "SME", which meets the definition of small and medium-sized enterprises according to Annex I of Commission Regulation (EC) No 651/2014.

⁵⁵ An indication of the total actual spending, including the volume of funding from financial intermediaries.

Table 14 SIH: PRSL credit facility granted to SMEs in 2020

Credit lines	Total amount of support for SMEs
OP Integrated Infrastructure Scheme DM-14/2016- PRSL	EUR 5,560,000.00

Source: SIH

The Export-Import Bank of the Slovak Republic (EXIMBANKA SR) supports the SME segment with an appropriate combination of banking and insurance products, as well as with the correct setting of payment and delivery terms for foreign buyers, thus enabling Slovak exporters to successfully implement export contracts, even in the case of their weaker credit profile. **In 2020, EXIMBANKA SR focused primarily on providing direct loans to exporters.** Compared to the values of bank loans granted in 2019, the interest of the SME segment has increased. In 2020, the SME share of equity exposure reached 33 % (including the inclusion of the so-called COVID loans), or EUR 130,607 thousand. **A significant item in support of SMEs in 2020 was loans to support and sustain operations and employment - the so-called COVID loans.**⁵⁶ The real loan disbursement for 2020 (for supported SMEs) amounted to EUR 111,632 thousand (including the so-called COVID loans, which were drawn down in the amount of EUR 30,000 thousand).

Table 15 EXIMBANKA SR: direct lending to SMEs - structure of receivables as of 31 December 2020

Banking products	31/12/2020 (EUR thous.)	Of which SME as of 31/12/2020 (EUR. thous.)
Investment loans	191,672.00	35,581.00
Direct export credits in support of export with a maturity of up to 2 years	57,925.00	26,104.00
Direct export credits to finance investments abroad	106,058.00	30,335.00
Direct credits on export receivables	7,314.00	5,222.00
Promissory note loans	1,406.00	1,406.00
Direct promissory note loans	1,977.00	1,977.00
Maintenance loans - COVID loans	29,982.00	29,982.00
Total direct loans	396,334.00	130,607.00

Source: EXIMBANKA SR

SME clients mostly used investment and export promotion loans with a maturity of up to two years (pre-export financing). Financing of working capital in connection with the implementation of individual export contracts through pre-export as well as through direct credit for export receivables remained the only way for many enterprises from the SME segment to penetrate foreign markets and implement the export contract.

⁵⁶ The product is provided pursuant to Section 25 of Act No. 67/2020 Coll. on Certain Extraordinary Measures in the Financial Area in Connection with the Spread of the Dangerous Contagious Human Disease COVID-19, as amended.

Figure 1 EXIMBANKA SR: the percentage representation of each bank products in direct lending to SMEs in 2020⁵⁷



Source: SBA, compiled based on source documents from EXIMBANKA SR

In 2020, **Slovenská sporiteľňa, a. s. (SLSP)** provided credit and guarantee programmes for SMEs, which it implemented in cooperation with both international and domestic institutions. In 2020, Slovenská sporiteľňa a. s. granted 10 loans amounting to EUR 13 million to SMEs **from the EIB credit line**, thus supporting 10 small and medium-sized enterprises. **From the EBRD credit line**, 6 loans amounting to EUR 8,337,121 were granted, thus supporting 6 SMEs. In 2020, Slovenská sporiteľňa, a.s. granted 83 loans to start-up entrepreneurs on the basis of a business plan amounting to EUR 1,314,830. During the period under review, 6,710 Business accounts were also opened without a fee for 12 months. In 2020, SLSP also granted a total of **309 loans secured by the EaSI - Microfinance portfolio guarantee** amounting to EUR 5,436,375, of which 265 loans in the amount of EUR 4,745,875 for micro-entrepreneurs and 44 loans in the amount of EUR 690,500 for start-up entrepreneurs, thus supporting 263 micro-entrepreneurs and 44 start-up entrepreneurs. Since 2019, SLSP, in cooperation with SIH and NDF II, has been offering favourable loans to finance investment projects and operational needs of SMEs in the field of research, development and innovation. As of November 2019, it has EUR 24.56 million of loan resources at its disposal. NDF II provides a guarantee to the bank for up to 80 % of the loans granted and up to 25 % of the loan portfolio. Loan funds are used to support investment projects and to make available the necessary working capital for the implementation of technological and non-technological innovations. In 2020, SLSP granted a total of 11 loans **secured by the NDF II portfolio guarantee in the field of research, development and innovation** in the amount of EUR 5,427,500, thus supporting 9 SMEs (two SMEs took out two loans each).

Table 16 SLSP: credit lines granted to SMEs in 2020

Credit lines	Total amount of support for SMEs
Loans from the European Investment Bank (EIB)	EUR 13,000,000.00
European Bank for Reconstruction and Development (EBRD) loans (to promote energy efficiency in the private sector and residential buildings)	EUR 8,337,121.00
Loans to support start-ups	EUR 1,314,830.00
EU Employment and Social Innovation Programme loans EaSI - Microfinance (to support micro-entrepreneurs)	EUR 4,745,875.00
EaSI - Microfinance (to support start-ups)	EUR 690,500.00
Loans secured by the SIH/NDF II portfolio guarantee in the field of research, development and innovation in support of SMEs (De minimis aid scheme DM - 16/2018 - Portfolio guarantee of the first loss in the field of research, development and innovation)*	EUR 5,427,500.00

Source: SLSP

*data from the intermediary; the total drawdown under the instrument in question is in SIH FLPG-DM16/2018

⁵⁷ In terms of the structure of SME claims.

At the same time, SLSP supported SMEs during the COVID-19 pandemic in cooperation with domestic financial institutions. SLSP, in cooperation with SIH⁵⁸ and NDF II, offers from 2020 favourable loans to finance investment projects and operational needs of SMEs to avert the immediate impact of the crisis on the functioning of enterprises due to the forced downturn of their activities and the loss of their income. Loan funds are used to support investment projects and make available the necessary working capital, with an emphasis on job retention or creation. The loan is granted with the postponement of principal and interest payments for a period of 1 year. SLSP granted a total of 957 loans secured by the **SIH Anti - Corona Guarantee** in the amount of EUR 93,013,623, thus supporting 955 small and medium-sized enterprises. Since 2020, SLSP, in cooperation with SIH and NDF I and NDF II, has been offering soft loans to finance investment projects and operational needs of SMEs and large companies to mitigate the economic and social impact of the crisis on the functioning of businesses. As of June 2020, it has loan resources at disposal amounting to EUR 8.22 million under the SIH Anti-Corona Guarantee 2A and EUR 55.36 million under the SIH Anti-Corona 2B NDF I.⁵⁹ The loan resources are used to support the so-called renewal investments. The loan is granted with optional postponement of principal and interest payments for a period of 1 year. The advantage of a loan secured by SIH Anti-Corona Guarantees 2A and 2B is a fixed interest rate of a maximum of 1.9 % p.a. for small and medium-sized enterprises and large enterprises and 3.9 % for micro-enterprises. SLSP granted 80 loans secured by the **SIH Anti-Corona Guarantee 2A** in the amount of EUR 8,216,199, thus supporting 80 small and medium-sized enterprises. At the same time, it granted 290 loans secured by the **SIH Anti-Corona Guarantee 2B** in the amount of EUR 39,386,440, thus supporting 290 small and medium-sized enterprises. SLSP in cooperation with EXIMBANKA SR has been offering since 2020 in connection with the outbreak of the COVID-19 pandemic soft loans to finance investment projects and operational needs of SMEs and large companies to mitigate the economic and social impact of the crisis on the functioning of enterprises. As of June 2020, it has at its disposal credit resources limited by the total allocation of State resources of EUR 1.82 billion defined in the State aid scheme in question under the Temporary Framework for State aid measures to support the economy in the current situation caused by the COVID-19 contagion. EXIMBANKA SR provides a guarantee to the bank for up to 80 % of the loans granted and up to 100 % of the loan portfolio. The loan funds are used to support the so-called "renewal investments". The advantage of the loan secured by EXIMBANKA SR Anti-Corona Guarantee is a fixed interest rate of 1.9 % p.a. (maximum). In 2020, SLSP provided 2 loans of EUR 8,800,000 to SMEs, supporting 2 SMEs.

⁵⁸ The comprehensive disbursement related to the Anti-Corona Guarantees (i.e. the total disbursement for the instrument) is in the Bank Guarantees section under SIH (based on SIH submissions). The information provided within each commercial bank is partial and based on input from the respective banks. It applies to all banks that have been involved in the relevant instruments.

⁵⁹ SIH Anti-Corona 2A with ESIF funding; SIH Anti-Corona Guarantee 2B with funding from the state budget of the Slovak Republic.

Table 17 SLSP: Support to SMEs to mitigate the impacts of COVID-19

Credit lines	Total amount of support for SMEs
Loans secured by the SIH/NDF II portfolio guarantee - SIH Anti-Corona Guarantee to mitigate the impacts of COVID-19 (De Minimis Aid Scheme DM-4/2020 - Guarantee instrument to mitigate the constraints caused by COVID-19)*	EUR 93,013,623.00
Loans secured by the SIH/NDF II portfolio guarantee - SIH Anti-Corona Guarantee 2a and 2b to mitigate the impact of COVID-19 on SMEs and large firms (State aid scheme to support the fulfilment of a baseline level of liquidity needs with ESIF resources in connection with the COVID-19 contagion - SIH; State aid scheme to support the fulfilment of a baseline level of liquidity needs with State resources in relation to COVID-19 - SIH*)	EUR 47,602,639.00
Loans secured by portfolio guarantee EXIMBANKA SR Anti-Corona Guarantee to mitigate the impact of COVID-19 on small and medium-sized enterprises and large companies (State aid scheme to support the fulfilment of a higher level of liquidity needs with State resources in connection with the COVID-19 contagion - EXIMBANKA)*	EUR 8,800,000.00

Source: SLSP

*this is an intermediary; more in the SIH Anti-Corona Guarantee Section

Všeobecná úverová banka, a.s. (VÚB) provided loans from various sources to support SMEs in Slovakia in 2020. A summary of the loans granted in the year under review is given below. In 2019, VUB signed a **credit line with the European Investment Bank** (EIB) Luxembourg and projects were financed from this line in 2019. In 2019, a new line was signed with EIB Luxembourg for the same type of clients and projects (SMEs, large corporates, cities and municipalities). EIB investment 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, the efficient use of energy, health and education. In 2020, VUB financed 13 SME projects from EIB resources in the total amount of EUR 14,142,200.⁶⁰ VUB Bank also provides **loans from the resources of the European Bank for Reconstruction and Development** on the basis of the credit line of the Support Programme for the Development of Energy Efficiency and Renewable Energy Sources in Slovakia (SLOVSEFF III – Slovakia Sustainable Energy Finance Facility). The programme is aimed at promoting energy efficiency in industry, renewable energy projects and energy efficiency in residential housing. The main benefit of the programme is the receipt of a non-repayable grant of 5–20 % of the loan volume financed by the credit line. For SMEs, in 2020, the SLOVSEFF III programme provided investments for 2 projects in the total amount of EUR 1,630,00. VUB Bank's **support for SME financing also includes loans provided through the Structural Funds**. The Bank has concluded an Agreement on Cooperation and Joint Procedure between the Bank and the authorities representing the Slovak Republic (with the Ministry of Education, Science, Research and Sport of the Slovak Republic, the Ministry of Environment of the Slovak Republic, the Ministry of Agriculture and Rural Development of the Slovak Republic and the Agricultural Paying Agency), within the framework of the Operational Programmes OP II, Quality of the Environment, Integrated Regional Operational Programme and the Rural Development Programme. It provides two types of loans to finance projects related to the drawdown of EU funds: a bridging loan to pre-finance the non-repayable financial contribution and an investment loan in the form of co-financing. The bridging loan is provided by VUB Bank to bridge the time mismatch between the need to pay the eligible expenses of the applicant, i.e. the client, and the reimbursement of these expenses up to the amount of the approved non-repayable financial contribution (NFA). In 2020, the bank provided financial

⁶⁰ According to the documents received, EUR 2,807,000 were provided to SMEs as support in 2020.

support to 68 clients, in the total amount of EUR 23,993,864.40, the disbursement balance as of 31 December 2020 was EUR 11,353,278.44. The investment loan (co-financing), which represents financing beyond the client's own resources and the NFA up to 100 % of the project costs, is also provided by the bank for the co-financing of the project beyond the eligible costs, if the complexity of the project requires it. In the reporting year 2020, VÚB Bank granted loans to 21 clients for the purpose of co-financing, in the total amount of EUR 9,215,744.87; the disbursement balance as of 31 December 2020 was EUR 4,494,894.89. VUB Bank enables entrepreneurs (farmers) to pre-finance subsidies/direct payments paid from the state budget of the Slovak Republic and reimbursed from EU budgets (through **the Flexi credit for entrepreneurs**). Through this loan, the entrepreneur can receive up to 100 % of the expected direct payments before they are disbursed from the Agricultural Paying Agency, with minimal security, free of charge maintenance of the Special Account, while the entire loan, including interest, principal and the Commitment Fee, is repayable only from the subsidies provided. In 2020, VUB Bank supported 333 entrepreneurs in the total amount of EUR 104,161,808. VUB Bank does not limit the amount of funds that will be used for the provision of FLEXI credit for farmers in the following years. Through **PROFIÚVER**, which the bank provides for farmers for clients from the Small business segment with revenues up to EUR 2 million and the amount of support paid from the PPA for the previous or last subsidy year up to EUR 100,000. The Bank provides this loan in the form of a special-purpose bank overdraft, which is intended to finance the short-term operational needs of the client. In the course of 2020, the bank granted 6 loans in this form in the total amount of EUR 101,372, the disbursement balance as of 31 December 2020 was EUR 57,935. At the same time, VUB Bank actively participated in 2020 in the use of the **Anti-Corona Guarantee** Financial Facility, which aims to help businesses maintain employment and cope with the consequences of measures related to the pandemic situation. By making use of this financial facility (in addition to the security for the loan itself), companies can obtain, subject to certain conditions, an interest subsidy of up to 4 % p.a. (SIH1 scheme) or remission of the guarantee fee (SIH 2A, SIH 2B and EXIM schemes). A great advantage is also a one-year postponement of principal and interest repayments. These loans were launched in April 2020. They can be drawn in the form of revolving loans or instalment loans. In total, 963 loans in the total amount of EUR 154,072,669 were granted under all guarantee schemes (Anti-Corona Guarantee SIH1, SIH2A, SIH 2B and EXIMBANKA) in 2020; the disbursement balance as of 31 December 2020 was EUR 136,064,146.75.

Table 18 VÚB: credit lines granted to SMEs in 2020

Credit lines	Total amount of support for SMEs
Loans from the European Investment Bank (EIB)	EUR 2,807,000.00
European Bank for Reconstruction and Development (EBRD) loans The SLOVSEFF III programme.	EUR 1,630,000.00

Source: VÚB

Československá obchodná banka, a.s. (ČSOB) continued to implement the COSME programme and provide loans. In 2020, the sale of loans under the programme in question continued, but the main focus was on the sale of loans with modified parameters under **COSME COVID** - the continuation of the set line until the end of the sale of COSME loans. In the year under review, 932 small and medium-sized enterprises in Slovakia benefited from ČSOB's more affordable loans from the COSME programme, which is part of the so-called Juncker Plan. The total amount of funds allocated in 2020 was EUR 220 million, and the level of actual spending was EUR 58,649,136 million (of this, approximately 80.99 % was COSME COVID). At the same time, the bank supported 26 SMEs through loans secured by a guarantee under the SIH Anti-Corona Guarantee Financial Facility in the total amount of EUR 4,762,936. In addition,

the bank also supported 33 SMEs through loans secured by guarantees under the SIH Anti-Corona Financial Facility 2A and 2B in the total amount of EUR 21,239,582.

Table 19 ČSOB: credit lines granted to SMEs in 2020

Credit lines	Total amount of support for SMEs
Loans in cooperation with the European Investment Fund (EIF) EU Programme for the Competitiveness of SMEs (COSME, including COSME COVID)	EUR 58,649,136.00
Loans secured by portfolio guarantee SIH Anti-Corona Guarantee*	EUR 4,762,936.00
Loans secured by portfolio guarantee SIH Anti-Corona Guarantee 2A, 2B*	EUR 21,239,582.00

Source: ČSOB

*this is an intermediary; more on SIH Anti-Corona Guarantees in the SIH section

Slovak Business Agency implements a **micro-loan programme**, which is intended for small entrepreneurs employing up to 50 employees. The micro-loan can be used for the acquisition of movable and immovable fixed assets, reconstruction of business premises, as well as for the purchase of necessary supplies, raw materials or goods and other investment projects. The minimum amount of a micro-loan is EUR 2,500 and the maximum amount is EUR 50,000.

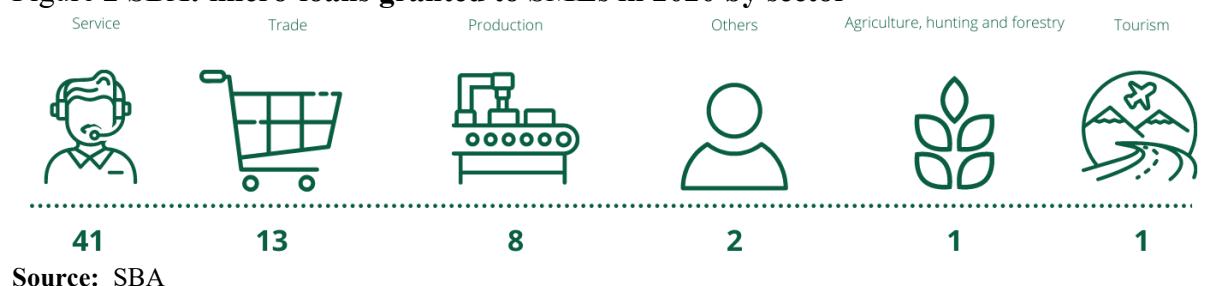
In the monitoring year 2020, 66 micro-loans were granted in the amount of EUR 1,197,650, and 2,316 micro-loans in the amount of EUR 43,757,996 have been granted since the beginning of the implementation of the Micro-loan Programme. **In order to eliminate the impact of the COVID-19 pandemic on entrepreneurs**, in 2020, with the intention of stabilisation, **postponements and adjustments to the repayment schedule were implemented** under the micro-loan programme in 120 cases.

Table 20 SBA: micro-loans granted to SMEs from the Micro-loan Programme in 2020

Credit lines	Total amount of support for SMEs
Micro-loan Programme	EUR 1,197,650.00

Source: SBA

Figure 2 SBA: micro-loans granted to SMEs in 2020 by sector



Source: SBA

Venture capital



Slovak Investment Holding, a.s. supported SMEs in 2020 through the National Development Fund II also **through the venture capital instrument OP Integrated Infrastructure - Venture Capital**. Through this programme, 8 SMEs were supported in the cumulative period (March 2018 to December 2020).⁶¹ The actual spending of funds in the SME

⁶¹ The target group of the aid includes undertakings within the meaning of Article 107(1) of the Treaty on the Functioning of the EU. In terms of the size category of enterprises, it is an 'SME' which meets the definition of an

size category (supported in 2020) was almost EUR 22.09 million⁶² (of which EUR 8.78 million from the resources of the ESIF and the state budget). According to SIH data, SMEs were also supported through the State Aid Scheme for Venture Capital Instrument for Start-ups - SEED/START UP CAPITAL (OP Integrated Infrastructure). The support is intended for start-ups in the "seed" and start-up phase. Through this programme, 30 enterprises in the SME size category were supported in the reporting period.⁶³ The total actual disbursement in 2020 was close to EUR 9.8 million.⁶⁴ In response to the economic impact of the SIH coronavirus pandemic, SIH in collaboration with the Ministry of Finance of the Slovak Republic and the Slovak Association for Innovative Economy (SAPIE) prepared the SIH Anti-Corona Capital (SIHAK) facility. The objective of the facility is to help innovative SMEs that do not have access to credit financing to weather the adversity caused by the coronavirus pandemic. SIHAK presents convertible loans primarily intended for innovative companies that are financed through venture capital. At the end of 2020, according to SIH data, the allocation for SMEs was earmarked in the amount of EUR 6.32 million, and the actual spending in the year under review did not take place.

Table 21 SIH: venture capital provided to SMEs in 2020

Venture capital instrument	Total amount of support for SMEs
Venture capital	EUR 22,085,000.00
SEED/START-UP CAPITAL FUNDS (OP Integrated Infrastructure)	EUR 9,727,000.00

Source: SIH

Slovak Business Agency supports growth-oriented entrepreneurial projects by providing venture capital (contribution to the registered capital of companies) through its specialised subsidiary National Holding Fund, s.r.o. (until 20 March 2014 under the business name Fund of Funds, s.r.o.). The long-term mission of the company is to guide the activities of the individual funds so as to stimulate the development of the SME sector throughout the territory of the Slovak Republic, to evaluate the volume of financial resources of the individual funds and to use the achieved profits for the implementation of the long-term goal of SME support.

National Holding Fund: Start-up Capital Fund, Regional Start-up Capital Fund, SISME Fund, Innovation and Technology Fund, a.s., Slovak Development Fund, a.s., Eterus Capital, a.s.⁶⁵

In the year under review 2020, a total investment amount of EUR 14,276,452⁶⁶ (from Eterus Capital, a.s.) was approved through the above-mentioned managed funds. Compared to 2019, the volume of approved investments in 2020 was EUR 741,452 higher (in 2019, the volume of approved investments was EUR 13,535,000). The amount of investments made was EUR 6,038,000. Of these, an investment of EUR 1,638,000 was made from the Innovation and Technology Fund and EUR 4,400,000 from the Slovak Growth Capital Fund. In the year-on-

SME according to Commission Recommendation 2003/361/EC of 6 May 2003 or, alternatively, an enterprise which does not meet the definition of an SME.

⁶² An indication of the total actual spending, including the volume of funding from the independent investors' own resources.

⁶³ The target group of the aid includes undertakings within the meaning of Article 107(1) of the Treaty on the Functioning of the EU (see the relevant State aid scheme for the facility of venture capital for start-ups - Seed and Start-up Capital SA.56488). In terms of the size category of enterprises, it is an "SME", which meets the definition of small and medium-sized enterprises according to Annex I of Commission Regulation (EC) No 651/2014.

