



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



MINISTRY  
OF TRANSPORT  
OF THE SLOVAK REPUBLIC



MINISTRY  
OF ECONOMY  
OF THE SLOVAK REPUBLIC

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

# 2021

**Slovak Business Agency**



**Bratislava 2022**



EUROPEAN UNION  
European Structural and Investment Funds  
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# **Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2021**

**Bratislava**

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## **List of abbreviations**

ALMM	Active labour market measures
ALMP	Active labour market policy
APVV	Slovak Research and Development Agency
APZD	Industrial Unions and Transport Association
ASPEK	Industrial Ecology Association in Slovakia
AVF	Audiovisual fund
OHS	Occupational Health and Safety
BRDS	Bratislava Regional Subsidy Scheme
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
EFSI	European fund for strategic investments
EGF	Pan-European Guarantee Fund
EIB	European Investment Bank
EIC	European Innovation Council
EIF	European Investment Fund
EIT	European Institute of Innovation & Technology
EC	European Commission
ER	Execution Regulations
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European structural and investment funds
EU	European Union
EUBA	University of Economics in Bratislava



FLPG	First loss portfolio guarantee
FM UK	Faculty of Management of the Comenius University
NP	natural person(s)
FPU	Art Support Fund
GEM	Global Entrepreneurship Monitor
GDP	gross domestic product
Horizon Europe	Horizon Europe, Framework Programme
IRIN	Insurance relationship identification number(s)
IROP	Integrated regional operational programme
s.c.s.	simple company for shares
RIA Commission	The Permanent Working Committee of the Legislative Council of the Government of the Slovak Republic for the assessment of selected impacts
KSK	Košice Self-Governing Region
KRT	Košice Region Tourism
ME SR	Ministry of Economy of the Slovak Republic
MoF SR	Ministry of Finance of the Slovak Republic
MIRDI SR	Ministry of Investments, Regional Development and Informatization of the Slovak Republic
MC SR	Ministry of Culture of the Slovak Republic
MD SR	Ministry of Defence 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
MEn 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 Co-operation 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
RDP	Rural Development Programme
GPS	Government Programme Statement
OHS	occupational health service
R&D	Research & Development
RIS3 SK	Research and Innovation Strategy for Smart Specialization of the Slovak Republic
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
SIH	Slovak Investment Holding, a. s.
SIHAG	SIH Anti-Corona Guarantee
SLOVSEFF III	The Slovak Sustainable Energy Financing Facility
SLSP	Slovak Savings Bank
IB	Intermediate body
SOPK	Slovak Chamber of Commerce and Industry
SPU	Slovak University of Agriculture in Nitra
SR	Slovak Republic
STN	Slovak technical standard
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
UNDP	United Nations Development Programme
UNIZA	University of Žilina
SOSMT	Slovak Office of Standards, Metrology and Testing
JAs	job applicants
COLSAF SR	Central Office of Labour, Social Affairs and Family of the Slovak Republic
IPO 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
MFF	Multiannual Financial Framework
HTU	Higher territorial unit
TFEU	Treaty on the Functioning of the European Union
ZMPS	Young Entrepreneurs Association of Slovakia
ZPS	Entrepreneurs Association of Slovakia

ACES	Association of Construction Entrepreneurs 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.

The submitted publication follows up on the series of Reports on the state of SMEs with current information about the positions and trends observable in the Slovak SMEs environment that have been elaborated since 1993. The *Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2021* (hereinafter referred to as the "Report on the State of SMEs") 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 2021, including an assessment of the position of SMEs in the Slovak Republic and a section on expectations of further development. The Report on the State of Small and Medium-Sized Enterprises also includes reviewing of the support provided to SMEs in Slovakia in 2021 (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 2021 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 evaluation of the state and development trends of SMEs is used as a basis for an analysis of the state of the Slovak business environment that is submitted to the Slovak government annually as a part of the Report on the State of the Business Environment in the Slovak Republic under the Resolution No. 792 of the government of SR of 17 July 2002. The Report on the State of 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 as a basis in the processing of various analyses and studies of the business environment in Slovakia.

Similarly to its previous years, the Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2021 is available to the public through 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 2021* 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 COVID-19 pandemic, which was an unequivocal central factor in the economic environment in 2020, continued to have an impact on economic developments in 2021, albeit to a lesser extent.

According to preliminary data from the Statistical Office of the Slovak Republic, the growth of Slovakia's gross domestic product (GDP) in 2021 was 3.0 %. In terms of the development of the Slovak economy in individual quarters, the growth of the economy was strongest in the 2nd quarter, when the GDP increased by a tenth, which was the most significant increase since 2007. The robust growth in the second quarter resulted from a favourable base effect, i.e. a lower comparison level from the previous year. In the second half of the year, the Slovak economy managed to significantly moderate its growth rate.

The economic performance growth did not occur only in Slovakia, but was also characteristic of other EU countries. Among the V4 countries, the Hungarian economy was the best performer with growth of 7.1 %. The Polish gross domestic product increased by 5.9 %. The Czech Republic (growth of 3.3 %) and Slovakia (growth of 3.0 %) were well behind Poland. In the European Union as a whole, economic performance increased by more than 5 %, mainly due to the growth of the major EU economies.

In terms of the production side of the gross domestic product development, the economic growth of the Slovak economy was related to an increase in added value by 2.4 %, gross production by 5.7 % and intermediate consumption by 8 %. Net taxes on products increased by 8.5 %. Growth in gross value added was achieved by almost half of the most important sectors, including industry, whose value added increased by more than 8 %.

The coronavirus pandemic has 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. This happened despite the planned measures to maintain employment. However, it ought be added that the employment preservation measures taken played an important role in maintaining some employment, or mitigating the impact of the pandemic on the labour market. For the second year in a row, the average number of persons employed in the economy fell. In the past six years (2014 – 2019), employment has grown continuously. Compared to 2020, the average number of employed persons decreased by 0.7 % to 2,355.1 thousand (according to the quarterly business reporting of the SO SR).

In 2021, SMEs accounted for 74.3 % of employment in the business economy. The share of SMEs in total employment in the Slovak economy was 59.0 %. 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 0.8 % year-on-year** (down 10.9 thousand persons) to 1,390.0 thousand persons employed. The decline in employment in SMEs took place for the second year in a row. Medium-sized enterprises had the biggest problem retaining their employees, with employment falling by 6.1 % year-on-year. Micro-enterprises recorded a decline in employment of 4.6 %. The average number of employees of NP – entrepreneurs has hardly changed.

In 2021, the value added of SMEs increased in all sectors of the economy due to the moderate recovery in economic activity. The value added of SMEs increased most notably in the trade, other services, transport, information activities and industry sectors. Value added also grew in accommodation and gastronomy, but the 5.7 % growth achieved could not compensate for the 15.4 % decline from 2020.

Other economic indicators for SMEs also showed positive development. The gross production of SMEs increased by more than a tenth. The gross fixed capital formation of SMEs, which reflects the level of investment activity, increased by 7.2 %. An increase of more than a third was recorded in the SME profit<sup>α</sup> generation, which increased after the previous two-year decline. The volume of exports of SMEs also recorded a year-on-year increase, most dynamically by almost a quarter in micro-enterprises. Due to the stronger export growth of small and medium-sized enterprises than large enterprises, the share of SMEs in total exports increased by 0.5 p.p. in 2021 to 29.3 %. In terms of the territorial structure of SMEs, the EU remains the key market. Only 10.9 % of total SME exports went to non-EU countries, highlighting the continuing need for more support for SMEs in this area.

Compared to 2020, there was no longer a reduced interest in starting a new business in 2021. In 2021, the number of established business entities increased again compared to the previous year.

According to the data, the number of established SMEs increased by 11.3 % to 92,538 entities in 2021. The number of dissolved business entities also increased (to 51,724). The mass deletion of companies from the Commercial Register also contributed to the new number of administratively dissolved business entities. A fifth of the total number of terminated companies were corporations – legal entities. There was a net increase in business entities in 2021 (40,814) due to the higher number of established business entities than those dissolved. The increased number of closed business activities in 2021 was also reflected in the results of the insolvency statistics. According to data from the Ministry of Justice of the Slovak Republic, the number of bankruptcies declared in 2021 rose by more than half to 268. The number of authorised restructurings remained almost unchanged year-on-year, reaching 19.

The gender structure of natural persons – entrepreneurs did not change significantly in 2021. 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 (26.3 %). The development of the age structure of natural persons – entrepreneurs in recent years has been characterised by an increase in the representation of entrepreneurs in the younger age categories of less than 30 years old. The increase in the representation of young entrepreneurs has been ongoing since 2014. The representation of elderly entrepreneurs slightly declined in 2021 after a previous increase, reaching 10.4 %. 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 2021 (47.6 %). The construction sector has shown a slight increase in representation in recent years,

accounting for 18.9 % of all entities within the SME size category in 2021. 16.1 % of SMEs were active in trade, 13.4 % in industry and 3.9 % in agriculture.

The volume of exports of SMEs also recorded a year-on-year increase, most dynamically by almost a quarter in micro-enterprises. Due to the stronger export growth of small and medium-sized enterprises than large enterprises, the share of SMEs in total exports increased by 0.5 p.p. in 2021 to 29.3 %. In terms of the territorial structure of SMEs, the EU remains the key market. Only 10.9 % of total SME exports went to non-EU 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 2021, 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 ongoing pandemic. Among the most important laws passed in 2021 (in the regular legislative procedure), we can also mention the changes in trading business. The amendment to the Trade Licensing Act brought some significant changes in the trading business. Several laws have been enacted in connection with COVID-19, bringing some changes. Specific measures are listed in the *Overview of the most important legislative changes in 2021*.

The total amount of support for SMEs in 2021 in the context of the COVID-19 pandemic was many times higher than in the pre-pandemic period. 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 77.3 % of the total support for SMEs. The indirect form of support amounted to 22.7 % 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 credits or loans (36.4 % of the total support provided to SMEs) and the category of subsidies, NFP, and grants (35.6 %). In the context of the evaluation of the COVID support provided to the SME sector in 2021, 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 2021, 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 from the perspective of SMEs.



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 2021 (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 ongoing spread of the COVID-19 and its impact on the economic environment in 2021, 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.

### Single Market Programme

In the new programming period 2021-2027, the **COSME programme<sup>1</sup> became part of the European Single Market programme<sup>2</sup>**, which **aims to empower consumers and protect them and help small and medium-sized enterprises to thrive**. The European Commission has proposed (for the long-term EU budget for the period 2021-2027) a new special programme with a budget of EUR 4.2 billion. The percentage distribution of funds from the established budget is also determined for individual goals.<sup>3</sup> 24 % of the total budget was allocated to SMEs.

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<sup>1</sup> European SME Support Programme

<sup>2</sup> The European Single Market is the largest market in the world, allowing people, goods, services and capital to move almost as freely as within a single country. Online. Available at: <https://www.consilium.europa.eu/en/policies/deeper-single-market/>

<sup>3</sup> Budget of the European Single Market programme in %: Food safety 41 %, consumer protection 5 %, increasing the competitiveness of SMEs 24 %, single market 11 %, creation of statistics 14 %, and development of effective European standards 5 %.

This new programme has a total of 6 set objectives, one of which refers primarily to the support of SMEs. Specifically, it is the 3rd objective - **Support the competitiveness of EU businesses, in particular SMEs**. The content of the objective is to provide various forms of support to businesses, in particular SMEs, such as grants and loan guarantees for SMEs under the InvestEU fund, to facilitate access to markets and reduce administrative burdens, to support the uptake of innovations and to solve global and societal challenges, and to support a favourable business environment and culture.



### COVID-19 Support measures (COSME Covid)

Already in 2020, the EIF and the European Commission introduced specific support for COVID-19 under the COSME Loan Guarantee Facility supported by the European Fund for Strategic Investments (EFSI).

On the basis of said programme, the EIF created better conditions to motivate financial intermediaries to provide working capital financing to SMEs hit by the economic impact of the coronavirus pandemic. At the same time, the COVID-19 support also included additional guarantee coverage for working capital funding. The programme period was determined from 6 April 2020 to 30 June 2021. The maximum amount of the loan was set at EUR 150,000.

Thanks to the EIF guarantee, companies have been able to extend the loan term, set lower rates, and make the interest rate more attractive; the requirements for loan collateral have also been reduced.

### HORIZON Europe

With the HORIZON EUROPE programme, the **European Innovation Council (EIC)**<sup>4</sup> is building on the experiences of the previous programme Horizon 2020 (programming period 2014-2020). HORIZON EUROPE is a new EU framework program to support research and innovation for the period 2021-2027 with a proposed budget of around EUR 95.5 billion .

The specified objectives of the EIC remain unchanged. The primary goal is to **fund breakthrough research**, development and scaling of innovations in all phases of this cycle and be a one-stop-shop for all innovators whose high-risk technologies and solutions with great potential for market success cannot receive funding from other sources. Applicants can be scientific, research and development institutions, **individual scientists, non-profit organizations**, but also public and **private bodies**.

In support of the above, this programme aims to **simplify the rules as much as possible and to increase transparency and synergies between the programmes**. HORIZON Europe is based on the **principle of reducing the number of intermediaries between the provider and the recipient of the grant**. All documentation, from the preparation of calls, their

<sup>4</sup> The new EU framework programme for research and innovation for the period 2021-2027.

publication, the acceptance of grant applications, their evaluation, as well as communication, is exchanged directly with the European Commission or with its executive agencies.

1st pillar	2nd pillar	3rd pillar
Excellent Science	Global Challenges and European Industrial Competitiveness	
European Research Council (ERC)	<div>Clusters</div> <ul style="list-style-type: none"><li>• Health</li><li>• Culture, Creativity and Inclusive Society</li><li>• Civil Security for Society</li><li>• Digitalisation, Industry and Space</li><li>• Climate, Energy and Mobility</li><li>• Food, Bioeconomy, Natural Resources</li><li>• Agriculture and Environment</li></ul>	European Innovation Council (EIC)
Marie Skłodowska-Curie Actions		European Innovation Ecosystems
Research Infrastructures		European Institute of Innovation and Technology (EIT)
		Joint Research Centre
Widening participation and strengthening the European Research Area		
Widening participation and spreading excellence	Reforming and enhancing the European Research and Innovation system	

This program is implemented in **three pillars**:

**I. Excellent Science.** The aim of the first pillar is to strengthen and broaden the excellence of the scientific base of the European Union and to further support frontier research projects through the instruments of the European Research Council (ERC), the Marie Skłodowska-Curie Actions (MSCA) and actions for development and use of research infrastructures.

**II. Global Challenges and European Industrial Competitiveness.** Its aim is to support industrial technologies and industrial transition. It consists of 6 clusters, several planned partnerships and research and innovation missions. The clusters are divided according to thematic units into: Health; Culture, Creativity and Inclusive Society; Civil Security for Society; Digitalisation, Industry and Space; Climate, Energy and Mobility; Food, Bioeconomy, Natural Resources, Agriculture and Environment. The Slovak Republic appoints its national delegates for each thematic unit (cluster) who represent Slovakia and promote an agenda that reflects the direction and needs of Slovak research and innovation in preparing calls.

**III. Innovative Europe.** The third pillar aims to support breakthrough solutions that contribute to building a market and innovation-friendly ecosystem through the European

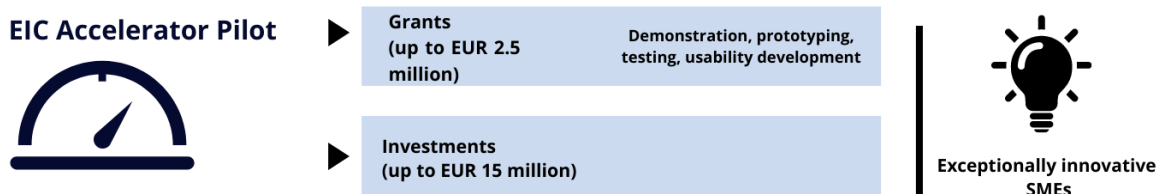
Innovation Council (EIC), actions within the European Innovation Ecosystems and the European Institute of Innovation and Technology (EIT).<sup>5</sup>

Following this, several calls for SMEs were published in 2021 under the previous Horizon 2020 programme. The call “**Euroclusters for the Europe's recovery**” aimed to improve the resilience of the EU's industrial ecosystems through the development of value chain links in the EU Single Market. The second call “**Social Economy Missions for Community Resilience**” aimed to co-finance projects that build resilience and increase the capacity of regional or local public administrations, social economy SMEs and civil society to face difficulties and master crisis. The next call “**Local Green Deals**” was intended to support projects that strengthen transnational and cross-border cooperation between local governments and local businesses to jointly shape local green deals together.<sup>6</sup>

### EIC Accelerator

In the new programming period 2021-2027, the EIC Accelerator<sup>7</sup> will replace the EIC Accelerator Pilot support scheme that has existed since 2018. Compared to the original EIC Accelerator Pilot scheme, the **EIC Accelerator** has significantly changed the rules for submitting proposals.

Despite certain differences, the EIC Accelerator continues to support the specified objectives while focusing primarily on supporting highly innovative small and medium-sized enterprises with groundbreaking products and the ambition to compete in international markets. The programme 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. Each year, the EIC schemes provide funding for Open and Challenge calls. The topics are regularly updated in annual work programs.



In 2021, only one Slovak company was successful in this programme. **Glycanostics, the biotechnology company**, received almost two million Euro from the EIC Accelerator programme. The company is active in the field of early cancer detection.

<sup>5</sup>For more information on the HORIZON Europe programme, see: [https://eraportal.sk/wp-content/uploads/2020/12/Horizon\\_Europe\\_final.pdf](https://eraportal.sk/wp-content/uploads/2020/12/Horizon_Europe_final.pdf)

<sup>6</sup>Source: [https://www.eurofondy.gov.sk/programy-eu/granty/index.html?fulltext=&date\\_until=31.12.2021&amount=&area=podnikanie-a-priemysel&applicant=&intensity=&return=&open=0&grant-page=1](https://www.eurofondy.gov.sk/programy-eu/granty/index.html?fulltext=&date_until=31.12.2021&amount=&area=podnikanie-a-priemysel&applicant=&intensity=&return=&open=0&grant-page=1)

<sup>7</sup>Source: [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/wp-call/2021/wp\\_horizon-eic-2021\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/wp-call/2021/wp_horizon-eic-2021_en.pdf)

## Small Business Act for Europe Initiative

The **Small Business Act for Europe** initiative was passed in 2008.



It recognizes the key role of SMEs in the European economy.

The Small and Medium Enterprises Act consists of a set of **10 principles** (values).



The initiative's effort to enforce one of the principles called **"Think Small First"** in European politics and administration would subsequently ensure better conditions for SMEs to create new job opportunities.

## 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 public 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.

After the first joint negotiations in 2020, the necessary measures for the restructuring plan were taken in the following year. On 21 July 2020, EU leaders agreed on a comprehensive package of **EUR 2,017.8 billion**<sup>8</sup>, which summarizes the **Multiannual Financial Framework (MFF)** in the amount of EUR 1,210.9 billion with an extraordinary recovery effort within the **Next Generation EU tool** in the amount of EUR 806.9 billion. Of this, EUR 723.8 billion has been earmarked for individual countries' national recovery and resilience plans in the form of grants and loans under the proposed Recovery and Resilience Facility.

To finance the Next Generation EU tool, the EC borrows funds on the capital markets at lower interest rates than most EU Member States. Those are then distributed to the listed EU member states. However, in order to cover the instalments of the Next Generation EU tool, the EC is trying to create new EU revenue streams, such as in the form of a carbon border adjustment mechanism, a digital tax or a financial transaction tax, a financial contribution related to the corporate sector or a new common tax base from legal entity revenue.

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<sup>8</sup> In constant 2018 prices, the total package was EUR 1,824.3 billion (MFF in the amount of EUR 1,074.3 billion and Next Generation EU in the amount of EUR 750 billion. ). Available online: [https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/negotiations\\_en#commission-proposal-may-2018](https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/negotiations_en#commission-proposal-may-2018)

In the first half of February 2021, the European Parliament and the Council adopted a Regulation<sup>9</sup> establishing a Recovery and Resilience Facility for a total amount of EUR 723.8 billion . EU Member States gradually received support throughout 2021 based on their National Recovery and Resilience Plans. These had the task of putting together a comprehensive package of projects, reforms and investments in the National Recovery Plans, which were to apply to six policy areas of European importance. National recovery and resilience plans had to be submitted to the EC by 30 April 2021.



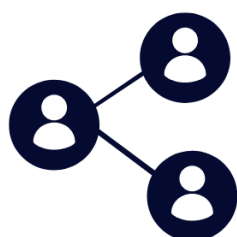
Green transformation



Digital transformation



Smart, sustainable,  
inclusive growth and  
jobs



Social and territorial  
cohesion



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



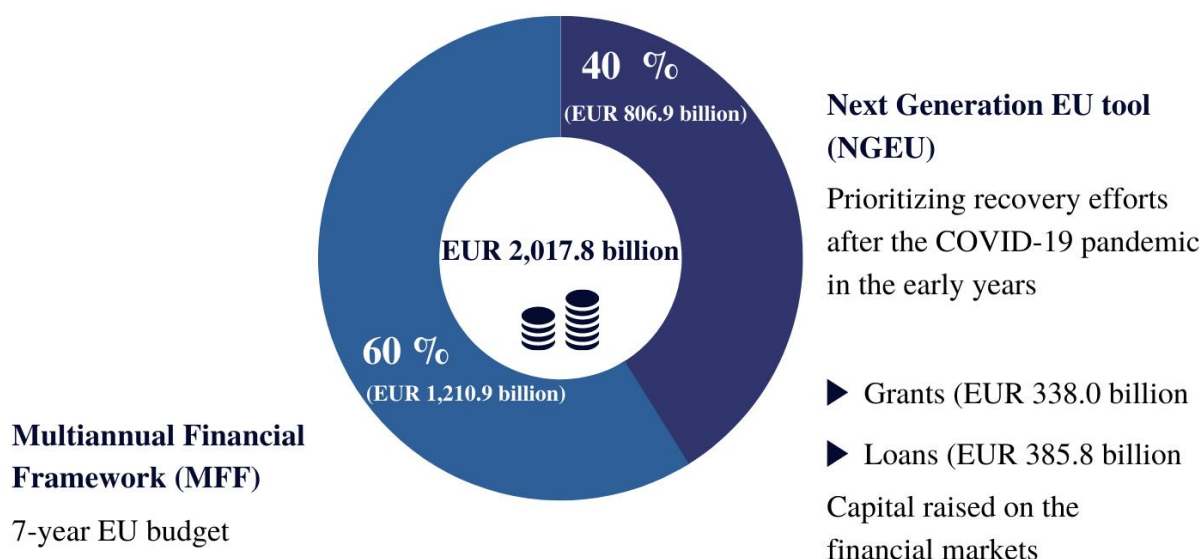
Health and endurance

In the second half of June 2021, the Council started evaluating the first 12 recovery plans based on the European Commission's proposal. These included also the Slovak proposal for a recovery plan. In the following month (13 July 2021), the first funds were approved for 12 countries, namely Belgium, Denmark, France, Greece, Latvia, Luxembourg, Germany, Portugal, Austria, **Slovakia**, Spain and Italy. These Member States have been granted EU funds to help them recover from the COVID-19 pandemic.

In the course of 2021, the recovery plans of other Member States were approved. **Total of EUR 6.3 billion in grants were accredited to Slovakia from the Recovery and Resilience Facility.** At the same time, **in October 2021, the European Commission paid Slovakia EUR 822.7 million** in the form of 13 % pre-financing of projects and investments listed in the National Recovery and Resilience Plan. These investments will be used for renewable and **digital solutions for business**, education and more resilient healthcare.

<sup>9</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility.





### 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 2020–2024<sup>10</sup> (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 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 create a favourable environment for the development of SMEs and take 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 support the internationalisation of SMEs. The Government of the Slovak Republic is committed to support 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

<sup>10</sup> The PSG SR for 2020–2024 was updated in April 2021.

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. Furthermore, 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 reduce administrative burden by 2020 through amendments to laws that will make it easier to do business. In July 2020, via accelerated legislative procedures the government adopted 114 measures to improve the framework conditions for companies.<sup>11</sup> It will then continue to make regular and systematic proposals for action in this area.<sup>12</sup> At the same time, it is committed to continue the implementation 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 introduce the institution of binding opinions in individual departments, offices or agencies, as well as to introduce 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. Since 2021, the Slovak government has introduced the "1 in – 1 out" principle; with effect from 1 January 2022, the "1 in – 2 out" principle is to come into force. 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

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<sup>11</sup> The change occurred with the adoption of 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.

<sup>12</sup> In February 2022, the government approved "Kilečko 2", a package of 198 measures to improve and simplify conditions in the business environment.

equipment and staffing, and to push for a new Concept of the Security System of the Slovak Republic. It also includes **ensuring public safety**, as well as **improving public health care**.

**In order to combat COVID-19, short-term and targeted measures to help vulnerable groups of businesses, employees and sole traders remain a priority of the Slovak government.** Primarily, with regards to 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 focus 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 Informatization 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 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 create 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, the Strategy for the Development of Sustainable Tourism until 2030 should determine the further orientation **in the field of tourism**.<sup>13</sup> 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 stimulate 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 catering services in hotels and guest houses, as well as travel and information agency services, guide and leisure services, etc.),

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<sup>13</sup> 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.

- 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 analysing tourism facilities in Slovakia, promotion of Slovak tourism abroad, as well as analysis of individual foreign markets.

**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 Ministry of 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 promote 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 (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, the aim is to implement 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 support programmes.

### **National Reform Programme of the Slovak Republic (2020-2024)**

The National Reform Programme is aimed at a long-term process of preparing structural reforms and at the same time reacts with the created measures to the concrete recommendations of the Council of the EU for Slovakia. The document in question also takes into account the government's program statement for the years 2020-2024, which is why the National Reform Programme is also bound to the four-year period mentioned.

**Education, the labour market and the allocation efficiency caused by an effective public administration** were identified as the greatest structural challenges of the Slovak economy.

Planned measures in structural issues relate to the areas of the economy, education, social affairs, the environment, public administration and law enforcement. **Key planned actions in 2021**, responding to individual concrete recommendations from the Council, include:



Introduction of spending caps and consideration of identified savings from spending revisions in departmental boundaries



Functionalization of programme budgeting



Higher quality and better support for teachers



Improvement of the effectiveness and efficiency of employment services with a focus on disadvantaged groups



Improvement of the employment conditions for parents with small children (eligibility for a place in kindergarten, available capacities of childcare facilities)



Improvement of public transport (National Transport Plan for Public Transport, Public Transport Bill)



Increased expenditure on the maintenance and reconstruction of Class I roads, bridges and the busiest railway lines



Better control of proof of assets and introduction of a functional mechanism of material responsibility and sanctions for misconduct of public officials

**Improvement of the effectiveness and efficiency of employment services with a focus on disadvantaged groups** (introduction of customer profiles). From an economic point of view, it is important to support the increase in the readiness of employees, as they have long experienced a shortage of qualified workers. In the relevant area, the implementation of the Action Plan to strengthen the integration of the long-term unemployed into the labour market in the Slovak Republic continued. The target group are people who are disadvantaged in the labour market, in particular the low-skilled, marginalized Roma communities and young people with insufficient education. The proposed solution was to contribute to the efficiency of employment services by offering specialized advice, identifying the competences of disadvantaged JAs and introducing a customer profiling system.

**Improvement of the employment conditions for parents with small children** (eligibility for a place in kindergarten, available capacities of childcare facilities). The aim of the measure in question was to support the return of mothers to the labour market and to try to reduce the gender gap. The instrument for applying the measure should be the flexibility of parental support (parental allowance and care allowance). This supported the provision of day-care centres that facilitate the transition to pre-school education in kindergartens. Simultaneously with the capacities of kindergartens, the law was passed, which made it possible to claim a place for every child from the age of three.

**Better control of proof of assets and introduction of a functional mechanism of material responsibility and sanctions for misconduct of public officials.** The aim of fulfilling the specified intention was to propose a new legal concept for proving the origin of property. The mentioned measure should improve the rules for controlling the property of officials. Act No. 312/2020 Coll. **on the Enforcement of the Decision on Seizure of Property and Administration of Seized Property and on the amendment of certain acts**, effective



from 01 January 2021, is to ensure the effective search, seizure and confiscation of proceeds from criminal activity and the introduction of clear and effective rules for the administration and disposal of seized property. The above act amended the Criminal Code (Act No. 300/2005 Coll.) and at the same time **introduced the criminal offence of taking and granting advantage**. The core of the new criminal offence is to punish corrupt behaviour in which there is no obvious and demonstrable connection between accepting or giving bribes and behaviour in breach of duty.

## Recovery and Resilience Plan of the SR

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. RRP is based on Slovakia's global vision 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.

Regarding the Recovery and Resilience Plan of the Slovak Republic for 2021, the Government of the Slovak Republic has set (among others) two important objectives that are not only of societal importance but also have an impact on the business environment. One of the objectives was **judicial reform**. The instrument of this reform was supposed to be a new judicial map with the aim to allow for the specialization of judges, but this reform did not pass the legislative process in 2021.<sup>14</sup>

Judicial reform has sought to further fight corruption and strengthen the integrity and independence of the judiciary. By amending Act No. 423/2020 Coll. on Amendments and Supplements to Certain Acts related to the reform of the judiciary, the powers and competencies of the judiciary for its internal control were strengthened (e.g. reform of the establishment and competencies of the Judicial Council of the Slovak Republic). In addition, this change increased transparency in the creation of the composition of the Constitutional Court of the Slovak Republic, including the introduction of safeguards against parliamentary inaction and the concentration of power (rotation principle in the election of constitutional judges, natural change in the status of judges).

However, the goal of strengthening competencies and capacities in administrative courts could not be achieved in 2021. The Supreme Administrative Court of the Slovak Republic

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<sup>14</sup> The judicial map reform was passed in April 2022. The reform aims to increase the number of judicial districts and ensure the specialization of judges, the mentioned instruments will allow to speed up the judicial process and increase its quality.

should have been established as the highest judicial authority in the field of administrative justice.<sup>15</sup>

For the 3rd quarter of 2021, it was planned to introduce tools for more effective prosecution of corruption and legalization of proceeds from criminal activities, with the introduction of new offences of **perversion of justice and acceptance and granting of an unjustified advantage** into the Criminal Code, and operationalization of the Office for the administration of seized property. The above objectives were achieved by the adoption of the above Act No. 312/2020 Coll.

### **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.

In early 2018, the Slovak government adopted the Better Regulation Strategy – RIA 2020 to improve the quality of laws and eliminate redundant regulations. The strategy material includes a range of tools, analysis and measures to eliminate and avoid gold-plating, insights into regulations and their creation with behavioural approaches or testing the one-in-one/two-out method (for every Euro of new regulatory burden, the burden should be removed by the same or up to twice the amount). The aim is to ensure a thorough assessment of the impact of legislation on entrepreneurs and to create pressure to reduce the costs of legislation. Its main aspects include improving the regulatory cycle of laws and strategic documents based on the systematic application of the principles of openness, intelligibility, public participation in their elaboration and informed decision-making.

The year 2021 brought the fulfilment of one of the main milestones of the RIA Strategy 2020 through changes in the unified methodology for assessing selected impacts, which aim to reduce the bureaucracy and costs of the business environment – effective from 6 January 2021, officially put into practice the above-mentioned one in-two out principle ordering the submitters of materials for the session of the Government of the Slovak Republic or for the session of the Permanent Working Commission of the Legislative Council of the Government of the Slovak Republic, to reduce the costs of the business environment (OUT) for each increase in the cost of the business environment (IN) by at least double. However, during the transition period from 1 June 2021, to 31 December 2021, submitters were allowed to reduce the business environment costs (OUT) by at least the same amount (one in – one out) for each increase in business environment costs (IN). For documentation purposes, a virtual regulatory account managed by the Ministry of Economy was set up for each submitter, containing data on the quantified impact of the submitted materials on the business environment. The result of the control of the implementation of the mechanism for reducing bureaucracy and costs will be the content of the summary report on the application of the mechanism for reducing bureaucracy and costs, which the Minister of Economy will submit to the Government of the Slovak Republic for the previous calendar year every year by the end of April. With this step, one of the most important objectives of RIA 2020 – Better Regulation Strategy – was fulfilled. Another important objective achieved under the RIA 2020 strategy was the update of the Permanent Working Committee's Rules of Procedure in 2021.

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<sup>15</sup> In 2022, as part of the judicial reform, the members of the NC SR approved the creation of new city courts in Bratislava and Košice. New administrative courts will also be set up, which will settle disputes between the parties – the citizen and the state.

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 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 three times in 2021. 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 294 materials for consideration in 2021, 84 % of them (247) under the PCP. Of the 247 materials sent to the PCP, the RIA Commission issued 29 approving opinions, 64 approving opinions with a proposal for refinement and 154 disapproving opinions; four materials were granted a waiver and, as noted above, for three 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 47 materials were sent for final consideration during 2021. The RIA Commission issued 8 approving opinions, 9 approving opinions with a proposal for refinement and 30 disapproving opinions.



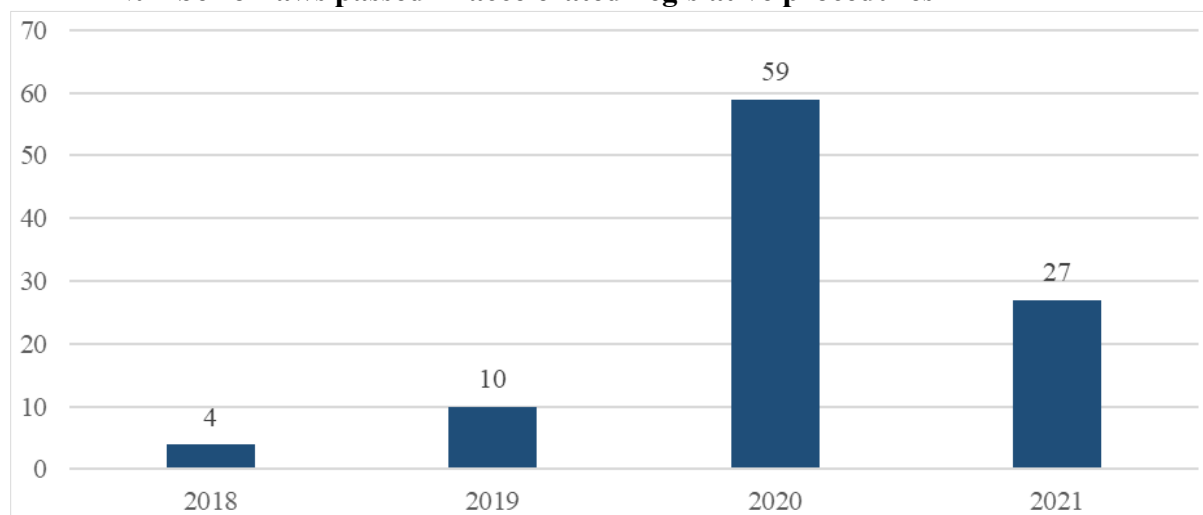


## 1.2. Overview of the most important legislative changes in 2021

Also in 2021, 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 eleven most important laws (Commercial Code, Trade Licensing Act, 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 40 times in the past year (number of changes effective in 2021). Compared to 2020, when the above-mentioned laws affecting the business environment were amended a total of 49 times (the number of changes with effect in 2020), this is a year-on-year decrease of 18.37 %. However, it should be emphasized that even in 2021, many of the adopted changes 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.

In addition to the frequency of passing legislative changes with a significant impact on the business environment, the quality of the legislative process must also be monitored, in particular, compliance with the regulatory process, which includes the involvement of the professional community in the preparatory process, and a detailed description of all impacts of the proposed legislation, including the quantification of such impacts. Also in 2021, the institute of accelerated legislative procedures according to Section 89 of Act No. 350/1996 Coll. on Rules of Procedure of the National Council of the Slovak Republic, through which the standard legislative process was bypassed. As can be seen from the chart below, the number of laws passed in the National Council in the form of accelerated legislative procedures increased more than sixfold in 2021 (27) compared to 2018 (4 laws). Even if this increase is partly due to the need to react quickly to the development of the COVID-19 pandemic, in the future, it will be necessary to normalize the legislative procedure and to use the institute of the accelerated legislative procedures only in exceptional cases.

**Chart 1 Number of laws passed in accelerated legislative procedures**



Source: SBA

## § Laws passed in 2020 with effect from 2021

The following laws were approved by the National Council of the Slovak Republic in 2020, with entry into effect as late as from 01 January 2021. These are laws that significantly change the existing legislation.



### Introduction of temporary entrepreneurs protection

On 8 December 2020, the NR SR approved *Act No. 421/2020 Coll. on Temporary Protection of Entrepreneurs in Financial Difficulties and on the amendment of certain acts* effective from **1 January 2021**, which provides a sufficient time frame for the effective start of the restructuring procedure and creditor protection is provided.

**An entrepreneur with central main interests in the territory of the Slovak Republic**, which also includes 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 is entitled to apply for temporary protection. Entrepreneurs apply for temporary protection using an electronic form addressed to the competent court (there are 4 courts for the territory of the Slovak Republic). **The registered office or place of business** at the time of application submission is decisive for determining jurisdiction to grant temporary protection.

**The conditions** that the entrepreneur must meet and declare in the application are, for example, that the majority of its creditors agree to the temporary protection (calculated according to the number of their claims); that it is not subject to the effects of the initiation of insolvency proceedings, bankruptcy proceedings, the declaration of bankruptcy, the initiation of a reorganization procedure or the reorganization permit; that it has not distributed the profit in the last 12 months before submitting the application or has not taken any measures that endanger its financial stability in the last 12 months before submitting the application.

**The effects** of temporary protection of entrepreneurs are as follows:

- the temporary protection prevents the opening of bankruptcy proceedings, i.e. during the period of temporary protection it is not possible to decide whether to open insolvency proceedings,
- an entrepreneur under temporary protection is not subject to the obligation to file for bankruptcy of its assets during the period of temporary protection,
- during the temporary protection, property, rights or other assets belonging to the business of the entrepreneur may not be impaired in execution,
- during the temporary protection, the exercise of security rights relating to the company, subject, right or other assets of the company is not possible,
- during the period of temporary protection, the set-off of related claims is restricted,
- the rules for termination and withdrawal from the contract are changed, including the right to refuse to perform the contract in connection with the date on which the entrepreneur's default under temporary protection occurred,

- in the case of temporary protection, the expiry of the statute of limitations against the temporarily protected entrepreneur is suspended, as is the expiry of deadlines for the possible assertion of claims from contestable actions,
- prohibition of asset disposals at the expense of creditors,
- fulfil obligations directly related to the continuation of business operations that arose after the granting of temporary protection, preferably before obligations that were due earlier,
- the entrepreneur is obliged to be entered into the register of public sector partners for the duration of the temporary protection.

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.

### The introduction of the so-called small bankruptcy procedure

*Act No. 421/2020 Coll. on Temporary Protection of Entrepreneurs in Financial Difficulties and on the amendment of certain acts* effective from **1 January 2021**, also amended *Act No. 7/2005 Coll. on Bankruptcy and Restructuring as amended* and **a new institute that allows the termination of business operation - the so-called small bankruptcy procedure** was implemented.

It applies that bankruptcy proceedings shall open at the request of the debtor using the form provided for this purpose. The debtor is obliged to make **an advance** on costs before applying for the opening of a small bankruptcy procedure (the amount is regulated by a separate decree, as of 31 December 2021, the amount of the advance is EUR 500.00).

If the legal conditions are met, the court will declare a small bankruptcy on the debtor's property **within 15 days** from the delivery of the application. The requirements to be met include, for example, the number of liabilities (according to the last 5 annual financial statements, the debtor had no liabilities of more than EUR 1,000,000) or the number of assets (according to the last 5 annual financial statements, the debtor had no assets worth more than EUR 1,000,000).

### 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 **1 January 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.

### 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, 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 (year 2019).*

#### **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 **an increase in the amount of surcharges** for employees for **Saturday work, Sunday work and night work** and at the same time a **change in the mechanism for determining the amount of these surcharges** as of 1 January 2021.

Employee premiums from 1 January 2021 were determined by a **fixed amount** based on the amount of the minimum wage, i.e. no longer a percentage, as was the case under the current legislation.

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.

#### **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 July 2021, the supplier is 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.

### **The introduction of the so-called Second chance, the elimination of certain reporting obligations and the introduction of the obligation to state the identification number of the insurance relationship when communicating with the Social Insurance Agency**

*Act No. 198/2020 amending and supplementing certain acts related to improving the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19* also amends and supplements *Act No. 461/2003 Coll. on the Social security*, as amended, with effect from **1 January 2021**.

The relevant act introduced the **so-called Second chance** for natural and legal persons who **have not fulfilled their obligations to the Social Insurance Agency** on time, within the deadlines stipulated 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 Agency.

*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 resulted in the **cancellation** of the following obligations towards employers:

- **leave the register of employers** kept by the Social Insurance Agency within eight days from the day on which they **no longer employ any employees**. In this case, the Social Insurance Agency automatically terminates the registration of the employer in the register of employers due to the deregistration of the last employee from the register of insured and old-age pension savers,
- notify the Social Insurance Agency of some changes in the employee's data and the beginning and end of maternity or parental leave.

Employers also have a new obligation from January 1, 2021, namely the mandatory presentation of the **Insurance relationship identification number (IRIN)** when communicating with Social Insurance Agency. IRIN is a unique legal relationship identifier assigned when an employee registers for a specific insurance (legal) relationship. The employer is therefore obliged to indicate the assigned IRIN, e.g. when submitting the *Registration form of a natural person* and when reporting the tax base on the forms: *Monthly Premiums and Contributions Statement* and *Premiums and Contributions Statement*.

### **Change in the criteria for the obligation to have the financial statements audited**

*Act No. 198/2020 amending and supplementing certain acts related to improving the business environment affected by measures to prevent the spread of the dangerous contagious human disease COVID-19* also amends *Act č. 431/2002 Coll. on Accounting as amended* effective **1 January 2021**, and there have been changes to the criteria for the **requirement for an auditor to audit separate financial statements** and an increase in the size criteria for that requirement, i.e. the aggregated amounts of assets, net sales and the average number of employees increased.

For the accounting period beginning no earlier than 1 January 2021, the following criteria are set out for the obligation to have the annual financial statements audited by an auditor arise:



- the total amount of the assets must exceed EUR 3 million,
- the net turnover must exceed EUR 6 million,
- 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.

### **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*, introduced, with effect from **1 October 2021**, mandatory **electronic communication** between the employer and the relevant health insurance company. Employers are obliged to **send the monthly statement exclusively electronically to the responsible health insurance company**, regardless of the number of employees.

The amendment in question also abolished 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 Agency).

### **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.*, approved on 24 September 2020 and effective from **1 January 2021**, brought a change in the waste management and the area of waste management.

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** were 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.

### Changes in 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,* 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.

This amendment, effective **1 January 2021**, **eased the requirements** for new investments that want to apply for investment grants and also introduced a **later start for the procurement of capital assets**. The deadline for completing the investment project has been extended, as has the deadline for claiming the agreed tax breaks.

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. According to the law, 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 2021 with effect from 2021

The legislation below was approved by the National Council of the Slovak Republic in 2021, with entry into effect in 2021. These are laws 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**.



### Changes in the Labour Code, related to remote work and teleworking or meals provision

*Amendment No. 76/2021 Coll., amending Act No. 311/2001 Coll. The Labour Code, as amended, and amending certain acts,* effective **1 March 2021**, brought about several changes in the field of labour law.

From 1 March 2021, the **probationary period** of employees **will be extended by the time of obstacles to work on the part of the employer** that arose during the agreed probationary period, and the **possibility of employing minors (15 years and older)**, who have not completed compulsory schooling, has also been introduced. Persons over the age of 15 who have not

completed compulsory schooling can also do **light work** – although the employer must obtain permission from the labour inspectorate to establish a relationship with such a person.

