

## 4. The Strategic Framework and Delivery Arrangements for SME and Entrepreneurship Policy in the Slovak Republic

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This chapter assesses the strategic framework and delivery arrangements for SME and entrepreneurship policy in the Slovak Republic. It examines the key strategic documents setting out SME and entrepreneurship policies and programmes, the co-ordination of the policy across different government actors, and consultation and dialogue on policy development with the private sector. It also examines the policy mix or portfolio of SME and entrepreneurship interventions as indicated by the budgets by type of intervention and policy target group. The chapter discusses monitoring and evaluation arrangements for SME and entrepreneurship policies and programmes. It also examines arrangements for delivery of policy support to SMEs and entrepreneurs, including the key policy delivery organisations and the accessibility of SMEs and entrepreneurs to public support. Policy recommendations are offered in all of these areas.

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## The SME and entrepreneurship policy framework

### ***The SME Support Law provides a basic legal framework for SME policy***

A legal framework for policy support to SMEs and entrepreneurs first came into force in the Slovak Republic on 1 January 2017, in the form of the Act No. 290/2016 on Supporting SMEs (and amendment to the Act No. 71/2013 Coll. on provision of subsidies within the competence of the Ministry of Economy). The Act aimed to create a better business environment for SMEs and the appropriate conditions for active application of the Small Business Act for Europe (SBAfE) principles and the EU Entrepreneurship 2020 Action Plan in the Slovak Republic (SBA, 2018). It defines the beneficiaries of SME support to include start-ups, existing micro, small and medium-sized enterprises, and the general forms and methods of providing support. The Act further outlines the types of support to be provided by the Ministry of Economy or its delegates. These include:

- direct support (e.g. financial instruments, subsidies, and non-repayable contributions);
- indirect support (e.g. entrepreneurship education, business information, professional advice and training to improve business skills and growth, vouchers, participation in business promotion events, etc.);
- preservation and development of traditional industries, crafts, and folk art;
- support for projects of associations to develop and support SMEs;
- the development of venture capital companies;
- R&D assistance;
- support for product, process and service innovation; and
- improvements to the business environment.

Lastly, the Law includes a section on better regulation and the requirement for undertaking the SME Test to assess the impact of proposed legislation and regulations on SMEs.

A significant portion of the Law lays out the application process, requirements and evaluation criteria for SMEs to benefit from public support.

The Ministry of Economy is rendered the accountable authority for implementation of the Law, including planning, co-ordination and directing support to SMEs, with authority to designate other legal entities, under contractual arrangements, to carry out support activities on its behalf. One of the significant targeted responsibilities of the Ministry of Economy is “better regulation” with the objective of reducing the disproportionate regulatory burden on SMEs through the conduct of tests of the impact on of legislative proposals and regulations on SMEs.

The Ministry of Economy is also required under the SME Support Law to produce an annual report on the state of SMEs in the Slovak Republic presenting findings from systematic monitoring of the SME sector and proposed measures to reduce the regulatory burden on SMEs. This task is delegated to the Slovak Business Agency (SBA) and results in publication of the annual “Report on the State of Small and Medium Enterprises in the Slovak Republic”, and a complementary annual report on Activities of the SBA Better Regulation Centre (BRC).

Unlike the SME laws in many countries, the Slovak Republic SME Support Law does not include a description of the institutional structure or oversight mechanism for ensuring its implementation beyond naming the Ministry Economy as the mandated authority. In other countries, an SME law would commonly stipulate the creation of an interministerial committee, consisting of the key ministries implicated in the development of SME and entrepreneurship policies, to oversee the development of an SME policy agenda and implementation workplan.

***The EU Operational Programme on Research and Innovation has guided much of the SME and entrepreneurship support***

The EU Operational Programme on Research and Innovation (OP R&I) 2014-20 is the key strategic document put together by the Slovak Government detailing the main SME and entrepreneurship policy actions to be taken in this period, and up to 2023 when the programme will finish. The document focuses on policy measures that include some EU funding, but this represented the great majority of SME and entrepreneurship support measures in the Slovak Republic. It is also focused on research and innovation measures, whereas some other EU Operational Programmes also include some SME and entrepreneurship policy support (e.g. the Operational Programme Human Resources and the Integrated Regional Operational Programme). However, very good information can be obtained from the OP R&I on the main SME and entrepreneurship policy measures. A new, single, operational programme for the Slovak Republic for 2021-2027 called OP Slovakia is being prepared, which will become the document covering the main EU-funding of SME and entrepreneurship policy actions in the future.

The main objectives of the OP R&I were to create a stable innovation-friendly environment for all entities and to promote the efficiency and performance of the research, development and innovation systems to reinforce competitiveness, sustainable economic growth and employment (MoESRS and Ministry of Economy, 2014). Its SME and entrepreneurship policy priorities and objectives seek complementarity and synergy with the objectives of the National Reform Programme, the policy principles of the SBAfE, and other national strategies and operational programmes.

The development of the SME and entrepreneurship policy component benefited from a consultation process with input from many stakeholders and analysis undertaken by the government to identify the barriers and market failures impacting on SME and entrepreneurship development, including on the creation of new firms. The analysis included a diagnostic of the state of SMEs in the economy, assessments of Slovakia's progress (or lack thereof) in implementation of the SBAfE, and analysis of unaddressed gaps from the predecessor Operational Programme Competitiveness and Economic Growth 2007-13, particularly in the support structure for SME development, including its fragmentation, weak co-ordination, and lack of specific instruments and forms of support targeting SMEs, and insufficient focus on entrepreneurship/new firm creation. In these ways, the SME component was developed in alignment with what would be considered good practice in OECD countries. One of the aims of the OP R&I is to provide a common programme document for ministries responsible for state policies in the fields of education, R&D, innovation, and SME support in order to foster greater co-operation and synergies in the innovation system.

Two of the four thematic priority axes of the OP R&I are specific to SMEs: "Enhancing the competitiveness and growth of SMEs" and "Developing competitive SMEs in the Bratislava Region". The remaining two priority axes, related to "strengthening research, technological development and innovation", target support for the research activities of research-intensive firms, including SMEs, within collaborative partnerships with research institutions. The Managing Authority for the OP R&I is the Ministry of Education, Science, Research and Sport (MoESRS) in co-operation with the Ministry of Economy.

The SME-related axes have three major foci: (1) stimulating and supporting the creation of new innovative enterprises, i.e. start-ups; (2) increasing the competitiveness of existing SMEs in the development phase; and (3) increasing the internationalisation possibilities of existing SMEs, both in terms of export potential and participation in global value chains. Strategic policy objectives and expected results are associated with each priority axis (see Box 2.1).

The specific policy objectives include:

- Promoting entrepreneurship as a career choice and raising public awareness of the benefits of entrepreneurship;
- Encouraging the creation of start-ups by disadvantaged social groups (women, young people, seniors, persons with disabilities, Roma) and increasing their representation in the total number of entrepreneurs through targeted and tailored business support;
- Contributing to the establishment of new innovative SMEs, start-ups and spin-offs;
- Increasing the survival rate of new businesses during the first three years of business by providing systematic professional counselling and mentoring support to new entrepreneurs, including the related infrastructure of advice centres, incubation and training facilities, financial intermediation, online platforms, etc;
- Ensuring start-ups and existing SMEs have access to capital and diversified forms of funding (grants, loan programmes, venture capital funds, informal investors), including in the Bratislava Region;
- Supporting SMEs, including in the creative sector, to penetrate and succeed in foreign markets, including creation of a comprehensive system of support for the internationalisation of SMEs (to address the limited scope, lack of co-ordination, and low take-up by SMEs);
- Promoting the development of higher value-added knowledge and smart specialisation-based SMEs through the provision of professional advisory services and expert counselling, seminars/ workshops, networking, etc;
- Stimulating the use of electronic business tools by SMEs and the adoption of digital technologies in their business activities;
- Increasing the competitiveness and performance of SMEs through support for development of quality management systems, certification processes, attaining technical standards in production and services, and introduction of systems and standards in line with EU and international requirements;
- Creating favourable conditions for SMEs in line with the SBAfE to enhance their growth and innovativeness, including monitoring the business environment in line with the “Think Small First” principle;
- Increasing the innovation performance of SMEs by making specialised counselling available to them through a network of technology consultation offices (an objective of Investment Priority 1.2: “Promoting business investment in research and innovation”).

The majority of the EUR 2 267 billion OP R&I spending was allocated to the Research, Development and Innovation thematic objective (79.22%) with 17.69% allocated to the SME Competitiveness and Growth priority (EUR 401 million, of which EUR 24.6 million was allocated to supporting SME competitiveness in the Bratislava Region).

### Box 4.1. Results to be achieved in the SME Competitiveness and Growth priority of the OP R&I 2014-20

This box outlines the strategic objectives of the OP R&I 2014-20 related to SMEs and entrepreneurship.

#### **Strategic objective 3.1.1: Enhance the growth of new competitive SMEs.**

Comprehensive support solutions leading to an increase in the creation, development and accelerated growth of innovative technological SMEs, including start-ups and spin-offs all over the Republic, including those founded by disadvantaged groups; systemic support during the initial business stages, and the creation of appropriate conditions for the growth of competitiveness of SMEs and for reducing the extent of their disappearance (e.g. increase in survival rate); improved access to finance and venture capital for new SMEs.

#### **Strategic objective 3.2.1: Grow internationalisation of SMEs and increase use of possibilities offered by the EU Single Market.**

A comprehensive system of support for the internationalisation of SMEs and the penetration of Slovak SMEs in foreign markets, including markets in countries outside the EU, leading to increased export potential of SMEs; improved links between domestic SMEs and suppliers of large multi-national corporations; and improved conditions for increasing the innovation potential and competitiveness of SMEs, in particular in high and medium high-tech manufacturing and knowledge-intensive services sectors for the implementation of activities in the common market.

#### **Strategic objective: 3.3.1 Increase the competitiveness of SMEs at the developmental stage.**

Increased growth, innovation and competitiveness of established SMEs, increased added value and productivity of SMEs, and improved links and co-operation between domestic SMEs and suppliers of large multi-national corporations.

