Visegrad Fund

COUNTRY REPORT SLOVAKIA

Research project, No. 11430010 Small Grants Program of the International Visegrad Fund
“Outward FDI Policies in Visegrad countries"

TABLE OF CONTENT

Executive Summary

Slovakia is the third most open economy in the European Union, and also the most open among the V4 countries (the Czech Republic, Hungary, Poland and Slovakia): foreign trade represented 189% of GDP in 2013, with 98% share of export and 91% share of imports in GDP.

While Slovak FDI inward stock is only slightly different (higher) than the FDI inward stock of the V4 group, the difference in FDI outward stock is considerably bigger: the FDI outward stock share in GDP is more than two times smaller in the case of Slovakia, compared to the V4 group. Share of FDI outflow in GDP is also significantly smaller in Slovakia than in the whole V4 group, even though it has a rising tendency.

Based on the interviews with several providers of internationalization assistance, managers of the internationalized companies and publicly available information, we can conclude that the state support of OFDI is only minor because majority of the institutions and agencies involved support only export activities.

Major institutions with OFDI-focused services in Slovakia are: EXIMBANKA (loans, insurance of investment), and Ministry of Foreign and European Affairs of the Slovak Republic (Slovak Aid – grants for start-ups). 5 firms in our sample of 60 companies used EXIMBANKA services, no one mentioned taking advantage of start-up support.

Other institutions offer services which could potentially help OFDI, but it is not their primary intention – 2 companies in our sample mentioned assistance from SARIO – Slovak Investment and Trade Development Agency.

We can conclude that state policy is predominantly focused on inward FDI and export. OFDI is not mentioned exclusively in any policy or strategy, and it is basically neglected in the official economic strategy of the Slovak Republic.

INTRODUCTION

Slovakia is the third most open economy in the European Union, and also the most open among the V4 countries (the Czech Republic, Hungary, Poland and Slovakia): foreign trade represented 189% of GDP in 2013, with 98% share of export and 91% share of imports in GDP. It was also the highest openness of Slovak economy since the establishment of the sovereign Slovak Republic in 1993.

Slovakia is highly dependent on its export, and the export is highly dependent on foreign direct investment (FDI): all of the ten largest Slovak exporters are foreign-invested. Slovak export success is based mainly on large companies, namely in the automotive and consumer electronics sectors. The biggest exporters are the foreign-owned subsidiaries such as Volkswagen, Kia, PSA Peugeot Citroën, Samsung or Slovnaft-MOL.

SME (small and medium sized enteprises) are lagging behind the large companies in terms of export performance: in 2012, the number of exporting SME reached 27,474 which accounts for 97,1% of all Slovak exporters. Nevertheless, the value of SME export was only 17,486 bln €, which represents 27,8% of the overall value of Slovak export. This disproportion needs to be addressed, according to state institutions, as well as the increase of SME competitiveness. (Ministry of Economy of the Slovak Republic 2013). However, when speaking of internationalisation, Slovak state institutions seem to give priority to export support and only little attention is paid to outward foreign direct investment (OFDI).

This country report is a part of the research project focusing on policies supporting outward foreign direct investment in the V4 countries. The project is centered around four key areas of interest:

- the change of the OFDI policy in the aftermath of the Great Recession,
- the possible focus of OFDI policy on small and medium sized enterprises,

- the possible focus of OFDI policy on perspective, fast growing economies,
- the satisfaction of the recipients with OFDI support.

The aforementioned areas of interest are reflected in four research hypotheses:

H1: The Great Recession has caused the change in perception of OFDI, as it is no longer viewed as only cost-creating, but also beneficial for the home economy.

H2: OFDI support is primarily targeting SMEs as larger companies do not need or demand such support.

H3: Perspective, fast growing markets are OFDI policy priorities.

H4: Potential recipients often see the support as insufficient or inadequate.

STATISTICS

The following table shows the FDI indicators of Slovakia and of the V4 group as a whole. Slovak economy shows a great disproportion between inward and outward FDI stock as a share of GDP.

Table 1. FDI Indicators for Slovak Republic (SR) and V4

Indicator as a percentage of GDP	**2000 - 2003**		**2004 – 2007**		**2008 - 2012**	
	V4	**SR**	**V4**	**SR**	**V4**	**SR**
FDI inward stock	36,03	31,08	50,00	52,38	56,00	57,23
FDI outward stock	1,71	2,08	4,28	1,93	8,40	3,85
FDI inflow	6,06	9,67	5,56	6,38	3,15	2,46
FDI outflow	0,43	0,33	1,21	0,18	1,39	0,62

Source: Burda, Š. (2013). *Významné aspekty v medzinárodnom podnikaní Slovenska*

While Slovak FDI inward stock in relation to GDP is only slightly higher than the average FDI inward stock of the V4 group, the difference in FDI outward stock is considerably bigger: the FDI outward stock share in GDP is more than two times smaller in the case of Slovakia, compared to the V4 group. Relation of Slovak FDI outflow to GDP is also significantly smaller than in the whole V4 group, even though it has a rising tendency. Slovakia experienced a temporary decline of FDI outflows and outward stock after its accession to the European Union, notably in 2005 and 2006.

