

# Executive Summary

## A Comprehensive Assessment of Regional Business Climate

The Subnational B-READY in the European Union (EU) series is a project led by the World Bank in partnership with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) aimed at assessing and enhancing the business environment across different regions within the EU. This year, the Subnational B-READY series cover 40 cities in six EU Member States—Bulgaria, Croatia, Hungary, Portugal, Romania, and the Slovak Republic—covering 36 European regions. This phase builds upon the World Bank's previous Subnational studies conducted in these countries between 2017 and 2022. More broadly, the former Subnational in the EU reports assessed business environments in Bulgaria, Hungary, and Romania (2017); Croatia, the Czech Republic, Portugal, and the Slovak Republic (2018); Greece, Ireland, and Italy (2020); Austria, Belgium, and the Netherlands (2021); and Denmark, Finland, and Sweden (2022), covering 115 locations across 16 EU Member States. These studies have laid the groundwork for identifying regulatory gaps and sharing best practices to strengthen the EU's regional economic cohesion. As part of an ongoing effort, the team is launching the second round of measurements, which will cover over 60 cities from the Czech Republic, Greece, Ireland, Italy, Poland, and Spain. A third round is set to begin in 2025, expanding the assessment to more EU Member States.

### Objective

The primary objective of the Subnational B-READY studies is to identify and address regional disparities in regulatory environments and to promote reforms that foster private sector growth, job creation, and sustainability. The Subnational B-READY series delivers a rigorous, data-driven analysis of business climates at the local level, offering actionable insights for policy makers. By examining key areas of the life cycle of the firm—Business Entry, Business Location (including Building Permitting, Environmental Permitting, and Property Transfer), Utility Services (Electricity, Water, and Internet), Dispute Resolution, and Business Insolvency—this report offers a road map for improving administrative processes

and regulatory frameworks that directly affect businesses at the local level in five Slovak cities: Bratislava, Košice, Prešov, Trnava, and Žilina.

### Intended Audience

This Subnational B-READY report series targets a wide audience, from national to local government officials, and from private sector stakeholders to development agencies, policy makers, and researchers. The findings are meant to help these groups identify best practices, reduce regulatory bottlenecks, and foster a more unified and efficient business environment across regions. Additionally, the collected data serve as an effective tool for local governments, enabling them to benchmark and track performance over time vis-à-vis not only national standards but also international benchmarks. The comprehensive underlying country-specific datasets provide ample opportunities for further research in the area of private sector development and growth.

### The Importance of Regional Data

An insight into regional dynamics allows an economy to be more inclusive and sustainable in its economic growth. The Subnational B-READY reports offer governments the evidence needed to design targeted reforms, allowing regions to enhance their business climates and bridge performance gaps. It is hoped that the key findings will encourage peer learning across regions by disseminating good practices observed in high-performing cities. It is expected that such a sharing of best practices would lead to cross-regional improvements and eventually spur competitiveness across the EU.

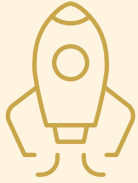
By highlighting both achievements and areas for improvement, these assessments aim to support national and regional policy makers in driving meaningful reforms. In this way, the project exemplifies the shared commitment of the World Bank and DG REGIO to enhancing economic cohesion and resilience within the EU through rigorous analysis and evidence-based policy recommendations.

# Key Findings

- ▶ Of the five Slovak cities benchmarked by this study, none excels in all the measured areas. Bratislava performs the best in Business Location and Utility Services but lags behind on Dispute Resolution and Business Insolvency. Similarly, Trnava is among the two top performing cities in Business Entry and Business Insolvency but has room for improvement on all other three topics. The two benchmarked cities in the Eastern region (Košice and Prešov) lead on Dispute Resolution and Business Insolvency, respectively, but each could improve on Utility Services.
- ▶ Žilina shows the most consistent performance across all topics. Despite being the only city that does not lead in any area, it is also the only location without any lowest or second lowest topic score.
- ▶ On average, Slovak cities have the highest average score in the areas of Business Entry and Dispute Resolution: 88.0 and 82.4 out of 100 points, respectively. The country has more room to improve on the Utility Services, Business Location, and Business Insolvency topics, with average scores of 77.4, 73.5, and 72.6 points, respectively.
- ▶ The topics with the highest average score (Business Entry) and the lowest average score (Business Insolvency) are also the areas registering the smallest and the largest performance gaps across cities, respectively. This suggests that when regulations are implemented consistently across location, cities' performances tend to be higher.
- ▶ Slovak cities tend to perform better on the strength of the Regulatory Framework (Pillar I) and have gaps on the delivery of Public Services (Pillar II), especially in the areas of Business Location, and on Operational Efficiency (Pillar III), particularly in the areas of Utility Services and Business Insolvency. In other words, while regulations are in place and on par with international good practices, the country could improve the practical implementation of those regulations.
- ▶ Although Slovak cities adhere to a uniform regulatory framework and largely have the same level of public service quality, how regulations are implemented in practice and the efficiency of public agencies vary within the country: most of the cross-city variation identified by this study is driven by differences in the Operational Efficiency of business regulatory processes.
- ▶ Subnational differences exist also in areas where all Slovak cities perform relatively well, such as Business Entry. For example, the time needed to register a new limited liability corporation varies from 10.5 days in Trnava to 20.5 days in Bratislava. This difference depends on the time it takes for local offices of the Financial Administration to process applications for income tax as well as complete VAT registration.
- ▶ The time required to obtain building permits varies from 9.5 months (286 days) in Prešov to over twice as much in Bratislava (626 days). This difference depends mainly on the time required to obtain location permits and clearances for the investment project from municipal and district offices. The time limit for issuing location permits is not set by the law, and the length of these processes depend on local authorities' workload and efficiency.
- ▶ The efficiency of the environmental permitting process also varies by city. The time needed to obtain a decision on whether an environmental impact assessment is required varies significantly, from 45 days in Prešov to 100 days in Žilina, influenced by regional administrative capacities and the volume of development activities.
- ▶ In the area of Business Insolvency, different workloads faced by local courts determine the variation in the duration of liquidation proceedings. This takes 39 months in Žilina, where cases tend to be numerous and complex, due to the role of the city as a strategic transport hub and center for the automotive industry. By contrast, Prešov completes liquidations in 24 months, benefiting from a relatively low number of cases. A workforce out of proportion to the workload penalizes the busiest courts.