#### **Strategic objective: 4.1.1 Increase the share of profit-making SMEs in the Bratislava Region.**

Support for the creation and development of innovative technological firms in the Bratislava Region, including start-ups, spin-offs, and creative enterprises, and their acceleration to enter the next phases of their life-cycle; increased survival rate of new enterprises; conditions created for the application of social innovation and entrepreneurship by disadvantaged groups.

Source: (MoESRS, 2014).

The OP R&I is mainly structured around realising policy aims of the National Strategy for Smart Specialisation.<sup>1</sup> The OP R&I also integrates the SME and entrepreneurship priorities embedded vertically as a secondary emphasis in a number of national strategies, programmes and projects funded at the ministry or agency level through the state budget or ESIFs, for example:

- the Smart Industry Initiative (e.g. increasing digital awareness of SMEs and take up of digitalisation of production and operational processes to meet the principles of Industry 4.0);
- the 2030 Digital Transformation Strategy for Slovakia (e.g. increase the digital skills and level of digitalisation of SMEs to improve their competitiveness)<sup>2</sup>;
- the National Employment Strategy (e.g. promote sustainable self-employment, start-ups and job creation in all sectors of the economy; and support the maintenance of employment in SMEs, the upgrading of SME workers, and inclusion of disadvantaged groups (e.g. women, youth, Roma);

- the Regional Development Strategy (e.g. increase the share of SMEs in the regions and the competitiveness of SMEs in defined sectors according to regional specifics; support industrial services and marketing capacities of SMEs in the process of their internationalisation and increased export activity; and provide systematic support for promotion of employment in SMEs and trades, particularly in promising sectors; provide access of entrepreneurs and SMEs to comprehensive and co-ordinated services.

For the most part, the OP R&I was implemented through national projects, such as the

- Supporting the establishment and development of the National Business Centre in Slovakia;
- Support for the Internationalisation of SMEs;
- Let's Innovate (inovujme.sk);
- the National Development Fund II; and
- the National Start-up Support scheme 2017-20.

***SME policy priorities in the OP R&I are well-formulated but lack the comprehensiveness of a national SME strategy***

While it is positive that SME and entrepreneurship issues and actions were given a strong place in the OP R&I, the document in itself is incomplete in terms of serving as a comprehensive SME and entrepreneurship development strategy for the Slovak Republic.

As an example, it does not specifically include a pillar on improving the legislative and regulatory environment for SMEs (which is addressed in the SBAfE and the SME Support Law and inherent in the activities of the SBA Better Regulation Centre). There is room for policy improvements in this area, as the time required to start a business is one of the longest in the EU; the efficiency of resolving commercial disputes in the courts is low; the single point of contact for start-up procedures is perceived as inefficient; and databases to prevent public administrations from requiring information from SMEs that is already available need to be better interconnected (European Commission, 2019a).

It is also not inclusive of entrepreneurship education policies (also included in the SBAfE principles and an area which the European Commission deems underdeveloped at all levels of the educational system and in need of more attention; European Commission, 2019a). A policy to introduce entrepreneurship in the educational curricula at the level of elementary and secondary schools and universities would promote business thinking and ultimately support the development of more capable start-ups.

Although the programme targets disadvantaged social groups (young people, women, persons with disabilities, Roma), there are no explicit policy targets for inclusive entrepreneurship or concrete policy directions for increasing their participation in SME and entrepreneurship activity, as recommended by the OECD (OECD, 2018a). Women, for example, comprise about one quarter of natural person entrepreneurs, suggesting room for the implementation of policy support to increase their level of participation (SBA, 2019a), which could include more targeted promotion, outreach, and availability of information, financial literacy training, and start-up financing (OECD, 2018a).

The OP R&I also does not include any policy direction for the adaptation of public procurement, a significant market, to be more inclusive of SMEs. While improvements have been made to the public procurement process by shifting to an e-procurement platform, reducing the number of days to pay suppliers, and increasing the number of public tender calls split into smaller lots so that SMEs have greater opportunities to compete, the Government still lacks a comprehensive and impartial state aid policy to support SMEs in the public procurement process (European Commission, 2019a).

***A national SME and entrepreneurship policy strategy would provide an integrated vision across government and add clarity to policy priorities and directions***

The Slovak Republic's SME and entrepreneurship policy focus is woven into several strategic documents and not the outcome of a comprehensive national SME and entrepreneurship policy framework. In addition to the OP R&I, this includes the Digital Transformation Strategy and the Regional Development Strategy for example. A clear overarching, cross-government SME and entrepreneurship strategy could lead to improved co-ordination of policy action and implementation as well as help with future absorption of ESIFs.

One of the reasons that can be put forward for not having an explicit SME and entrepreneurship strategy is that SME and entrepreneurship issues could be covered by a generic business development policy, given that 99% of the private enterprises in the country fall within the definition of an SME. This would imply that generic policies for business development are equivalent to SME and entrepreneurship policies and are adequate to meeting the needs of SMEs and large firms alike. However, there are many reasons for implementing SME and entrepreneurship-specific policy (e.g. the vast majority of enterprises are micro in scale and not growing, SMEs have low management skills and capabilities, SMEs have low level of integration of digital technologies, investment in R&D, investment in training, and low levels of competitiveness, etc.). The European Commission (2013) indicated that the SME policy framework should address the low competitiveness of SMEs by fostering entrepreneurship, supporting new business models, promoting the internationalisation of SMEs, and improving access to financing. To a great extent these are still policy priorities in the Slovak Republic. This supports the rationale for a targeted policy and strategy to strengthen SMEs, but one that also targets different kinds of SMEs with appropriate measures, e.g. start-ups, micro-enterprises, traditional SMEs, innovative SMEs, growth-oriented SMEs, as each group may face unique (as well as generic) challenges.

A more transparent elucidation of the SME and entrepreneurship policy framework could be achieved through formulation of an overarching national entrepreneurship and SME strategy document that would lay out the vision, strategic objectives, quantifiable targets, policy pillars (e.g. access to finance, access to markets), related programme actions, responsible actors, institutional structure for its implementation, and a monitoring and evaluation framework. Developing such a strategy would require the collaboration of all ministries and agencies as well as consultation input from SME stakeholder groups.

Box 4.2 highlights the development of a national SME strategy by the Hungarian government in 2019, which has supported policy leadership and coherence in the country. Other country experiences, for example from Ireland, also point to the value added of developing a more cohesive and unified approach to government support, which can help to ensure that SMEs of all sizes and across all sectors and different types of entrepreneurs and potential entrepreneurs receive a consistent level of support, facilitating a greater number of them to increase their productivity and growth. This can also create political visibility for the SME and entrepreneurship policy agenda and the particular issues facing micro, small and medium businesses, and thus help to secure the political buy-in needed to resource the implementation of an ambitious framework.

## Box 4.2. The Hungarian approach to formulating a national SME strategy

### Description of the approach

In 2019, the Ministry for Innovation and Technology prepared the “Strategy for Strengthening Hungarian Small and Medium-Sized Enterprises 2019-30” as a strategic planning document targeting the entire sector of micro, small and medium enterprises in the country. The impetus behind the development of the strategy was to set the main directions of entrepreneurship and enterprise development in line with the Ministry’s economic development strategy and in light of the transition to a technologically-driven and competitive environment for SMEs.

The aim of the strategy was to specifically address the challenges of increasing the productivity level of Hungarian SMEs by stepping up their innovation capacity to produce more innovative products/services of higher added value, facilitating closer collaboration between SMEs and research organisations, promoting the digitalisation of Hungarian SMEs, and developing the necessary skills and competences of entrepreneurs and SME workers. The strategy would also ensure co-ordinated actions through harmonisation of government programmes and assistance schemes for supporting SMEs and co-operation with non-governmental stakeholders.

The overall objectives of the strategy are to strengthen the value creation capacity of enterprises with high growth potential and provide a predictable operational framework for the entire SME sector. The secondary objectives are to boost the productivity of SMEs, increase the added value generated by Hungarian-owned SMEs, and increase their export capacity. Baseline and targeted values were set for each of the secondary objectives to enable monitoring of the strategy’s success in meeting higher-level targets.

The strategy considered and built on the investment and financing programmes and sectoral strategies of the Ministry for Innovation and Technology, the innovation ecosystem strategies and programmes, the Research and Innovation Strategy, the Digital Start-up Strategy, the Government’s plans for finalising the system of vocational training and adult education, the National Export Strategy, and relevant development programmes of other ministries, as well as the policy and competitiveness plans of the Chamber of Commerce and Industry and national entrepreneurs and employers’ associations. The Strategy was also harmonised with the “Programme for a More Competitive Hungary” drawn up by the Ministry of Finance and the Competitiveness Council, which previously had included a separate section on elaboration and implementation of an SME strategy.

### Factors of success

The Strategy for a Competitive SME Sector is structured on seven policy pillars:

- creating an SME-friendly regulatory and taxation environment;
- developing the business environment for SMEs and means of e-governance solutions;
- strengthening the development capacity of SMEs and enhancing their performance in innovation and digitalisation;
- improving SMEs’ access to finance and appropriate funding facilities;
- promoting the internationalisation of SMEs;
- investing in SME skills and strengthening entrepreneurial culture; and
- supporting the succession of businesses (e.g. securing the generational change that the vast majority of Hungarian SMEs will soon need to undergo).



The strategy outlines the intervention logic for each of the pillars, specific objectives and associated (quantifiable) key performance indicators, the list of implementation actions under each of the pillars, and identification of the lead ministry/agency for implementation of each policy measure/action.

The strategy also prescribed the establishment of an “entrepreneurial consultation system”, whereby business associations, chambers and other relevant representative SME associations are regularly consulted vis-à-vis opportunities, challenges, needs and opinions important to policy refinements and programme adjustments.

### **Obstacles and responses**

In Hungary, many ministries and government agencies develop policies targeting and affecting SMEs and entrepreneurs, which may in turn lead to a fragmented and overlapping policy landscape without clear objectives and coordination.

This harmonisation of government programmes for supporting SMEs is one of the important functions of the overarching national SME strategy. The co-ordination function in policy implementation is improved as a result of joint development of annual action plans, centralised collection of statistical data on usage of different programmes and associated expenditures (useful for programme monitoring and evaluation), and annual reporting on implementation progress. This helps secure the conditions for co-ordinated action, avoidance of redundant actions and duplicative programmes across different ministries, and hence increases the likelihood of achieving the strategic objectives.