The change in the law also led to a comprehensive change in the regulations on **remote work and teleworking**. Remote work and teleworking means the work that can also be carried out at the employer's place of work, but is transferred to the **employee's home**, while it is regularly carried out from the employee's home. So it's not about the so-called home office, where employees only occasionally work from home. The location of the remote work is a mandatory **part of the employment contract** and can be specified directly in the contract or agreed upon in such a way that the employee chooses this location himself/herself. In the case of remote work and teleworking, the **organization of working hours** must also be decided. Either it is done by the employer according to *Act No. 311/2001 Coll. the Labour Code as amended (such as fixed working hours or flexible working hours)* or its organization can be left exclusively to the employee. *In the event that the employee organizes his/her working hours himself/herself, the provisions on the division of the fixed weekly working hours, on the continuous daily rest period and the continuous rest period during the week, and downtime, the employee is not entitled to wage replacement due to significant personal obstacles to work and for overtime, wage replacement for holiday, Saturday, Sunday and night work and wage replacement for difficult work performance. In the case of remote work or teleworking, the employer, among other things, is obliged to take appropriate measures with regard to the technical and software equipment required for the performance of the work, data protection, reimbursement of the employee's demonstrably increased expenses associated with this, the use of their own tools, devices and objects that are necessary for the performance of work, etc. The employee, in turn, is obliged to inform the employer immediately about technical problems that make it impossible for him/her to perform the job. Furthermore, an employee who works from home or is teleworking may not be given preferential or restrictive treatment in relation to a comparable employees who are based at the employer's place of work.*

The employer's obligation to **provide meals** has also been adjusted. An employer that does not provide meals in its own catering establishment or in another employer's catering establishment is required to provide employees with **a choice between providing meal vouchers and financial compensation for meals**. The employer is then obliged to respect the choice of the employee. But the employee will not be able to change his/her decision at any time, but at the earliest after **12 months**.

In the past, the employer was obliged to provide the employee with a financial contribution for meals if:

- the employer's obligation to provide meals is excluded by the working conditions at the workplace,
- the employer cannot provide meals,
- the employee cannot take advantage of any of the meals provided by the employer for health reasons,
- it is an employee who does work remotely or is teleworking and the employer has not catered for him/her in his/her own catering establishment or in the catering establishment of another employer.

The meal financial contribution was set to **at least 55 % of the minimum value of the meal voucher** and at the same time exempt from income tax at a maximum of EUR 2.81, in the case of financial support from the social fund. **Financial contribution exceeding the**



**amount of EUR 2.81 provided by the employer from other sources (e.g. from profit, based on a collective agreement) was the employee's taxable income.**

#### **a) Cancellation of the so-called Pandemic PN (incapacity for work)**

Act No. 412/2021 Coll. amending and supplementing certain acts related to the third wave of the COVID-19 pandemic, amended among others Act No. 461/2003 Coll. on Social Insurance, as amended, and Act No. 462/2003 Coll. on Compensation of Earnings during an Employee's Temporary Incapacity for Work, as amended. With effect from 15 November 2021, the so-called pandemic PN was cancelled.

**As a result of the above, Pandemic Sick Pay does no longer apply as of 1 December 2021. Insured persons who are recognized as temporarily unable to work due to quarantine measures or isolation by the treating doctor receive standard sick pay.**

#### **b) Several financial changes related to the COVID-19 pandemic**

On March 30, 2021, the amendment 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, as amended (No. 115/2021 Coll.)*, was adopted. The related legislative amendment responded to the ongoing pandemic of COVID-19 and brought several changes to ease the financial and administrative burden.

**With effect from 31 March 2021, the possibility was introduced to electronically deliver the notice on the extension of the deadline for filing the tax return.** Therefore, said notice does not need to be delivered in paper form.

**The period of application of the zero rate VAT to personal protective equipment** of the group of the personal protective equipment of risk category III, intended to protect the respiratory organs from substances and mixtures hazardous to health, as well as from harmful biological factors, and which is a traditional half mask of category FFP2 or a filtering half mask of category FFP3 (so-called respiratory protection masks), was extended until 30 June 2021.

The corresponding amendment 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, as amended*, adjusted the resale of precisely marked consumer packs of cigarettes taxed at the rate of excise tax until 31 January 2021, while it is valid that if consumer packs of cigarettes are not sold by 31 March 2021, they can be sold, offered for sale or stored until the stocks are sold out.

**Payments of gambling levies during 2021** have been deferred and gambling levies have been deferred to late 2021. It is considered that the gambling operator, whose deadline for paying taxes since the entry into force of the relevant amendment has expired by the end of August 2021, was not in arrears with the payment of taxes if it paid them by the end of December 2021 together with interest in accordance with the Commission notice revising the methodology for determining the reference and discount rates for the period of deferred payment of this levy.

**The deadline for submitting the annual accounts and activity report of associations and managers of apartments and non-residential buildings for 2020 was also postponed to the end of July 2021** – the association of owners of apartments and non-residential buildings, or a natural person or legal entity with which the owners have concluded a contract for the implementation of management do not default on the obligation to provide the owners with a report on their activity for the past year if, due to the negative conditions of management during the pandemic, they submit such a report and account by the end July 2021. At the same

time, the amendment introduced the possibility of voting in the owners' meeting using information and communication technology (electronic voting) during the pandemic period.

### **c) Expenses for employee testing are tax-deductible**

Act No. 47/2021 Coll., supplementing 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, approved on 29 January 2021, and effective from 6 February 2021, introduced a measure according to which **expenses (costs) incurred by the employer for testing employees for COVID-19 during the pandemic period of this disease become a tax-deductible expense**. During the pandemic, the amount used to pay employee expenses, including non-monetary benefits, is not subject to employee tax within the meaning of Act No. 595/2003 Coll. on Income Tax, as amended.

**Tax-deductible expenses (costs) related to the provision of tests for the COVID-19 disease:**

- **by employers per employee, including test costs of a close relative with an employee in a common household** (Sections 115 to 117 of the Civil Code).

The costs incurred by the employer for the testing of employees and their close relatives who live with the employee in the same household and expenses (costs) in connection with the implementation of such testing are tax expenses according to Sec. 19 of the Income Tax Act.

Benefits that the employer grants to the employee for the purpose of testing, including the testing of a close relative who lives with the employee in the same household, are not subject to employee tax under Sec. 5 of the Income Tax Act.

- **By taxpayers with income according to Sec. 6 (1) and (2) of the Income Tax Act (i.e. self-employed persons) to test this taxpayer, including the testing of a close relative to the taxpayer living in the same household** (Sections 115 to 117 of the Civil Code).

The fact that the taxpayer made the payment from a business account does not affect the tax relief by the taxpayer. A tax expense would also be where the taxpayer made a payment from "private funds" provided that such expense is documented and reflected in the taxpayer's accounts or on record.

- **by taxpayers to natural persons who carry out activities for the taxpayer at their place of business.**

These are natural persons who carry out their activities for the taxpayer at the taxpayer's place of business. They can be employees of cooperating companies who carry out their work for the taxpayer at his/her place of work, e.g. employees of an external company who carry out service activities, cleaning activities, etc. in the form of provision of services. They can also be natural persons who carry out their trade or other self-employed activity for the taxpayer at their place of business.

In the case of ensuring the audit of natural persons performing activities for the taxpayer at their place of business, this service represents income for the natural person, the taxation of which is to be assessed according to the position in which this natural person performs the activity for the taxpayer.

**The pandemic period** is defined in Sec. 2 (1) of Act No. 67/2020 Coll. and it is the period **from 12 March 2020**, when the Government of the Slovak Republic declared an emergency situation under a special regulation related to the II degree threat to public health due to the COVID-19 disease caused by the SARS-CoV-2 coronavirus on the territory of the

Slovak Republic until the end of the calendar month in which the Government of the Slovak Republic lifts the emergency situation.

It follows from the above that when calculating expenses (costs) for testing for the COVID-19, including expenses (costs) related to providing testing, pursuant to Sec. 24ab of Act No. 67/2020 Coll. the taxpayer **will proceed during the entire period of the pandemic, i.e. also retrospectively for the tax period, the calendar year 2020**, or fiscal year 2019/2020 or fiscal year 2020/2021, of which at least one month will elapse during the pandemic period, while the relevant expenses (costs) were issued during the pandemic period.

Pursuant to Sec. 24ab (2) of Act No. 67/2020 Coll. **the amount to cover employee expenses**, including benefits in kind, provided by the employer to the employee for the purpose of testing for the disease COVID-19, including testing of the person close to the employee living in the same household (Sections 115 to 117 of the Civil Code) **is not subject to employee tax during the pandemic period** according to § 5 of the Income Tax Act.

**It follows from the cited provision that the tax base is not the amounts to settle the employee's expenses for the purpose of examining the employee or his/her close relatives living with the employee in the same household, which the employer has made available to the employee in non-monetary or monetary form.**

#### **d) Anti-pandemic measures for employers**

*Act No. 412/2021 Coll. amending and supplementing certain acts related to the third wave of the COVID-19*, approved by the NR SR on 12 November 2021, introduced **important changes for employers related to the COVID-19 Pandemic** effective from 15 November 2021.

The temporary condition of the employee's entry into the employer's workplace was introduced by proving:

- by confirmation of vaccination against COVID-19, or
- by confirmation of recovery from the COVID-19, or
- by confirmation a negative test result for the COVID-19, or
- by carrying out a test for the COVID-19 at the workplace.

If the employee does not provide the relevant document to the employer, or if the employee who does not provide this document refuses the opportunity for free testing offered by the employer and the employer does not allow him/her to enter the workplace and perform the work, for this reason, this is an obstacle to work for the employee without wage compensation (unless the employer agrees otherwise with the employee).

Act No. 412/2021 Coll., amending and supplementing some laws related to the third wave of the COVID-19, also introduced another new obligation for entrepreneurs, namely that NP - entrepreneurs and LP are obliged to require from persons who enter their premises and mass events the fulfilment of conditions related to the COVID-19, namely: proof of completed vaccination for COVID-19, a certificate of overcoming the COVID-19 or a confirmation of a negative test result for COVID-19. NP - entrepreneurs and LP are entitled to request proof of identity from persons for this purpose. NP - entrepreneurs and LP are obliged to refuse entry to the premises or a mass event to any person who refuses to demonstrate compliance with the above conditions, and are also entitled to expel a person from the premises or from the mass event who violates the above measures.

If the carrier of the state health surveillance determines a violation of the measures during the inspection of the NP - entrepreneur or the LP, he/she can order the immediate closure of the company or part of it for 30 days on the spot.

Act No. 412/2021 Coll., amending and supplementing some laws related to the third wave of the COVID-19, new public health offences have also been introduced, which also result from the situation related to the COVID-19 pandemic, subject to fines and a ban on activities of up to one year.

## § Laws passed in 2021 with effect from 2021 in the standard legislative process

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

### a) Changes in trade licensing

On 18 June 2021, the NR SR approved *Act No. 261/2021 Coll., amending Act No. 455/1991 Coll., on Trade Licensing (Trade Licensing Act), as amended*, effective from **1 August 2021**. The amendment brought some significant changes in the trading business.

**The regulation of the minimum and maximum duration of trading suspension has been lifted**, i.e. as of 1 August 2021, the duration of trading suspension is not limited by law. The duration of the trading suspension is determined by the **self-employed person** (previously it was possible to suspend trading for a period of at least 6 months and at most 3 years).

**The regulation of the proof of professional suitability** required for craft trades **was simplified**, by reducing the minimum period of practical experience. From a one-year professional experience, the professional experience is reduced to at least six months, and from a two-year professional experience to at least one year.

**The prerequisite for operating craft trades is the technical qualification**, which is usually proven by a training certificate or other proof of the proper completion of the corresponding academic area or the corresponding field of study. **From August 2021 these documents about technical competence are replaced by:**

- a certificate of training or other documents of proper completion in a related field and a document of **at least six months of subsequent experience in the field** (originally at least one year experience) or **one year of experience in a related field** (originally two years experience), or
- a certificate of the school-leaving examination at a vocational secondary school or at a vocational training school or at a grammar school with vocational subjects or from supplementary or postgraduate studies in the same subject and proof of **at least six months of subsequent professional practice in the field** (originally at least one year experience) or **one year of experience in a related field** (originally two years experience), or
- a certificate of at least secondary school, if it is not the case mentioned above, and a training certificate that was obtained for the relevant profession in a recognized educational institution and a certificate of completion of **at least one year of professional practice** (originally at least two years of experience) or **two years of relevant professional experience** (originally three years of experience), or
- a university degree in the relevant subject and a document of **at least six months of subsequent experience in the field** (originally at least one year experience) or **one year of experience in a related field** (originally two years experience), or

- proof of at least six years of professional experience completed no **more than four years ago** (originally three years).

The amendment also introduced that the self-trace of a natural person residing in a state that is not a member state of the EU, a state party to the Agreement on the European Economic Area or a state party to the Organization for Economic Co-operation and Development that does not have a residence permit on the territory of the Slovak Republic will be issued **at the earliest on the day a Slovak residence permit is issued**.

In accordance with the “**once and enough**” principle, the Trade Licensing Office can no longer demand from the self-employed person already provided information, which is available from other sources, such as the district and place of birth of the self-employed person, original name or surname of the self-employed person, first and last name of the father or mother of the self-employed etc.

**The responsible representative** could only terminate his/her function by notifying the Trade Licensing Office, whereby if the responsible representative informed the Trade Licensing Office of the revocation of consent to fill this position, he/she must at the same time provide evidence of the notification informing the entrepreneur in advance in writing of the revocation of consent.

**The deadline for notifying the establishment of a business within 15 days of the establishment** at the responsible Trade Licensing Office has also been extended. The fine for non-registration or business interruption has also been reduced to a maximum of EUR 663.

#### **b) Reintroduction of the obligation for entrepreneurs to communicate the numbers of bank accounts intended for business purposes**

Based on *Amendment No. 408/2021 Coll. to Act No. 563/2009 Coll., on the administration of taxes (Tax Code) and on amending certain acts, as amended, and amending and supplementing certain acts* with effect from **15 November 2021**, the **obligation of entrepreneurs to notify the numbers of bank accounts intended for business as well as every change to the Financial Directorate of the Slovak Republic** was re-introduced<sup>16</sup>.

VAT payers, i.e. taxpayers who are registered for VAT, are obliged to provide the Finance Directorate of the Slovak Republic with the numbers of all their own bank accounts that they use to receive and send payments for the supply of goods and services subject to VAT payments for the supply of goods and services subject to VAT.

Payers are obliged to report **each of their own accounts with a payment service provider or with a foreign payment service provider, which they use for taxable transactions, immediately** from the day on which the entrepreneur became a taxable person or from the day this bank opened the account.

The deadline for reporting the said account number is **immediately from the day the VAT payer has opened such an account**, immediately after the taxpayer has been registered as a VAT payer by the tax authorities, until 30 November 2021, if they are taxable persons who are tax payers as of 15 November 2021, with the understanding that if payers have set up multiple bank accounts and some of them were originally not intended to be used for VAT business purposes, in case their decision is changed and they wish to use other accounts for business,

<sup>16</sup> Since this is an amendment to the Act on the regulation of taxes or levies within the meaning of Section 5a of Act No. 400/2015 Coll. on the Creation of Legal Regulations, it should have been proposed to come into effect on January 1st and at the same time, a corresponding legislative vacancy should have been filled.



they must notify the Financial Directorate before using them for business purposes subject to VAT.

At the same time, the tax office will impose a fine of up to EUR 10,000 on a taxpayer who provides incorrect, untrue or incomplete information on the form (the tax office will take into account the amount of the fine when determining the severity and duration of the unlawful facts).

#### **c) Adapting the days of holiday leave calculation for an employee who takes care for a child on a permanent basis**

Based on *Amendment No. 76/2021 Coll. to Act No. 311/2001 Coll. the Labour Code, as amended, and amending certain acts*, effective from **1 March 2021**, the **calculation of vacation days for an employee who takes care for a child on a permanent basis was changed**, and the definition of an employee caring for a child on a permanent basis was adopted in *Act No. 311/2001 Coll. the Labour Code, as amended*.

The new definition according to Section 103 (2) of the Labour Code: *"The holiday leave of an employee who will be at least 33 years old by the end of the respective calendar year and an employee who takes care for a child on a permanent basis is at least five weeks."*

The legal system of the Slovak Republic has included the **definition of an employee who takes care for a child on a permanent basis**. This includes an employee who provides personal care for their own minor child, including the mutual personal care of both parents, and an employee who provides personal care for a minor child entrusted to him/her in the custody of parental responsibility based on a court decision.

If an employee is under the age of 33 and is taking care for a child on a permanent basis, they must notify their employer in writing in order to be entitled to five weeks' holiday leave. If the employee claims a higher holiday leave entitlement, in the event of an inspection by the labour inspectorate, the employee himself/herself and not the employer must prove that he/she is caring for the child on a permanent basis.

#### **d) Allowing advertising structures for a fixed period**

*Act No. 145/2021 Coll., amending Act No. 50/1976 Coll., on Spatial Planning and Building Regulations (Building Act), as amended, amending Act No. 8/2009 Coll., on Road Traffic and on amendment of certain acts as amended* becomes effective from **1 May 2021**. Advertising structures within the meaning of the law are only permitted for a **fixed period, a maximum of three years**. Even building permits for advertising structures that are granted under the existing legal regulations and whose duration is not limited have a maximum term of three years.

The amendment also simplifies the procedure for **removing illegal advertising structures**. The owner of the advertising structure is obliged to remove the structure **within 30 day** of the expiration of the duration for which the advertising structure was authorized or the effective date of the decision not to extend the duration of the advertising structure. **The municipality or city** can also require the removal of the structure. In the event that an advertising structure is erected without (or in violation of) a building permit or without (or in violation of) a written notification to the building authority, such an illegal structure may be removed at the expense of the owner.

The penalties for non-compliance with individual legal regulations have been increased to EUR 450, EUR 750 and EUR 1350.

#### e) Changes in relationships between food suppliers and customers

The Amendment to *Act No. 91/2019 Coll. on Inappropriate Conditions in Food Trade and on Amendments to Certain Acts (No. 219/2021 Coll.)* transposed Directive (EU) 2019/633 of the European Parliament and the Council of 17 April 2019, which deals with the protection of small and medium-sized businesses. The changes in the law in question (effective from **15 June 2021**) primarily affect the **relationships between food suppliers and consumers**. The group of entities to which the relevant law is applied has been expanded.

A **customer** within the meaning of the above is also an entrepreneur who is an operator of a grocery store and purchases food from a supplier, a legal entity that is not an entrepreneur and purchases food from a supplier, and a legal entity that has the position of a controlled or controlling person in relation to the operator of a food business. A **supplier** is also an entrepreneur who runs a grocery store and delivers groceries to a customer, a legal entity that is an association of NP or LP, where at least one of which is a supplier.

*Amendment No. 219/2021 Coll.* added **new unreasonable conditions** (unauthorized acquisition, use or disclosure of a trade secret to participants in a business relationship) and amended **the payment terms** for payment of the purchase price (30 days from the delivery of the food if the invoice for the food is delivered to the customer within 10 days from the date of delivery of the food or 20 days from the date of delivery of the invoice to the customer, if the invoice was sent to the customer after 10 days from the day of delivery of the meal). For selected foods with a best-before date or a use-by date of no more than 10 days, the due date has been set within 15 days from the date of delivery of the invoice for the delivery of these foods.

At the same time, since 15 June 2021, it is **prohibited** to threaten or carry out retaliatory measures against the counterparty if the counterparty exercises its legal or contractual right, or to compensate the supplier to the customer for verification of the consumer's submission in relation to the food of the suppliers when there is no breach of duty by the supplier and the refusal of the customer to confirm in writing the terms of the food supply contract unless the supplier has requested it in writing.

#### f) Introduction of the automatic sending data to RTVS due to the payment of license fees

*Act No. 126/2021 Coll., amending Act No. 340/2012 Coll., on payment of public radio and television services in Slovakia and on amendments and additions to several acts as amended*, resulted in the cancellation of several obligations of employers in connection with license fees and introducing **periodic automatic sending of data due to license fee obligation**. From **1 July 2021**, the necessary data will already be automatically sent by the Social Insurance Agency directly to the person who collects the license fees, i.e. Radio and Television of Slovakia (RTVS).

Related to this is the **abolition of the obligation for companies to prove to RTVS the number of employees** due to the payment of license fees and to prove the facts justifying the right to exemption from the obligation to pay compensation, only **notification** of which is sufficient.

This will eliminate some of the bureaucracy as of 1 July 2021, but the obligation to report in writing within 30 days of the occurrence, change or termination of the obligation to pay compensation remains in place. Within the meaning of Section 9 (5) of Act No. 126/2021 Coll., *based on the concluded contract, the Social Insurance Agency electronically transmits data from its information system to the payer for the purpose of checking the number of payer employees*, which means that the Social Insurance Agency can notify the RTVS of the creation,

modification or termination of payment transactions obligation to automatically pay compensation.

The regulation for payers with **several power outlets** has also been simplified, according to which the remuneration is **only paid once** for the respective period, regardless of the number of outlets.

*Amendment No. 126/2021 Coll.* unified the concept of employees - **the number of employees no longer includes employees who work under one of the agreements on services provided outside the employment relationship (so-called temporary workers)**. At the same time, there was a uniform payment period for the calendar month, calendar quarter and calendar year, with the first day of the calendar month of this period being decisive for the payment amount.

#### **g) Introduction of the possibility to renew the entry of deleted companies in the Commercial Register**

*Act No. 519/2021 Coll., amending Act No. 513/1991 Coll., the Commercial Code, as amended* was approved on 15 December 2021, and came into force on **28 December 2021**.

The relevant amendment to *Act No. 513/1991 Coll., the Commercial Code, as amended (No. 519/2021 Coll.)* introduced **the possibility of renewing the registration of cancelled companies in the Commercial Register of the Slovak Republic**. This amendment corresponds to *Amendment No. 390/2019 Coll., amending Act No. 513/1991 Coll., the Commercial Code, as amended* effective from 1 October 2020, which introduced the deletion from the Commercial Register of the Slovak Republic of inactive companies or companies that have not fulfilled certain of their obligations (e.g. the obligation to convert the nominal value of deposits or share capital from the Slovak Koruna to the Euro currency), from the Commercial Register of the Slovak Republic. The aim of *Amendment No. 390/2019 Coll., amending Act No. 513/1991 Coll., the Commercial Code as amended*, was a "purification" of the Commercial Register of the Slovak Republic, i.e. in particular, the deletion of those commercial companies that are no longer required to be entered in the Commercial Register of the Slovak Republic, are inactive or have not fulfilled certain obligations.

In accordance with the new provisions of *Act No. 513/1991 Coll., the Commercial Code, as amended by Amendment No. 519/2021 Coll.*, commercial companies interested in continuing their activity and being registered in the Commercial Register of the Slovak Republic may re-enter in the Commercial Register of the Slovak Republic. For these commercial companies, in addition to the additional dissolution and termination of corporate activity, there is also the **possibility of renewing their entry in the Commercial Register of the Slovak Republic, which is decided by the competent registry court on the proposal** of a person who has a legal interest in renewing their entry in the Commercial Register of the Slovak Republic certified, whereby the proposal must be submitted by the end of January 2022 at the latest. The competent court then decides without delay on the extension of the registration without ordering further liquidation and without requiring the deposit of a liquidation advance.

#### **h) Introduction of the automatic completion of some data in the Commercial Register**

Other changes in commercial law were made by *Act No. 403/2021 Coll., amending Act No. 530/2003 Coll., on the Commercial Register and on amendments and supplements to certain acts, as amended, and amending Act of the Slovak National Council No. 71/1992 Coll. on Court Fees and the Fee for a Copy from the Criminal Record, as amended*.



With effect from **1 December 2021**, the **automatic addition of the data of partners and shareholders to the Commercial Register of the Slovak Republic**, was introduced, reflecting the problems of the corporate sector related to the obligation to register the identification data of partners and shareholders to the Commercial Register of the Slovak Republic within the original legal deadline of 30 September 2021, pursuant to Act No. 390/2019 Coll.. The partner and shareholder data to be entered in the Commercial Register by 30 September 2022 will preferably be automatically supplemented by the responsible registry court. The Ministry of Justice of the Slovak Republic, as the administrator of the information system of the Commercial Register, in cooperation with the registry court, automatically updates the current values of identification data.

The registry court immediately sends the registered person a **notification about the addition of automated identification data together with an excerpt from the Commercial Register** to the electronic mailbox. If the registration court does not send the registered person a notification in accordance with the previous sentence by 31 May 2022, it shall be deemed that the automated addition of the identification data could not be carried out.

If the automatic addition of the data could not be carried out, the companies are obliged to make an entry in the Commercial Register of the Slovak Republic and complete their data themselves. Registration of only personal data in the Commercial Register of the Slovak Republic (without any other changes) is free of charge.

#### **i) Prohibition of the placing on the market of single-use plastic products**

*Amendment to Act No. 79/2015 Coll. on Waste and on Amendments to Certain Acts, as amended, amends and supplements Act No. 302/2019 Coll., on Depositing of Single-use Packaging for Beverages, as amended (No. 430/2021 Coll.) effective from 1 December 2021*, in particular, modified the requirements and measures aimed at preventing the impact of certain single-use products on the environment and human health.

The changes apply to **single-use plastic products** (Annex No. 7a), **products made from oxo-degradable plastic** and **fishing gear containing plastic**.

For example, the **consumption** of plastic cups for beverages, including their caps and lids, and food containers, i.e. boxes with and without lid, should **be reduced**. **It is forbidden to bring to the Slovak market single-use plastic products** such as cotton buds, cutlery, plates, straws, stirrers, sticks for attaching to balloons, food containers made of expanded polystyrene, beverage packaging and beverage cups made of plastic expanded polystyrene, etc.

The goal of reducing the consumption of single-use plastic products is the manufacturer of such a product, which provides the products listed in Appendix no. 7a of Part A to the final consumer for consumption of food and beverages at a place other than the place of sale, who is obliged to:

- (1) make them available for a fee (while being obliged to inform the end user about this),
- (2) offer the end user a reusable alternative, or
- (3) offer a biodegradable alternative.

It is forbidden to provide single-use plastic products in permanent public and fast-food establishments, as well as single-use plastic tableware at public events, to the final consumer for consumption of food and beverages at the point of sale.

Producers of single-use plastic products according to Annex No. 7a, Part A are obliged to keep records of individual products placed on the Slovak market, report data to the Ministry to

the prescribed extent, the store reported data, create a report on the measures taken to reduce the consumption of products and to report to the Ministry no later than April 30th on the progress made in reducing consumption.

At the same time, the amendment regulates the requirements for a single-use plastic product, the requirements for product labelling, the extended responsibility of the manufacturer of a special plastic product and raising awareness.

#### **j) Introduction of exemptions from the depositing system for certain single-use plastic packaging for beverages**

New legislation – *Act No. 518/2021 Coll. amending Act No. 302/2019 Coll. on Depositing of Single-use Packaging for Beverages and on amendments to certain acts and amendments to Act No. 79/2015 Coll., on Waste and on Amendments to Certain Acts, as amended* will change the functioning of the deposit system with effect from 28 December 2021, according to which the **deposit on single-use plastic packaging for beverages should not apply to certain packaging** where the deposit is illogical, unnecessary, logistically difficult, or nearly impossible.

As of 28 December 2021, depositing single-use plastic beverage packaging **will not apply** to packaging that:

- a) is provided by road, air, water or rail transport operators subject to the jurisdiction of the Slovak Republic and carrying out passenger transport on international routes,
- b) is delivered with goods exempt from VAT or excise duty and intended for sale in the transit area of international airports and ports (in the so-called duty-free zone) or for supplying planes or ships that will immediately leave the territory of the EU,
- c) is transferred to the export customs regime and transported out of the customs territory of the EU,
- d) it's technically impossible to remove by administrator in a standard way,
- e) is sold in marketplaces in a total quantity of less than 100 kg per year.

It is also the case that a packaging manufacturer, who has failed to meet its obligations under the contract on the fulfilment of obligations pursuant to *Act No. 302/2019 Coll. on Depositing of Single-use Packaging for Beverages and on amendments to certain acts*, may not place beverages in replacement disposable packaging on the market.

### **Laws passed in 2021 with effect from 2022**

The following laws were approved by the National Council of the Slovak Republic in 2021, with entry into effect from 2022.

#### **a) Introduction of short-time work support for employers – the so-called “Kurzarbeit”**

*Act No. 215/2021 Coll. on Short-time Work Support and on amendments and supplements to certain acts, as amended* a new legal regulation of **support during short-time work for employers** with effect from **1 March 2022 – the so-called “Kurzarbeit” as a permanent job security system**. It is a government grant, a legally ineligible benefit for employers.

This support is aimed at employers (companies with employees - except for self-employed persons and single-person Ltd.) who have been forced to temporarily **limit their activities due to external factors that they could not influence** (e.g. a pandemic or the declaration of a state of emergency, for example, due to war or in case of force majeure like flood or fire).

A situation where **at least 1/3 of the employees are temporarily unable to allocate work of at least 10 % of the set weekly working time** is considered to be a **limitation of the employer's activity**.

Kurzarbeit serves to **partially reimburse the employer's costs** for the employee's wage compensation for each hour of work disability during short-time work amounting to **60 % of the employee's average net hourly earnings** in the calendar month for which the support is given. However, the amount of the subsidy is limited – no more than 60 % of 1/174 twice the average salary of an employee in the Slovak economy, published by the Statistical Office of the Slovak Republic for the calendar year preceding the calendar year in which the support is provided. The funding period is a **maximum of 6 months** in 24 consecutive months.

**Both the employer and the employee** must meet several **requirements** when applying for state funding. In order for the employer to apply for this form of support, he/she must meet the condition of limiting his/her activity, i.e. at least 1/3 of his/her employees are unable to work for at least 10 % of the fixed weekly working time. At the same time, the employer must meet the condition of paying social security contributions on the application date for the entire duration of this obligation, which has lasted at least 24 calendar months immediately preceding the calendar month for which the assistance is requested. The employer may not violate the prohibition on illegal employment for a period of 2 years before submitting the application. The employer is obliged to enter into a written agreement with the employee (or employee representatives) and to maintain the job for which the subsidy was granted (the relevant condition must be fulfilled at least 2 months after the end of the calendar month for which the grant was awarded).

The Support Act also defines a new type of insurance – **insurance premiums to finance support during short-time work**, paid by the employer for the employee. The employer pays insurance contributions to finance short-time work support of 0.5 % and unemployment insurance contributions of 0.5 % of the assessment basis for employees. All other types of social insurance and their tariffs remain unchanged and there is no increase in social insurance. In fact, the change will only result in **unemployment insurance being split in two parts**. For other employees and other legal relationships (those for which no insurance premiums are paid to finance short-time work benefits, e.g. contractors), the social insurance does not change and the employer continues to pay unemployment insurance contributions of 1 % of the assessment basis for them.

#### **b) Changes to the Tax Code aimed at combating tax fraud and at the same time increasing the motivation of tax subjects to fulfil their obligations**

Amendment No. 408/2021 Coll., amending *Act No. 563/2009 Coll. on Tax Administration (the Tax Code) and on amendments to certain acts, as amended* with effect from **1 January 2022**, brings several significant and important changes in the tax area. The aim of the amendment is primarily to **effectively combat tax fraud** and at the same time to **motivate tax subjects to fulfil their obligations** in this area.

By Amendment No. 408/2021 Coll., **the obligation of the tax administrator to send tax subjects a registration certificate** (so-called VAT cards) **will be abolished**, which should also reduce the administrative burden for entrepreneurs. From 1 January 2022, the tax administrator should only send decisions about registration to tax subjects. At the same time, after the amendment from 1 January 2022, it was possible for the employer who is obliged to submit an overview of withheld and paid advance payments of income tax from employment to also fulfil this obligation, no later than 5 days after the statutory deadline. In such a case, the tax administrator cannot impose a fine on the employer.

**The amount of the fee for the submission of binding opinions** from the Department of Finance is also reduced to a fixed amount of **EUR 1,000**, whereby the amount is halved if the opinion is requested by a very reliable tax subject.

Amendment No. 408/2021 Coll. also implements the so-called **institution of exclusion of a natural person**, who is a **legal representative or a member of the legal body of a tax subject**. After meeting the exclusion requirements, the tax administrator issues an exclusion notice if the taxpayer:

- a) had a completed tax audit and has tax arrears and other payment arrears of at least EUR 5,000 for more than a year, or if
- b) has submitted a sales tax return for the tax period and the tax assessment of the entitlement to the claim (according to a special regulation) in relation to this tax period has been completed.

A natural person is excluded from the effective date of the exclusion decision, whereby the exclusion period is **3 years** from the validity of this decision.

The new legal regulation also regulates the transparent **index of fiscal reliability**. Tax subjects who meet their tax obligations are rewarded in the sense of the above by the tax authorities, which publish the tax assessment on their website.

At the same time, with the given amendment, it was introduced that **the tax administrator can only return the excess deduction or part of it to a registered bank account**, and the institution of the liability of the VAT payer was also expanded, in the case of a VAT payer - a tax that the supplier did not pay, if the customer knew or could have known that the tax would not be paid, and if the customer paid the consideration for the service to a bank account other than that registered with the tax authorities, **the customer can pay the tax to a special account of the supplier directly pay to the tax authority** with the aim of avoiding a possible application of the tax liability to the taxpayer.

#### **c) Equalisation of the tax burden on meal vouchers and the earmarked meal allowance**

With effect from **1 January 2022**, the amendment to Act No. 76/2021 Coll., amending *Act No. 311/2001 Coll. the Labour Code, as amended*, **equalizes the tax burden on meal vouchers and earmarked meal allowance. The income tax exemption** is applied **uniformly** for all forms of catering, or its financial coverage according to the Labour Code **up to EUR 2.81** (i.e. 55 % of the subsistence allowance for a business trip of 5 to 12 hours). The additional amount is taxed by the employee and taxes are also paid from this, both for the meal vouchers and the meal allowance.

Another change brought about by the change in question concerns the meal allowance in the case of self-employed persons. From 1 January 2022, a taxpayer who claims verifiable tax expenses in the tax documents or in the accounts **is no longer obliged to prove the amount of the meal allowance with a tax document**. It is therefore the case that the purchase of groceries or meal vouchers no longer requires proof (e.g. a receipt or invoice) in order to claim these expenses from self-employed persons. The amount of the meal allowance, which can be claimed without proof of the tax expense, is also reduced to **55 % of the value of the meal allowance** for the first time zone for each working day worked in the calendar year, and the sum is **EUR 2,81**.

#### d) Digitization of accounting and simplification of electronic accounting documents

Amendment No. 456/2021 Coll., amending *Act No. 431/2002 Coll. on Accounting, as amended*, aims to achieve a higher degree of **digitization of accounting and simplification of electronic accounting documents** with effect from **1 January 2022**. All accounting documents (annual financial statements, audit opinions, annual reports and assessment notices) must be kept **in electronic form** by the accounting entity. The rules governing the paper and electronic form of the accounting document have also been clarified and simplified, with the handwritten signature being able to be replaced by any electronic signature that allows the person to be identified in a verifiable manner. It is also possible to scan documents without guaranteed conversion.

**The archiving of accounting** is also simplified – receipts no longer have to be kept in paper form, **the electronic form** of archiving is also sufficient. The obligatory submission of accounting documents (annual financial statements, accounts, notes) to the Register of financial statements will only be possible electronically.

It clarifies the **definition of an electronic accounting record**, which is an accounting record created in an electronic format, where the electronic format is determined by the creator of the accounting record or on the basis of an agreement with the recipient of the accounting record.

Requirements for accounting documents are defined:

- **credibility of the origin** (this can be ensured by attaching a signature protocol of the responsible person, electronic data exchange or an internal control system of accounting documents),
- **integrity of the content** (if the content of the recorded facts in the accounting entity has not changed as a result of sending, providing the accounting document or converting the accounting document),
- **legibility of the accounting document** (if the content of the accounting document is legible to the human eye).

The amendment in question also introduces changes in the area of **fines**. The lower limit of the fine for a serious violation of the law is set at EUR 1,000 or more. The amount of the penalty is also determined in the event that the accounting entity does not comply with the obligation to deposit the accounting document in the register, since the financial statements are not available to the tax office, on the basis of which the amount of the penalty would be derived from the value of the property to calculate. The amount of this fine is set at EUR 100 to EUR 10,000.

#### e) Introduction of a new institute in the area of dual education - the so-called inter-company training centre

Amendment No. 413/2021 Coll., amending *Act No. 61/2015 Coll. on Vocational Education and Training and on amendments and supplements to certain acts*, a new institution **in the area of dual training** will be introduced with effect from **1 January 2022** – the so-called **inter-company training centre**. The introduction of the aforementioned institute is intended to support the entry of small and medium-sized companies and self-employed persons into the system of dual training.

According to these changes, **practical training in the dual education system** can be carried out, among others, **at the practical training workplace of another employer** or



outside the territory of the Slovak Republic at the workplace of a legal entity providing practical training, or **in an inter-company training centre**.

According to the new legal provisions, the following applies:

*The employer may use the designation inter-company training centre in addition to his/her name if:*

- a) *provides trainees who have **learning contract with another employer with at least three years of practical instruction in the dual education**,*
- b) *carries out **the professional development of teachers**,*
- c) *carries out **at least two years of professional training** or trainers or chief trainers,*
- d) *has a recognized **strategy for the quality of vocational education and training** according to the needs of the labour market*
- e) ***cooperates with universities in the further development of vocational education and training, and***
- f) ***meets other criteria** set by the internal rules of procedure of the relevant **professional association** or relevant **professional body**.*

In addition, Amendment No. 412/2021 Coll. also introduces a **special model of experimental verification of education** at vocational training schools, sport secondary schools, art secondary schools and conservatories, which is intended to reconcile the needs of the labour market and employers, and the aim of which is to increase knowledge and experience in practice to acquire or review qualifications to create or change education.

#### **f) Minimum wage increase for 2022**

Pursuant to Section 7 (1) (2) *Act No. 663/2007 Coll. on the Minimum Wage*, employer representatives and employee representatives shall mutually negotiate the amount of the monthly minimum wage for the following calendar year by April 1, at the latest. If the representatives agree to set the minimum monthly wage level by July 15th, the minimum monthly wage level will be determined by their agreement.

Since no agreement was reached between the employer and employee representatives by 15 July 2021, which should have determined the amount of the monthly minimum wage from 1 January 2022, **the amount of the monthly minimum wage for 2022 was determined in accordance with Section 8 of the Minimum Wage Act**, as 57 % of the average monthly nominal wage of an employee in the economy of the Slovak Republic for the calendar year two years before the calendar year for which the monthly minimum wage is determined (i.e. for the year 2020). **The monthly minimum wage valid in 2022** for the first work difficulty level is therefore **EUR 646**, which means an increase of EUR 23 compared to 2021 with a monthly minimum wage of EUR 623. **The hourly minimum wage** applies from January 1st, 2022 for an employee with 40 hours of work in the amount of **EUR 3.713**, which is 1/174 of the amount of the monthly minimum wage.

For employees who are employed on the basis of a permanent employment relationship, the minimum wage increases according to the level of work difficulty, i.e. on the basis of an employment contract, so-called "contractors" are entitled to a minimum wage, but not to a minimum wage according to the level of work difficulty (therefore only the minimum wage of the first work difficulty level applies to them). Each level of work difficulty is assigned a minimum wage coefficient, which is multiplied by the minimum wage set for a given year when calculating the minimum wage for that level. The minimum wage for each level of work difficulty is increased by a fixed amount.

#### g) Compulsory deposit for plastic PET bottles and cans

The new *Act No. 302/2019 Coll. on Depositing of Single-use Packaging for Beverages and on amendments to certain acts* brings with it a **mandatory deposit for plastic PET bottles and cans with effect from 1 January 2022.**

As the Administrator of the deposit system for one-way beverage containers, a special body was created by law whose task it is to manage the entire deposit system. It is true that **single-use plastic beverage containers, which are bottles, and single-use metal beverage containers, which are cans, are deposited.**

A **packaging distributor** who sells beverages to final consumers in a sales area of **at least 300 m<sup>2</sup>** (i.e. mainly supermarkets; excluding a distributor who sells such beverages and foods as additional goods) is obliged to apply for the conclusion of the contract with the Administrator, register with the system Administrator as a waste collection point for deposited single-use beverage packaging, collect waste at the place of business or at a distance of up to 150 m from the business, return the deposit in full to the end consumer and collect waste from deposited single-use beverage packaging that the manufacturer no longer provides (at least for a period of 6 months from the publication of the announcement on the Administrator's website).

#### h) Mandatory rounding of prices for cash payments

Amendment No. 457/2021 Coll, amending *Act of the National Council of the Slovak Republic No. 18/1996 Coll. on Prices*, the **obligation to round prices of goods and services for cash payment** is introduced effective from **1 July 2022**, with the aim of minimizing the need to use 1 and 2 euro cent coins, leading to a reduction in the cost to entrepreneurs and the public of bank charges for depositing and processing 1 and 2 euro cent coins and to return change in cash payments.

The price paid in cash is **rounded up to 5 euro cents**. The balance of the cash amount that is less than half the value of 5 euro cents will be rounded down and the balance of the cash amount that is equal to or greater than half the value of 5 euro cents will be rounded up.

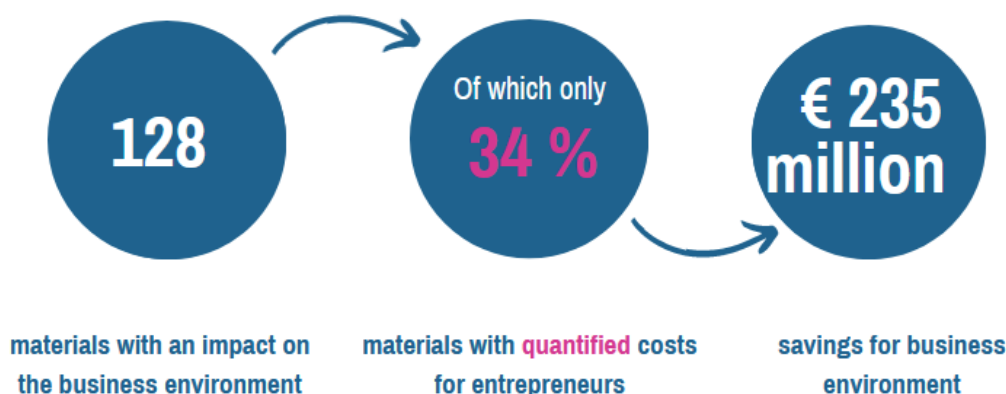
If the cash price is the sum of the prices for multiple items of the same item or multiple items of different items, the resulting cash price will be rounded up in this manner. The cash price of 1 or 2 euro cents is rounded up to 5 euro cents.



### 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 2021* 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 Preliminary Comment Procedure (PCP) and the final assessment (ZP), it can be noted that the trend of inadequate quantification of the costs/savings of regulation by submitters continued in 2021. Submitters quantified the costs of regulation in only 44 business impact submissions, representing slightly more than 34% of the total 128 business impact submissions. The total cost to the business environment for the 44 materials in question was approximately EUR 138.20 million, while the total savings amounted to approximately EUR 372.91 million. Thus, in those 44 cases where the submitters quantified the impact, the net savings to the business environment were approximately EUR 234.71 million. Submitters estimated significant savings for the business environment, especially in the case of the draft law on support for short-time work (so-called Kurzarbeit, amounting to approx. EUR 118 million), amendment to Act No. 431/2022 Coll. on Accounting (approx. EUR 50.22 million), the Construction Bill (approx. EUR 94 million) or the amendment to the Social Insurance Act (approx. EUR 56.37 million). However, these figures give a significantly distorted picture of the overall costs and savings of the materials submitted, requiring submitters to make a much greater effort to quantify regulatory costs in the future.



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 process<sup>17</sup>

- 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)**,
- in the case of proposing a new obligation or tightening an existing obligation, also propose the removal or simplification of another existing obligation or several obligations with a corresponding level of twice the burden (the principle of "one in, two out" - one to accept, two 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 content<sup>18</sup>

- **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),

<sup>17</sup> 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.

<sup>18</sup> To ensure that better regulation rules work through the above-mentioned institutes.