⁶⁴ An indication of the total actual spending, including the volume of funding from the independent investors' own resources.

⁶⁵ Originally Slovak Growth Capital Fund, a.s.

⁶⁶ Data available at the closing date for submissions.

year comparison, the total amount of investments made decreased by EUR 1,719,000. In terms of the company lifecycle for investment proposals, 6 companies were in the Start-up phase and 2 companies were in the Development phase.

Table 22 SBA: venture capital provided to SMEs in 2020

Fund name	Investments approved in 2020		Investments made in 2020	
	Number	Amount (EUR)	Number	Amount (EUR)
Technology Innovation Fund	0	0	5	4,338,000
Eterus Capital, a.s.	6	14,276,452	3	1,700,000
Total funds	6	14,276,452	8	6,038,000

Source: SBA

3.2.2. Indirect form of support for SMEs

Bank guarantees



In 2020, **Slovak Guarantee and Development Bank, a.s.** (SZRB) continued to support small and medium-sized enterprises also through the provision of guarantee programmes. In the 2020 monitoring year, the SZRB approved and provided for small and medium-sized enterprises 112 guarantees in the total amount of EUR 12.5 million, of which approximately 70.74 % were fast guarantees for loans from commercial banks.

Table 23 SZRB: guarantee programme provided to SMEs in 2020

Guarantee instruments	Total amount of support for SMEs
Guarantee programmes (granted)	EUR 12,503,000.00

Source: SZRB

Slovak Investment Holding, a.s. supported SMEs in 2020 also through the OP II guarantee instrument: Scheme DM 15/2016 - FLPG. 68 SMEs were supported through the scheme in question in the cumulative period (November 2018 to December 2020).⁶⁷ The amount of actual spending in 2020 (for the supported SMEs in the monitoring year) was EUR 9.24 million⁶⁸ (of which EUR 0.65 million from the resources of the ESIF and the state budget). Through the OPP II: Scheme DM 16/2018 - FLPG VVI supported 9 SMEs (including contracted) in the cumulative period from November 2019 to December 2020. The amount of the actual spending (only for supported SMEs in 2020) was almost EUR 4.12 million⁶⁹ (of which EUR 0.82 million from the resources of the ESIF and the EU). **In response to the coronavirus pandemic**, a number of guarantee financing instruments were launched in 2020 - the SIH Anti-Corona Guarantee (SIHAZ 1) and the SIH Anti-Corona Guarantee 2 (SIHAZ 2). The aim of both instruments is to help SMEs weather the adversity caused by the coronavirus pandemic while maintaining employment. 8 banks participated in the implementation of SIHAZ1. 11 banks participated in the implementation of SIHAZ2. A total of 2,189 SMEs (including 1,252 micro, 725 small and 212 medium enterprises) have been supported between April 2020 and December 2020 through the De Minimis Aid Scheme, a guarantee instrument to alleviate the constraints caused by COVID-19 (guarantee and interest rate bonus) - DM-4-020-SIHAZ 1. The actual spending for the supported SMEs was EUR 280.4 million (of which EUR 112.16 million from

⁶⁷ The target group of the aid includes undertakings within the meaning of Article 107(1) of the Treaty on the Functioning of the EU (see the relevant scheme DM 15/2016 FLPG). In terms of the size category of enterprises, it is an "SME", which meets the definition of small and medium-sized enterprises according to Annex I of Commission Regulation (EC) No 651/2014, from regions of Slovakia outside BSR.

⁶⁸ An indication of the total spending, including financial contributions from financial intermediaries.

⁶⁹ An indication of the total spending, including financial contributions from financial intermediaries.

the resources of the ESIF and the state budget).⁷⁰ The purpose of the support is to provide soft bridging loans to SMEs and an interest rate subsidy to reduce interest rates, thereby helping SMEs to cope with the limited access to capital caused by the crisis situation beyond the control of the enterprises and enabling them to implement social measures in the form of job retention despite the crisis situation. Through the State Aid Scheme to support the fulfilment of the basic level of liquidity needs with the resources of the ESIF in connection with the COVID-19 contagion - SIH (**SIHAZ 2A**⁷¹) 3,281 SMEs were supported in the cumulative period from June 2020 to December 2020 (support ended on 31 December 2020). Of which 2,659 micro-enterprises, 589 small enterprises and 33 medium-sized enterprises. The amount of the actual spending for the supported SMEs was nearly EUR 198.11 million⁷² (of which EUR 178.3 million from the resources of the ESIF and the state budget). The purpose of the support is to mitigate the impact of the declaration of a extraordinary situation or state of emergency in connection with the COVID-19 pandemic in the territory of the Slovak Republic. A total of 1,651 SMEs within the SME size category were supported through the State aid scheme to support meeting the baseline level of liquidity needs with the State resources in connection with the COVID-19 contagion - SIH (**SIHAZ 2B**) in the cumulative period from June 2020 to December 2020. Of which 1,294 micro-enterprises, 317 small enterprises and 40 medium-sized enterprises. The amount of the actual spending for the supported SMEs was EUR 110.65 million⁷³ (of which EUR 99.58 million from the resources of the state budget). The support is intended to help SMEs (and large enterprises) and bridge the adverse period caused by the pandemic in order to maintain employment, urgently support the financial health, liquidity as well as the cash flow of enterprises.

Table 24 SIH guarantee programme provided to SMEs in 2020

Guarantee instruments	Total amount of support for SMEs
FLPG (FIRST -LOSS PORTFOLIO GUARANTEE) - De minimis aid scheme First Loss Portfolio Guarantee (Scheme DM-15/2016)*	EUR 9,243,000.00
FLPG - De minimis aid scheme First Loss Portfolio Guarantee (Scheme DM-16/2018)*	EUR 4,115,000.00
SIH ANTI-CORONA GUARANTEE (SIHAZ 1)*	EUR 280,402,000.00
SIH ANTI-CORONA GUARANTEE 2A (SIHAZ 2A)*	EUR 198,108,000.00
SIH ANTI-CORONA GUARANTEE 2B (SIHAZ 2B)*	EUR 110,648,000.00

Source: SIH; *data on total spending for supported SMEs in 2020

The Export-Import Bank of the Slovak Republic (EXIMBANKA SR) also provided guarantee programmes in 2020. A total of EUR 3,295,000 in bank guarantees were issued for the SME segment.

Table 25 EXIMBANKA SR: guarantee programme provided to SMEs in 2020

Guarantee instruments	Total amount of support for SMEs
Bank guarantees issued in the SME segment	EUR 3,295,000.00

Source: EXIMBANKA SR

⁷⁰ The instrument consists of guarantees for Slovak banks, through which the NDF II assumes from the banks a specified percentage of part of the credit risk on new loans. In the case of SIHAZ, this is an 80% coverage of individual loans out of a 50% portfolio. An indication of the total spending, including financial contributions from financial intermediaries.

⁷¹ The instrument consists of guarantees for Slovak banks, through which the NDF II assumes from the banks a percentage of part of the credit risk on new loans. In the case of SIHAZ 2A, this is a 90% coverage of all new loans.

⁷² An indication of the total spending, including financial contributions from financial intermediaries.

⁷³ An indication of the total spending, including financial contributions from financial intermediaries.

UniCredit Bank, a.s. provided the InnovFin SME Guarantee Facility programme in cooperation with the EIF to support SMEs in Slovakia in 2020. Under the programme, a total of 14 SMEs were supported in the amount of EUR 16.5 million in the reporting year 2020. The objectives of the support include increasing the competitiveness of SMEs, improving the economic situation of SMEs, promoting employment and facilitating access to new technologies. At the end of 2018, UniCredit Bank, a.s. launched a new programme from SZRB (Portfolio First Loss Guarantee - FLPG), which was also fully used in 2020. A total of 31 SMEs in the SME size category (of which 7 micro-enterprises, 14 small and 10 medium-sized enterprises) were supported through the programme. The soft loan can be used to invest in tangible and intangible assets or to invest in working capital related to the development and expansion of the business. The amount of allocated funds in 2020 was EUR 10.5 million, while the actual spending was EUR 5.9 million. UniCredit Bank, a.s. also provided loans guaranteed by SIHAZ1, SIHAZ2A and SIHAZ2B. More in the section SIH Anti-Corona Guarantee.

Table 26 UniCredit Bank: guarantee programmes provided to SMEs in 2020

Guarantee lines	Total amount of support for SMEs (EUR)
Loans guaranteed by the EIF guarantee from the INNOVFIN SME GUARANTEE FACILITY Programme	EUR 16,500,000.00
FLPG (FIRST -LOSS PORTFOLIO GUARANTEE)*	EUR 5,900,000.00

Source: UniCredit Bank

*Note: This was only for the financial intermediary FLPG (the total spending is in terms of guarantee programmes SIH-DM15/2015)



Incentives, tax and other reliefs

According to the data of the Financial Directorate of the Slovak Republic, tax relief was granted through tax offices to SME recipients of investment aid in 2020. A total of 7 SMEs were supported, of which 1 small enterprise and 6 medium-sized enterprises. The amount of the total tax relief for aid beneficiaries was EUR 578,842.51, of which the aid for small enterprises was EUR 15,643.87 and for medium-sized enterprises EUR 563,198.64. The deduction for research and development expenditure was claimed by 223 SMEs in the amount of EUR 38,533,875.32, of which 46 micro-enterprises in the amount of EUR 2,432,865.01, 99 small enterprises in the amount of EUR 12,007,289.34 and 78 medium-sized enterprises in the amount of EUR 24,093,720.97. Through the relief under the minimum aid scheme DM 12/2018, 36 SMEs were supported, including 23 micro enterprises, 10 small enterprises and 3 medium-sized enterprises. The total amount of aid for SMEs was EUR 384,123.51, of which the amount of aid for micro-enterprises was EUR 178,612.95, for small enterprises EUR 47,191.76 and for medium-sized enterprises EUR 158,318.80. A total of 12 SMEs were supported through income tax relief for registered social enterprises - SMEs, including 5 micro enterprises, 6 small enterprises and 1 medium-sized enterprise. The amount of support under the tax relief in question for SMEs was EUR 86,792.45, of which EUR 9,789.93 for micro-enterprises, EUR 50,605.34 for small enterprises and EUR 50,605.34 for medium-sized enterprises.

Table 27 Financial Directorate: tax reliefs granted to SMEs in 2020

Tax reliefs	Total amount of support for SMEs (EUR)
Tax reliefs for recipients of investment aid - SMEs	EUR 578,842.51
Deduction of research and development expenditure claimed by SMEs	EUR 38,533,875.32
Income tax relief for registered social enterprises - SMEs	EUR 86,792.45
Relief granted to SMEs under the DM scheme 12/2018	EUR 384,123.51

Source: Financial Directorate of the Slovak Republic

In 2020, the customs authorities granted state aid to SMEs under the relevant state aid schemes in the total amount of EUR 34.67 million. There was a year-on-year decrease in the volume of state aid granted by customs authorities. The decrease in state aid granted was reflected in the activity of SMEs, where the volume of tax benefits decreased the most, especially in the electricity, natural gas and coal sectors (down 23.34 %). These companies have benefited from existing State aid to a reduced extent, but this does not preclude future growth potential given the specific situation in 2020 (worsened pandemic situation, lockdown and the associated downturn in business activity). The SME tax benefit was mainly used in the context of biofuels.

Table 28 Financial Directorate: support provided to SMEs through customs authorities in 2020

Aid number	Aid purpose	Total amount of support for SMEs (EUR)
Measure - Act No. 609/2007 Coll.*	Environmental protection	EUR 6,520,000.00
Scheme SA.49509	Environmental protection	EUR 25,160,000.00
Scheme SA.46046	Sectoral aid - Transport	EUR 2,990,000.00

Source: Financial Directorate of the Slovak Republic

Other (advice and services)



Slovak Business Agency

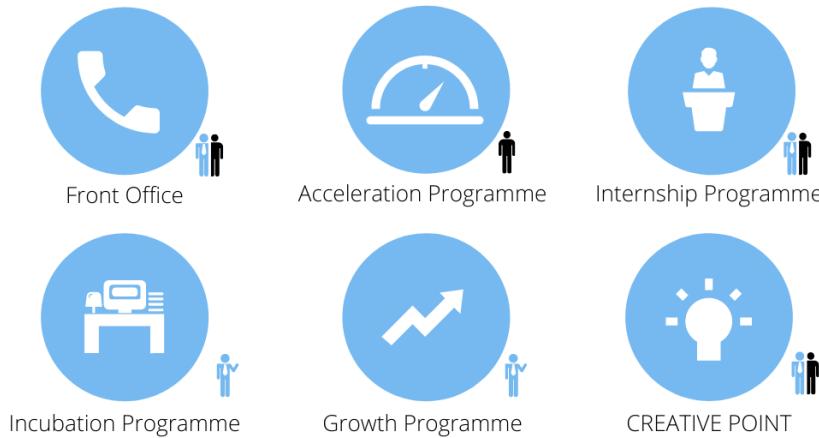
The Slovak Business Agency as a key specialised institution in terms of SME support in Slovakia continued its activities in 2020. In the following section, support intended for small and medium-sized enterprises is specified in more detail.

• Services

In 2020, the SBA continued to support SMEs and natural persons - non-entrepreneurs through the provision of a variety of non-financial services.

In 2020, entrepreneurs could benefit from different types of services (counselling, participation in various events focused on current topics for both future and established entrepreneurs, consultations, support for start-ups, incubator - physical and virtual membership, international professional events, educational courses, process audit of the company, Creative Point, Accelerator, support for family businesses, EEN)⁷⁴. The pandemic has also affected the organisation of events and the running of services. In 2020, therefore, these were moved much more to the online environment. Individual counselling and consultation services for SMEs have also been strengthened, which clients have used for their business, including in the context of the current crisis and the solutions to its consequences. At the same time, less interest was registered in certain types of services such as motivational and activation team activities, where personal contact is preferred, as well as in individual services of the Creative Point technology workshop and also in services abroad, such as international professional events. A number of planned events were cancelled and the transition to an online environment was gradual, with online options for attending events increasing as the pandemic prolonged.

⁷⁴ Those interested in entrepreneurship could take advantage of consultations, the Accelerator, the services of Creative Point, but they could also participate in various events.



Note

Services provided for:

-  SMEs
-  Natural persons - non-entrepreneurs
-  SMEs as well as natural persons - non-entrepreneurs

Internship Programme

Through the Internship Programme, International Events were carried out for the target group of SMEs in the year under review. There were no international professional events for natural persons - non-entrepreneurs in 2020. A total of 30 SMEs were supported through the programme in 2020⁷⁵.

Incubator - Physical and Virtual Membership (Incubation Programme)

In the framework of the incubation programme, a service and related professional activities (consultancy) were implemented for the target group of SMEs. In 2020, 37 SMEs were supported through the Incubation Programme⁷⁶.

Growth Programme (GP)

Under the Growth Programme, the following non-financial services were implemented for the target group of SMEs during the monitoring period:

- short-term individual counselling GP,
- long-term individual GP,
- expert project advice for SME involvement in EU Community programmes,
- motivational and activation team activities of the GP,
- information and popularisation activities (conferences, seminars, presentations of examples of successful business practice),
- group professional counselling (lectures, workshops, seminars),
- networking - networking support,
- educational events,
- international professional events.

A total of 4,182 SMEs were supported within the target group of SMEs⁷⁷.

⁷⁵ Total figure for services within NBC II BA region and NBC in the regions.

⁷⁶ Total figure for services within NBC II BA region and NBC in the regions.

⁷⁷ Total figure for services within NBC II BA region and NBC in the regions. A total of 1,526 clients were served in the NBC in the regions under the GP up to 3 years and 1,843 clients were served under the GP over 3 years.

Creative Point (CP)

The pandemic has also affected the services provided through the workshop. As with other services, Creative Point's services have moved to the online environment. The services provided in 2020 for SMEs and natural persons - non-entrepreneurs included:

- Group counselling (CP Technical Tuesdays; Special Workshops; Workshop Series; CP Roadshow).
- Individual counselling (Specialist individual counselling).

Examples of events:

- 3D modelling in Blender,
- Advanced 3D modelling in Blender,
- Explore Adobe Illustrator,
- Graphic design in practice,
- Fusion 360: animation and 3D modelling and more.

Through Creative Point, 125 SMEs and 606 natural person - non-entrepreneurs were supported.

Acceleration Programme

Through the Acceleration Programme, a number of group counselling sessions (expert one-offs, motivational activities, networking support), expert individual counselling sessions, group model counselling sessions (consultations) were carried out in 2020. In 2020, the Summer School was also implemented, as well as an intensive programme for starting your own business called the Accelerator. Due to the evolution of the pandemic, Roadshows have not been implemented.

In total, the programme supported almost 3 thousand clients (2 947 clients⁷⁸) in the year under review. Examples of events that took place in 2020:

- Business marketing,
- Digital marketing to the max,
- Master sales techniques,
- How to start an e-shop,
- How to trade on the stock exchange,
- Spontaneity training,
- Stressful situations in the beginning of business,
- Customized business model,
- Projects that have a chance to succeed,
- Summer School for Creatives,
- How to assert yourself when you start a business,
- Targeted to the customer,
- Marketing communication in times of crisis,
- Create a business plan and more.

⁷⁸ Total figure for services within NBC II BA region and NBC in the regions.

The following summary table shows a summary of the number of supported SMEs as well as natural persons - non-entrepreneurs in 2020 and the amount of real spending for the supported entities.

Table 29 SBA's results in 2020 in supporting SMEs and natural persons - non-entrepreneurs through the listed non-financial services - programmes

	Number of supported SMEs	Number of supported natural persons - non-entrepreneurs	Amount of real spending (EUR)
Summary data	4,374	3,553	EUR 8,709,231.97

Source: SBA

Support for the internationalisation of SMEs

SBA supported a total of 477 SMEs in the 2020 monitoring year⁷⁹. The total allocation of funds in the year under review amounted to EUR 626,760, while the actual spending was at the level of EUR 482,796.35 (of which EUR 410,376.9 from EU sources and EUR 72,419.45 from the state budget).

Table 30 SBA results in 2020 in the field of support for the internationalisation of SMEs⁸⁰

	Number of supported SMEs	Amount of real spending (EUR)
Summary data	477	EUR 482,796.35

Source: SBA

Within the framework of support for the internationalisation of small and medium-sized enterprises, consultancy services were provided to help SMEs to set up marketing, management, legislation, financing, etc. in the field of expansion abroad. In terms of services, 52 long-term counselling sessions, 220 short-term counselling sessions and 4 group events were carried out on these topics. In addition to this, we have provided free advice for the development of projects under the 7 SME Community Programmes. There was also an opportunity in 2020 to help set up an online business for SMEs, where 38 long-term consultancy sessions, 81 short-term consultancy sessions and 10 group events - seminars - were held.

Figure 3 Focus of the main SBA activities implemented through the NP Support for the Internationalisation



- stimulating existing and future entrepreneurs to internationalise,
- improving efficiency in the implementation of business activities, production results and services,
- improving the level of presentation activities, positioning 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 subcontracting chains,
- increasing SME participation in EU support programmes,
- raising awareness of the benefits and opportunities of using alternative trading platforms,
- increasing the knowledge level of SMEs in the field of e-business.

Source: SBA

⁷⁹ Results in the sense of NP Support for the internationalisation of SMEs.

⁸⁰ Data for NP Support for the internationalisation of SMEs.

International projects

During 2020, the Slovak Business Agency continued to implement pilot projects to open up the topics of the Small Business Act - international projects that touched on various areas. A clear infographics summarises information about each project:



1. Project "V4 Network on Entrepreneurship"

- The main objective of the project is to bring together knowledge, experts and researchers focusing on entrepreneurship and SMEs in the Visegrad countries to create a new cross-border network.
- The project is co-financed by the governments of the Czech Republic, Hungary, Poland and Slovakia through grants from the International Visegrad Fund. The mission of the Fund is to develop ideas for sustainable regional cooperation in Central Europe.
- On 21 and 22 January 2020, 23 experts from the V4 countries gathered in Bratislava to exchange during the final workshop of the project ideas and insights on current trends and challenges of entrepreneurship in the V4 region. The outcome of the workshop, with the involvement of policy makers from the Visegrad region, is a set of joint recommendations and proposals for further changes to the laws governing business.

More information about the project: <http://hetfa.eu/v4-network-on-entrepreneurship/> 

2. Project "Women, families, careers - a civil society forum in the V4 spirit"

- Between 17 February and 31 October 2020, the SBA cooperated in the implementation of a project supported by the Visegrad Fund and the Ministry of Human Resources in Hungary.
- The main objective of the project was to formulate common recommendations for policy makers, based on the discussions held during the project conference and the input gathered in the e-survey.
- The project was co-financed by the governments of the Czech Republic, Hungary, Poland and Slovakia through grants from the International Visegrad Fund.
- Within the framework of the project, an international conference entitled "Women, Families, Careers - a Civil Society Forum in the V4 Spirit" was organized in Budapest on 28 August 2020.
- The conference jointly launched the Forum as a V4 civil society initiative to help promote women's employment. The emphasis was work/life balance, taking into account the values of our region and its sustainability.
- As the main output of the project, the SBA has produced a study based on the conference discussions and the input gathered in the survey (carried out from 24 August to 15 September 2020, involving 479 respondents from the V4 countries), complemented by common recommendations for decision-makers and policy-makers.

More information about the project: <https://visegradwomen.net/page/home/> 

3. Project "EU ECO-TANDEM PROGRAMME"

- The main objective of the project is to support tourism SMEs and the development of sustainable tourism through transnational cooperation and knowledge sharing.

- The introduction of sustainability innovations will be promoted by linking a sustainability-focused start-up and a traditional tourism SME and financial support for their cooperation.
- The project will run from June 2020 to May 2023.
- The project is financially supported by the EC, through the COSME programme.
- In 2020, the consortium of partners worked on the analysis of the needs of entrepreneurs and the current situation in the tourism sector, which is markedly affected by the impact of the COVID-19 pandemic. The analysis included a survey involving 158 respondents.
- The main output of the project, which is an inter-sectoral education and training programme designed to educate and train individuals and SMEs operating in the tourism sector, with the aim of increasing their competitiveness in the market, has also been actively prepared through the introduction of new processes and management with an emphasis on the sustainability aspect.