The co-ordination function is further ensured through establishment of the Inter-ministerial Strategic Managing and Monitoring Body represented by the State Secretary for Economic Planning and Regulation and Deputy State Secretaries of each involved ministry. This body meets every three months and is responsible for monitoring the implementation of strategic actions, providing a forum for administrative consultations on implementation, and general oversight.

#### Relevance for the Slovak Republic

Similar to the Slovak Republic, Hungary is reliant on EU funds for much of its programme funding. One of the purposes of formulating a comprehensive SME strategy was to enable the Hungarian government to appropriately allocate the remaining resources of the Operational Programme Economic Development and Innovation 2014-20 to SME development priorities and establish a policy path and framework for assigning EU funds to Hungary’s SME development objectives during the 2021-27 EU financial programming period. An SME and entrepreneurship strategy would equally serve the Slovak Government.

Source: (Ministry for Innovation and Technology, 2019)

## ***Co-ordination of SME and entrepreneurship policies across central government ministries and agencies***

### *A number of ministries and agencies are involved*

In the Slovak Republic, a number of ministries are directly or indirectly involved in the SME and entrepreneurship policy agenda (Table 4.1). Managing this policy interdependence can be very challenging for governments. Good practice guidelines for the effective management and co-ordination of entrepreneurship and SME policy suggest three institutional priorities (OECD/UNDP, 2004):

- a special department, or dedicated focal point, charged with the leadership and overall management and co-ordination of SME and entrepreneurship policy and programmes;
- a mechanism for inter-ministerial co-ordination to promote policy coherence;

- mechanisms for co-ordinating policy and practice between central and local governments and linking national, regional and local policy development efforts.

The Slovak Republic could enhance its co-ordination of SME and entrepreneurship policy by addressing these institutional priorities within its own policy structures.

**Table 4.1. Main national SME and entrepreneurship policy actors in the Slovak Republic**

Ministry/agency	Key areas of responsibility linked to SME and entrepreneurship policy measures
Ministry of Economy	Central state body for policy related to creation of a supportive business environment, support of SMEs, and domestic and foreign trade. Key role in developing and implementing the National Smart Specialisation Strategy and the OP R&I.
Slovak Business Agency (SBA)	A quasi government agency. Provides policy input to the Ministry of Economy based on surveys and consultations with SMEs, in particular on reforms to the business environment to reduce administrative and regulatory burden on SMEs. Implements the SBAfE in the Slovak Republic. Promotes the "Think Small First" principle, implements the "SME Test" to measure the impact of regulatory proposals on SMEs, and operates the Better Regulation Centre.
Ministry of Finance	Responsible for tax policy, some of which is directed to SMEs (e.g. a special tax base for SMEs to improve the business environment for micro-enterprises, a simplified accounting regime for micro and small enterprises; tax relief and tax credit scheme to incentivise SMEs to undertake R&D activity).
Ministry of Education, Science, Research and Sport	The central state administration body for elementary, secondary and higher education, educational facilities, lifelong learning, as well as for the creation and implementation of state science and technology policy, including co-ordination, legal and financial instruments in science and technology, and strategic and conceptual documents in the field of science and technology. It provides R&D incentives to entrepreneurs; supports co-operation of R&D-oriented SMEs on international projects aimed at developing new products, processes and services, and funds development projects supporting training for teaching staff in the fields of financial literacy and entrepreneurship in education.
Ministry of Labour, Social Affairs and Family (MLSAF)	Responsible for state policy on employment and skills, including active labour market policies to increase employment, mitigate regional disparities, reduce youth and long-term unemployment, encourage self-employment, support new job creation, and maintenance of employment in SMEs, as well as enhanced workforce skills and support for disadvantaged groups. Main implementer of the National Employment Strategy. Supports demand-based company training of employees to enable the acquisition of new skills (not specific to, but inclusive of SMEs' employees). Offers (free) entrepreneurship training limited to unemployed persons seeking employment.
Ministry of Justice	Responsible for the business registration legislation; plans to introduce new business registration process by 2022. Will manage the new online business registration.
Ministry of Interior	Operates the Point of Single Contact - a national e-government portal where Slovak entrepreneurs are able to apply online for a license to start a business.
Ministry of Foreign Affairs	Policy support for the internationalisation of SMEs by facilitating the entry of SMEs onto foreign markets and providing assistance in establishing contacts between Slovak SMEs and foreign partners through diplomatic offices in other countries (information, missions, matchmaking opportunities).
Ministry of Agriculture and Rural Development	Responsible for the Rural Development Programme 2014-2020, involving investment support to SMEs in the food and agricultural sectors.
Ministry of Culture	Responsible for policy to promote cultural industries, including support to SMEs in the creative fields and the engagement of SMEs in cultural preservation and restoration projects (e.g. Audio-Visual Fund, Art Support Fund).
Ministry of Environment	Policy support for SMEs in Operational Programme Quality of Environment and Environmental Fund (e.g. waste management, energy efficiency, eco-management/labelling, greening).
Slovak Guarantee and Development Bank (SZRB)	Under the Ministry of Finance, responsible for policies to ensure access to SME and entrepreneurship financing through direct loans to SMEs and state-backed guarantees for bank loans to otherwise unbankable SMEs and start-ups; also for policies to promote equity investments in SMEs (includes 100% ownership of Slovak Investment Holdings (SIH) which delivers the National Development Fund (venture capital)).

*The Ministry of Economy is the lead ministry, but does not have an SME and Entrepreneurship Policy Unit in its organisational structure*

The Ministry of Economy is the central body of the state administration responsible for support to SMEs, including for implementation of the SME Support Law. Its authority also covers policies related to the business environment, industrial development, domestic and foreign trade, enterprise competitiveness,

and innovation. It oversees implementation of the OP R&I 2014-20 through its support agencies: the Slovak Business Agency (SBA), the Slovak Investment and Trade Development Agency (SARIO), and the Slovak Innovation and Energy Agency (SIEA). Attention is given to SMEs by the Business Environment and Innovation Department of the Ministry, however, unlike state ministries responsible for SME and entrepreneurship policy in many countries, the Slovak Ministry of Economy does not have a dedicated SME and entrepreneurship policy unit in its structure. Clearly, the Ministry places an emphasis on the integration of SMEs and entrepreneurship into its national sectoral strategies. However, the Ministry could provide important policy leadership on SME and entrepreneurship development by establishing a specialised SME and entrepreneurship policy unit and giving it responsibility for ensuring policy directions and measures affecting SMEs are adequately integrated across the various departments and sections of the ministry, as well as for co-ordinating the integration of SME and entrepreneurship actions in the policies and strategies of other ministries. The example of the Entrepreneurship Development Department from the Kazakhstan Ministry of National Economy serves as an example of such a policy co-ordination unit (see Box 4.3).

### **Box 4.3. The creation of the Entrepreneurship Development Department in the Ministry of National Economy, an example from Kazakhstan**

#### **Description of the approach**

In Kazakhstan, the 2006 Law on Private Entrepreneurship authorised the creation of a “competent body on entrepreneurship” to carry out the conduct of state policy on private entrepreneurship. To comply, the government chose to establish the Entrepreneurship Development Department (EDD) within the Ministry of National Economy by virtue of a ministerial order.

Created in 2008, the EDD has wide responsibilities with a clear mandate for co-ordinating the range of entrepreneurship and SME policies and measures across government, including in the areas of business environment and regulatory reforms at the State level and co-ordination of the state regulatory agencies on the implementation of regulatory impact analysis. The EDD is also responsible for developing policy proposals in favour of SME development and organising and co-ordinating the fulfilment of state support measures for development of small businesses.

Specifically, the EDD is accountable for:

- Conducting analysis of the business and investment environment for the development of private entrepreneurship and analysis of the state of development of entrepreneurship in general and by region;
- Preparing summary analytical materials and draft reports to higher state bodies, including the Presidential Administration, Parliament, other state bodies and non-governmental organisations;
- Co-ordinating the work of government bodies to improve the business environment and improve the position of Kazakhstan in the Doing Business ranking;
- Organising meetings of the Co-ordinating Council for Entrepreneurship and the Council of National Investors (government bodies) and other advisory bodies on related issues;
- Developing proposals for the formulation and implementation of a state policy for the development of private entrepreneurship (financial and non-financial support measures) and improvement of the support infrastructure;
- Participating in the development of proposals for the development and implementation of entrepreneurship support programmes and measures for financing and lending to private enterprises;

- Implementing measures to form a system of training, retraining and advanced training of personnel in the field of small business;
- Creating the conditions for the participation of small business in state programmes of innovation, investment, industrial development, and internationalisation;
- Providing advisory assistance to central and local government bodies and approving draft strategic plans of central government bodies and territorial development programmes regarding SME development;
- Contributing to the formation and development of small business infrastructure in the regions;
- Promoting state policy on the development and support of private entrepreneurship; organising and co-ordinating the implementation of state measures to support and develop entrepreneurship;
- Monitoring the effectiveness and quality of state support of private enterprises;
- Preparing and submitting to the Government of the Republic of Kazakhstan the annual report on entrepreneurship development.

The EDD also has authority with respect to requesting and receiving necessary information from other ministries, departments and agencies of the government in order to carry out its tasks and effectively fulfill its co-ordination role.

### **Relevance for the Slovak Republic**

The creation of such a unit or section in the Slovak Ministry of Economy would help to provide policy leadership on the SME and entrepreneurship development agenda, and allow for a more holistic, objective approach to SME and entrepreneurship policy. This would be particularly useful for drafting and implementing a national SME and entrepreneurship policy/strategy document.

It could also play a central role in the development and promotion of an SME support portal by coordinating with other government ministries and agencies. It would also be well placed to oversee implementation of the SME Test, particularly where this requires cooperation from counterparts in other government ministries.

Source: OECD (2018b)

### ***Establishing an interministerial SME and entrepreneurship policy co-ordination platform would enhance policy coherence***

In addition to the designation of a focal point for SME and entrepreneurship policy leadership inside the government, good practice guidelines also point to the importance of establishing a mechanism for inter-ministerial co-ordination to promote policy coherence across government (OECD/UNDP, 2004). A common approach in many countries is the formation of a higher-level inter-ministerial SME and entrepreneurship policy committee or council (as in the State Council for SMEs from Spain example described in Box 4.4). The role of this mechanism is to manage the horizontality of entrepreneurship and SME policies across government and to define the role of different departments and the mechanisms by which policies and programmes will be co-ordinated.