- 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 community and experts in better regulation - so far, approximately 45 % of the 10 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),
- change the obligation to document the power of attorney for electronic communication with the Social Insurance Agency so it does not require official certification of the power of attorney by a notary, which goes beyond the scope of the Social Insurance Act (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 (MLSAF SR),
- adequate reduction of concession fees in case of an employee's departure on maternity or parental leave after being informed by the Social Insurance Agency (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 in Sec. 223 (4) of the Labour Code (MLSAF SR),
- 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),

- abolish the entrepreneur's obligation to find out whether his/her supplier's employees are not doing illegal work (MLSAF SR),
- repeal the employer's obligation to report a job offer and its characteristics to the Office of Labour, Social Affairs and Family under Section 62(6) of Act No. 5/2004 Coll. on Labour Services and Amendments to Certain Acts (MLSAF SR),
- increase the bandwidth of the weekly working time of students from 20 hours to 40 hours (according to Section 227 (2) the Labour Code), or to remove the condition according to which the agreement on student part-time can be concluded for a maximum of 12 months according to the first sentence in Section 228 (2) of the Labour Code (MLSAF SR),
- enable the free help of relatives in all commercial enterprises (not only in single-person and two-person s. r. o.), not be considered illegal work according to Section 2a (2) of Act No. 82/2005 Coll. on Illegal Work and Illegal Employment and on amendment of certain acts (MLSAF SR).
- the introduction of a revaluation mechanism for the social security insurance deduction item for students who are employed on the basis of an agreement on student part-time work (Section 138a of the Social Insurance Act with effect from 01.01.2023), as currently set at EUR 200 per calendar month.

#### **(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 income 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 prescribed duration of the archiving of accounting documents from the current 10 years to at least the original 5 years, since the entrepreneurs incur additional costs by ensuring this measure (MoF SR),
- remove the obligation to fill out an application for a tax overpayment refund if it arises (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),
- increase 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),

- terminate the obligation or extend the deadline for notification of the end of application of the special VAT scheme based on payments received (MoF SR),
- reconsider the taxation of contributions for employees from the social fund (e.g. a contribution to participation in cultural and sporting events is also taxable income of the employee and the employer is obliged to withhold the tax in advance pursuant to Section 35 of Act No. 595/2003 Coll. on Income Tax) (MoF SR ),
- introduce 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),
- reduce the annual tax rate for heavy good vehicles, i.e. motor vehicles or vehicle combinations intended exclusively for the transport of goods by road, with a maximum permissible weight of a laden vehicle of at least 12 tons, closer to the minimum rates established by EU legislation (MoF SR),
- lift the obligation to purchase a road vignette for a trailer vehicle (trailer or side-car) if the sum of the maximum technically permissible total weight of the motor vehicle and the maximum technically permissible total weight of the trailer is exceeded by more than 3.5 t in accordance with Section 2 (2) (b) in Act No. 488/2013 Coll. on Vignette (the Ministry of Transport and Construction of the Slovak Republic),
- exempt controlled transactions from the definition of a micro-taxpayer in the Value Added Tax Act, since if they are carried out, the entrepreneur loses the status of a micro-taxpayer and with it the associated benefits (e.g. fixed assets, favourable rules for deducting tax losses) / or the institute of micro-taxpayers to be completely abolished (MoF SR),
- reduce the tax on cryptocurrencies from the current 21 % (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),
- 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 Ltd. with a basic capital of at least EUR 5,000 does not have to create a reserve fund / or to completely cancel the mandatory maintenance of a reserve fund in commercial companies (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),
- remove the requirement to verify the signature of the chairperson of the general assembly (the Ministry of Justice of the Slovak Republic),
- introduce the possibility to issue different types of shares (founder and investor) to companies with variable share capital (the Ministry of Justice of the Slovak Republic),



- introduce the institute of general free trade (the Ministry of the Interior of the Slovak Republic),
- enable the self-employment for people over 16 years of age based on the example of the Czech Republic (the Ministry of Justice of the Slovak Republic),
- enable the incorporation of a commercial company online in the Commercial Code (the Ministry of Justice 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),
- 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).
- remove obstacles related to obtaining a license for bus companies wishing to carry out transport on the territory of several Self-Governing Regions by introducing a new provision into Act No. 56/2012 Coll. on Road Traffic (e.g. Sec. 10a), which would allow to automatically issue a license to the operator who already has a license on the territory of another Self-Governing Region in the Slovak Republic, and at the same time comply with the current legal conditions pursuant to Section 10 (3) of the Road Traffic Act (the Ministry of Transport and Construction of the Slovak Republic),
- liberalize the field of school furniture production and the overly strict requirements of Decree No. 527/2007 Coll. on the details of the requirements for equipment for children and young people and their appendix – e.g. *the second sentence of Sec. 4 (1): “When using the blackboard, the viewing angle must be observed, the point of which is on the rear edge of the work surface of the first student's workplace in front of the blackboard and is formed by the connections of the rear edge of the work surface of the desk with the middle of the blackboard and with one of the sides of the blackboard, no more than 30°.* “(the Ministry of Education, Science, Research and Sport of the Slovak Republic),
- reflect the scientific and technical progress in the field of motor vehicle law in the Travel Costs Reimbursement Act (to expand the wording of the law on the use of electric vehicles for business trips, since the law regulates the procedure for determining the reimbursement for consumed fuel only in relation to motor vehicles that run on conventional fuels such as petrol, diesel, LPG, CNG or hydrogen, but does not change the process on the basis of which a reimbursement for fuel consumed is determined when using a plug-in hybrid electric vehicle or electric vehicle (the Ministry of Transport and Construction of the Slovak Republic).

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

- significantly liberalise the illogical obligation for accommodation establishments 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 in Section 113 (c) Act No. 404/2011 Coll. on the Residence of Foreigners and amendments to certain acts (MoI SR),

- simplify the procedure for evaluating applications for an indirect form of business support (ME SR),
- solve the situation when exchanging an ID card with an electronic chip, since it is not possible to log into the electronic mailbox with a temporary document - in Act No. 305/2013 Coll. on the Electronic Form of Governance Conducted by Public Authorities and on amendments and supplements of certain acts (e-Government Act) (MoI SR),
- introduce an alternative option to log in to the electronic mailbox, namely with a name and password or a mobile key - Act No. 305/2013 Coll. on the Electronic Form of Governance Conducted by Public Authorities and on amendments and supplements of certain acts (e-Government Act) (MIRDI SR),
- ensure that electronically signed documents can be printed by public administration bodies and used for legal purposes without the need for guaranteed conversion (MIRDI SR),
- cancel the obligation to obtain permission from the municipality if the employer intends to provide the employee with a pallet for household use pursuant to Section 97(1)(n) of Act No. 79/2015 Coll. on Waste and on amendments and supplements of certain acts (MEn SR),
- reduce the burden on entrepreneurs by obtaining approval from the State Waste Management Agency when handing in household waste (e.g. waste wood from pallets, crates, etc.), i.e. the BRC proposes to abolish the obligation to obtain this consent from the State Waste Management Agency, which is additionally charged in the amount of EUR 11 (MEn SR),
- fully introduce the principle "once and enough", where it is not yet applied by the public administration towards entrepreneurs, in the sense of an appropriate application of the e-Government Act and the Bureaucracy Control Act to reduce the administrative burden for entrepreneurs. (For example, when applying for an extract from the Criminal Record of legal entities, the applying public-law body is obliged to submit, in addition to their identity card, travel document or residence permit for foreigners, an extract from the Commercial Register of the SR in which the legal entity is registered, even if the required information from the commercial register can be checked by Post Office itself, since it has access to it. For this reason, managing directors first request an extract from the Commercial Register for EUR 4.50 and can then use this to request an extract from the Criminal Record for legal entities for EUR 3.90.) (Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatization),
- 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),
- 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 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 bee-keepers 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),
- remove the obligation to pay license fees for all employers (regardless of whether they are trading companies or self-employed persons) / or alternatively, remove this obligation, especially for micro-enterprises (of 0-9 employees) (MC SR; ME SR),
- remove the repeated requirement for double reporting of bank accounts intended for business purposes (MoF 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),
- modernize and unify consumer protection in one clear law (ME SR),
- reduce the deadline for issuing a certificate for placing wine products on the market from 30 to 15 days in Section 26(9) of Act No. 313/2009 Coll. on Viticulture and Oenology (ME SR),
- reduce the obligation to keep and store unpackaged materials records and report data from them to the Ministry of the Environment for producers of unpackaged products marketing in the Slovak Republic a total amount of less than 100 kg of unpackaged products per calendar year with regard to the already applicable provision in Section 74 (4) of Act No. 79/2015 Coll. on Waste, which exempts these producers from several obligations (MEn SR),
- make transparent the Decree of the Ministry of the Environment of the Slovak Republic No. 366/2015 Coll. on Record-keeping and Reporting Obligations and at the same time simplify the system of submitting evidence to the Waste Management Information System (ISOH) so that waste producers do not have to face unnecessary bureaucracy by submitting similar, even identical, waste reporting forms several times a year (MEn SR),
- ensure a comprehensive reduction in fines in the Foodstuffs Act (MARD SR),
- adjust the storage temperatures (while maintaining quality characteristics) of meat products so that their values are not affected by the Decree of the Ministry of Agriculture and Rural Development of the Slovak Republic No. 83/2016 Coll. on meat products, but only in regards with producers (MARD SR),
- reconsider the possibility of using a motorway stamp for any number of days, up to a maximum of 365 days, in Act No. 488/2013 Coll. on Vignette and on amending and supplementing certain acts (the Ministry of Transport and Construction of the Slovak Republic),
- to create a central register of all self-employed farmers (SEF) and enable an electronic form of notification of SEF activity in Act No. 105/1990 Coll. on private business (MARD SR),

- transfer the responsibility for registering self-employed farmers from municipalities to the Ministry of Agriculture and Rural Development of the Slovak Republic (MARD SR),
- cancel the prescribed deadlines for window cleaning at workplaces, the frequency of window cleaning at workplaces (the Ministry of Health of the Slovak Republic),
- abolish the obligation to create operating instructions and comply with hygiene regulations only within the limits of the HACCP regulation (the Ministry of Health of the Slovak Republic),
- abolish the obligation to have separate toilets for employees and customers in catering establishments, or alternatively increase the number of seats/number of employees per shift, for which a shared toilet for men and women is sufficient (the Ministry of Health of the Slovak Republic),
- to complete the liberalization of hygiene requirements in catering establishments by specifying a lower number of sinks (the Ministry of Health of the Slovak Republic).

## 2. Evolution of the economic environment in 2021 in the context of the ongoing COVID-19 pandemic and rising prices

### 2.1. Evolution of the macroeconomic environment in 2021

#### Gross domestic product

The Slovak economy was also affected by the COVID-19 pandemic in 2021, but less severely than in 2020. In addition to the ongoing pandemic, problems with supply chains, a shortage of raw materials (including energy) and their rising prices prevented the Slovak economy from picking up more clearly.

**According to preliminary data from the Statistical Office of the Slovak Republic, the growth of Slovakia's gross domestic product (GDP) in 2021 was 3.0 %.**<sup>19</sup> In terms of the development of the Slovak economy in individual quarters, the growth of the economy was strongest in the 2nd quarter, when the GDP increased by a tenth, which was the most significant increase since 2007. The robust growth in the second quarter resulted from a favourable base effect, i.e. a lower comparison level from the previous year. In the second half of the year, the Slovak economy managed to significantly moderate its growth rate, while GDP growth in both quarters was higher than 1 %.

According to the gross domestic product production method, the economic growth achieved was associated with an increase in added value by 2.4 %, gross production by 5.7 % and intermediate consumption by 8 %. Net taxes on products increased by 8.5 %. Growth in gross value added was achieved by almost half of the most important sectors, including industry, whose value added increased by more than 8 %. The construction sector reported a decline in value added, but so did the arts, entertainment and recreation sectors.

In 2021, all expenditure components of GDP recorded a positive development. Foreign demand rose by more than a tenth year-on-year. A significant increase (by 11.2 %) was also recorded in the import of goods and services. Domestic demand grew by 3.8 %. Gross capital formation increased by 13.9 %, but gross fixed capital formation remained almost unchanged. It only grew by 0.6 %. From the point of view of individual industries, a positive investment development was obvious particularly in industry, trade, transport and warehousing. Investment increased mainly in machinery, equipment and vehicles. There has been a decline in investment in construction.

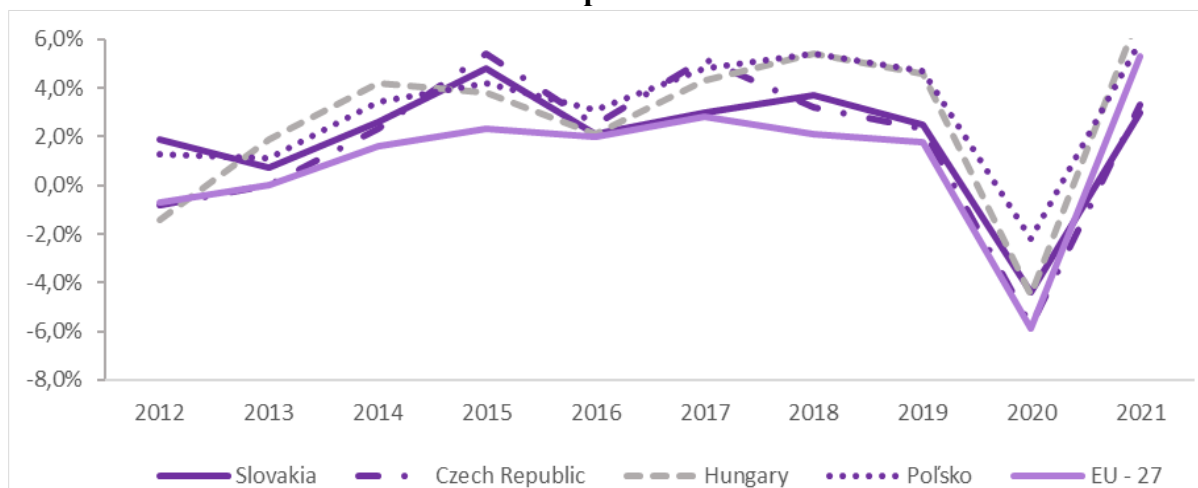
The economic performance growth did not occur only in Slovakia, but was also characteristic of other EU countries. Among the V4 countries, the Hungarian economy was the best performer with growth of 7.1 %. The Polish gross domestic product increased by 5.9 %. The Czech Republic (up 3.3 %) and Slovakia (up 3.0 %) were well behind Poland.

In the European Union as a whole, economic performance increased by more than 5 %, mainly due to the growth of the major EU economies such as France, Spain, and Italy. The performance of the Slovak economy in 2021 was almost the lowest in the EU. Thus, the performance of the Slovak economy in 2021 was not only behind the V4 countries, but also behind the majority of EU countries.

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<sup>19</sup> In 2020, the Slovak economy took downturn by 4.4%.

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



Source: Eurostat, compiled by SBA

GDP growth was related to the positive development of the industrial sector, the most important sector of the Slovak economy, accounting for more than a fifth of the total gross domestic product. **Industrial production rose sharply by 10.4 % after the previous decline.** The industry's performance reached levels comparable to those before the pandemic in 2019. Industrial production increased in most industries. Production in the key sector of vehicle production achieved growth of 4.4 %. The production of machinery and equipment (up 23.5 %), production of metals and metal structures (up 20.5 %) also recorded an increase, as well as the production of electrical equipment (up 12.8 %).

In contrast to industry, the construction sector developed, with negative trends continuing as in 2021. **Total construction output decreased by 2 % year-on-year.** The decline is mainly due to a 4.6 % slump in the domestic construction market. The volume of construction decreased, especially in the area of new construction, modernization and restructuring (by 7.6 %). The volume of work for repairs and maintenance increased by 1.3 %. The construction work carried out abroad also increased in 2021 (by 30.8 %). Compared to the situation before the pandemic (year 2019), construction output is 13.1 % lower and turnover is 11 % lower.

Total wholesale sales (at current prices) rose by more than a fifth. Retail sales increased by 1.4 % year-on-year in 2021 (at constant prices). In 2021, the anti-pandemic measures also affected the decline in catering services revenue, which was 14.3 % lower compared to 2020, almost a fifth of pre-pandemic revenue. An even more notable drop was in accommodation services, which fell 17 % year-on-year and didn't even reach half of that in 2019. These results also indicate that the impact of the pandemic on individual industries varied.

## Foreign trade

The upturn in economic activity among our main trading partners has also increased demand for our products and services. Year-on-year, exports of goods and services increased by 10.2 %. Goods and services worth EUR 91,158.1 million were exported from Slovakia.

Imports of goods and services increased more significantly (up 11.2 %) than exports, the volume of imported goods and services amounted to EUR 91,780.0 million .

The negative balance of foreign trade in goods and services was at the level of EUR 621.9 million. The export performance of the economy, which measures the share of exports of

products and services in GDP, reached 93.9 %. The import intensity, reflecting the share of imports of goods and services in GDP, was 94.5 %.

From a territorial point of view, exports to most countries increased. Among the most important trading partners, the export of goods increased in current prices to Germany (12.5 %), the Czech Republic (29.7 %), Poland (23.6 %), France (4.8 %), Austria (17.1 %), Italy (27.2 %), Romania (11.1 %), Spain (10.7 %), the Netherlands (13.9 %), the United Kingdom (5.6 %) and China (9.8 %). Export of goods, on the other hand, decreased to the United States (down 1.4 %) and Vietnam (down 27.3 %).

The commodity structure was characterised by an increase in exports of motor vehicles of 9.3 %, electrical machinery and apparatus of 12.0 % and machinery and equipment of 17.0 %.

## Labour market

The coronavirus pandemic has 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. This happened despite the planned measures to maintain employment. However, it ought be added that the employment preservation measures taken played an important role in maintaining some employment, or mitigating the impact of the pandemic on the labour market.

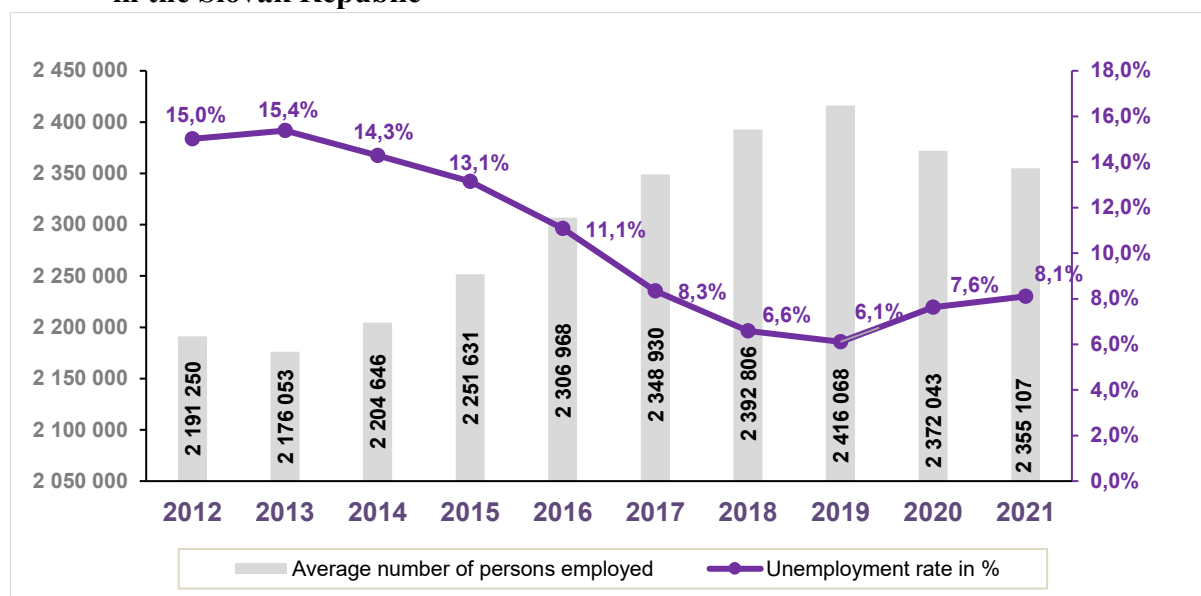
For the second year in a row, the average number of persons employed in the economy fell. In the past six years (2014 - 2019), employment has grown continuously. Compared to 2020, the average number of employed persons decreased by 0.7 % to 2,355.1 thousand (according to the quarterly business reporting of the SO SR).

Adopted anti-pandemic measures restricted the activities of a significant part of the corporate sector. This has also had an impact on the ability of firms to retain their employees during the crisis period. **Employment in the corporate sector decreased by 1.0 %** (down 18.3 thousand persons) to 1,870.6 thousand persons. In 2021, 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 79.4 %.

The negative effects of the corona crisis have not been felt with the same intensity in individual sectors of the economy. According to published employment indices, in 2020 and 2021 there was 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. Even in 2021, the second year of the pandemic, employers working in these industries faced the problem of laying off their workers, their employment falling by 9.2 %, or 7.2 %. In 2021, the number of company employees increased only in two sectors, information and communication activities and selected market services.

The continuing reduction in the number of employed persons was naturally reflected in the increase in the unemployment rate. According to the methodology of COLSAF SR, the unemployment rate increased by 0.5 p.p. from the total number of applicants to 8.1 %. The rise in unemployment hasn't been as dramatic as it was in 2020 when the COVID-19 pandemic hit. The situation on the labour market (regardless of the exceptional situation associated with the corona crisis in terms of trend assessment) continues to be characterized by an insufficient number of qualified applicants and a low level of interest on the part of job seekers in low-skilled jobs.

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



**Source:** Statistical Office of SR, processed by SBA

In both years of its duration, the corona crisis has also contributed to the decrease in the number of foreigners working in Slovakia. In 2021, the number of working foreigners fell by 1.2 % to 68,000 people. Citizens of Ukraine and Serbia were again the largest group of foreigners working in Slovakia in the reviewed year.

The growth of economic activity in 2021 was also reflected in a more significant increase in the average nominal wage. The average nominal monthly wage in the economy increased by 6.9 % to EUR 1,211. The achieved growth in average wages was significantly higher than in the previous year (an increase of 3.8 %). The growth of the average wage was evident in all regions of the Slovak Republic, while the most significant increase was recorded in the Košice and Žilina Regions.

The average nominal wage increased in all size categories of companies. In 2021, employees of medium-sized companies recorded the most significant increases in average wages. The growth of their average nominal wage reached 9.0 %. The micro-enterprises recorded a somewhat smaller increase (by 8.0 %), while the small enterprises increased by 4.7 %. Large companies also increased their employees' wages, their growth was 7.5 %.

From an industry perspective, the highest salaries were achieved in information and communication activities (EUR 2,126) and financial and insurance services (EUR 2,066). On the contrary, the lowest wages were recorded in accommodation and catering activities (EUR 688), in other activities (EUR 782) and in construction (EUR 818).

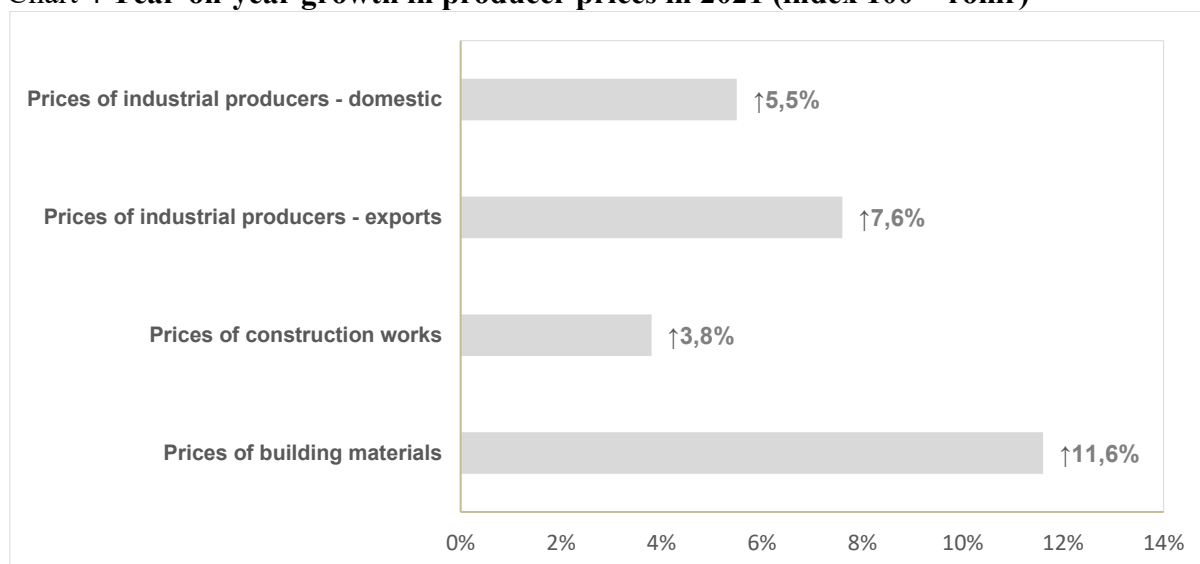
### Price development

The development of consumer prices in 2021 was characterized by increasing momentum. At the beginning of the year, inflation was still 1 %, in the last quarter of 2021 it already exceeded the 5 % mark. The annual inflation rate increased by 1.3 percentage point to 3.2 % in 2020. The price level increase was significantly influenced by fuel prices, but also by food prices, which rose more sharply in the second half of the year. The prices in the transport sector, for alcoholic beverages and tobacco, post and communication, in the catering and hotel sectors were also characterized by a sharp increase. Core inflation reached 3.6 %.



Dynamic price growth has negative consequences not only for the population but also for the further revival of the economy. Most of the major products saw sharp price increases. In 2021, industrial producer prices rose by 6.8 % in aggregate. Of the prices of industrial producers for the country, the prices of coke and refined petroleum products (up 37.3 %), chemicals (up 24.1 %), metal products and metal structures (up 16.3 %) increased the most. Prices of industrial products for export increased by 7.6 %. In the construction industry, material and product prices rose (up 11.6 %). The construction prices increased at lower pace (by 3.8 %). The prices of agricultural products also recorded a significant increase, by 12.3 %.

**Chart 4 Year-on-year growth in producer prices in 2021 (index 100 = romr)**



**Source:** Statistical Office of SR, processed by SBA

### Provision of bank loans

According to NBS data<sup>20</sup>, the volume of business loans remained relatively stable year-on-year. The year-on-year decrease in credit volume was achieved only in the category of large enterprises. Micro and medium-sized enterprises recorded the largest increase in overall credit growth, while lending to medium-sized enterprises increased mainly towards the end of the year. Small businesses saw slower loan growth in the second half of the year, also linked to the phasing out of government-guaranteed loans. According to NBS, government-guaranteed loans accounted for up to half of new loans to small businesses in select months.

The growth of corporate loans, especially in the second half of the year, was also supported by the revival of investment activity that occurred after the gradual easing of the negative impact of the corona crisis, which was reflected in a higher interest of companies in financing investments.

Corporate lending activity has developed differently in the individual sectors. The volume of loans taken out increased, especially in trade and construction. Recourse to credit by entrepreneurs in industry and selected service sectors had a negative impact on overall credit growth.

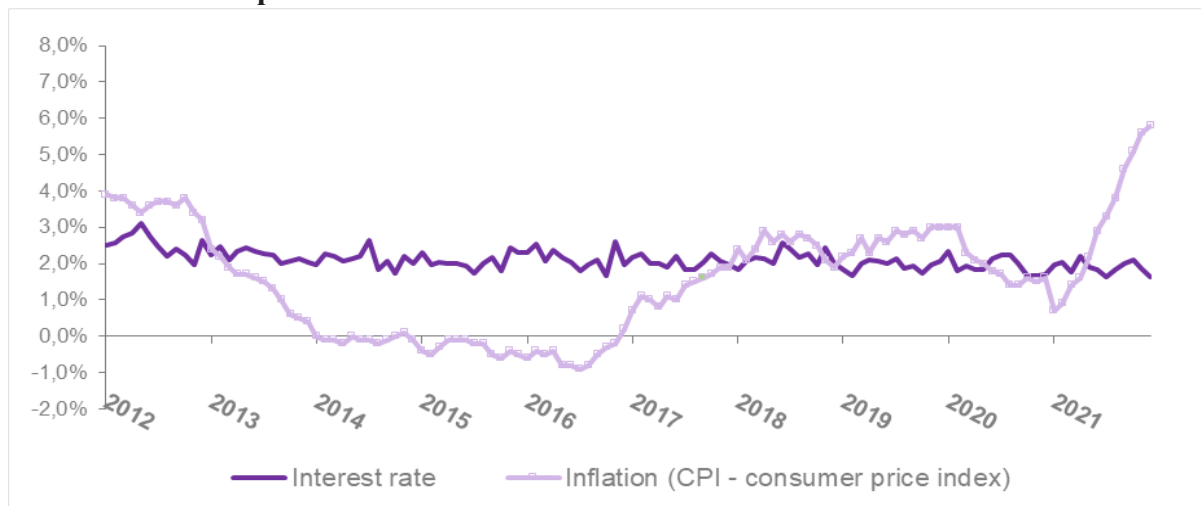
The surge in defaulted loans was mostly felt in the industries hardest hit by the pandemic, according to the NBS. These were primarily accommodation and catering services as well as selected market services. The increase in the share of defaulted loans also occurred in loans

<sup>20</sup> NBS: Financial Stability Report, November 2021; Financial Stability Report, May 2022.



with a state guarantee, which are characterized by higher risk. This increase was particularly evident in the second half of the year. For corporate loans, interest rates have not yet risen in 2021.

**Chart 5 Evolution 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

## 2.2 Expected performance of the Slovak economy in 2022

The central factor that began to affect the development of not only the global but also the Slovak economy in 2020 was the COVID-19 pandemic. We presented the impact of the pandemic on the Slovak economy in 2020 in the *Report on the situation of small and medium-sized enterprises in 2020*.<sup>21</sup> The pandemic has significantly affected the development of the economy and changed expectations for further development. After years of continuous growth, the performance of the Slovak economy collapsed. The recorded decline was steepest in the second quarter of 2020, in which a decline of almost 11 % was recorded. 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, performance contracted by 6.1 %, mainly due to the slump in the major EU economies.

The spread of a new type of coronavirus in 2020 largely started to be associated (among other thing) with a relatively high level of uncertainty and risk, primarily based on the evolution of the epidemiological situation. This triggered the adoption of anti-pandemic measures, which subsequently led to a (temporary) reduction in business activity and a drop in demand. Alike Slovakia at the time, other countries also began to take similar measures, which led to a (temporary) interruption of the global supplier-customer chain with an impact on foreign trade.

In 2020, the negative impact of the corona crisis on the Slovak economy was also reflected in the development of the economic performance of the small and medium-sized enterprise sector. In 2020, the growth path of all important economic indicators of SMEs was interrupted. The effects of the pandemic were also noticeable in the area of innovation activity by

<sup>21</sup> SBA. 2021. Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2020. Available online: [http://monitoringmsp.sk/wp-content/uploads/2021/11/Sprava-o-stave-MSP-2020\\_final-1.pdf](http://monitoringmsp.sk/wp-content/uploads/2021/11/Sprava-o-stave-MSP-2020_final-1.pdf)

companies. SMEs in particular have reassessed planned innovation activities or stopped them altogether.<sup>22</sup>

In 2021, too, companies did not have enough leeway for a significant improvement in investment activity. Because a clearer start of investment activity was caused by a lack of inputs (especially in industrial production; as a supply shock), but also by rapidly rising input prices, mainly due to the opening up of the economy and the easing of anti-pandemic measures.

A significant part of the service sector has been closed (due to the COVID-19 pandemic). Consumption has been more commodity-oriented, leading to a significant increase in global demand for consumer goods, affecting the availability of some components and materials.<sup>23</sup> Failures in the supply of some components have a significant impact, or they affected several sectors.

Larger infrastructure projects were also absent due to the ongoing uncertainty about future production. Although component shortage problems gradually eased towards the end of the year, there were still some breakdowns. Businesses have seen this (in 2021) but will likely face even faster price increases, especially in the short term.

Energy prices were already rising in 2021. This was mainly due to the gradual easing of measures to combat the pandemic and increasing mobility, which led to a global increase in oil demand throughout 2021. On the other hand, the oil supply did not react flexibly enough. Pressures on price growth (especially energy) in 2022 will be exacerbated by the war in Ukraine. The increase in inflation is mainly influenced by energy prices, which are responsible for about half of the total price increase. Rising energy prices are thus reflected in higher costs for companies. Food prices are also rising. The problem of rising prices also affects another range of inputs.<sup>24</sup> These factors are also having an impact on further expectations and are slowing down the recovery of the global economy.<sup>25</sup> The high level of uncertainty due to the deteriorating economic outlook is likely to be reflected again in postponements of investment projects and shifts in consumption.

The extraordinary situation related to COVID-19 and the war in Ukraine raises a particular need for structural changes. In the context of the pandemic, it also appears that the country's technological readiness and the associated digital transformation may be key in this regard in the near term. Especially in the context of the ongoing war in Ukraine, the importance of renewable energy sources, reducing energy dependency and strengthening energy security is emphasized. On the other hand, a deteriorated investment environment can slow down the necessary structural changes.

The neighbouring EU countries are also facing a high inflation rate, or inflationary pressure. The further development is therefore influenced by external factors that promote inflation. In addition to the relentless military conflict, there are also imbalances in supplier-customer relationships, which are driving up the prices of raw materials in unprecedented ways (which in this context is associated with the uncertainty and risk of the availability of basic raw materials and materials). On the commodity markets, energy prices are even reaching many times the level before the pandemic period. It turns out that energy prices development will further accelerate inflation.

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<sup>22</sup>SBA. 2021. Small and medium-sized business in numbers. Available online: <http://monitoringmsp.sk/wp-content/uploads/2021/07/Male-a-stredne-podnikanie-v-cislach-2020.pdf>

<sup>23</sup>NBS. Frankfurt Sheets. November 2021. Available online: <https://nbs.sk/publikacie/frankfurtske-harky/>

<sup>24</sup>NBS. Frankfurt Sheets. May 2022. Available online: <https://nbs.sk/publikacie/frankfurtske-harky/>

<sup>25</sup>NBS. Economic and Monetary Developments - Spring 2022. Electronic version: <https://www.nbs.sk/sk/publikacie/ekonomicky-a-menovy-vyvoj>.

According to NBS's June 2022 estimate, Slovakia's economic output could reach the pre-pandemic level by the end of 2022, but even at the end of the forecast, it is not expected to reach the pre-pandemic trend. Compared to the forecast from spring 2022, this is a deterioration in the expectation of future development. The main reasons include weaker world trade and high inflation. Compared to the spring forecast, the outlook also deteriorated due to extraordinary situations, such as the war in Ukraine and the so-called lockdowns in China, which are slowing the global economic recovery and exacerbating problems of broken supply chains, leading to additional inflationary pressures. The prospects for the development of Slovak exports are also unfavourable, primarily due to weaker foreign demand. The economy is likely to be primarily supported by private consumption.<sup>26</sup> As mentioned above, business investment is being held back by uncertainty about future developments. It is expected that the investment rate could increase as the economy becomes less dependent on fossil fuels. At the same time, the possibility of effective use of funds from the rehabilitation plan is pointed out, which in the medium term can act as a significant stimulus to support investment activity.

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<sup>26</sup>NBS. Economic and Monetary Developments - Summer 2022. Electronic version: <https://www.nbs.sk/sk/publikacie/ekonomicky-a-menovy-vyvoj>.

## 2.3 Evolution of quantitative indicators from the SME environment in 2021

### Multiplicity of SMEs

The number of SMEs is one of the key quantitative indicators characterising the state of the SME sector. In 2021, the business sector was again affected by the consequences of the ongoing COVID-19 pandemic. However, unlike in the year of the outbreak of the corona crisis (2020), SMEs were already better able to deal with the negative effects of the pandemic, which manifested itself in the form of an increased number of active SMEs in Slovakia.

According to the data of the Statistical Office of the Slovak Republic, the number of small and medium-sized enterprises increased in 2021. The growth achieved was 6.2 %. **In absolute terms, the number of active SMEs was 634,309.** Year-on-year, the number of SMEs has increased by 37,138 companies. From the point of view of the individual company size categories, the most dynamic increase in the number is recorded in the group of micro-enterprises with 0-9 employees by 6.4 % year-on-year. No significant changes were found for other SME size categories.

Table 1 Number of active businesses by size category in 2021

Size categories	Absolute number	in %	Index 2021/2020	absolute difference
Micro-enterprises (0–9)	618,115	97.3%	106.4	37,175
Small enterprises (10–49)	13,469	2.1%	99.8	-22
Medium-sized enterprises (50–249)	2,725	0.4%	99.5	-15
Large enterprises (250 or more)	655	0.1%	102.0	13
<b>Total SMEs</b>	<b>634,309</b>	<b>99.9%</b>	<b>106.2</b>	<b>37,138</b>
<b>Total business entities</b>	<b>634,964</b>	<b>100.0%</b>	<b>106.2</b>	<b>37,151</b>

Source: Statistical Office of SR, processed by SBA

The business sector in Slovakia has long been characterized by a high proportion of micro-enterprises. Of the total number of active business entities in 2021, micro-enterprises accounted for up to 97.3 %. Small (2.1 %) and medium-sized enterprises (0.4 %) are significantly under-represented.

The sectoral structure of SMEs is characterised by the most significant representation of the services sector (47.6 %; 302,111). Almost one fifth of active SMEs were active in the construction sector (18.9 %, 120,140). The top three industries are completed by trade (16.1 %, 102,203). In addition, 13.4 % of active SMEs were active in the industrial sector (85,200) and 3.9 % in the agricultural sector (24,655).

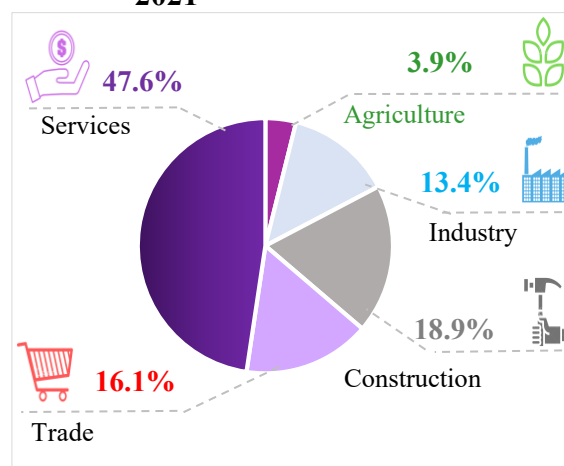
In the long term, the sectoral structure of SMEs is characterised by an increasing representation of the services sector, which is accompanied by a decline in the trade sector. The representation of agriculture and industry has remained unchanged in recent years. The construction industry has shown a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

The sectoral structure is clearly differentiated from the point of view of the individual company size categories. SMEs with a higher number of employees are characterized by a stronger representation of industry. Micro and small enterprises, on the other hand, are characterised by a higher representation of the construction and services sectors.

**Chart 6 Evolution of the number of SMEs in the period 2017–2021**      **Chart 7 Sectoral structure of SMEs in 2021**



**Source:** Statistical Office of SR, processed by SBA



**Source:** Statistical Office of SR, processed by SBA

In 2021, the rate of SME<sup>27</sup> business activity reached 23.5 %. Compared to 2020, it has increased due to the upsurge in the number of SMEs. In addition, 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 (59.4 %), which increased after the previous decrease in 2021. The share of corporate SMEs in the total number of SMEs decreased to 40.6 %.

In 2021, the number of active natural persons - entrepreneurs increased by 11.2 %. The year-on-year increase in the number of natural persons – entrepreneurs is due to the increase in the number of sole traders, which increased by 12.2 % after the previous decrease. A slight decrease compared to the previous year was recorded for the other legal forms of natural persons – entrepreneurs.

The number of small and medium-sized enterprises – legal entities decreased only slightly (by 0.3 %) to 257,438 entities in 2021. The mentioned decrease was related to the mass deletion of companies from the Commercial Register<sup>28</sup> (CR), mainly due to non-compliance with the administrative obligations to convert the share capital from the Slovak Koruna to the Euro currency. A decrease in the number was recorded in all size classes of SMEs.

<sup>27</sup> The level of entrepreneurial activity reflects the number of active small and medium-sized enterprises per 100 economically active population in the Slovak Republic.

<sup>28</sup> The deletion of companies was caused by a transitional provision of the Commercial Code to amendments effective from 1 October 2021. According to it, the registration courts, in cooperation with the Ministry of Justice of the Slovak Republic, deleted from the CR entities that should no longer be registered in it, companies of foreign natural persons, persons who went into liquidation before October 2016, but also persons subject to the obligation to convert the share capital from Slovak Koruna to Euro, or companies of Slovak or foreign legal entities who have not confirmed their data entered in the CR by 30 September 2021. The aim of this process was to cleanse the CR of registered persons who, by their nature, should not be entered in the Commercial Register, as well as inactive "dead" companies that have long failed to meet their obligations.

## Establishment and dissolution of business entities<sup>29</sup>

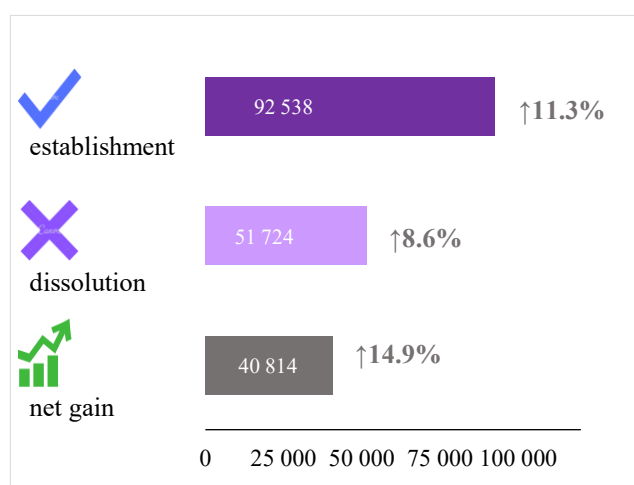
The second year of the COVID-19 pandemic in Slovakia no longer manifested by a reduced interest in starting a new business in 2021.<sup>30</sup> According to the data processed from the Register of Organizations of the Statistical Office of the Slovak Republic, **the number of established entrepreneurs in 2021 increased again compared to the previous year.** Due to the impact of realizing postponed business aspirations that business prospects could not realize in 2020, when the COVID-19 pandemic broke out, as well as more flexible adoption and release of anti-pandemic measures (in 2021), **the number of SMEs increased in 2021 by 11.3 % to 92,538 entities.**

About a fifth (21.4 % or 19,771) of the total number of newly registered small and medium-sized enterprises were SMEs – legal entities. Almost four fifths (78.6 % or 72,767) of the newly formed SMEs were NP – entrepreneurs, while the greatest interest was in trading licensing.

The number of dissolved **business entities also increased to 51,724.** The mass deletion of companies from the Commercial Register also contributed to the re-increase of **administratively dissolved business entities**

A fifth (20.1 %) of the total number of terminated companies were corporations – legal entities. The largest group among the dissolved business entities were the self-employed with a share of 71.3 %. Persons doing business in the legal form of freelancers accounted for 8.1 % of all dissolved business entities, self-employed farmers made up 0.6 %.

Chart 8 **Establishment, dissolution and net gain of business entities in 2021**



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

In particular, due to the mass deletion of companies from the Commercial Register in the last quarter of 2021, the number of dissolved corporations – legal entities doubled compared to the previous year to 10,419. A more positive development was recorded for the terminated trades, the number of which fell by 5.8 %. Those 36,856 terminated trades represent the second lowest number in the last decade.

In 2021, Slovakia recorded a **net increase in business entities** due to the higher number of established business entities than those dissolved. The level of net increase rose by 14.9 % year-on-year to 40,814 business entities. This is the highest net increase in the last 10 years.

The increased number of closed business activities in 2021 was also reflected in the results of the insolvency statistics. According to data from the Ministry of Justice of the Slovak Republic, the number of bankruptcies declared in 2021 rose by more than half to 268. The number of authorised restructurings remained almost unchanged year-on-year, reaching 19.

