

# SBA Fact Sheet 2012

## SLOVAKIA

### In a nutshell:

- ✓ There are more small businesses in Slovakia than in the EU as a whole.
- ✓ The Slovak SME sector is slowly recovering from the crisis. Employment stabilised in 2010/2011 and value-added is now on a modest growth path, albeit still well below pre-crisis levels.
- ✓ Overall, the statistics on SMEs reveal a modest SBA profile for Slovakia. The only area in which the country performs better than the EU average is in making use of the advantages offered by the Single market. For the remaining areas it scores below average.

### About the SBA Fact Sheets<sup>1</sup>:

- ✓ The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. The SME envoys spearhead the implementation of the SBA agenda in their countries.

## 1. SMEs in Slovakia — basic figures

	Number of Enterprises			Employment			Value added		
	Slovakia		EU27	Slovakia		EU27	Slovakia		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	49.440	78,4%	92,2%	129.841	13,4%	29,6%	2	10,7%	21,2%
Small	10.831	17,2%	6,5%	208.196	21,5%	20,6%	4	19,2%	18,5%
Medium-sized	2.296	3,6%	1,1%	224.945	23,3%	17,2%	5	22,3%	18,4%
<b>SMEs</b>	<b>62.567</b>	<b>99,2%</b>	<b>99,8%</b>	<b>562.982</b>	<b>58,3%</b>	<b>67,4%</b>	<b>12</b>	<b>52,2%</b>	<b>58,1%</b>
Large	494	0,8%	0,2%	403.141	41,7%	32,6%	11	47,8%	41,9%
Total	<b>63.061</b>	<b>100,0%</b>	<b>100,0%</b>	<b>966.123</b>	<b>100,0%</b>	<b>100,0%</b>	<b>23</b>	<b>100,0%</b>	<b>100,0%</b>

Estimates for 2011, based on 2005-2009 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 2 Sections B to J, L, M and N). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Slovakia's SME sector is characterised by a high proportion of small and medium-sized enterprises, albeit to the detriment of micro-firms. The medium-sized group in particular makes above-average contributions to employment (23.3% compared to 17.2% in the EU) and value-added (22.3% as against 18.3%). Overall, however, the SME sector contributes less to value-added and employment than do its European counterparts on average.

This may be the result of the Slovak economy's industrial structure. In terms of sectoral distribution, the trade sector is dominant, accounting for 39% of SMEs, compared with only 30% in the EU. The

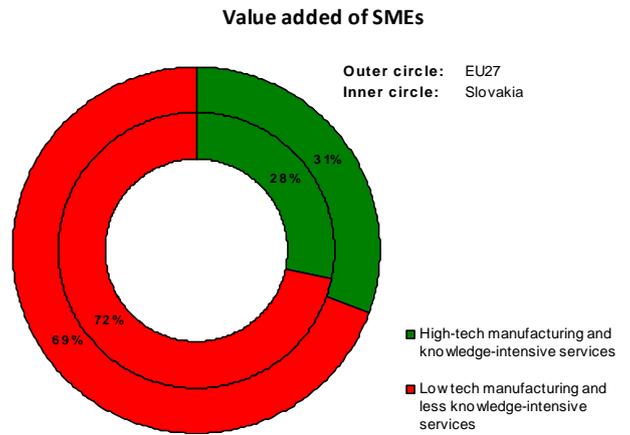
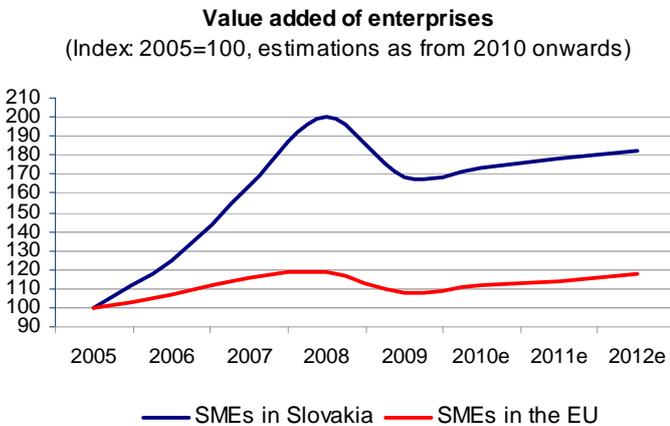
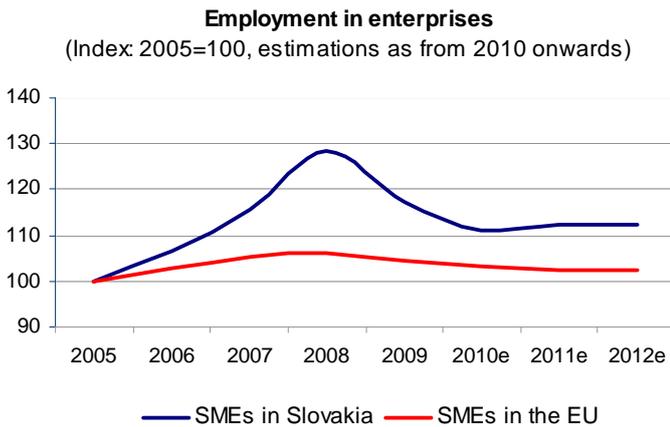
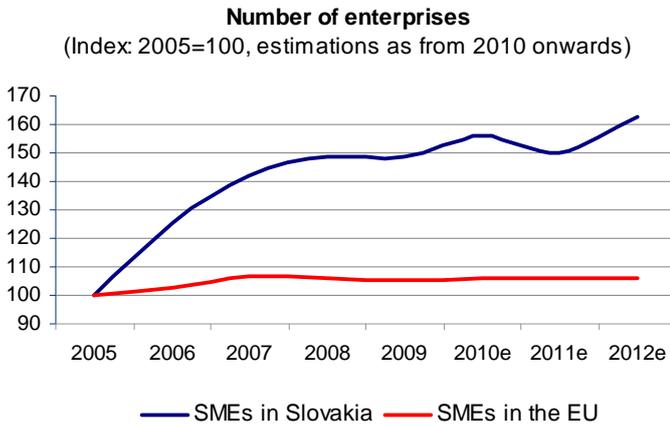
remaining SMEs are distributed among services (40%), manufacturing (13%) and construction (8%).