In the Slovak Republic, SME and entrepreneurship policy lacks a national co-ordination approach. Ministries review the SME Support Law to see if they want to have a project or programme in line with the directions set out in the Law and then provide for this in their funding budget for the upcoming period. This suggests that SME policy is implemented in a “siloe” approach.

The practice of implementing cross-government co-ordination mechanisms for key policy areas is not foreign to the Slovak Government. For example, the Government created the Government Council for Science, Technology and Innovation (GCSTI), chaired by the Prime Minister, as a co-ordination and advisory body to oversee implementation of the Strategy for Smart Specialisation. The Council consisted of the Ministry of Economy (competencies in the area of innovation, entrepreneurship support and SMEs), the Ministry of Education, Science, Research and Sport (competencies in the area of science), the Slovak Academy of Sciences, and representatives of regional and local governments, academia, employers' organisations and business associations, and industry. The work of the GCSTI was supported by the Co-ordination Group of partnering organisations, which was responsible for the preparation of programmes, plans and actions, co-ordination and synchronisation of activities, and monitoring of outcomes. This could be a model for a co-ordination mechanism for SME and entrepreneurship policy.

#### Box 4.4. The Inter-ministerial State Council on Small and Medium Enterprises, Spain

##### Description of the approach

The State Council on Small and Medium Enterprises is attached to the Spanish Ministry of Industry, Commerce and Tourism. It is the official body for the planning and co-ordination of all policies and measures of the various ministries and public administrations affecting SMEs, including the facilitation of their creation, growth, and competitiveness. It aims to foster dialogue and co-ordination and includes representatives of all the relevant ministries as well as representatives of SMEs.

The Council is regulated by Royal Decree 962/2013, approved by the Council of Ministers. It is responsible for: monitoring the evolution, problems and policies affecting SMEs; developing recommendations and proposals on priorities, mechanisms, actions and regulatory changes necessary to increase SME activity and competitiveness; informing the multiannual SME support plan; co-ordinating the various support programmes carried out by the different competent bodies and harmonising the eligibility criteria and service standards for support to SMEs; and monitoring the application of the Small Business Act for Europe in Spain to enable the evolution of policies in line with the principles of the Act.

The Council is chaired by the Ministry of Industry, Commerce and Tourism, with the heads of the General Secretariat of Industry and SMEs and the Directorate General for Industry and SMEs each holding vice-chair positions. It consists of: 13 members representing ministerial departments of the General State Administration, representatives of eight State agencies (e.g. State Society for the Management of Innovation and Tourism Technologies, Centre for Industrial Technological Development, Spanish Patent and Trademark Office, Spain Export and Investments, Official Credit Institute), one representative for each autonomous region, a member representing the Local Administrations, the business and labour organisations representing SMEs, and the Chamber of Commerce and Industry.

The Council operates through two organs:

- The Plenary body of the Council, composed of all members, acts as a consultative and advisory body on all matters affecting SMEs. It promotes public-private dialogue in order to provide greater rationality and efficiency to SME policies and to formulate proposals for actions. It meets at least once a year.
- The Permanent Commission, chaired by the Directorate General of Industry and SMEs, which comprises representatives from the Ministry of Industry, Commerce and Tourism, and the Ministry of Energy, Tourism and Digital Agenda. The Permanent Commission may establish

working groups. It is responsible for co-ordinating and enforcing the work approved by the Plenary body. It reports periodically to the State SME Council on the progress of the strategic framework, informs about possible risks affecting its effective implementation, and proposes actions to be developed with the strategic framework.

### **Factors for success**

A Monitoring Office has responsibility for regular monitoring of the status and evolution of the Strategic Framework. This involves collecting information on the results from each line of action, informing the working groups of any risks or problems requiring attention, and proposing the re-orientation/redesign of Strategic Framework actions.

Finally, the State Council has appointed an Advisory Board of SME stakeholders, business leaders, and SME support organisations to provide policy input on the problems facing SMEs and possible solutions to be studied by the working groups/State Council.

### **Relevance for the Slovak Republic**

The establishment of an inter-ministerial SME council would foster a higher level of co-ordination of SME and start-up policies and measures at the national level and provide great benefit to the Ministry of Economy in carrying out its policy development and co-ordination responsibilities. The composition of such a council would be much smaller than that of Spanish government, but could minimally comprise representatives from the Ministry of Economy, the Office of the Deputy Prime Minister for Investment and Informatisation, the Ministry of Finance, the Ministry of Education, Science, Research and Innovation, the Ministry of Agriculture and Rural Development, the State Guarantee and Development Bank, the Ministry of Labour, Social Affairs and Family, the Slovak Business Agency, local administrations, and key business and SME associations.

The Committee should meet at least twice a year to review and discuss policy priorities and objectives and agree to an annual SME and entrepreneurship action plan to achieve these objectives. The functions of the Committee could be very similar to those of the State Council on SMEs in Spain.

The establishment of such a body can provide a platform for structured engagement between small business owners, their representative bodies, innovation, academia, government agencies and Departments/ministries. Inviting membership from across government ministries ensures that overlapping agendas are identified and exploited. The formation of such a body can facilitate shared learning and ensure a cohesive approach towards the delivery of relevant financial and non-financial supports to the SME ecosystem. This body, or a version of it, could also potentially serve as an effective implementation group for a future SME and entrepreneurship strategy, or could feed into a higher level Ministerial council set up for this purpose.

Source: Ministerio de Industria, Comercio y Turismo (2013); Ministerio de la Presidencia, Relaciones con las Cortes y Memoria Democrática (2014); Ministry of Industry, Commerce and Tourism (2019)

## ***Consultation and dialogue with SME and entrepreneur stakeholders***

In addition to horizontal and vertical policy co-ordination, good practice in the design and implementation of SME and entrepreneurship policy dictates an effective mechanism for consulting with SMEs and entrepreneurs on their concerns and needs, soliciting input on the types of assistance and support needed to address these concerns, and inviting policy recommendations (OECD/UNIDO, 2004).

*The Slovak Republic has a well-established practice of stakeholder consultations on legislative proposals and national policy and strategy documents*

In the Slovak Republic, it is a legal requirement to consult with stakeholders, including SMEs, when new legislation is being drafted, and to have a four-week period for comment by stakeholders after the legislation is prepared and before it is enacted. Consequently, there is a high degree of consultation on legislative and regulatory proposals. Carrying out such consultations with SMEs is one of the key activities of the SBA Better Regulation Centre. The SBA also carries out periodic surveys of SMEs for evidence-based input on their operating challenges, the responsiveness of the business environment to their needs, and use of government support programmes. The results of these surveys, a form of consultation, are fed into the policy process for consideration.

The Government also has a well-developed practice of consulting with stakeholders on development of national policy and strategy documents. This is evident from the many examples of conducting consultations with stakeholder groups on draft strategy documents (e.g. National Economic Strategy, Strategy for Smart Specialisation, Industry 4.0 Strategy, the OP R&I) with the chambers, business associations, employers' organisations and Slovak Entrepreneurs Union, even consulting with them a second time on action plan components. For these purposes, the Government may make use of a Consultation Platform and Discussion Forum Working Groups. Online platforms are also employed to publish formal calls for input on measures to improve the business environment.

*Improvements could be made to strengthen consultation input from small businesses*

In the Slovak Republic, there is no formal consultation mechanism or process for policy dialogue with SMEs and entrepreneurs on general policies affecting them, which is common in many OECD countries. Although the government requests to meet with stakeholders on new legislative proposals and economic strategies, the membership in the chambers and the Slovak Entrepreneurs Union is comprised of mostly large enterprises and does not necessarily adequately represent the perspectives and interests of micro and small enterprises, in particular, which have first-hand knowledge of market conditions and of the impacts that government policies have on their businesses.

International practice points to further consultation options available to the Slovak Government to increase the influence of SMEs and entrepreneurs on policy and programme development. These could take the form of consultative business forums and councils or advisory panels consisting of those business associations specifically representing micro-enterprises, SMEs, and rural, women and young entrepreneurs (UNCTAD Secretariat, 2005). Ministries responsible for SME and entrepreneurship development may also create effective local/regional platforms for the articulation of SME and entrepreneurship interests.

A common mechanism for soliciting the input of SMEs and entrepreneurs on the policy agenda at the national level is the establishment of a formal SME Advisory Council. Generally aligned with the ministry responsible for SMEs or a higher-level inter-ministerial council/committee on SMEs, these councils might be viewed as national "think tanks" for the promotion and development of SMEs and entrepreneurship. They may be asked to examine any number of issues, such as the execution of a SME and entrepreneurship policy framework, the review of current policies, strategies and plans, advice on innovative strategies and interventions, advice on making structural changes to the institutional landscape to be more efficient and cost-effective in delivering services to SMEs and entrepreneurs, and advising on emerging SME and entrepreneurship issues and recommending corrective measures.

The membership of these advisory councils is generally quite broad, including entrepreneurs, chambers of commerce and industry, small business associations, associations of entrepreneurs, SME support organisations, and independent experts. In fact, the SME laws, in countries where they exist, will generally specify that such advisory committees be formed, stipulate the composition of membership,

and outline the major functions, although the specific details will vary by country depending on their context and needs.

To enhance mechanisms for consulting with SMEs and entrepreneurs, the Ministry of Economy should consider creating an SME Advisory Council that is inclusive of all SME associations in the Republic, such as the Slovak Association of SMEs, Slovak Association of Crafts, Entrepreneurs Association of Slovakia, and the Young Entrepreneurs Association in addition to the Chambers of Commerce and Industry, employers' organisations, and sector associations.

Increased dialogue between the public sector and SMEs and entrepreneurs could also be included in the Smart Specialisation initiatives discussed in chapter 7.

### ***The SME and entrepreneurship policy mix and portfolio***

This section discusses analysis of the policy mix and portfolio for supporting SMEs and entrepreneurs and the allocation of resources to different SME and entrepreneurship policy supports. The policy mix refers to the aggregate of SME and entrepreneurship policy measures or instruments and the way they interact to achieve policy goals. Policy mix issues include the range of policy instruments i.e. the "breadth", the balance between use of the different types of instruments (e.g. direct and indirect measures, supply or demand mechanisms), and the different targets of policy and policy instruments (e.g. audiences, policy areas), i.e. the "focus" (European Commission, 2008). A policy mix/portfolio analysis helps in identifying the weighting given to each policy instrument or target audience and whether this suggests an uneven balance in the allocation of budget resources (e.g. an over concentration in one category versus another) given the policy priorities.