# Areas of Improvement

## Business Entry



The process of VAT registration in the Slovak Republic, which represents the largest share of time for business entry, could possibly be streamlined by allowing VAT registration to be completed at the same time as income tax registration. It could also be simplified by expediting the decision on registration and conducting checks afterward. For example, in Romania companies can choose voluntary VAT registration at the time of submitting their application to the trade registry. Risk analysis is conducted after registration, and in cases where there are problems with the information submitted, the decision can be revoked.

Other areas for improvement for Business Entry include eliminating the start-up capital requirement and removing a trade license obligation. In most EU countries, licenses are required only for companies in regulated or strategic sectors, or for activities representing a higher level of risk. Similarly, several EU Member States, including Belgium, Finland, Ireland, and the Netherlands, have eliminated the minimum capital requirement, while others, such as Bulgaria, Greece, and Portugal, have reduced it to less than 0.1 percent of income per capita.

## Business Location



To enhance the building permitting process, the Slovak Republic could streamline preconstruction approvals and improve coordination between agencies by digitalizing the permitting process. Learning from best practices in other EU countries, such as the platforms developed in Croatia, Hungary, and some cities in Portugal, could provide valuable insights for the Slovak Republic. In the Slovak Republic, the spatial planning approval is not integrated with the environmental impact assessment process. It would be beneficial to harmonize all environmental considerations into a single process.

To improve the environmental permitting process, the Slovak Republic could fully adopt a risk-based approach

to environmental approvals similar to practices in Belgium and Denmark, where simpler projects are exempt from extensive environmental assessments. The Slovak Republic could also enhance efficiency and effectiveness in its environmental permitting by further developing digital tools for the permitting process. Introducing online payment options, auto-generated checklists, and the ability to file disputes online can significantly improve the process's accessibility and efficiency.

To further enhance land administration and property transfer in the Slovak Republic, the government could consider fully digitalizing the back-office operations at the Land Registry when processing requests. In addition, making the Cadaster's database interoperable with other agencies would increase reliability and enable efficiency gains. To the extent other institutions keep and manage records with data relevant to property transfer or land administration, enabling data exchange between their databases would increase the efficiency of the process and spare the Land Registry from notifying the tax authority of each transfer of property. Denmark provides good examples of developing platforms interconnecting database. Additionally, the authorities in the Slovak Republic should consider adjusting the legal framework to make mandatory the verification of the identity of both parties involved in a transaction.

## Utility Services



To improve the Slovak Republic's electricity sector, it is critical to increase transparency and accountability by collecting and publishing statistics on processing times for electricity connections. These data will allow entrepreneurs to estimate wait times accurately and set clear expectations. Minimizing the number and duration of power outages is essential, particularly in regions such as Žilina, where outages are more frequent and longer. Understanding and addressing the underlying causes of these outages will help improve reliability. Investing in smart meters and smart grid technologies can enhance the network's efficiency and reduce operational costs. Finally, ensuring interoperability across digital platforms and utility databases will streamline processes and improve service delivery.

To enhance water utility services in the Slovak Republic, incentives to ensure that businesses comply with water-saving practices could be introduced. While the existing regulatory framework, overseen by the Regulatory Office for Network Industries (ÚRSO), is strong, including performance standards and financial deterrence mechanisms, and introducing fines, penalties, or nonfinancial incentives for businesses, aiming to incentivize a correct use of water, could further promote water-saving practices.

Furthermore, to speed up obtaining excavation permits, Slovak cities could introduce regular multistakeholder meetings. These meetings would involve representatives from local municipalities, electricity and water utilities, the roads agency, and other relevant parties, aiming to coordinate activities and decrease wait times for excavation permits. Lastly, enhancing digital services by allowing online applications for water connections in all cities and developing comprehensive platforms for tracking the status of requests can significantly reduce the overall time needed to obtain new water connections across the Slovak Republic.