More information about the project: <https://www.eu-ecotandem.eu/> 

4. Project "THINGS +"

- The project "Introducing Service Innovation into product-based manufacturing companies" is implemented within the INTERREG CENTRAL EUROPE programme.
- Its aim is to increase the competitiveness of SMEs focusing on the production of products in both domestic and international markets through the introduction of service innovations or the concept of servitization into their portfolios.
- The essence of the concept of servitization is to combine the offer of products with additional services for the customer, or even to offer a solution to the customer's "problem" in the form of a service instead of the direct sale of goods.
- The consortium consists of 10 partners from nine EU Member States (Slovakia, Czech Republic, Austria, Federal Republic of Germany, Italy, Slovenia, Croatia, Poland and Hungary).
- In the monitoring year 2020, a training cycle of four consecutive workshops was organized by the SBA for selected Slovak enterprises. The whole programme was completed by 5 SMEs.
- At project level, 2 e-catalogues with inspiring examples of companies have been published. Among them were also 5 examples from Slovakia, which thanks to the "THINGS+" project have successfully developed servitization concepts based on complementary services.
- The Consortium also presented a set of recommendations (Policy Recommendation Paper) that will provide a guide for policy makers, i.e. state administration bodies, on how - at both national and regional level - to foster the creation of conditions conducive to service innovation in SMEs.

More information about the project: <https://www.interreg-central.eu/Content.Node/THINGS-.html> 

5. Project "Biz4Fun"

- In 2018, the SBA launched the "Let's have fun with the business start-up" project.
- The aim of the project is to respond to the need to provide lifelong learning opportunities and support for entrepreneurial activities.
- In the monitoring year 2020, activities were focused on the preparation of an educational platform called 3D Virtual World Social game. As part of this, its testing and the preparation of questionnaires has begun.
- Pilot testing and a Multiply Event were also planned, but due to COVID-19 these activities have been put on hold and rescheduled for 2021. This also entails the extension of the project implementation until 31 July 2021.

More information about the project: <http://www.biz4fun.eu/> 

6. Project "Robotics and SMEs" (ROB-SME)

- The international project "Robotics and SMEs" is an international project co-funded by Erasmus+ under KA204 - Strategic Partnerships for Adult Learning.
- Based on a survey and analysis of the needs of SMEs in Europe, the aim of the project will be to develop a series of training and support tools for SME managers to enable them to assess the value of robots and artificial intelligence for the development and sustainability of their business, and then to introduce these tools effectively.
- In 2020, the project successfully continued with activities (despite the pandemic).
- As part of the activities, a questionnaire survey was carried out involving 137 SME managers from 12 countries. Subsequently, a report on the state of robotics and artificial intelligence in the project partner countries has been produced and a number of educational materials have been designed and developed, which will be progressively added to the project's web platform for testing during 2021. As part of them, the SBA filmed a series of interviews with Slovak experts on the topic of introduction to robotics and artificial intelligence for SMEs.

More information about the project: <https://www.robsme.com/> 

7. Project "INNO INDUSTRY"

- International project "Improving innovation delivery of policies within 4.0 industry in Europe" is co-funded by the Interreg Europe programme.
- The aim of the project is to increase the share of clusters implementing activities to support the transformation towards Industry 4.0 by 2022.
- It is supported by international exchanges of experience aimed at improving regional and national support policies.
- The key outputs of the project are regional SWOT analyses in 10 EU regions, the identification and sharing of at least 30 examples of good practice related to clusters and Industry 4.0, and 10 action plans to implement improvements in relevant policies.
- The activities of the project continued in 2020, although they were to a large extent affected by the pandemic. For this reason, a six-month extension of Phase 1 of the project was agreed in December 2020. In spite of this, it was possible to implement all the planned activities, sometimes in a modified form. Among them, 1 physical and 5 virtual workshops aimed at transferring examples of good practice in the topics of cluster policy and Industry 4.0. Within these workshops, 3 identified Slovak best practices were also presented:⁸¹

More information about the project: <https://www.interregeurope.eu/innoindustry/> 

8. Project "BRESE +"

- The experience of different countries in promoting social entrepreneurship varies, as does the portfolio of measures implemented at national or regional level.
- The ambition of the project "Border Regions in Europe for Social Entrepreneurship" is to identify barriers and contribute to their removal on the basis of international experience and exchange of good practice.
- The project consortium, made up of partners from Germany, the Netherlands, Croatia, Poland and Latvia, was set up to engage in a cross-regional learning process on the subject.
- The implementation of the project in 2020 was accompanied by an epidemiological situation related to the spread of COVID-19. Nevertheless, an online meeting of the project partners, organized by the Polish partner, was successfully realised.

⁸¹ These included: Industry 4.0 platform/cluster - Industry4UM, Cluster Stakeholders'

- Two successful examples of good practice were presented at the event. Under the project the preparation of an Action Plan has also started, the results of which will be published in 2021/2022. It has also been possible to broaden the group of stakeholders and to establish cooperation with several European institutions, including the European Commission, DG Growth. The SBA also participated in the preparation of the BRESE project brochure, which is also translated into Slovak language.

More information about the project: <https://www.facebook.com/BRESEproject/>



9. Project "COCO4CCI"

- The aim of the "Culture and Creative Industries COOPERATION COLLIDER" project is to connect the cultural and creative industries (CCI) with technology-oriented companies (AVM - advanced manufacturing) and to create less traditional forms of cooperation.
- The main benefit of collaboration between the creative and manufacturing industries is to support the innovation process in the SMEs involved.
- The project, in which the SBA is involved as one of 12 partners, is financially supported by the European Regional Development Fund through the Interreg Central Europe programme.
- The implementation of the project in 2020 was accompanied by an epidemiological situation related to the spread of COVID-19. In spite of this, an online meeting of the project partners was organized.
- The activities of the project in 2020 were focused on the creation of tools aimed at developing the skills of representatives of the cultural and creative sector for the successful establishment of cooperation with the production sector.
- In cooperation with the partner Creative Industry Košice, 5 online events focused on connecting the creative industry and modern production were organized. The "CREATIVITY4CIRCULARITY" call involved 13 companies that were consulted by an expert in innovation and change management. With his help, they identified the challenges to the solution of which representatives of the creative sector from the fields of design, IT, business models, marketing and communication will be invited.
- A series of 6 "Creativity4Circularity" podcasts on technology, trends and the so-called mindset in the circular economy was launched as part of the training.

More information about the project: <https://www.interreg-central.eu/Content.Node/COCO4CCI.html>



10. Project Cross-border capacity building for developing circular regions

- The aim of the "CircularRegions" project is to accelerate the transfer of circular economy principles to the business sector in the Slovak-Hungarian border region.
- Partner organisations from Slovakia (SBA; Institute of Circular Economy) and Hungary (IFKA and BCSDH) will implement a set of activities aimed at:
 - a) mapping cross-border regions,
 - b) preparation of methodology and training materials (on topics related to the circular economy and ways to assess the level of circularity of SMEs),
 - c) training of consultants (to expand the portfolio of services for SMEs),
 - d) creating a service for SMEs and testing it in selected companies.

The project was launched in December 2020, when the kick-off meeting of the project partners took place. Most of the activities will take place in 2021.

More information about the project on the project website: <https://www.npc.sk/sk/projekty/mezinarodne-projekty/circularregions/o-projekte/>



- **Enterprise Europe Network (EEN)**

To support the development of SMEs and accelerate their effective functioning in the conditions of the single European market, the European Commission has created a large number of support instruments. One of the tools to support the development of internationalisation and international cooperation of SMEs is the international business support network Enterprise Europe Network (EEN), which operates in more than 60 countries around the world. In Slovakia it is represented by the project BISS Slovakia 2020 (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 European Commission initiative provides entrepreneurs with one-stop shops under which they can get information, advice and a wide range of easily accessible business support services.

Through the EEN project, a total of 576 SMEs were supported for the consortium in the monitoring year 2020. In 2020, 94 SMEs were supported through the SBA under the above project. The SBA spent EUR 63,564.69 in support of SMEs, of which the EC contribution was EUR 38,138.84 (60 %).

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

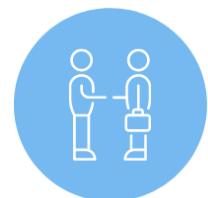
Figure 4 EEN activities

Advisory, support and information activities



Regional information seminars and training on various topics; answering entrepreneurs' questions (access to markets and doing business in foreign markets, EU ordinances and regulations, EU programmes 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



Search for partners abroad, or international business events, so-called cooperation events and business missions; database of partner opportunities - business, technological and Research and Innovation profiles (cooperation in EU programmes).

Feedback from SMEs to the EC



Collecting SME comments on EU business legislation and regulations; - Informing the European Commission about SME issues through various tools such as the SME Feedback database, online consultations, SME panels, etc.

Innovation support for Horizon 2020



Improving innovation management; improving innovation processes, management and implementation of innovation.

Source: SBA

• **Support for family businesses**

In 2020, assistance to family businesses was implemented in one component - with free expert advice. The SBA has announced a "Call for applications for support under the Family Business Support Scheme 2017–2020" with an allocation of EUR 570,000. The main objective of the call was to help family businesses address the issue of succession and generational change in terms of the management of the family business (managerial succession) and in terms of assets (transfer of ownership). It is a rather complex and complicated process that significantly affects the life of the company and the family itself. **The SBA also reflected the country's pandemic emergency and included a third specific area of assistance in the call - reducing the impact of the pandemic on the family business.**

A total of 73 applications were submitted to the call. After evaluation by the selection committee, 31 successful entrepreneurial projects of family businesses from all over Slovakia, out of 33 approved projects, were supported without co-financing in the form of professional consultancy services. The consultancy was provided by 57 experts - specialized external collaborators of the SBA in the total scope of almost 5 thousand consulting hours.

The technical assistance was aimed at kick-starting the process of generational change or at postponing a certain phase of this process. Part of the consultancy focused on the situation caused by the pandemic, in particular on finding solutions to the complicated situations in the company caused by the ongoing crisis in 2020. As the two successful family businesses did not end up benefiting from the advice, the actual aid granted was reduced compared to the approved aid amount. The implementation of the call financed from the state budget 2020 was completed in March 2021, with the financial quantification of the aid amounting to EUR 503,298.

Figure 5 Areas of support in the framework of expert advice for supported family businesses



- management skills,
- entrepreneurial skills,
- professional skills,
- communication skills area,
- addressing the impact of the crisis on the family business in the context of the spread of COVID-19.

Source: SBA



• **Support for start-ups**

In 2020, support for start-ups continued in line with the approved Start-up Support Scheme⁸² through the indirect support provided, under the three components listed in the table below:

⁸² Start-up Support Scheme 2017–2020 (de minimis aid scheme, published in the Commercial Gazette No. 166/2017 on 30 August 2017). More information at: http://www.sbagency.sk/sites/default/files/schema_na_podporu_startupov.pdf. Start-up Support Programme 2017–2020, published in the Commercial Gazette No. 54/2017 on 17 March 2017. More information at: <https://justice.gov.sk/PortalApp/ObchodnyVestnik/Web/Stiahnut.aspx?IdOvSubor=60241>

Table 31 SBA: Support for SMEs through the 2020 Start-up Support Programme and Scheme

Component 1	Component 2	Component 3
<ul style="list-style-type: none"> • educational activities, • ensuring the participation of interested entrepreneurs and start-ups in domestic and international events focused on innovation, technology and start-ups, • in 2020, the participation of beneficiaries in events was ensured online only, • regarding the situation related to COVID-19, there were 8 beneficiaries approved in the 2020 monitoring year, which is an all-time low (the average number of beneficiaries was almost 68/year). 	<ul style="list-style-type: none"> • consultations and expert advice related to: <ol style="list-style-type: none"> 1. preparation of a feasibility study, 2. completing product development or making a working prototype, including testing and initial presentation, 3. programming and marketing, 4. pricing, marketing research, 5. project team building and other related activities. - in 2020, aid was granted to 20 beneficiaries (16 SMEs and 4 natural persons). 	<ul style="list-style-type: none"> - consultation, advice related to the internship and professional assessment of the Application (project)/ and in the form of completing a foreign internship for a start-up entrepreneur, - in 2020, this component was not implemented due to the many measures taken in each country to stop the spread of COVID-19.

Source: SBA

In the monitoring year 2020 only Component 1 and Component 2 of the Start-up Support Scheme and Programme were implemented, also in view of the above information, while the total disbursement for the supported 24 SMEs was EUR 372,027.24.

• **Promoting successful business practice**

The main essence of promoting successful entrepreneurial practice (PSEP) is to indirectly contribute to the creation of a favourable entrepreneurial environment, to support the creation not only of new businesses, but also of start-ups (especially in the field of technology and innovation) and to develop the general public's awareness of entrepreneurship as an attractive and profitable alternative to full-time employment.

Figure 6 Focus of promoting successful entrepreneurial practice



- stimulating entrepreneurial ambition,
- developing entrepreneurial skills,
- promoting successful businessmen/women and their businesses, products or ideas,
- public-private partnerships and initiatives to promote business development and entrepreneurial thinking.

Source: SBA

Through the above activities, various projects are supported, implemented mainly in the following form:

- organising and co-organising events, conferences and other activities aimed at presenting examples of successful business practice,
- organising and co-organising information campaigns and providing the necessary media space,
- organisation, co-organisation and promotion of professional and informative events/webinars focused on business issues,

- organizing and co-organizing competitions, meetings with investors and business angels (e.g.: Young Innovative Entrepreneur, Slovak University Start-up Cup 2020), and others.

Examples of activities in 2020 in which the SBA was a partner or carried them out by itself:

Venture Capital & Private Equity Conference Bratislava

- It was held in June 2020, where the SBA as a partner could not be absent.
- The aim of the conference was to regularly connect the community of local and foreign investors who invest in development capital and private equity, as well as to discuss the impact of COVID-19 on business and how to prepare for private equity after the crisis.
- Participants had, among other things, the space to create positive business relationships.

1. 1st International Congress of Family Businesses

- In September 2020, we also supported an event focused on family business, i.e. the 1st International Congress of Family Businesses. Participants of the congress had the opportunity to learn invaluable information regarding generational change, how to implement family councils, why it is necessary to separate work from private life and how to let the successor generation lead the company, even if it has a different view of company management.
- The aim of the congress was to professionalize family business management and to provide practical advice on how to successfully manage generational change.

Via Bona Slovakia 2020

- The SBA also supports social and responsible entrepreneurship, which includes, for example, the project in question, which is organized by the Pontis Foundation.
- The aim of the project was to raise the profile of responsible entrepreneurship and inspire the general public to think about responsible entrepreneurship from the very beginning of their own business.

Bata Academy

- During the months of January to March, a series of unique seminars on the use of the legacy and entrepreneurial philosophy of Tomas Bata in contemporary business called the Bata Academy took place. The organiser of the Bata Academy was the Association of Slovak Entrepreneurs.
- The Academy focused on the principles of Bata company management, corporate culture, principles of promotion and advertising, principles of remuneration and many other useful information. During the Academy, participants had the opportunity to engage in discussions related to the business philosophy of Tomas Bata.

• Supporting the internet economy

The activities carried out in the framework of the promotion of the Internet Economy (IE) have been an effective tool to train and inform the general public in the use of online tools. They have also contributed to improving online skills, which are now an essential part of doing business. The events in this programme are designed for anyone interested in business in the online world. They focus on information on how to support potential entrepreneurs using Internet tools in their business and its development or how to train future entrepreneurs in the use of Internet tools.

Among the projects that were supported in 2020⁸³ is the project Map of relevant players in the IT sector in Eastern Slovakia, which brings together organisations and companies from the IT sector in one place, thus facilitating access to relevant information for future entrepreneurs.

The web www.podnikaj.online was created as an online platform for the Internet Economy Support Programme implemented by the Slovak Business Agency. The aim of the programme is to bring to the general public activities that will help people to start an online business, use various online tools for development and overall help the internet economy to grow. The agency thus has 4 e-books at its disposal, namely:

- Alternative social networks in a nutshell;
- How to crowdfund;
- Content marketing at a glance;
- E-shopper Beginner's guide.

Supporting the internet economy - providing support services aimed at the use of e-commerce tools and the development of e-services:

Figure 7 Supporting the internet economy: providing services aimed at the use of e-commerce tools and the development of e-services



- information activities,
- activities to promote and popularise the internet economy,
- creating tools for the implementation of e-services,
- creation of electronic platforms.

Source: SBA

• **Building the business environment through business environment monitoring**

In 2020, the SBA continued to monitor the business environment. Accordingly, in the year under review, the following were planned or implemented:

Figure 8 Monitoring of the business environment and activities implemented in 2020



- continuous monitoring of the business environment,
- preparation of analyses and surveys, creation and maintenance of a database of SME indicators,
- mapping the facts and situation of SMEs in terms of the application of the principles of the SBA initiative,
- identifying and analysing barriers to SME business development,
- comparison of the situation in Slovakia with business conditions in other countries (with emphasis on neighbouring EU countries),
- identification of suitable examples of measures for transfer to the SR context.

Source: SBA

In the monitoring year 2020, a number of reports, analyses and information materials focused on assessing the quality of entrepreneurship in Slovakia from the perspective of the SBAfE agenda and the application of the "Think Small First" principle were produced. Regularly published analytical outputs include, 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 Natural Persons - Entrepreneurs" and others. The preparation of irregular outputs in 2020 was predominantly focused on the impact

⁸³ For the calendar year 2020, 32 projects were supported for PSEP and IE with the amount of EUR 282,036.94.

of coronavirus on business⁸⁴, but also on selected⁸⁵ specific topics affecting the business of SMEs outside the pandemic⁸⁶. Information materials are also published, which in 2020 focused on the basic legislative provisions, obligations (including in relation to COVID-19), as well as, for example, on the information needed to set up a social enterprise.

Since 2019, published information materials have also been including thematically structured documents. The thematically structured output published in 2020 included, for example, a document entitled Summary of measures for entrepreneurs taken to mitigate the negative impacts of the crisis situation triggered by COVID-19, which was updated several times on the basis of the evolution of the pandemic situation and the measures taken. This document provides businesses with an overview of the main measures that have been taken to mitigate the negative impacts on their business. In addition, the Entrepreneur's Calendar is published on a monthly basis, which informs entrepreneurs on a monthly basis about current tax and levy obligations arising from the law.

Despite the ongoing COVID-19 pandemic, two regional events on "Tourism - barriers and perspectives" (in Prešov and Banská Bystrica) were held during 2020. The moderated discussion was attended by invited guests from tourism organisations, hotels, travel agencies, universities and recreational tourism facilities. Topics such as the current barriers to tourism, the impact of the pandemic on tourism, as well as the future of tourism in Slovakia were discussed. The conclusions of the discussions and the knowledge gained were elaborated in an analysis focused on the topic "The position of SMEs in tourism in the light of current developments in the sector".

In December 2020, the Annual Conference NP Monitoring⁸⁷ was held in an online environment in the context of the evolution of the coronavirus pandemic. It was primarily focused on assessing the state of the business environment in Slovakia (including information on the impact of the COVID-19 pandemic on the business environment in Slovakia), but was also oriented towards family and intergenerational entrepreneurship in Slovakia. The online conference was mainly attended by representatives from public institutions, ministries and universities.

Comprehensive information on the implemented outputs, activities and events is available on the website www.monitoringmsp.sk.

- **BRCA activity**

The year 2020 was the fifth year of operation of the subject analytical and legal department of the SBA, which was established in order to meet the objectives of the Better Regulation agenda for micro, small and medium-sized enterprises (covered by the European Commission's "Small Business Act" Initiative for Europe, together with the "Better Regulation" Recommendation, as well as the Recommendation of the OECD's Council for Regulatory Policy and Governance).⁸⁸ The accompanying motto of the agenda is the creation of regulatory

⁸⁴ Both general and specific analytical outputs have been carried out in the context of the COVID-19 pandemic.

⁸⁵ More on some selected conclusions from the analyses carried out in section 4.1.

⁸⁶ Fast-growing businesses in Slovakia (<http://monitoringmsp.sk/2021/06/23/analyticke-a-statisticke-vystupy-nepravidelne/>).

⁸⁷ Entitled Business Environment in Slovakia: The impact of the pandemic on business and new challenges for the future.

⁸⁸ The BRC **presented** the outputs of individual activities not only on its website www.lepsiezakony.sk or through social networks (Facebook + LinkedIn), but also in the media. In addition, the BRC **participated** in conferences and seminars with an emphasis on the issue of entrepreneurship in Slovakia, took an active part in the discussions held at these conferences and regularly reported on their content.

rules based on the “think small first” principle, i.e. for public authorities to respond to the needs of SMEs and to tailor public policy instruments to their needs. The year 2020, not only from the perspective of wider society but also from the BRC's perspective, was significantly marked by the COVID-19 pandemic, which had a major impact on the development of legislation to minimise the damage to businesses.

Member of the Standing Working Commission on the Assessment of Selected Impacts



Due to its membership in the Standing Working Commission on the Assessment of Selected Impact at the Legislative Council of the Government of the Slovak Republic (hereinafter referred to as the "Standing Working Commission"), the BRC covers the assessment of impact on SMEs in accordance with the conditions laid down in the basic procedural document adopted in the form of a resolution of the Government of the Slovak Republic - the so-called Unified Methodology for Selected Impact Assessment. The potential of the strategic document RIA 2020 - Better Regulation Strategy, which was approved at the beginning of 2018, has not yet been fully realised, mainly due to the impact of the COVID-19 pandemic, but in the coming years it should bring the principle of simplicity, clarity and transparency to the process of drafting legislation.

SME Impact Assessor



During 2020, the BRC considered information on the preparation of the material on a daily basis and, on the basis of a request for detailed information (in the form of specific questions) on its content, identified the need to carry out consultations with the businesses concerned, in which the BRC subsequently took an active part. In cooperation with business organisations representing SMEs, the BRC submitted proposals for alternative solutions already during the preparation of the materials, which were mainly based on the “think small first” principle, the principle of reducing the administrative and financial burden, or examples of best practices from foreign legislation. In this process, the BRC mainly took into account the suggestions of the Association of Entrepreneurs of Slovakia, the Slovak Trade Union, as well as other business organisations and also freely available suggestions from the business community.

Within the scope of its competence conferred by the above-mentioned legal acts, it assessed the realism of the impacts captured in all the Business Impact Analyses produced and provided a total of 101 opinions, with 56 opinions containing proposals for better capturing the impacts of the new regulation on the business environment.