#### *The Ministry of Economy is the largest supporter of state aid to SMEs*

In 2018, SMEs accounted for 34.77% of total state aid granted, amounting to EUR 159.27 million, an increase of 8.48 percentage points over 2017 (SBA, 2019a). The Ministry of Economy was the largest state aid supporter to SMEs (41.9% of its state aid expenditure/EUR 60.6 million), followed by the Ministry of Agriculture and Rural Development (91.3% of its state aid/EUR 45.6 million) (Table 4.2). However, the share of state aid to SMEs varies considerably by ministry or Fund. In total, more than 75% of the state aid to SMEs is managed by the Ministry of Economy, Ministry of Agriculture and Rural Development, and Ministry of Education, Science, Research and Sport taken together.

**Table 4.2. Percentage of state aid by ministry and share to SMEs, 2018**

Provider	Amount of state aid (Euro, in millions)	Distribution - total state aid (%)	Share of the state aid for SMEs	Amount of state aid to SMEs (Euro, in millions)	Distribution - state aid to SMEs (%)
Ministry of Economy	144.52	31.18%	41.93%	60.60	38.05%
Ministry of Agriculture and Rural Development	49.96	10.78%	91.29%	45.61	28.64%
Ministry of Education, Science, Research and Sport	19.03	4.11%	86.60%	16.48	10.35%
Audio Visual Fund	9.50	2.05%	100.00%	9.50	5.96%
Customs Office	126.30	27.25%	7.26%	9.17	5.76%
Environmental Fund	10.00	2.16%	53.86%	5.39	3.38%
Ministry of Defence	4.31	0.93%	100.00%	4.31	2.71%
Art Support Fund	2.53	0.55%	85.38%	2.16	1.36%
Agency for R&D Support	2.50	0.54%	84.18%	2.10	1.32%



Fund for Support of Culture of National Minorities	1.53	0.33%	99.88%	1.53	0.96%
Ministry of Labour, Social Affairs and Family	3.95	0.85%	26.08%	1.03	0.65%
Ministry of Environment	56.50	12.19%	0.95%	0.54	0.34%
Tax authorities (T1)	17.81	3.84%	1.74%	0.31	0.19%
Office of the Government	1.75	0.38%	14.29%	0.25	0.16%
City of Stará Lubovna (culture)	0.26	0.06%	100%	0.26	0.16%
Ministry of Culture	0.04	0.01%	100.00%	0.04	0.03%
Ministry of Finance (tax relief, investment incentives)	7.57	1.63%	0.00%	0.00	0.00%
<i>Total amount of state aid</i>	<i>463.48</i>	<i>100.00%</i>	<i>34.77%</i>	<i>159.27</i>	<i>100%</i>

Notes: The table does not include the total amount of state aid from the Central Office of Labour, Social Affairs and Family in 2018, which totalled EUR 96.48 million, out of which EUR 92.60 million was granted to SMEs (95.9%) through support for active labour market measures, including supporting disadvantaged persons, self-employment, and the creation of new jobs and maintenance of existing jobs and employees (e.g. allowances, training funds, etc.) (as reported in SBA, 2019a, *Report on the State of Small and Medium-Sized Enterprises in the Slovak Republic in 2018*, p. 52).

Source: Antimonopoly Office of the Slovak Republic (2019), "Report on provided state aid in the Slovak Republic for 2018", May, Bratislava, pp. 26-27 (in Slovakian), <http://www.statnapomoc.sk/wp-content/uploads/2019/06/Sprava.pdf/>

### *Micro-enterprises comprise the majority of recipients of de minimis aid*

In 2018, de minimis aid to SMEs reached about EUR 152.4 million, 70.9% of the total aid (Table 4.3). The main beneficiaries were micro-enterprises (less than 10 employees), which accounted for 60% of all interventions in 2018 and 70% in 2017, which is however, much below their share of 97% in the population of active enterprises in the economy. Small enterprises (no more than 50 employees), accounted for almost 14% of beneficiaries in 2018, while medium enterprises accounted for 3.5% of the interventions and 7.3% of the aid volume (although their share of active enterprises is only about 0.5%). In 2018, the Scheme to support the competitiveness and growth of SMEs<sup>3</sup> (in the form of grants) was one of the most significant, accounting for more than 40% of the total aid provided (EUR 86.54 million to 566 SMEs) (SBA, 2019b). However, SMEs also benefit from tax incentive schemes, which are in addition to de minimis aid schemes.

Table 4.3. The use of de minimis aid by size of enterprise, 2017, 2018

Size of enterprise	Year	Volume of aid (EUR)	Share of aid volume	Number of interventions	Share of interventions
	2018				
Micro		81,652,448	38.0%	13,383	60.0%
Small		54,956,946	25.6%	3,095	13.9%
Medium		15,759,282	7.3%	776	3.5%
<i>Subtotal MSME</i>		<i>152,368,676</i>	<i>70.9%</i>	<i>17,254</i>	<i>77.4%</i>
Large		2,256,366	1.1%	218	1.0%
Unspecified		60,257,003	28.0%	4,828	21.7%
<i>Total</i>		<i>214,882,045</i>	<i>100.0%</i>	<i>22,300</i>	<i>100.0%</i>
	2017				
Micro		78,107,944	63.2%	24,213	70.1%
Small		23,909,598	19.3%	5,486	15.9%
Medium		6,974,066	5.6%	1,385	4.0%
<i>Subtotal MSME</i>		<i>108,991,608</i>	<i>88.2%</i>	<i>31,084</i>	<i>90.0%</i>
Large		1,699,658	1.4%	284	0.8%
Unspecified		12,983,421	10.5%	3,180	9.2%
<i>Total</i>		<i>123,674,687</i>	<i>100.0%</i>	<i>34,548</i>	<i>100.0%</i>

Notes: The de minimis aid schemes cover a broad range of policy programmes. They include, for example, the SME Competitiveness and Growth Scheme, the Support Scheme for Industrial Cluster Organisations, Scheme to Support the Development of Creative Industry, the Innovation Vouchers Scheme, the Start-up Support Scheme, the Family Business Support Scheme, the Scheme to Support Energy Audits in SMEs, the Audi Visual Fund, the Art Support Fund, the First Loss Guarantee Scheme, the Scheme to Support Social Inclusion, Employment and Employee Training (includes self-employment allowances and training), the Scheme to Support an Increase in the Standards of Performance and Functionality of MSMEs, etc.

Source: SBA (2019b), "Analýza inštitútu pomoci de minimis na Slovensku", February, pp. 73-74, [http://www.sbagency.sk/sites/default/files/analiza\\_institutu\\_pomoci\\_de\\_minimis\\_na\\_slovensku.pdf](http://www.sbagency.sk/sites/default/files/analiza_institutu_pomoci_de_minimis_na_slovensku.pdf); based on data from the Antimonopoly Office.

### *The allocation of funding to policy intervention categories – a missing component of the policy mix analysis*

Although much programme data is provided by the Antimonopoly Office (Antimonopoly Office of the Slovak Republic, 2019) and the SBA reports (e.g. SBA, 2019a, b), which offer a good picture of state spending by firm size and by government ministry, published accounts do not present the data by area of policy intervention. An additional useful component in analysing the policy mix would be an examination of the allocation of funds between categories of policy interventions, for example, to SME financing programmes, to entrepreneurship training for start-ups, or to SME export development. This situation could be addressed in future years by adopting the policy portfolio approach described in the next section.

### **Policy portfolio analysis**

One of the major challenges in managing entrepreneurship and SME policies across government ministries and agencies is ensuring that the set of selected programmes and projects is the most appropriate for meeting strategic objectives and that available budget is directed to the activities that produce the greatest returns to public investment. A policy portfolio approach is a useful tool for meeting this challenge.<sup>4</sup> The premise of the approach is that entrepreneurship and SME policy measures, in the form of programmes or projects, can best be seen as a broad "portfolio" of different programmes (rather than as stand alone, or *ad hoc* projects), each with a strategic aim or objective in line with the government's current policy priorities.

The approach involves examining the spread and mix of entrepreneurship and SME support interventions (strategies, programmes and projects) across different strategic priorities of the

government, the different stages of SME and entrepreneurship development, and the range of focus areas where public policy intervention by government is most likely to be effective in correcting market and government failures. It also consists of an analysis of the distribution of government spending by main policy area (e.g. entrepreneurship and business management training, access to finance, market expansion, innovation, etc.) and main targeted populations (e.g. potential and nascent entrepreneurs, new start-ups, micro-enterprises, innovative SMEs, high-growth firms, etc.). The approach is helpful in understanding whether government spending across SME and entrepreneurship policy areas is balanced, reflects government priorities, and addresses the main development challenges faced by start-ups and existing SMEs. It is also helpful in clarifying to government-wide actors where policy effort is being focused and in comparing results across activities. Used in conjunction with the monitoring and evaluation of programmes, it can help channel government resources into the measures with the greatest social and economic benefits. The proposed approach is described in Box 4.5 and presented as a framework that can be used for organising (and monitoring) the SME and entrepreneurship policy portfolio in the Slovak Republic.

### Box 4.5. Portfolio analysis of SME and entrepreneurship policy – explanation of the approach

#### Description of the approach

The basic framework for a policy portfolio analysis entails classifying all SME and entrepreneurship policy measures into policy categories and the stages of entrepreneurship and SME development that the measures address and attributing policy expenditure (and if possible policy impact information) to each category of policy and life cycle stage addressed.

Focusing on the entrepreneurship/enterprise life cycle allows development of an integrated set of supports to take “would-be” entrepreneurs from the pre-nascent stage to start-up, expansion and internationalisation. These supports might include education and training, advice and counselling, and access to finance, as common examples. This life-cycle categorisation is important because nascent entrepreneurs are, for example, more likely to need entrepreneurship training and advisory/mentoring support, while an established SME is more likely to warrant strategic government interventions to promote productivity through technology upgrading, innovation, or internationalisation support. Thus, tailored policy responses are needed to address the specific needs of each life cycle target. The resulting portfolio framework (a matrix of cells reflecting the types of policy measures by development stages of the entrepreneur/enterprise) can be adapted to the country’s particular policy context.