The Slovak SME sector is still struggling with continued sluggish growth. Analysing the trends over time, the figures show that employment in SMEs stabilised in 2010-2011, while numbers continued to growth, indicating that average enterprise size in Slovakia is falling. The value-added produced by the SME sector is now on a very modest growth path, but still well below the 2008 peak.

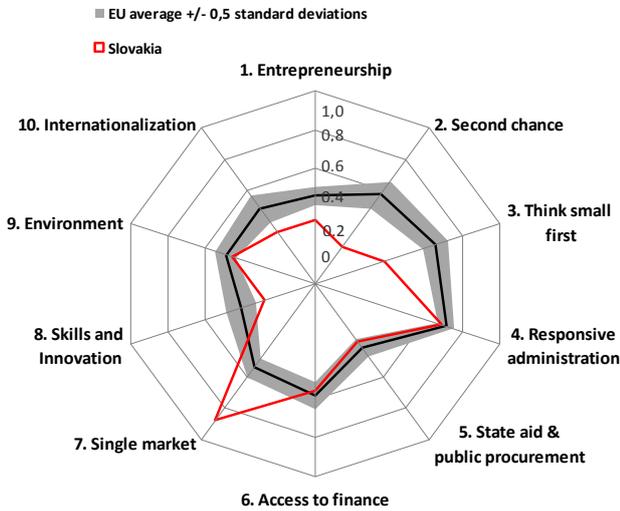
The high-tech manufacturing and knowledge-intensive sectors are considered key for restoring competitiveness to European firms<sup>2</sup>.

### SME trends in Slovakia<sup>3</sup>

Such firms are less numerous in Slovakia, representing 22% of the number of SMEs, as compared to 26% in the EU. On value-added their performance is more modest, accounting for 28% of the economic contribution of the whole Slovak SME sector.



## 2. Slovakia's SBA profile



Overall, the statistics on SMEs indicate a modest SBA profile for Slovakia.

The country performs better than the EU average only in making use of the advantages offered by the Single market. For the remaining areas it scores below average.

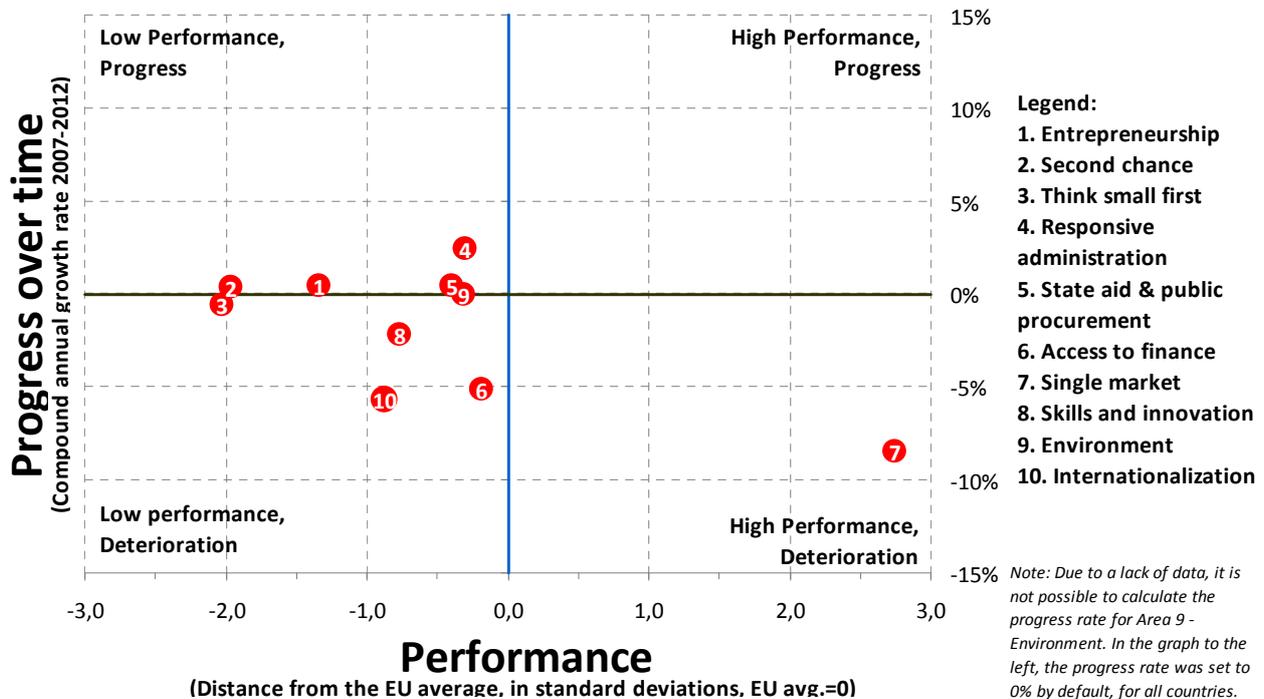
When we look at the dynamic development over time, a

more worrisome picture emerges, since most areas show limited progress or deterioration from 2007 to 2012.