From a substantive point of view, the BRC was actively involved on its own initiative in the substantive commenting on the proposals for new regulations (consultations), and was subsequently invited to discuss points of the proposed regulations, which resulted in the incorporation of some of the BRC's important suggestions into the actual material of the proposed regulation, which ultimately succeeded to some extent in reducing the negative regulatory impacts on SMEs.

SME test performer



Within the framework of the tasks entrusted by Act No. 290/2016 Coll. on the Support of Small and Medium-sized Enterprises and on Amendments and Supplements to 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 evaluates the assessed impacts, *inter alia*, by means of the SME Test both *ex ante* (i.e. in advance, at the stage of preparation of a given regulation), and *ex post* (i.e. subsequently, by means of the so-called analysis of the benefits and costs of the regulation already in force). In 2020, the BRC developed one SME Test in the *ex-post* phase. The SME test on the impact of the corona crisis on SME business provided a comprehensive overview of the anti-pandemic measures taken with an impact on the business environment, summarised the results of the BRC survey among business entities and provided an overview of the assistance to the business sector in selected EU countries. As in previous years, also in 2020 the BRC planned to conduct an *ex-ante* SME Test on the impacts of the minimum wage increase; however, due to the expiry of the contractual relationship with the external provider of the underlying data, the MLSAF SR was not able to provide the BRC with the data necessary to conduct the SME Test and quantify the impacts.

Expert consultant for the Bureaucratic Nonsense of the Year project



The BRC considered more than 61 submissions received from citizens for the 2020 Bureaucratic Nonsense of the Year survey. The BRC was also dedicated to evaluating the impact of the survey. Of the finalists in the 2012–2019 survey, the number of resolved complaints represents approximately one third. The assessment also includes the development of proposals for substantive measures to optimise the regulatory burden. The BRC has also carried out analyses of individual legal institutes burdening SMEs outside the survey, in which cases the initiative has come from business representatives or from its own search activities. Legal support for specific cases was provided to the founders of the SBA - the Association of Slovak Entrepreneurs and the Slovak Trade Union.

Other activities



In addition to the above activities, in 2020, marked by the COVID - 19 pandemic, the BRC monitored on a daily basis the measures taken by the government to inform entrepreneurs, not only SMEs, about the possibilities of assistance for their business. The result of this activity was participation in the information material Summary of measures for entrepreneurs taken to mitigate the negative impacts of the crisis situation caused by COVID - 19, which was regularly updated by the Slovak Business Agency in relation to the newly adopted measures and published for the business public. The BRC has also kept businesses informed of the latest measures through social media and its website. The BRC also cooperated with the Ministry of Economy of the Slovak Republic on the creation of the so-called Lex corona, also known as the "entrepreneurial kilo", i.e. a package of 115 measures aimed at reducing the administrative burden and improving the entrepreneurial environment in Slovakia. The BRC submitted more than 200 specific suggestions for reducing the administrative burden to the Ministry of Economy of the Slovak Republic, several of which formed part of the final package of measures. The BRC also cooperated with the Ministry of Economy of the Slovak Republic to create the website podnikame.mhsr.sk, which, based on the so-called decision tree, helps entrepreneurs and

nonentrepreneurs to find their way around the economic measures taken in connection with the COVID-19 pandemic and to direct them to the measures that specifically concern them.

In 2020, the BRC also professionally developed 4 information materials with the aim of facilitating SMEs to set up businesses in the field of agriculture and tourism, or to help SMEs to increase their productivity through effective home-office solutions or the use of online marketing tools.

Through the European Commission's Structural Reform Support Programme (EC SRSP), the BRC implemented its project "Enhancing Specialist Capacities of the Better Regulation Centre" in 2020. The outcome of this project in 2020 was an analysis of gold-plating in occupational health and safety, an international comparative analysis of a dual training institute, visits to analytical departments with a similar focus to the BRC in Belgium (physically), Denmark and Germany (online), as well as a marketing plan and marketing training for BRC staff. The project will continue until the end of March 2021.

Slovak Investment and Trade Development Agency (SARIO)

An allowance organisation under the competence of the Ministry of Economy of the Slovak Republic aimed at promoting investment inflows and supporting export activities of Slovak companies. It provides services to small and medium-sized enterprises from Slovakia and abroad interested in investment or internationalization. Through the National project "Support for the Internationalisation of SMEs" under the measure (OP Integrated Infrastructure, area Strengthening the competitiveness and growth of SMEs), 400 SMEs were supported in 2020 (of which 94 micro, 43 small and 18 medium-sized enterprises). In the monitored year 2020, the actual spending of funds was at the level of EUR 324,045.4 million. The support is intended for SMEs with the exception of enterprises based in the Bratislava Region, and is targeted at strengthening the competitiveness of SMEs, increasing skills through the presentation of SMEs at events abroad, as well as increasing exports and increasing skills through pro-export consultancy.

Support to SMEs is implemented through the following activities:

- support for participation in **national stands at foreign fairs and exhibitions**,
- increasing efficiency in the implementation of business activities through participation in **business missions in the Slovak Republic and abroad**,
- increasing the level of cooperation with foreign partners, leading to the empowerment, sustainability and competitiveness of SMEs, through participation in **sourcing and cooperation events**,
- increasing the professional capacities of SMEs through participation in the **Export Academy seminars**,
- making the situation in supply chains to individual industries and services in Slovakia more transparent through the creation of a comprehensive interactive system.

The SARIO Agency, in terms of implementation of the NP in 2020, ensured the participation of Slovak business entities at 2 foreign fairs and exhibitions as part of **the support for participation in national stands at foreign fairs and exhibitions**. The SARIO has created a platform for the possible presentation of 17 Slovak SMEs as part of a joint exposition in the visuals of the Slovakia GOOD IDEA SLOVAKIA brand. The companies had more than 600 bilateral meetings with potential business partners. At the same time, it was possible to generate "success stories of Slovak SMEs" in the form of closed business cases thanks to their participation in trade fairs. The SARIO Agency carried out 2 **business missions abroad** in 2020, which were attended by a total of 11 Slovak companies. **The spread of COVID-19 has**

negatively affected the activities under preparation. Due to the global impossibility of organising mass events, world fairs, exhibitions and conferences have been postponed to 2021 and 2022. Out of the planned number, 4 events were organized in Q1 2020 due to the pandemic.⁸⁹

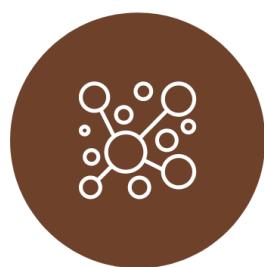
As part of its **sourcing activities**, the SARIO Agency dealt with a total of 33 sourcing enquiries from multinational companies in 2020, primarily from Spain, Germany, the USA, Switzerland, Belgium, Scandinavia, the UK and India (with export opportunities predominantly in the field of engineering and services). In more than 118 cases, SMEs responded positively to cooperation offers and asked the SARIO to present their production profile to a foreign client in order to start negotiations on potential business cooperation. In several cases, agreements have already been reached. Other enquiries are in the matching stage (between demand and supply), **the resolution of some enquiries has been slowed down and suspended due to the spread of COVID-19.**

In 2020, the SARIO Agency also continued its **educational activities** for Slovak small and medium-sized enterprises through Export Academy seminars. A total of 16 seminars were organized, attended by a total of 346 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 from the ranks of exporters, and thus to support their further expansion into new and riskier foreign markets. Pro-export seminars of the Export Academy focus on "hard skills" (techniques and operations in foreign trade) as well as "soft skills" (e.g. communication, presentation and cultural differences and customs in the territories of interest).

Union of Slovak Clusters (ÚKS)

It is the only organisation representing clusters in Slovakia. In 2020, the Union of Slovak Clusters supported a total of 46 SMEs through the INTERREG DANUBE TRANSNATIONAL PROGRAMME.⁹⁰

Figure 9 Objectives of the 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 interest areas of the member clusters,
- promoting the exchange of information at national and international level in the field of innovation,
- engaging in international partnerships in education, development, research and know-how transfer projects.

Source: ÚKS

In 2020, **Agroinstitute Nitra** had a cooperation contract concluded with the Ministry of Agriculture and Rural Development of the Slovak Republic financed from the state budget in the total amount of EUR 43,241. Within the framework of the above-mentioned contract, the Agroinstitute Nitra implemented the following **training activities** related to the development of SMEs. For young farmers who have not completed secondary or higher education with an agricultural, food or veterinary focus, applying for an increase in direct payments under Section 12(2) of the Slovak Government Regulation No 342/2014, a forty-hour accredited training course on Fundamentals of Entrepreneurship and Support Measures in the Agri-Sector was implemented. Furthermore, as part of the training activities, a course on Operation of a Fruit

⁸⁹ The SARIO Agency originally planned to organise 14 national stands and 7 business missions.

⁹⁰ No information on the actual spending.

Growing Distillery was organized. In addition, a webinar on plants and sustainable agriculture was organized in cooperation with the Ministry of Agriculture and Rural Development of the Slovak Republic and the Central Agricultural Inspection and Testing Institute in Bratislava. At the same time, educational activities in the field of the use of disinfectants and biocides were carried out, aimed at acquiring professional competence to work with biocides and disinfectants for professional use. In addition to the above, Agroinstitute Nitra also implemented two projects related to SMEs. **In the field of agricultural consultancy** it continued the implementation of the project from the Rural Development Programme of the Slovak Republic 2014–2020, Measure 2, sub-measure 2.3 Support for the training of consultants. The aim of the project is, among other things, to create qualification prerequisites for the performance of advisory services in agriculture, through training and subsequent certification of advisers. In 2020, the project was financed with the amount of EUR 12 thousand. Within the Rural Development Programme of the Slovak Republic 2014–2020, sub-measure 1.1 Support for vocational training and skills acquisition, the project Fundamentals of entrepreneurship in livestock and special production was implemented in 2020. The implementation of this project ensured the supplementation of education for beneficiaries of support from the Rural Development Programme 2014–2020 within the framework of sub-measure 6.1 - Aid for the start-up of entrepreneurial activities for young farmers, through an accredited training course focused on agricultural entrepreneurship in the field of livestock and special crop production. The aim of the training activity was to facilitate the entry of farmers with appropriate skills into the agricultural sector, generational exchange, as well as the transfer of knowledge and innovative performance in the agricultural sector among start-up and young farmers, as well as the creation of new jobs. The amount of funding earmarked for 2020 was EUR 67,903.

The Ministry of Foreign and European Affairs of the Slovak Republic (MFAE SR) supported small and medium-sized enterprises through the Economic Diplomacy Project Scheme, which contributes to strengthening the export performance of the Slovak economy and to the internationalisation of SMEs. The projects are financed from the budget of the Ministry of Foreign and European Affairs of the Slovak Republic, with EUR 200,000 allocated for economic diplomacy in 2020. Under this instrument, the embassies abroad implemented 9 projects involving a total of 77 SMEs. The total disbursement of funds for SMEs was in the amount of EUR 78,674. In 2020, 6 businesses in the SME size category (including 3 micro and 3 small businesses) were supported through the Business Partnerships Programme (SAMRS). The amount of real spending for supported small and medium-sized enterprises was EUR 115,710.41 (of which micro and small enterprises received support in the amount of EUR 88,443.22 and EUR 27,267.19, respectively). In cooperation with UNDP (Partnership for Effective Solutions in Development Cooperation focusing on the Sustainable Development Goals "SDGs"), the Ministry of Foreign and European Affairs of the Slovak Republic (through the Slovak Challenge Fund) supported a total of 5 SMEs (including 2 micro and 3 small enterprises) in 2020. The actual spending for the supported enterprises amounted to EUR 76,350.01.

The area of improving the business environment

• Entrepreneurs Association of Slovakia (ZPS)

The Entrepreneurs Association of Slovakia protects the entrepreneurial state from restrictions on entrepreneurial rights and freedoms and prevents all political and economic measures leading to the deterioration of an equal market business environment. ZPS implemented the following activities in 2020:

Commenting on legislation



ZPS is concerned about the gradual but long-term erosion of entrepreneurial freedoms and the massive increase in regulation that is making it difficult, even impossible, to do business. ZPS is therefore actively involved in the drafting of legislation, with an emphasis on advocating for a significant reduction of the regulatory burden and simplification of the regulatory framework. ZPS focused its attention not only on regulations at the national level, but also at the local government level.

The Bureaucratic Nonsense of the Year 2020



ZPS was an expert guarantor of the annual survey Bureaucratic Nonsense of the Year. It is an anti-prize announced annually by the Association of Young Entrepreneurs of Slovakia, the purpose of which is to identify pointless bureaucratic measures unnecessarily burdening entrepreneurs and to draw the attention of the competent authorities to them in order to eliminate them from the legislation. Of the 61 measures nominated in 2020, the obligation for beekeepers to report inadequately detailed information to the authorities about wherever they will be travelling with their colonies during the year ended up in first place, and they have to provide this information in unrealistic timeframes. Second place went to the section that prohibits relatives from assisting their family members' businesses free of charge. The third place was occupied by the obligation concerning dedicated shopping time for seniors also in single-customer outlets. Although only one person was allowed to shop in establishments up to 30 m² during the pandemic restrictions, seniors had their time reserved to avoid endangering by other customers.

Supporting the activities of the SBA Better Regulation Centre



Thanks to the ZPS initiative, the Better Regulation Centre was established in the Slovak Business Agency. The BRC has already assessed the impact of dozens of legal standards on the business environment, including commenting on it and quantifying its costs (see the BRC section for more information).

Young Innovative Entrepreneur 2020



ZPS (Entrepreneurs Association of Slovakia), in cooperation with the Junior Chamber, participates in organizing and announcing the results of competitions aimed at finding and rewarding young entrepreneurs. This competition is part of the global "Creative Young Entrepreneur Award".

ZPS surveys on the economic impact of the pandemic on the business sector



Following the adoption of the quarantine measures, the ZPS called on the government to speed up the adoption of the economic package because the efforts to stop the spread of the coronavirus had not only epidemiological but also economic implications, and the ZPS considered the government's response to be slow and inadequate. During 2020, ZPS and partners conducted a number of surveys focusing on the government's economic measures in connection with the pandemic from the perspective of SMEs. The results of these surveys were communicated by the ZPS in meetings with parliamentary and government representatives and in the media.

Family entrepreneurship and innovation in education and training



The Association of Slovak Entrepreneurs continued its activities aimed at accentuating the themes of education and schooling and family business and generational exchange. In 2020, ZPS implemented a series of activities to promote these themes, such as the third annual Entrepreneurship Education Conference: Skills for an Unknown Future and a series of infographics aimed at bringing to educational institutions the business sector's perspective on the development of skills that will be needed in the 21st century in contrast to the perceptions of principals, teachers and students on these topics.

Following its several years of activities in the topic of family business, in January 2020 ZPS created the Platform of the Association of Slovak Entrepreneurs for Family Businesses "with the vision to become a trustworthy, transparent and long-term partner in the field of family business for all family businesses on the Slovak market and to underline the importance of family business". ZPS has also collaborated on activities that help summarize data on the facts about family businesses in the Slovak Republic. In this context, the ZPS, for example, cooperated with the SBA on the analysis of Barriers to Family Business in Slovakia and prepared a series of proposals for the removal of legislative barriers to family businesses. ZPS also actively participated in the activities of the Ministry of Economy of the SR Working Group on how to apply the basic conditions relating to the adoption of the definition and legislative changes in the field of family business.

• **Young Entrepreneurs Association of Slovakia (ZMPS)**

The activities of the Young Entrepreneurs Association of Slovakia in 2020 were marked by the COVID-19 pandemic and focused on the following areas:

1. Business inspiration, or sharing experience and inspiring examples of companies that have managed to deal with the consequences of the pandemic and identify the opportunities it has brought with it.
2. Supporting young entrepreneurs during the COVID-19 pandemic.
3. Identifying and removing barriers to youth entrepreneurship.



A survey conducted by the ZMPS after the outbreak of the pandemic showed that one in ten entrepreneurs started to adapt their product portfolio to the new market needs. Therefore, ZMPS members shared their experience, practical advice and insights on how they have dealt with the challenges posed by the pandemic in various forms (podcasts, videos, interviews).



Throughout the year, ZMPS provided support to young entrepreneurs and SMEs with practical information and advice on the support tools and changes that the government was coming up with in relation to the pandemic. Part of these activities also covered information related to the practical implications of Brexit on the business of Slovak companies with activities in the UK.



In the area of legislation and business environment, ZMPS continued to announce the annual survey Bureaucratic Nonsense of the Year and to operate the BiznisInfo application, which alerts users to changes in legislative obligations in a timely and human manner. Particularly during the pandemic, when a large part of the measures and legislative changes were adopted in abbreviated procedures, it was a sought-after support tool.

At the same time, ZMPS actively cooperated on measures to improve the business environment and accentuate those that are a priority from the point of view of young entrepreneurs.

In addition to its own activities and projects, the ZMPS, in order to meet its objectives as widely as possible even in the dynamic pandemic period, cooperated on the Bata Academy, the aim of which was to introduce the participants to the principles of Bata's business, and the annual conference Skills for an Unknown Future - Let's not prepare graduates for the world in which we live, but for the world that is to come. After the adoption of quarantine measures and restrictions, ZMPS cooperated in online events such as the 1st International Congress of Family Businesses, the International Training Fair and other activities.

• **Slovak Craft Industry Federation (SŽZ)**

Also in the monitoring year 2020, the SŽZ continued its activities aimed at improving the business environment for entrepreneurs and SMEs. A brief overview provides a description of selected activities of the SŽZ in 2020.

Figure 10 Brief overview of the activities of the SŽZ

1. Promoting entrepreneurship and a balanced business environment



- Commenting on proposals for improving the business environment included in the so-called Entrepreneurial Kilo I and II.
- Repeated negotiations with the Office for Public Procurement aimed at facilitating SME involvement in public procurement and amendment of the Public Procurement Act.
- In cooperation with the Office for Public Procurement and local governments, a workshop was organized within the framework of the international project XPRESS in order to identify the current state of the so-called green procurement in the Slovak economy.

2. Support for education



The following activities were implemented in this area:

- Participation in a professional conference organized by the Employers' Council for Dual Education.
- Organizing a joint meeting of the Association of Construction Entrepreneurs of the Slovak Republic, Trexima and representatives of the SŽZ to reassess the possibilities of changing the Trade Licensing Act in the field of construction professions in relation to the announced amendments to the Construction Act.
- Participation in consultations within the Dual Education II project on the issue of master examinations in Slovak conditions, while the Dual II project is to develop recommendations for the introduction of master examinations in Slovakia.

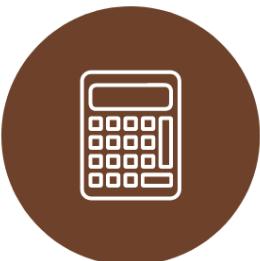
3. Encouraging an increase in the construction of rental housing



The SŽZ supports an increase in the construction of rental housing in the private sector and calls on the state authorities to take effective measures, particularly in tax and construction legislation. In this area:

- An amendment to the State Housing Fund Act was adopted by the National Council in October 2020, which regulated the conditions for the procurement of rental housing and the conditions for municipalities to obtain subsidies.
- SŽZ worked closely with the National Association of Real Estate Agencies of Slovakia (NARKS).
- In cooperation with the Slovak Business Agency, real estate awareness campaigns organized by NARKS were supported.

4. Tax conditions



- For dealing with tax issues, developments on the announced tax reform need to be monitored.

5. Social situation of sole traders and SMEs



The SŽZ seeks to improve the position of sole traders in society, as they form a significant part of the country's economy and workforce. An important topic in this area is the definition of the so-called family business and the setting of favourable conditions for family and social enterprises. In this area, the SŽZ:

- It cooperated through his representative with the Commission for Family Business set up at the Ministry of Economy of the Slovak Republic, defining the most important problems and their possible solutions for family businesses.
- It commented on the concept of introducing support during part-time work and its basis for self-employed persons and participated in consultations on this concept at the Ministry of Labour, Social Affairs and Family of the Slovak Republic. It established cooperation with the Faculty of Management of Comenius University.

6. Promotion of crafts in legislation and in practice



Aiming to promote crafts and entrepreneurship in crafts:

- The SŽZ commented on the amendment to the Trade Licensing Act.
- Participation in the online session of the European SME Assembly in November 2020.
- A brochure Craft Guilds in Slovakia was published in cooperation with the Slovak Business Agency.

7. Monitoring of support from EU funds and involvement of SMEs in Industry 4.0 activities



- The SŽZ participated in the national consultations on the Partnership Agreement between the Slovak Republic and the EU for the years 2021–2027, organized by the Ministry of Investment, Regional Development and Informatisation of the Slovak Republic.
- It published the final study of the project: The impact of digitalisation on SME productivity, in cooperation with the Hungarian business organisation IPOSZ.

8. Promoting the protection of public health and Changes in occupational safety and health



- The SŽZ was involved in the activities of the Coordination Committee for Occupational Safety and Health (OSH), of which the Vice President of the SŽZ is a full member; within the framework of this activity, the OSH Strategy was commented on in terms of the needs of sole traders.
- In cooperation with the National Labour Inspectorate (NIP) and the SBA, a brochure on OSH obligations for sole traders was published.
- The SŽZ, as a full member of the Commission of the Monitoring Committee for the OP Quality of the Environment, contributed with its expertise to direct resources to programmes aimed at improving the environment.

9. Supporting sole traders and SMEs during the coronavirus pandemic



- The SŽZ secured 3 representative surveys on the impact of the 1st and 2nd waves of corona crisis on SME sole traders, in cooperation with the Wilio portal, SBA and ZPS.
- It communicated with ministries and addressed sectoral technical issues in relation to coronavirus containment measures, particularly for taxi and DDD (deratization, disinfection, disinsection) services.
- It provided online advice on applying for the FIRST AID programme.

Source: SBA

• **Slovak Chamber of Commerce and Industry (SOPK)**

It emphasises the following areas:

- Improving the business environment, with an emphasis on the legislative environment,
- increasing competitiveness,
- streamlining EU cooperation activities,
- support for Slovak production and exports,
- strengthening the position and improving the quality of SOPK's activities.

SOPK activities by type of service provided:

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



The epidemiological situation in Slovakia and around the world, measures to contain the spread of the new coronavirus, restricted movement across borders or completely closed countries - all this has resulted in the vast majority of business missions scheduled for 2020 have not taken place.