The first step is to prepare a mapping of all relevant policy measures and programmes, with each policy/programme assigned to a main policy focus and a stage, or stages, of enterprise development that the policy measure appears to target. Budget figures would then fill the cells (see table below) based on the list of projects and budgets from all programmes. Thus, the total for cell 1A would represent the total budget for all programmes/projects which provide entrepreneurial learning or training to pre-nascent entrepreneurs. The information enables an assessment of the extent to which the budgets per policy category and enterprise development stage appear balanced with the needs in each area.

#### Proposed portfolio framework for SME and entrepreneurship policy intervention

		Policy and Programme Categories (focus areas)					Total by business stage
		1 Education training, human capital development	2 Information knowledge	3 Finance	4 Market access/ development	5 Technology innovation	
A	Pre-nascent	1A	2A	3A	4A	5A	
B	Nascent	1B	2B	3B	4B	5B	
C	Start-up	1C	2C	3C	4C	5C	
D	Operation	1D	2D	3D	4D	5D	
E	Growth	1E	2E	3E	4E	5E	
F	International	1F	2F	3F	4F	5F	
G	Adjust exit	1G	2G	3G	4G	5G	

If coupled with an impact evaluation of government programmes, the policy portfolio analysis can help direct expenditures to the policy areas where the government spending is more effective. This requires the systematic evaluation of the different policy interventions, preferably through cost-benefit analysis, assessing the actual impacts of the interventions on core objectives, for example, job creation, business start-up rates, SME growth, increases in productivity, etc.. This makes it possible to assess the relative success or usefulness of the measure, identify gaps in policy support, and determine areas where a reallocation of resources could improve the performance of the whole budget portfolio.

The portfolio analysis therefore aims to help identify where there are relative gaps in programme support, and where a reallocation of resources could improve performance of the whole policy portfolio.

Nevertheless, a policy portfolio analysis should recognise that different interventions have different objectives and that, according to government priorities, certain objectives may be worthy of greater spending than others.

### **Success factors**

The policy portfolio categorisation facilitates the evaluation of programme/project performance by allowing more precise identification of the target segments (such as start-ups, high-growth SMEs), increasing transparency in the allocation and management of the entire budget portfolio, clarifying which market failures policy funds are being invested in, and identifying policy/programme gaps, thus producing a more informed approach to the design and implementation of national SME and entrepreneurship policy measures.

By way of example, a policy portfolio analysis undertaken in 2010 in the framework of the OECD Review of SME policy in Thailand revealed gaps in the funding of projects related to the pre-nascent, start-up and enterprise growth stages, as two-thirds of the budget expenditures (excluding financial assistance programmes) was directed to existing SMEs. It also revealed that the bulk of the SME Development Agency's total project budget (again excluding finance measures) was spent on education and training, with considerable gaps in the internationalisation stage and in support of technology and innovation. Gaps in addressing the needs of start-ups and the growth-phase of existing SMEs were identified as requiring further attention by the government and have since been responded to.

### **Obstacles and responses**

The biggest initial challenges in adopting the policy portfolio approach are preparing the inventory of all entrepreneurship and SME policy measures/programmes, doing a proper categorisation of the policy measures by focus area and enterprise target group, and sorting out the assignment of total budget allocations across the categorisations by ministries/agencies. These challenges can be overcome by assigning the ministry or office responsible for SME and entrepreneurship policies with the leadership role in collecting and sorting the necessary input information in co-operation with the relevant ministries and agencies.

Another obstacle in applying the policy portfolio approach is undertaking an evaluation of the effectiveness of programmes and projects to determine the appropriateness of the budget allocation across the portfolio. For systemic evaluation, information on costs and benefits needs to be collected for each policy category (1-5) and each enterprise segment (A-G) to enable comparisons of the cost effectiveness across the portfolio. Whether a government intervention is justified (i.e. whether the benefits actually exceed the costs) can only be resolved by an ongoing evaluation process. In this regard, undertaking ex-ante and ex-post evaluations of the impact of different programmes will inform the policy analysis about the benefits of different interventions and the actual effectiveness of budget expenditures (OECD, 2007). This will assist in identifying ways of shifting the portfolio of spending to areas where it might deliver a higher economic or social return on a given investment.

### **Relevance to the Slovak Republic**

Adopting the approach would be helpful to the Ministry of Economy in identifying possible gaps or misallocations in the SME and entrepreneurship policy mix, taking into account the spread of policy measures and programme activities relative to objectives and needs, and in evaluating the effectiveness of the overall SME and entrepreneurship policy portfolio. Thus, the approach could assist in correcting any programme gaps or duplications across departments and agencies, and determining the extent to which the policy mix corresponds to the perceived needs of the SME sector and to the government's overall strategic objectives.

Source: (OECD, 2011)

As a final note, it is likely that some SMEs will benefit from more than one programme intervention. The SME Support Law stimulates that applicants to each programme support must provide their business identification number. The availability of this data should make it possible for the government to determine the programmes used by the individual SMEs. This availability is enhanced by the Central Register for the Registration and Monitoring of de Minimis Aid, established by the Government in 2016, which records data on the aid provided to individual entities by the aid provider (ministry or agency). This enables the Government and aid recipients to keep track of the total amount of aid provided per enterprise, the main goal being to monitor the ceilings on the amount of financial aid per recipient. However, this system could also be very useful in identifying the different aid schemes being accessed by each participating SME. Amassing of this data would serve two purposes: to identify the actual number of different SMEs benefiting from the programme support (which would be a smaller number than if separately tallied by programme), and to identify the pathway of individual SMEs through the various programme supports.

## Monitoring and evaluation

The OP R&I is subject to monitoring and evaluation during its implementation. However, the indicators specific to the SME competitiveness investment priority are primarily output-related, e.g. number of SMEs supported, number of SMEs receiving grants and financial support, number of SMEs participating in counselling and training programmes or supported through SME counselling centres, number of SMEs receiving support to launch new products, number of SMEs engaged in EU programmes, etc. Targets for each of these values were set in the OP R&I document, with a requirement for annual reporting. Another set of indicators was established at the macro-level of “expected impacts” (outcomes), such as increases in employment (additional 4 140 jobs); increased share of SMEs in total exports (by 4.4%); increased share of SMEs in value added of business sector (by 5%); number of enterprises receiving business support (12 790); number of supported new enterprises (5 090, out of which 1 362 are start-ups or spin-offs); and improved links between domestic SMEs and large multinational corporations. However, it does not provide for comprehensive reporting on the impact of the various programmes.

The annual Report on the State of SMEs in the Slovak Republic provides a breakdown of the number of micro-enterprises, small enterprises and medium enterprises supported by the various policy interventions, along with the allocated expenditure. This indicates that the Government has capacity in monitoring the implementation progress of SME and entrepreneurship policy measures and programmes and collecting the relevant documentation from the various policy delivery actors. However, there does not appear to be a rigorous approach to programme evaluation to answer the key question of the impact and effectiveness of support interventions.

While potentially adequate on monitoring progress on the implementation of policy supports and programmes, the Slovak Republic is less developed in the conduct of formal impact evaluations of policy programmes. A useful starting point would be annual reporting by the SBA on budget allocations to programme areas and target groups, as per the policy portfolio approach. In addition, reliable evaluations of individual policy actions need to be undertaken. In this context, the guidance offered by the OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes could be followed (OECD, 2007).

The need for a formal monitoring and evaluation framework is further enhanced within the context of an overarching SME and entrepreneurship strategy. This would require formulation of quantifiable outcome-based performance indicators for each of the policy target groups, pillars and actions of the strategy.

## Policy delivery arrangements for national SME and entrepreneurship support programmes

Policy delivery refers to the way in which policies and programmes are implemented on the ground, which involves not only making SMEs and entrepreneurs aware of relevant programmes, but also ensuring that they have access to business development support. For example, policy supports could be delivered by government entities or contracted out to private sector intermediaries for delivery on behalf of the government. This section briefly describes and assesses the delivery arrangements for entrepreneurship and SME policy measures in the Slovak Republic, i.e. the organisations involved in delivering policy measures and the policy implementation arrangements.

Although a number of ministries and agencies in the Slovak Republic deliver entrepreneurship and SME policy programmes (see Figure 4.1 for a categorisation of delivery agent by general type of policy support), the main deliverers are agencies of the Ministry of Economy. The Slovak Business Agency (SBA) is the most dominant in providing services to assist SMEs and entrepreneurs in starting and developing their businesses. Other key agencies under the Ministry of Economy are also active in delivering policy support, particularly programmes related to innovation and internationalisation support, such as the Slovak Investment and Trade Development Agency (SARIO) and the Slovak Innovation and Energy Agency (SIEA). The policy delivery arrangements of these agencies are assessed below, supported by detailed descriptions and assessments of specific SME and entrepreneurship programmes in subsequent chapters of this report.

Figure 4.1. Schematic of the main policy delivery structures for SME and entrepreneurship support in the Slovak Republic



Source: OECD elaboration.

***The delivery of SME and entrepreneurship financing measures is concentrated in a small number of key public entities***

The primary deliverers of public policy financial support to SMEs are the Slovak Guarantee and Development Bank (SZRB) (direct loans, guarantee products, micro-credit, venture funds), the EXIMBANK (export credits, guarantee, and insurance products), and the Slovak Business Agency (micro-credits, venture capital investments). Over time, the Government has moved away from grant funding to other support mechanisms, such as the credit guarantee scheme, although grant



programmes are still in place, mostly to support SME R&D projects (agencies under the Ministry of Education, Science, Research and Sport) and export activity (Ministry of Foreign and European Affairs). However, take-up of financing schemes by SMEs appears quite low. In 2018, the SZRB granted 525 direct loans to SMEs and provided credit guarantees to only 268 SMEs. In 2018, EXIMBANK supported the export activity of only 39 SMEs, which is a rather modest number (SBA, 2019a). A limitation of the EXIMBANK support is that an SME must be in business for at least three years to qualify for financial support.