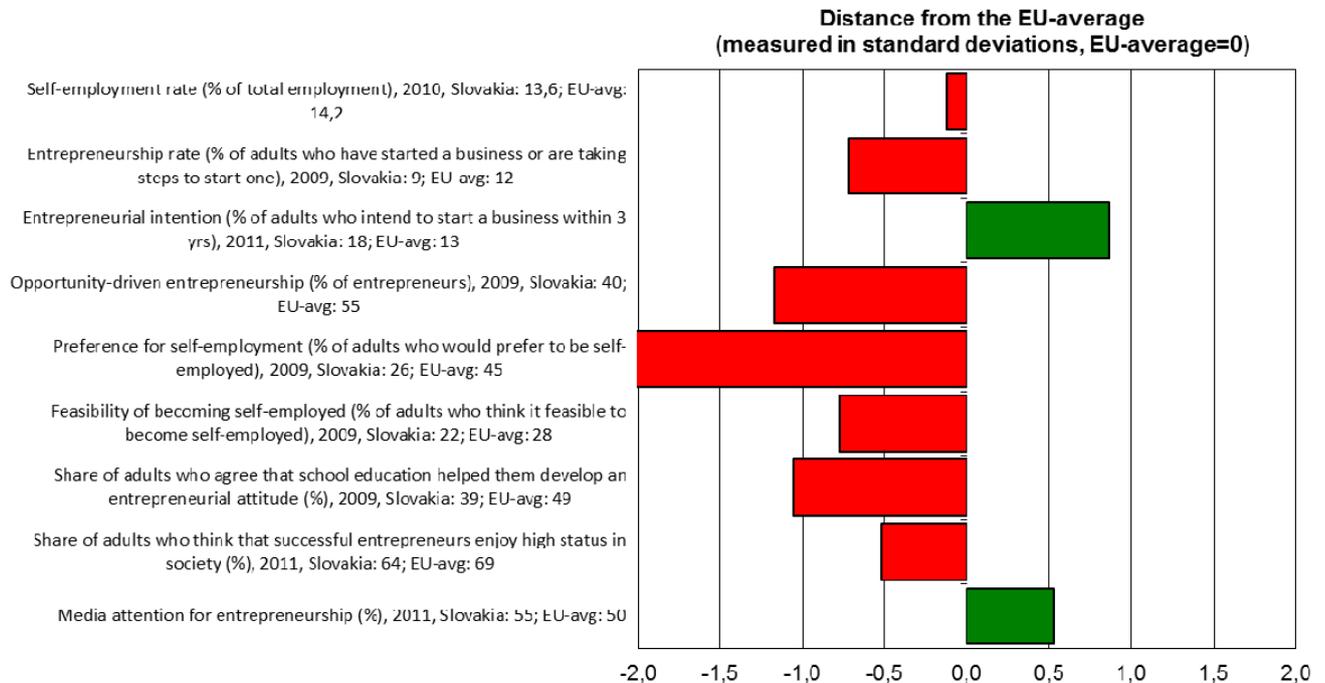
On the policy<sup>4</sup> side, considerable emphasis was placed on measures to improve the business environment after the adoption of a state policy called Project Singapore. In practice, though, implementation has fallen short. One positive development was the appointment of an SME Envoy, seen as an essential step in giving implementation of the Small Business Act for Europe a boost. This measure is considered to have created a good framework for coordinating the programmes and initiatives run by various institutions to support the comprehensive implementation of the SBA.

Important policy initiatives in 2011 included setting up business information centres to support Slovak exporters, cutting the time needed to obtain business licences, and striving to improve credit flow to the real economy.

### Slovakia's SBA performance: 2007-2012<sup>5</sup>



## I. Entrepreneurship



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

Slovakia trails the EU average in entrepreneurship. However, the lower-than-average levels of entrepreneurial activity are offset by the quality of entrepreneurial endeavour, which ranks very high. Nevertheless, there is room for improvement in a few of the elements making up this area, and in particular public attitudes towards entrepreneurship, which is somewhat less positive than the European Union average.

Despite this, entrepreneurial intent is higher than in Europe in general, probably spurred by the crisis and a sluggish job market.

In 2011 the Government made consistent efforts to improve the entrepreneurial environment.

The annual sales exhibition 'Young Creator' (Mladý tvorca) sought to demonstrate the practical skills and knowledge of students of secondary vocational schools to the public and business representatives, and to inspire primary school pupils and their parents to choose the correct secondary school and career.

A Regional Advisory and Information Centre in Presov was behind a competition for secondary

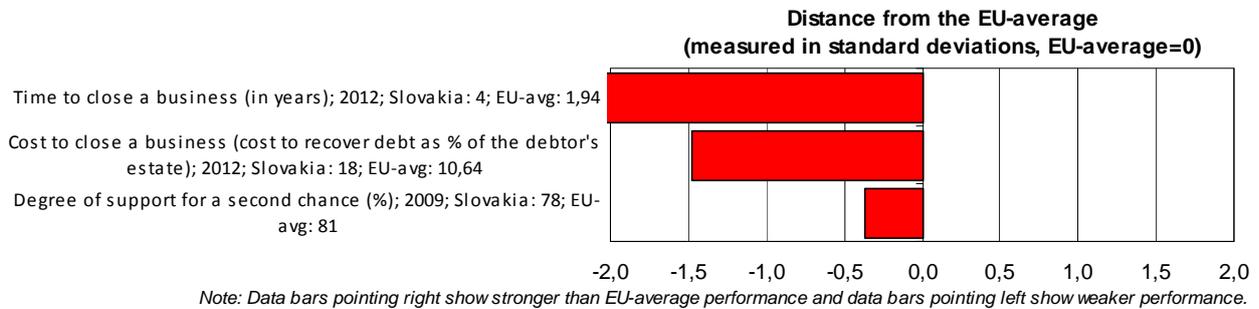
school and university students, designed to support the creative potential of students in entrepreneurship.