Table 32 **SOPK: business missions implemented in 2020**

Missions to/from abroad within EU countries	Missions to/from abroad outside EU countries
<p>Austrian-Slovak Exchange (Online Cooperation Exchange)*</p> <p>The European Union Unit of the SOPK organized four cooperation events in the framework of the EEN project:</p> <p>Düsseldorf, Germany (26–28 January 2020)</p> <p>Barcelona, Spain (25 February–5 March 2020; online)</p> <p>Calabria, Italy (19–20 November 2020; online)</p> <p>Hertogenbosch, Netherlands (2–3 December 2020; online)</p>	<p>Ukraine (20–21 February 2020)</p> <p>A business mission from Ukraine was received within the Enterprise Europe Network (EEN) project</p>

Source: SOPK

Note: * within the EEN project

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

The American Chamber of Commerce in Slovakia (AmCham) represents nearly 300 member companies. It also focuses its activities on supporting SMEs, mainly through non-financial support in the form of various professional and educational events. In the monitoring year 2020, the following events for SMEs were carried out, some of which went online as the pandemic situation evolved.

Professional events - Workshops/seminars/webinars/conferences

- Webinar for SMEs: Lessons from Leaders - How to prepare for the unexpected? (3 June 2020)
- Conference: East Innovation in Košice: Magnet Cities (25 November 2020)

Professional events - Aimed at personal networking:

- Business Breakfast (23 January 2020), (3 March 2020)
- Speed Business Meeting (29 January 2020), (9 September 2020)

Professional events - Focus on COVID-19

- Webinar for SMEs: Financing companies in times of crisis. How to ensure the liquidity of the company? (2 April 2020)
- Webinar for SMEs: Public loans and guarantees for SMEs during the Covid crisis (3 May 2020)



• Industrial Ecology Association in Slovakia (ASPEK)

ASPEK is a non-governmental, independent and non-profit association established with the aim of contributing its activities to the solution of reducing the environmental impacts of production and other activities.

Industrial Ecology Association in Slovakia brings together:



- industrial enterprises interested in reducing the negative impacts of their activities on the environment,
- research, production, consulting, project and other entities,
- universities and secondary schools, as well as natural persons involved in addressing environmental impacts related to industrial production and other economic activities.

In 2020, the European round of the Business Prize for the Environment took place. ASPEK provided support to participants from Slovakia and also coordinated with the EBAE (European Business Awards for the Environment) coordinator within the EU. Slovak participants did not make it to the final selection.

In the monitoring year 2020, it was planned to organize a conference called INDUSTRIAL EMISSIONS 2020 (as part of the traditional international exhibition of water management, hydropower, environmental protection, waste management and urban and municipal development AQUA). Due to the pandemic situation, the exhibition was cancelled, as well as the conference in question organized through ASPEK.

• Republic Union of Employers (RÚZ)

Since its establishment (30 March 2004) it has become the most important and representative organisation representing the interests of its members and employers in Slovakia. It is part of the highest tripartite body - the Economic and Social Council of the Slovak Republic, where the most important draft standards are discussed before they are submitted to the Government of the Slovak Republic. RÚZ is actively involved in the entire legislative process in all its phases and at the same time comes up with its own proposals to improve the business environment. Within the framework of its main activities, the RÚZ also cooperates

with state and local government authorities, representative trade union associations, chambers of commerce and industry, as well as with other organisations representing entrepreneurs and employers at home and abroad. In cooperation with its members and partners, the RÚZ is active in the following areas: economic policy and business environment; education and training; labour and social policy; environment; science, research and education; European policy.

• **Association of Employers' Unions and Associations of the Slovak Republic (AZZZ SR)**

It is the top employers' organisation in the Slovak Republic, and its members are employers' and entrepreneurs' unions and associations operating throughout the territory of the Slovak Republic in almost all sectors of the economy. Within the scope of its activities, AZZZ SR in particular:

- coordinates the activities of its members in addressing issues of common interest and in the preparation of common positions,
- comments on draft laws and other binding legislation relating to the interests of employers,
- makes its own proposals and lobbies in the process of preparing and adopting major political and economic decisions at national and international level, etc.

Supporting educational infrastructure

Also in 2020, universities in Slovakia continued to implement activities focused primarily on:

- entrepreneurship education,
- education of entrepreneurs,
- cooperation between universities and SMEs,
- other educational activities

The area of cooperation with the SME sector stems from the importance of small and medium-sized enterprises for the Slovak economy and the need to combine and adapt the theoretical education of future professionals with the requirements of practice. The link is primarily implemented in two main areas - education and research. A more detailed overview of the activities implemented is provided by the following infographics, which are based on input from the individual universities.

Within the **University of Economics in Bratislava (hereinafter referred to as "EUBA")**, the activities in 2020 were mainly related to teaching connected with the issue of SMEs (specific examples of monitored educational activities are given in the infographics in question). In addition, the experts from selected SMEs have been involved in long-term cooperation with the university. Practitioners actively participate in the teaching process for students (through professional lectures, seminars and various workshops at individual faculties). In terms of upcoming activities in 2021, EUBA intends to continue to deepen its cooperation with companies as well as with other practitioners in teaching lectures, seminars and various workshops.

The **University of Žilina (hereinafter referred to as "UNIZA")** continued to support education in the field of entrepreneurship at all levels of higher education, as well as in educational activities for entrepreneurs and in developing cooperation through the implementation of joint projects in the field of science and research. In 2020, the University of Žilina supported a total of 24 SMEs through its activities (in the form of SME participation in

the implementation of scientific and professional projects, as well as through the incubator). In addition, UNIZA implemented various courses and trainings for small carriers in the field of business logistics, freight forwarding and air transport in the course of 2020. In the 2020 monitoring year, e.g. targeted lifelong learning for managers in rolling stock, track management and maintenance of technical systems was also carried out. UNIZA has created a university-wide course to support entrepreneurship education: Start-up programme Vocation Entrepreneur, which is aimed at promoting theoretical knowledge, but also at the exchange of practical experience between students and experts from practice. The University has also been involved in several calls under OP II (formerly OPRAI). In terms of upcoming activities, the University of Žilina will continue in 2021 to implement educational activities for students and researchers of UNIZA, which will be focused on the development of entrepreneurial skills, organizing educational activities for entrepreneurs and developing cooperation through the implementation of joint projects in the field of science and research.

The Slovak University of Agriculture in Nitra (hereinafter referred to as "SPU") promotes the link between theory and practice. Collaboration with practice includes in particular the participation of practitioners in the educational process in the form of selected lectures, exercises and workshops. In addition, the cooperation also includes special activities aimed at the development of competences for better employment of graduates on the labour market, as well as the provision of internships and traineeships for the purpose of improving practical competences outside the university. SPU also focuses on supporting research activities. At the end of 2019, the educational project Fundamentals of Agribusiness in Specialized Crop and Livestock Production was approved under the Rural Development Programme 2014–2020, which will be implemented in 2020 and through this project 15 people interested in entrepreneurship in the agribusiness sector will be supported. SPU in Nitra has established a specialised university-wide workplace that links research with practice. Its main task is the transfer of knowledge and technology into practice and the protection of intellectual property (primarily in the agricultural and food sectors). The University also implements international cooperation in the field of transfer activities (participation in the Danube Transfer Centres network).

Table 33 Selected activities implemented by universities in 2020

Implemented activities	University of Economics in Bratislava (EUBA)	University of Žilina (UNIZA)	Slovak University of Agriculture in Nitra
Entrepreneurship education	✓	✓	✓
Selected examples	 <ul style="list-style-type: none"> Entrepreneurship in small and medium-sized enterprises. Social entrepreneurship. In addition to the above courses, other courses, such as Professional Practice and Entrepreneurship in Practice, Cooperative Business, Business ethics and others, are also devoted to SME issues. 	<ul style="list-style-type: none"> Occupation entrepreneur in the updated version of the Start-up programme. Within the University Science Park UNIZA (UVP UNIZA), the Futur (ED, Analytical and Innovative Skills in Practice) educational programme was implemented. The educational programme was divided into three blocks: <ul style="list-style-type: none"> Project Management Qualitative analytical methods and creative techniques Quantitative analytical techniques It is a network of workshops focused on the development of key analytical competencies that are important for the development and growth of businesses. The training activities enhance the qualification of future and former employees. 	<ul style="list-style-type: none"> MBA Agribusiness and Commerce - the educational programme is accredited by the international network AGRIMBA and provides quality management education and the latest information in the field of agribusiness and entrepreneurship.
Education of entrepreneurs	✓	✓	✓
Selected examples	 <ul style="list-style-type: none"> Through a memorandum of cooperation with the SBA, the Department of Tourism Services (Faculty of Business) provides a programme for aspiring entrepreneurs. 	<ul style="list-style-type: none"> Various courses and training for small carriers in the business of logistics, freight forwarding and air transport and other courses and training seminars. 	<ul style="list-style-type: none"> Business and consulting activities for SMEs in the forestry and wood processing industry (SMEs).
Cooperation with SMEs	✓	✓	✗
Selected examples	 <ul style="list-style-type: none"> Building the principles of practical education on the basis of a system of professional practice. Cooperation with practitioners who actively participate in the teaching process for students (through professional lectures, seminars and various workshops). 	<ul style="list-style-type: none"> The UNIZA University Science Park has implemented collaborations in the framework of educational support for entrepreneurship, as well as support for SME entrepreneurship in the region and start-ups. 	 
Other activities	✓	✓	✓
Selected examples	 <ul style="list-style-type: none"> Scientific research and publishing activities, i.e. publishing scientific and professional works dealing with SME issues or conducting final (bachelor, diploma, dissertation) theses focused on SME issues. Popularization of economic sciences and economic education Preparation of the national competition in accounting - "Young Accountant Olympiad 2020". 	<ul style="list-style-type: none"> In cooperation with SIEA organizing a hackathon called Improve your UNI (the task was to propose a solution concept including a business view of the solution). Participation of teachers in various scientific and professional projects related to SMEs under various project schemes. 	<ul style="list-style-type: none"> Office for project and transfer activities - SPU in Nitra has established a specialized university-wide workplace linking research with practice, its role is, among other things, mainly the transfer of knowledge and technology into practice and the protection of intellectual property.

Source: SBA, compiled on the basis of submissions received from the above-mentioned universities.

*Note x - does not necessarily mean that the university has not implemented the relevant activities. The information may not have been part of the documents supplied.

• Slovak University of Technology (STU)

STU University Technology Incubator (UTI STU) has supported more than 80 companies since its establishment (in 2005). The year 2020 brought several changes not only to global events due to the coronavirus pandemic, but also to the existence of the STU incubator. The most important change in the activities of the STU incubator was the change of its funding (it switched to grant funding), thanks to which it was able to focus on the educational activities of future start-ups and entrepreneurs. During the pandemic, UTI STU switched to online education and moved the organisation of both internal and external events to the online space, thus targeting a much larger audience and bringing the InQb programme to the attention of the general public. Due to the pandemic situation, the University Technology Incubator also started to organize internal "Coffee with a Mentor" events in the online space on topics requested by start-ups, such as creating a financial plan, practical information for creating a website, presentation skills needed to communicate in front of a potential investor or partner. The STU Incubator organized a total of 25 events in 2020. Since May 2020, the University Technology Incubator has also been involved in the creation of the IMPULZ CORONA STU project, which was created as a response to the coronavirus crisis. On the basis of the Memorandum of Cooperation between STU, Comenius University and the Slovak Academy of Sciences, a cooperation agreement was established between STU and the City of Bratislava for the creation of this platform. The IMPULZ CORONA STU project was awarded 1st place in the category of Technology Transfer Initiative during the ceremony of announcement of the winners of the Technology Transfer Award in Slovakia, which took place on 20 October 2020.

Slovak Technical University (STU)



Programme START

- In the 2nd half of 2020, UTI STU started cooperation with the renowned "idea starter" Juraj Kováč from Rozběhni se!, who became a guarantor of the 3-month programme START.
- The programme is suitable for students, PhD students, graduates and people with or without entrepreneurial experience.
- Activities include mentoring and networking, among many others.
- Thanks to the new structure and the setting of the system for training future entrepreneurs, a record number of projects (20) applied for the programme.
- A total of 27 projects were involved in the programme throughout the year.



Programme InQb

- The target group of the support are companies oriented on providing products and services in the field of IT and education.
- The area of support is innovation.
- In 2020, 1 start-up company entered the two-year InQb programme, joining a company already using the InQb programme. Both companies are using paid rental of office space in the STU incubator (at the Faculty of Electrical Engineering and Information Technology of the STU in Bratislava).

Source: SBA, compiled on the basis of STU documents

Table 34 Selected activities implemented by UTI STU in 2020

Implemented activities	Entrepreneurship education	Education of entrepreneurs	Cooperation with SMEs	Other activities
STU University Technology Incubator (INQB)	✓	✓	✓	✓

Source: SBA, compiled on the basis of STU documents

• Technical University of Košice (TUKE)

The Technical University of Košice is one of the most important components of the innovation ecosystem of the Eastern Slovakia Region, which provides its surroundings with a scientific and technological knowledge base, innovation and a well-prepared workforce, providing key support for the acceleration of entrepreneurship in the region on the basis of technology transfer. The University Science Park TECHNICOM (hereinafter referred to as "UVP TECHNICOM") plays a key role in fulfilling this mission of TUKE.⁹¹

University Science Park TECHNICOM



Selected activities organised by UVP TECHNICOM in 2020

-  It creates conditions for linking research and development with business practice, especially in relation to SMEs..
-  It helps create conditions to promote innovation, technology transfer and intellectual property protection.
-  The aim is to support the creation and development of companies that use the results of research and development for their innovative products, goods or services.
-  In total, in 2020, UVP TECHNICOM organized more than 160 professional activities in the field of SME development support, mainly in the online space due to the COVID-19 pandemic (in original COVID-1).
-  In total, 46 SMEs were supported through UVP TECHNICOM in 2020.

- Discussion panel entitled The future of Slovak science in the context of the transformation to a knowledge-based economy
- Series of conferences and workshops
- Activities for start-ups
- Activities focused on the region's innovation system and cooperation with industry
- International project activities focused on support for SMEs

Source: SBA, compiled on the basis of TUKE documents

Start-up 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 start-up and spin-off companies.
-  In 2020, the Industrial Property Office of the Slovak Republic granted 15 patents, registered 37 utility models and 4 designs to the Technical University of Košice.
-  Patented negotiations abroad were also successful, where the Canadian Intellectual Property Office granted TUKE a patent for the invention "Method of disposal of cyanobacteria in stagnant waters and equipment for its implementation". This patent was also awarded the prestigious Ján Bahýl 2020 Prize by the Industrial Property Office of the Slovak Republic.
-  In 2020, there were 21 start-ups in the Start-up Centre and 14 start-ups in the Incubator.

Source: SBA, compiled on the basis of TUKE documents

⁹¹ More information available at: www.uvptechnicom.sk

Table 35 Selected activities implemented by TUKE in 2020

Implemented activities	Entrepreneurship education	Education of entrepreneurs	Cooperation with SMEs	Other activities
University Science Park (TECHNICOM)				

Source: SBA, compiled on the basis of TUKE documents

4. Summary of conclusions from selected analyses and surveys carried out

The Slovak Business Agency processes analyses aimed at assessing the quality of conditions for entrepreneurship, identifying and analysing barriers to SME business development and mapping new trends in SME entrepreneurship. The analyses are primarily intended for the needs of policy making, designed to increase the competitiveness of SMEs, i.e. for public administration entities, but also as a knowledge base intended for use by educational institutions, the research sphere and also for the business community (such as associations).

4.1. Summary of conclusions from selected analyses carried out

As in previous periods, in 2020 the Slovak Business Agency contributed to the overall monitoring of the business environment through the creation of analytical and statistical documents focused on the entrepreneurship of small and medium-sized enterprises. These analyses were based, among other things, on the unfavourable situation caused by the COVID-19 pandemic in 2020. In addition to mapping the status and trends, the aim of each analytical topic is to identify and name the current problems in the studied area affecting the business environment of SMEs and at the same time to propose optimal solutions in individual areas with regard to the identified barriers. In the next section of this chapter, we summarise the main findings from a selection of the nine published analytical outputs.



Barriers to family business in Slovakia



The Slovak Business Agency has prepared [analytical document](#) aimed at identifying the barriers for which the development of family business in Slovakia is lagging behind. Subsequently, the document presents recommendations aimed at addressing the identified barriers related to this issue.

Family businesses are specific compared to conventional businesses in the interconnectedness of family ties between owners, directors and executives who are also family members. **The definition of the concept** of family business appears to be one of the fundamental problems not only in Slovakia, but also in the EU countries. In addition, **the absence of legal regulation** of the family business may thus limit the existing possibilities for financial or non-financial support.

The foundations relating to the establishment and operation of a family business are to be found in the company's constitutive documents, in which at least part of the relationships are regulated. However, the relationships between the owners of a business may also be defined for a longer period. For this reason, **generational change or the premature departure of the owner/founder from the business** appears to be problematic. The proposed recommendation

is to think about generational change early, with particular reference to management and succession planning, and also to set out the terms in the company's memorandum of association.

Consequently, certain problems also arise in **the management of a family business**, especially when other family members enter the management in pursuit of their own objectives, or when the business is handed over to a third party (a professional). In order to maintain the continuity of the family business, it is recommended to create a suitable structure for the management of the family business, to create a strategy for the family business (control mechanisms, mutual communication with family members and also with other stakeholders involved in the running of the family business) and a so-called family council. The results of the analysis showed that in order to improve the internal environment of the family business and to avoid the emergence of contradictions, one of the other recommendations is to draw up a family protocol (the so-called family constitution). It is an informal document that is created for a specific family, family and family business relations, and its content is tailored to the specific conditions of the family business. Precise setting of terms and conditions in family businesses helps to prevent disputes within the family.

As the analysis showed, the most common **instruments for reallocating assets** in a family business include trusts and trust funds. In this case, the assets contributed (or part of them) under these instruments are managed by a third party trustee. Despite the fact that the Slovak legislation recognizes the administration of foreign property, the conditions for the introduction of the concept of separate ownership in the form of a trust and a trust fund have not been created (especially in situations "where the property administered by the trustee is separated from his own property"). The reason is that the Constitution of the Slovak Republic regulates only one general property. The proposed recommendation is to consolidate the assets into one coherent family holding (holding company). In the process of its creation, the assets of the family business are being transferred, with the family holding company being the future entity under which all business activities will take place.

In addition, problems also arise in the case of **the inheritance proceedings process**. Based on the experience of some entrepreneurs, the quality of services provided in Slovakia by notaries in inheritance proceedings in which the estate is a business is insufficient. In the area of processes that are part of the inheritance proceedings, one of the recommendations is to link the register of notaries with the registers of other institutions, such as banks or the tax office. In order to make inheritance proceedings more flexible, it would also be advisable to modify certain laws with a direct impact on family businesses (e.g. inheritance legislation in the Civil Code).

Impact of selected policies and measures on SMEs



The analysis of the impact of selected policies and measures on SMEs describes some of the significant changes in the period 2015–2020 that have had an impact on a large group of SMEs. These changes usually result in an increase in direct or indirect financial costs as well as an increase in administrative costs.

As the analysis has shown, the introduction of the change regarding **the protection of personal data** has created a number of problems for businesses (including SMEs). One of them was the implementation of this change, which takes the form of a European standard, into national legislation. In this case, it was a directly enforceable EU regulation that did not need to be transposed into national legislation. Nevertheless, the aforementioned regulation has been implemented at national level. For this reason, it was not clear to the business community whether such an EU regulation could be considered sufficient or whether it was necessary to deal with its specific implementation at the aforementioned national level. Other problems

included the unavailability of documents, methodologies or interpretative opinions of the Office for Personal Data Protection. The risk of being fined remains a persistent problem for businesses. The results of the analysis showed that the majority of SMEs have dealt with the GDPR issues, but only from a formal point of view.

Another legislative change was **the registration of end-users of benefits**, i.e. beneficial owners of companies as partners, shareholders or members of senior management. The aforementioned change in the form of transposition of the EU Directive into national legislation was carried out in 2 phases, i.e. registration in the register of public sector partners and subsequent registration of end-users of the benefits in the commercial register. For this reason, as with the personal data protection change, a number of application limitations could be observed. The results of the analysis indicated that one of them was the unpreparedness of the courts to register end-users of the companies' benefits in the commercial register, which ultimately resulted in the obligation being fulfilled after the statutory deadline.

According to the results of the analysis, the most unfavourable legislative change was considered to be **the introduction of e-cash**. The biggest problem identified was the unrealistic deadlines for its introduction, which was reflected not only by organisations, but also by the manufacturers of cash registers themselves. According to the results of the analysis, the significant increase in costs of business entities was mainly due to the condition of a binding e-cash order by a certain date (which was later cancelled) and also to the incompatibility of e-cash with accounting and warehouse software. In addition, the impact analysis carried out confirmed that, in the case of e-cash, the investment costs of the regulation for the whole business environment were in fact around EUR 60.7 million, compared to an estimated EUR 28 million.

Based on the results of the analysis, one of the recommendations for the next adoption of regulations was to thoroughly quantify their impact on the business environment, especially due to the implementation of the principle of one in - one out⁹² (or the principle of one in - two out) in practice. The result should be the reduction of the administrative burden on business in Slovakia, to which the Government of the Slovak Republic committed itself in its Programme Statement in 2020. Also of interest is the so-called sunset clause, which would give new regulations limited validity, then on the basis of relevant reasoning, the possibility of extending it.

Regulatory aspects of the business of education



With the transformation of industry and commerce in the wake of the Fourth Industrial Revolution, there is also a need to make changes in the field of education in order to adapt to the new demands of the labour market. This need can also be seen as a new opportunity for entrepreneurs in the field of education.

In general, the field of education⁹³ in Slovakia is regulated by a number of legal regulations and subordinate norms, which complicate the entry of entities into the field of education and also the development of entrepreneurial activities in this area. A total of **750 different regulatory obligations, restrictions, conditions or requirements** relating to schools and educational establishments and other entities providing education and training were identified in **38 pieces of legislation. Act No. 245/2008 Coll. on Education and Training (School Act)**

⁹² From 1 June 2021 all ministries and 20 other authorities are obliged to comply with the 1 in - 1 out rule. If they adopt some regulation in an area within the scope of their competence, they will have to reduce the regulatory burden and therefore the cost of doing business in the same area by the same amount (from January 2022 double).