The European Investment Fund (EIF) allocates credit lines to commercial banks in the Slovak Republic for relending to micro-enterprises and entrepreneurs, plus a Microfinance portfolio guarantee programme. From the public perspective, the SBA and the SZRB are the primary micro-credit providers. The SBA programme targets micro and small enterprises with fewer than 50 employees, but demand is low. From 2013 until the end of 2018, only 2 164 micro-loans had been issued, totalling EUR 40.75 million (in 2018 alone, the SBA made 66 micro-loans with a total value of EUR 1.54 million) (SBA, 2019a). In delivering these micro-loans, the SBA co-operates with the Europe Enterprise Network Regional Advisory and Information Centres (RPICs) to provide information to local micro and small enterprises and facilitate the entrepreneur in completing the loan application process.

Venture capital in the Slovak Republic is at a very nascent stage of development, thus justifying the role played by Slovak Investment Holding (SIH) to stimulate private sector investors. The majority of the SIH venture funds is channelled through banks and other financial intermediaries through guarantee and loan products, and a significantly lower proportion as equity or quasi-equity to privately-managed venture capital funds.

### ***A myriad of public entities deliver business advisory support***

A relatively large number of public entities are involved in providing various forms of business advisory support to start-ups and SMEs through advice and information centres. These are predominantly within the domains of the Ministry of Economy and the Ministry of Education, Science, Research and Sport, but also include support centres under the Ministry of Foreign and European Affairs, and centres established as part of the Europe Enterprise Network (see Figure 4.1, Panel A). The provision of innovation and internationalisation support services are dominant (SIEA Regional Consultation Centres, SARIO Trade Points, “POCE” exporter contact points under the Ministry of Foreign and European Affairs), while others focus more generally on supporting the development needs of entrepreneurs and SMEs (SBA regional offices, National Business Centres, Regional Advisory and Information Centres).

With offices in the eight regions of the country, the SBA is an entry point for new entrepreneurs and SMEs, as well as a delivery point for a full range of financial and non-financial support services to entrepreneurs and SMEs at the national, regional and local levels. It implements several SME and innovation-focused policy measures and programmes in support of start-ups and SMEs along the development cycle (see chapter on SME and entrepreneurship programmes). Through its affiliation as a member of the Enterprise Europe Network (EEN), it provides SMEs with access to tools to support foreign trade. An important development starting in 2017 was launch of the network of National Business Centres (NBCs), a one-stop-shop for innovative enterprises in all eight regions with a particular focus on SMEs.<sup>5</sup> Managed by the SBA, the NBCs provide a broad portfolio of information and supplementary services, including training, expert consultancy, mentorship, and co-working spaces to aspiring entrepreneurs (including disadvantaged social groups), new start-ups, and established SMEs in different stages of their life cycles. It has the complementary objective of providing an interface for entrepreneurs, R&D and academic institutions and intensifying R&D co-operation between academia and industry, and enhancing innovation activities of technology-based SMEs, and co-ordinating support for the potential transfer of R&D into business practice.

The presence of NBCs in each of the regions provides at least some consistency in availability and clustering of basic support services and reduces possible gaps in delivery of state support programmes in the regions. However, the NBCs are recent and have low awareness among potential users in the regions, thus more aggressive promotional efforts are needed. Co-located with SBA offices, demand should eventually rise and recent data indicate that the uptake is increasing.

Advice and counselling to entrepreneurs and SMEs on start-up issues, the development of business plans, financing mechanisms, project and financial management, and development of human resource capacity is also offered by the Regional Advisory and Information Centres/*Regionálne poradenské a informačné centrum* (RPIC), non-profit entities established in the regions as part of the Europe Enterprise Network in the Slovak Republic.

SMEs seeking export advisory and support services (see Figure 4.1, Panel D) can access the Slovak Investment and Trade Development Agency (SARIO) regional offices and Trade Points, which serve as a contact point for SMEs seeking to enter foreign markets and in need of support to engage in export activity and penetrate foreign markets. SARIO is a government-funded allowance organisation that works under the supervision of the Ministry of Economy. It is responsible for increasing foreign investments in the Slovak Republic, as well as developing the exporting activities of Slovak companies with the support of economic diplomats from the Ministry of Foreign and European Affairs. The growth of SMEs through internationalisation activity is one of SARIO's priorities, realised through the National project "Support of the internationalisation of SMEs 2017-23", a component of the OP R&I<sup>6</sup> geared to strengthen the internationalisation capacities of SMEs and increase the degree of their participation in international cooperation activities. The SME support is mainly provided through participation of Slovak SMEs in trade fairs and trade missions, the pro-export training centre, supply chain opportunities, etc.) The implementation of this national project is coordinated by SARIO, with SBA as the partner organisation

The exporter/internationalisation service of the Ministry of Foreign and European Affairs Business Centre (known as "POCE") operates primarily through the "Let's Do Business Abroad" portal to distribute information about tenders, fairs, exhibitions and new business opportunities, and through an email box and telephone hotline to answer the questions of SME exporters and provide "first aid" in resolving their export-related problems. The use of online information-sharing platforms is an excellent model for other support centres, and potentially offers a complementary channel to the on-site delivery of business support services.

Innovation support is provided by a number of agencies (see Figure 4.1, Panel C), which tend to be specialised in particular areas of technology and innovation services. The Slovak Innovation and Energy Agency (SIEA) focuses on supporting and developing the innovation potential of Slovak companies. The SIEA Regional Innovation Centres (RICs) (located in five cities) deliver innovation support measures and tools to entrepreneurs and SMEs, promote a pro-innovation culture, and facilitate the exchange of information between research institutes and universities and SMEs. They were created in 2017 under the National Project Inovujme.sk as spaces where Slovak entrepreneurs can participate in innovation workshops and access consultants who will help them find solutions to obstacles in the innovation process and mentor them in implementing their innovative ideas. In addition, there are Business Innovation Centres (BICs) in five Slovakia regions (Banská Bystrica, Bratislava, Prievidza, Spišská Nová Ves, and Košice). The BICs, an initiative of the European Commission, offer business counselling/consulting, investment consulting, information on (and linkages to) financing, technology transfer, advice on EU programmes, and networking opportunities.

The Intellectual Property Office (IPO) delivers free tailor-made pre-diagnostic services to SMEs on their industrial property rights, but the outreach is small, with only 32 SMEs participating in this service in 2018 (SBA, 2019a). However, through its partners, the IPO creates awareness among SMEs of industrial rights protection through the Office for Innovation Information and Advisory (INNOINFO)

points, which are established in business incubators, regional advisory and information centres, technical universities, and five regional departments of the Slovak Chamber of Commerce and Industry (SCCI) located in Bratislava, Trenčín, Banská Bystrica, Prešov and Košice. This partnering approach extends the reach of the service considerably.

The Slovak Centre of Scientific and Technical Information (SSTIC) (under the Ministry of Education, Science, Research and Sport) operates the National Information System for Supporting Research and Development in Slovakia, which provides access to electronic information resources through the National Portal for Technology Transfer targeting R&D institutions, technology transfer offices, and companies, and the Business Navigator Portal providing industrial and business information and resources to SMEs. The SSTIC is an information partner with the National Business Centres project.

### ***SME access to support programmes could be improved***

The presence of several support centres offering diverse or complementary support services can create challenges for entrepreneurs and SMEs in identifying the point of service most appropriate to meet their specific needs. It also creates challenges for the government in terms of ensuring officers staffing the centres are adequately knowledgeable and able to provide quality services, as well as fully aware of the services offered by other centres so appropriate referrals can be made to clients.

#### *Enhance awareness of the National Business Centre to increase the level of take-up by entrepreneurs and SMEs*

The launch of National Business Centres (NBCs) in each of the eight regions as a one-stop contact point for entrepreneurs and SMEs and a broad range of services is a positive development, although more promotion is needed to create awareness of the centres and their services. In 2018, the NBC in the Bratislava Region dealt with only 1 419 unique enquiries, and NBCs with only 1 242 unique enquiries (SBA, 2019a). These are relatively small numbers considering the number of potential users who might find benefit from accessing the NBC service offerings.

#### *Greater co-operation between policy delivery actors can be built through a support ecosystem approach*

There is some evidence of collaboration between some of the SME and entrepreneurship support organisations. For example, the SBA partners with SARIO on delivery of the Support of Internationalisation of SMEs National Project, the Slovak Centre of Scientific and Technical Information maintains permanent representation in the Front Office of the NBCs and the NBCs also house INNOINFO points. However, to a great extent, the SBA and other agencies deliver their own projects. Although there may be some cross-referral of clients, there is no integrated approach to the handing-off of clients from one organisation to another.

The lack of cooperation between support providers and stakeholders has been identified by the European Commission as a crucial issue to be tackled in the Slovak Republic, arguing for the need to establish an “ecosystem” approach, especially within the context of “start-ups” and innovation (European Commission, 2017). A 2017 European Commission report recommended the adoption of an ecosystem approach to policy support for entrepreneurship in the form of a “Connecting Hub”. This would connect the different stakeholder nodes (business centres, incubators, research centres, government agencies which provide the instruments, financial intermediaries, etc.) and serve to stimulate knowledge exchange, contacts and mutual and reciprocal learning amongst organisations supporting start-ups. This could be extended to support of both start-ups and existing SMEs.

The Hub would collect the main SME and start-up support activities – including brokering, matching, facilitation, and other support services – under the same common virtual umbrella, as well as creating

new joint resources and online information. It would focus on connecting and offering practical support to the relevant policy actors in the start-up ecosystem. It would also play a pivotal role in gathering statistics about the entrepreneurial ecosystem, monitor its evolution and measure progress within the ecosystem, thereby contributing to evidence-based policymaking. Cooperation between the stakeholders within the ecosystem is key, as interacting with each other enlarges their scope and impact and enables more cohesive support to each other's clients (European Commission, 2017). A follow-up European Commission report indicated that slower than expected progress had been made on the "start-up ecosystem" and that the Connecting Hub would not be established (European Commission, 2018a). However, the recommendation to establish the "Hub" should be re-examined.

*Delivery of support to enhance digitalisation skills and capacity appears to be underdeveloped*

Raising the digital capacity of SMEs is a priority of the OP R&I, and yet there is limited evidence that SME and entrepreneurship support organisations are delivering this policy support to their clients. This gap could be addressed in a number of ways. The SBA could be tasked with integrating advisory and counselling support in the area of SME digitalisation, co-ordinating with a network of advisors and technical experts to support the offer as part of the SBA and NBC services. As suggested in the chapter on SME digitalisation issues, the NBC could offer a "digital service package" to entrepreneurs and SMEs. Further, chambers of commerce, employers' organisations and SME associations could be engaged to raise awareness of the digitalisation issue, diffuse knowledge, provide peer learning opportunities, and promote good practices to their members.