In 2011, policy measures provided mentoring and support for female entrepreneurs. For example, the project 'Guardian Angels for Female Entrepreneurs', started in September 2011, set up and promoted a national network of mentors for female entrepreneurs, feeding in to the EU Network of Mentors.

The 'Female Entrepreneur of the Year' award was created in 2011 to honour top women and to inspire others.

The Slovak Guarantee and Development Bank was founded to offer loans to SMEs, whether existing or start-ups, of up to €33 000.

## II. Second chance

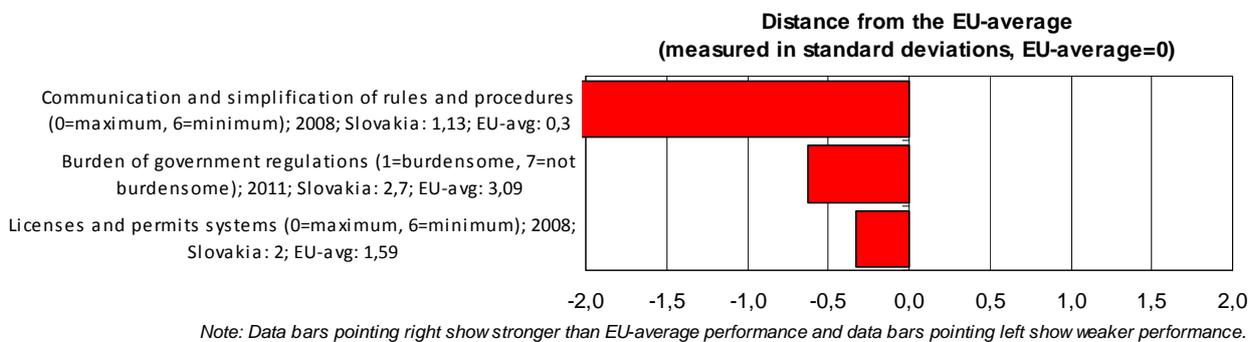


The indicators measuring 'Second chance' suggest that Slovakia offers comparatively unfavourable conditions to honest entrepreneurs who have failed and want to start over again. Both the time needed to close a business (four years) and the corresponding cost (18% of the debtor's estate) are

significantly higher than the EU-27 average. In addition, Slovaks are also slightly less inclined than the average European to allow entrepreneurs who have faced bankruptcy before a fresh start.

Despite this difficult situation, no significant policy measure was reported for 2011.

## III. Think small first

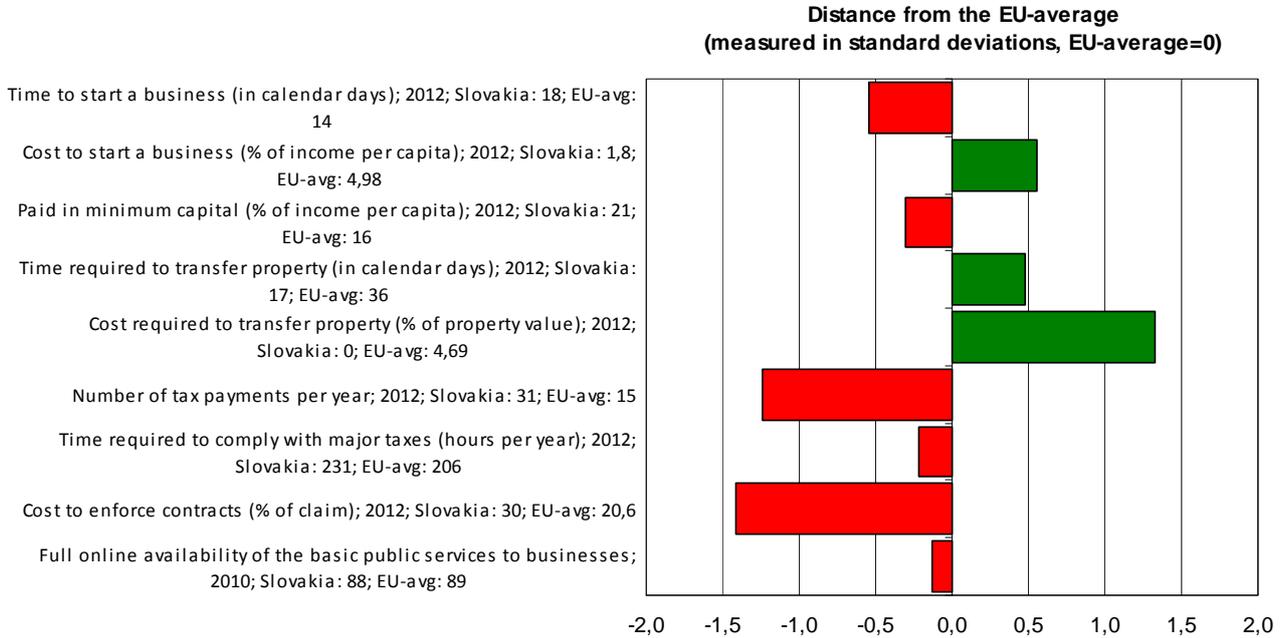


On 'Think small first' Slovakia trails far behind its European peers.

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

In June 2011, the Agenda for Better Regulation and the Action Programme for Reducing Administrative Burden for 2007-2012 featured a commitment to reducing the administrative burden by 25% by 2012. A standard cost model methodology was introduced and applied in 2008. In 2009 and 2010, laws covering various areas were assessed (business law, citizen law, accounting, bankruptcy and restructuring, market regulation, taxes, custom duties, investment incentives, other financial regulations, as well as labour and employment, contributions — transfers, environment and intellectual property). Further recommendations that came from the process included reducing paperwork for SMEs and using more electronic tools.

