Small and medium-sized enterprises (SMEs) and entrepreneurs have been hit hard during the COVID-19 crisis. Policy responses were quick and unprecedented, helping cushion the blow and maintain most SMEs and entrepreneurs afloat. Despite the magnitude of the shock, available data so far point to sustained start-ups creation, no wave of bankruptcies, and an impulse to innovation in most OECD countries. However, government support has been less effective at reaching the self-employed, smaller and younger firms, women, and entrepreneurs from minorities. Countries were not all even in their capacity to support SMEs either. As vaccine campaigns roll out and economic prospects brighten, governments have to take the turn of a crisis exit and create the conditions to build back better. The OECD SME and Entrepreneurship Outlook 2021 brings new evidence on the impact of the crisis and policy responses on SMEs and entrepreneurs. It reflects on longer-term issues, such as SME indebtedness or SME role in more resilient supply chains or innovation diffusion. The report contains country profiles that benchmark impact, factors of vulnerability, and sources of resilience in OECD countries, and give a policy spotlight on liquidity support and recovery plans for SMEs.
Czech Republic

Figure 6.22. COVID-19 impact on business dynamics and policy responses in Czech Republic

Stringency of government measures

Policy spotlight

Key measures to support SMEs and entrepreneurs' liquidity include: **CZK 5 billion COVID-19 Loan Programme** for SMEs in the form of soft loans with zero interest rate, and **EUR 1.2 billion Compensation Bonus** for the periods when SMEs have been prevented, completely or partially, from doing business.

Structural measures have also been implemented:

- **CZK 200 million Czech Rise Up Programme** to support innovative companies, including start-ups.

- **CZK 300 million COVID-19 Technology Programme** to support SMEs' acquisition of new technological equipment and facilities, which is directly linked to fight the spread of the virus.

- **National Recovery Plan** focusing on 6 pillars: i) digital transformation, ii) physical infrastructure and green transition, iii) education and labour market, iv) institutions, regulation and business support in response to COVID-19, v) research, development and innovation, and vi) population health and resilience. A specific focus is placed on SME digitalisation, support of innovative start-ups and alternative finance.

Business dynamics

Despite the high number of bankruptcies filed in September and October 2020, in October the number of declared corporate bankruptcies was the third-lowest since 2008. Compared to September 2020, it decreased by a third.

National SME and entrepreneurship policy framework

SME&E policies in Czech Republic are defined as part of specific SMEs strategies.

The Czech national SME policy framework is outlined in the "SME Support Strategy 2021-27" which seeks to support the productivity and competitiveness of Czech SMEs, as well as their innovation and internationalisation. The Strategy was developed by the Ministry of Industry and Trade in cooperation with other Ministries, regional and local authorities. It also benefited from a consultation with Czech SMEs as well as from cooperation with The World Bank and the European Commission.

The Czech SME Support Strategy is also the delivery plan for the EU Small Business Act and Cohesion funding.

Source: Google Community Mobility Report (mobility index, 2021); and national sources (see country-specific references and definitions).

StatLink [https://doi.org/10.1787/888934250725](https://doi.org/10.1787/888934250725)
In the Czech Republic, the MSME sector contributes less to employment (67%) and value added (56%) than in other OECD countries (69% and 59%), but the country counts more self-employed (16.8%).

The Czech Republic was slightly more exposed to business disruptions during the pandemic: the most affected economic sectors account for 40.3% of total employment (OECD 39.7%).

Prague, the capital region, has about 34% of jobs at risk, the highest share in the country, especially due to the regional concentration of wholesale & retail trade and professional, scientific & technical services.

Before COVID-19, tourism accounted for 4.4% of total employment in the Czech Republic (OECD 6.7%).

Czech SMEs were less exposed to disruptions in GVCs, being less engaged in international trade. They may miss the opportunities stemming from GVCs to rebound though.
Figure 6.2.4. Sources of SME&E resilience in Czech Republic

Small firms in the Czech Republic are lagging behind OECD peers in the digital transition, although they are well engaged into e-commerce.

Cash reserves and government liquidity support

SME profit (% production)
% SMEs receiving public support
Grants or subsidies
Credit or deferral of payments
Non-financial support

32% SMEs in Czech Republic have been able to access and combine government support (as compared to 33.6% in the OECD).

Non-repayable forms of support have been the most popular (24% of SMEs).