The Slovak Republic Digital Transformation Strategy called for the establishment of a Digital Innovation Hub (DIH) to serve as a one-stop shop to help innovative start-ups and SMEs become more competitive in their business/production processes, products or services by using digital technologies (Office of the Deputy Prime Minister for Investments and Informatisation, 2019b). The DIH would connect the various infrastructure and actors in the digital industry promoting digital innovators/developers and creative entrepreneurs, and the scaling of their digital businesses. It would connect together universities, research and technology centres, incubators and accelerators, cluster organisations and industry associations, as well as providers of digital training, financing for businesses introducing digital innovation, state-supported labs where innovators can test, improve and scale their innovation digital solutions, and providers of advice and consultancy on how to successfully digitalise business processes, such as the SBA, National Business Centres, Regional Innovation Centres, and Regional Information and Advisory Centres.

In this regard, the Digital Innovation Hub should be closely linked with the policy support for the SMEs and start-ups more generally (i.e. the "connecting hub" as described above). The European Commission continues to emphasise that the setting up of Digital Innovation Hubs would aid in increasing the take-up of digital trends and the adoption of digital business practices by SMEs (European Commission, 2019b). The government should proceed with plans to support the creation of these digital hubs, as discussed in the chapter on SME digitalisation initiatives in this report.

*Actions are needed to address the low-take up SME support programmes*

There are notably small numbers of SMEs and start-ups participating in many of the Slovak Republic SME and entrepreneurship support programmes, as set out in SBA (2019a). For example, there were only 75 entrepreneurs in the SBA Start-up Support Scheme, 16 companies in the SBA Family Business Support Scheme, 16 SMEs in the SBA Incubation Programme, and 190 in the Support for the Internationalisation of SMEs programme.<sup>7</sup> On the other hand, 1 746 SMEs received services from the SBA Growth Programme, and a total of 1 966 non- or pre-entrepreneurs took part in the SBA Acceleration Programme.

In response to a survey of 1 000 SMEs regarding their use of support programmes, the SBA reported the lack of information about support possibilities as a major deterrent to use of such programmes (SBA, 2019, pp. 127-128). Only 16% of SMEs in the survey had made use of any kind of support in the previous 12 months (e.g. subsidy, loan, guarantee, EU funds, consultancy, mentoring, information services, etc.). More than two-thirds of the SMEs had not even attempted to obtain public support and another 15% tried but were not successful. Additional obstacles included the rigorous administrative requirements of the application process, the demanding compliance conditions, and the long applicant evaluation procedures.

The SMEs indicated a relatively low level of satisfaction with the support they received, with 45% expressing dissatisfaction. However, about two-thirds of the surveyed SMEs indicated their intent to make use of public support programmes in the future, with growing interest in the use of consultancy and information services.

*An integrated and comprehensive online portal for SME and entrepreneurship support can be an important tool*

The government should take steps in increasing promotion of support programmes and facilities among SMEs and start-ups in response to these low programme uptake levels. This could be facilitated by establishing a national SME and entrepreneurship support portal, with a mapping of all programmes by service provider and stage of the business lifecycle. There does not currently appear to be a comprehensive SME and entrepreneurship support portal, which would make information on entrepreneurship and SME support programmes and other resources available online in a readily accessible and searchable format, i.e. an integrated roadmap of supports by stage of entrepreneurship or business development and organisational provider. The SBA website includes an annually updated, downloadable guide to SME support initiatives in the Slovak Republic<sup>8</sup>, but this is not an interactive search portal such as is common in many OECD countries. The Ministry of Economy also has a website link to provide a quick overview of SME supports and which institutions or central state administration bodies need to be contacted<sup>9</sup>, however, it stops short of being a comprehensive SME support portal. Other websites or portals, such as the “Let’s Do Business Abroad” portal of the Ministry of Foreign and European Affairs and the Business Navigator Portal of the Slovak Centre of Scientific and Technical Information are examples of stand-alone electronic sources of relevant information for SMEs that are not connected to an integrated SME and entrepreneurship support information platform.

In addition to improving information on programme availability, efforts should be undertaken to reduce the administrative requirements and burden in the application process for programme support.

## Conclusions and policy recommendations

Opportunities exist for the Slovak Government to strengthen aspects of its SME and entrepreneurship policy development, co-ordination and delivery based on international good practices such as found in many OECD countries.

One of the key tools that could be used to strengthen policy development in this area would be the creation of an overarching national strategic document on SME and entrepreneurship policy outlining the key policy directions, objectives, targets and actions. Currently, SME and entrepreneurship policy and programme actions are largely woven into the various Operational Programmes supported by the European Structural and Investment Funds ESIFs. This details many of the key actions, in conformity with the SME Support Law and in line with the SBAfE principles, however it does not provide comprehensive coverage of the SME and entrepreneurship policy agenda at a strategic level.

At the same time, efforts are needed to design stronger SME policy co-ordination mechanisms, both within the Ministry of Economy and at the interministerial level. The Government has developed a strong policy consultation culture. This is demonstrated by its commitment to consulting with the private sector during the design of national strategies and with SMEs to assess potential undue administrative and compliance burden during the process of drafting new legislative and regulatory proposals. This consultation approach on strategies and regulations could be extended and applied to a formal mechanism for soliciting policy input from SMEs and entrepreneurs on a wider range of SME and entrepreneurship policy development issues.

The delivery of business support to SMEs and entrepreneurs is developing, with the establishment in recent years of a number of centres offering information, advisory, consultancy and network facilitation services. Improvements to this system could be made by creating more awareness among entrepreneurs and SMEs of their availability, and developing an “ecosystem” approach to achieve stronger co-ordination of the service providers. An integrated and interactive web portal directed at SMEs and entrepreneurs would also create greater transparency about the type and scope of available support services and the support-providing organisations.

The government has strengths in monitoring the implementation progress of SME and entrepreneurship strategies and programmes, but could benefit from greater efforts to carry out more rigorous impact evaluations.

Based on the assessment of the SME policy governance and delivery arrangements, the following recommendations are proposed.

#### Box 4.6. Key policy recommendations on the strategic framework and delivery mechanisms for SME and entrepreneurship policy

- Develop a national SME and entrepreneurship development strategy setting out policy objectives, targets, strategic pillars addressing the major challenges facing new entrepreneurs and existing SMEs, tailored approaches to fostering start-ups and enterprise scaling-up, and a monitoring and evaluation framework.
- Establish a higher-level inter-ministerial council to oversee development and implementation of a national policy to support SME and entrepreneurship development.
- Create an SME and Entrepreneurship Policy Unit in the Ministry of Economy with responsibility for co-ordinating policy development and measures among other relevant ministries and agencies.
- Establish a higher level inter-ministerial Council on SME and Entrepreneurship Development.
- Establish an SME Advisory Committee or Council including SMEs and entrepreneurs and their representative organisations, SME support organisations, and independent experts to provide policy input to the Minister of Economy and the higher level inter-ministerial Council on SME and Entrepreneurship Development.
- Formulate a regularised public-private policy dialogue mechanism inclusive of SMEs and entrepreneurs that expands beyond the issue of better regulation.
- Adopt a policy portfolio approach towards the management and evaluation of SME and entrepreneurship policy and support across state ministries and agencies, identifying policy expenditures and impacts by type of policy intervention and type of SME and entrepreneurship target group.
- Establish connecting hubs in the entrepreneurship support ecosystem to bring together the various organisations offering support to SMEs and start-ups.
- Design and publish an integrated, and interactive SME and entrepreneurship policy web portal to inform SMEs and entrepreneurs about support possibilities

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## Notes

<sup>1</sup> The National Strategy for Smart Specialisation includes a brief SME diagnostic section, recognising the insufficient level of innovation activities of SMEs and outlines policy objectives to increase the innovation capacities of SMEs, the percentage of SMEs introducing new products, processes, marketing and organisational innovations, and the dynamics of start-ups and spin-off business creation, particularly in higher technology areas; and seeks to improve supplier linkages of local SMEs with large multinational enterprises in key sectors, improve co-operation between SMEs and research institutions, and improve access to start-up capital for new, innovative businesses (Slovak Republic, 2013).

<sup>2</sup> The Digital Transformation Strategy and action plan lack specific targets for SMEs apart from the performance indicator to “increase the share of small companies that made an e-commerce sale in the past 12 months”, and are unclear as to how SMEs could be reached (Office of the Deputy Prime Minister for Investments and Informatisation, 2019).

<sup>3</sup> The objective of the scheme was to increase the establishment and development of innovative, technological SMEs in the Slovak regions, and the number of competitive SMEs.

<sup>4</sup> The concept of the entrepreneurship and SME policy portfolio approach was first introduced by the OECD as an analytical tool in the review of entrepreneurship and SME policies in Thailand (OECD, 2011) and has since been promoted for use by OECD members at meetings of the OECD Working Party on SMEs and Entrepreneurship.

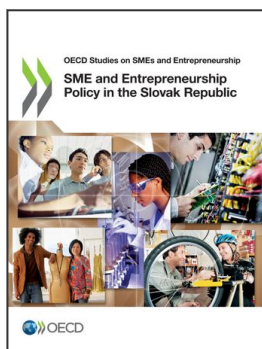
<sup>5</sup> EUR 46 million of EU Structural Funds was allocated to the NBCs for SME programmes.

<sup>6</sup> With effect from 13 December 2019, European Commission, decided to approve the merger of the Operational Programme Integrated Infrastructure (OPII) with the Operational Programme Research and Innovation (OP R&D). The content and funding of the original OP R&I remain unchanged after the transfer to the Integrated Infrastructure OP.

<sup>7</sup> Excluding the number of participating SMEs supported by SARIO through the Support for the Internationalisation of SMEs programme.

<sup>8</sup> See: <http://www.sbagency.sk/podpora-msp-v-sr-sprievodca-iniciativami/>

<sup>9</sup> See: <https://www.economy.gov.sk/podnikatelske-prostredie/zivotne-situacie-podnikatelov/>



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