#### IV. Responsive administration



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

The message of the available indicators is that Slovakia's performance is below average and has been stagnating in recent years.

On the one hand, the start-up conditions<sup>6</sup>, reflected by the time and paid-in minimum capital required to open a business, score slightly below average, while the cost is clearly lower, at only 1.8% of income per capita in Slovakia, compared to 4.9% in the EU.

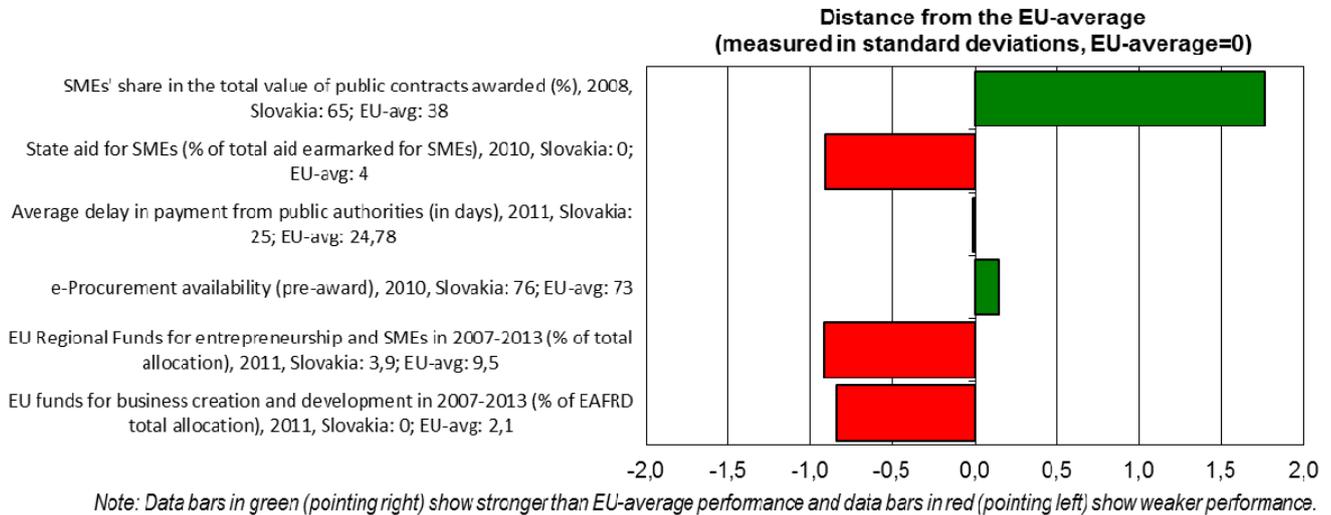
The formal property registration system and procedures are clearly more efficient and less costly in Slovakia.

On the other hand, there is still room for improvement regarding operations which are

important for day-to-day business, such as the number and duration of tax payments, and the cost of enforcing contracts.

On the policy side, new online application procedures for obtaining a trade licence were launched on 1 January 2012 and met with great interest from service providers.

## V. State aid and public procurement

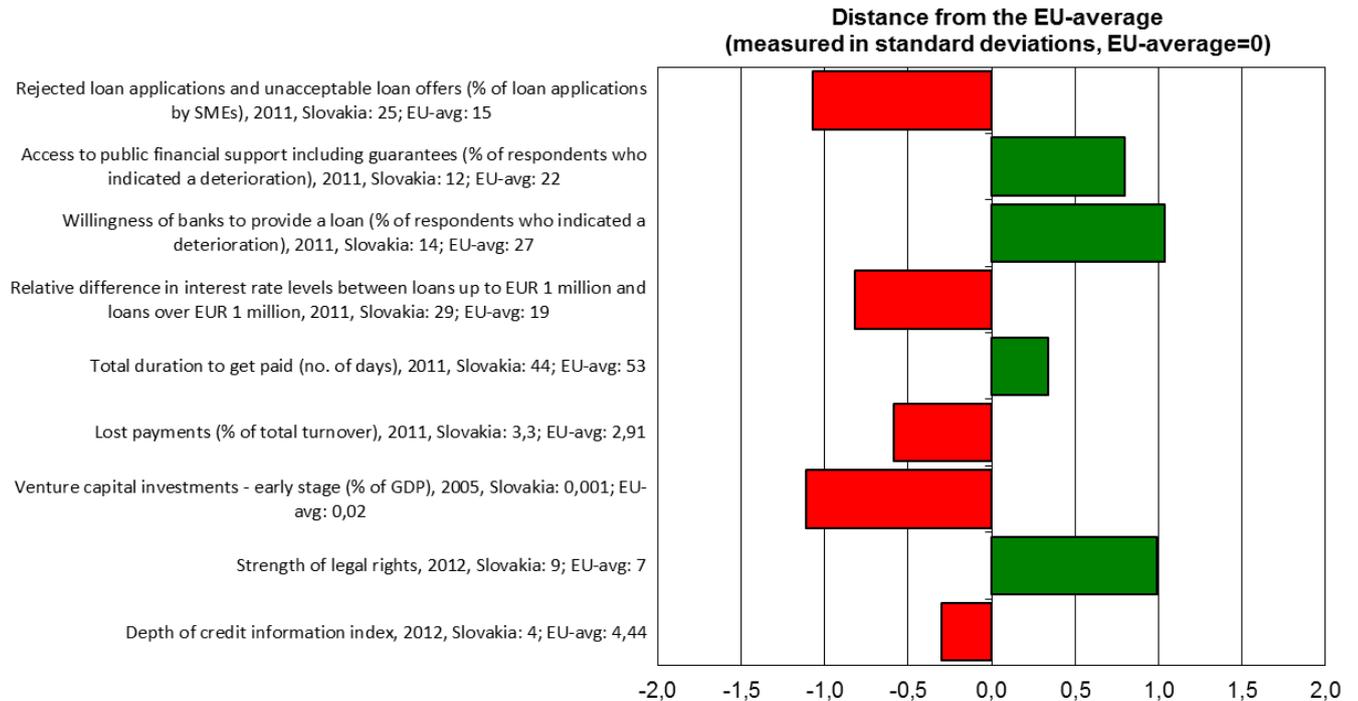


Slovakia also scores below the EU average on state aid and public procurement.