<sup>29</sup> 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.

<sup>30</sup> In 2020, the number of established SMEs fell by 2.0 % compared to the previous year. Source: Report on the State of Small and Medium-Sized Enterprises in Slovakia.



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

In 2021, the trend of lower representation of women in business continued. **The share of women in the total number of natural persons – entrepreneurs fell to 27.6 % year-on-year.** Compared to 2020, it shows a slight decrease (by 0.6 p. p). In the long-term horizon of the last 10 years, this is the lowest women's representation. Men made up more than two thirds (72.4 %) of the total number of active natural persons – entrepreneurs.

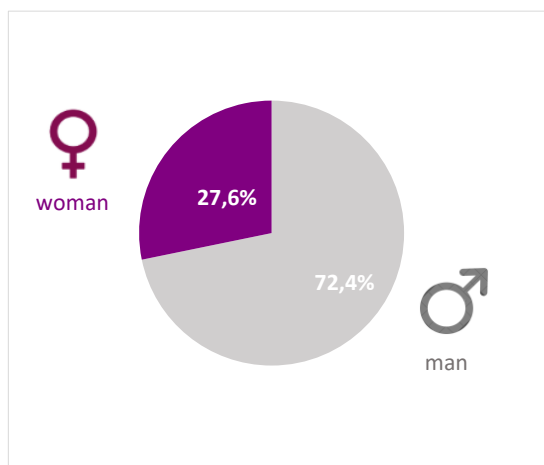
Differentiated results of women's representation can be observed for individual legal forms of natural persons – entrepreneurs. Women make up the largest proportion of the freelancers. In 2021, every second (49.8 %) freelance entrepreneur was female. The proportion of women among entrepreneurs was 26.3 % and among self-employed farmers 24.1 %.

**In terms of the age structure, the highest representation of active natural persons – entrepreneurs in the long term is in the category of 40–49 year olds.** Their share reached more than a quarter (27.0 %) in 2021. 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 (24.9 %) 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 (19.4 %).

The development of the age structure of natural persons – entrepreneurs in recent years has been characterised by an increase in the representation of entrepreneurs in the younger age categories of less than 30 years old. The increase in the representation of young entrepreneurs has been ongoing since 2014, until then their representation was decreasing every year. In the last evaluation year 2021, the proportion of young people increased by 0.4 p.p. to 17.3 %. The representation of elderly entrepreneurs slightly declined in 2021 after a previous increase, reaching 10.4 %. In the medium term, the representation of older people has not changed significantly and is hovering around the level of 10.5 %.

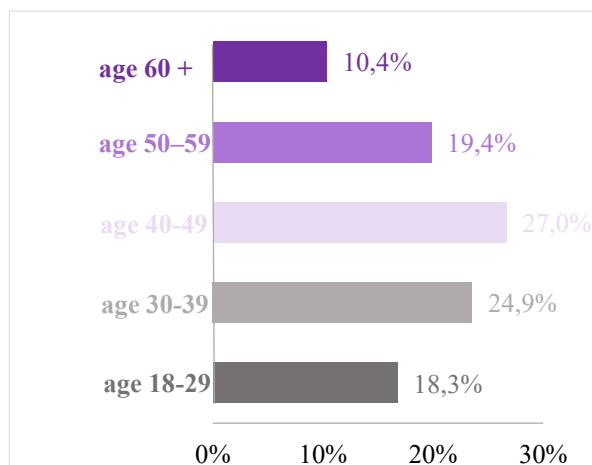


Chart 9 Gender structure of natural persons – entrepreneurs in 2021



Source: Statistical Office of SR, processed by SBA

Chart 10 Age structure of natural persons – entrepreneurs in 2021



Source: Statistical Office of SR, processed by SBA

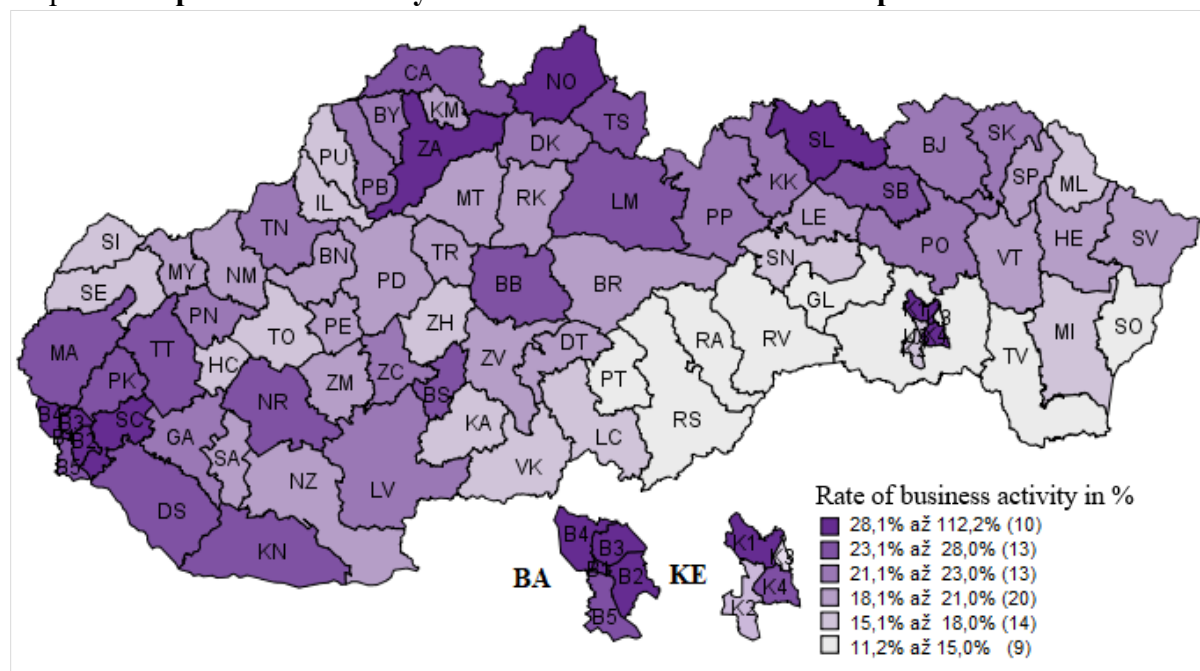
### Regional aspects of SME entrepreneurship

The majority of SMEs in Slovakia develop their activities in the Bratislava region. In 2021, approximately **one in five active small and medium-sized enterprises** (22,9 %) had their headquarters in this region. It is followed by the Žilina region, where 13.6 % of active SMEs were based, and the Prešov region with 13.2 %. The representation of the rest of the regions is more even. The fewest SMEs, only 9.2 %, were registered in the Trenčín and Banská Bystrica regions.

**The number of active SMEs has increased year by year in all regions of Slovakia.** Mainly due to increased self-employed activity, the largest increase was in the Prešov region by 7.7 % and in the Trnava region by 7.4 %. The lowest growth rate was recorded in the Banská Bystrica region at 3.4 % year-on-year.

The highest level of entrepreneurial activity 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 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 2021



Map base © Geodesy, Cartography and Cadastre Authority of the Slovak Republic.

**Data source:** Register of organisations of the Statistical Office of the Slovak Republic and the Central Office for Labour, Social Affairs and Family. The entrepreneurial activity rate is calculated as the share of the number of SMEs in the total economically active population in %.

## SME employment

The coronavirus pandemic has adversely affected employment in the national economy, including the corporate sector. For the second year in a row, the average number of persons employed in the economy fell. Employment in the entire corporate sector decreased by 1.0 % (down 18.3 thousand) to 1,870.6 thousand persons. The implemented support measures for entrepreneurs also had a positive effect on the preservation of jobs. These measures prevented a significant decline in employment. 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 0.8 % year-on-year** (down 10.9 thousand persons) to 1,390.0 thousand persons employed. The decline in employment in SMEs took place for the second year in a row.

Compared to the previous year, employment fell in all size categories and legal forms with the exception of small enterprises. In small enterprises, the number of people employed increased by 8.1 %. Small business employment increased most significantly in construction, trade and hotels and restaurants. Medium-sized enterprises had the biggest problem retaining their employees, with employment falling by 6.1 % year-on-year. Micro-enterprises recorded a decline in employment of 4.6 %. The average number of employees of NP entrepreneurs has hardly changed.

In 2021, SMEs accounted for 74.3 % of employment in the business economy. The share of SMEs in total employment in the Slovak economy was 59.0 % (according to the quarterly economic report of the SO SR).

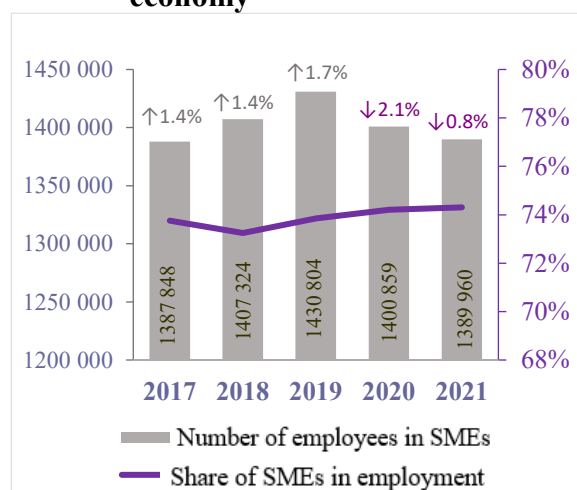
In the long term, micro-enterprises (including FO entrepreneurs) achieve the largest representation in employment. In 2021, their share was 46.1 %. The share of small and

medium-sized enterprises (each 14.1 %) is considerably lower. Large enterprises accounted for more than one-quarter (25.7 %) 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 (88.1 %), accommodation and catering (93.7 %) and construction (91.6 %). 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 45.1 %), which is natural given the position of large industrial enterprises in the national economy of the Slovak Republic.

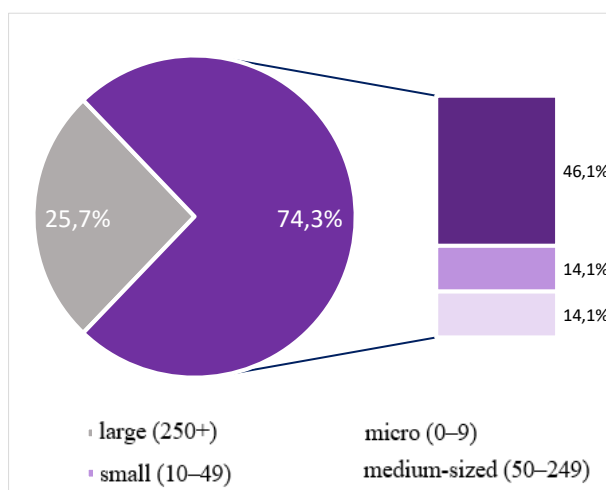
In international comparison, Slovakia continues to rank among the countries with an above-average share of small and medium-sized enterprises in employment.

**Chart 11 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 12 Employment in the business economy by business size category in 2021**



**Source:** Statistical Office of the Slovak Republic, SBA calculation

## Economic indicators of SMEs

In 2021 there was a revival in economic activity, which was also reflected in value added. **The value added of small and medium-sized enterprises (legal entities - non-financial corporations) in current prices increased by more than a tenth (by 11.9 %) in 2021, after having previously decreased.** With the high growth achieved, the value added of SMEs was able to compensate for the decline of 3.8 % from 2020. The level of growth recorded was the highest in the last ten year In absolute terms, the value added of SMEs amounted to EUR 26,967.3 million. All SME size categories recorded a positive development. Small companies achieved the largest increases in value added.

**In 2021, the share of SMEs - legal entities in value added created in the non-financial corporate sector reached 54.9 %.** The achieved SME share reached an identical value as in 2019 (i.e. in the period before the pandemic).

**Industry remains the most important sector in terms of SME value added. In 2021, it accounted for almost a quarter (24.8 %) of the total value added by SMEs – legal entities.** However, the industry sector's position in terms of added value for SMEs has weakened slightly

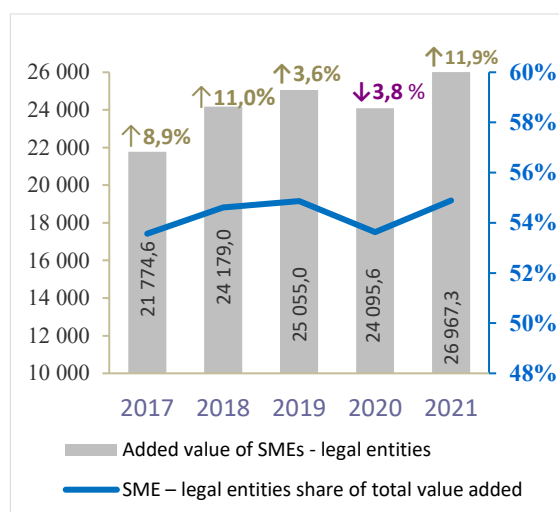
in recent years. The second most important sector is trade, which reached a slightly lower share (23.2 %) than the industry sector in 2021. The three most important sectors are completed by business services with a share of more than a fifth (20.6 %).

In 2021, the value added of SMEs increased in all sectors of the economy due to the recovery in economic activity. This positive result came after the previous year 2020, in which the value added had decreased in most sectors due to the measures taken to limit business. The value added of SMEs increased most notably in the trade, other services, transport, information activities and industry sectors. SME value added also grew in accommodation and gastronomy, but the 5.7 % growth achieved could not compensate for the 15.4 % decline from 2020.

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. **Slovakia is among the EU countries with the lowest labour productivity of SMEs.**

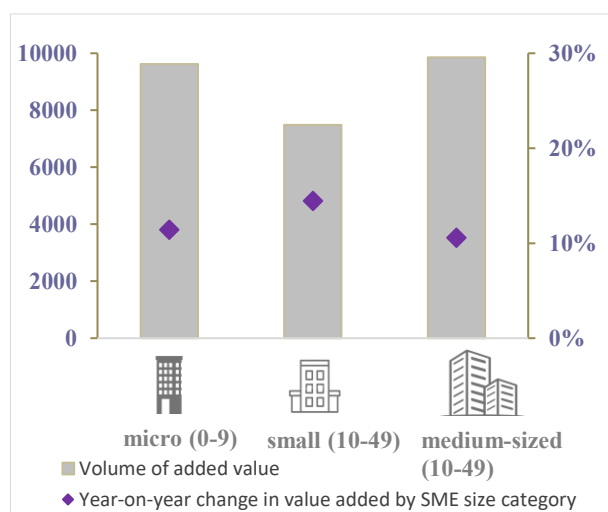
Other economic indicators for SMEs also showed positive development. The gross production of SMEs increased by more than a tenth. The gross fixed capital formation of SMEs, which reflects the level of investment activity, increased by 7.2 %. An increase of more than a third was recorded in the SME profit generation, which increased after the previous two-year decline.

**Chart 13 Development of the added value of SMEs - legal entities of non-financial corporations (EUR million)**



Source: Statistical Office of SR, processed by SBA

**Chart 14 Volume of added value (EUR million) and year-on-year change in value added by SME size category in 2021**



Source: Statistical Office of SR, processed by SBA

## Foreign trade of SMEs

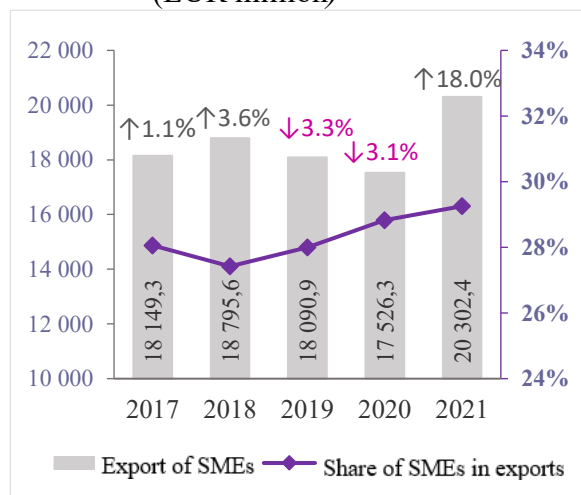
According to preliminary data on Slovak foreign trade, in 2021 small and medium-sized enterprises recorded an 18.0 % increase in exports after a previous decline. In absolute terms, the exports of SMEs reached EUR 20,302.3 million. Year-on-year, exports increased for all company size categories. Exports increased most dynamically among SMEs, most dynamically by almost a quarter in micro-enterprises. Small enterprise exports increased by 17.7 % and medium-sized enterprise exports by 14.9 %.

Due to the stronger export growth of small and medium-sized enterprises than large enterprises, the share of SMEs in total exports increased by 0.5 p.p. in 2021 to 29.3 %. The increase in the share of SMEs in exports can be observed for the third year in a row.

The territorial structure of exports of small and medium-sized enterprises in Slovakia has long been characterized by an exceptional concentration on the EU internal market, where Slovakia has its main trading partners, such as Germany, the Czech Republic, Hungary, Poland or Austria. Only 10.9 % 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.

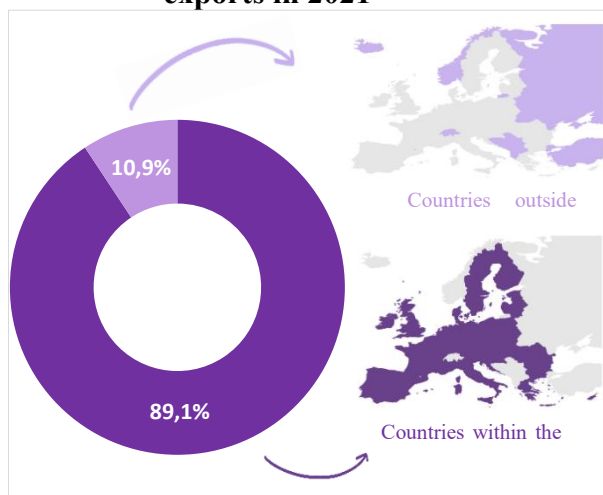
The increased foreign trade activity was also reflected in the increase in imports by small and medium-sized companies. According to the preliminary results of the SO SR, the import of SMEs for 2021 amounted to EUR 30,125.6 million. Volume of imports increased by 18.5 % year-on-year. Imports increased in all company size categories. It grew most dynamically with one-fifth in micro-enterprises and small businesses. Medium-sized companies recorded a somewhat lower increase in imports. The share of SMEs in total imports fell to 39.8 %.

**Chart 15 Export development of SMEs (EUR million)**



Source: Statistical Office of SR, processed by SBA

**Chart 16 Territorial structure of SME exports in 2021**



Source: Statistical Office of SR, processed by SBA

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

#### 3.1. Overview of direct and indirect support for SMEs in 2021

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.<sup>31</sup> 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.<sup>32</sup> Also for these reasons, the overall financial implementation may deviate from the actual situation.<sup>33</sup>

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<sup>31</sup> In terms of capturing a holistic view of support, inspiration was also provided in: Šubertová E., Kinčíková M.. Business support for small and medium-sized enterprises. 2014; Šubertová et al.. Entrepreneurship in small and medium-sized enterprises. 2011; Chodasová A., Bujnová D.. Entrepreneurship in small and medium-sized enterprises. 2008.

<sup>32</sup> And in some cases, only the allocation of funds has been quantified.

<sup>33</sup> The situation related to COVID-19 also played a role to some extent in the input gathering process.



In 2021, too, the total volume of SME<sup>34</sup> funding in connection with the COVID-19 pandemic was many times higher than in previous years (i.e. in the period before the pandemic).<sup>35</sup> As a result of the extra support associated with the elimination of the negative impacts of the coronavirus on the business sector and for the purpose of maintaining the monitoring of the implemented support in the normal period, 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.

Access to finance has improved overall. The financial aid has clearly prevailed. The use of financial support had a significant impact on the so-called COVID measures, which is also consistent with the results of surveys in which companies considered direct financial support to be the most effective financial measure to mitigate the impact of the pandemic.<sup>36</sup>

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 77.3 % of the share of ordinary support for SMEs. The indirect form of support amounted to 22.7 % 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 the category of **credits or loans** (36.4 %) and the category of **subsidies, NFP, and grants** (35.6 %). Other major categories included incentives and tax and penalty relief (14.4 %), venture capital (5.3 %) and bank guarantees (5.1 %). 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 2020 (around 16 %).<sup>37</sup> The main reason for this was the fact that funds earmarked for planned activities in the current year were reallocated (and/or also increased)<sup>38</sup> and accumulated in instruments and measures with the intention of mitigating the negative impacts of the COVID-19 pandemic. A negative change recorded in 2021 is the representation of each category of the total amount of general support directed to the SME sector. Year-on-year, however, the representation of selected monitored categories (with the exception of the credit or loan category, the incentives and tax benefits category and other categories, i.e. consultancy and services)<sup>39</sup> decreased the most. A significant decrease was recorded in the representation of the bank guarantee category. Positive fact is that there has also been a significant year-on-year increase in the representation of the category Others, which also includes advisory services and other indirect forms of support activities.

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<sup>34</sup> The figure given as the total volume of SME support corresponds to the actual spending in the reference year 2021. 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 2021 as required, and whose data would have distorted the results on the actual spending of support for SMEs in the past year.

<sup>35</sup> 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).

<sup>36</sup> SBA survey. For example: [http://monitoringmsp.sk/wp-content/uploads/2021/03/COVID\\_2021\\_final.pdf](http://monitoringmsp.sk/wp-content/uploads/2021/03/COVID_2021_final.pdf)

<sup>37</sup> 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 2020 results will not match the reported volume (and share) quantified in last year's Report on the State of Small and Medium-Sized Enterprises.

<sup>38</sup> Other reasons included, for example, the fact that SME instruments from the previous period had been used up.

<sup>39</sup> Particularly in favour of the COVID loans provided (part of the results of COVID support).

In the observation year 2021, the range of activities and services continued to be adapted to the needs of the economy in the context of the ongoing pandemic situation (e.g. specific consultancy was given or activities were relocated to the online space where possible). On the other 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 2021, 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 is 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 debt can pose a **risk** for SMEs in the future, which can theoretically limit future financing options for projects (in the form of debt financing).

**Table 2 Volume of support for SMEs by form of financing in 2021**

	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 <sup>40</sup>	188.2	35.6 %
		Loans or borrowings	192.5	36.4 %
		Venture capital	28.1	5.3 %
	Indirect form of support	Bank guarantees	27.0	5.1 %
		Incentives, tax and penalty relief	75.9	14.4 %
		Other (advice and services)	17.0	3.2 %
	Total support for SMEs (normal support)		528.7	100 %
COVID support		1,908.6	-	

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

<sup>40</sup> Within the category of subsidies, NFA, grants is included data from ME SR for OP II, where data for the EU resource (ERDF) was provided in the documents. Co-financing with 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

#### Subsidies, non-repayable financial contribution, grants



**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 344 SMEs (including 174 micro-enterprises, 109 small enterprises and 61 medium-sized enterprises) were supported under the **Operational Programme OP II (section under the responsibility of the Ministry of Economy of the Slovak Republic)**<sup>41</sup> in 2021. The amount of allocated funds for SMEs was EUR 129,777,003.00 and the actual spending amounted to EUR 6,820,941.00 (of which micro-enterprises benefited from EUR 1,109,384.00, small enterprises from EUR 2,431,584.00 and medium-sized enterprises from EUR 3,279,973.00). 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 1 SMEs (1 micro-enterprise) in the total amount of EUR 116,000.00.<sup>42</sup>

In 2021, 1 beneficiary of investment aid - 1 medium-sized enterprise - benefited from investment aid in the form of subsidies for purchased tangible fixed assets and intangible fixed assets. The proportionate share of funding for 1 supported company from the SME size category (i.e. medium-sized enterprise) was EUR 253,847.00.<sup>43</sup>

**ME SR also supported small and medium-sized enterprises** in the monitored year 2021 **in connection with the spread of the disease COVID-19**. In the first half of 2021, the second round of **subsidies for irregular bus services** was carried out. The aid was granted on the basis of the Minimum Aid Scheme for SME support related to the COVID-19 outbreak (DM-11/2020) as amended by Addendum No. 2. In 2021, too, this should compensate for the decline in sales during the difficult period. The call for proposals was published from 4 March 2021 to 30 April 2021. In the second round, 380 SMEs were funded with a total of EUR 7,995,697.49. In the first half of 2021, the ministry also continued the implementation of the call for funding applications for **SMEs in the cultural and creative industries** on 29 December 2020. The aid was granted on the basis of the Minimum Aid Scheme for SMEs

<sup>41</sup> The real drawdown only includes data for demand-oriented projects.

<sup>42</sup> No new call has been launched in 2021.

<sup>43</sup> In 2021, the Government of the Slovak Republic did not approve investment aid for a beneficiary meeting the SME criterion at the time of granting.

related to the outbreak of COVID-19 (DM-11/2020), the State Aid Scheme to support companies related to the outbreak of COVID-19 – Fixed Cost Subsidy SA. 59996 (2020/N) and State Aid Scheme to support companies related to the outbreak of COVID-19 – Fixed Cost Subsidy as amended by Addendum No. 1 SA. 64688 (2021/N). Within the call, 287 SMEs were funded with a total of EUR 7,759,637.90. Due to the ongoing impact of the COVID-19 pandemic on the corporate sector throughout most of 2021, ME SR continued to implement **calls for rent subsidy** applications<sup>44</sup>. The purpose of the calls was to provide a rental subsidy to companies whose use of the premises for the agreed purpose was prevented by the closure of the premises or was significantly restricted by the ban on the public's presence on the premises associated with the prevention of the consequences of the spread of the dangerous contagious human disease COVID-19 by measures of state administrative bodies or by decision of the Government of the Slovak Republic. In 2021, 16,911 SMEs were funded within the framework of SMEs with a total of EUR 77,833,892.12.<sup>45</sup>

**Table 3 ME SR: implemented support for SMEs in 2021**

Support implemented	Amount of real spending in 2021
<b>OP Integrated Infrastructure - part of research and innovation under the responsibility of the intermediary body of the Ministry of Economy</b>	EUR 6,820,941.00
<b>State aid scheme to promote international cooperation in industrial research and experimental development</b>	EUR 116,000.00
<b>Investment aid</b>	EUR 253,847.00
<b>The Minimum Aid Scheme for SMEs related to the outbreak of COVID-19 (DM 11/2020), the State Aid Scheme to support companies related to the outbreak of COVID-19 – Fixed Cost Subsidy SA. 59996 (2020/N), State Aid Scheme to support companies related to the outbreak of COVID-19 – Fixed Cost Subsidy as amended by Addendum No. 1 SA. 64 688 (2021/N)*</b>	EUR 7,759,637.90
<b>The Minimum Aid Scheme for SME support related to the COVID-19 outbreak DM-11/2020 as amended by Addendum No. 2.</b>	EUR 7,995,697.49

Source: SBA, compiled on the basis of submissions received from ME SR<sup>46</sup>

\* Support for SMEs in the field of cultural and creative industries in relation to COVID-19.

\*\* Support for SMEs - Non-scheduled bus services - COVID-19.

**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 II<sup>47</sup> and OP Environmental Quality. **Under OP II**, SIEA supported SMEs in 2021 in the total amount of EUR 6,802,267.18 for the specific objectives listed below. Through the specific objective 1.2.2 Growth of R&D and

<sup>44</sup> The aid was granted on the basis of the Minimum Aid Scheme to support the economy in connection with the outbreak of COVID-19 - Rent Subsidy as amended by Addendum No. 1 (DM - 10/2020), Minimum Aid Schemes to support the economy in connection with the outbreak of COVID-19 - Rent Subsidy II., State Aid Scheme to support the economy in connection with the outbreak of COVID-19 - Rent Subsidy as amended by Amendment No. 1 SA. 598089 (2020/N), State Aid Scheme to support economy related to the outbreak of COVID-19 – Rent Subsidy as amended by Addendum No. 2 SA. 64688 (2021/NN), State Aid Scheme to support economy related to the outbreak of COVID-19 – Rent Subsidy as amended by Addendum No. 3 SA. 100900 (2021/N).

<sup>45</sup> SIH, in cooperation with the Ministry of Economy of the Slovak Republic, created guarantee programmes in 2020, the so-called SIH Anti-Corona Guarantee (SIHAG), which enables the provision of soft bridging loans (see more in the 2021 results of SIH Guarantees section).

<sup>46</sup> Note: **The Innovation Fund**, the purpose of which is to support the innovative development of the Slovak Republic through the permanent development of values in the field of scientific research, has not announced a call for projects for 2021.

<sup>47</sup> Note: until 12/2019 OP Research and Innovation. Available at: <https://www.siea.sk/strukturalne-fondy-eu/operacny-programme-integrated-infrastructure/>

innovation capacities in industry and services (OP VaI-MH/DP/2016/1.2.2.-02) 35 SMEs were supported (including 9 micro-enterprises, 21 small enterprises and 5 medium-sized enterprises). The actual spending was EUR 2,746,188.44<sup>48</sup> (of which the spending for micro-enterprises was EUR 1,450,150, small enterprises EUR 819,492.94 and medium-sized enterprises EUR 476,545.5). Through the specific objective 3.1.1 Increase in the creation of new competitive SMEs (OP VaI-MH/DP/2016/3.1.1-03), 79 SMEs were supported in 2021 (including 6 micro, 72 small and 1 medium-sized). The actual spending for SMEs was EUR 4,056,078.74<sup>49</sup> (of which EUR 3,440,066.47 for micro companies, EUR 476,263.57 for small companies and EUR 139,748.70 for medium-sized companies). **Under OP Environmental Quality**, SIEA supported a total of 142 SMEs in 2021 in the total amount of EUR 13,364,140.30 for the following specific objectives. Through the objective 4.1.1 Increasing the share of renewable energy sources in the gross final energy consumption of the Slovak Republic, 16 enterprises from the SME size category were supported in 2021 (including 2 micro, 8 small and 6 medium-sized enterprises). The actual spending for the supported SMEs was at the level of EUR 118,875.35. Within the specific objective 4.2.1 Reduction of energy intensity and increase of RES use in enterprises, the real use amounted to EUR 6,087,448.19. 115 SMEs were supported through this objective. In 2021, two companies from the SME size category (including 1 micro-enterprise and 1 small enterprise) were supported by the specific objective 4.3.1 Reduction of energy consumption in the operation of public buildings. The spending for the supported companies in the SME size category was EUR 247,022.54. 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, in particular a micro-enterprise, was supported, while the actual spending for the supported enterprise was at the level of EUR 54,952.54. Through the specific objective 4.5.1 Development of more efficient demand-based district heating systems for usable heat, 10 SMEs were supported in the amount of EUR 7,102,891.22.

**Table 4 SIEA: implemented support for SMEs in 2021**

Operational Programme	Specific objective	Amount of real spending in 2021
OP II	OPVaI <sup>50</sup> -MH/DP/2016/1.2.2-02	EUR 2,746,188.44
	OPVaI-MH/DP/2016/3.1.1-03	EUR 4,056,078.74
OP EQ	4.1.1 Increasing the share of renewable energy sources in the gross final energy consumption of the Slovak Republic	EUR 118,875.35
	4.2.1 Reducing energy intensity and increasing the use of RES in enterprises	EUR 6,087,448.19
	4.4.1 Increasing the number of local plans and actions related to the low carbon strategy for all types of areas	EUR 54,925.54
	4.5.1 Development of more efficient demand-based district heating systems for usable heat	EUR 7,102,891.22

Source: SBA, compiled on the basis of submissions received from 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 2021 to support employment<sup>51</sup> from public funds, mostly from the European Social Fund (ESF) and

<sup>48</sup> EU resources.

<sup>49</sup> EU resources.

<sup>50</sup> The European Commission has decided with effect from 13 December 2019 to approve the OPII with the Operational Programme OP Research and Innovation.

<sup>51</sup> 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 a lesser extent from the state budget of the Slovak Republic.<sup>52</sup> **The total volume of state aid provided for the Central Office of Labour, Social Affairs and Family in 2021** amounted to EUR 1,493.63 million (including grants to support employment and support the self-employed persons in the situation caused by COVID-19), of which the Central Office of Labour, Social Affairs and Family has supported **SMEs in a total amount of EUR 1,222.46 million** (including grants to support employment and support the self-employed persons in the situation caused by COVID-19), which accounts for **81.84 %** of the total amount of state aid provided. The assistance was implemented through active labour market and employment policy, which implements and supports active labour market measures (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 2021 by size of enterprise

State and minimum aid granted in 2021 (by size of enterprise)	Total support provided		Amount of aid in EUR mil.	Share (%)
	Of which SMEs	Micro-enterprises	EUR 724.13 million	48.48 %
		Small enterprises	EUR 295.07 million	19.75 %
		Medium-sized enterprises	EUR 203.26 million	13.61 %
		<b>Total SMEs</b>	<b>EUR 1,222.46 million</b>	<b>81.84 %</b>
	State aid granted in 2021 Total (including aid to large companies and "unspecified company size" category*)		EUR 1,493.63 million	100.00 %

**Source:** SBA, compiled on the basis of submissions received from COLSAF SR

Note:\* in the category "Unspecified company size" 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 2021, regional investment aid provided support to investors in the form of a job creation allowance. According to the data, **no allowance was made in 2021 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 1.12 million were drawn.<sup>53</sup>

The table below provides an overview of the aid granted under the above State Aid Scheme to support employment and support the self-employed persons in the situation caused by COVID-19 and the respective share of SME aid received. Aid for employment promotion within the framework of the COVID-19 measures implemented by MLSAF SR was provided in a total amount of EUR 1,422.22 million, of which EUR 1,156.39 million was in aid to SMEs (i.e. 80% of the aid provided).

The aim of the aid under the schemes in question was to mitigate the effects of the declaration of a extraordinary situation or a state of emergency related to the COVID-19

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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. 7/2015 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) amended by SA.62540 of March 2021, amended by Amendment No. 1 of 22.9.2021 SA. 100385 and amended by Amendment No. 2 of 22.12.2021 SA.101576.

<sup>52</sup> Source: Submissions received from COLSAF SR.

<sup>53</sup> The submission of requests from investors to draw the contribution has been impacted by the COVID-19 pandemic situation. Source: Submissions received from COLSAF SR.



pandemic on the territory of the Slovak Republic and to adopt a support framework to mitigate the effects of the extraordinary situation or the declared state of emergency in connection with the spread of the disease COVID-19 on employment and the labour market, through financial compensation for employers or self-employed persons who keep their jobs or have to keep their jobs despite the obligation to interrupt or limit their operational activities due to the measure of the Public Health Authority because of the health protection of their employees, a drop in sales or the loss of subcontractors.

The aid helped businesses get through the inconvenient period caused by the pandemic.<sup>54</sup>

**Table 6 COLSAF: State Aid Schemes for temporary aid to support maintaining employment and support the self-employed persons during COVID-19**

Aid to enterprises	State Aid for COLSAF (collectively State Aid Schemes for temporary aid to support maintaining employment and support the self-employed persons during the situation caused by COVID-19)		Amount of aid in EUR mil.	Share (%)
	Of which SMEs	Micro-enterprises	682.00	50.00%
		Small enterprises	274.92	20.00%
		Medium-sized enterprises	199.49	10.00%
		<b>Total SMEs</b>	<b>1,156.39</b>	<b>80.00%</b>
	State aid granted in 2021 Total (including aid to large companies and "unspecified company size" category*)		1,422.25	100.00%

**Source:** SBA, compiled on the basis of submissions received from COLSAF SR

Note:\* in the category "Unspecified company size" 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.

**Ministry of Education, Science, Research and Sport of the Slovak Republic (MESRS SR)** within the meaning of **Act No. 185/2009 Coll. on research incentives** supported a total of 15 SMEs in 2021, including 3 micro, 5 small and 7 medium-sized enterprises. The actual disbursement of funds for supported SMEs was in the amount of EUR 2.54 million. **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 Acts<sup>55</sup>)** 727 SMEs were supported in 2021. The amount of the actual spending for the supported SMEs was at the level of EUR 4,641,600.00. In 2021, **through the ECSEL (Electronic Components and Systems for European) Joint Undertaking<sup>56</sup>**, 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 428,968.70 (of which EUR 182,047.7 from EU resources and EUR 246,921 from state budget resources). **Through the Eurostars 2**

<sup>54</sup> This pandemic assistance provided represents the largest employment protection assistance in history. The conditions for granting financial contributions and their amount depended on the development of the epidemiological situation. More information available online: <https://www.employment.gov.sk/sk/uvodna-stranka/informacie-media/aktuality/pandemicka-prva-pomoc-zamestnavatelom-zamestnancom-zivnostnikom-konci.html>.

<sup>55</sup> 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.

<sup>56</sup> 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.

**programme**<sup>57</sup>, 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 2021 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 238,677.39. **OP - Integrated Infrastructure** supported 15 SMEs in 2021. The amount for supported SMEs was EUR 7,123,569.09 (of which EUR 6,902,678.41 was from EU sources and EUR 220,890.68 from the State Budget). As part of the support mentioned, the amount actually used in connection with the COVID aid<sup>58</sup> was EUR 1,605,580.07.

**Table 7 MESRS SR: implemented support for SMEs in 2021**

Support implemented	Amount of real spending in 2021
<b>Within the meaning of the Incentives Act</b>	EUR 2,540,486.73
<b>Support for dual education</b>	EUR 4,641,600.00
<b>ECSEL Joint Undertaking</b>	EUR 428,968.70
<b>Eurostars 2</b>	EUR 238,677.39
<b>OPII - nonCOVID</b>	EUR 5,517,989.02
<b>OPII - COVID</b>	EUR 1,605,580.07

**Source:** SBA, compiled on the basis of submissions received from MESRS SR

**Sports Support Fund** is providing support in 2021 through call no. 2021/001 - Professional sports clubs<sup>59</sup> in the amount of EUR 2,211,691.43 for a total of 13 SMEs and via call no. 2021/03 - Professional sports clubs<sup>60</sup> in the amount of EUR 7,195,653.64 for a total of 42 SMEs.

In 2021, **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, SA.49175 and SA.58654. In 2021, the agency supported a total of 25 SMEs (including the so-called COVID support<sup>61</sup>). In terms of further specification, there were 8 supported micro-enterprises, 11 small enterprises and 6 medium-sized enterprises. In 2021, the amount of funds actually spent by the supported enterprises in the SME size category was EUR 2,278,764.27 (including part of the funding provided as part of the COVID 2020 call).

<sup>57</sup> 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.

<sup>58</sup> State Aid Scheme for temporary aid to support research and development related to COVID-19.

<sup>59</sup> The aim of the call is to provide professional sports clubs with a financial contribution to cover losses incurred during the period of restrictions on economic activity in the field of sports due to the COVID-19 pandemic. The financial contribution made available as part of this call for proposals represents extraordinary support in accordance with Section 20a of the Act on the Fund for the Promotion of Sports.

<sup>60</sup> Next call to mitigate the consequences of the COVID-19 pandemic for professional sports clubs was published on 23 August 2021.

<sup>61</sup> APVV pursuant to Act No. 172/2005 Coll. on the organization of state support for research and development and amendments to Act No. 575/2001 Coll., on the organization of government activity and the organization of central state administration, as amended announced a public tender under **the programme "Promotion of Research and Development Focused on Coping with the Coronavirus Pandemic and Its Effects for the Period 2020-2021"** pursuant to Section 12 (2)(b) Act No. 172/2005 Coll. as amended, with the designation PP-COVID 2020. The aim of the call is to stimulate research and development to overcome the COVID-19 pandemic and minimize its impact on society now or after the pandemic has abated, through the support of research and development or the transfer of research and development results to research and development organizations to social and economic organizations. More information on support in terms of a specific program is available online at: <https://www.apvv.sk/buxus/docs/vyzvy/programy/COVID2020/PP-COVID-2020-znenie-vyzvy.pdf>.

Table 8 APVV: implemented support for SMEs in 2021

	Micro-enterprises	Small enterprises	Medium-sized enterprises	Total SMEs
<b>Total</b>	874,096.95	867,667.47	536,999.85	2,278,764.27*

Source: SBA, compiled on the basis of submissions received from APVV

\*Note: part of the funds allocated under the specific COVID call (within the supported SMEs) amounted to EUR 699,192. The aid was granted to 3 SMEs (namely 2 micro and 1 small enterprises).

In 2021, **the Ministry of Agriculture and Rural Development (MARD SR)** provided state aid through the Rural Development Programme and under specific legislation totalling EUR 41.83 million (the total proportion of state aid provided to SMEs in 2021 represented 95.67 %). According to MARD SR, the Ministry has reduced the number of allocated funds by more than 30 % compared to 2020. The decrease in State Aid funds provided by the Ministry in 2021 compared to the previous year was mainly due to the lower amount of aid received under the state and minimum aid schemes from the 2014-2020 Rural Development Programme of the Slovak Republic was granted.

A total of 6 SMEs were supported in 2021 by the Operational Programme Fisheries 2014-2020, while the amount of actual spending was EUR 1,869,635.34.<sup>62</sup>

**The Ministry of Culture of the Slovak Republic (MC SR)** supported through the subsidy system of the MC SR in 2021 a total of 1,164 SMEs in the form of a subsidy from the state budget in the total amount of EUR 23,759,625.00 (including COVID support). For 2021, the subsidy system consisted of the following programmes. Through the **Renew Your House** programme, 9 SMEs were supported in the amount of EUR 224,263. The **Culture of Disadvantaged Groups** programme funded 21 SMEs with EUR 136,805. In order to reduce the economic impact **related to the COVID-19 pandemic**, 1,134 SMEs were supported through the **Cultural Emergency Relief Programme** for a total amount of EUR 23,388,557. 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 233 SMEs in the amount of EUR 8,439,279.00 (of which EUR 8,439,279.00 came from EU funds and EUR 761,290.85 from state budget funds).

Table 9 Ministry of Culture of the SR: implemented support for SMEs in 2021

Support implemented	Number of supported SMEs	Amount of aid (EUR)
<b>Subsidy system*</b>	1,164	23,759,625.00
<b>Integrated Regional OP for priority axis 3 - Mobilizing creative potential in the regions</b>	233	8,439,279.00

Source: SBA, compiled on the basis of submissions received from MC SR

\*including COVID support

**The Art Support Fund (FPU)** through its core activity supported 1,296 SMEs, including 1,126 micro, 146 small and 24 medium-sized enterprises. The actual disbursement<sup>63</sup> of funds was in the amount of EUR 11,730,218.00 million.

Table 10 Art Support Fund: implemented support for SMEs in 2021

Support implemented	Number of supported SMEs	Amount of aid (EUR)
<b>Aid pursuant to Act No. 284/2014 (Section (2))</b>	1,296	11,730,218.00

Source: SBA, compiled on the basis of submissions received from FPU

<sup>62</sup> Information on the actual spending had not been provided by the deadline for submissions.

<sup>63</sup> The disbursement is not tied to a calendar year. The actual utilization can only be determined after the invoice has been submitted for its control and the project has been completed.

In 2021, through **the Fund for the Promotion of National Minority Culture**, it supported 737 SMEs in the total amount of EUR 6,661,600.00 in the form of subsidies, which were financed from the state budget. Individual programmes<sup>64</sup> affect the creation, dissemination and presentation of the results of cultural and scientific activities aimed at supporting the culture of national minorities in the Slovak Republic and abroad.<sup>65</sup>

**Table 11 Fund for the Promotion of National Minority Culture: implemented support for SMEs in 2021**

Support implemented	Number of supported SMEs	Amount of aid (EUR)
<b>Support of cultural-awareness activities as well as educational activities, science and research</b>	379	2,797,863.00
<b>Support of literary, publishing and editorial activities</b>	160	2,050,110.00
<b>Support of theatre, music, dance, visual and audiovisual arts</b>	165	1,617,880.00
<b>Support to ensure intercultural dialogue and understanding between citizens of Slovak nationality and citizens belonging to national minorities and ethnic groups</b>	33	195,747.00

**Source:** SBA, compiled on the basis of submissions received from the Fund for the Promotion of National Minority Culture

In 2021, **the Audiovisual Fund (AVF)** supported a total of 157 SMEs in the amount of EUR 15,231,806 (including COVID support) through the subsidy system. The entities were supported through the following programmes. In 2021, 55 SMEs (especially micro-enterprises) were supported **through the Creation and Realisation of Slovak Audiovisual Works programme** in the form of subsidies. The amount of the actual spending for the reviewed year was at the level of EUR 7,690,600. In 2021, a total of 57 enterprises in the SME size category (of which 35 micro, 17 small and 5 medium-sized enterprises) were supported in the form of a subsidy **through the Distribution and Other Performances of Audiovisual Works programme (special COVID call 9/2020)**. The actual spending was EUR 1,822,297 (of which the spending for supported micro-enterprises was EUR 3,178,989.00, small enterprises EUR 427,500 and medium-sized enterprises EUR 915,744). 3 SMEs (namely 3 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 64,000.00. **Through the Development of Audiovisual Technologies in the Slovak Republic programme**, 2 SMEs (namely 1 micro-enterprise and 1 small enterprise) were supported in the form of subsidies. The amount of financial contributions spent in the year 2021 under review was EUR 69,900.00. Last but not least, 39 SMEs (35 micro enterprises and 4 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 2021 was EUR 5,585,009.00 (of which EUR 4,950,383 for supported micro-enterprises and EUR 634,626.00 for small enterprises).