Entrepreneurship regulatory framework

The Czech Republic offers a supportive regulatory framework for entrepreneurship, with room for reducing administrative burden on start-ups and the costs of insolvency.

Innovation skills

The availability and use of innovation skills in the Czech labour market is on par with other OECD countries.


StatLink: https://doi.org/10.1787/888934250763
**Country notes**

- The Google mobility index is drawn from the OECD Economic Surveys of the Czech Republic 2020 (OECD, 2020), based on Google Community Mobility Report. The level during the baseline period was established based on the median value of the volume of visits for each day of the week during the period January 3–February 6, 2020.
- Data on bankruptcies come from national sources (Czech Credit Bureau, 2020).
- Global entrepreneurship monitor’s data refer to 2013 instead of 2019.

**Country-specific sources**

References


## Annex A. Sources and definitions of benchmarking indicators

### COVID-19 impact

| Stringency of government measures | Oxford Government Stringency Index | Government response stringency index, as a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. Country values from January 2020 to April 2021. | [https://ourworldindata.org/grapher/covid-stringency-index](https://ourworldindata.org/grapher/covid-stringency-index) |

| Business dynamics | Firm entries (%) | New enterprise creation January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of enterprise creation, see methodology in primary source. | [OECD Timely Indicators of Entrepreneurship (TIE) database](https://www.oecd.org) |

| Firm exits (%) | Bankruptcies, January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of bankruptcies, see methodology in primary source. | [OECD Timely Indicators of Entrepreneurship (TIE) database](https://www.oecd.org) |

### Factors of vulnerability

| Size of the SME&E sector | Share of SMEs in total employment (%) | Employment by enterprise size as a percentage of all persons employed in business economy. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available. | [OECD Structural and Demographic Business Statistics database (SDBS)](https://stats.oecd.org) |

| Share of SMEs in total value added (%) | Value added by enterprise size as a percentage of total business economy value added. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available. |

| Share of self-employed in total employment (%) | Self-employment is defined as the employment of employers, workers who work for themselves, members of producers’ co-operatives, and unpaid family workers. It is expressed as a percentage of total employment. Trends between 2005 and 2019. | [OECD Annual Labour Force Statistics database](https://stats.oecd.org) |

| Economic exposure to lockdowns and business disruptions | Most affected sectors, share in total employment (%) | The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available. | [OECD Statistical Insights: Small, Medium and Vulnerable (2020); calculations based OECD Annual National Accounts database](https://www.oecd.org) |

| The region most at risk | Regions with the highest share of jobs at risk by country, TL2 regions, 2017. | [OECD (2021), Regional Outlook 2021 based on OECD Job Creation and Local Economic Development 2020: Rebuilding Better](https://www.oecd.org) |

| Direct contribution of tourism in total employment (%) | Tourism as a % of total employment, 2019 or latest year available. | [OECD Tourism database](https://www.oecd.org) |

<p>| International trade and GVC exposure | SMEs as exporters (%) | Share of SMEs in trade value, exports, 2015 or latest year available | <a href="https://stats.oecd.org">OECD Trade by Enterprise Characteristics database</a> |</p>
<table>
<thead>
<tr>
<th>Source of support</th>
<th>Description</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs as importers (%)</td>
<td>Share of SMEs in trade value, imports, 2015 or latest year available</td>
<td>OECD Trade by Enterprise Characteristics database</td>
</tr>
<tr>
<td>SME exporters in long GVCs (%)</td>
<td>Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available</td>
<td>Calculations based on OECD Trade by Enterprise Characteristics database</td>
</tr>
<tr>
<td>SME importers in long GVCs (%)</td>
<td>Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available</td>
<td>Calculations based on OECD Trade by Enterprise Characteristics database</td>
</tr>
<tr>
<td>Foreign affiliates (FAs) sourcing locally (%)</td>
<td>Sourcing structure of foreign affiliates, percentage of foreign affiliates’ sourcing that comes from domestic multinationals (MNEs) and non-MNEs, total economy, 2016</td>
<td>OECD Analytical AMNE database</td>
</tr>
<tr>
<td>FAs output used locally (%)</td>
<td>Output use of foreign affiliates, as a percentage of the output of foreign affiliates that is used by domestic MNEs and non-MNEs for intermediary consumption, total economy, 2016</td>
<td>OECD Analytical AMNE database</td>
</tr>
</tbody>
</table>

**Sources of resilience**

| Digital readiness | Broadband connection (%) | Percentage of small businesses [10-49] with a broadband download speed at least 100 Mbit/s (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021). | OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs |
| Use of social media (%) | Percentage of small businesses [10-49] using social media (%). All activities in manufacturing and non-financial market services. Data refer to 2019 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021). | OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs |
| E-commerce (%) | Percentage of small businesses [10-49] receiving orders over computer networks (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021). | OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs |
| Cloud computing (%) | Percentage of small businesses [10-49] purchasing cloud computing services (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021). | OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs |
| Cash reserves | SME profit, as a share of production (%) | Gross operating surplus of firms with less than 250 employees as a percentage of their production. Industry (excluding construction) only. Data refer to 2018 or latest year available. | OECD Structural and Demographic Business Statistics database (SDBS) |
| Liquidity support | SMEs receiving government support, total (%) | Percentage of SMEs with a Facebook page that received government support, December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey |
| SMEs receiving grants and subsidies (%) | Percentage of SMEs with a Facebook page that received government support in the form of grants or subsidies, December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey |
| SMEs receiving credits and deferrals (%) | Percentage of SMEs with a Facebook page that received government support in the form of credit or deferral of payments, December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey |
| SMEs receiving non-financial support (%) | Percentage of SMEs with a Facebook page that received non-financial government support (e.g. information, technical assistance or advisory services), December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey |

**Entrepreneurship regulatory framework**

| Simplification and evaluation of regulations (index) | Composite index that captures the government’s communication strategy and efforts to reduce and simplify the administrative burden of interacting with the government, including impact assessment on competition, interaction with interest groups and the complexity of regulatory procedures. Scores from 0 - least restrictive - to 6 - most restrictive. Data refer to 2018. | OECD Product Market Regulation Indicators |
| Low administrative burdens on start-ups | Component of the composite index “Barriers to domestic and foreign entry”. Covers the administrative burden on joint-stock companies and personally-owned enterprises, as well as administrative burden related to licenses and at the local level. Data refer to 2018. | OECD Product Market Regulation Indicators |
### Innovation skills

- **Low cost of starting a business (in % of income per capita)**
  - Captures the cost (in % of income per capita) for starting a business, registering property and to prepare, file and pay taxes. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the cost). Data refer to 2019.
  - World Bank Doing Business 2020 – *Starting a business*

- **Strength of insolvency framework (index)**
  - Measures the insolvency law de jure. Calculated as the sum of the scores on 4 other indices; i) commencement of proceedings index (with a range of 0–3), ii) management of debtor’s assets index (0–6), iii) reorganization proceedings index (0–3) and iv) creditor participation index (0–4). The strength of insolvency framework index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for the rehabilitation of viable firms and the liquidation of nonviable ones. Data refer to 2019.
  - World Bank Doing Business 2020 – *Resolving insolvency*

- **Low cost of resolving insolvency**
  - Resolving insolvency (cost, % of estate). Indicator on the actual cost (in % of estate) to close a business. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the cost). Data refer to 2019.
  - World Bank Doing Business 2020 – *Resolving insolvency*

- **Innovation skills**
  - **Perceived capabilities to start a business (%)**
    - Perceived entrepreneurial capabilities among adult population (%), as a percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business. Scoring from 0 (low) to 100 (high). Data refer to 2019 or latest year available.
    - Global Entrepreneurship Monitor (GEM) - Adult Population Survey
  - **Computer and electronics skills**
    - Skills shortage or surplus of computer and electronics skills, i.e. knowledge of circuit boards, processors, chips, electronic equipment, and computer hardware and software, including applications and programming. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.
    - OECD Skills for Jobs Database
  - **Adaptability/ flexibility skills**
    - Skills shortage or surplus of adaptability/flexibility skills. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.
    - OECD Skills for Jobs Database
  - **Complex problem solving skills**
    - Skills shortage or surplus of complex problem solving, i.e. developed capacities used to solve novel, ill-defined problems in complex, real-world settings. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.
    - OECD Skills for Jobs Database
  - **Practical intelligence for innovation**
    - Skills shortage or surplus of practical intelligence for innovation (workstyle). Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.
    - OECD Skills for Jobs Database