Small and medium-sized enterprises in Slovakia account for a higher proportion of the value of public procurement contracts (65 % vs. 38 % in the EU). At the same time, small businesses in Slovakia are not earmarked any state aid (although they may receive some through industry schemes).

On the policy front, the only measure reported in this area was the new Act on Tourism Support from 1 January 2011, which aimed to support domestic and foreign tourism by grouping and integrating tourist information systems.

## VI. Access to finance



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

Slovakia is close to the norm in this area, but shows signs of catching up. The general credit conditions and standards applied to SME borrowers by banks seem to have tightened up from 2009 to 2011. The share of loan applications rejected by banks is higher, at 25%, than the EU average of 15%. It has also increased since 2010, when it was only 19%. There has been an increase too in the share of Slovak businesses which have reported a perceived deterioration in banks' willingness to provide loans.

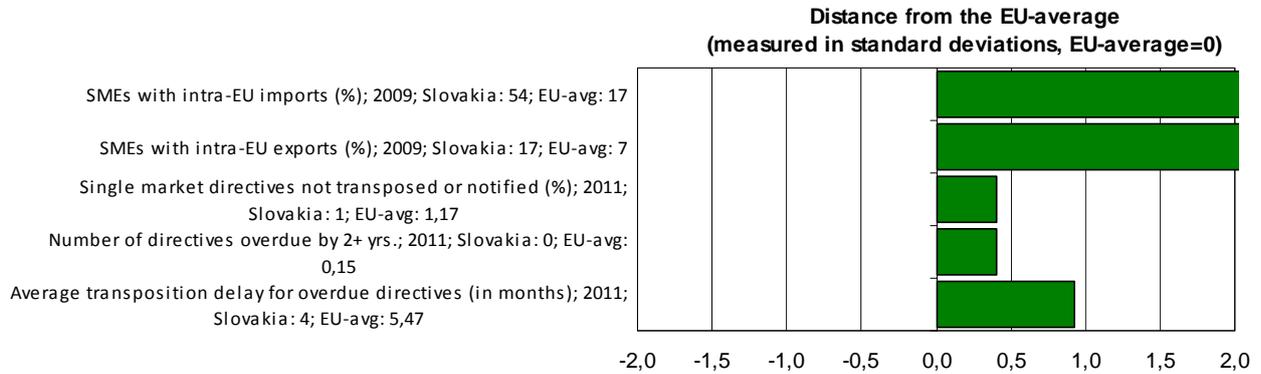
Similarly, the cost of credit for small businesses in Slovakia was, in 2011, 29% higher than for larger enterprises, the gap having increased from 20% in 2010.

The other indicators on access to finance also show a worrying situation. The venture capital market is not yet well developed in Slovakia. This limits the availability of risk capital for highly innovative companies in the early stages of development.

The effects of the liquidity problems caused by payment delays are mixed: on the one hand, Slovak businesses have their invoices paid faster than in the other EU countries; on the other, the amounts not paid by debtors have a higher impact on their turnover, 3.3% of which needs to be written off.

To finance development and start-up activities for entrepreneurs in all regions and to increase their survival rate, microfinance programmes were reintroduced, providing loans to SMEs with fewer than 50 people for amounts ranging from EUR 2500 to EUR 50000. The programme represents a shift toward centralisation. For many years, microcredit programmes for small companies were administered in the regions, but now, authority is being transferred. The first point of contact remains in the region, but crucial decision-making is done in the capital. The programme is expected to run from March 2012.

## VII. Single market



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

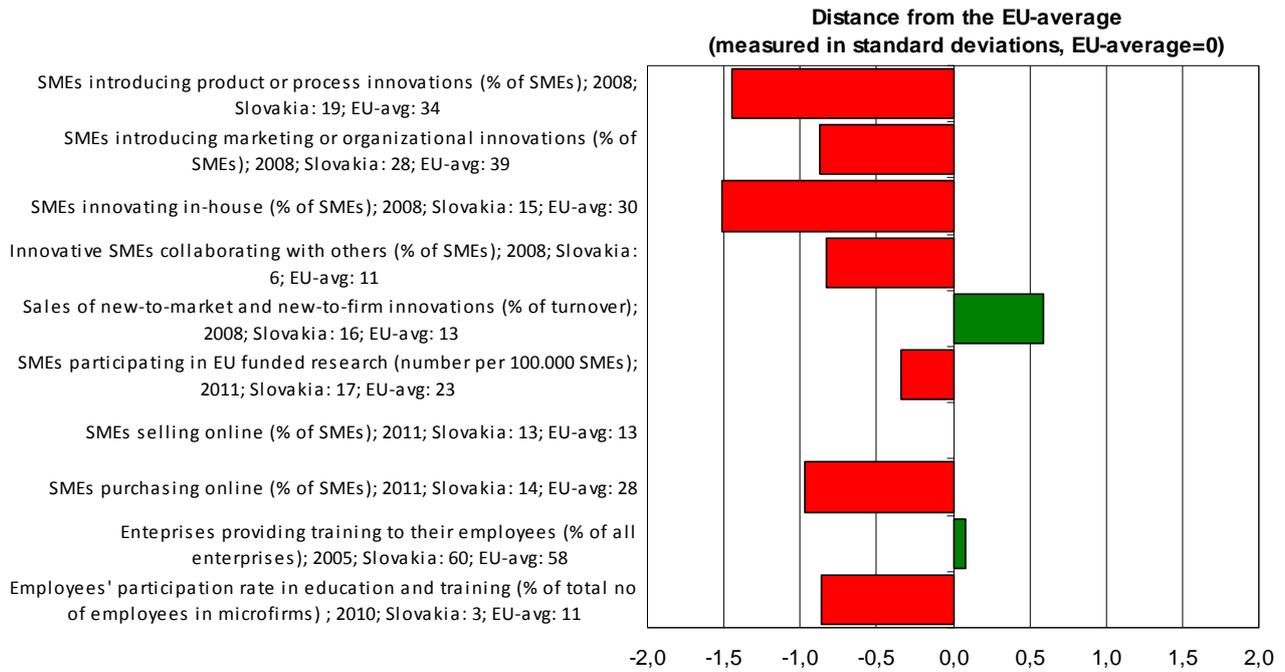
The Single market is the SBA principle where Slovakia performs best relative to the EU average. In terms of internal market legislation and the transposition of EU legislation into national law, Slovakia is quicker off the mark than its EU peers. Being part of a small, open economy, SMEs in Slovakia are very inclined to make use of the internal market — through importing from and exporting to the other EU countries. About 54 % of