<sup>64</sup> 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.

<sup>65</sup> 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. According to the Fund for the Promotion of National Minority Culture, the total recovered subsidies sum for funded projects in 2020 was EUR 791,950.00, which represents a total of 238 companies from the SME size category. The funds were credited to the Promotion of National Minority Culture account in 2021.

Table 12 **Audiovisual Fund: implemented support for SMEs in 2021**

Subsidy system of the Audiovisual Fund according to individual programmes	Amount of real spending in 2021
<b>Creation and realisation of Slovak audiovisual works</b>	EUR 7,690,600.00
<b>Distribution and other public presentations of audiovisual works (Special COVID CALL 9/2020)</b>	EUR 1,822,297.00
<b>Research, education and editorial activities in the field of audiovisual culture</b>	EUR 64,000.00
<b>Development of audiovisual technologies in the Slovak Republic</b>	EUR 69,900.00
<b>Support for the audiovisual industry in the Slovak Republic</b>	EUR 5,585,009.00

Source: SBA, compiled on the basis of submissions received from the Audiovisual Fund

**Ministry of Environment SR** (MEn SR). In 2021, no entity falling into the SME size category was subsidised by the Environmental Fund.<sup>66</sup> 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 2021, 3 SMEs were supported through the OPKZP-PO1-SC111-2016-16 call. The actual spending for the supported SMEs was EUR 6,659,662.00. In particular, SMEs can be supported under the following specific objectives of the OP Environmental Quality (EQ):

Table 13 **MEn SR: areas of support for SMEs under the OP EQ**

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

Source: MEn SR

**The Ministry of Investment, Regional Development and Informatisation of the Slovak Republic<sup>67</sup>** (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 10 SMEs in 2021. The amount of the actual spending for the supported SMEs was EUR 449,700. Through the program of the Department of Financial Instruments, based on **Call SRIN No. 6/2021 for the submission of applications for the provision of grants to support innovative projects in the Slovak Republic**, 10 SMEs received financial support of EUR 599,113.12 in the period of 2021. The main purpose of the call was to support projects working mainly in the following areas: Experimental development and innovation; Industry for the 21st century; Smart innovations; Social innovation; Work 4.0 and more.

As part of the EEA and Norway grants in the programmes (Local Development and Inclusion, Culture, Good Governance and Cross-Border Cooperation and Domestic and Gender-Based Violence) implemented in Slovakia by the Ministry of Investment, Regional

<sup>66</sup> The information is limited by the deadline for submissions.

<sup>67</sup> 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.



Development and Informatisation of the Slovak Republic 3 companies from the SME size category were funded with a total amount of EUR 414,837.75.

In 2021, **the Ministry of Transport and Construction of the Slovak Republic (MTC SR)** provided direct and indirect support through several actions, mainly in the areas of transport, construction and tourism. In the context of the COVID-19 pandemic, state aid schemes and calls have been put in place to support companies in the transport sector (in tourism), which help to support the continuity of operations, the competitiveness of affected companies and the SME employment. The basis of support within MTC SR is investments in transport infrastructure, especially the preparation and construction of motorways, repair of road facilities, development of bicycle traffic, modernization of railway lines, etc. Ensuring better accessibility to the road and rail network contributes positively to the development of the business activity.

In the tourism, a total of EUR 118,965,332.32 were awarded **through the Minimum Aid Scheme to support businesses in the tourism industry in connection with the outbreak of COVID-19 (DM-17/2020<sup>68</sup>)** to 7,891 entities from the SME size category. The total allocation for SMEs was at the level of EUR 195,651,308.65. In 2021, **the State Aid Scheme to support companies in the tourism sector related to the outbreak of the COVID-19 disease (SA.62256<sup>69</sup>) was also launched.** This programme supported 60 small and medium-sized enterprises in 2021. The amount of the actual spending for the supported SMEs was at the level of EUR 14,793,790.04.

**Table 14 MTC SR: implemented support for SMEs in 2021**

Support to SMEs in the tourism sector related to the COVID-19 pandemic	Amount of real spending in 2021
<b>Minimum Aid Scheme DM-17/2020</b>	EUR 118,965,332.32
<b>State Aid Scheme SA.62256</b>	EUR 14,793,790.04

**Source:** SBA, compiled on the basis of submissions received from MTC SR

In addition, in the field of road transport in 2021, within the framework of the programme 05306 – Minimum Aid Scheme to support businesses in the tourism industry in connection with the outbreak of COVID-19 (DM – 19/2021), MTC SR made financial contributions that are listed in the following table.

<sup>68</sup> The minimum support under this scheme will be in the form of a contribution to eliminating the negative consequences of the COVID-19 pandemic (hereinafter "financial contribution"). The aid aims to support tourist industry establishments and to provide a financial contribution to cover part of the uncovered fixed costs that establishments had to incur during their forced closure due to the measures taken by the Public Health Authority of the Slovak Republic and in the period after the resumption of their operations when they had a negative impact of the consequences of the COVID-19 pandemic on the operation of tourist facilities. The purpose of the aid is to compensate the damage suffered by the applicants, within the meaning of Article E of the relevant scheme, as a direct result of the measures taken to mitigate the negative consequences of the pandemic caused by COVID-19.

<sup>69</sup> Support under this scheme takes the form of a financial contribution to cover part of the uncovered fixed costs. Within this scheme, the financing method is applied through the payment of authorized expenses in the form of partial reimbursement of the decrease in turnover in the authorised period compared to the reference period. The purpose of the aid is to support tourist industry establishments and to provide a Financial contribution to cover part of the uncovered fixed costs that establishments had to incur during their forced closure or restriction of their activities due to the measures taken by the Public Health Authority of the Slovak Republic and in the period after the resumption of their operations when they had a negative impact of the consequences of the COVID-19 pandemic on the operation of tourist facilities. The aid aims to compensate for the losses incurred to the applicants (as defined in the relevant scheme) when the COVID-19 pandemic has led to the cessation or reduction of their business activities.



**Table 15 MTC SR: implemented support in the field of road transport in 2021**

Scheme name	Supported entities	The amount of support granted in 2021
<b>Minimum Aid Scheme to support businesses in the field of road transport in connection with the outbreak of COVID-19 (DM – 19/2021)</b>	NPs in the number of 155 applicants	EUR 926,588.20
	LPs (a.s., s.r.o.) in the number of 125 applicants	EUR 1,380,379.31
	contributory organization in the number of 1 applicant	EUR 1,431.20
	budgetary entity in the number of 1 applicant	EUR 3,612.00
<b>Minimum Aid Scheme to support businesses in the field of road transport in connection with the outbreak of COVID-19, amended by Amendment No. 1 (DM – 19/2021)</b>	NPs in the number of 36 applicants	EUR 505,601.24
	LPs (a.s., s.r.o.) in the number of 47 applicants	EUR 676,941.51
	non-profit organization in the number of 1 applicant	EUR 7,000.00
	o.v.s. in the number of 1 applicant	EUR 7,753.60
	municipality in the number of 1 applicant	EUR 5,350.40

**Source:** SBA, compiled on the basis of submissions received from MTC SR.

**The Ministry of Defence of the Slovak Republic (MD SR)** supported a medium-sized enterprise through the Interministerial Programme 060EI – Research and Development in Support of State Defence<sup>70</sup>. The allocation of funds was at the level of EUR 7,716.45 and the amount of actual spending of funds for the supported medium-sized enterprise was EUR 6,035.52.

At the end of 2021, MD SR provided subsidies under the above programme:

- 1 to a medium-sized enterprise (with an allocation of EUR 129,220 and an actual drawdown of EUR 42,226), namely remote control of weapon systems (DOZS)<sup>71</sup>,
- 1 to a small enterprise (with an allocation of EUR 14,376 and an actual drawdown of EUR 13,532.52), namely the DIGITAL TWIN TRAINING CENTRE<sup>72</sup>,
- 1 micro-enterprise (with an allocation that coincided with the level of real spending and was at the level of EUR 2,000), namely hybrid ballistic protection<sup>73</sup>.

<sup>70</sup> In particular, it was a nanocomposite ceramic material for ballistic protection.

<sup>71</sup> The aim of the project is the design of control circuits, input-output circuits, design of circuit diagrams, specification of components, development of mechanical and electronic components of the system and design of software equipment. The target group was a company from the medium-sized enterprise size category in the fields of development of weapon systems, ammunition systems, special weapons, modernisation of current technology introduced in the armies, supporting research and development in order to solve projects aimed at the defence of the Slovak Republic.

<sup>72</sup> The focus of the project is the implementation of research work and the creation of hardware and software solutions for a digital twins of educational institutions. The target group was a company from the small enterprise size category in the fields of development of weapon systems, ammunition systems, special weapons, modernisation of current technology introduced in the armies, supporting research and development in order to solve projects aimed at the defence of the Slovak Republic.

<sup>73</sup> The aim of the project is to increase mobility and at the same time increase the ballistic protection of the person. The target support group was a company from the micro-enterprise size category in the fields of development of weapon systems, ammunition systems, special weapons, modernisation of current technology introduced in the armies, supporting research and development in order to solve projects aimed at the defence of the Slovak Republic.

Table 16 MD SR: implemented support for SMEs in 2021

Funding implemented (results for SME funding)	Amount of real spending in 2021
Cross-departmental programme E60EI	EUR 63,794.04

Source: SBA, compiled on the basis of submissions received from MD SR

In 2021, the Bratislava self-governing region supported a total of 60 SME-sized companies as part of the Bratislava Regional Subsidy Scheme (BRDS)<sup>74</sup> totalling EUR 126,920.

The Košice self-governing region<sup>75</sup> supported small and medium-sized enterprises with subsidies in the field of tourism.<sup>76</sup> Specifically, it was about the support of SMEs through the Terra Incognita programme – Undiscovered Land. Area 1 was the area of providing grants to special purpose funds. Supporting events with a focus on tourism development, increasing the number of visitors (overnight stays) and promoting the destination. In measures 1.1 International events and 1.2 Regional measures, a total of 5 companies from the SME size category were supported. The allocation of funds for both of these measures was EUR 51,230. The amount of the actual spending for the supported SMEs was EUR 45,230. The target group of the support were: a) legal entities based in the territory of the Košice self-governing region (KSK) or that operate in the territory of the KSK, carry out activities or provide services to residents; b) natural persons – entrepreneurs having their registered office or permanent residence in the territory of the KSK or who operate in the territory of the KSK, carry out activities or provide services to residents; c) organizations founded by KSK. Measure 1.3 Covid-19<sup>77</sup> supported 1 company from the SME size category. The allocation was identical to the amount actually used by the supported company, where the funding was EUR 20,000.

Table 17 KSK: SME support in the field of tourism in 2021

Subsidy program of the Košice self-governing region	Amount of real spending in 2021
Measure 1.1 International events; Measure 1.2 Regional events	EUR 45,230
Measure 1.3 Covid-19	EUR 20,000

Source: SBA, compiled on the basis of submissions received from the Košice Tourism Region (KRT).

## Bank loans/borrowings



In 2021, due to ongoing extraordinary measures in the Slovak Republic related to the spread of the dangerous contagious human disease COVID-19 within the meaning of special regulations and relevant state aid schemes, or minimum assistance, the **Slovak Guarantee and Development Bank, a. s. (SZRB)** continued to provide the products “Prevádzkový úver PODNIKATEL’ 2020<sup>78</sup>” (Operating loan ENTREPRENEUR 2020) and “Úver SIH<sup>79</sup>” (SIH

<sup>74</sup> Through the appropriate programme to support: a) culture; b) sports; individual subsidies. More information about supported (permitted) activities and applicants in individual programmes at: <https://bratislavskykraj.sk/urad-bsk/dotacie/>.

<sup>75</sup> Due to the type of support, the activities mentioned belong to the indirect support of SMEs.

<sup>76</sup> The support was implemented by the Košice Regional Tourist Organization.

<sup>77</sup> The funding was only intended for successful applicants who had applied for funding in the 1.1 International measures within the framework of the Terra Incognita call for proposals for tourism promotion in 2020 announced on 21 October 2019; 1.2 Events; 1.3 Event Incubator; and due to the pandemic, the events were cancelled on the scheduled date.

<sup>78</sup> In order 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 human disease COVID-19, in the form of: guarantees; loan interest subsidies.

<sup>79</sup> Supporting the fulfilment of the basic liquidity needs of small or medium-sized enterprises, including micro-enterprises, with the possibility of receiving financial support from the Ministry of Transport and Construction of the Slovak Republic as the governing body for OPII, and the Ministry of Economy of the Slovak Republic as an

loan). In addition to this support, SZRB continued to support small and medium-sized enterprises through its product offering (i.e. provision of loans; provision of bank guarantees for loans; provision of deposit products for entrepreneurs; provision of electronic banking). The volume of **provided (drawn) direct loans**, aimed at, among other things, supporting the financing of the investment and operational needs of small and medium-sized enterprises reached EUR 119.53 million, of which the Operating loan ENTREPRENEUR 2020 of EUR 3.16 million and the SIH loan of EUR 38.02 million.

Table 18 **SZRB: direct loans granted to SMEs in 2021**

Indicator	Amount in EUR '000	Number
<b>Loans provided to SMEs</b>	119,532.00	868
- <b>Operating loan ENTREPRENEUR 2020</b> <sup>80</sup>	3,163.00	55
- <b>SIH loan</b>	38,019.00	213
<b>Portfolio</b>	273,336.00	1310

Source: SBA, compiled on the basis of submissions received from SZRB

**Slovak Investment Holding, a.s. (SIH)** supported SMEs in 2021 through the **OP II credit facility: Scheme DM - 14/2016 PRSL**. A total of 79 SMEs were supported through the scheme in question in the cumulative period (November 2018 to December 2021). The programme has the impact of improving SMEs' access to funds, serving to finance operational and investment needs. The amount of actual spending in 2021 (for the supported SMEs in the monitoring year) was EUR 3.76 million<sup>81</sup>.

Table 19 **SIH: PRSL credit facility granted to SMEs in 2021**

Credit lines	Total amount of support for SMEs
<b>OP Integrated Infrastructure Scheme DM-14/2016- PRSL</b>	EUR 3,763,000.00

Source: SBA, compiled on the basis of submissions received from 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 2021, EXIMBANKA SR focused primarily on providing direct loans to exporters. Eximbanka SR did not provide extraordinary support to the SME segment in 2021.**<sup>82</sup> In terms of financing, no special funding was granted to the SME segment in 2021. EXIMBANKA SR provided an anti-corona guarantee, but this was mainly used by large clients.<sup>83</sup> The real loan disbursement for 2021 (for supported SMEs) amounted to EUR 88,878 thousand.

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intermediary body for funds issued by OPII for support under the State Aid Scheme will be made available in the form of: loan guarantees; guarantee fee waiver.

<sup>80</sup> The data for the concerned instruments (i.e. Operating loan ENTREPRENEUR and SIH loan) are part of the total volume of direct loans provided by SZRB.

<sup>81</sup> An indication of the total actual spending, including the volume of funding from financial intermediaries.

<sup>82</sup> EXIMBANKA SR provided an anti-corona guarantee, but this was mainly used by large companies.

<sup>83</sup> This form of funding was intended for companies interested in bank loans of EUR 2 million and up to EUR 20 million.

Table 20 **EXIMBANKA SR: direct lending to SMEs - structure of receivables as of 31/12/2021**

<b>Banking products</b>
<b>Investment loans</b>
<b>Direct export loans to support exports with a term of up to 2 years</b>
<b>Direct export credits to finance investments abroad</b>
<b>Direct credits on export receivables</b>
<b>Direct promissory note loans</b>
<b>Maintenance loans - COVID loans</b>
<b>Total direct loans</b>

Source: SBA, compiled on the basis of submissions received from EXIMBANKA SR

Clients in the SME segment most commonly used investment loans to purchase and upgrade technology and related infrastructure. Loans to finance foreign investments and loans to support exports with a term of up to two years (export pre-financing) had a high share, which enabled them to implement concrete export contracts even in weaker financial assessment. 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.

In 2021, **Slovenská sporiteľňa, a. s. (SLSP)** provided various credit and guarantee programmes for SMEs and start-ups, which it implemented in cooperation with both international and domestic institutions, among other things. SLSP finances start-ups in various ways<sup>84</sup>. In 2021, SLSP specialists advised a total of 1,257 start-ups (business plan, cash flow, review of suppliers, customers and other business partners, financing risks) **on setting up and financing business**, with 1,885 consultation hours. During the observation period, they were granted 94 loans totalling EUR 2.86 million based on the business plan, which created more than 120 jobs. In 2021, Slovenská sporiteľňa, a. s. provided 4 loans of EUR 5 575 000 for SMEs **from the EIB Credit Line** (from EIB Loan for SMEs, MidCaps and Other Priorities programme), supporting 4 companies from the small and medium-sized enterprise category. **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.** NDF II provides a guarantee to the bank for up to 80% of the loans granted and up to 25% of the loan portfolio. The benefit of a loan secured by the NDF II. portfolio guarantee in the area of research, development and innovation there are reduced security requirements and a lower interest rate compared to a conventional loan. In 2021, SLSP made a total of 4 loans to SMEs secured by the NDF II. portfolio guarantee in the area of research, development and innovation in the amount of EUR 2.1 million. Granting loans under the **EBRD credit line** has been terminated and no new loans were granted in 2021. In the period from 01.01.2021 to 31.12.2021 the utilization of the loans granted in 2020 continued.<sup>85</sup> From the end of 2017 till 2020, **SLSP, in cooperation with the EIF**, made it possible to obtain investment and operating loans for micro-entrepreneurs and start-ups on significantly more favourable terms compared to regular financing through **loans secured by the EaSI -**

<sup>84</sup> SLSP finances start-ups in various ways (pre-approved operational financing; loans or combinations of loans). Prospective entrepreneurs can additionally consult their business plans and business assumptions free of charge with the bank's specialists; use special portfolio guarantees (SIH, EaSI, EGF); use 1.00% lower interest per annum for hassle-free loan repayments for 12 months and save on loan prepayment and contract modification fees; get account servicing for the first financial year without a fee; and additional services - e.g. get a cheap POS terminal or mobile terminal free of charge or on more favourable terms.

<sup>85</sup> All projects were successfully completed and NFP was paid based on the audits performed.

**Microfinance portfolio guarantee.** In December 2021, SLSP re-signed a guarantee agreement with the EIF to provide additional loans under the EaSI micro-entrepreneurs programme.<sup>86</sup>

**Table 21 SLSP: Special loan programmes for SMEs planned in 2021**

Credit lines	Total amount of support for SMEs (EUR)
Loans from the European Investment Bank (EIB under the EIB Loan for SMEs, MidCaps and Other Priorities programme)	EUR 5,575,000.00
Loans to support start-ups	EUR 2,860,000.00
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 2,100,000.00

**Source:** SBA, compiled on the basis of submissions received from SLSP

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

**As part of the support to SMEs during the pandemic, SLSP, in cooperation with SIH a NDF II.** in connection with the outbreak of the COVID-19 pandemic, 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 downturn of their activities and the loss of their income. 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 make available the necessary working capital, with an emphasis on job retention or creation. The advantage of a loan secured by the SIH anti-corona guarantee is little or no collateral requirements and a minimum interest rate compared to a regular loan through an interest subsidy of up to 4 % p.a. The period of availability of this guarantee programme is until 2023. In 2021, SLSP provided a total of 531 **portfolio guarantee loans** totalling EUR 52,357,503 supporting 527 SMEs. SLSP, in cooperation with SIH and NDF II., offered favourable loans from 2020 to mid-2021 in the context of the outbreak of the COVID-19 pandemic to finance investment projects and operational needs of SMEs and large companies to counteract the economic and social impact of the crisis to be mitigated via the functioning of companies within the so-called **SIH anti-corona guarantee of the Great guarantee system (SIH Anti-Corona 2b** with fund coverage from State Budget of the Slovak Republic) and NDFII. (**SIH Anti-Corona Guarantee 2a** with fund coverage from ESIF). The loan funds were used to support the so-called renewal investments, i.e. investments in long-term tangible assets, the purpose of which was to replace or maintain (repair, rebuild) the existing long-term tangible assets of SMEs and provide the necessary working capital, with a focus on maintaining or creating jobs. 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 3.9 % p.a. for micro-enterprises. The provision of SIH anti-corona 2a loans ended on 30 October 2020. The provision of SIH anti-corona 2b guarantee loans ended on 31 June 2021. In 2021, SLSP provided a total of 520 2b guarantee loans totalling EUR 42,536,190 supporting 518 SMEs. **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. EXIMBANKA SR provided a guarantee to the bank for up to 80 % of the loans granted and up to 100 % of the loan portfolio. The loan funds were used to support the so-called renewal investments, i.e. investments in long-term tangible assets, the purpose of which is to replace or maintain (repair, rebuild) the existing

<sup>86</sup> Drawing started in February 2022.



long-term tangible assets of SME large enterprises and provide the necessary working capital, with a focus on maintaining or creating jobs. The advantage of the loan secured by EXIMBANKA SR Anti-Corona Guarantee was a fixed interest rate of 1.9% p.a. (maximum). The possibility to provide loans from this guarantee instrument to support COVID ended on 31 December 2021. In 2021, SLSP did not provide any new loans to SMEs under this guarantee programme. In June 2021, SLSP entered into a guarantee agreement with the European Investment Fund (EIF) to implement **a guarantee instrument from the Pan-European Guarantee Fund (EGF)** in response to COVID-19 to facilitate SMEs access to loans in Slovakia with preferential financing terms (i.e. lower loan collateral requirements and a lower interest rate compared to a regular loan by covering part of the credit risk with the EIF).<sup>87</sup> Loans secured by the EGF Guarantee are designed for small and medium-sized enterprises. In 2021, SLSP made a total of 117 loans to SMEs totalling EUR 15.49 million. Most aid recipients were micro-entrepreneurs.

**Table 22 SLSP: Support to SMEs to mitigate the impacts of COVID-19 in 2021**

Credit lines	Total amount of support for SMEs (EUR)
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 52,357,503.00
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 42,536,190.00
Loans secured by the EGF guarantee to support SMEs	EUR 15,490,000.00

Source: SBA, compiled on the basis of submissions received from SLSP

\*This is an intermediary; more in the SIH anti-corona guarantee section; \*\* The provision of SIH anti-corona 2a loans ended on 30 October 2020. The provision of SIH anti-corona 2b loans ended on 31 June 2021.

**Všeobecná úverová banka, a.s. (VÚB)** provided loans from various sources to support SMEs in Slovakia in 2021. A summary of the loans granted in the year under review is given below. VÚB financed in 2021 from a **credit line** signed in 2020 with the **European Investment Bank Luxembourg (EIB)**. EIB investment loans 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 2021, VUB financed 7 SME projects from EIB resources in the total amount of EUR 5,720,000. 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 2021, the SLOVSEFF III programme provided

<sup>87</sup> EIF support is made possible thanks to the EGF Guarantee Instrument, implemented by the European Investment Fund with the financial backing of the EU Member States contributing to the EGF. The Guarantee Instrument from the Pan-European Guarantee Fund in response to COVID-19 is an EIF Portfolio Guarantee that secures a target portfolio of loans under specified conditions. The loan guarantee rate is 70% and the portfolio guarantee rate is 100%. The EGF guarantee constitutes state aid.



investments for 3 projects in the total amount of EUR 2,496,000. VUB Bank's **support for SME financing also includes loans provided through the Structural Funds** of OP II, EQ, IROP and RDP. The Bank has concluded an agreement on cooperation and a common procedure between the Bank and the authorities representing the Slovak Republic<sup>88</sup>. To finance projects related to the drawdown of EU funds, VUB offers two types of loans: bridging loans (to pre-finance a non-refundable financial contribution) and investment loans (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 2021, the bank provided financial support to 81 clients, in the total amount of EUR 29,278,960.84, the disbursement balance as of 31 December 2020 was EUR 18,175,095.35. The investment loan (co-financing) 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 2021, VUB Bank granted loans to 37 clients for the purpose of co-financing, in the total amount of EUR 18,020,938.62; the disbursement balance as of 31 December 2020 was EUR 7,992,955.29. VUB Bank provides a loan to farmers to bridge the period between the need to finance operating costs and the payment of support/subsidies by the Slovak Republic, which are paid from the state budget of the Slovak Republic and reimbursed from the EU budget (through the **Flexi loan 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 loan, including interest, principal and the Commitment Fee, is repayable only from the subsidies provided. In 2021, VUB Bank supported 333 entrepreneurs in the total amount of EUR 136,644,443.58. 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 2021, VUB Bank granted 11 loans in this form with the total amount of EUR 284,300.00. At the same time, VUB Bank actively participated in 2021 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, 955 loans in the total drawdown amount of EUR 125,996,250.00 were granted under all guarantee schemes (Anti-Corona Guarantee SIH1, SIH2A, SIH 2B and EXIMBANKA) in 2021; of which 952 loans were for SMEs in 2021 with a drawing amount of EUR 138,975,627.61.

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<sup>88</sup> With the Ministry of Education, Science, Research and Sport of the Slovak Republic, the Ministry of the Environment of the Slovak Republic, the Ministry of Agriculture and Rural Development of the Slovak Republic and the Agricultural Paying Agency).

Table 23 VÚB: credit lines granted to SMEs in 2021

Credit lines	Total amount of support for SMEs
Loans from the European Investment Bank (EIB)	EUR 5,720,000.00
European Bank for Reconstruction and Development (EBRD) loans The SLOVSEFF III programme.	EUR 2,496,000.00

Source: SBA, compiled on the basis of submissions received from VÚB

**Československá obchodná banka, a.s. (ČSOB)** continued to implement the COSME programme and provide loans. In 2021, the sale of loans under the COSME programme 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 2021, 1,000 small and medium-sized enterprises in Slovakia benefited from ČSOB's more affordable loans from the COSME programme (including the COSME COVID programme), which is part of the so-called Juncker Plan. The total volume of funds allocated in terms of the cumulative period (i.e. the period from 24 October 2016 to 30 June 2022) is EUR 220 million. The amount of actual spending within the supported SMEs was EUR 37,075,570 (of which approx. 90.0% from COSME COVID). At the same time, the bank supported 514 SMEs with guarantee loans within the framework of the financial instruments SIH Anti-corona 2A and 2B with a total volume of EUR 51,683,199.33 239,582 (bank's own funds) and SIHAZ1 with a total of EUR 13,055,080.00. In 2021, ČSOB provided "Agroúver" - a special loan product (Rural Development Program), which supported 23 SMEs with a total amount of EUR 2,926,836.

Table 24 ČSOB: credit lines granted to SMEs in 2021

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 37,075,570.00
Loans secured by portfolio guarantee SIH Anti-Corona Guarantee 2A, 2B*	EUR 51,683,199.00**
Loans secured by portfolio guarantee SIH Anti-Corona Guarantee*	EUR 13,055,080.00**

Source: SBA, compiled on the basis of submissions received from ČSOB

\*This is an intermediary; more in the SIH anti-corona guarantee section; \*\* Refers to the drawdown at the level of the bank's own funds

**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.

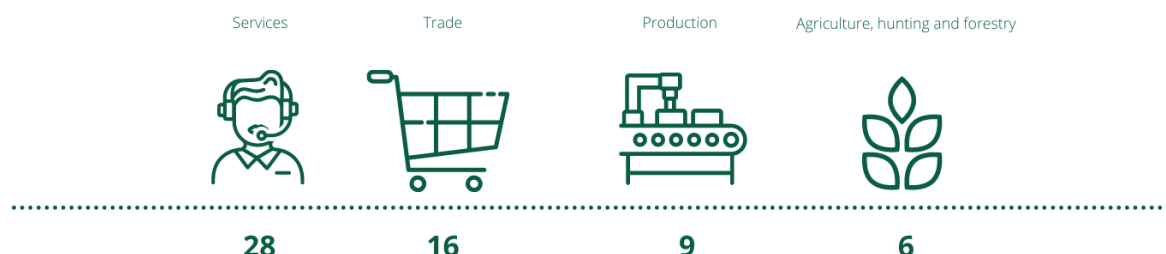
In the year 2021, 59 micro-loans were granted in the amount of EUR 1,219,400, and 2,375 micro-loans in the amount of EUR 44,982,396 have been granted since the beginning of the implementation of the Micro-loan Programme. In order to **eliminate the impact of the COVID-19 pandemic on entrepreneurs**, with the intention of stabilisation, **postponements and adjustments to the repayment schedule** were implemented under the micro-loan programme in 40 cases in 2021.

Table 25 SBA: micro-loans granted to SMEs from the Micro-loan Programme in 2021

Credit lines	Total amount of support for SMEs
Micro-loan Programme	EUR 1,219,400.00

Source: SBA

Figure 1 SBA: micro-loans granted to SMEs in 2021 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 2021).<sup>89</sup> The amount of the actual spending of funds within the size category of small and medium-sized enterprises (supported in 2021) was EUR 2,688,000<sup>90</sup>. According to the SIH, small and medium-sized companies were **also** supported by the **State aid scheme for the facility of venture capital 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, 32 SMEs were supported in the cumulative period (October 2019 to December 2021).<sup>91</sup> The total actual disbursement in 2021 amounted to almost EUR 21,170,000.<sup>92</sup> 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. In 2021, 8 SMEs were supported by this instrument, while the amount of actual spending was EUR 3,222,000.

<sup>89</sup> 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 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.

<sup>90</sup> An indication of the total actual spending, including the volume of funding from the independent investors' own resources.

<sup>91</sup> 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.

<sup>92</sup> An indication of the total actual spending, including the volume of funding from the independent investors' own resources.

Table 26 SIH: venture capital provided to SMEs in 2021

Venture capital instrument	Total amount of support for SMEs
Venture capital	EUR 2,688,000.00
SEED/START-UP CAPITAL FUNDS (OP Integrated Infrastructure)	EUR 21,170,000.00
SIH Anti-corona Capital	EUR 3,200,000.00

Source: SBA, compiled on the basis of submissions received from 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.

The following funds were administered through National Holding Fund (Národný holdingový fond) in 2021: 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.<sup>93</sup>

In the year 2021 under review, a total investment amount of EUR 2,700,000<sup>94</sup> (from Eterus Capital, a.s. and Innovation and Technology Fund, a.s.) was approved through the above-mentioned managed funds. Compared to 2020, the volume of approved investments in 2021 was EUR 11,741,452 lower (in 2020, the volume of approved investments was EUR 14,276,452). The amount of investments made was EUR 4,200,000. Of these, an investment of EUR 200,000 was made from the Innovation and Technology Fund and EUR 4,000,000 from Eterus Capital Fund. In the year-on-year comparison, the total amount of investments made decreased by EUR 1,838,000.

Table 27 SBA: venture capital provided to SMEs in 2021

Fund name	Investments approved in 2021		Investments made in 2021	
	Number	Amount (EUR)	Number	Amount (EUR)
Technology Innovation Fund	2	1,500,000	2	200,000
Eterus Capital, a.s.	1	1,200,000	1	4,000,000
<b>Total funds</b>	<b>3</b>	<b>2,700,000</b>	<b>3</b>	<b>4,200,000</b>

Source: SBA

### 3.2.2. Indirect form of support for SMEs

#### Bank guarantees



In 2021, **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 monitoring year 2021, the SZRB approved and provided 111 guarantees for small and medium-sized enterprises with a total volume of EUR 10,185,000.00, of which around 92.00 % were quick guarantees for loans from commercial banks.

<sup>93</sup> Originally Slovak Growth Capital Fund, a.s.

<sup>94</sup> Data available at the closing date for submissions.

Table 28 **SZRB: guarantee programme provided to SMEs in 2021**

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

Source: SBA, compiled on the basis of submissions received from MoF SR

**Slovak Investment Holding, a.s.** supported SMEs in 2021 also through the OP II guarantee instrument: Scheme DM 15/2016 - FLPG. 87 SMEs were supported through the scheme in question in the cumulative period (November 2018 to December 2021).<sup>95</sup> The amount of actual spending in 2021 (for the supported SMEs in the monitoring year 2021) was EUR 2,703,000<sup>96</sup>. Through the OP II: Scheme DM 16/2018 - FLPG VVI supported 12 SMEs in the cumulative period from November 2019 to December 2021. The amount of the actual spending (only for supported SMEs in 2021) was almost EUR 2,703,000<sup>97</sup>. In 2021, 4 small and medium-sized enterprises were supported by the State Aid Scheme to Support Enterprises in the Broader Field of Social Economy (Scheme SA.56332-FLPG SE; amended by Amendments SA.63532 and SA.101231).<sup>98</sup> **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 3,564 SMEs have been supported between April 2020 and December 2021 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 in 2021 for the supported SMEs was at the level of EUR 216,732,000.<sup>99</sup> 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**<sup>100</sup>) 3,281 SMEs were supported in the cumulative period from June 2020 to December 2020 (support ended on 31 December 2020). The amount of actual drawdown (calculated for 2021 – loan drawdown) for funded SMEs was

<sup>95</sup> 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.

<sup>96</sup> An indication of the total spending, including financial contributions from financial intermediaries.

<sup>97</sup> An indication of the total spending, including financial contributions from financial intermediaries.

<sup>98</sup> The purpose of the aid is to increase employment, and employability and reduce unemployment of disadvantaged people in the Slovak Republic through companies in the broader field of social economy (hereinafter referred to as "SE"), with risk financing measures, with a special focus on long-term unemployed, low-skilled, older and disabled people to improve access to the labour market by applying effective tools to support employment, including support for mobility to obtain employment, self-employment and activities in rural areas and especially in areas with marginalized Roma communities (MRC), to increase the employment rate of their members in these companies.

<sup>99</sup> 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.

<sup>100</sup> 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.



EUR 4,536,000<sup>101</sup>. The purpose of the support is to mitigate the impact of the declaration of an extraordinary situation or state of emergency in connection with the COVID-19 pandemic in the territory of the Slovak Republic. A total of 3,960 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 June 2021<sup>102</sup>. The amount of the actual spending in 2021 for the supported SMEs was at the level of EUR 209,975,000<sup>103</sup>. The support 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 29 SIH guarantee programme provided to SMEs in 2021**

Guarantee instruments	Total amount of support for SMEs
<b>FLPG (FIRST -LOSS PORTFOLIO GUARANTEE) - De minimis aid scheme First Loss Portfolio Guarantee (Scheme DM-15/2016)*</b>	EUR 10,149,000.00
<b>FLPG - De minimis aid scheme First Loss Portfolio Guarantee (Scheme DM-16/2018)*</b>	EUR 2,703,000.00
<b>SIH ANTI-CORONA GUARANTEE (SIHAZ 1)*</b>	EUR 216,732,000.00
<b>SIH ANTI-CORONA GUARANTEE 2A (SIHAZ 2A)*</b>	EUR 4,536,000.00
<b>SIH ANTI-CORONA GUARANTEE 2B (SIHAZ 2B)*</b>	EUR 209,975,000.00

**Source:** SBA, compiled on the basis of submissions received from SIH; \*data on total spending for supported SMEs in 2021

**The Export-Import Bank of the Slovak Republic (EXIMBANKA SR)** continued to provide guarantee programmes in 2021. A total of EUR 2,289,000 in bank guarantees were issued for the SME segment.

**Table 30 EXIMBANKA SR: guarantee programme provided to SMEs in 2021**

Guarantee instruments	Total amount of support for SMEs
<b>Bank guarantees issued in the SME segment</b>	EUR 2,289,000.00

**Source:** SBA, compiled on the basis of submissions received from EXIMBANKA SR



## 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 2021. 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 232,500.00, of which the aid for small enterprises was EUR 10,310.00 and for medium-sized enterprises EUR 222,190.00. The deduction for research and development expenditure was claimed by 349 SMEs in the amount of EUR 64,932,610.00, of which 105 micro-enterprises in the amount of EUR 6,279,920.00, 151 small enterprises in the amount of EUR 28,376,330.00 and 93 medium-sized enterprises in the amount of EUR 30,276,360.00. A total of 15 SMEs were supported through minimum aid scheme DM 12/2018 relief, including 6 micro-enterprises, 6 small enterprises and 3 medium-sized enterprises. The total amount of aid for supported SMEs was EUR 180,720.00, of which the amount of aid for micro-enterprises was EUR 4,900.00, for small enterprises EUR 126,180.00 and for medium-sized enterprises EUR 49,640.00. A total of 81 SMEs were

<sup>101</sup> An indication of the total spending, including financial contributions from financial intermediaries.

<sup>102</sup> Support ended on 30 June 2021.

<sup>103</sup> An indication of the total spending, including financial contributions from financial intermediaries.



supported through income tax relief for registered social enterprises – SMEs, including 38 micro enterprises, 38 small enterprises and 5 medium-sized enterprises. The amount of support under the tax relief in question for SMEs was EUR 590,460.00, of which EUR 155,270.00 for micro-enterprises, EUR 378,820.00 for small enterprises and EUR 50,605.34 for medium-sized enterprises.

**Table 31 Financial Directorate: tax reliefs granted to SMEs in 2021**

<b>Tax reliefs</b>	<b>Total amount of support for SMEs (EUR)</b>
<b>Tax reliefs for recipients of investment aid - SMEs</b>	EUR 232,500.00
<b>Deduction of research and development expenditure claimed by SMEs</b>	EUR 64,932,610.00
<b>Income tax relief for registered social enterprises - SMEs</b>	EUR 590,460.00
<b>Relief granted to SMEs under the DM scheme 12/2018</b>	EUR 180,720.00

**Source:** SBA, compiled on the basis of submissions received from the Financial Directorate of the Slovak Republic

In 2021, the customs authorities granted state aid to SMEs under the relevant state aid schemes in the total amount of EUR 10.01 million. Compared to last year, this is a significant decrease in the volume of state aid granted by customs authorities. The stated sharp decrease was caused by the reduction of the State Aid Scheme No. SA.49509 – Tax Incentives for Biofuels, which was introduced as a result of an amendment to Act No. 98/2004 Coll. on Excise Duty on Mineral Oils, as amended, effective 1 January 2021, on the basis of which a uniform tax rate was introduced regardless of the share of biofuels. On the part of SMEs, the tax advantage in connection with biofuels has been significantly restricted by the above-mentioned change in the law. In addition, despite the particular situation in 2021, when the pandemic situation worsened, the lockdown and the associated slowdown in business activity, SMEs in other sectors<sup>104</sup> have made use of the existing state aids to an increased extent (compared to 2020).

**Table 32 Financial Directorate: support provided to SMEs through customs authorities in 2021**

<b>Aid number</b>	<b>Aid purpose</b>	<b>Total amount of support for SMEs (EUR)</b>
<b>Measure - Act No. 609/2007 Coll.*</b>	Environmental protection	EUR 6,780,000.00
<b>Scheme SA.49509</b>	Environmental protection	EUR 60,000.00
<b>Scheme SA.46046</b>	Sectoral aid - Transport	EUR 3,170,000.00

**Source:** SBA, compiled on the basis of submissions received from the 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 2021. In the following section, support intended for small and medium-sized enterprises and NP - non-entrepreneurs is specified in more detail.

<sup>104</sup> Measure - Act No. 609/2007 Coll. and Scheme SA.46046.

## • Services

In 2021, the SBA continued to support SMEs and natural persons - non-entrepreneurs through the provision of a variety of non-financial services.

In 2021, entrepreneurs could use different types of services (individual/group advice; individual advice and coaching for the purpose of expanding SMEs to foreign markets; advice for joining EU community programmes; support for start-ups; membership in an incubator/ physical and virtual/; participation in various events on topical issues for future and established entrepreneurs as well as participation in international conferences or specialized courses; Creative Point; consultations; educational courses; Accelerator; support for family businesses; support for the development of alternative forms of business; support for entrepreneurs from disadvantaged social groups; support for business education<sup>105</sup>; EEN)<sup>106</sup>. The pandemic has also affected the organisation of events in 2021. Therefore, these were moved much more to the online environment. The themes of the events also reflected the needs of entrepreneurs.



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 2021. A total of 70 SMEs were supported through the programme in 2021<sup>107</sup>.

### **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 2021, 52 SMEs were supported through the Incubation Programme<sup>108</sup>.

<sup>105</sup> A new service in the SBA portfolio. This service aims to build entrepreneurship and business skills at all levels of education from kindergarten to university.

<sup>106</sup> Those interested in entrepreneurship could take advantage of consultations, the Accelerator, the services of Creative Point, but they could also participate in various events.

<sup>107</sup> Total figure for services within NBC II BA region and NBC in the regions.

<sup>108</sup> Total figure for services within NBC II BA region and NBC in the regions.

### **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 counselling 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 3,723 SMEs were supported within the target group of SMEs<sup>109</sup>.

### **Creative Point (CP)**

In 2021, due to the development of the pandemic situation, the SBA continued the CP activities mainly online. The topics of the offered services mainly focused on software events. The services provided in 2021 for SMEs and natural persons - non-entrepreneurs included:

- Group counselling (CP Technical Tuesdays<sup>110</sup>; Special Workshops<sup>111</sup>; Workshop Series<sup>112</sup>; CP Roadshow<sup>113</sup>).
- Individual counselling (Specialist individual counselling).

Examples of events organized by Creative Point Bratislava in 2021:

- Introduction to the world of 3D printing,
- Advanced 3D printing techniques,
- Adobe Illustrator for Advanced I & Adobe Illustrator for Advanced II,
- Introduction to electrical engineering,
- Programming languages from A to Z, and more.

Through Creative Point, 125 SMEs and 606 natural person – non-entrepreneurs were supported in 2021<sup>114</sup>.

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<sup>109</sup> Total figure for services within NBC II BA region and NBC in the regions. A total of 1,473 clients were served in the NBC in the regions under the GP up to 3 years and 1,344 clients were served under the GP over 3 years.

<sup>110</sup> They represent a one-time group consultation that takes place four times a month in the Creative Point workshop.

<sup>111</sup> They represent discussion meetings and lectures conducted by an external expert and are organized at least once a month.

<sup>112</sup> It is a group consultation consisting of four sessions of 3 hours each. It specializes in more complex and extensive consultations on a specific topic.

<sup>113</sup> It belongs to the information and popularization activities intended for the public interested in entrepreneurship. It consists of a set of activities taking place mainly in elementary, middle and high schools in the Bratislava Self-governing Region.

<sup>114</sup> Total figure for services within NBC II BA region and NBC in the regions at the Creative Point.

## **Acceleration Programme**

In 2021, the implementation of the Acceleration programme activities was dependent on individual measures taken in connection with the development of the pandemic situation and therefore some services were carried out physically, at the SBA's premises or online. A number of group counselling sessions (expert one-offs, motivational activities, networking support), expert individual counselling sessions, group module counselling sessions were carried out in 2021. In 2021, the Summer School was also implemented, as well as an intensive programme for starting your own business called the Accelerator. The Roadshow was also implemented.