⁹³ Pre-primary education (day nurseries, kindergartens), primary education (primary schools), secondary education (secondary schools) lifelong learning and other education and training.

and on Amendments and Supplements to Certain Acts is considered to be the basic law. However, not every obligation has to be burdensome, but the extent to which it is required by law may be excessively burdensome.

By conducting a qualitative survey among representatives of private kindergartens, primary schools, secondary schools, language schools, as well as other business entities in the field of education in Slovakia, regulations that adversely affect business activity at selected levels of education (pre-primary, primary and secondary) were identified.

Based on respondents' answers, the greatest regulations are perceived in **the establishment of schools**. An example is the adoption of the amendment to Act No. 448/2008 Coll. on Social Services of 2017, through which care for children up to three years of age was included among social services. In view of this, in the course of carrying out business activities related to the establishment and operation of day nurseries, redundant obligations for their founders have been fulfilled. In addition, **the strictly defined teaching time at primary and secondary education levels** eliminates the possibility of more innovative ways of teaching or block teaching. Some regulations within **the pedagogical process** itself, particularly at the secondary level, do not allow for the application of new teaching methods in response to employers' demands or the changing labour market. The regulation in the form of clearly defined **qualification prerequisites** does not allow sufficient involvement of experienced people (e.g. from the business environment) in the educational process due to the lack of pedagogical education. Inadequate qualifications are also required for the position of head teacher at primary and secondary schools, as well as in kindergartens. **The regulation of the textbook market**, on the basis of which textbooks, teaching texts and workbooks are approved or recommended and subsequently financed by the Ministry of Education of the Slovak Republic, restricts the entry of entrepreneurial entities into this market. In the wake of the coming Fourth Industrial Revolution, there will also be a need to retrain the workforce, which can be provided through **lifelong learning**. In Slovakia, lifelong learning is regulated by Act No. 568/2009 Coll., and its providers include not only schools at various levels of education, but also legal entities and natural persons - entrepreneurs. The results of the analysis showed that most of the regulations in the framework of the aforementioned education were identified in relation to the **accreditation** of the continuing education programme and the verification and assessment of **professional competence**.

Based on the results of the *analysis* one of the proposed recommendations for the establishment of day nurseries is to make changes in the **gestorship** in the case of care of children under three years of age. For the establishment of primary and secondary schools, the proposed recommendation is to **simplify the conditions** for the approval of school premises and to modify some of the **deadlines**. This is also related to the streamlining of the process of **inclusion** of schools in the network of schools and school facilities. **The relaxation of the qualification requirements**, particularly with regard to the position of head of kindergartens, is another of the proposed recommendations. In particular, the development of a **state curriculum** for bilingual kindergartens and increased **support for corporate** kindergartens would, according to respondents, have a positive impact on entrepreneurial activity in the field of pre-primary education. The provision of **multi-professional** teaching is considered by respondents to be particularly important for secondary schools. Despite the partial opening of the textbook market in 2020, but only for primary schools, improving **access** to quality textbooks, as well as **simplifying their purchase**, through the creation of a single one-stop shop for engaging in education procurement or through direct contracting, remains a persistent recommendation.

In addition, the analysis presents examples of private schools and educational institutions with an emphasis on the Central European region as an inspiration for entrepreneurial activity in the field of education in Slovakia.

Green Action Plan for SMEs and the promotion of green entrepreneurship in the Slovak Republic



The Green Action Plan for SMEs builds on the Europe 2020 strategy and sets the basic direction and framework for SMEs to seize the opportunities presented by the transition to the green economy.

Slovakia is currently ranked just below the average of the European Union countries in the assessment of the overall state of green entrepreneurship in the SME performance review, while in the long term it lags behind in the field of innovation (in general), as well as in eco-innovation (specifically). One of the reasons for the unfavourable performance of green and eco-innovative SMEs in terms of the transition to a low-carbon economy is the aforementioned insufficient innovative performance of the Slovak economy, insufficient use of support funds allocated from European sources and also insufficient promotion of the opportunities and benefits of green entrepreneurship for SMEs.

The adoption of new and ambitious strategic documents in the area of environmental objectives is a prerequisite for the appropriate handling of these issues, and the actual implementation of the relevant measures will be an integral part of this.



The Smart Cities concept and its impact on SMEs

The Smart City concept as an approach to urban functioning affects a wide range of societal areas, especially the environment, energy, and infrastructure in terms of the business environment.

Currently in Slovakia, but in the international space either, there is no binding definition or legal framework that would precisely define the rules that should be followed by participants in Smart City projects, or guaranteed procedures that would lead to the maximum effect of these projects.

In addition to the identification of barriers to the implementation of Smart City concepts in the conditions of the business environment in Slovakia, the *analysis* also presents the benefits or business opportunities that could be used by the SME sector from the implementation of projects of innovative solutions in cities. The analysis also includes a look at the application of the Smart City concept in selected cities in EU Member States.

As a result of comparing the implementation of the Smart City concept at the national, regional and local level, solutions are proposed to improve the approach of SMEs to the implementation of the aforementioned Smart City concept. The priority is to strengthen the technical infrastructure of public administration with regard to digitisation, but also to develop cooperation between the public, private and third sectors. A necessity for strengthening the implementation of Smart City concepts in Slovakia is also more intensive involvement of the small and medium-sized business sector in strategic projects.



Business property taxation and its impact on SMEs

The analysis highlights the current state of the financial burden on SMEs in the area of real estate taxation within the regions of the Slovak Republic, with an emphasis on the impact of changes in the taxation of different types of real estate on SMEs. Reconsideration of the property tax calculation system is also mentioned in the recommendations and proposals aimed

at solving the identified problems. This is the introduction of the so-called **value principle**, which in practice will mean the **taxation of real estate** not only on the basis of its **acreage** (as is currently the case), but also on the basis of its **market value**.

The current legislation in Slovakia allows municipalities to increase or decrease property tax rates by means of generally binding ordinances, to set different property tax rates for individual parts or individual cadastral territories of a municipality and to extend exemptions from property tax.

As municipalities have experienced revenue shortfalls in recent years, particularly in 2020, as well as increases in liability, a number of municipalities have moved to significantly **increase property taxes**. The reason was not the situation caused by the COVID-19 pandemic, but to cover the shortfall in municipal revenues caused by the increase in the non-taxable part of the tax base per taxpayer from 2020. As a result, this has resulted in a reduction of the income tax on the income of natural persons, the revenue of which accounts for 70 % of the municipal budget revenue. This is also evidenced by the results of the analysis of regional cities in Slovakia for the period 2016–2021, which showed an increasing trend in the development of property tax rates from 2020⁹⁴. Considering that property tax rates have not changed since 2020 in the analysed regional cities, the **highest** property tax is borne by entrepreneurs in **Bratislava** and, on the contrary, the lowest in **the city of Prešov**.

In addition, the analysis showed that the **tax burden** on the same types of business properties for comparable sizes of municipalities was in most cases **highest in Poland** within the selected countries. This is followed by **Slovakia, Hungary** and finally **the Czech Republic**, where the aforementioned burden is much lower in selected municipalities.

The qualitative research pointed to specific impacts of property taxation on Slovak SMEs. According to one respondent, the increase in property tax was also reflected in an increase in rent prices.⁹⁵ Nevertheless, the amount of property tax does not constitute a reason to change the place of business. It is not considered either as a key criterion when expanding branches to other cities.

Increasing the property **tax** should **result**, among other things, in a **higher quality of services provided** by the municipality, which, according to the answers of the respondents, is not increasing in the long term. Another persistent **problem** is the **administrative complexity** and **inconsistency of systems** within municipalities when filing property tax returns. The lack of the ability to file returns **electronically** is one of the other problems cited by respondents.

In view of this, the transition to a **mark-to-market taxation system in the Slovak Republic** remains questionable with the ongoing problems. In addition to **long-term preparation** and gradual **elimination of problems**, it will be necessary and desirable in **the legislative process** (if it occurs) to make extensive use of consultations also with the invitation of business organisations, to thoroughly evaluate the comment procedure, and to quantify the impacts on the business environment in the same thorough way.

⁹⁴ These are the properties most frequently used by entrepreneurs: Built-up areas and courtyards, other areas, Industrial buildings, buildings serving the energy sector, buildings serving the construction industry, buildings used for the storage of own production, including buildings for own administration, Buildings for other business and gainful activity storage and administration related to other business and gainful activity, Non-residential premises in a residential building used for business.

⁹⁵ The increase in rent prices was also due to an increase in the local charge for municipal waste and small construction waste in the same year.



Intellectual property protection in SMEs and fast-growing companies

SMEs are an important element of a country's economy in terms of economic growth and job creation. One of the areas in which SMEs are lagging behind, not only in Slovakia but also in EU countries, is the protection of intellectual property rights (patent, trademark, design), which play an important role in promoting innovation and protecting investment. At the same time, according to the EU Intellectual Property Office (EUIPO), businesses (especially SMEs) that exploit intellectual property rights perform better.

In terms of innovation performance, Slovakia is only an average performer and ranks among moderate innovators. In terms of the use of elements of intellectual property protection, which is one of the indicators of innovation performance, it performs worst compared to neighbouring countries. The situation is particularly critical for SMEs, despite the various initiatives taken to promote innovation activities in enterprises.

Based on the results of the qualitative research, one of the reasons why some SMEs do not make use of such rights is that the products and services they provide do not require such protection, or the products they provide are not suitable for protection. Another reason is the lack of added value of IP protection, especially compared to the cost and time involved in securing it. Last but not least, SMEs lack confidence in the effectiveness of the legal system in enforcing and protecting intellectual property rights.

Small and medium-sized enterprises have long faced various barriers to their business activities. For this reason, it is necessary to continuously build a suitable environment also for the implementation of innovative activities. The conclusion from the *analysis* pointed out that the use of intellectual property rights by SMEs needs to be promoted through the dissemination of education as well as their popularisation. At the same time, the provision of services, consultation, training in the field of intellectual property, combined with incentive and financial support instruments, is essential to improve the position of SMEs.



Analysis of selected aspects of entrepreneurship of the self-employed

Entrepreneurship of self-employed persons in the form of a trade represents the most common way and the simplest form of entrepreneurship in Slovakia. SMEs have a significant position within the self-employed persons, accounting for 99.9 % of the total number of business entities in Slovakia. After 2008, there has been a downward trend in the development of self-employed persons in Slovakia, with the most significant decline in the number of self-employed persons occurring between 2013 and 2015. One of the reasons for this was the change in the method of application of lump-sum expenses (from 1 January 2013), which introduced a ceiling for the application of their maximum amount. In the following period, the adopted legislative changes had both positive and negative impact on the business environment in the Slovak Republic, in which self-employed persons (sole traders) operate.

As the *analysis* shows, there is still room for improvement of the business environment for the self-employed in Slovakia and in selected EU countries. The starting point for the proposals for its improvement presented below were the legislative regulations of trade business in the compared countries and also the society-wide discussion that has been going on in Slovakia on the issue of trade business for a long time.

One of the proposals is the creation and introduction of **simplified regimes for self-employed persons in order to reduce the tax-levy burden**. This is a single monthly fee (one payment) that would replace separate payments for income tax, social security and health levies. It should be mentioned that as of 1 January 2020, income tax has been reduced from 21 % to 15 % for entrepreneurs with an annual turnover of up to EUR 100,000.

Considering that start-up entrepreneurs are already burdened with social insurance payments in the second year of their entrepreneurship, the provision of **exemptions from the levy obligations** in the form of a reduction in insurance premiums during the first 3 years of entrepreneurship could lead to an incentive for young people (including disadvantaged groups of the population) to start a business as a self-employed person.

Self-employed workers, unlike employed workers, do not have the option of taking out compulsory or **voluntary accident insurance with the Social Insurance Institution**, and there is insufficient awareness of the possibility to take out voluntary commercial accident insurance. For this reason, another proposal is the introduction of voluntary accident insurance, which would provide insurance protection for self-employed persons in the event of an accident at work. As a compromise for the period of setting up a suitable system for voluntary accident insurance for self-employed persons, the proposed recommendation is to increase the awareness of self-employed persons of the possibility and the need to take out commercial accident insurance, since it is not included in the social insurance package, which self-employed persons pay compulsorily and often have no information about the absence of accident insurance.

Another aspect is the amount of **insurance (and health) contributions payable when carrying out self-employment** as a main or secondary activity. In the case of self-employment as a secondary activity, i.e. in addition to employment (in addition to the main activity from which contributions are already paid), another proposal refers to taking this fact into account when calculating social (and health) insurance contributions.

Due to the growing number of self-employed persons, who mainly use their personal know-how, knowledge and skills in their activities, they achieve low or no costs. For the same reason, lump-sum expenses are not cost-effective either. In such a case, the reduction of the tax base is effected by means of fictitious expenses in the statutory amount. On this basis, another of the proposals points to **an increase in the limit or percentage of flat-rate expenses**, which is one of the most attractive reasons for starting a business through a self-employed person.

The reassessment of the maximum due date of invoices, as well as **a more effective setting of penalties** or the rule of payment of invoices in the order of due date represent another of the proposals to improve the business environment of self-employed persons. This is due to the average maturity of invoices, which in Slovakia is 36 days, which is also above the EU average. Receipt of late payments, or failure to receive payments at all, may ultimately lead to secondary insolvency of the SMEs.

In response to the unfavourable situation caused by the pandemic, the Slovak Business Agency has prepared several analyses. This is, for example, an *[analytical document](#)* aimed at comparing anti-pandemic measures in Slovakia and abroad. In addition, from an analytical point of view, it outlined whether a *[ban on Sunday sales](#)* (even after the end of the pandemic) is a step in the right direction and how this will ultimately affect SMEs. Given that the tourism sector was one of the most affected sectors by the COVID-19 pandemic, its evolution with respect to SMEs is presented in the following text.

The position of SMEs in tourism in the light of current developments in the sector



Due to the impact of the COVID-19 pandemic in the territory of the Slovak Republic, there was an immediate decrease in sales, an increase in cancelled stays, corporate and other events. The pandemic in Slovakia **has negatively affected** mainly SMEs in the tourism sector, with micro-enterprises accounting for almost 97 % of all active businesses entities in the aforementioned sector in 2020. One of the hardest hit sectors within the travel and tourism industry was the accommodation sector, which saw the largest year-on-year **drop in revenue** (almost 85 %) at the start of the pandemic. Despite a gradual relaxation of the anti-pandemic

measures in the following months (especially in July and August) and a less pronounced drop in sales, the unfavourable situation persisted. The immediate drop in bookings and claims for refunds of cancelled stays have brought one of the other problems of **low liquidity** to SMEs in particular.

The contribution of the roundtables carried out at the time of the elaboration of the analytical document was, *inter alia*, the identification of **specific barriers** related to the COVID-19 pandemic. Some of these included, in particular, **delays in taking action**, which only delayed the problems that arose. Another was **the problem of systematic support and expectations** in the context of economic development and **the uncertainty arising from the evolution of the epidemiological situation**. Apart from the COVID-19 pandemic, the analysis also presented **the general ongoing problems of businesses** in the tourism sector.

The results of the *analysis* showed that **the recovery of the tourism sector** will depend on to a large extent on **the development of the epidemiological situation, the stimulation of demand** for tourism products or services, as well as the ability **to adopt support measures and the rate of disbursement of the financial assistance** intended for tourism businesses whose activities have been completely halted due to the COVID-19 pandemic, or restricted.

4.2. Summary of conclusions from selected surveys carried out

In order to better know and understand the business environment, a number of different research approaches and methods are used. The most commonly used methods include qualitative and quantitative research, thanks to which it is possible to obtain a more comprehensive view of various areas and specifics of the business environment. The following section of the report presents a brief summary of selected quantitative surveys conducted during 2020 on the business environment issues in Slovakia and other EU Member States from the perspective of small and medium-sized enterprises. The Slovak Business Agency carried out a number of quantitative and qualitative surveys in cooperation with partners.



Global Entrepreneurship Monitor (GEM) - People's attitudes towards entrepreneurship

The project Global Entrepreneurship Monitor brings together researchers from around the world and is behind one of the world's most important studies of entrepreneurial dynamics. **GEM has three priority objectives:** to measure differences in the level of entrepreneurial activity between countries, to reveal the factors that influence the level of entrepreneurship in each country, and to design policies that can increase national levels of entrepreneurial activity. The information is updated annually at two levels. The first is an 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 part of the Global Entrepreneurship Monitor continuously since 2011.

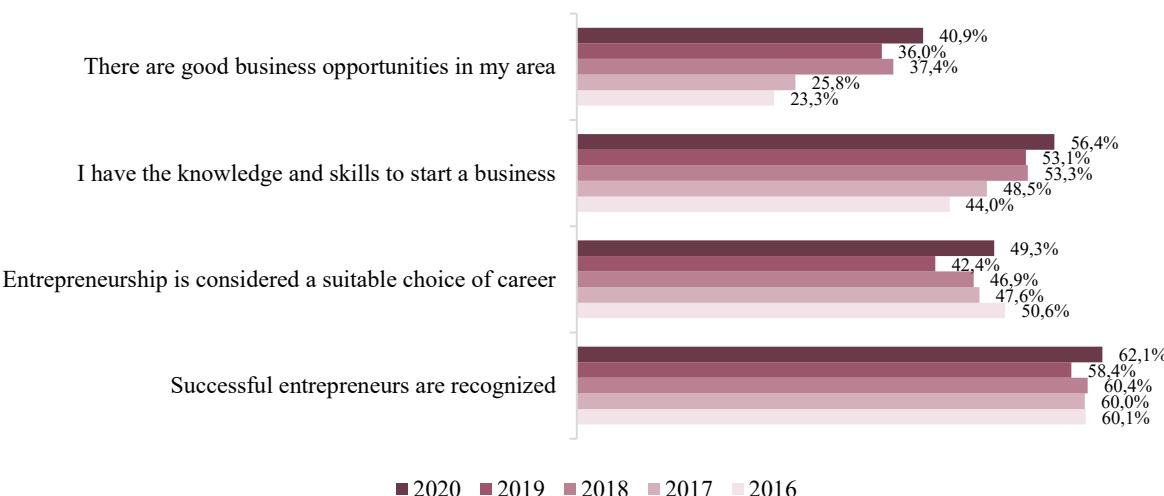
The results of the GEM Adult Population Survey (APS) in 2020 present the persistently high self-confidence of the adult population (18–64 year olds) in entrepreneurship in Slovakia. Despite the outbreak of the corona crisis and the need to take major anti-pandemic measures, **40.9 % of Slovaks perceive good business opportunities in their neighbourhood**. Compared to the pre-crisis year 2019, their share has increased by 3.7 p.p. At the same time, the proportion of respondents who have tried to start a business has fallen by 1.8 percentage points to 16.9 %

in 2020. The increase in the share of Slovaks who see good opportunities for entrepreneurship and the decline in business start-ups may indicate a postponement of the intention to start a business, which brings some hope for a faster recovery of the business sector in the post-pandemic period. The results also show that the corona crisis has caused a deterioration in the perception of suitable business opportunities in most European countries.

The high self-confidence of Slovaks is mainly reflected in their perception of their knowledge and skills needed to start a business. **More than half (56.4 %) of respondents think they have sufficient skills to start a business.** Year-on-year, the perception of one's own knowledge and skills to start a business in Slovakia increased by 3.4 p.p. In an international comparison, the perception of the ability to start a business in Slovakia can be described as high (European average 54.4 %). **At the same time, the growing self-confidence of Slovaks in business is hampered by fears of possible failure.** The share of the population expressing concern about the failure of their business has increased by 5.0 p.p. year-on-year to 48.7 %. The growing fear of failure partly explains the difference between the high proportion of respondents who see suitable business opportunities and the real low proportion of new entrepreneurs.

Social attitudes towards entrepreneurship are improving in Slovakia. **Business is considered as a suitable career choice by almost half of the respondents (49.3 %).** In the year-on-year comparison, this represents an increase of 6.9 p.p. This brings Slovakia slightly closer to the European average of 59.8 %. The perception of successful entrepreneurs and the associated social status has also improved. **Almost two thirds (62.1 %) of Slovaks think that success in business is associated with social recognition.** In comparison with other European countries (70.3 %), successful entrepreneurs in Slovakia are still perceived less positively.

Chart 16 Selected attitudes of the Slovak population towards entrepreneurship according to the GEM survey (% of affirmative responses)



Source: Global Entrepreneurship Monitor, compiled by SBA

Positive features are exhibited by the results assessing the different phases of the business. **The share of the adult population interested in starting a business in the next three years reached 13.8 %** (maintaining the 2019 level). Slovaks are more interested in starting a business than the European average of 10.7 %. **The Total early stage Entrepreneurial Activity index (TEA rate),** expressed as the percentage of the adult population (18–64 year olds) who are either nascent entrepreneurs or owner-managers of new firms, **increased slightly year-on-year to 13.8 %.** Out of eighteen European countries, Slovakia ranked second, just behind Latvia.

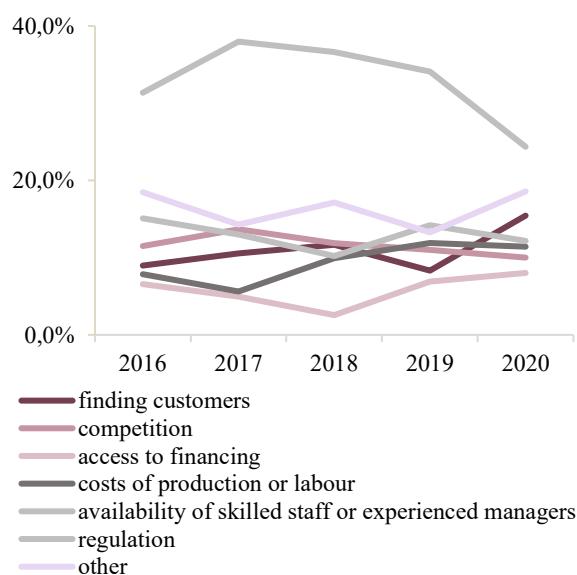
There was also a slight increase in the share of established entrepreneurs (those in business for more than 42 months) from 5.9 % to 6.5 %.