Slovak SMEs report having imported from other EU countries in 2007, while more than 17% had exported within the EU.

The presence of single-market oriented and FDI-based clusters such as in the automotive industry, with many local SMEs as suppliers, may explain this strong intra-EU trading pattern. However, these figures are now down compared to the 2007 values.

No significant policy measure was reported for 2011.

## VIII. Skills and innovation



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

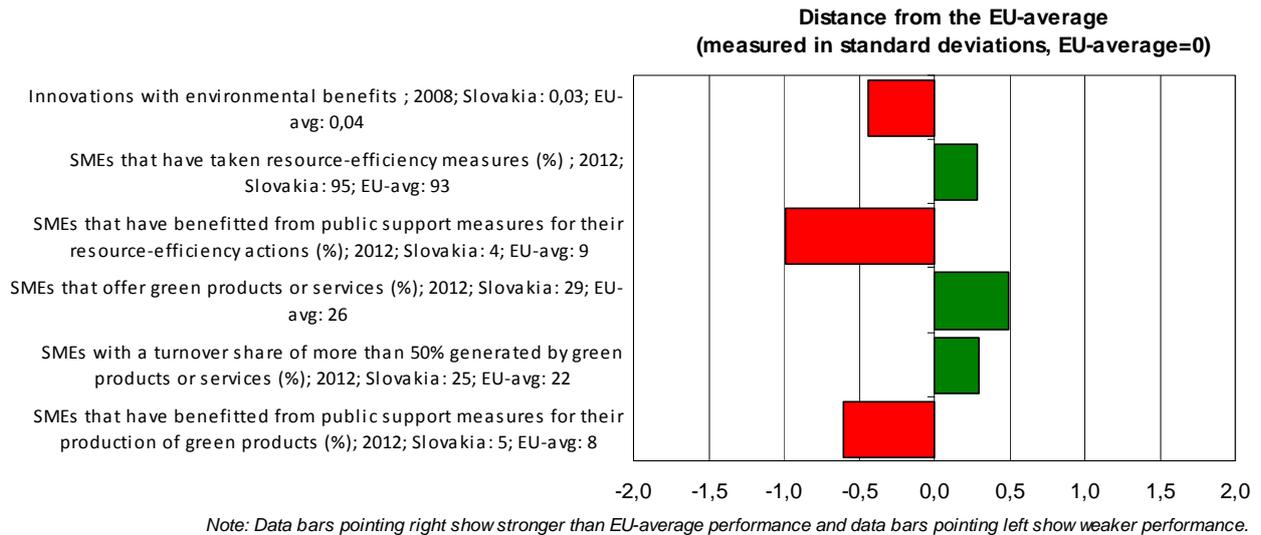
Slovakia is below average in this area, and shows little or no progress.

All but one of the core innovation indicators are below par. SMEs in Slovakia are less likely to introduce innovations, collaborate with each other or innovate in-house. However, the firms that do innovate are more successful than their EU peers in converting these new products or processes into sales revenues.

A significant but still insufficient development is the increased proportion of SMEs selling their products online.

On 15 March 2011, Amendment No 40/2011 to the Law 172/2005 Z. z., organising state support for research and development, was implemented to subsidise scientific and technical services from the state budget (available for activities related to R&D, e.g. labour costs, travel costs)

## IX. Environment



Slovakia's performance in terms of Environment is again in line with the EU average.

