


Supporting SMEs: all quiet on the front?

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In today's global economy, external and internal factors have a huge impact on small and medium-sized enterprises (SMEs). If SMEs are to play the same role in Slovakia as in the rest of the developed world, i.e. contribute to increased momentum in the economy, there first has to be an appropriate legislative environment. The basic preconditions were recently laid down in a new draft act adopted by the Slovak government on support for SMEs.

A World Without Legislation

The current system of support for SMEs is relatively unclear. It involves a number of institutions and is characterized by complex internal connections. Slovak law has not until now comprehensively created a general framework for the support of SMEs. For this purpose, the Slovak government approved a draft act on support for small and medium-sized enterprises (SMEs) which adopts EU principles for the development of SMEs embodied in the agenda of the European Union in the Small Business Act and in the Entrepreneurship 2020 Action Plan.

Core Principles

Both the EU and its members have committed themselves to measures to improve the regulatory, administrative and business environment. The main focus remains structured around three areas: ensuring access to finance, taking full advantage of the EU Single Market and smart regulation. The implementation of the "Think Small First" principle remains one of the core principles. It implies a simplification of the regulatory and administrative environment in which SMEs operate, notably by designing rules which include the "only once" principle or by using tools such as e-government and one-stop-shop solutions.

Regulating the Unregulated

The government bill on support for SMEs regulates the areas and forms of support provided to SMEs. It introduces hybrid

instruments resulting in the mutual overlapping of financial and non-financial instruments. The law introduces, for the first time, a test of the impact of legislation on SMEs (SME test), an envoy for small and medium-sized enterprises (SME envoy), better regulation agenda, venture capital, social venture capital or social coaching and mentoring. It will also create a "one-stop shop" to provide anyone interested in doing business with relevant information, a meeting room, etc. The draft legislative norm also introduces modern, so far unapplied support instruments for SMEs, e.g. the provision of refundable financial aid, coaching, and mentoring of an enterprise.

Under the new act, support will be provided for the setting up and development of SMEs, and for creating new or retaining existing jobs. It will also serve to increase the competitiveness of SMEs, preserve and develop traditional industrial branches, support startups, and research and innovation of products, services and processes.

What You Get...

Support will be provided in the form of direct, indirect and so-called general support. Direct support will be provided mainly as a non-refundable financial benefit, grant, borrowing, loan or subsidy. Indirect support will be provided in non-financial form as business information and consulting, business education, participation in working stays, competitions, exhibitions,

and other events focused on business support, coaching and mentoring. General support will include a center for better regulation, a test of the impact of legislation on SME entrepreneurship, an annual report on the status of SMEs, and the activities of the SME envoy.

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To achieve a synergy regarding support for SMEs, it will be possible to use both forms of support at the same time, i.e. direct by taking out a loan, and indirect, i.e. by using mentoring or coaching to SMEs, particularly when starting up a business. This hybrid form of support for SMEs, i.e. financing and provision of business know-how is, from the perspective of the representatives of European Union institutions (e.g. the initiative of the SME Envoys) considered one of the most effective forms of support for SMEs and promoting a business idea.

...And How to Apply

Funds to support SMEs will be administered by legal persons of the public administration and the EU. Support will be provided based on the state aid scheme (Act No. 561/2007, Coll.), the minimum support scheme, and the program for support to starting entrepreneurs. The specific conditions and mechanism of support provision will be contained in the scheme and the program approved by the Ministry of Economy. After approval by the ministry, they will be published in the Commercial Journal and on its websites. The draft act presumes that in the future support for SMEs will only be provided based on the Act on small and medium-sized enterprises, i.e. as specified above.

Support will be provided either by the Ministry of Economy or through a "performer" who will conclude a written contract with the ministry. As the amount of business support is usually lower than the amount applied for, it will not be objectively possible to provide finances to all entities that apply for support provided based on the draft act on support for SMEs.

Conclusion

It is beneficial to support the development of SMEs. The question remains how will the proposed support, defined by the legal framework, translate into practical support provided to particular entities.