Setting up a mechanism for dealing efficiently with land disputes is another area for possible improvement of the whole property-transfer process. For cases in which a party to a property transaction suffers damage or loss due to an error by the property registry, measures could be taken to improve the efficiency of the dispute settlement by making it possible to avoid having to go to court. Finally, the authorities should increase the transparency of the land administration system by making all relevant information for property transactions available online, including by publishing responses to complaints at the Cadaster as well as statistics on property-related disputes.

## Dispute Resolution



To enhance dispute resolution in the Slovak Republic, some key steps are recommended. Firstly, improving case management techniques by establishing clear procedural timeline rules will contribute to more efficient courts.

Enforcing stricter deadlines for serving defendants, filing statements of defense, and issuing expert opinions will provide greater legal certainty and predictability. Secondly, promoting the use of alternative dispute resolution mechanisms is essential, as they will improve court efficiency by decreasing the volume of disputes that proceed to litigation.

## Business Insolvency



Some key areas have been identified to enhance the insolvency framework of the Slovak Republic. First, the economy should revise the high mandatory satisfaction rate for unsecured creditors that discourages debtors from choosing reorganization proceedings, leading them to prefer liquidation instead. Addressing the issue could motivate more debtors to opt for reorganization. Furthermore, delays and failures to initiate bankruptcy proceedings promptly, when the first signs of insolvency are evident, need to be addressed by improving “duty to file” regulations. Strengthening this regulation, possibly by increasing penalties or introducing additional measures to enforce timely filings, could reduce the financial risks for creditors and improve the overall efficiency and fairness of the bankruptcy process.



Table 1. Summary of Potential Opportunities for Regulatory Improvement in the Slovak Republic

Topic	Areas for Improvement	Relevant Stakeholders
<b>Business Entry</b>	Eliminate the start-up capital requirement for limited liability companies	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Ministry of the Interior</li> <li>• Financial Administration</li> <li>• Commercial Registry</li> </ul>
	Review the requirements to obtain a trade license	
	Streamline the VAT registration process	
<b>Business Location</b>	<b>Building Permitting</b>	
	Streamline the process for preconstruction approvals	<ul style="list-style-type: none"> <li>• Section for Construction, Housing Policy and Urban Development of Ministry of Transport</li> <li>• Municipalities</li> </ul>
	Incorporate electronic platforms throughout the building permitting process	
	Harmonize spatial planning and environmental impact assessment processes	<ul style="list-style-type: none"> <li>• Section for Construction, Housing Policy and Urban Development of Ministry of Transport</li> <li>• Ministry of Environment</li> <li>• Municipalities</li> </ul>
	<b>Environmental Permitting</b>	
	Fully adopt a risk-based approach to environmental approvals	<ul style="list-style-type: none"> <li>• Ministry of the Environment</li> <li>• District office in the seat of the region</li> <li>• District office</li> </ul>
	<b>Property Transfer</b>	
	Fully digitalize the back-office operations at the Land Registry when processing requests	<ul style="list-style-type: none"> <li>• Geodesy, Cartography and Cadaster Authority</li> <li>• Ministry of Investments, Regional Development and Digitalization</li> </ul>
	Consider adjusting the legal framework to make mandatory the verification of the identity of both parties involved in a transaction	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Geodesy, Cartography and Cadaster Authority</li> </ul>
	Introduce mechanisms for dealing efficiently with land disputes	
Increase transparency by publishing responses to complaints at the Land Registry and statistics on land disputes	<ul style="list-style-type: none"> <li>• Geodesy, Cartography and Cadaster Authority</li> <li>• Ministry of Investments, Regional Development and Digitalization</li> </ul>	
<b>Utility Services</b>	<b>Electricity</b>	
	Increase transparency and accountability by collecting and publishing statistic	<ul style="list-style-type: none"> <li>• Regulatory Office for Network Industries (ÚRSO)</li> <li>• Distribution utilities</li> </ul>
	Improve the reliability of electricity supply	
	<b>Water</b>	
	Introduce incentives aimed at ensuring that businesses comply with water-saving practices	<ul style="list-style-type: none"> <li>• Regulatory Office for Network Industries (ÚRSO)</li> <li>• Municipalities</li> <li>• Water utilities</li> </ul>
	Introduce regular multistakeholder meetings to coordinate the processing of excavation permits	<ul style="list-style-type: none"> <li>• Municipalities</li> <li>• Water utilities</li> </ul>
	Introduce online applications for water connections	<ul style="list-style-type: none"> <li>• Water utilities</li> </ul>
<b>Dispute Resolution</b>	Improve case management by introducing strict time limits and a maximum number of adjournments	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Local courts</li> </ul>
	Promote alternative dispute resolution mechanisms	

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Topic	Areas for Improvement	Relevant Stakeholders
<b>Business Insolvency</b>	Review the requirement for creditors to be satisfied with at least 50% of their claims in reorganization proceedings	<ul style="list-style-type: none"> <li>• Ministry of Justice</li> <li>• Local courts</li> </ul>
	Enhance the "duty to file" regulation to reduce delays to initiate bankruptcy proceedings	

*Source: Subnational Business Ready*