In total, the programme supported almost 3 700 clients<sup>115</sup> in the reviewed year 2021. For 2021, the Acceleration Programme held a total of 50 events in the Bratislava region, with clients, as in previous years, considering marketing topics as the most interesting: *Zero budget marketing, Facebook campaigns and advertising, as well as advertising trends and brand communication*. There was also interest in more technical topics such as: *Business plan, How to build an online business, How to create a business plan* and others. A total of 440 events took place in the regions, clients had the opportunity to try out the new format of seminars with a technical focus. The Acceleration programme offered continuation events throughout 2021 (excluding one-off topics). The first workshop, therefore, consisted of an introduction to the given question, and in the second workshop, the clients put the theoretical knowledge acquired in the first workshop into practice. The workshops prepared in this way included topics such as: *Strategy and marketing check-list I. & II., set up finances for companies I. & II., Business model: Design thinking I. & II.*, and others. **In 2021, the Business School service was offered for the first time in the regions**, which is an accelerated version of the Business Skills course and summarizes essential information about the beginnings of business in 3 days.

A new interesting format that was created is the **Business Academy**<sup>116</sup>, which was implemented online and thus could be used by clients all over Slovakia. As part of the Business Academy, which consisted of 10 separate workshops within 3 integrated units (I, the company; My company and Business strategy), during 4 autumn months, clients had the opportunity to not only build skills aimed at creating a business idea and strategy to develop, company sale, but also soft skills such as creativity, communication or personality – character, which are equally important for a future entrepreneur.

## **Promotion of the development of alternative forms of entrepreneurship (AFP) and promotion of entrepreneurs from disadvantaged social groups (ZSS)**

Also in 2021, the SBA supported the development of AFP and helped entrepreneurs from the ZSS. With the support of the AFP, activities have been carried out to support social economy entrepreneurs, social enterprise representatives or those SMEs interested in doing business to achieve charitable goals. Entrepreneurs from disadvantaged social groups primarily used group events that, from the point of view of content, were intended to contribute to the topics presented. In 2021, 8 SMEs received the AFP development support and 24 SMEs received support to stimulate entrepreneurs from the ZSS.<sup>117</sup>

The following summary table shows a summary of the number of supported SMEs as well as NP – non-entrepreneurs in 2021 and the amount of real spending for the supported entities within the framework of the non-financial services provided above (total).

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<sup>115</sup> Total figure for services within NBC II BA region and NBC in the regions at the Acceleration Program level.

<sup>116</sup> In the project as specialist events.

<sup>117</sup> Results related to NBCs in regions.

**Table 33 SBA's results in 2021 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)
<b>Summary data</b>	4,767	4,042	EUR 12,651,153.18

Source: SBA

### Support for the internationalisation of SMEs

In 2021, the SBA supported a total of 525 SMEs<sup>118</sup>, including 425 micro-enterprises, 62 small companies and 11 medium-sized companies. The total allocation of funds in the year under review amounted to EUR 626,160, while the actual spending was at the level of EUR 598,897.40 (of which EUR 509,062.79 from EU sources and EUR 89,834.61 from the state budget).

**Table 34 SBA results in 2021 in the field of support for the internationalisation of SMEs<sup>119</sup>**

Summary data	Number of supported SMEs	Amount of real spending (EUR)
	525	EUR 598,897.40

Source: SBA

In 2021, the activities of short and long-term consulting for SMEs in the field of internationalization successfully continued. Seminars on EU community programmes, short-term and long-term professional project advice on internationalization issues, marketing, management, legislation, financing and the like were particularly successful. SMEs also showed interest in providing e-business services.

**Figure 2 Focus of the main SBA activities implemented through the NP Support for the Internationalisation**



- Stimulating existing and future entrepreneurs to internationalize.
- Increasing efficiency in the implementation of business activities, production results and services.
- Improving the level of presentation activities, positions and competitiveness of Slovak SMEs.
- Increasing the professional capacities of SMEs and their visibility.
- Increasing the participation of SMEs in transnational and regional subcontracting chains.
- Increasing the participation of SMEs in EU funding programmes.
- Raising awareness of the benefits and opportunities of using alternative business platforms.
- Increasing the level of knowledge of SMEs in the field of e-business.

Source: SBA

### International projects

During 2021, 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. The following section provides summary information about each project.


#### 1. 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.

<sup>118</sup> Results in the sense of NP Support for the internationalisation of SMEs.

<sup>119</sup> Data for NP Support for the internationalisation of SMEs.

- 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 2021, the project enabled entrepreneurs, SME managers and tourism professionals in the public and private sectors to take part in two ten-week free courses through the EU ECO – TANDEM Academy, for which 463 applicants from across Europe applied. Within each programme, 10 modules and 60 lessons were prepared.
- After the success of the EU ECO-TANDEM Academy, another pillar of the project – the EU ECO-TANDEM Biz programme — was launched in the second half of 2021; which allows companies of the SME size category from the tourism sector and start-ups/innovative companies to form pairs ("tandems") in which they work together on an ecologically innovative pilot project. The best pilot projects will be awarded a grant of EUR 13,000, which will be used to implement the pilot project.
- The SBA organized two events in late 2021 where they provided more information about the project and the upcoming Biz programme. In October 2021, the SBA (in cooperation with the Institute for Climate Neutrality – Green Slovakia Initiative and the Slovak Hotel and Restaurant Association) organized an Info Day. And in November, the SBA hosted an online event where attendees could learn more about how to get involved. Among other things, the project also launched a tender for the position of ambassadors who will actively promote the project and its activities.

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

## 2. 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 2021, although they were to a large extent affected by the pandemic. The implementation of the first phase of the project has been extended until 31 January 2022. All planned activities could be implemented and space was created for network activities in the area of cluster activities and the transition to industry 4.0. 1.
- The exchange of experiences between the partners and the main actors of the project (stakeholders) took place on an international and national level. SBA participated in five international workshops aimed at transferring good practice and sharing experiences between partners. At the national level, the SBA participated in regular meetings of the Strategic Cluster Stakeholder Working Group and organized two regional workshops for stakeholders, thus creating space for the synergy of the ME SR and SIEA joint activities to create an action plan inspired by best practices developed abroad, as well as a discussion on the implementation of the action plan in practice. The main result of the project is an approved action plan containing two specific activities to improve the support programmes




of ME SR. The implementation of the action plan project, identified activities and results will be monitored during the second phase of the project.

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

### 3. 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.
- In 2021, the Slovak Business Agency participated in 3 international online meetings with project partners and key actors (stakeholders) from partner countries. During these meetings, SBA actors from Slovakia had the opportunity to be inspired by 6 successful examples of good practices from partner countries.
- At the same time, it prepared 6 successful good practice examples from Slovakia, which will be published on the BRESE project website and two of them also on the Europe Policy Learning Platform.<sup>120</sup> This way, policy-makers across Europe can consult best practices.
- It also initiated cooperation with VUC (Higher Territorial Units) and with 4 of them (Prešov, Trenčín, Košice and Žilina) based on mutual interest, SBA cooperated in the form of free consultations to better include the topic of social entrepreneurship in regional investment strategies.
- SBA has also started preparing a new generation of the Institute for Social Economy programme.
- During this period, SBA organized another regional stakeholder meeting on "Measures to support social entrepreneurship in Slovakia", which was attended by a total of 16 stakeholders. The event focused on two main themes: Action plan to promote social entrepreneurship, in which the current status of the upcoming BRESE action plan was presented to the participants. A discussion was then opened on the possible entry of activities that the action plan should address. In the second part of the programme, the concept for the continuation of the national project Institute for Social Economy, which forms the supporting infrastructure of the social economy and social entrepreneurship in Slovakia, was presented.
- At the same time, SBA continued to develop the Action Plan, within the framework of which it cooperates with some VUC in the form of free consultations, and in the case of VUC Žilina also includes participation in working groups addressing the possibility of involving social enterprises in regional investment strategies.

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


### 4. 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.

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<sup>120</sup> These are: Regional municipality for social enterprises, as well as Model of municipality social enterprise – a way to boost up the local development in the lagging reg.

- 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 activities of the project in 2021 were focused on the implementation of tools for developing the skills of representatives of the cultural and creative sector for the successful establishment of cooperation with the production sector, but in particular at initiating cooperation between the creative industries and production companies.
- In order to facilitate the discussion with the AVM companies involved, an external expert was consulted for qualitative interviews with relevant stakeholders. This activity helped companies to identify pressing issues related to a circular economy and formulate a proposal for further development by CCI representatives. The main goal was to increase the mutual understanding of the proposed challenges of the stakeholders (CCI + AVM) and thereby promote the success of the cross-industry cooperation.
- Meanwhile, Solved's online matchmaking platform was involved in the process of connecting AVM and CCI. SBA participated in piloting the process and facilitating the introductory workshop (Challenge shop) where AVM presented its challenges. Based on the feedback received, a modification of the methodology and another pilot process were adopted.
- In addition, a total of 6 partnerships between CCI and AVM representatives were concluded. As part of the SBA consortium, a Business canvas was created and options and strategies for further mainstreaming the methodology were discussed.
- A series of 6 "Creativity4Circularity" podcasts on technology, trends and the so-called mindset in the circular economy was finished as part of the training.<sup>121</sup>


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

## 5. 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 improving this situation:
  - 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) development of a service for SMEs and testing in selected companies.
- The year 2021 was nutritious in terms of content and quality of activities due to the short time of project implementation.
- In cooperation with Hungarian partners, the SBA has completed the mapping of cross-border regions, the result of which is a report, which can be downloaded from the project website, and which was used by the partners in selecting the appropriate methodology – *Circularity check*. This methodology served as a starting point for the creation of teaching materials. By adapting the *Circularity check* tool to the needs of the local context, it was possible to create a useful *self assessment* tool covering the needs of production companies.


<sup>121</sup> Available online: <https://anchor.fm/omp-sba>

- In cooperation with INCIEN, SBA has prepared a call for companies, consultants and experts in the tourism, plastics, food and packaging and construction segments. In the service sector, the methodology still needs to be modified, which will be the subject of further development of this service.

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

## 6. Project “EIT Food HUB”

- The European Institute of Innovation and Technology (EIT) cooperates with the SBA and the Slovak University of Agriculture in Nitra within the EIT Food Hub initiative.
- This initiative will help develop new entrepreneurial talent, support innovative ideas and scale up activities in line with the EIT's nutrition strategy and business plans.
- The EIT Food Hub in Slovakia brings support for innovative and smart EU policies in the areas of food, agriculture and health, and development of cooperation between companies, schools and research; it supports and creates a favourable environment for creative thoughts and ideas in the food industry; helps to create collaborations between research institutions and companies; offers the opportunity to design new functional foods, to propose innovative and non-traditional approaches to the development of modern food production methods, as well as to define practical examples of food and agriculture sustainability and the elimination of risk factors in the food chain, contributing to knowledge and innovation programmes.
- In 2021, SBA actively involved local start-ups in the agri-food sector in various local and international EIT Food HUB activities, promoting and disseminating information about EIT food activities and tools (EIT JUMPSTARTER, Test Farms, TeamUp, Challenge Labs, Seedbed, FAN and Rising Food Stars), organised workshops and discussions on EIT programme topics, attended by more than 200 participants, and developed a guide for budding entrepreneurs in EIT HUB start-ups.
- Activities in 2021 culminated in the organization of a 5-day Challenge Labs workshop, during which the formed teams in Slovakia shared their ideas and results on solving the identified pressing circular economy problem in the FMCG segment with a focus on introducing more local products and local sales focusing on experience, a local brand or a low carbon footprint. The event teams were made up of a total of 37 participants, supported by 30 experts and companies.

More information about the project: <http://www.sbagency.sk/co-je-to-eit#.YtVDR3ZBxaR> 

## 7. Project “Lost Millennials”

- The project “*Lost Millennials – Transnational research network for the evaluation of initiatives targeting 25+ NEETs*” focuses on a group of young people aged 25-29 who are unemployed, not continuing in education or in vocational training (25+ NEETs).
- The implementation of the project started in November 2021 and its activities will last 27 months. As part of the project, SBA is part of a 13-member consortium bringing together 13 partners from 13 different countries.
- The main objective of the project is to contribute to the successful integration of 25+ NEETs into the labour market by increasing knowledge about the impact of initiatives in the field of employment, building a network of stakeholders and developing impact studies, which will also help improve quality of interventions in the labour market. This aim should be achieved through the creation of a transnational research network to exchange know-how and examples of good practice, the assessment of governmental and public initiatives for


NEETs over 25, as well as the involvement of stakeholders to increase the policy relevance of the project results.

- The project is funded by Iceland, Liechtenstein and Norway through the EEA and Norway Youth Employment Grants.
- As part of the first activities of the project, SBA organised online meetings with Slovak experts in November and December 2021 to raise awareness of the project and the possibility of cooperation and involvement of relevant stakeholders.
- SBA actively participated in project partner meetings, set up the project management and prepared the technical documents required for the activities starting in 2022.

All project activities and news are published on Facebook social networks: [Lost Millennials Project - Home](#) | Facebook a LinkedIn: [Lost Millennials Project](#) | [LinkedIn](#) 

## 8. Project “RESTART“

- The main objective of the project “RESTART - Resilience and Training for SMEs” is to develop innovative educational solutions and tools to improve and advance business education and training across the entire vocational education ecosystem by addressing the needs shaped by digitization and climate change.
- The project started on 1 November 2021 and will end on 31 October 2023 and is co-funded by the Erasmus+ programme of the European Commission.
- RESTART is adapted to the specific needs of selected target groups: SMEs with a focus on micro-enterprises; workers and professionals who need to adapt to rapidly evolving jobs and roles by acquiring innovative and relevant skills and competencies; an EU vocational education ecosystem made up of a range of formal and non-formal vocational education providers constantly striving to provide relevant and up-to-date content and courses to support SMEs and workers in these rapidly evolving markets; a system to support businesses, often still anchored in “pre-pandemic” economic models, that needs to update and modernize its delivery.
- In 2021, SBA started the project as the leading partner and together with 7 partners from 6 countries (Slovakia, Belgium, Italy, Hungary, Croatia and Spain) started with the preparation and implementation of the first project tasks, namely the preparation of the RESTART Open Educational Resources Platform and the preparation of the common methodology and research questions for the purpose of a deeper analysis of the current challenges and needs of entrepreneurs.

More information about the project at [www.restartproject.eu](http://www.restartproject.eu) 


## 9. 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.
- During the project implementation period (September 2019 – August 2021) the aim was to enable small and medium-sized enterprises to effectively and efficiently introduce robots / artificial intelligence in the workplace to increase their productivity and competitiveness.
- In 2021, project activities were implemented to create tools and a platform and to test project results. At a local level, SBA established cooperation with Slovak experts on the introduction to robotics and artificial intelligence for SMEs and filmed a series of video interviews in this area. The project resulted in a unique European online information-sharing platform focused on the topic of robotization and artificial intelligence, bringing together tools developed for SME managers to help them introduce robots and artificial intelligence into the company's production process as a helping tool.

- SBA organised an event on the topic – Robots and Artificial Intelligence in Business, where the ROB-SME project and its results were presented. In August 2021, the project was successfully completed and its results will be available to entrepreneurs and executives until 2023.

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


## 10. Project “Biz4Fun”

- In 2018, SBA launched the "Let's have fun with the business start-up" project.
- The aim of the project was to respond to the need to ensure lifelong learning opportunities and support for the entrepreneurial activities of young people, which are among the priorities of the Erasmus+ programme.
- In the monitoring year 2021, SBA started the online test of “*Virtual world & Social Game*“. In addition, the Slovak Business Agency in cooperation with the Slovak University of Agriculture in Nitra organised an information workshop of the Biz4Fun project – Let's have fun with a start-up. The participants of the event had the opportunity to test their entrepreneurial skills in a fun way, playing a game in a 3D virtual environment. They went through several topics from the corporate environment and then verified the knowledge they had acquired, e.g. in a simulated situation. The number of participants was 30. The game is available in several languages. 

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

## 11. “Game of Business” Project

- The general goal of the “Game of Business” project is the introduction, establishment and innovation of methods of business pedagogy in school educational resources based on the latest technological solutions.
- Project duration: 1 September – 31 August 2023. The project is funded by the Erasmus+ programme.
- The specific goals of the project include: developing integrated tools to support students with innovative ideas and high chances of success; empowering teachers in schools by providing digital simulation tools in business education; strengthening entrepreneurship and preparing the school for the transition to an innovative way of learning through new technologies and digital content.
- In 2021, the methodology and preparation for collecting feedback focused on business competencies and activities, which will lead to the development of 6 intellectual outputs, which will include training (educational) materials, methodology and the development of a software educational simulator prepared.
- The business training simulator will consist of four main modules: initiation of a business idea (pre-accelerator), recruitment of human resources and expertise (when looking for partners), development of a business plan, and fund-raising (crowdfunding and raising venture capital).

News and newspapers are to be published on the project website: <https://www.gameofbusiness.eu/> 

## 12. The project “Intergenerational Entrepreneurship in Slovakia in the Digital Era: pragmatic approach”

- Intergenerational entrepreneurship has the potential to overcome the weaknesses of individual generations (young or older) in the process of starting and developing business



activities thanks to mutual synergies and to support effective intergenerational knowledge transfer in existing business entities.

- This topic is addressed by SBA in cooperation with the principal researcher of the Faculty of Management of Comenius University in Bratislava (FMUK) within the ***DIGICROSSGEN research project “Intergenerational Entrepreneurship in Slovakia in the Digital Era: pragmatic approach”***, main objective of which is based on an analysis of the business situation through the lens of generations with a focus on intergenerational entrepreneurship and analysis of the digitization challenges in this context:
  - creating a conceptual model of intergenerational business in Slovakia at the time of digital transformation;
  - detailed methodological elaboration of its key modules (founders and established entrepreneurs) with a focus on the instruments applicable therein;
  - testing and validation of tools under specific real-world conditions.
- Project duration: 1 July 2020 – 30 June 2024. The project is supported by the Slovak Research and Development Agency.
- In 2021, SBA continued to actively participate in Phase I activities (July 2020 – December 2021): Analysis of business situation through generations lens focusing on intergenerational business and digital transformation of business in Slovakia and jointly with FMUK as the principal investigator started Phase II (July 2021– June 2022): Analysis of the challenges of the digital transformation of the economy with regard to current trends and special features of the generations examined. During 2021, the results of analysis and mapping were processed to a research report and presented within the framework, workshop organised with the involvement of local and international stakeholders to receive feedback on the research results and suggestions also from their practice as within the framework of the research monograph *“Business in Slovakia today digitalization through the lens of generations”*.

#### • **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, Regional and Advisory Information Centre Prešov (RPIC Prešov), Centre for Scientific and Technical Information of the Slovak Republic and Technical University in Košice. 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.

As a partner of the EEN network, SBA combines professional experience in cross-border cooperation with local knowledge to support the penetration of innovations into new markets. It helps entrepreneurs grow faster, create new business partnerships and access finance.

Through the EEN project, a total of 920 SMEs were supported for the consortium in the monitoring year 2021. In 2021, 99 SMEs were supported through the SBA under the above



project. The SBA spent EUR 58,645.60 in support of SMEs, of which the EC contribution was EUR 35,187.36 (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 3 EEN activities

#### Advisory, support and information activities



Regional information seminars and training sessions on various topics; answers to questions from entrepreneurs (access to markets and doing business in foreign markets, EU regulations and decrees, EU programmes and access to finance, eco-innovation and green business, innovation and technology transfer and know-how, intellectual property rights); customer visits; in-depth consultations; commercial and technological audits.

#### International partnership activities



Partner search abroad, or international business events, so-called cooperation events and business missions; database of partner opportunities - business, technology and Val profiles (collaboration in EU programmes).

#### Feedback from SMEs to the EC



Collection of SME comments on EU business legislation and regulations; - Informing the European Commission about the problems of SMEs through various tools such as the SME feedback database, online consultations, panels for SMEs and others.

#### Innovative support



Improvement of innovation management; refinement of innovation processes, management and implementation of innovations.

Source: SBA

#### • Support for family businesses

In 2021, the Slovak Business Agency continued to support family businesses. The funding was carried out in accordance with the provisions of the family business funding programme for the period 2021-2023<sup>122</sup> (DM-20/2021).

At the beginning of 2021, support for family businesses continued in the form of free professional advice (this is one of the five components of the programme mentioned above). As of February 2021, 31 projects had been completed, which were approved and commissioned

<sup>122</sup> The aim of the programme is to create suitable conditions for viable business activity of family businesses in Slovakia, to help family businesses to formulate their business intentions in a more economically appropriate manner and to successfully pass important milestones in their business, such as generational change, the structuring of family and employment relationships, as well as the transfer of ownership.

in the autumn of 2020 and started funding at the end of 2020. In the months of January and February, 1,966 consulting hours were realised.

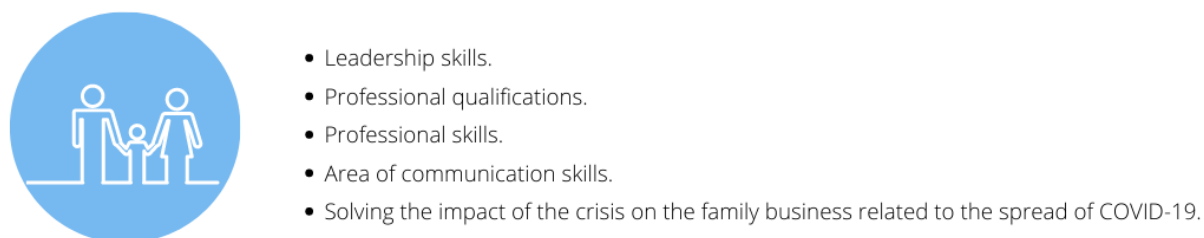
Family businesses have also applied for support in two other calls for the submission of applications for the granting of non-financial support in the form of professional advice within the meaning of the regulation mentioned. The calls were published in July and September 2021. The main objective of the calls 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). Generational change and transfer of ownership are key to the survival of a family business. Its successful management is a necessary prerequisite for the future viability of the family business and its further development. Due to the ongoing pandemic situation in 2021, a third area of support has also been included in the call – reducing the impact of the pandemic caused by the disease COVID-19 on the family business.

From the implementation point of view, the planned activities were not negatively influenced. SBA decided to change some processes. To a greater extent, some have moved to the online environment. All activities were implemented and completed as planned.

A total of 98 family businesses applied for both calls. The selection committee approved 33 applications. 32 successful business projects of family businesses from all over Slovakia were supported. The support took the form of professional consulting services without co-financing from companies. 54 experts – specialized external employees of SBA – took part in the consultation. A further 2,969 consultation hours were realised by the end of 2021.

The financial calculation of the aid provided for supported family businesses (63 SMEs in total) amounted to EUR 510,526 in 2021.

Figure 4 **Areas of support in the framework of expert advice for supported family businesses**



Source: SBA

Note **Management skills** – developing the capacity of family businesses, managing the family business and employees, and establishing career development plans for key family members and senior management of the business. **Entrepreneurship skill** – maintaining and developing a business, supporting generational exchange and business development, and setting up long-term planning. **Professional skills** – optimizing processes in a family business, defining and implementing succession strategies. **Communication skills** – aimed at internal communication in the family business (managers, employees, family members), as well as external communication (selection of employees, institutions, business partners and customers, coping with internal difficult situations and conflicts, defining the corporate culture).

## • Support for start-ups

Also in 2021, SBA continued to support start-ups in accordance with the Minimum Aid Scheme: Start-up Support Scheme (DM-16/2021)<sup>123</sup>, by providing indirect support within three components detailed in the summary table.

Table 35 **SBA: Support for SMEs through the 2021 Start-up Support Programme and Scheme**

Component 1	Component 2	Component 3
<p>As a part of the Component 1 indirect support is provided in the form of organizing educational activities, arranging the participation of persons interested in starting their own business and those who have just started their own business in both national and international events focused on innovation, technology and start-ups, and customized expert advisory services.</p> <p>The implementation of Component 1 was also in the monitored year 2021 significantly limited due to COVID- 19.</p> <p><b>In 2021, support under this Component was provided to 6 beneficiaries (SMEs).</b> Innovative companies were most interested in attending events in Europe in 2021 (54%).<sup>124</sup></p>	<p>Component 2 provides indirect support in the form of advice and expert advice.</p> <p>In 2021 there were again two application rounds. The Commission approved granting the aid to 14 applicants (13 SMEs and 1 NP).</p>	<p>As a part of the Component 3 indirect support is provided in the form of consultancy, advisory services related to internships and expert evaluation of applications (projects) and in the form of foreign internships provided to entrepreneurs who have just started their own business.</p> <p><b>In 2021, the Component 3 was not implemented</b> due to the many measures taken in each country to stop the spread of COVID-19.</p>

Source: SBA

In the monitoring year 2021 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 companies from the ranks of small and medium-sized enterprises (19 SMEs<sup>125</sup>) was EUR 209,045.86.

## • 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.

<sup>123</sup> Scheme DM-16/2021 was published in the Obchodný vestník (Business Gazette) No. 109/2021 on 8 June 2021.

<sup>124</sup> 21% of the applicants applied for events in Asia, 17% were interested in attending start-up events in the US and exactly 4% of the applicants were interested in the African and South American markets.

<sup>125</sup> In the period from 1 April 2021 to 31 December 2021.

Figure 5 **Focus of promoting successful entrepreneurial practice**



- Stimulation of business ambitions,
- development of commercial skills,
- promotion of successful entrepreneurs and their companies, products or ideas,
- public-private partnerships and initiatives to support business development and entrepreneurship.

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 2021), and others.

For 2021, SBA managed to support 27 events and projects that help generate new business ideas among the general public and educate them about business issues.

Examples of activities in 2021 in which the SBA was a partner or carried them out by itself:

#### **Young Business Inspiration**

Conference on the occasion of the 10th anniversary of the Young Entrepreneurs Association of Slovakia (ZMPS) thanks to which the public had the opportunity to listen to many inspiring business stories and thus motivate themselves to start their own. **Those interested could listen to topics such as: how to build a successful company from scratch; what changes in the economy and business the pandemic has brought and how to recognize the opportunities that these changes bring; or how to grow not only at home but also expand abroad..**

#### **SlovakiaTech Forum – Expo**

Every autumn, a multi-day event focusing on news from the world of innovation, technology and industry 4.0 takes place in Košice. The audience has the opportunity not only to listen to motivational lectures by foreign speakers from all over the world but also to find out about news from the technology sector.

#### **2nd International Congress of Family Businesses**

In September 2021, an event focused on family businesses was also supported, namely the 2nd International Congress of Family Businesses, which helps to increase the visibility of the family business in Slovakia as an important group of business entities with a significant contribution to society. The congress aimed to professionalize the management of family businesses and create a space where future entrepreneurs can meet with family entrepreneurs from all over the Slovak Republic.

## Doing business at 16? Why not?

Through the event, ZMPS began opening up the topic of entrepreneurship of minors. Although this issue may affect a smaller group of young people, it is not a negligible group as among this group of young people many have managed to build successful and competitive businesses. The discussion aimed to present successful examples of young entrepreneurs from abroad, where legislation allows them to do so, and the pros and cons of allowing young people under 18 to start a business in Slovakia.

## Business

In the autumn of 2021, SBA became a partner in the Business Special project, which included five interesting interviews with successful entrepreneurs. Discussion on what brought them to success and what their beginnings were aired in the TA3 broadcast. For example, it was a company that has been operating in the field of comprehensive eye care for more than five years and, thanks to its professional staff and the latest technologies, has gained a customer base all over Slovakia. Another company has been producing unique ecological and personalized home decorations in 26 countries around the world for more than fifteen years.

Other supported projects were: Cechové dni 2021; FTRNW 2021; Slovak University Startup Cup 2021; Ľudové umelecké remeslá 2021 (Folk Arts and Crafts); Mladý inovatívny podnikateľ 2021 (Young innovative entrepreneur); Challenger; Študentská podnikateľská cesta 2021 (Student business path); Podnikateľka Slovenska (Slovak businesswoman of the Year); Podnikanie – Biznis INAK (Business done differently); Via Bona Slovakia; Inofest; Tatra Summit and many others.

### • 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.

An interesting event supported by SBA in 2021<sup>126</sup> was a seminar on *IT security in companies*, the main objective of which was to raise security awareness among the population in terms of information and cyber security, where space is created for new business opportunities and support for potential entrepreneurs using the tools of the internet economy in business and its development, which can give them a competitive advantage over other entrepreneurs and entities on the labour market.

SBA sees it as very necessary to support the engagement of young girls and women in the IT sector, in particular by supporting the *Girl's Day* project, so that this target group is also more involved in the online sector of the business.

Within the framework of activities to support the Internet economy, in recent years SBA has created the website [www.podnikaj.online](http://www.podnikaj.online). Four e-books are thus available to the general public, which are relevant in today's time when most companies have switched to online business. The four e-books are:

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<sup>126</sup> For the calendar year 2021, 36 projects were supported for PSEP and IE with the total amount of EUR 278,769.46.

1. **Alternative social networks in a nutshell** - provides a comprehensive overview of the world of the five social.
2. Networks.
3. **How to crowdfund** - aims at an alternative way of financing a business start-up.
4. **Content marketing in a nutshell** - covers multiple aspects of the creation and meaning of a variety of content materials.
5. **E-commerce Beginner's Guide** – covers a variety of topics from beginners to the most complex.

Figure 6 **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 popularize the Internet economy,
- creation of tools for launching electronic services
- creation of electronic platforms.

Source: SBA

#### • **Support for business education**

In 2021, SBA also expanded its portfolio to include activities in support of business education<sup>127</sup>. The aim of these activities was to build entrepreneurship and business skills at all educational levels. These activities are aimed at kindergarten children, primary school students, secondary school students, university students and teachers. The development of entrepreneurship and soft skills, which are necessary for the 21st century and which primarily include creativity, critical thinking, recognizing opportunities or complex problem solving, is implemented for this target group through project goals.

45 project charters were registered to the pilot call for business education support, out of which 12 projects received grants to carry out business education support activities at all levels of education. Specifically, 1 project to support children in kindergartens, 1 project to support secondary school students and 1 project to support university students, 2 projects to support primary school students, 3 projects to support teachers, but also primary and secondary school students and 4 projects exclusively aimed at supporting educational/professional staff. The funded activities will be implemented between January 2022 and March 2022. The maximum amount that could be raised for the implementation of the project was EUR 15,000. The amount of the total allocation was EUR 100,000, and the actual claim for funded companies in the SME size category (12 SMEs) was EUR 99,072.

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

In 2021, the SBA continued to monitor the business environment. Accordingly, in the year under review, the following were planned or implemented:

<sup>127</sup> Through the Business Education Support Scheme (DM-9/2021). Call for submissions under Component 1(a) of the Business Education Support Scheme - Business education courses focusing primarily on the development of entrepreneurial skills, competencies and potential of the target group. It is a direct aid (subsidy) for project purposes.



Figure 7 **Monitoring of the business environment and activities implemented in 2021**



- Continuous monitoring of the business environment,
- processing of analyses and surveys, creation and maintenance of a database with SME indicators,
- mapping the facts and the situation of SMEs from the point of view of applying the principles of the SBA initiative,
- identification and analysis of obstacles to the business development of SMEs,
- comparison of the situation in the Slovak Republic with business conditions in other countries (with a focus on the neighbouring EU countries),
- determination of suitable example measures for transfer to Slovak conditions.

Source: SBA

In the monitoring year 2021, 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 NP-entrepreneurs", and others. The preparation of irregular outputs in 2021 was predominantly focused on the impact of coronavirus on business<sup>128</sup>, but also on selected<sup>129</sup> specific topics affecting the business of SMEs outside the pandemic<sup>130</sup>. In addition, information materials designed in 2021 will be published to bring basic legal regulations and obligations upfront. Since 2019, published information materials have also been including thematically structured documents. 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 in 2021, two regional events were also held in Trenčín and Banská Bystrica on the topic of *"Social entrepreneurship in Slovakia: Fragile development in the context of COVID-19"*. The invitation was accepted by representatives of registered social enterprises, municipal social enterprises, regional organizations and representatives of the Ministry of Labour, Social Affairs and Family of the Slovak Republic from the Department of Social Economy. Not only the upcoming legal changes were discussed, but also the opportunities, as well as the topic of barriers and future challenges in the field of social entrepreneurship and the effects of the COVID-19 pandemic on social enterprises. At the same time, an online event on *"Innovation in Education in the Context of Industry 4.0"* took place in October 2021. The invitation was accepted by representatives of innovative schools, companies and representatives of the Ministry of Education, Science, Research and Sport of the Slovak Republic. A stimulating discussion took place among the participants, focusing on innovation in education and identifying barriers and opportunities for innovative education in the context of Industry 4.0.

In December 2021, the 4th Annual Conference NP Monitoring was held in an online environment. 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 regional aspects of SME business, the impact of regulations on the business environment, as well as on the topic of innovative education. The online conference was mainly attended by representatives from public institutions, ministries and universities.

<sup>128</sup> Both general and specific analytical outputs have been carried out in the context of the COVID-19 pandemic.

<sup>129</sup> More on some selected conclusions from the analyses carried out in section 4.1.

<sup>130</sup> Fast-growing businesses in Slovakia (<http://monitoringmsp.sk/2021/06/23/analyticke-a-statisticke-vystupy-nepravidelne/>).

Comprehensive information on the implemented outputs, activities and events is available on the website [www.monitoringmsp.sk](http://www.monitoringmsp.sk).

#### • BRC activity

The year 2021 was the sixth 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).<sup>131</sup> The accompanying motto of the agenda is the creation of regulatory 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 2021, similar to 2020, was significantly marked by the COVID-19 pandemic, which had a major impact on the development of legislation to minimise the pandemic 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 year 2021 brought significant positive changes in the unified methodology, which aim to reduce the bureaucracy and costs of the business environment – effective from 01 June 2021, the one in – two out principle was put into practice, ordering the submitters of materials for the session of the Government of the Slovak Republic or for the session of the Permanent Working Commission of the Legislative Council of the Government of the Slovak Republic, the costs of the business environment (OUT) for each increase in the cost of the business environment (IN) by at least double. However, during the transition period from 1 June 2021 to 31 December 2021, submitters were allowed to reduce the business environment costs (OUT) by at least the same amount (one in – one out) for each increase in business environment costs (IN). For documentation purposes, a virtual regulatory account managed by the Ministry of Economy was set up for each submitter, containing data on the quantified impact of the submitted materials on the business environment. The result of the control of the implementation of the mechanism for reducing bureaucracy and costs will be the content of the summary report on the application of the mechanism for reducing bureaucracy and costs, which the Minister of Economy will submit to the Government of the Slovak Republic for the previous calendar year every year by the end of April. With this step, one of the most important goals of the strategy document RIA 2020 – Better Regulation Strategy, adopted at the beginning of 2018, was also achieved. Another objective achieved under the RIA 2020 strategy was the update of the Permanent Working Committee's Rules of Procedure in 2021.

<sup>131</sup> The BRC **presented** the outputs of individual activities not only on its website [www.lepsiezakony.sk](http://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.

## SME Impact Assessor



During 2021, 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 2021, the BRC developed one SME Test in the ex-post phase. The SME test for the introduction of a financial contribution to employee catering provided a comprehensive overview of the changes decided in the area of employee catering and drew attention to several problematic aspects of the approved amendment – e.g. different taxation of meals in monetary (cash contribution) and non-monetary (meal vouchers) form, summarized the results of the BRC survey among companies, compared the catering of employees in the Czech Republic and Slovakia and suggested alternative solutions.

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



The BRC evaluated more than 56 submissions received from citizens for the 2021 Bureaucratic Nonsense of the Year survey. The BRC was also dedicated to evaluating the impact of the survey. Among the finalists of the survey for the years 2012-2021 is the number of resolved or approximately 45% of partially completed initiatives. 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 2021, still 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, while the BRC also informed entrepreneurs about these current measures via social networks and their website.

In 2021, the BRC also prepared an analysis of the possibilities of enshrining the definition of a family business in Slovak legislation for the Entrepreneurs Association of Slovakia, in which it assessed the advantages and disadvantages of introducing the definition into selected legislation of the Slovak Republic. In 2021, the BRC also prepared the 2020 SME Better Regulation Annual Report, which provided an assessment of the BRC's activities in 2020, as well as an assessment of compliance with better regulation principles in the legislative work, and suggestions for improving the regulatory framework and reducing it the administrative burden for SMEs.

Through the *European Commission's Structural Reform Support Programme (EC SRSP)*, the BRC finalised its project “*Enhancing Specialist Capacities of the Better Regulation Centre*” in 2021. The result of this project in 2020 was 3 gold plating analyses (occupational health and safety, consumer protection, waste management), 2 international comparative analyses (dual training, de minimis aid), 3 visits to analytical departments with a similar focus at the BRC in Belgium (in person), Denmark and Germany (online), a Study of foreign best practice in better regulation, and a marketing plan and marketing training for the BRC staff.

## Slovak Investment and Trade Development Agency (SARIO)

A contribution 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), 625 SMEs<sup>132</sup> were supported in 2021. In the monitored year 2021, the actual spending of funds for supported small and medium-sized enterprises was at the level of EUR 1,556,970.06 million. In terms of the monitored target group of SMEs, the support is intended for SMEs with the exception of enterprises based in the

<sup>132</sup> in terms of all the SME participation in NP events.

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,**
- clarification of the situation in the supply chains of individual branches of industry in Slovakia.

In order to implement the NP “Supporting the Internationalization of Small and Medium-sized Enterprises”, SARIO Agency organised a total of 12 national stands at international exhibitions abroad (e.g. in UAE, Germany, Kazakhstan and others) in 2021. More than 93 Slovak companies from different economic sectors had the opportunity to present their production activities in a joint exhibition in the GOOD IDEA SLOVAKIA brand identity. In total, the companies had more than 3,200 bilateral meetings with potential business partners. In 2021, SARIO Agency also carried out 3 business missions abroad and 1 business mission through an online platform. The business missions aimed to present Slovak companies on the foreign market, present trade and investment opportunities in the respective country and establish closer cooperation with foreign partners. In 2021, SARIO Agency also processed 30 sourcing requests from multinational companies (e.g. from Hungary, Spain, Denmark, India and other countries) as part of the NP. In more than 60 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 some cases mutual communication between the Slovak company and the person submitting the procurement request has already taken place, in order to optimize possible mutual cooperation.

In addition to 2020, also in 2021, the organization of events within the Export Academy was affected by the situation related to COVID-19. For this reason, the Export Academy was only continued in the form of webinars (19 in total) in 2021. A total of 427 small and medium-sized companies took part in the organized webinars. The most prominent interest of SMEs was in tax-related topics, in particular value added tax, but also in the area of customs regulations, etc. 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). The Export Academy also includes advice through the exchange of information, practical training and successful practical examples.

**Slovak Office of Standards, Metrology and Testing (SOSMT)**, which is the central body of state administration in the field of technical standardization, metrology, quality of conformity assessment and accreditation of conformity assessment bodies, develops the concept of state policy and carries out methodically activities and monitors the fulfilment of tasks in the fields



of standardization, metrology, quality, conformity assessment and accreditation of conformity assessment bodies. In 2021, SOSMT implemented the set tasks to support SMEs in Slovakia only from the approved funds of the budget chapter. In addition to the usual competence-based activities, SOSMT managed to take several important steps that have a positive impact and support SMEs. Technical standardization included: reducing the time to make Slovak technical standards available (hereinafter referred to as “STN”) without translation for direct use (by 50% on average); shortening the delivery time of STN in the state language through translation from an average of 15 months to less than 10 months; free access to the second STN package of the European Committee for Standardization in areas related to the fight against COVID-19. In the field of metrology, it was about the drafting of an amendment to the Metrology Act for the equality of legal entities, opening and expanding the market for new economic entities, introducing statistical control of certain measures and overall reducing the bureaucratic burden, which was approved in February 2022 by the NR SR. In addition, it concerned the creation of a comprehensive database of registered and authorized persons, which allows easy search for providers of metrological services and is available on the official website. In 2021, the CAF Centre carried out 77 educational activities and trained 1,092 public administration managers and employees, with a focus on improving the service quality of public administration organizations for SMEs. As part of the compliance assessment and verification, exemptions were granted in 2021 for 7 types of respirators and 11 types of nasal antigen self-diagnostic tests that were not available on the market and needed to address the impact of the COVID-19 pandemic. In addition, for example, the preparation of an amendment to the Act on the conformity assessment of products for making the specified product available on the market, which was approved by the NR SR in June 2021 was discussed. But it was also about preparing an amendment to the Act on the civilian provision of firearms and ammunition with the specification of technical requirements for testing shotgun silencers, which is in the legislative process.<sup>133</sup>

**The Industrial Property Office of the Slovak Republic (IPO SR)** carries out professional advisory activities through the information centre it has been operating since 2006. In 2021, the Office's information centre processed 5,195 requests for information. IPO SR provides a service named Pre-diagnostics of industrial property rights to SMEs. The aim of the pre-diagnostics is to provide basic information from the area of industrial property rights protection so that the companies can create a basic strategy in this area as well. The target group are micro, small and medium-sized enterprises that do not use the possibilities of commercial protection due to insufficient knowledge. 32 SMEs from around the whole country were provided the service in 2021. Through its partners – information and advisory points of the Office for Innovation, INNOINFOs, IPO SR tries to make SMEs familiar with industrial property rights protection. INNOINFOs are established in business incubators, regional advisory and information centres, in regional departments of the Slovak Chamber of Industry and Commerce and in technical universities.<sup>134</sup> In 2021, IPO SR also continued to educate students, the academic community and entrepreneurs about the importance of protecting intellectual property. Due to COVID-19, 3 exhibitions, 2 face-to-face lectures for secondary schools, 2 face-to-face lectures and 2 online lectures for universities were held.

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<sup>133</sup> SOSMT, April 202.

<sup>134</sup> The partners of IPO SR within INNOINFO are currently five regional chambers of the Slovak Chamber of Industry and Commerce - Bratislava, Trenčín, Banská Bystrica, Prešov and Košice chamber. IPO SR actively cooperates also with other regional departments which are not included in the network but they expressed their interest in becoming its members in the future.



## Union of Slovak Clusters (ÚKS)

It is the only organisation representing clusters in Slovakia. In 2021, the Union of Slovak Clusters supported SMEs through the INTERREG DANUBE TRANSNATIONAL PROGRAMME.<sup>135</sup>

Figure 8 Objectives of the ÚKS



- Supporting the creation and development of cluster policy in Slovakia,
- strengthening research, product development, innovation and technology transfer,
- improving the quality of all educational systems in the areas of interest of the member clusters,
- supporting the exchange of information at national and international levels in the field of innovation,
- participation in international partnerships within projects for the area of Education, development, research and transfer of know-how.

Source: IPO. Available online: <https://uksk.sk/>

In 2021, **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 47,565. Within the framework of the above-mentioned contract, the Agroinstitute Nitra (among others) supported and implemented **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. In addition, as part of educational activities, a *Modern Technologies for Animal Production (or Primary Production)* seminar was organized. Among other seminars, an online conference “*The Future of Food is in Our Hands*” was organized to mark World Food Day. In 2021, the Agricultural Institute Nitra continued the implementation of a project 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 2021, the project was financed with the amount of EUR 12,640.

**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. Due to the fact that the COVID-19 pandemic was still ongoing in 2021, several events originally planned for SMEs by Slovak embassies abroad were cancelled, postponed to another date or held online. During the year, SMEs had the opportunity to participate in 40 business missions, 64 fairs and exhibitions, 98 science and research and innovation events, 158 presentation events and 25 economic diplomacy projects. In 2021, the Business Centre of MFAE SR started organizing the cycle of events “From Our Regions to the World”<sup>136</sup>. In addition, the Business Centre of MFAE SR continued to organize Innovation

<sup>135</sup> No information on the number of SMEs funded and the amount of funding.

<sup>136</sup> These represent an interactive presentation of cooperation offers with the aim of involving the private sector, small and medium-sized enterprises, manufacturing companies, and scientific and educational institutions from

Days<sup>137</sup>, eight of which were held in the year under review. In 2021, 346 SMEs were supported through by the Economic Diplomacy Project Scheme. The total disbursement of funds for supported SMEs was in the amount of EUR 133,687. The instruments of participation in development cooperation under the direction of MFAE SR, MoF SR and other public organizations create opportunities for different types of business intentions and opportunities, as well as to ensure continuity and synergy between these instruments. In accordance with state aid rules, the Slovak Agency for International Development Cooperation (SAMRS) provides de minimis subsidies for business plans in Slovakia partner countries of development cooperation. MFAE SR and MoF SR also use special purpose funds set up by the United Nations Development Programme (UNDP) to support various types of development activities carried out by companies from the Slovak Republic. Through the **United Nations Development Programme** (Partnership for effective solutions in the field of development cooperation with a focus on the Sustainable Development Goals "SDGs") MFAE SR (via Slovak Challenge Fund<sup>138</sup>) the implementation of five projects by Slovak companies in 2021 in the areas Green economy, IT technologies for smart cities and health care delivery and rural development supported on the basis of the results of the call supported 5 SME (2 micro-enterprises and 3 small enterprises). The actual spending for the supported enterprises was EUR 82,292.01. In 2021, 4 enterprises in the SME size category (including 3 micro and 3 small enterprises) were supported through the **Business Partnerships Programme** (SAMRS). The amount of actual spending for supported SMEs was EUR 466,859.86 (of which micro and small enterprises received support in the amount of EUR 164,941.98 and EUR 301,917.88, respectively). The instruments mentioned try, among other things, to gradually motivate entrepreneurs to implement larger development projects in the private sector and to gather experience within the framework of UNDP programmes that can be used when participating in general tenders from international organizations.

### 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 2021:

#### Commenting on legislation



ZPS observes with concern the sustained restriction of entrepreneurial freedoms, the increase in the financial burden on the economy and the increase in regulations that make business difficult. ZPS is therefore actively involved in the drafting of legislation, with an emphasis on protecting business freedoms, limiting regulations and simplification of the regulatory framework.

individual self-governing regions more closely in the MFAE SR foreign activities. The first event took place on 22-23 June 2021 in the Trnava Self-governing Region.

<sup>137</sup> These are regular visits by foreign ambassadors accredited in the Slovak Republic to Slovak innovative enterprises and scientific research institutions with strong international potential with the aim of supporting the expansion of Slovak innovations abroad.

<sup>138</sup> The associated UNDP programme "Slovak Challenge Fund" aims to connect the Slovak business sector with sustainable development in selected partner countries (Moldova and North Macedonia) through the implementation of innovative Slovak ideas with growth and transferability potential between sectors and regions.

ZPS, therefore, welcomed the activities of ME SR in connection with the preparation of the second anti-bureaucratic package and the introduction of system tools to reduce the regulatory burden, in the preparation of which it co-operated. 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 2021**



ZPS was an expert guarantor of the annual survey Bureaucratic Nonsense of the Year. This is an anti-award announced by the Young Entrepreneurs Association of Slovakia. The aim of the survey is to identify senseless bureaucratic measures that unnecessarily burden entrepreneurs and to draw the attention of the competent authorities to remove them from the legislation. Of the 56 nominated measures in 2021, the reintroduction of double registration of bank accounts with the tax office took first place.

Second place went to an example of regulation lagging behind innovation. It is forbidden to grow fast-growing trees like Paulownia outside of the municipality without a permit from the authorities, although it is possible to do so within the boundaries of municipalities. The obligation related to the COVID-19 pandemic took third place. From 1 December 2021, the state shifted the costs related to employee quarantine and the so-called pandemic PN (sick days), although they have no means to prevent these situations.

### **Supporting the activities of the SBA Better Regulation Centre**



Thanks to the ZPS initiative, the Better Regulation Centre was established and operates in the Slovak Business Agency, which comments on legislation, calculates costs for SMEs and conducts an impact test for small and medium-sized enterprises, thus helping to improve the quality of the regulatory framework from a smaller perspective and medium-sized companies (more on this in the BRC section).

### **Young Innovative Entrepreneur 2021**



ZPS, in cooperation with the Junior Chamber International – Slovakia, 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**



In 2021, with the ongoing COVID-19 pandemic, ZPS continued to monitor the actions of the government and relevant state agencies related to the pandemic situation, identified concrete impacts on the business sector and proposed measures taking the “pandemic entrepreneurs' experiences” into account. During 2021, ZPS and partners continued to conduct surveys 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



ZPS continued its activities aimed at accentuating the themes of education, schooling, family business and generational exchange. In 2021, the ZPS held a workshop for school management on the topic: “How to make school a place where students don't just sit and how to prepare graduates for the jobs of the future”.

Following its many years of activities in the topic of family business and 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 devoted itself intensively to the business of family companies. In this regard, the ZPS was actively involved in the elaboration and reminder of the Family Business Action Plan, as well as in the legislative process related to the draft amendment of the Social Economy Act, where the applicant proposed the definition of family businesses. Likewise, ZPS continued to cooperate in events where family businesses had the opportunity to acquire and share know-how in the field of generational exchange and succession - the second year of the International Family Business Congress, a series of regional seminars for family business owners on the topic of protecting family wealth and further business development, took place in Malá Ida, Víglaš, Gbeľany and Bratislava.

### Cooperation with think-tanks

In 2021, ZPS collaborated on the Tax Relief Day project, which approximates the amount of the total burden of taxes, duties and compulsory payments on the average salary of a worker.

ZPS was also actively involved in presenting the results of the Bureaucratic Index project, which is a simple and clear quantification of bureaucratic burden and shows how many hours per year, on average, entrepreneurs in the Slovak Republic spend due to bureaucracy.

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

The activities of the Young Entrepreneurs Association of Slovakia in 2021 were also marked by the COVID-19 pandemic and focused on the following areas:

1. Professional activities related to enabling minors to conduct business.
2. Educational and networking events.
3. Identifying and removing barriers to youth entrepreneurship.

The Young Entrepreneurs Association of Slovakia cooperated with the Slovak Business Agency in analysing the issue of “Entrepreneurship of the minors: Slovakia vs. other countries”, which aimed to summarize expert arguments and solutions on how to approach this issue abroad.



At the same time, ZMPS organized an event, the aim of which was to create a platform for a **professional discussion on enabling young people to start a business before reaching the age of majority** (domestic and foreign examples, possible solutions - their positive aspects and risks a) and also a **Discussion on the optimal framework of legal regulation** enabling underage entrepreneurship. Supporters and critics of this project as well as those directly affected by this change met in one place.



In 2021, the ZMPS continued with online events where young entrepreneurs shared their experiences, and how they deal with the changes caused by the COVID-19 pandemic (13.1.2021 – **New business world - what the Corona crisis taught us**) as well as events to facilitate the expansion to abroad or doing business online (31.5.2021 – **How and where to get data on the foreign market during expansion**; 4.2.2021 – **Changes in e-commerce from 1 July 2021**). The pandemic situation made it possible to physically hold several events in 2021. On 29 July 2021, another event from the series of inspiring **Business Walks** took place in Košice. The event participants visited interesting companies operating in the region (Gymbeam, Opre'Cidery and INSPIO) and learned more about their business approach and the background of their growth.



On 8 September 2021, under the auspices of the President of the Slovak Republic, the **Young business inspiration** hybrid conference was held, the aim of which was to show young people their peers and entrepreneurs who started from scratch at a young age and in a relatively short time became successful established companies in our region.



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 significant 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 proposing measures to improve the business environment and accentuate those that are a priority from the point of view of young entrepreneurs.



## • Slovak Craft Industry Federation (SŽZ)

Also in the monitoring year 2021, 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 2021.

Figure 9 Brief overview of the activities of the SŽZ in 2021

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



- Representation of sole traders and SMEs in the negotiations of the Government Council for Cohesion in preparation of the OP Slovakia, of which the President of SŽZ is a member.
- Participation in joint negotiations of organizations representing sole traders and SMEs with Prime Minister of the Slovak Republic, Mr Eduard Heger, mainly on economic and pandemic issues.
- Comments on proposals to improve the business environment contained in the so-called "Entrepreneurial kilo II".
- Submission of comments and participation in online consultations with the Ministry of the Slovak Republic on the legislative intention of recodification of the commercial companies' law and the Civil Code.
- Participation in an online workshop on "State aid for SMEs" organized by BRC in cooperation with the Antimonopoly Office of the Slovak Republic.
- Organization of a webinar (December 2021) on "Preventive Restructuring in Practice".

### 2. Support for education



- Participation in a specialist conference organized by the Employers' Council for dual training.
- Organization of a joint meeting of the Association of Construction Entrepreneurs of Slovakia, Trexima and representatives of SŽZ to examine the possibilities of changing the Trade Licensing Act in the field of construction professions in connection with the announced changes to the Construction Act.
- Participation in consultations within the Dual Education II project on the question of mastership examinations under Slovak conditions, while the Dual II project has the task of developing recommendations for the introduction of mastership examinations in Slovakia.

### 3. Encouraging an increase in the construction of rental housing



SŽZ supports the increase in the construction of rental housing in the private sector and calls on the state authorities to take effective measures, especially in tax and construction legislation, which will contribute to a real increase in the number of rental housing.

In this area:

- SŽZ participated in the meetings to prepare the new Construction and Spatial Planning Act in the Government Office and is closely coordinating the process with other employers' organizations in order to successfully complete these legislative amendments.



#### 4. Tax conditions



- In 2021, the tax and duty reform was presented at a press conference. In this context, SZZ also sent an open letter to the Minister of Finance of the Slovak Republic.
- Participation in consultations on the amendment of the tax code and introduction of the tax reliability index.
- Submission of a dissenting opinion to the Minister of Finance of the Slovak Republic on the introduction of a mandatory electronic invoicing system.
- Participation in negotiations at the Ministry of Finance of the Slovak Republic on the Action Plan for the Development of Family Businesses with the aim of clarifying the requirements for changes in the taxation of property transfers from the sole trader to his/her family members.

#### 5. Social situation of sole traders and SMEs



In this area:

- The activity of the Commission for Family Businesses established by the Ministry of Finance of the Slovak Republic, in which SZZ has a representative, continued during the so-called Action Plan for the Development of Family Businesses.
- The draft law to support short-time work, in which the so-called Kurzarbeit scheme for sole traders is missing, was commented on. The passage of a separate permanent aid scheme for sole traders was promised, but its proposal was not presented by the end of 2021.
- SZZ fundamentally disagreed with the amendment of the Act on Social Economy and Social Enterprises, which should introduce the so-called registered family business with the obligation to use part of the profits to care for relatives. The amendment has not yet been completed.
- The activity of the SZZ representative continued to the Stakeholder Group at the European Employment Agency (ELA) based in Bratislava.
- The activity of the SZZ representative in the Monitoring Committee of OP Human Resources II at MLSAF SR continued.
- SZZ has prepared a statement for EC supervision in connection with the topic of strengthening collective bargaining and the collective protection of the rights of sole traders in the EU.

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

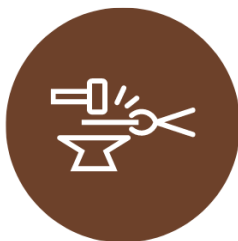


For the development of the membership base and the establishment of SZZ as an important representative of entrepreneurs and SMEs on a national and international level. In this area, SZZ:

- Negotiated the possibilities of cooperation with the founders of the Distillers' Guild, the Association of Accountants of Slovakia and the Slovak Blacksmiths' Guild.
- Continued in the upcoming membership in the APZD (SZZ is a member since 2019), which is a tripartite member in national social dialogue and active cooperation, especially in the field of legislation.
- Worked on SBA committees with a focus on business environment monitoring, support for international trade events and start-ups, and consulting.
- The representatives of the SZZ carried out their activities in the bodies of the SBA, of which it has been a founding member since 1993.

## 7. Promoting members and building the SŽZ membership base

To promote handicrafts and handicraft entrepreneurship:



- SŽZ commented on the amendment of the Trades Act from the workshop of MoI SR.
- In cooperation with the Association of Construction Entrepreneurs of Slovakia and APZD, two comprehensive analyses were prepared on the conditions for the abolition of free trades in construction, the introduction of painting trades and the support of real estate trades. Analyses are available on the SŽZ website.
- In cooperation with the Institute for Central European Studies IstroAnalytica and ZSPS, SŽZ participated in a comprehensive survey on the effects of the corona crisis on construction companies, the results of which were published in the form of a press release.
- Participation of SŽZ in the online meeting of the European SME Assembly in November 2021.

## 8. Promoting the participation of entrepreneurs and SMEs in Industry 4.0 activities



- SŽZ participated in the national consultations on the Partnership Agreement between the Slovak Republic and the EU for the years 2021 - 2027 organized by MIRD SR.
- It published the final study of the project: The impact of digitization on the productivity of SMEs, in collaboration with the Hungarian business organization IPOSZ.

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



- As part of the fight against the pandemic within the framework of the regulation on conducting employee tests by entrepreneurs, representatives of SŽZ were invited to consultations on the preparation of this procedure.
- Through a representative of SŽZ, it continued in the membership in the Commission of the Monitoring Committee for the OP Environmental Quality. With its expertise, SŽZ contributed resources to environmental improvement programmes.
- In cooperation with ÚVO and municipalities in June 2021 the "Stakeholder café", as part of the international project XPRESS+%, for monitoring the current state of so-called green procurement in the conditions of the Slovak economy. Other activities were also carried out by SŽZ within the project in coordination with project partners.

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



The requirements of the SŽZ in the area of health and safety are primarily aimed at the need to raise awareness and protect the health of solo traders. In this area, SŽZ:

- requested the NIP for the statistics of sole trader injuries that occurred during the practice of the profession. Such an accident does not count as an accident at work and therefore the NIP does not keep statistics on what the SŽZ considers to be a fundamental problem.
- Continued to be a member of the Occupational Safety and Health Coordination Committee, of which the Vice-President of SŽZ is a full member. In 2021, the new statute of this Committee was adopted.

**Source:** SBA, compiled on the basis of submissions received from SŽZ

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

It emphasises the following areas:

- enhancing the competitiveness of the Slovak economy;
- improving the business environment, with an emphasis on the legislative environment,
- streamlining EU cooperation activity,
- 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,
- activity 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 2021 have not taken place. Some managed to be organized in short periods of easing of pandemic measures or were carried out online.

**Table 36 SOPK: business missions implemented in 2021**

Missions to/from abroad within EU countries	Missions to/from abroad outside EU countries
<p>Business mission from the Czech Republic (September 2021)</p> <p>Austrian-Slovak Cooperation Exchange* (October 2021)</p> <p>As part of the Enterprise Europe Network (EEN) project, SOPK supported the participation of 52 Slovak companies in 8 foreign cooperation events</p>	<p>In 2021, no service to/from countries outside the European Union was carried out at the level of the SOPK office.</p>

**Source:** SBA, compiled on the basis of the SOPK Annual Report 2021.

Note: \* within the EEN project

## • American Chamber of Commerce in the Slovak Republic

American Chamber of Commerce in the Slovak Republic (AmCham) also focuses its activities on supporting SMEs, mainly through non-financial support in the form of various professional and educational events. The following events for SMEs were held in the monitoring year 2021<sup>139</sup>.

<sup>139</sup> All publicly available recordings of AmCham events, including official conferences, are available on the AmCham YouTube channel and on the AmCham website.

### **Professional events – Webinars (thematic)**

- Changes in labour and payroll laws from January 2021 (28 January 2021)
- Building Act – current challenges and necessary changes (25 February 2021)
- We.Work.New (26 May 2021)
- Green Deal and green financing (18 June 2021)

### **Professional events – Aimed at personal networking:**

- Business Breakfast on “Small and medium-sized enterprises: Challenges and opportunities of international data transfer” (26 November 2021)
- Speed Business Meeting (25 March 2021), (28 September 2021)

### **Virtual events**

- Virtual special event series “Modern and Sustainable Production” (14 April 2021), (20 May 2021)
- Virtual round table on “Digitization - the key to the success of small and medium-sized companies?” (14 December 2021)



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

British Chamber of Commerce in the Slovak Republic (BritCham) 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 2021, it conducted several webinars, events and conferences. More about the events can be found at: <https://britcham.sk/>

### **• 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 companies interested in reducing the negative impact of their activities on the environment.
- Research, production, consulting, project and other units.
- Universities and secondary schools, as well as individuals engaged in solving environmental impacts related to industrial production and other economic activities.

### **• 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 was established with the aim of protecting the collective employer interests of its members,

their business rights and freedoms and to protect them from actions that lead to the deterioration of an equal market environment for companies. 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 the activity of RÚZ, in which it represents the interests of its members, in the form of analyses and assessments of legal business conditions with an emphasis on the practical knowledge of its members, it coordinates their progress, while their main tasks include active participation in the development and implementation of the economic and social policies of the state, as well as preparing and shaping legislation related to the important common interests of employers (with a focus on the areas of labour law, social affairs, taxation, wages, environment and education). It 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.<sup>140</sup>

- **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.

The outbreak of the COVID-19 pandemic caused and still causes significant losses for many small and medium-sized enterprises. During the monitored period, AZZZ SR continually appealed to the importance of communicating with employers as the measures taken by the government have an impact on enterprises. The Association of Employers' Unions and Associations of the Slovak Republic also emphasized that support for enterprises is essential, among other things, in order to maintain wages. AZZZ SR pointed out that the subsidy system is relatively complicated with some exceptions and limitations. Over time, this situation improved and became more transparent, but the aid, which in many cases was targeted at companies, could not compensate for the lost sales and losses that business entities had to cope with. In addition, many enterprises have not received state aid due to bankruptcy, or insurance and tax arrears. In this context, AZZZ SR welcomes the introduction of the so-called permanent short-time work (as an instrument for solving future crises).

- **Industrial Unions and Transport Association (APZD)**

In professional dialogue and in active cooperation with partners, APZD emphasizes the common interests of the industry and its competitiveness. The Industrial Unions and Transport Association is an employers' organisation that brings together the largest employers from the

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<sup>140</sup> More information about the activities and operation of RÚZ is available at: <https://www.ruzsr.sk/sk/activities/>

automotive, engineering, electronics, transport, metallurgy and mining industries in a social dialogue led by the Economic and Social Council of the Slovak Republic.<sup>141</sup>

#### • **Business Alliance of Slovakia (BAS)**

is an association that brings together business people and the third sector, where the main characteristic of BAS activities is that it pursues the interests of the entire business sector in the context of the development of society as a whole. Regular activities of BAS include (among others): monitoring the development of entrepreneurs' opinions about the state of the business environment in Slovakia (Business Environment Index), conducting analyses and surveys and others.<sup>142</sup>

#### **Supporting educational infrastructure**

Also in 2021, 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. Even if the year 2021 represented a specific environment in which the educational process took place (as a result of COVID-19), the successful cooperation with business practice still continued. 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 2021 were mainly related to teaching connected with the issue of SMEs (specific selected 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 2022, EUBA intends to continue to deepen its cooperation with companies as well as with other practitioners in teaching lectures, seminars and various workshops.

In 2021, the **University of Žilina (hereinafter referred to as “UNIZA”)** continued to conduct educational activities aimed at developing entrepreneurial skills, organizing educational activities for entrepreneurs and cooperation through the implementation of joint projects in the field of science and research. UNIZA also continued to support business education at all levels of higher education. In 2021, the University of Žilina supported a total of 41 SMEs through its activities (in the form of SME participation in the implementation of

<sup>141</sup> APZD members: Automotive Industry Association of the Slovak Republic, Mechanical Engineering Industry Association of the Slovak Republic, Electrical Industry Association of the Slovak Republic, Association of Metallurgy, Mining and Geology of the Slovak Republic, Slovak Association of Electromechanics, Association of Construction Entrepreneurs of Slovakia, Slovak Craft Industry Federation, Logistics and Shipping Association of the Slovak Republic, Association of Railways Operators of Slovakia – AROS, Bus Transport Association. Source: Submissions received from APZD.

<sup>142</sup> More information at: <https://www.alianciapas.sk/>.



scientific and professional projects, as well as through the incubator). In addition, UNIZA implemented various courses and trainings throughout 2021, e.g. in the field of safe management of transport and industrial processes. In the monitoring year 2021, for example, targeted training in the field of design and control of electrical machines also took place. UNIZA has successfully continued the implementation of the unique subject *Vocation Entrepreneur* in the updated version of the *Start-up programme* which is aimed at promoting theoretical knowledge, but also at the exchange of practical experience between students and experts from practice. At the same time, the university continued to implement structurally funded projects that supported cooperation with small and medium-sized enterprises. In addition, on 19 November 2021, through a cooperation agreement between UNIZA, the Žilina Self-Governing Region and the City of Žilina, InoVia - a new regional innovation centre, was established, which has two main goals: to create conditions for improving innovation performance and to promote and intensify cooperation of companies, research and educational institutions.

**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. Currently, 46 modular and non-modular courses and further education courses are accredited at the SPU in Nitra, which are taught in cooperation with experts from the field. In 2021, the educational project Basics of Agribusiness in Specialized Crop and Animal Production (implemented within the framework of the Rural Development Programme of the Slovak Republic 2014-2020) was implemented. 15 SMEs were supported through this project. The Faculty of Agricultural Biology and Food Resources of the SPU in Nitra conducted the scientific seminar *Sustainable systems of intelligent agriculture, taking into account the challenges of the future*. As part of the cooperation with SMEs, 3 small companies and 3 medium-sized companies were supported. In 2021, the SPU continued as the EIT FOOD HUB, thus able to contribute to the development of new entrepreneurial talents, support their innovative ideas and expand their activities in line with the food strategy and business plans of the EIT (European Institute of Innovation and Technology). The cooperation with the Slovak Business Agency was declared to be a decisive feature for the successful continuation of the EIT FOOD HUB.<sup>143</sup> In 2021, 15 SMEs were supported through the EIT FOOD HUB. 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).

In 2021, the **Alexander Dubček University in Trenčín** cooperated with several small and medium-sized companies in the field of glass, chemical, rubber and engineering industries. This cooperation was primarily aimed at assistance in ensuring the investigation of material properties, and analysis of material samples. It also included collaboration in submitting and solving projects. FunGlass, the university-wide workplace, cooperated with three SMEs. In addition, the Faculty for special technology assured cooperation in the CEDITEK II project. – Development and support of research and development activities of the Centre for Quality Testing and Diagnostics of Materials in the specialities RIS3 SK (Research and Innovation Strategy for Smart Specialization of the Slovak Republic). Cooperation in the education sector of start-ups was not implemented in 2021.

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<sup>143</sup> More information available online: <https://www.uniag.sk/sk/aktualne-informacie/spu-pokracuje-ako-eit-food-hub-aj-v-roku-2021/>

Table 37 Selected activities implemented by universities in 2021

Activities implemented	University of Economics in Bratislava (EUBA)	University of Žilina (UNIZA)	Slovak University of Agriculture in Nitra (SPU)	Technical University in Zvolen	Alexander Dubček University in Trenčín	Comenius University
Business Education	<p>✓</p> <ul style="list-style-type: none"> <li>Entrepreneurship in small and medium-sized enterprises.</li> <li>Social entrepreneurship.</li> <li>Current trends in ecological and social entrepreneurship in Slovakia. In addition to the topics mentioned, other topics are also dedicated to SMEs, e.g. cooperatives, business ethics, and others.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Profession entrepreneur in the updated version of the Start-up programme.</li> <li>The Future-Ed educational programme created by Civita Slovakia in cooperation with UNIZA and Technology Incubator UVP and Schiedl&amp;Bachmann Slovakia. It is a network of workshops focused on developing key analytical skills that are important for business development and growth. The aim of the educational programme is to provide the participants with practical skills for the work of the future.</li> <li>Motivational and educational events aimed not only at promoting theoretical knowledge, but also at the exchange of practical experience between students and experts from practice.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>The MBA Agribusiness and management programme is accredited by the International AGRIMBA network and offers quality management education and the latest information in the field of agribusiness and economics</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Training in the field of business administration in courses in specific subjects such as Business management, Entrepreneurship in SMEs, etc.</li> </ul>	<p>✓</p> <p>N/A</p>	<p>✓</p> <p>N/A</p>
Training of entrepreneurs	<p>✓</p> <ul style="list-style-type: none"> <li>Through a memorandum of understanding (SPU) and the Department of Tourism Services (EUBA Faculty of Business) offers a programme for entrepreneurs.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Various training courses implemented in the form of lectures.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Entrepreneurial and consulting activity for SMEs</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Entrepreneurial and consulting activity for SMEs in forestry and in the wood processing industry.</li> </ul>	<p>✓</p> <p>N/A</p>	<p>✓</p> <ul style="list-style-type: none"> <li>Diplomatic Academy</li> </ul>
Cooperation with SMEs	<p>✓</p> <ul style="list-style-type: none"> <li>Building the principles of practical practice system.</li> <li>Cooperation with practitioners who actively participate in the teaching process for students.</li> <li>In 2021, the staff of the UNIZA Faculty of Civil Engineering was the responsible solvers of several research projects in cooperation with SMEs.</li> <li>Professional practice - supporting entrepreneurship of students and companies.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Long-term cooperation with companies in the field of safe management of transport and industrial processes.</li> <li>Cooperation with practitioners who actively participate in the teaching process for students.</li> <li>In 2021, the staff of the UNIZA Faculty of Civil Engineering was the responsible solvers of several research projects in cooperation with SMEs.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Fundamentals of agribusiness in specialized crop and animal production.</li> <li>Smart Farming Challenges (SMARTFARM).</li> <li>EIT FOOD HUB.</li> </ul>	<p>✓</p> <p>N/A</p>	<p>✓</p> <ul style="list-style-type: none"> <li>Funding of Project Horizon 2020 - Development and support of functional and surface-functionalized glasses: "CEGLASS".</li> <li>Development and support of the Centre for Quality Testing and Diagnostics of Materials in the Specialties RISC.</li> <li>CEITEK 2 - Development and support research and development activities of the Centre of Materials in the specialties RISC SK.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Participation of SMEs in the implementation of scientific and professional projects.</li> </ul>
Other activities	<p>✓</p> <ul style="list-style-type: none"> <li>Scientific research and publication of articles, book reviews, and the publication of books on the subject of SMEs or management of SMEs (bachelor's, diploma, dissertation) on the subject of SMEs.</li> <li>Popularization of economics and business education. Preparation of the national competition in accounting - "Young Accountant Olympiad 2020".</li> <li>Organization of the national competition in accounting "Young Accountant Olympiad 2020".</li> <li>Events and networks. Organization of joint events with partners from practice.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Continuation of cooperation with agency partners: SEA, SBA with the organization Power Hub and Google.</li> <li>On the basis of the cooperation agreement between UNIZA, the Žilina Self-Governing Region and the City of Žilina, Inovia - a new regional innovation centre, was established. In 2019, UNIZA and Inovia newly founded innovation centre has the following main goals: <ul style="list-style-type: none"> <li>create conditions to improve innovation performance,</li> <li>network and intensify the cooperation between research and educational institutions.</li> <li>Inovia will focus on the intensive combination of teaching and practice. The significant potential for innovation in the academic environment lies primarily in the field of technology, cyber security, and increasing the energy efficiency of buildings, and transport systems, but also in the field of biomedical development.</li> <li>UNIZA continued to implement structurally funded projects that supported cooperation with small and medium-sized enterprises.</li> </ul> </li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>The Office for Project and Transfer Activities of the SPU in Nitra has been established. It provides a wide workplace that combines research and practice. Its task is among other things, the transfer of knowledge and technology into practice and the protection of intellectual property.</li> <li>The international cooperation in the field of transfer activities participation in the Danube Transfer Centres network.</li> </ul>	<p>✓</p> <ul style="list-style-type: none"> <li>Completion of the cooperation with the agency for the realization of scientific and professional work for students of the I, II, and III. university degree.</li> </ul>	<p>✓</p> <p>N/A</p>	<p>✓</p> <p>N/A</p>

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

\*Note N/A - 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)

The STU University Technology Incubator (UTI STU) has supported more than 84 companies since its establishment (in 2005). The focus of the UTI STU funding is the provision of suitable framework conditions for project development and product or service validation (3-month START programme) as well as support for the founding and development of start-ups (2-year InQb programme) in the form of education via the education system, individual and group mentoring, networking between founders and mentors, etc. In 2021, 53 projects were incubated in the START programme and 9 start-ups in the InQb programme. The university technology incubator STU organized a total of 41 events in 2021, 19 of them for the public, 19 internal educational events for members of the START and InQb programmes and 3 events also for start-ups, where they presented their business ideas, Startup Pitch. In 2021, the IMPULZ CORONA STU project, which was created as a response to the coronavirus crisis, was continued.

## Slovak University of Technology (STU)

### ŠTART programme



- Three-month programme.
- Suitable for students, postgraduates, graduates and people with business experience, but also without.
- Activities include e.g. mentoring, networking and many other activities.
- In 2021, 53 projects were incubated in the ŠTART programme.

### InQb programme



- The target group for the funding are companies that are geared towards providing products and services in the IT and education sectors.
- Innovation is the area of support.
- INOB programme supported 8 micro-enterprises in 2021.

**Source:** SBA, compiled on the basis of submissions received from STU

**Table 38 Selected activities implemented by UTI STU in 2021**

Realized activities	Business education	Training of entrepreneurs	Cooperation with SMEs	Other activities
Technological Incubator of STU University (INOB)	✓	✓	✓	✓

**Source:** SBA, compiled on the basis of submissions received from STU

## • 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. <sup>144</sup>

<sup>144</sup> More information available at: [www.uvptechnicom.sk](http://www.uvptechnicom.sk)



## TECHNICOM University Science Park



It creates conditions for linking research and development areas with business practice, especially with regard to SMEs.



It helps to create conditions for promoting innovation, technology transfer and protection of intellectual property.



The aim is to support the establishment and development of companies that use the results of research and development for their innovative products, goods or services.

**Source:** SBA, compiled on the basis of TUKE documents

## Start-up Centre and TUKE Incubator



It helps to "start" the process that supports the interested parties in the implementation of their innovative ideas and provides the so-called pre-incubation support in the initial phase of developing their innovative project plans according to their current needs. It also offers a unique acceleration programme during the 6-month stay in the Start-up Centre.

It provides an incubation environment for emerging innovative companies (start-ups, spin-offs) and through the so-called Growth Programme helps them turn innovative ideas into commercially viable products.



The aim is to provide an incubation environment to ensure the acceleration process for the creation and development of small and medium-sized high-tech enterprises, or start-up and spin-off companies.

**Source:** SBA, compiled on the basis of TUKR document

## 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 2021 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 (SMEs). 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 four published analytical outputs.



#### Analysis of the quality of the regulatory framework and the legislative process

The analytical document aimed at the quality of the **regulatory framework and the legislative process** presents the **main legal regulations** (25 laws) regulating business activity in the conditions of the Slovak Republic in various areas for the period **2017 – 2021**.

<b>Accounting and taxes</b>	<b>Fees</b>	<b>Basic laws</b>	<b>Employment</b>	<b>Other areas</b>
e.g. Tax Code, Accounting Act	e.g. Court Fees Act, Administrative Fees Act	Commercial Code, Commercial Register Act, Trade Licensing Act	e.g. Labour Code, Social Insurance Act, Health Insurance Act, Occupational Health and Safety Act	e.g. Personal Data Protection Act, Consumer Protection Act, e-Government Act

**Particular attention** is paid to the legislative process of **selected 11 key laws**. Subsequently, as part of a comprehensive analysis, **recommendations for improving the quality of the regulatory framework** are presented.

The analysis showed that in the monitored period 2017-2021, the wording of selected 25 economic laws was amended 308 times, which corresponds to an average of almost 62 times per calendar year. In view of the **number of amendments** to the aforementioned laws, the **regulatory framework** thus places an unreasonable burden on companies associated with the monitoring and subsequent implementation of changes to business processes. Likewise, the **increasing number of pages** of the aforementioned laws in the observation period reflects the more extensive and probably more and more complicated legislation in Slovakia.

The **legislative process** of the 25 laws mentioned has been analysed from several perspectives over the past 5 years. The average time that entrepreneurs have to prepare, or to ensure the status of compliance with its provisions, from the date of entry into force of the law was 112 days. It is the so-called **absence of law (vacatio legis)**, the length of which (112 days on average) can be considered a reasonable amount of preparation time. The exception was the time in connection with the COVID-19 pandemic, in which there were shorter **absences of law** of 1 to 3 days. Regarding the **type of amendments** affecting the wording of the aforementioned laws, indirect government changes were the most prominent (210). The fewest amendments were made through indirect parliamentary amendments (10). **Accelerated legislative procedures or accelerated inter-ministerial commenting procedures usually** only take place occasionally. Nevertheless, during the period of the COVID-19 pandemic, a larger number of adopted laws were registered in accelerated legislative procedures, which also affected the business environment in Slovakia.

In general, the major problem are amendments for which there was no inter-ministerial commenting procedure or if there was any, its evaluation is not published on the relevant online portals. The above situation occurs most frequently in the case of parliamentary changes to the law, which can subsequently lead to problems in the practice of application and the change in the law. As part of the topic analysis, a detailed analysis of the statements made in the inter-ministerial commenting procedure was carried out using the example of the introduction of the e-Kasa system. For **selected 11 key laws**, a detailed analysis of the legislative process in the National Council of the Slovak Republic was carried out from a quantitative and qualitative point of view. The focus was on **amendments and additions proposed by the National Council of the Slovak Republic committees and Slovak MPs**, the wording of which can no longer be influenced by the specialist public. In the monitored period 2017-2021, in relation to the 226 amendments to the considered laws in the individual **National Council of the Slovak Republic committees**, 657 supplementary and amending proposals and 210 supplementary and amending proposals of **members of the National Council of the Slovak Republic** were raised. The general conclusion of the analysis was that **the most non-conceptual** interventions in legislation in both cases had the character of **political marketing**.

The results of the **qualitative survey**, which contributed to the completion of the presented matters, indicated that the biggest problem for entrepreneurs from the ranks of SMEs doing business during the monitored period, or longer, is the number of legislative changes. From the point of view of those surveyed, the second most common problem was the frequent change in the law. Especially in the last two years, due to the COVID-19 pandemic, the biggest problem for SMEs has been the implementation of anti-pandemic measures. In addition, due to some deviations from the regular legislative process, the respondents cited issues related to, for example, changes in the levy increase, the introduction of recreation vouchers, changes in VAT rates or the introduction of a financial allowance for meals.



The **proposed recommendations** to improve the quality of the regulatory process are divided into two groups. To solve **procedural problems**, i. e. developing the legislative procedure, it is proposed to comply with the existing rules for creating legislation and to accelerate legislative procedures and processes. An equally important recommendation is the creation of a reasonable time for entrepreneurs not only to adapt to the new legal regulation but also the time during the creation of the legal regulation with the opportunity to use consultations. Another of the proposed measures is the introduction of the so-called sunset clause, which limits the validity of the new legal measure and increases the bureaucratic burden. Updating and linking portals through which information related to the legislative process is published is a proposed solution to prevent or eliminate **technical problems** in the legislative process.

### Analysis of the SMEs payment obligation

In addition to tax and duty obligations, entrepreneurs encounter a large number of reporting, administration and duty obligations in the course of their business activities, which have a negative impact on the financial burden on the enterprise.

The developed analysis **presents the required fee systems** at the national, regional and local levels and the **associated obligations of SMEs**. As part of the analysis, the **main barriers and limitations related to** the mentioned system in the conditions of the Slovak Republic are identified. With the aim of making the fee system more transparent and reducing the fee burden for SMEs in Slovakia, **suitable measures are proposed** as part of the analysis. The presented **examples of good practice** in the field of fee systems in **selected EU countries** reflect the importance of digitization of public administration, which is also one of the proposed measures of the mentioned topic in Slovakia.

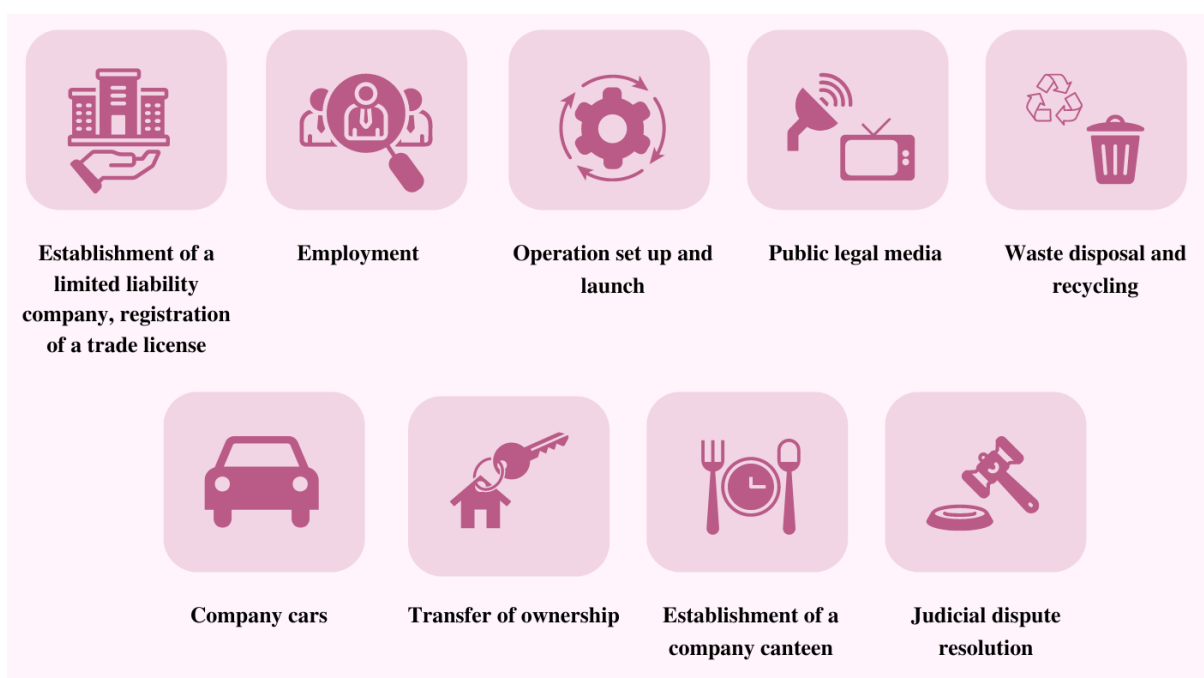
The basic breakdown of fees by area is the subdivision into **administrative and court fees**. Administrative fees are mostly associated with permitting, issuance, certification and registration. Bankruptcy and enforcement proceedings, court record documentation and criminal record extracts are the most common situations related to the payment of court fees. **Concession fees, other fees and fees of self-government, the so-called municipal fees**, are of particular importance. The rates of fees, how they are paid and other details are specified in the relevant law, while the competent administrative authority is responsible for collecting these fees. Exceptions are other fees, within which fee rates are determined by the competent administrative authority. In the case of municipal taxes, the self-government district, city or municipality decides on their application and the amount of the rate.

As the analysis has shown, the **most costly in terms of fee regulation** are the areas of business that are affected by laws **protecting the consumer, the environment and economic competition**. In addition to the **direct financial costs** of paying fees, entrepreneurs also incur **indirect financial costs** for employees carrying out work related to fee regulations or for the services of external experts. In addition to the **administrative costs**, the entrepreneur is also obliged to prepare and submit documents in connection with the payment of the fee. As part of the present analysis, a brief **overview of SMEs' fee obligations** is supplemented by the respective **level of the average rates for their payment**.

Among the fee obligations of SMEs related to the **most requested acts of public administration** is the **application for a permit**, while the highest fee rates for the business license are recorded in the energy sector. The obligation to submit an **application for issuance of a certificate**, which is a special document, is necessary for the performance of another act or activity stipulated by another regulation. Part of the fee obligations are certificates that confirm the professional quality or technical quality of the product. The case of carrying out a

specific activity or placing it on the market, or using the product or equipment, creates a **registration obligation** for SMEs. **The licensing requirement** is one of the most common fee requirements for SMEs. **The license**, as one of the other fee obligations, is granted to SMEs by public bodies while within some areas and permits it is time-limited. For the above reason, it is awarded to entrepreneurs at several stages of their business activity. The public administration authorities have the power to issue a **decision** against payment at the request of the petitioner (SME). The obligation to **apply for examination** occurs for an SME in particular in the case of an examination or check-up in connection with specialist knowledge for technical professions and occupational safety. Small and medium-sized enterprises are obliged to submit an application to the relevant competent authority if they need to **extend the documents validity**. This applies in particular to certificates, cards, licences, powers of attorney, registrations, permits and notices whose validity is limited. Before a vehicle is put into service or placed on the market, SMEs must **apply for vehicle registration**. If the entrepreneur decides to **change the personal data** in the certificate, permit or register, they are obliged to apply for this based on the application. **Less common fee obligations include** an application for electronic transmission of documents, an act of mediation by a Slovak authority towards a foreign authority, the initiation of a procedure for filing a right in the real estate cadastre, and others.

In addition, the analysis uses a model example to **identify the phases of the business cycle of Slovak SMEs and the associated measures** that are **most burdened** with fees.



Several changes have recently been made as part of **regulatory policy**. One of these changes is the **adoption of the Bureaucracy Act** (Act No. 177/2018 Coll. on Certain Measures to Reduce Administrative Burdens through the Use of Information Systems of Public Administration), which abolishes the obligation of public authorities to use data stored in information systems introduced by entrepreneurs to ask for them again and, where necessary, to make them available to each other free of charge. With effect from October 2020, the **rates of court fees in Commercial Register matters in the Court Fees Code** (Act No. 71/1992 Coll. on Court Fees) were adjusted to the level of fees for electronically submitted applications to the Commercial Register. In 2020, the Ministry of Economy of the Slovak Republic approved the “**entrepreneurial kilo**”, which defines more than 100 measures related to improving the

business environment. A year later, it introduced a system tool to reduce the regulatory burden – **the one-in-one-out principle**, which aims to ensure that when ministries or agencies adopt new regulations in the same area, they simultaneously reduce the regulatory burden.

One of the **proposed solutions** to the problem related to the **lack of transparency of the fee system and the high regulatory fee burden** on entrepreneurs in Slovakia is to conduct **fee burden audits at all management levels**. The conclusions and findings of the audits allow managing authorities, inter alia, to take action to eliminate or cancel fees that have lost their justification or are repeatedly levied for an action. According to the proposed measures, part of the audits should also be **conducting a regular satisfaction survey of entrepreneurs in the field of regulations, obligations and charging of fees under the conditions of the Slovak Republic**.

The reason for the proposed measure in the form of **minimizing the number of changes and amendments to legislation is the lack of clarity, interpretation and stability of legislation**. In order to solve the above problem, emphasis is also placed on **involving the business sector in the legislative process in order to give entrepreneurs sufficient time to adapt to changes after the legislation is adopted and to harmonize the related required information**.

**In order to speed up the procedures of public bodies** in procedures and decisions, the proposed measure is the **removal of barriers in the field of digitization of public administration**. In particular, this involves **greater support for the use of automated means**, not only when submitting documents, but also when entrepreneurs communicate with the responsible authorities.

Within the framework of the analysis, particular attention is paid to **measures** with the aim of **simplifying, shortening and reducing the fee burden** on entrepreneurs when obtaining a **zoning decision and planning permission**.

### **Comprehensive audit of SMEs obligations related to OSH**

A comprehensive overview analysis focused on the obligations of SMEs in terms of ensuring occupational health and safety. The examination focused on providing a comprehensive overview of the legal requirements and obligations of small and medium-sized companies. Particular attention was paid to mapping the obligations arising from national legislation in the area of health and safety for companies from the ranks of SMEs. The analysis also included a comparison of the legal framework for occupational safety and health in the V4 countries. At the same time, several areas were identified where national law is applied beyond the requirements of the European Union.

On the territory of the Slovak Republic, the legislation in the field of safety and health at work consists of a number of legal regulations and other standards. Thus, the relevant legislation imposes a number of obligations on employers, the fulfilment of which is often time-consuming and financially expensive, resulting in an excessive financial and administrative burden in many cases. As part of the *Comprehensive audit of SMEs obligations related to OSH*, a detailed analysis of the legal framework on the territory of the Slovak Republic in this area, including its continuity with international and European standards, was carried out. The analysis also focused on quantifying the costs associated with OSH. From the identified obligations, the costs were quantified, resulting from 45 obligations for the entire SME segment and 234 obligations at the company level (of which 76 were based on a model example). From the analysed obligations, which were the subject of the quantification, costs for the entire SME segment were identified at the level of more than EUR 332 million, while administrative costs made up more than one quarter of the total costs.