SME access to finance (SAFE)

The European Commission, in cooperation with the European Central Bank, monitors developments in SMEs' access to finance through a joint Survey on the Access to Finance of Enterprises (SAFE). With an annual frequency, the survey has been conducted continuously since 2013, covering 36 countries in 2020: all EU-27 Member States and Associated Countries. The current survey was carried out between September and October 2020 on all size categories of SMEs. **The survey results capture the views of SMEs based on their experience over a six-month period from April to September 2020.** From Slovakia, 416 SMEs participated in the survey.

As a result of the COVID-19 virus pandemic, small and medium-sized enterprises experienced a sharp deterioration in the economic environment in 2020. **As many as 62.8 % of the surveyed SMEs in Slovakia recorded a decrease in sales.** The share of SMEs with a decline in sales increased by 42.8 p.p. year-on-year. **More than half of SMEs (57.2 %) experienced a decline in after-tax profits**, compared to only 28.8% of firms as recently as 2019. Between April and September, **the number of employees fell for a quarter of SMEs (24.0 %)**, twice as much as in pre-crisis 2019 (11.6 %). For 18.0 % of SMEs, debt has increased relative to assets. This represents a year-on-year increase of 4.3 p.p.

Chart 17 The most serious problems for SMEs



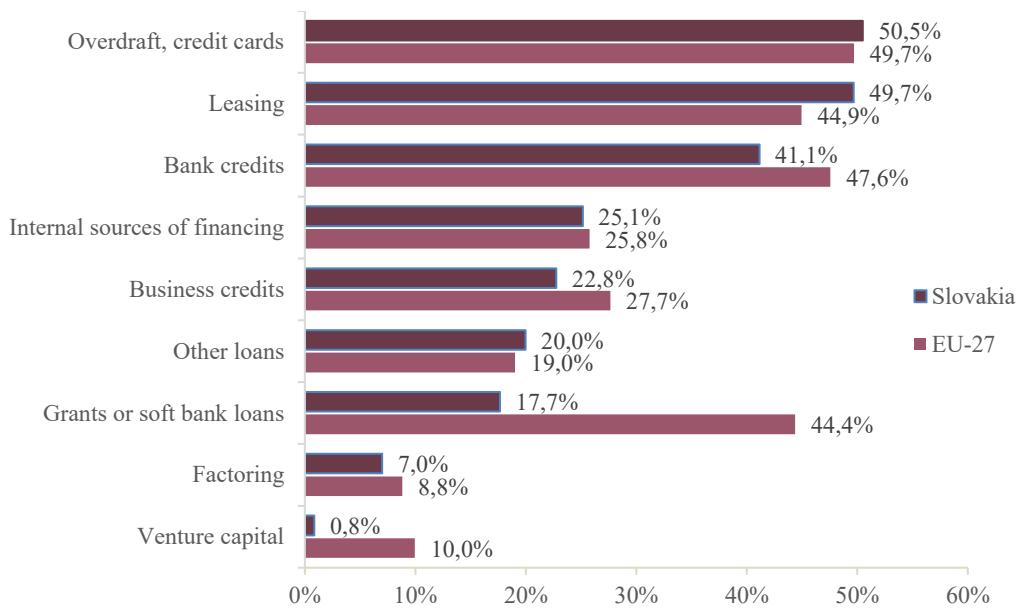
Source: Survey on the Access to Finance of Enterprises (SAFE)

According to the survey results, **access to finance is considered to be the most serious problem for only 8.0 % of Slovak SMEs.** From the point of view of the problems faced by SMEs in Slovakia, access to finance is the least troublesome for entrepreneurs. At EU-27 level, access to finance is perceived to be slightly more sensitive, with 9.9 % of entrepreneurs surveyed identifying it as the most serious problem. The year-on-year development shows only a slight deterioration in the availability of financing in Slovakia by 1.1 p.p. In the EU-27, the

In 2020, the structure of the most serious problems perceived by SMEs also changed. Compared to the pre-crisis period, there was an increase in **the problem of lack of customers** (15.4 %) and also an increase in the category **Others (18.6 %)**, which includes various problems related to the **COVID-19 pandemic**. One quarter (24.4 %) of SMEs in Slovakia perceive the most significant problem in the **availability of skilled staff and experienced managers**. The corona crisis, paradoxically, has contributed to a significant decline in this problem. Nevertheless, the shortage of skilled staff and managers in Slovakia is more pronounced than in the EU-27 as a whole (5.6 percentage points difference). The regulation as the most serious problem of their business is seen by 12.2 % of SMEs. A further 11.4 % of SMEs consider high production costs and the price of labour as the most significant problem.

deterioration was more pronounced - by 2.7 p.p. Small and medium-sized enterprises in Slovakia make the most intensive use of, or are considering the use of, three main sources of financing for their business. **An authorised bank account or credit card overdraft** is the most relevant source of finance for 50.9 % of SMEs in Slovakia and 49.7 % of SMEs in the EU-27. Other popular sources of financing in Slovakia include **leasing** (49.7 %) and **bank loans** (41.1 %). **SMEs in Slovakia lag significantly behind in the use of forms of financing such as grants or venture capital.**

Chart 18 Relevant sources of finance for SMEs in Slovakia and the EU

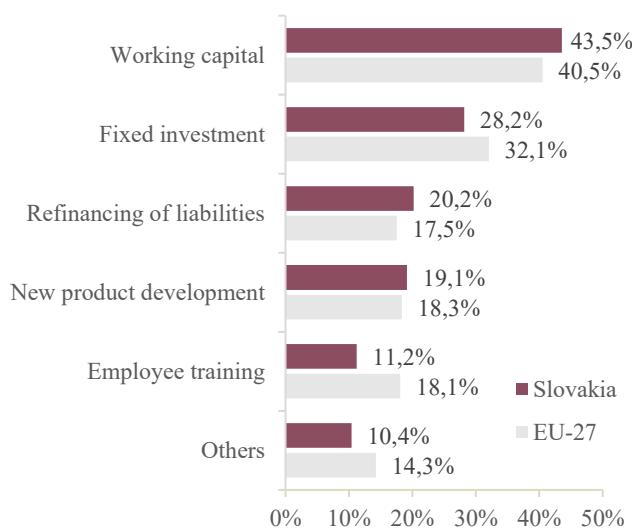


Source: Survey on the Access to Finance of Enterprises (SAFE)

The survey results show that **27.6 % of Slovak-based SMEs applied for a bank loan between April and September 2020** (34.6 % in the EU). **3.4 %** of the SMEs surveyed **did not apply for a bank loan due to possible rejection** and another 21.4 % of the firms did not apply for a bank loan due to insufficient internal resources

Out of the total number of small and medium-sized Slovak entrepreneurs who, as of April to September 2020, applied for a bank loan, **60.7 % of entrepreneurs were fully satisfied**, which is 9.0 p.p. less than in the EU-27 as a whole. **Applications for bank loans were rejected for 7.5 % of Slovak SMEs.** This compares with just 6.3 % among EU Member States. 15.1 % of SMEs were not approved for a bank loan of the required amount and a further 10.6 % of SMEs were still waiting for their application to be assessed. This shows that, for a number of reasons, **almost one-quarter (24.0 %) of Slovak SMEs were unable to obtain a bank loan in the required amount.** At EU level, this problem affected one in four entrepreneurs (20.3 %).

Chart 19 Purpose of the use of the funds raised by SMEs in Slovakia and the EU-27



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

Most of the Slovak SMEs surveyed (43.5 %) used the funds raised as working capital, i.e. funds that need to be permanently maintained in operation in order for the company to be able to ensure its production and supply cycle. More than a quarter of entrepreneurs (28.2 %) used the funds raised to secure investment in property, plant or equipment. In the case of 20.2 % of firms, the funds raised were used to refinance their liabilities. Also as a result of the corona crisis, fewer entrepreneurs (19.1 %) invested financial resources in the development of new products or services. **Only 11.2 % of SMEs had funding for training and recruitment of new employees.**

The results of the survey show that **the outbreak of the first wave of the pandemic did not have any major impact in terms of delays in supplier-customer payments**. Half of SMEs (50.8 %) experienced a problem with late payments from private or public entities, which is even lower than in 2019 (54.2 %). Nevertheless, this is a long-standing and serious problem for companies in Slovakia, as approximately one in five respondents (21.0 %) encounters this problem on a regular basis.

SBA surveys carried out before the start of the corona crisis

The Slovak Business Agency conducted a series of regular quantitative surveys among SMEs at the beginning of 2020, i.e. in the period before the adoption of measures by the Slovak Government against the spread of COVID-19, which focused on three areas: 1) SME views on the quality of the business environment in Slovakia; 2) SME attitudes towards the use of support programmes; 3) Monitoring of the application of the principles for the support of small and medium-sized enterprises in the Member States of the European Union, otherwise known as the "Small Business Act for Europe". The surveys were carried out on a representative sample of 1,000 SMEs.

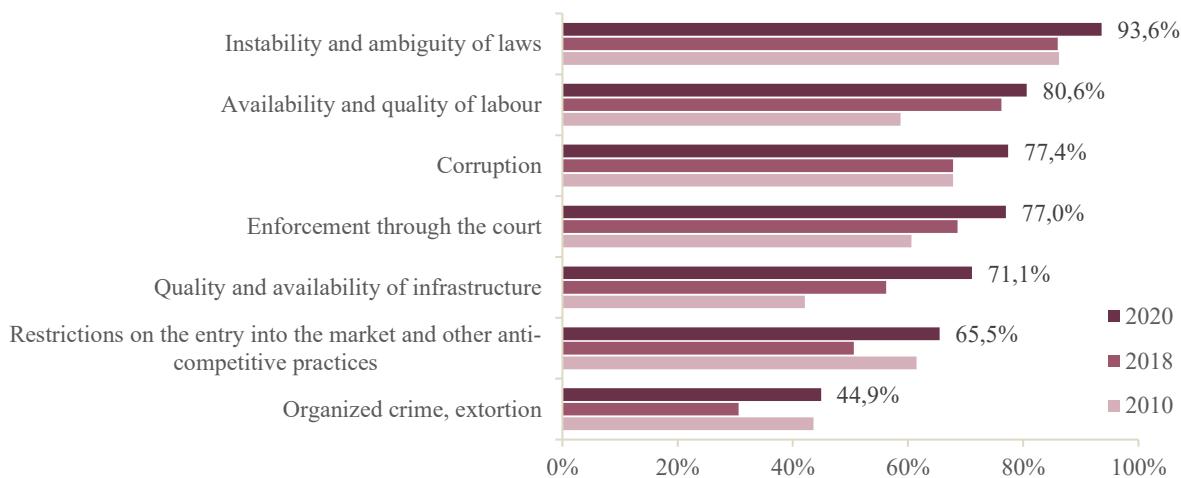
SME views on the quality of the business environment in Slovakia

According to the SME Satisfaction Index, the quality of the business environment in Slovakia has not improved since 2018. Despite several "packages" adopted in previous years to improve business conditions, as many as **62.2 % of SMEs were dissatisfied with conditions at the beginning of 2020**.

For 93.6 % of SMEs, **the most serious problem of doing business in Slovakia is the instability and ambiguity of laws**. However, **the problem of the availability and quality of the workforce is dynamically growing**. As many as 80.6 % of SMEs identified it as a barrier to doing business in 2020. While the corona crisis has temporarily halted this tendency, given the persistent absence of major education and school reforms, a further escalation of the problem can be expected in the medium term. **Corruption (77.4 %) and enforceability of the law through the courts (77.0 %)** were also cited by entrepreneurs as major barriers. The

quality and availability of infrastructure is increasingly perceived as a sensitive issue - as an obstacle to doing business - by 71.1 % of the SMEs surveyed.

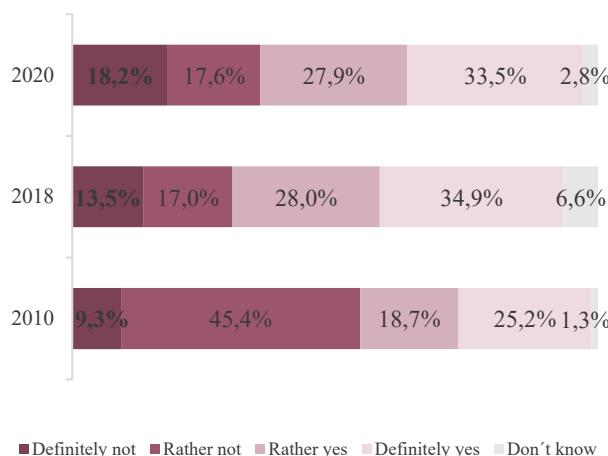
Chart 20 Barriers to the operation and further growth of entrepreneurship in Slovakia, 2010–2020



Source: SBA

The instability and ambiguity of the law manifests itself in practice as follows. More than one third (35.8 %) of the SMEs surveyed think that it is impossible to do business in their sector in Slovakia without ever breaking any laws. Entrepreneurs in the accommodation and catering sector in particular have a problem with doing business without breaking the law.

Chart 21 In your opinion, is it possible to run a business in your industry in such a way that you never break any laws?



Source: SBA

There is clear dissatisfaction among small and medium-sized businesses with several changes to the law during the pre-crisis period. According to business representatives, changes to laws were often adopted in a "non-standard" way without assessing their impact on the business environment. It is therefore not surprising that **among the most common reasons for non-compliance with the law when doing business, SME representatives cited:** 1) lack of consultation with entrepreneurs in the preparation and adoption of laws (61.5 %); 2) frequent changes to laws that entrepreneurs do not even keep track of (59.8 %); 3) passing laws without impact assessments on the business environment (57.5 %).

Regardless of the persistent corona crisis, in Slovakia we repeatedly encounter with the adoption of new legislative regulations that have a negative impact on the small and medium-sized enterprise sector. In 2019, **the increase in the minimum wage had the biggest negative impact** on SME entrepreneurship, affecting 56.6 % of SMEs. Increases in weekend, holiday and night work allowances in 2018 and 2019 had a negative impact on 41.6 % of the SMEs surveyed. Half of the businesses responded to the obligation to raise these allowances by

either not providing services (28.4 %) or limiting production operations (22.4 %) on these days. **37.7 % of SMEs have increased the prices of their products and services.**

SME attitudes towards the use of support programmes

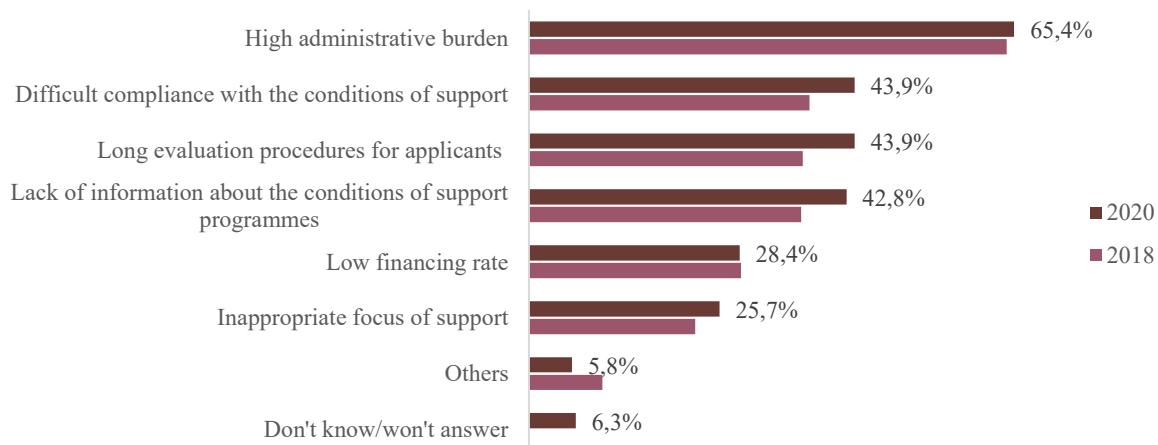
A well-functioning system of support measures for entrepreneurs is an important economic instrument that contributes to the stabilisation and further development of the business sector. The importance of rapid and targeted assistance has become even more apparent following the outbreak of the COVID-19 pandemic. According to the results of the SME Attitudes towards the Use of Support Programmes survey, **more than one third of entrepreneurs** (36.1 %) **declared that they had sufficient information about the possibilities of using support programmes intended for SMEs in the period before the pandemic.** On the contrary, the lack of information was felt by more than half of the entrepreneurs (58.0 %). The situation is worst for micro-enterprises employing fewer than 9 employees, where almost two thirds of entities (62.4 %) did not have the necessary information.

Almost a quarter of respondents (23.8 %) assessed positively the possibilities for SMEs to use the support tools provided by the public sector for their business. However, negative perceptions of the availability of support prevailed among entrepreneurs (56.9 %). The administrative and regulatory burden on business represents a significant barrier to the development of the SME sector in Slovakia. This problem was also highlighted by the results of the survey, according to which **almost two thirds of SMEs preferred indirect support in the form of reducing the administrative and regulatory burden on business** (61.3 %). This is followed by facilitating employment in micro-enterprises (42.9 %) and more support through training and advice for entrepreneurs (29.6 %).

The survey shows that **one in ten SMEs** used some kind of support (e.g. grant, loan, guarantee, EU funds, advice, mentoring, information services) during the year. The number of unsuccessful applicants was 14.1 %. Almost half of the SMEs (47.0 %) received a contribution/grant from EU sources and more than one quarter (26.0 %) received a contribution/grant from the state budget.

In the area of access to public support, the most significant barrier was **the high administrative burden** (65.4 %). **Difficult compliance with the conditions of support, long evaluation procedures** for applicants and **lack of information** about the conditions of support are also quite common problems. Entrepreneurs pointed to the same problems with state aid during the corona crisis.

Chart 22 Perceived barriers to the availability of public support for SMEs



Source: SBA

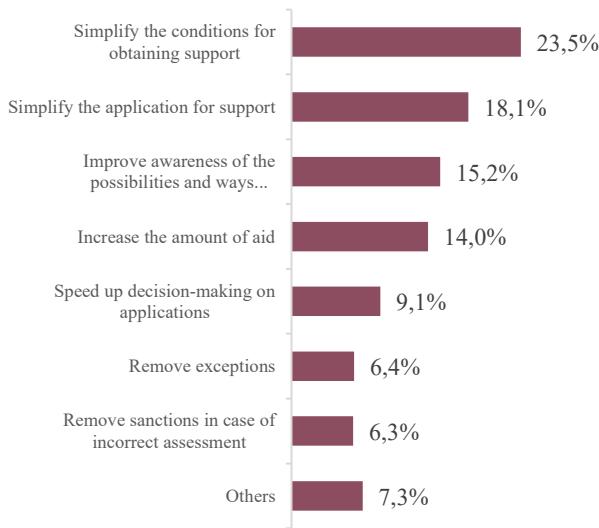
MSP's experience with corona crisis

The Slovak Business Agency in cooperation with partners conducted two quantitative surveys focused on different aspects of the corona crisis and SMEs in Slovakia. **During the first wave, the aim was to gauge the views of businesses on government measures to mitigate the impact of the corona crisis.** The survey was carried out between 15 and 22 May 2020 on a sample of 1,043 respondents.

From the point of view of entrepreneurs, **the demand for simplification of support was clearly presented.** In the early weeks and months of the first wave of the corona crisis, negative views and experience prevailed among SMEs. **The majority (56.1 %) of respondents rated the possibilities and conditions for economic measures to mitigate the corona crisis as insufficient.** Businesses in the sectors most affected by the anti-pandemic measures, such as catering (76.1 %), accommodation (69.2 %) and arts, entertainment and recreation (63.9 %), which include e.g. sporting activities and events, were particularly critical of the measures taken. The interviewed entrepreneurs who had applied for state aid were particularly critical of the complexity of the support measures and the difficulty in navigating them (22.9 %). Ambiguous information about the possibilities of using the support was also considered problematic (16.9 %).

The most common reason why firms did not apply during the first wave of the corona crisis for support was failure to meet the required criteria (40.0 %). Other common reasons were the low level of support compared to the administrative burden and potential controls or sanctions faced by entrepreneurs (33.0 %) and the opaque and unclear conditions for approval of the aid (25.2 %).

Chart 23 Proposed changes to the support measures put in place in the first wave of the corona crisis



Source: SBA

SME representatives called for a number of changes to the support system. **In particular, entrepreneurs asked for simplification of the conditions for obtaining support (23.5 %), simplification of applications for support (18.1 %) and improved information on the possibilities and ways of benefiting from support (15.2 %).** A number of shortcomings from the initial phase of support have been improved, such as increasing the amount of aid, or improving information on the possibilities and modalities of aid.

In terms of other measures, reducing levies or extending their partial remission (22.4 %), reducing the administrative burden (12.3 %) and increasing the availability of interest-free or low-interest loans (12.0 %) would help entrepreneurs.

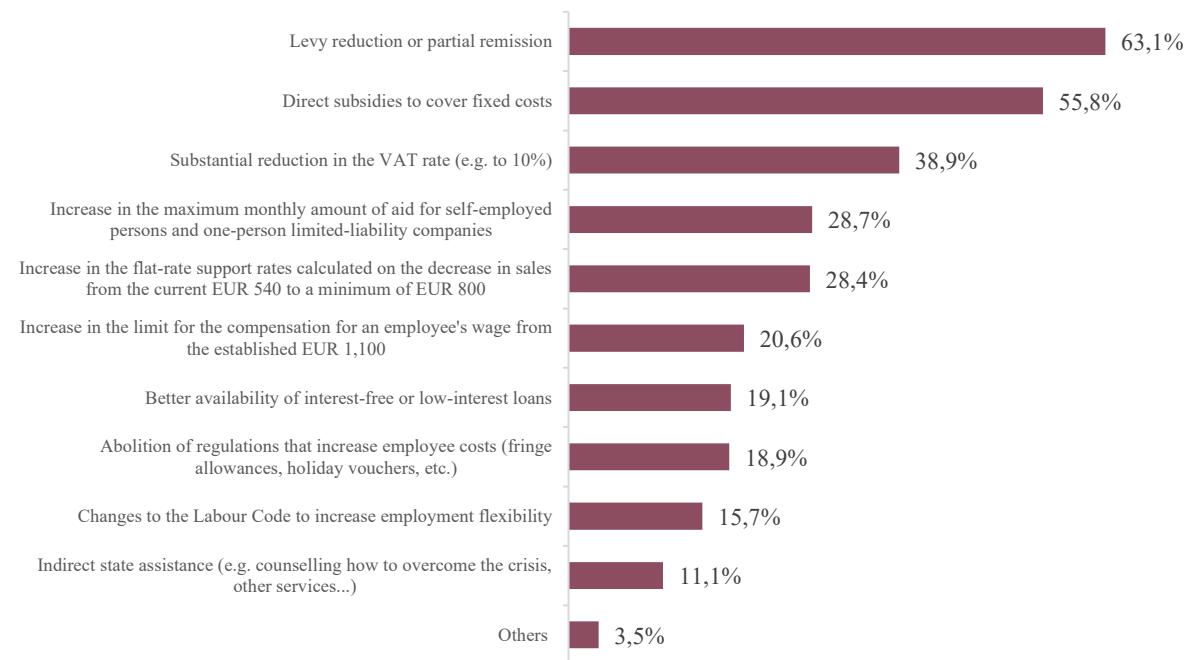
During the second wave of the pandemic, a quantitative survey **Business views on the impact of the second wave of the corona crisis** was carried out. The aim of the survey was to obtain the opinions of sole traders, small and medium-sized entrepreneurs in selected sectors (accommodation services, catering services, arts, entertainment, recreation, sports, education,

retail) on the measures taken in connection with the onset of the second wave of the pandemic in Slovakia and to obtain information on the preferred support measures. Data collection took place from 13 to 20 October 2020.

The results of the survey showed that **the negative impact of the anti-pandemic measures related to the second wave of the COVID-19 pandemic in Slovakia (even before the decision on the partial lockdown of Slovakia was taken) was felt by as many as 94.7 % of the surveyed companies in the most at-risk sectors.** Most entrepreneurs and sole traders have been forced to implement a number of measures in order to reduce losses. The most common action taken by SMEs was **adapting the services provided to new market needs (41.8 %)** or **investing their own reserves from the past to keep the business running (41.6 %).** At that time, 36.8 % of the businesses had temporarily closed down. **22.5 % of firms planned to lay off employees.**

According to SME representatives, the aid received from the State did not sufficiently compensate for the loss of sales and the losses that entrepreneurs had to cope with. Therefore, at the beginning of the second wave of the pandemic in Slovakia, they called for additional support measures. **Among the three most desirable measures, entrepreneurs ranked:** a reduction or partial remission of levies, a direct subsidy to cover fixed costs and a reduction in the VAT rate.

Chart 24 Proposed SME measures to support business during the second wave of the pandemic



Source: SBA

Conclusion

The year 2020 was exceptional in terms of the development of exogenous factors that affected not only in the development of the global as well as the Slovak economy. The COVID-19 pandemic was unquestionably central to the economic environment in 2020, which was not only characterised by a significant slump in economic performance. To a large extent, the pandemic was also associated with a relatively high level of uncertainty and risk, primarily based on the evolution of the epidemiological situation, which also affected the economic activity of business entities.

Small and medium-sized enterprises (SMEs) are considered to be an important driver of the economy, in particular because they make a significant contribution to job creation, value-added creation and economic growth. In 2020, the share of SMEs in employment in the corporate economy reached 74.2 % and 59.1 % of total employment in the Slovak economy. At the same time, the share of SMEs - legal entities in the value added created in the non-financial corporate sector decreased slightly to 53.6 %. Industry remains the most important sector in terms of the SME value-added creation.

The performance of the Slovak economy slumped due to the pandemic after years of continuous growth. The recorded decline was steepest in the second quarter of 2020, in which a decline of almost 11 % was recorded. In the second half of the year, the Slovak economy managed to moderate the pace of its decline. The fall in GDP in the second half of the year was much smaller (-2.1 % in the fourth quarter). The decline in economic activity did not occur only in Slovakia, but was also characteristic of other countries. In the European Union as a whole, economic performance contracted by 6.1 %, mainly due to the slump in the major EU economies.

The impact of the new type of coronavirus has also been reflected in the economic performance of the SME sector. The unfavourable economic situation affected all monitored economic indicators of SMEs. The value-added creation of SMEs - legal entities decreased by 3.8 % year-on-year. Although negative results were recorded in all size categories, the most significant drop in the value-added creation was recorded by small enterprises. The lower level of economic performance of the Slovak SME sector was also confirmed by labour productivity, which was more than twice lower compared to the EU-27 countries.

The gross output of SMEs - legal entities also decreased (by 4.8 % year-on-year). Gross fixed capital formation of SMEs declined by 13.6 % and profit before tax of SMEs - legal entities decreased by 11.8 % year-on-year. The volume of SME exports also declined year-on-year, mainly due to broken links in the supply-customer chains of export-oriented SMEs (especially during the first wave of the pandemic). The decline in exports amounted to 3.1 %. Given that the decline in the volume of exports of large enterprises was more pronounced, there was a year-on-year increase in the share of SMEs in the country's total exports (up 1.5 p.p., or to 29.3 %). In terms of the territorial structure of SMEs, the EU remains the key market (88.3 % of total SME exports). Only 11.7 % of total SME exports went to non-EU countries, highlighting the continuing need for more support for SMEs in this area.

The importance of SMEs can also be observed in the structure of economically active business entities. Similarly to the previous year, the share of SMEs in the total number of economically active businesses entities reached 99.9 % in 2020.

However, the pandemic has been reflected in the suspension of the growth trend in the number of active businesses entities. In 2020, the number of active natural persons - entrepreneurs decreased by 2.9 %. The decline is mainly due to the lower number of

sole traders as the most important legal form of natural persons - entrepreneurs. One of the reasons was the corona crisis situation.

The pandemic has also contributed to a reduction in the number of new businesses in 2020. According to the data, there has been a 2 % reduction in the number of SMEs created (or by 1,709 business entities). Interest in going into business, on the other hand, has increased among self-employed farmers and freelancers. Paradoxically, the situation related to COVID-19 and the measures taken in this context, which were also related to the restriction of entrepreneurial activity, did not lead to an increase in the number of disappeared entities in the year under review. Conversely, the number of terminations decreased by 15.1 %, to a total of 47,648 business closures. The lower number of closures is also due to the adoption of coronavirus support measures, the use of which was conditional on the maintenance of business activity. Closures of enterprises - legal entities did not change significantly year-on-year. The risk in this area therefore remains the fact that the measures in question, which are linked to, or conditional on, the maintenance of business activity, may also lead to the artificial prolongation of the business activity of entities that would otherwise disappear (the so-called "zombie companies"). Lower productivity is also mentioned in connection with this issue. Closures may therefore only occur after a certain period of time (e.g. after the end of the duration of the above-mentioned measures, or after the end of the use of the support instruments in question).

Slovakia generally ranks among the countries with a high share of established and dissolved entities, which is indicative of the relatively high dynamics of entrepreneurship in Slovakia.

In the reference year 2020, in terms of age, more than half of the natural person entrepreneurs were aged between 40 and 49 years. There has been no significant change in the gender structure of natural persons - entrepreneurs. The representation of women entrepreneurs remained at 28.2 %. The share achieved is identical to the 2019 results.

From the point of view of small and medium-sized enterprises as important contributors to the creation of jobs, value added and contributors to economic growth and regional development, it is essential that the process of improving the business environment, particularly in relation to the needs and requirements of SMEs, be continuously pursued. The ten most important laws, which should be regularly monitored by SMEs as they closely affect them, were amended 42 times last year (number of amendments with effect in 2020) and 44 times (number of amendments approved by the National Council of the Slovak Republic in 2020 with effect in 2020 and beyond). However, it should be stressed that in 2020 many of the changes being adopted were necessary to mitigate the negative impacts associated with the COVID-19 pandemic. In 2020, a number of important pieces of legislation were passed (and effective) to respond to address the emergency situation that arose in the Slovak Republic due to the outbreak of the COVID-19 pandemic in the economic, social and economic spheres. The legislation was primarily aimed at reducing and minimising the negative impacts of the pandemic. Among the most important of these is the entry into effect of Act No. 198/2020 Coll. - "Lex corona". A package of 115 measures to improve the business environment and reduce the administrative burden in the modern history of Slovakia has been reflected in the text of the Act and most of the measures have been reflected in the text of specific laws. Others include: the introduction of tenant protection and temporary protection for entrepreneurs; the provision of financial assistance to ensure the liquidity of SMEs; the regulation of the provision of rent subsidies; the provision of subsidies to support small and medium-sized enterprises; the suspension of trades for less than 6 months; the regulation of the so-called "home-office"; as well as other provisions of emergency measures in connection with the pandemic of the COVID-19 disease in the financial sector, among others. In addition, other, partial measures have been adopted to support the business environment, which are presented in the section Overview of the most important legislative changes in 2020.

Business support is an important tool for the SME sector to stabilise as well as develop the business sector. The support measures adopted for the business sector in Slovakia have had a positive impact on the availability of finance. In light of the ongoing pandemic in 2020, businesses have been helped by, among other things, the postponement of repayments and continued guarantee schemes by the State. Financial facilities have played an important role in addressing the liquidity shortfalls faced by companies as a result of falling sales. State-guaranteed loans have mainly helped small and medium-sized enterprises. The total amount of support for SMEs in 2020 in the context of the COVID-19 pandemic was many times higher than in previous years. In terms of the structure of the forms of financing of ordinary support (excluding the so-called COVID support), the direct form of support dominated, accounting for 79.1 % of the total support for SMEs (slight year-on-year increase in indirect forms of support). The indirect form of support amounted to 20.9 % in the case of ordinary support. The overall real use of ordinary support was lower year-on-year. The main reason for this was that funds earmarked for planned activities in the current year were partly reallocated (and/or also increased) and accumulated in instruments and measures with the intention of mitigating the negative impacts of the COVID-19 pandemic. The most significant share of support for SMEs in terms of individual categories of ordinary support was accounted for by the category of subsidies, NFA, grants (42.9 % of the total support provided to SMEs) and the category of credits or loans (30.2 %). In the context of the evaluation of the COVID support provided to the SME sector in 2020, it can be stated that financial or direct support prevailed. The most important providers of the COVID support included the Ministry of Labour, Social Affairs and Family of the Slovak Republic, the Ministry of Economy of the Slovak Republic and SIH.

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

During 2020, the Slovak Business Agency monitored the state and development of the business environment, publishing the results of its findings in a number of analytical outputs, which by their nature touched on specific issues of entrepreneurs. In addition to mapping the status and trends within each focus area, the published analytical documents are intended to identify and name current issues in the area under study related to the SME sector. In each of the analyses and surveys carried out, insights and recommendations are expressed which, in their essence, should contribute to deepening the knowledge and the possibility of development, as well as to improving the business conditions of small and medium-sized enterprises.

From the analyses and surveys carried out, it is possible to identify other problem areas faced by SMEs during the monitoring period. In particular, these include a continuing trend towards a shortage of skilled labour and experienced managers. While the corona crisis has alleviated this problem, the shortage of skilled labour in Slovakia is more pronounced than in the EU-27 as a whole. Long-term perceived pitfalls of SMEs include dissatisfaction with the conditions for doing business in Slovakia, especially in the area of regulation of labour relations and frequent changes in legislation.

The surveys also show that slightly more than half of the SMEs surveyed in Slovakia (50.2 %) have experience with the problem of late payments. In many cases, late payment of invoices has a negative impact on various areas of an SME's business. In Slovakia, this is most evident in secondary insolvency. Payment delays also negatively affect planned investments and recruitment. These areas of concern can potentially be an important element affecting the competitiveness and development of the SME sector in the future. The quality and accessibility of infrastructure is also increasingly perceived as a sensitive issue.

The findings of the surveys also revealed some specificities in connection with the pandemic. This is mainly due to the sharp deterioration in the economic environment and the associated decline in SME sales, after-tax profits and the number of employees. According to the results, the structure of the most serious problems has also changed, which in 2020 included various problems related to COVID-19. Moreover, according to the survey, overall almost one quarter of Slovak SMEs (24.0 %) were unable to obtain a bank loan of the required amount, compared to 20.3% of SMEs at EU level.

Conducted selected surveys that focused on different aspects of the corona crisis in relation to SMEs in Slovakia showed that at the beginning of the first wave of the pandemic, the majority of respondents (among SMEs) evaluated the possibilities and conditions of economic measures to mitigate the corona crisis as insufficient. It turned out that the main reason why firms did not apply for support during the first wave of the corona crisis was that they did not meet the required criteria. Other common reasons included the low level of support compared to the administration or controls or sanctions that entrepreneurs faced. During this period, entrepreneurs mainly asked for simplification of the conditions for obtaining support. They also called for better information on the possibilities and ways of receiving support.

During the second wave of the pandemic, a further survey was carried out to obtain the views of sole traders, small and medium-sized enterprises in selected sectors on the measures being taken in relation to the onset of the second wave of the pandemic. The results showed that the negative impact of the anti-pandemic measures related to the already mentioned second wave of the COVID-19 pandemic (even before the decision on partial lockdown in Slovakia was taken) was felt by as many as 94.7 % of the surveyed companies in the most threatened sectors. The majority of entrepreneurs and sole traders interviewed were implementing a number of measures with the intention of reducing losses. The most common action taken by SMEs was to adapt the services provided to new market needs or to use their own reserves from the past to keep the business running. According to SME representatives, the aid received at the time did not sufficiently compensate for the loss of sales and the losses that entrepreneurs had to cope with. At the beginning of the second wave, they therefore called for additional support measures. Among the three most desirable measures (at that time), entrepreneurs ranked: a reduction or partial remission of levies, a direct subsidy to cover fixed costs and a reduction in the VAT rate.

The results of the 2020 GEM survey show that the self-confidence of the adult population in entrepreneurship in Slovakia remains relatively high. The high self-confidence of Slovaks is mainly reflected in their perception of their knowledge and skills needed to start a business. On the other hand, however, the growing self-confidence of Slovaks in business is hampered by fears of possible failure. The share of the population expressing concern about the failure of their business has increased by 5.0 p.p. year-on-year to 48.7 %. Good business opportunities in their surroundings are perceived by 40.9 % of Slovaks. Compared to 2019, their share has increased by 3.7 percentage points. The perception of successful entrepreneurs and the associated social status hardly changes. Also due to the outbreak of a new type of coronavirus, the proportion of respondents who tried to start a business decreased (by 1.8 percentage points, to 16.9%). The increase in the share of Slovaks who see good opportunities for entrepreneurship and the decline in business start-ups may indicate a postponement of the intention to start a business, which brings some hope for a faster recovery of the business sector in the post-pandemic period. The share of the adult population interested in starting a business in the next three years is unchanged year-on-year (13.8 %). On the other hand, in the Total early stage Entrepreneurial Activity index (TEA rate), expressed as the percentage of the adult population who are either nascent entrepreneurs or owner-managers of new firms, has increased slightly

year-over-year. There was also a slight increase in the share of established entrepreneurs (those in business for more than 42 months) from 5.9 % to 6.5 %.

In the Report on the State of Small and Medium-Sized Enterprises, we also present the results of efforts to improve business conditions in Slovakia, to which the Better Regulation Centre has been contributing for the fifth calendar year. From its position as a member of the Permanent Working Commission for the Assessment of Selected Impacts at the Legislative Council of the Government of the Slovak Republic and the tasks arising from its membership, the BRC registered 101 unique proposals submitted for regulation with an impact on the business environment. Also in 2020, the trend of insufficient quantification of costs/savings of regulation by submitters persisted, with only 23 materials quantifying the costs of regulation out of the aforementioned number of 101 submitted materials with an impact on the business environment. The BRC sees scope for reducing regulatory burdens in the following areas: labour and employment law, tax and accounting, commercial law, excessive bureaucracy, disproportionate financial burdens and legal uncertainty. The Report on the State of Small and Medium-Sized Enterprises also addresses specific measures or proposals. Other organisations were also given space to present their proposals for improving the business environment in the Report, proposing to eliminate a number of individual partial shortcomings that are hidden in the legislation.

From the position of SMEs as one of the key players in the national economy, contributing to employment, value added and growth, it is desirable that there should be continuous sectoral development. In general, SMEs are more sensitive to frequent legislative changes than large enterprises. To ensure the development of SME entrepreneurship, it is therefore essential that Slovakia continues to improve the conditions for entrepreneurship, including the enforcement of legislative proposals in the area of SMEs, increasing transparency, especially in the public procurement process, and adopting other measures aimed at reducing administrative and regulatory burdens.

In terms of the outlook for the performance of the Slovak economy in 2021, it is expected that the Slovak economy will be affected mainly by the potential impact of a third wave of the pandemic. The expected economic growth in our main trading partners should be a boost to the economy. Furthermore, economic growth in the SR is expected to be supported by growth in domestic demand, mainly due to deferred household consumption. On the other hand, the recovery may be dampened by scarcity and input price problems, which may hamper industrial and export performance. Private investment is also expected to be subdued in the near term. Economic recovery will also depend to a large extent on the evolution of the epidemiological situation, but also on the vaccination rate of the population, or whether the government's target of vaccinating 60 % of the population by the end of the third quarter of 2021 can be met. Failure to do so could delay catching up with the pre-crisis level of performance of the Slovak economy.

In general, the pandemics do not affect economic activity in the same way across sectors. It also appears that the country's technological readiness and the associated digital transformation may be key in this regard in the near term. Under the ESIF, the 3rd programming period officially came to an end in 2020. Unspent European Structural Funds provide a significant boost to investment activity. In the medium term, the use of Recovery Plan funds will also be key.

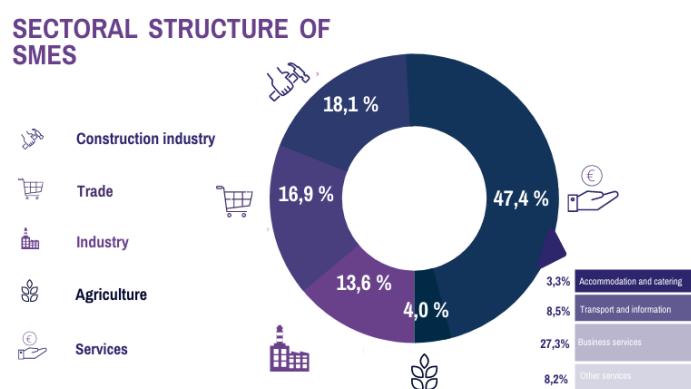
Also in line with the above, there is a need to continue to streamline support for SMEs in the light of the needs of small and medium-sized enterprises. There is a need for continued systematic cooperation in pursuit of business development objectives and for taking into account the suggestions and recommendations of the various actors in relation to improving the conditions of the business environment for SMEs.

Annex

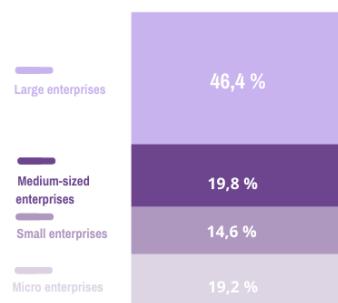
Infographics

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

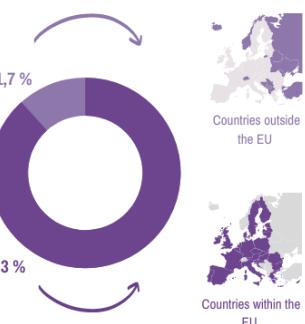
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SLOVAK BUSINESS AGENCY

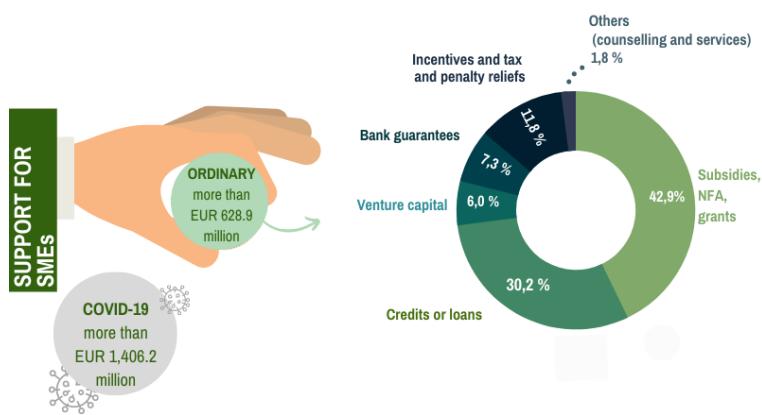


SHARE OF SMEs IN TOTAL VALUE ADDED

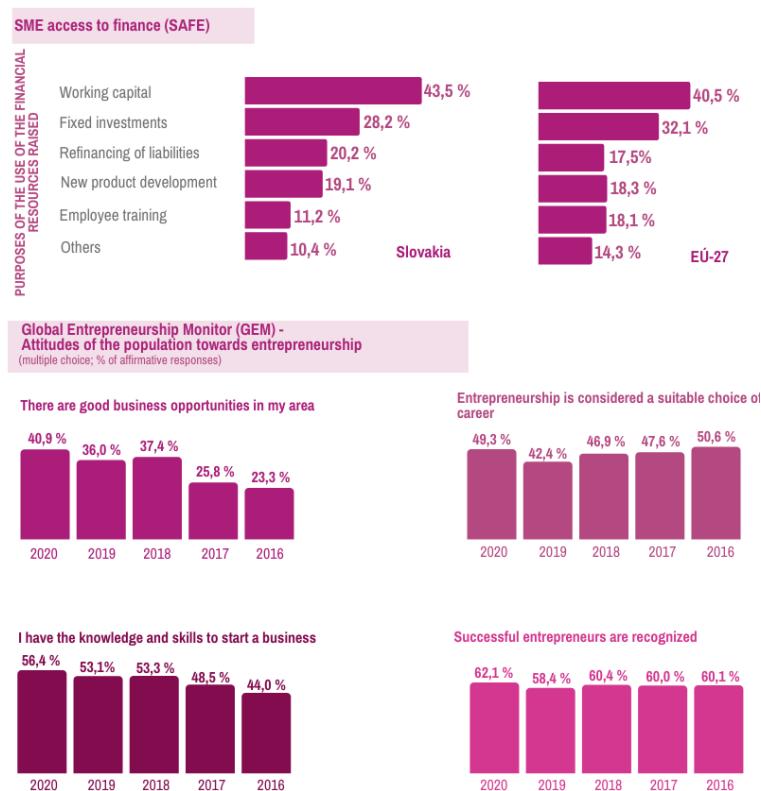


TERRITORIAL STRUCTURE OF SME EXPORTS





SUMMARY OF CONCLUSIONS FROM SELECTED SURVEYS CARRIED OUT



REGULATION OF THE BUSINESS ENVIRONMENT

