

Executive summary

This report examines how government policy in the Slovak Republic can stimulate growth-oriented entrepreneurship and develop more innovative and internationalised SMEs. It covers SME and entrepreneurship characteristics and performance in the Slovak Republic, the business environment, the policy formulation and delivery framework, national programmes, the regional dimension of SME and entrepreneurship policy, SME digitalisation, and the role of inclusive entrepreneurship policies in supporting the labour market integration of the Roma population.

The report identifies a number of policy challenges and related recommendations. Areas addressed include scaling up of micro firms, increasing SME productivity, strengthening policy leadership and co-ordination, overcoming the lag in SME adoption of digital technologies, and supporting inclusive entrepreneurship.

Key findings

Enterprise scale up and innovation should be key policy priorities

The structure of the Slovak economy is relatively weighted to micro firms and individual entrepreneurs and to large firms, particularly foreign direct investors. Between the two extremes, there is a “missing middle” of SMEs with between 10 and 249 employees, with a share well below the OECD average. Although there is a high business start-up rate, the survival and growth rates of start-ups are relatively low and small business productivity is low. As many as 12% of adults were starting or running a new business in 2018, but the output per person of Slovak micro firms was only just above half the level of Slovak small firms in 2018 and only one-quarter of Slovak start-ups were still operating five years after their creation, a relatively low rate.

A holistic policy package is required to meet the challenge of scaling up micro firms. There is a need to ensure that labour taxation does not impede the self-employed from hiring. Stronger scale-up support programmes can also offer targeted mentoring to potential growth firms, improve the availability of risk capital to scale-ups and provide export credit to young firms.

The innovation and export performance of larger, established SMEs can also be strengthened. For example, Slovak SMEs generate only 15% of extra-European exports, compared with an average of 29% in European Union countries as a whole and struggle to integrate into the value chains of foreign direct investors. SME innovation and digitalisation levels are also low. Policies are needed to enable existing SMEs to adopt new technologies, build workforce and management skills and operate in wider markets. Inward investment policies should target and incentivise inward investment that creates domestic supply chains.

Regulatory constraints and high labour taxation are affecting SME growth and hiring

The Slovak Government has introduced reforms to improve regulations for SMEs and entrepreneurship, including a Better Regulation Strategy Act, a Better Regulation Centre, stakeholder consultations on regulations and an SME Test on the impacts of new legislation. However, weaknesses remain in some

areas, including start-up regulations and the frequency of amendments. Furthermore, only 15% of recent regulatory proposals affecting businesses led to a business cost estimate. Ongoing regulatory policy reforms should be pursued to address the outstanding issues. At the same time, a relatively high burden of taxation on employment may be a factor in the weak tendency of new and small firms to hire. Some 44% of Slovak tax receipts are social security contributions compared to an average of only 25% in the OECD area as a whole.

Stronger leadership and co-ordination of SME and entrepreneurship policy are needed

Several documents frame SME and entrepreneurship policy in the Slovak Republic, including the 2017 Law on Supporting SMEs defining the beneficiaries and action areas of Ministry of Economy support, the Operational Programme documents governing European Union funding for SME and entrepreneurship actions, and national strategic documents in thematic areas such as the Digital Transformation Strategy and the Regional Development Strategy. However, there is not a unified SME and entrepreneurship strategy. Furthermore, while the Ministry of Economy takes the lead for SME and entrepreneurship policy in the Government, it does not have a dedicated SME and Entrepreneurship Unit to manage co-ordination. A unified SME and entrepreneurship policy strategy, a lead policy unit, an inter-ministerial co-ordinating body, and an advisory council can all strengthen prioritisation, synergy and momentum behind the SME and entrepreneurship policy agenda.

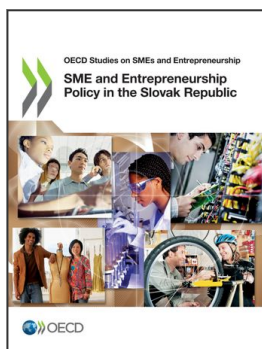
The Slovak Government has created National Business Centres run by the Slovak Business Agency in each of the eight regions of the country. They offer an entry point to the different finance and advisory supports from the Slovak Guarantee and Development Bank (SGDB), EXIMBANK, the Slovak Investment and Trade Development Agency (SARIO), the Slovak Innovation and Energy Agency (SIEA) and the Slovak Business Agency itself. It would further be useful to create an interactive web portal to connect together the wide range of agencies providing advice and finance.

SMEs lag on digitalisation

Only 13% of businesses in the Slovak Republic are highly digitalised compared with 18% in the European Union as a whole. Access to digital infrastructure also lies below the OECD average. For example, only 13% of small firms and 17% of medium-sized firms had a connection with a download speed of at least 100 Mb/s in 2019. The Slovak Government can promote SME digitalisation by establishing Digital Innovation Hubs across the country to gauge SME digital competencies, assess technical solutions, act as one-stop shops on digital technology use and offer advice and financial support in their regions. It would also be useful to develop an online business diagnostic tool to support SMEs to identify digitalisation opportunities.

Policy for entrepreneurship should be inclusive across regions and populations

COVID-19 has been greatly disruptive for SMEs and entrepreneurship in the Slovak Republic, as in other countries, and is likely to hit lagging regions and disadvantaged population groups the hardest. Regional cluster and entrepreneurial ecosystem initiatives are needed in all regions as well as efforts to develop entrepreneurship networks and peer learning opportunities for women entrepreneurs. There is also an opportunity to invest in social enterprise and self-employment support initiatives to promote the labour market attachment of Roma people.



From:
SME and Entrepreneurship Policy in the Slovak Republic

Access the complete publication at:

<https://doi.org/10.1787/9097a251-en>

Please cite this chapter as:

OECD (2021), "Executive summary", in *SME and Entrepreneurship Policy in the Slovak Republic*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/6e58d072-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.