More specifically, the analysis showed that these costs are incurred by entrepreneurs mainly in connection with the fulfilment of general occupational health and safety obligations that affect all employers. This is, for example, the enactment of internal rules and regulations on safety and health protection at work, the definition of safe procedures or the creation of written documents for risk assessment for all employee activities. It turned out that the highest administrative costs were quantified primarily in the fulfilment of obligations in the area of keeping mandatory documentation and records in connection with safety and health protection at work and in connection with reporting accidents at work.

The complex audit processed by SBA also pointed out that there is a relatively large scope for adjustment in the area of OSH (and associated individual obligations) in the direction of reducing the administrative and financial effort for entrepreneurs. In connection with specific findings, it is inevitable to emphasize that it is necessary to take such measures in the field of health and safety that will simplify the fulfilment of certain obligations for entrepreneurs, while at the same time prioritizing the activity of applying health and safety training more efficiently.

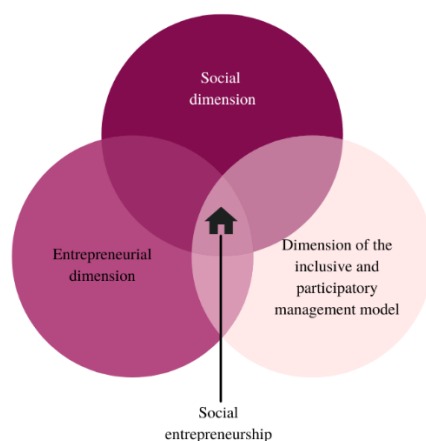
### Development of social entrepreneurship in Slovakia

**Social enterprises** play an important role in job creation, work integration and inclusive and sustainable growth. Their functioning in the conditions of the Slovak Republic is based on three **main pillars**, which include the **legal environment, advisory infrastructure and financial support**.

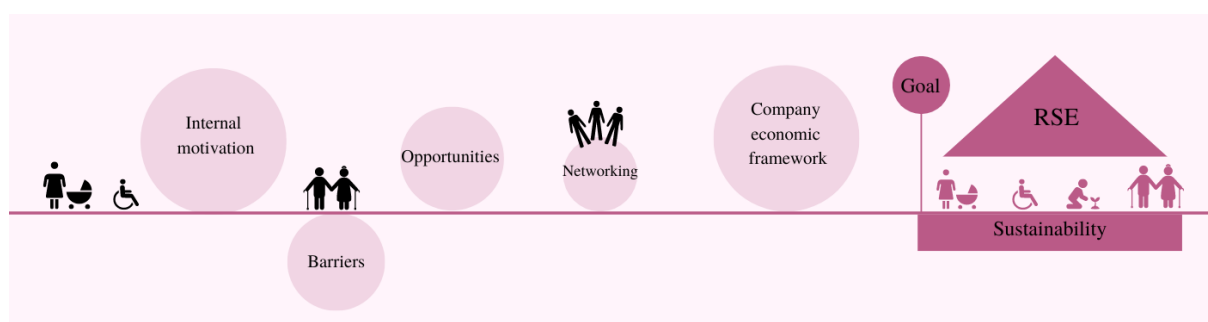
Continuously, since the adoption of Act No. 112/2018 Coll. on Social Economy and Social Enterprises, there has been a growing interest in social entrepreneurship, which is also evidenced by the number of registered social enterprises (hereinafter referred to as "RSEs") in Slovakia. By the end of August 2021, there were 407 of RSEs, and almost 77% of which were micro-enterprises. Regional differences were also reflected in the representation of RSEs in the regions, i.e. in regions with a higher unemployment rate, the proportion of registered social enterprises is higher. By type of registered social enterprises, integrative RSEs predominate, which is related to the primary perception of the intent of social enterprises. But the current legal regulation of the social economy and social enterprises has much greater possibilities and opportunities.

RSEs had the **highest representation** in sectoral terms in **business services and industry**, and in terms of legal form, **limited liability companies** had the highest representation. The development trend was also influenced by the increased interest of municipalities in social entrepreneurship in the last two years. One of the reasons was the development of the COVID-19 pandemic and the associated suspension of several active labour market policy instruments.

Social enterprises fulfil the **"higher purpose"**, or they have a social mission while reinvesting a significant part of their profits into fulfilling social or environmental goals (they contribute to positive social change, i.e. they socialize profit). They stand for the harmonization of the principles of **classic business with the principles of social responsibility**. Other evident features of social entrepreneurship include management and employment. From this point of view, **registered social enterprises** (particularly integration-registered social enterprises) belong to the categories of **employers that employ disadvantaged and vulnerable employers that employ disadvantaged and vulnerable people**. In addition, in the case of a registered social enterprise, the **employees are involved in the decision-making process or the definition of the company's goals**.



The results of the roundtables with selected integrative registered social enterprises and experts in the social economy have also **highlighted specific assumptions** that should lead to a balance between achieving financial sustainability and positive social impact.



An important role in the sustainable concept of social entrepreneurship (with an inclusive character) is played by the strong **internal motivation** of the person interested in creating an RSE to contribute to solving the problem of employing disadvantaged and vulnerable people. Building mutual trust between employer and employee of an inclusive social enterprise is closely related to internal motivation. Application practice also shows that successful social enterprises have set up in the field of work with disadvantaged and vulnerable persons **the so-called “minimum standards”**. After all, employing disadvantaged and vulnerable people has its own specificities, ranging from the sensitive allocation of jobs to the acquisition of work habits and the monitoring of the quality of products or services provided.

From the point of view of mapping social entrepreneurship development, the progressive **networking** of social economic entities, which are currently merging into **umbrella organizations of the social economy**, is also beneficial. The networking of business entities contributes to the mutual cooperation of related entities, which in this case have the same goal (i.e. achieving measurable positive social impact).

Achieving **financial sustainability** also requires an active approach of the social enterprise to a certain extent, e.g. in the area of searching for buyers, or customers. A special prerequisite for a future-oriented concept of social entrepreneurship is the **teaching of business management skills**, from the perspective of several dimensions. This is mainly an area of professional training aimed at developing the skills of social enterprise managers, educating leaders (executive employees), but also of people interested in social entrepreneurship.



In addition to the positive economic and personal framework conditions of integrative social entrepreneurship, there are **external factors** such as access to available instruments such as compensation payments.

In addition to the barriers, the analysis also identifies **challenges** that require greater use of service vouchers, more dynamic support for social enterprises through investment aid and a reduction in the administrative burden associated with it, and an increase in awareness of the current concept of social entrepreneurship, including in society as a whole. Also, the participants of the mentioned round tables contributed with several **suggestions** for improvement, or refinement of the supportive environment of social enterprises in the Slovak Republic.

## 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 part of the report contains a brief summary of selected quantitative surveys conducted by the Slovak Business Agency in 2021.



### 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 main coordinator of the GEM survey in Slovakia is the Faculty of Management of the Comenius University.

The results of the GEM survey of the adult population (APS) in 2021 **indicate a decreasing perception of good business opportunities in their environment.** Year-on-year, the proportion of respondents who perceive suitable business opportunities decreased (by 7.5 p.p.) to 33.4%.

The relatively high self-confidence of Slovaks, which in recent years has manifested itself in a high perception of their knowledge and skills needed to start a business, has not been confirmed in 2021. Year-on-year, the **perception of one's own knowledge and skills for starting a business in Slovakia fell by 14.6 p.p. to 41.8 %.**

Social attitudes towards entrepreneurship has improved in Slovakia in recent years. **Business is considered as a suitable career choice for more than half of the respondents (52.4 %).** This represents a year-on-year increase of 3.1 p.p.



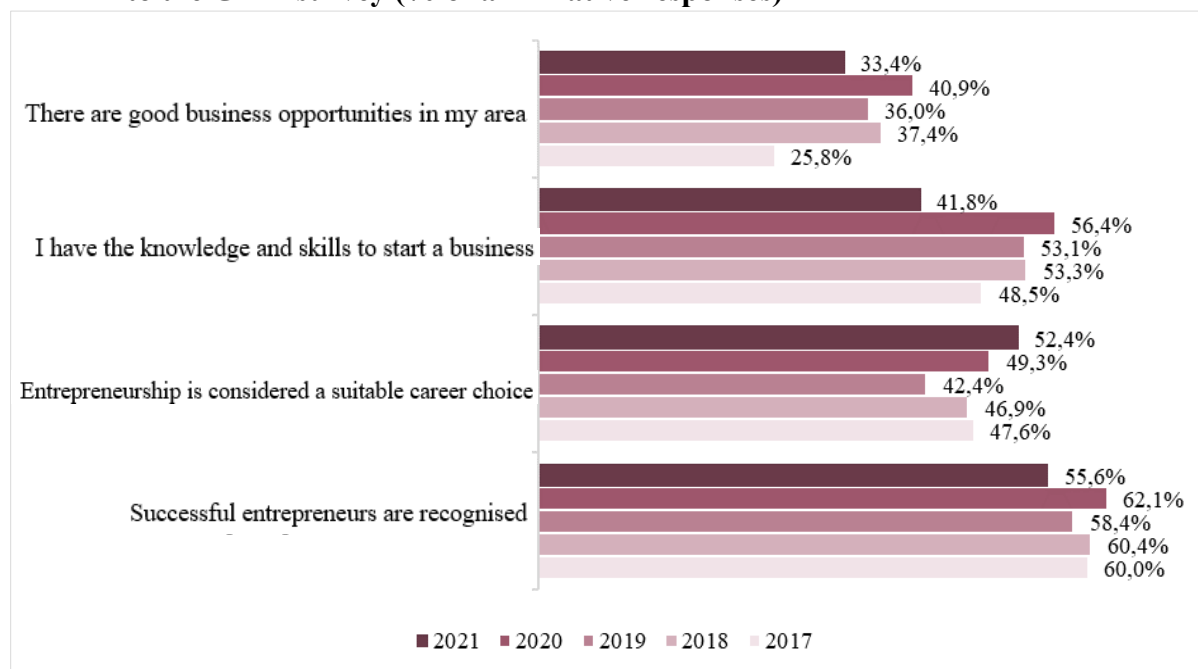
The perception of successful entrepreneurs and the associated social status have also deteriorated slightly. **More than half (55.6 %) of Slovaks think that success in business is associated with social recognition.** In 2020, nearly two-thirds (62.1 %) of the population believed successful entrepreneurs were recognized.

In Slovakia, **fear of failure would prevent 46.0 % of the population from starting a business**, a slight decrease from 2020 (48.7 %).

**The majority of people in Slovakia (54 %) personally know at least one person who has started a business** in the last 2 years, while every fourth inhabitant knows more than one entrepreneur.

The results of the survey also point to the need for further simplification of the conditions for starting a business, as **more than half (60.5 %) of Slovaks believe that starting a business in Slovakia is not easy.**

Chart 17 **Selected attitudes of the Slovak population towards entrepreneurship according to the GEM survey (% of affirmative responses)**



Source: Global Entrepreneurship Monitor, compiled by SBA

### SME views on the quality of the business environment in Slovakia

A quality business environment is generally regarded as a key condition that determines the long-term competitiveness and growth of any market economy. Due to the need for a systematic assessment of the quality of the business environment in Slovakia, the Slovak Business Agency regularly conducts a survey among SMEs, which focuses on assessing satisfaction with the conditions for doing business in Slovakia and identifying the most serious obstacles. The last survey was conducted in October 2021 with a representative sample of 1,000 small and medium-sized entrepreneurs. Detailed results are processed and may be found in the Survey Report<sup>145</sup>.

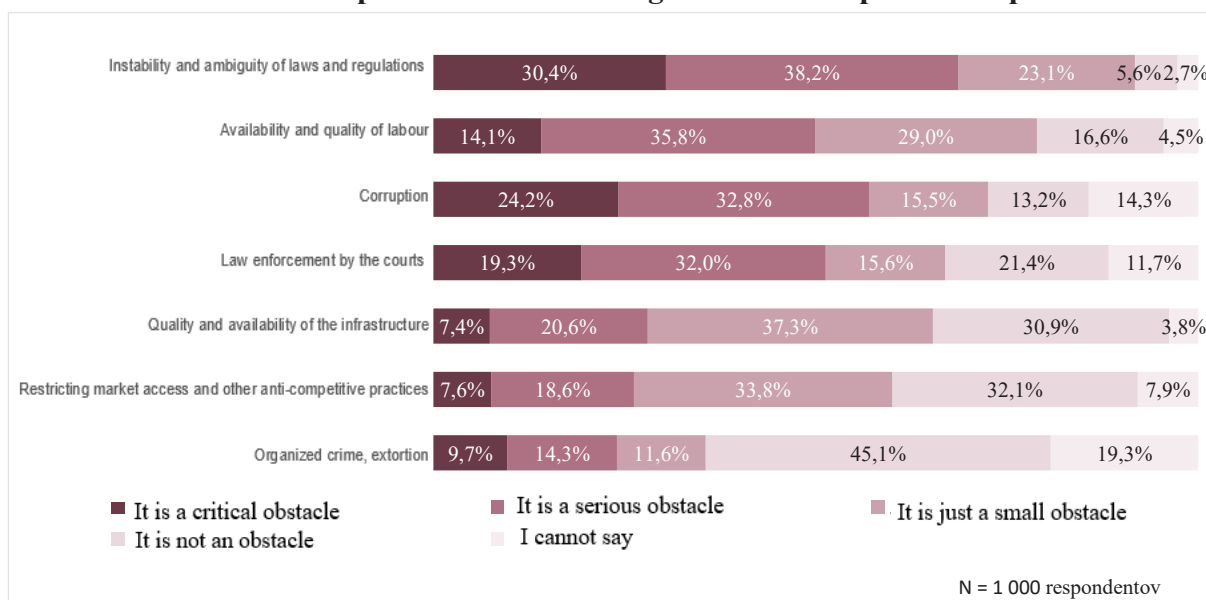
<sup>145</sup> Available at: <http://monitoringmsp.sk/wp-content/uploads/2022/01/Nazory-MSP-na-kvalitu-podnikatelskeho-prostredia-na-Slovensku.pdf>

The results of the survey show that **more than half (61.3 %) of the representatives of small and medium-sized enterprises are dissatisfied with the current business conditions in Slovakia.** The index of satisfaction of small and medium-sized entrepreneurs with the current state of the business environment reached a value of 4.1 points on a scale from 1 – the highest level of satisfaction to 6 – the lowest level of satisfaction. According to the SMEs surveyed, the framework conditions for business activity in 2021 have not deteriorated compared to the time before the corona crisis.

Entrepreneurs felt more favourable conditions for doing business at the beginning of their business activity, more than half (66.1 %) of entrepreneurs were more satisfied with the conditions for doing business at the beginning of their business activity.

**For SMEs, the biggest obstacle to the functioning and further growth of the company is the instability and ambiguity of the law (91.7 %).** 78.9 % of SMEs identified the problem of labour availability and quality as a barrier to doing business. Respondents also cited enforceability of rights through the courts (72.5 %) and corruption (66.9 %) as major obstacles to doing business in Slovakia.

Chart 18 **Barriers to the operation and further growth of entrepreneurship**



Source: SBA

The results of the survey further indicate that **government intervention is also a barrier to business activity for small and medium-sized entrepreneurs.** The main problems are the regulation of labour and legal relations (66.6 %), the regulation of the prices of goods and services (56.9 %) and state intervention in the area of consumer protection (53.4 %) and environmental protection (52.7 %). An obstacle in economic competition is seen as a problem by 49.1 % of SMEs.

Among the institutions that require filling out applications that entrepreneurs consider unnecessary, the most frequent SME respondents were the Statistical Office of the Slovak Republic (55.2 %), institutions that grant subsidies, or deciding on European funds (48.6 %), the Social Insurance Institution (45.5 %) and the Financial Administration of the Slovak Republic (44.2 %).

Entrepreneurs in Slovakia have long pointed out the problem of compliance with the applicable laws in their businesses. More than a third (35.0 %) of small and medium-sized

entrepreneurs believe it is not impossible to do business in Slovakia **without ever breaking the law**, and almost the same number (34.8 %) of entrepreneurs firmly believe that it is possible to do business without breaking the law.

Entrepreneurs cite frequent changes and the impossibility of regular checks as the **biggest obstacle** to complying with the law (78.6 %). According to entrepreneurs, the second major obstacle is that laws are passed without sufficient consultation with entrepreneurs (75.6 %). The third major obstacle is the law ambiguity (72.6 %). More than half of entrepreneurs (55.7 %) believe that compliance with the law is not enforced equally across the board.

As a result of the corona crisis, 17.7 % of the SMEs addressed have started to **fundamentally digitize their processes**. Almost another third (31.0 %) of the respondents only minimally engaged with the digitization of their company. Almost half of the SMEs **have not started a digital business transformation** in response to the ongoing corona crisis. Up to two-thirds (66.4 %) of the small and medium-sized entrepreneurs, who reported little or no digitization in the survey, believe that the nature of their business does not require any significant digital transformation of the business and the high costs associated with the introduction of digitization in the company are seen as an obstacle by 16.6 % of the entrepreneurs. Almost 14 % of those surveyed see the time required as an obstacle.

From the point of view of facilitating doing business in Slovakia, the entrepreneurs surveyed **prefer a fundamental reduction in the duty** (37.8 %) and tax burden (21.2 %) in the future. Less frequent legislative changes are preferred by 16.1 % of entrepreneurs. A fundamental reduction in administrative burden and more accessible support for business development are preferred by 7.9 % of entrepreneurs.

### **SME access to finance**

In order to assess the approach of SMEs to financing their business, the Slovak Business Agency conducted a representative quantitative survey, conducted in the form of telephone interviews between October and November 2021 among a total sample of 1,004 small and medium-sized entrepreneurs. Detailed results of the survey may be found in the Survey Report<sup>146</sup>.

According to the results of the survey, the **vast majority (77.8 %) of small and medium-sized entrepreneurs in Slovakia finance the start-up of their businesses from their own financial resources**. Less than a fifth of entrepreneurs used the savings of other family members to start their business (16.6 %) and a tenth of SMEs used a bank loan. Almost two fifths of SMEs (36.9 %) needed less than EUR 5,000 to start a business.

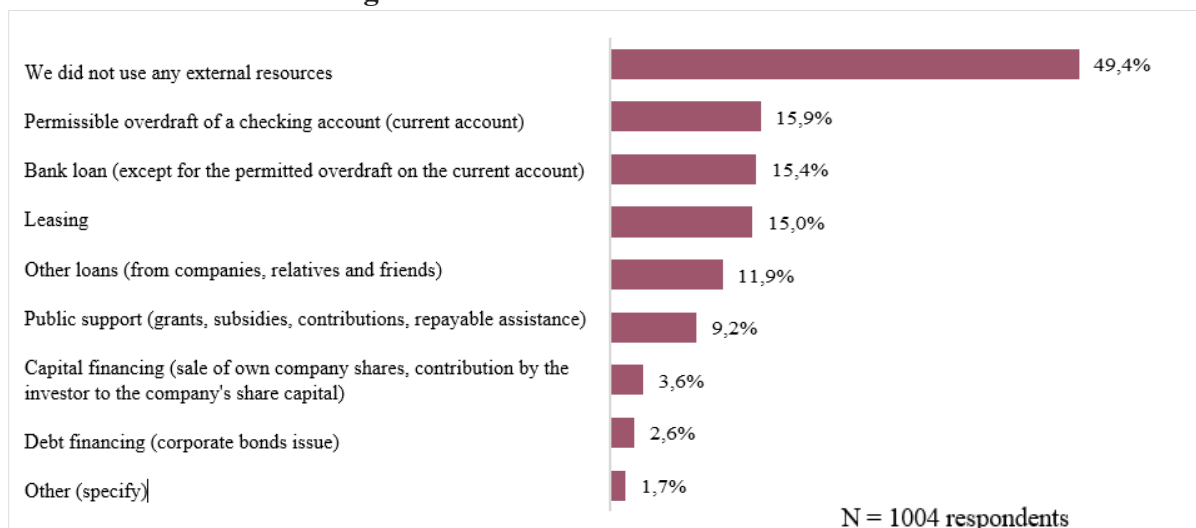
The survey results also show that for **almost half of the SMEs (46.8 %), raising external sources of finance is not an obstacle to the operation and development of the company**. On the contrary, it is an obstacle for 44.7 % of SMEs, of which 14.2 % consider it a serious obstacle.

According to the processed survey results, the **most common source of external financing in the last 12 months was a bank overdraft** (15.9 %), **and the second most common source of external financing was a bank loan** (15.4 %). Leasing, reported by 15 % of respondents, is close behind. Almost half (49.4 %) of SMEs did not use external sources of finance for their business purposes.

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<sup>146</sup>Available at: [http://monitoringmsp.sk/wp-content/uploads/2022/01/Pr%C3%ADstup-MSP-k-financovaniu\\_2021.pdf](http://monitoringmsp.sk/wp-content/uploads/2022/01/Pr%C3%ADstup-MSP-k-financovaniu_2021.pdf)

Chart 19 External financing sources used in the last 12 months



Source: SBA

The results also show that almost three quarters of SMEs (72.1 %) have not applied for a bank loan in the last year. Just under a tenth (9.4 %) of the entrepreneurs who applied for a loan were also completely satisfied, while almost a tenth (9.8 %) were dissatisfied.

**The most common reason for dissatisfaction with an SME loan application (39.6 %) was a lack of own funds.** The second reason given by SMEs applying for a loan was insufficient credit protection (33.3 %).

Of the entrepreneurs who took out a bank loan, more than half (58.5 %) indicated that the loan amount was between EUR 25,001 and EUR 100,000. Up to 38.9 % of entrepreneurs used a bank loan to finance business activities. Almost a quarter (23.4 %) used it to buy a property, means of transport or machinery.

**According to the survey results, the financial situation of more than half of small and medium-sized entrepreneurs (55.5 %) has deteriorated since the start of the COVID-19 pandemic.** Almost two thirds of SMEs (63.3 %) have not used any financial support from public authorities in connection with the COVID-19 pandemic.

More than a quarter of small and medium-sized entrepreneurs (26.6 %) have faced a loan or lease repayment problem during the COVID-19 pandemic. Almost 85 % of small and medium-sized entrepreneurs have not used loan deferrals during the COVID-19 pandemic.

**Small and medium-sized entrepreneurs see insufficient loan security as the greatest limiting factor when taking out bank loans (33.3 %).** Another limiting factor, according to 25.1 % of SMEs, is the unfavourable business environment and the company's short history (17.6 %).

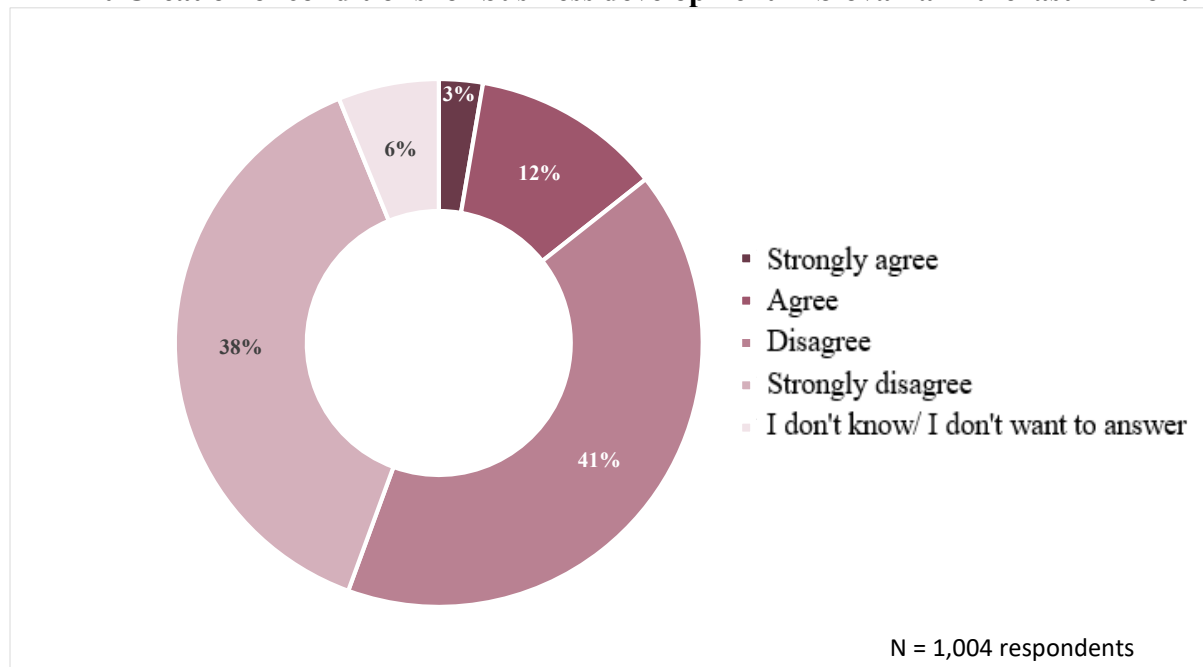
**Almost half of the SMEs (47.8 %) assume that they will need external sources of finance in the coming years.** Of the entrepreneurs who will be dependent on external sources of finance in the next two years, more than half of the SMEs expect to use a bank loan as an external form of financing. Government support in the form of external financing is expected to be used by 27.5 % of small and medium-sized enterprises. Leasing is the third most common requirement for external financing in the next two years, with a quarter of SMEs (24.6 %) planning to use it.

## Monitoring the application of the SBAfE principles

The Slovak Business Agency also conducted a survey aimed at mapping the situation in the area of implementation of the SBAfE principles and evaluating their application in practice. The goal of the ten principles, or core values, is to remove the obstacles that prevent small and medium-sized enterprises from growing and increasing their competitiveness and to create the conditions for the creation of additional jobs in the SME sector. The survey was conducted in October and November 2021 with a representative sample of 1,004 small and medium-sized entrepreneurs. Comprehensive results are processed and may be found in the Survey Report<sup>147</sup>.

**According to the survey results, more than three quarters (79.4 %) of SMEs have not seen any improvement in business conditions over the past 12 months.** Only 14.4 % think the business environment has improved over the past 12 months. It follows that the majority of SMEs do not perceive the development in 2021 positively – they see the business environment as stagnant or deteriorating, which is mainly a consequence of the negative market effects of the pandemic.

Chart 20 Creation of conditions for business development in Slovakia in the last 12 months



Source: SBA

The opinions on the approach of the public administration to SMEs within the framework of the "think small first" principle differed significantly among the respondents. More than half of the respondents who were able to answer the question expressed dissatisfaction with the public administration's approach to the needs and interests of SMEs in the last 12 months (65.7 %). 24.2 % of SMEs took the opposite view.

Within the framework of a responsive public administration, the functioning of the public administration is assessed differently by the respondents depending on the area evaluated. In the areas of electronic communication, on-line access to public registers, statistical surveys and deadlines for processing applications, most entrepreneurs have not noticed any changes over the last 12 months. However, according to the respondents who noticed the change, there was

<sup>147</sup> Available at: [http://monitoringmsp.sk/wp-content/uploads/2022/01/Monitoring-uplatnovania-principov-SBAfE\\_2021.pdf](http://monitoringmsp.sk/wp-content/uploads/2022/01/Monitoring-uplatnovania-principov-SBAfE_2021.pdf)

mainly an improvement in the mentioned areas. However, they perceive the development in the field of judicial dispute resolution mostly negatively, almost three quarters see no change and more than one fifth sees a deterioration. Almost 33 % of those surveyed rated the status of electronic communication with authorities and state administrations as sufficient, and only 4.1 % as very good.

According to the respondents, the **biggest problem for SMEs when participating in public procurement** under the principle of state aid and public procurement is **administrative complexity** (63.8 %), **lack of information** (39.9 %), **inadequacy of the criteria** (38.8 %), (lack of) transparency of the evaluation (38.7 %) and price as the only evaluation criterion (32.1 %). Dissatisfaction was also expressed with the availability of funding from subsidy programmes, which 51.4 % of respondents considered insufficient.

**Slovak SMEs continue to lag behind** when it comes to penetrating the EU internal market. This is also confirmed by the results of the survey, according to which up to 79.0 % of SMEs have not carried out any foreign trade activities in EU countries in the past 12 months. After all, 66.0 % of those surveyed stated that they were not even thinking of implementing them in the future. Among business entities operating in the EU market in the last 12 months, up to 79.5 % of expanding companies did not use any public support. However, the majority of respondents who used it expressed satisfaction with its level.

Skill and innovation are still not among the strengths of Slovak SMEs. This is confirmed not only by the European Commission's assessments but also by a survey in which **61.2 % of SMEs have not implemented any innovative activities in companies in the last 12 months** – from the total number of respondents up to 38.4 % said they don't even think about introducing them in the future. However, these alarming findings are mitigated by the fact that the increase in the proportion of enterprises that have not implemented any innovative activities in the past 12 months but are thinking about it can be perceived positively.

As with innovation, Slovak SMEs are still not achieving the desired results in the environmental field. In the last 12 months, **just under a fifth (18.9 %) of the SMEs surveyed had implemented environmentally conscious measures in their company**. As with innovation, the majority of SMEs surveyed did not use public support (92.1 %) to introduce environmentally responsible policies.

Internationalization of business activity to markets of countries outside the EU internal market is an even bigger problem for Slovak SMEs than entering the EU market. **Only 8.2 % of the SMEs surveyed carried out foreign trade activities outside the EU countries in the past 12 months**. Among SMEs doing business outside the EU, up to 80.5 % of respondents did not use public support.



## Conclusion

The COVID-19 pandemic, which was an unequivocal central factor in the economic environment in 2020, continued to have an impact on economic developments in 2021, albeit to a lesser extent.

Small and medium-sized enterprises (SMEs) are considered to be an important driver of the economy, in particular, because of their contribution to job and added value creation and thus economic growth. In 2021, the share of SMEs in employment in the corporate economy reached 74.3 % and 59.0 % of total employment in the Slovak economy.

In the reviewed year 2021, the value added of SMEs increased in all sectors of the economy due to the moderate recovery in economic activity. Added value also grew in the area of accommodation and gastronomy, but the growth recorded could not compensate for the decline from 2020. The share of SMEs – legal entities in added value in the non-financial corporate sector reached 54.9 %, or reached the same level as in the period before the outbreak of the pandemic (2019). Industry remains the most important sector in terms of the SME value-added creation, despite the fact that it has weakened slightly in recent years. It accounted for almost one-quarter (24.8 %) of the total value added of corporate SMEs in 2021.

In 2021, the value added of SMEs increased in all sectors of the economy due to the moderate recovery in economic activity. The value added of SMEs increased most notably in the trade, other services, transport, information activities and industry sectors. Value added also grew in accommodation and gastronomy, but the 5.7 % growth achieved could not compensate for the 15.4 % decline from 2020.

Other economic indicators for SMEs also showed positive development. The gross production of SMEs increased by more than a tenth. The gross fixed capital formation of SMEs, which reflects the level of investment activity, increased by 7.2 %. An increase of more than a third was recorded in the SME profit generation, which increased after the previous two-year decline. The volume of exports of SMEs also recorded a year-on-year increase, most dynamically by almost a quarter in micro-enterprises. Due to the stronger export growth of small and medium-sized enterprises than large enterprises, the share of SMEs in total exports increased by 0.5 p.p. in 2021 to 29.3 %. In terms of the territorial structure of SMEs, the EU remains the key market. Only 10.9 % 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 2021.

Compared to 2020, there was no longer a reduced interest in starting a new business in 2021. In 2021, the number of established business entities increased again compared to the previous year.

According to the data, the number of established SMEs increased by 11.3 % to 92,538 entities in 2021. The number of dissolved business entities also increased (to 51,724). The mass deletion of companies from the Commercial Register also contributed to the new number of administratively dissolved business entities. A fifth of the total number of terminated companies were corporations – legal entities. There was a net increase in business entities in 2021 (40,814) due to the higher number of established business entities than those dissolved. The increased number of closed business activities in 2021 was also reflected in the results of the insolvency statistics. According to data from the Ministry of Justice of the Slovak Republic, the number of

bankruptcies declared in 2021 rose by more than half to 268. The number of authorised restructurings remained almost unchanged year-on-year, reaching 19.

Slovakia generally ranks among the countries with an above-average share of established and dissolved entities, which is indicative of the relatively high dynamics of entrepreneurship in Slovakia.

In the reference year 2021, in terms of age, entrepreneurs aged 40 to 49 were the most represented. There has been no significant change in the gender structure of natural persons – entrepreneurs. The representation of women entrepreneurs was 27.6% in 2021. Compared to 2020, it shows only a slight decrease (by 0.6 p.p), while in the horizon of previous years, this is the lowest women's representation.

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 eleven most important laws, which should be regularly monitored by SMEs as they closely affect them, were amended 40 times last year (number of amendments with effect in 2020) and 44 times (number of amendments with effect in 2021). However, it should be stressed that in 2021 a significant amount of the changes being adopted were necessary to mitigate the negative impacts associated with the COVID-19 pandemic. In 2021, 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 ongoing pandemic. Among the most important laws passed in 2021 (in the normal legislative procedure), we can also mention the changes in trading business. The amendment to the Trade Licensing Act brought some significant changes in the trading business. Several laws have been enacted in connection with COVID-19, bringing some changes. Concrete measures are listed in the *Overview of the most important legislative changes in 2021*.

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 2021, businesses have been helped by, among other things, 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 2021 in the context of the COVID-19 pandemic was many times higher than in the pre-pandemic period. 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 77.3% of the total support for SMEs (slight year-on-year increase in indirect forms of support). The indirect form of support amounted to 22.7% in the case of ordinary support. The overall real use of ordinary support was lower compared to before the pandemic. 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 credits or loans (36.4% of the total support provided to SMEs) and the category of subsidies, NFP, and grants (35.6%). In the context of the evaluation of the COVID support provided to the SME sector in 2021, 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.

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 2021, 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. 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 long term run has been showing that for SMEs, one of the biggest obstacles to the functioning and further growth of the company is the instability and ambiguity of the law (91.7%).

The surveys also show that as a result of the corona crisis, 17.7% of the SMEs addressed have started to fundamentally digitize their processes. Almost half of the SMEs have not started a digital business transformation. Up to two thirds of the small and medium-sized enterprises that stated that they did not digitize at all or only to a small extent, named the high costs associated with the introduction of digitization into the business, as well as the time required, among the main reasons.

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. From the point of view of facilitating doing business in Slovakia, entrepreneurs prefer (among other things) a fundamental reduction in the duty and tax burden, changes in the law, a reduction in administrative burden and, last but not least, more affordable support for business development.

The results of the GEM survey in 2021 show that the relatively high self-confidence of the adult population in business in Slovakia, which mainly manifested itself in the perception of their knowledge and skills needed to start a business, has decreased. The 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 was 41.8% year-over-year. Good business opportunities in their surroundings are perceived by 40.9% of Slovaks. Compared to 2020, their share has decreased by 7.5 percentage points. The perception of successful entrepreneurs and the associated social status have also deteriorated slightly. The majority of Slovaks (60.5%) believe that starting a business in Slovakia is not easy.

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 128 unique proposals submitted for regulation with an impact on the

business environment. Also in 2021, the trend of insufficient quantification of costs/savings of regulation by submitters persisted, with only 44 materials quantifying the costs of regulation out of the aforementioned number of 128 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 2021, too, companies did not have enough leeway for a significant improvement in investment activity. Because a clearer start of investment activity was caused by a lack of inputs (especially in industrial production; as a supply shock), but also by rapidly rising input prices, mainly due to the opening up of the economy and the easing of anti-pandemic measures.

A significant part of the service sector has been closed (due to the COVID-19 pandemic). Consumption has been more commodity-oriented, leading to a significant increase in global demand for consumer goods, affecting the availability of some components and materials. Failures in the supply of some components have a significant impact, or they affected several sectors.

Larger infrastructure projects were also absent due to the ongoing uncertainty about future production. Although component shortage problems gradually eased towards the end of the year, there were still some breakdowns. Businesses have seen this (in 2021) but will likely face even faster price increases, especially in the short term.

Energy prices were already rising in 2021. This was mainly due to the gradual easing of measures to combat the pandemic and increasing mobility, which led to a global increase in oil demand throughout 2021. On the other hand, the oil supply did not react flexibly enough. Pressures on price growth (especially energy) in 2022 will be exacerbated by the war in Ukraine. The extraordinary situation related to COVID-19 and the war in Ukraine raises a particular need for structural changes. In the context of the pandemic, it also appears that the country's technological readiness and the associated digital transformation may be key in this regard in the near term. Especially in the context of the ongoing war in Ukraine, the importance of renewable energy sources, reducing energy dependency and strengthening energy security is emphasized. On the other hand, a deteriorated investment environment can slow down the necessary structural changes. In the medium term, the use of Recovery Plan funds will also be key.

Business investment is being held back by uncertainty about future developments. Regarding the prospects for the performance of the Slovak economy for 2022 and beyond, it is expected that the investment rate could increase as the economy becomes less dependent on fossil fuels. At the same time, the possibility of effective use of funds from the rehabilitation plan is pointed out, which in the medium term can act as a significant stimulus to support

investment activity. The economic recovery will largely depend on the development of the external environment.

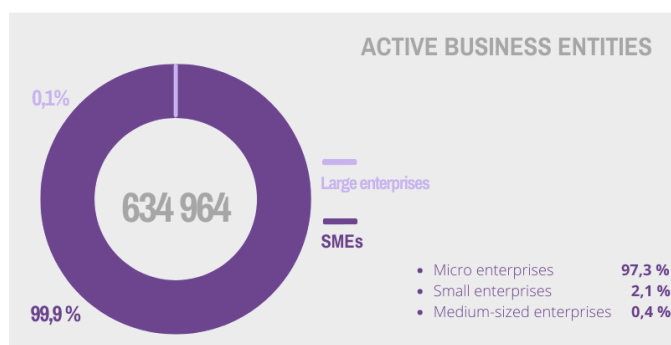
Also in line with the above, there is a need to continue to streamline support for SMEs in the light of the needs of small and medium-sized enterprises. There is a need for continued systematic cooperation in pursuit of business development objectives and for taking into account the suggestions and recommendations of the various actors in relation to improving the conditions of the business environment for SMEs.

## Annex

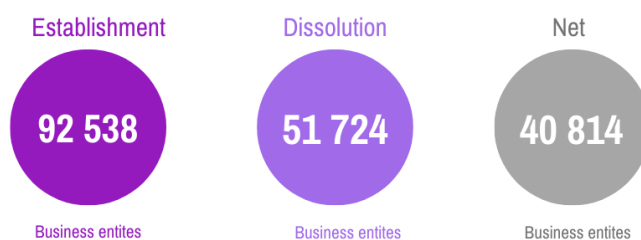
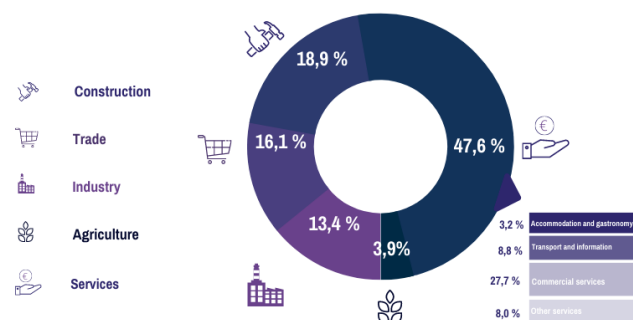
### Infographics

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

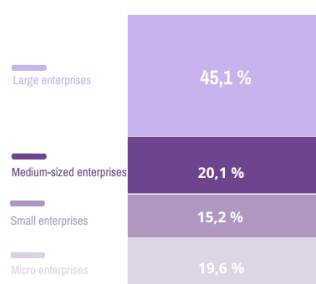
**2021**  
SLOVAK BUSINESS AGENCY



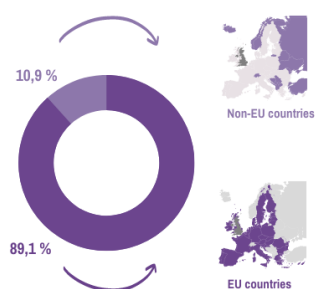
#### SMES SECTORAL STRUCTURE



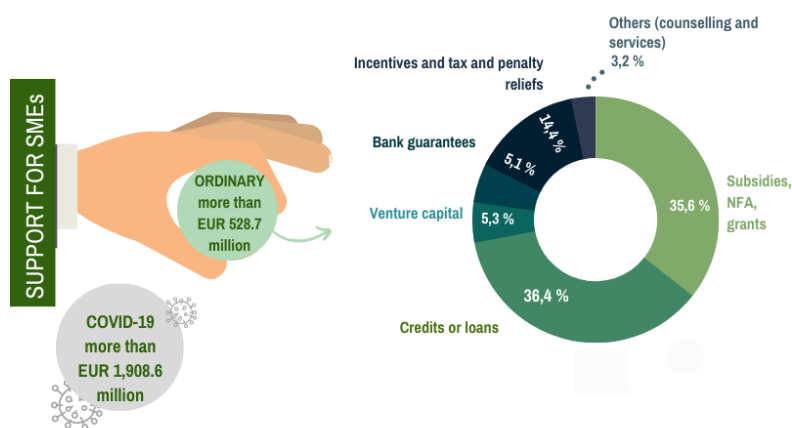
#### SHARE OF SMES IN TOTAL ADDED VALUE



#### TERRITORIAL STRUCTURE OF SME EXPORT



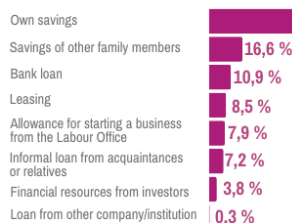




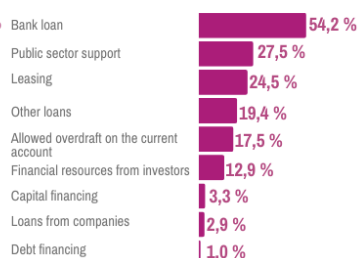
## SUMMARY OF CONCLUSIONS FROM SELECTED SURVEYS CARRIED OUT

### SME access to finance (SAFE)

#### FINANCIAL RESOURCES USED AT THE BEGINNING OF THE BUSINESS



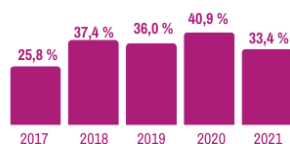
#### FORMS OF EXTERNAL FINANCING USED IN THE FUTURE



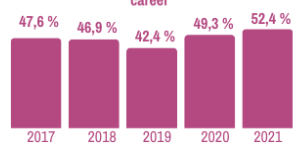
### Global Entrepreneurship Monitor (GEM) - Attitudes of the population towards entrepreneurship

(multiple choice; % of affirmative responses)

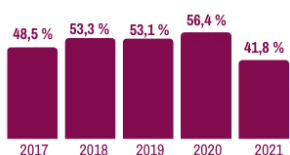
#### There are good business opportunities in my area



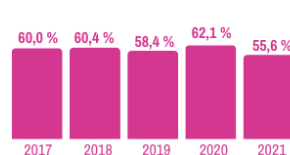
#### Entrepreneurship is considered a suitable choice of career



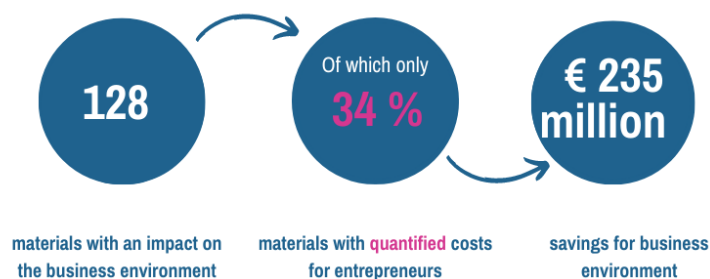
#### I have the knowledge and skills to start a business



#### Successful entrepreneurs are recognized



## REGULATION OF THE BUSINESS ENVIRONMENT



Source: Better Regulation Centre, lepsiezakony.sk