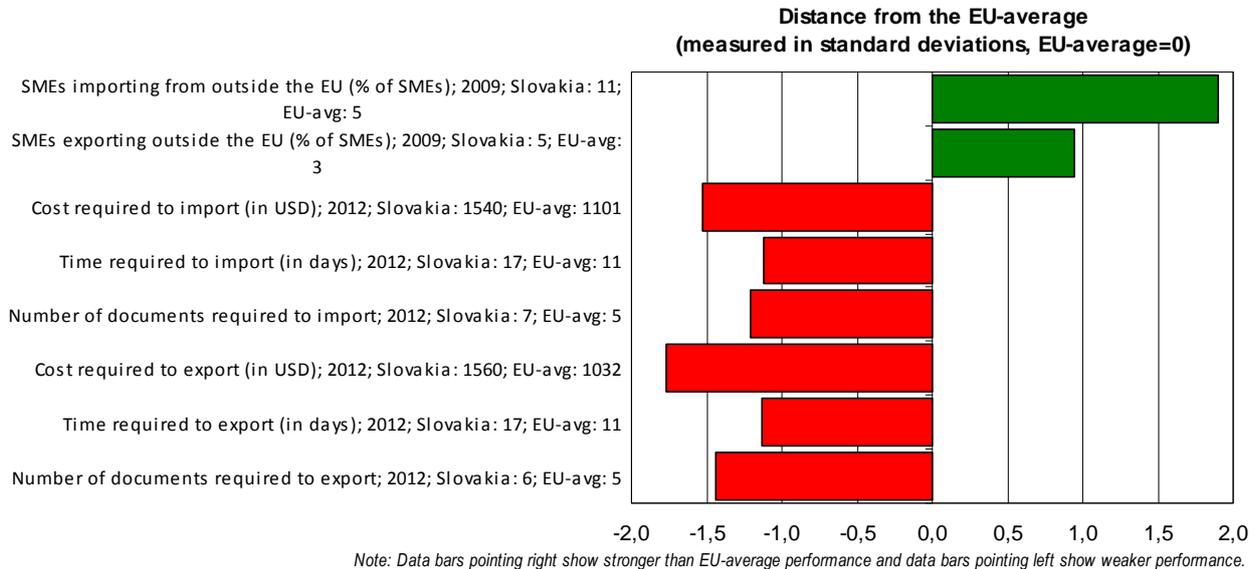
Despite having less access to public support measures, Slovak SMEs are more likely than their European peers to take measures to increase their resource-efficiency. The same goes for green markets. While fewer SMEs benefit from public support measures to develop green products and services, more of them in relative terms have been successful in bringing to the market and selling green products and services.

The Act which expands the number of renewable sources of aerothermal and hydrothermal energy became effective on 1 January 2011. The objective is to enhance the use of renewable energies in enterprises and expand opportunities for entrepreneurs to apply for state incentives. The

same type of law was passed in the area of renewable resources, for the production of fuels and other energy products used for transportation purposes.

During 2011, the Act on the environmental verification and registration of organisations under the EU scheme for environmental management and audit was prepared, thereby establishing a new form of organisation — micro-organisations, with up to nine employees. The Act suggested reduced (50%) fees for the first registration, and different provisions for extending and cancelling the registration in EMAS for this category of businesses. On 8 November 2011, the Legislative Council of the Government of the Slovak Republic deferred the legislative process until the election in March 2012.

## X. Internationalisation



Judging by the available indicators for measuring internationalisation, Slovakia is falling behind the EU average.

However, this stems largely from the less favourable general framework conditions for trading, where Slovakia appears markedly more bureaucratic than the other EU countries, aggravated by its regional location as a land-locked country.

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

The Ministry of Foreign Affairs established a Business Information Centre to promote exports of Slovak products and services, assist capital exports, create cooperative ties and establish joint ventures abroad. It is designed to facilitate communication and information exchange between the business community and Slovak embassies abroad and to provide updated and relevant information for promoting business ideas abroad. The law came into effect on 1 January 2011.

### 3. Good practice

#### To show what the government is doing to promote SMEs, we include an example of good practice.

The National Agency for the Development of SMEs (NADSME) and the Regional Advisory and Information Centre Presov (RAIC Presov) finalised the ‘Ambassadors’ project in 2011.

The project is all about a network of female entrepreneurship ambassadors in the Slovak Republic, centred around nine ‘Ambassadors’ — successful female entrepreneurs. Their role was to encourage the target group — made up of women on maternity leave, unemployed women, students and employed women — to start their own businesses.

The project was very successful, with more than 450 people attending a first round of motivation seminars and more than 200 women attending the second round: advanced courses for women who already had an idea of the sector within which to run their business or were already running their own business.

The lead partner has now decided to continue the effort and has created the Guardian Angels project. The main objectives of Guardian Angels for Female Entrepreneurs is to create, set up and promote a national network of mentors for female entrepreneurs, and to build the National Network of Mentors into the EU Network of Mentors.

#### About the SBA Fact Sheets

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

#### For more information

SME Performance Review:

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

Small Business Act:

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

The European Small Business Portal:

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

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

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<sup>1</sup> The SBA Fact Sheets 2012 benefited substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>2</sup> The indicators measuring the number of high-technology SMEs in the manufacturing industries and knowledge-intensive SMEs in the service sectors and their contribution to employment and value-added were calculated by reference to the Eurostat definition of 'High-technology' and 'knowledge-based services' aggregations based on NACE Rev. 2. For more information please see: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_SDDS/Annexes/htec\\_esms\\_an3.pdf](http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/Annexes/htec_esms_an3.pdf)

<sup>3</sup> The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2005, with the base year 2005 set at a value of 100. As from 2010, the graphs show estimates of the development over time, based on 2005-2009 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 2 Sections B to J, L, M, N). The data do not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>4</sup> The policy measures presented in this SBA Fact Sheet may be only a selection of the measures taken by the Government in 2011 and the first three months of 2012. The selection was made by the national SME policy expert contracted by Ecorys (DG ENTR's lead contractor for the 2012 Fact Sheets). The experts were asked to select only those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in producing this year's Fact Sheets will be published alongside the Fact Sheets in the form of a policy database on the DG ENTR website.

<sup>5</sup> The quadrant chart combines two sets of information. Firstly it shows the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals progress over time, i.e. the average annual growth rates for the period 2007-2012. The growth rates are those of the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants indicates not only where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made in the period 2007-2012.

<sup>6</sup> The start-up indicators are based on World Bank data. For methodological details, please consult the Doing Business 2012 report at <http://www.doingbusiness.org/>. It should be noted that these findings differ from corresponding figures obtained directly from Member States. Under a self-reporting exercise, it evidently took 12 days and a cost of 335 Euro to start a business in Slovakia in 2011. For more details please see: [http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm).