

Investing and doing business in Slovakia: What can be done better?

AmCham's second Foreign Direct Investors Survey was carried out in cooperation with EY, building on a previous report from 2009. The goal of this survey was to identify current conditions and barriers to foreign investors doing business in the Slovak Republic.

The survey was carried out from September to December 2015. The results are based on 100 responses from companies representing investors from 23 countries, ranging from small and medium enterprises to

multinational corporations. Additionally, representatives of ten companies were interviewed to gain a better understanding of their opinions and suggestions.

The Survey results along with the datasheet can be found on AmCham's website, this overview presents a selection of some of the most interesting findings in four key areas of focus.



1.

STATE SUPPORT AND SUPPORT OF INVESTMENTS

A positive economic environment, favorable conditions for doing business and an effective mix of incentives is crucial for developing existing, and attracting new investments. Therefore, first area of focus presents the investors' perceptions of the state's economic policies, incentives, legal and administrative environment in the Slovak Republic.

This is of particular interest, since creation of a favorable business environment was one of the Slovak government's program goals, declared in 2012. So how do respondents perceive the fulfillment of this goal?

Respondents recommend

- Reducing bureaucracy
- Increasing transparency in public tenders and allocation of financial resources, incentives and EU funds
- Promoting other industries aside from automotive
- Increasing involvement of private sector in law-making

55% of respondents think the current **economic policy** is highly ineffective or ineffective for sustainable growth and has not contributed to growth over the past six years (big increase from 27% in 2009).

Over **73%** of respondents replied that the costs of their **administrative burden** have increased over the past six years and only 1% stated that they had actually decreased.

2/3 of respondents believe that the **state supports** foreign investors in effectively using investment **incentives and EU funds** at least to some degree during the initial phase of investment, but not continually afterwards.



Foreign Investors Survey 2015 can be found at www.amcham.sk/publications/brochures

2.

WHAT CAN BE DONE TO IMPROVE THE QUALITY OF LABOR?

Regardless of the incentives and state support, there would be no investment without appropriate available labor. The question of whether Slovakia is able to provide an adequate level of qualified and skilled labor was also raised in the 2009 survey and it is interesting to compare it to the 2015 results.

Overall, there have been some improvements in how respondents perceive labor issues in Slovakia, but some concerns, such as lack of qualified workforce and lack of certain skills or education levels, still persist from seven years ago.

Respondents recommend

- Improving education and skills in the demanded areas
- Extending dual education to all education institutions besides vocational schools
- Introducing strategic solutions preventing brain drain

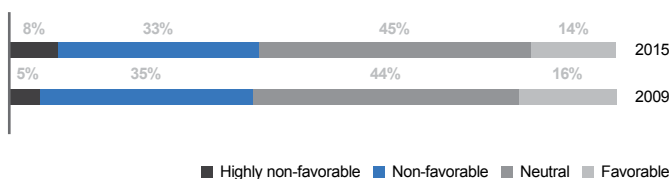
Only **10%** of respondents believe that the education system prepares individuals adequately.

Managerial skills are least available skills influencing future growth according to investors.

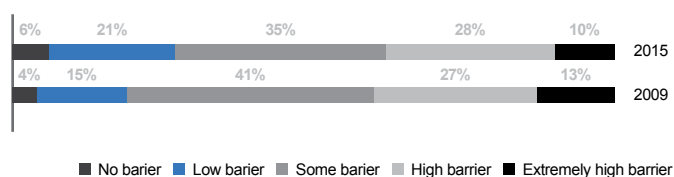
Lack of a **qualified workforce** is the **No. 1 issue** companies face in human resources.



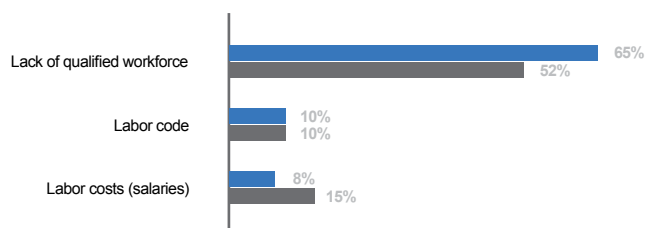
Is the legal and administrative environment favorable to doing business in the Slovak Republic?



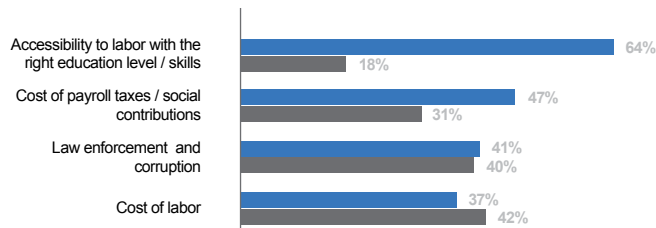
Does corruption present a barrier to doing business in Slovakia?



Main challenge companies face in the area of human resources



The top five issues impacting growth and investment in your company's business unit in Slovakia



3. ARE THERE ANY OTHER AREAS FOR IMPROVEMENT OTHER THAN LABOR?

Multiple factors constitute a favorable business environment. Aside from human resources, we asked investors about additional aspects of the legal and administrative environment, such as legal regulation, transparency and e-Government and their effects.

Has Slovakia managed to improve its legal regulation, decrease corruption or implement e-Government over the six year period? There are some signs of improvement but these areas still remain a challenge to be addressed.

Over a half of respondents state that the **corruption level has not changed** in the past six years while another 1/3 of respondents believe it to have increased.

81% of respondents, who feel legal regulation slows down their business, named the **labor code as the most negative influence**.

67% of respondents think e-Government is implemented insufficiently despite significant public investments in this area.

Respondents recommend

- Increasing labor code flexibility
- Introducing transparency in the public procurement and lobbying

4. WHAT IS THE FUTURE OF INVESTMENT IN SLOVAKIA?

Like any other country, Slovakia has advantages and disadvantages from an investor's point of view. Even with the identified areas for improvement, the majority of the surveyed respondents expressed positive sentiment over the future of investment in Slovakia. The stabilization after the economic crisis is one of the reasons for economic growth.

We asked investors what are the five top issues impacting growth and investment and what changes would help in making Slovakia more attractive to foreign investment.

Improving **highways and roads** was the primary recommendation from **91%** of the respondents regarding infrastructure.

Despite these conditions, almost **1/2** of companies are planning to **expand** their business in Slovakia.

Respondents recommend

- Continuing and speeding up the development of highways and roads
- More frequent domestic and international flights