While FDI inflows to Slovakia experienced rapid decline in the wake of the Great Recession in 2009, and similarly fast recovery (from almost no FDI inflow in 2009 to 2,199 bln EUR in 2012), FDI outflows showed an opposite development: the maximum value was reached in 2009 (651 mln EUR) and 2010 (714 mln EUR) followed by the steep decline to almost no FDI outflow in 2012 (table 2). Eurozone aggregate data show similar development: the investment activity of its member countries abroad was even more intensive during the crisis period than before (Burda, 2013)

Slovak balance of payments shows that the highest investment income on direct investment abroad was in the crisis years of 2008-2010.

Slovak investment activity abroad is still insufficient, even compared to the V4 countries. In the period of 2008 – 2012, the FDI outflow of Slovak companies amounted to 2,020 bil EUR. The FDI outward stock was 3,253 bln EUR in 2011. Nevertheless, these numbers are significantly lower than in the case of the Czech Republic. Czech companies invested 6,397 bln EUR abroad during 2008 – 2012, and the overall FDI outward stock was 10,236 bln EUR in 2011.

Table 2. Outward Foreign Direct Investment from Slovakia, 2004-2013 (mln EUR)

	2004	**2005**	**2006**	**2007**	**2008**
Outward FDI	-17	120	408	438	362
	2009	**2010**	**2011**	**2012***	**2013***
Outward FDI	651,031	714, 367	513,043	-16,424	47,969

** preliminary data*

Source: data from National Bank of Slovakia, 2010; 2013a; 2013b; 2014

Significant increase in OFDI can be seen after the accession of Slovakia into the EU on May 1, 2004. OFDI temporarily decreased in 2008, but posted record highs in the crisis years of 2009-2011. Very steep decline occurred in 2012, with only a mild recovery taking place in 2013.

The newest data published on OFDI stock is from 2012 (preliminary data). The overall stock of Slovak OFDI was 3,344 bln EUR. The countries with the highest level of Slovak OFDI are the Czech Republic (1,841 bln EUR), Cyprus (0,354 bln EUR), Luxembourg (0,254 bln EUR), Austria (0,204 bln EUR) and Turkey (0,126 bln EUR). (Národná banka Slovenska, 2013b) It can be assumed that the high OFDI stock in Cyprus and Luxembourg might be caused by their favourable investment (namely tax) conditions.

LITERATURE REVIEW

There is virtually no research concerning Slovak OFDI and only a very few studies of Slovak companies' internationalisation in general. At present, economists – both at home and abroad – do not pay sufficient attention to FDI issues involving Slovakia and thus the information on foreign investment is limited to several findings.

The only study focused solely on Slovak OFDI was carried out by Ferenčíková Sr. and Ferenčíková Jr. (2012). Based on Investment Development Path Theory of J. H. Dunning and S. M. Lundan (2008) and selected case studies of Slovak companies' OFDI in manufacturing, finance and IT sectors, the authors conclude that Slovakia is in Stage III of Investment Development Path. This stage is characterized by a shift toward an industrialized or mixed economy. Governments play a more active role in the economy, modifying policies in attempts to make their markets more competitive (in Slovakia, notably by the introduction of 19% flat tax rate) (Ferenčíková Sr. – Ferenčíková Jr., 2012). However, Slovakia lacks one of the key characteristics of this stage – faster OFDI growth compared to inward FDI. Other aspects where Slovakia do not fully adhere to the features of Stage III of NOIP are competitiveness of the local companies and their capital adequacy, strengths, and efforts to find investment opportunities abroad.

Compared to other V4 countries, the majority of the biggest Slovak companies are affiliates of foreign investors and they thus do not carry out foreign investment. Companies investing abroad are mainly private equity companies and financial groups such as J&T, Penta, and Istrokapital. However, the nature of these groups explains the rerouting of their capital to subsidiaries in various tax havens which act as their investment intermediaries. The second group of foreign investors are Slovak manufacturing companies represented by e.g. Grafobal, Železiarne Podbrezová, IDC Holding, Elektrokarbon, and several other companies, but due to their size, they cannot be compared to the much larger investors from the other the V4 countries, such as CEZ, MOL or PKN Orlen.

As mentioned, Slovakia ranks among the countries with relativelly high inflow and low outflow of FDI. The main reasons of low FDI outflows from Slovakia are (Dudáš, 2007):

- large privatised Slovak companies are embedded in the TNCs' corporate networks and the creation of investment strategies is managed from the decision-making centers of multinational corporations; foreign investment is only seldom carried out via Slovak subsidiary,
- only a few of the large financial groups (J&T, Penta) and several Slovak-owned companies (Železiarne Podbrezová, Matador) execute their own investment policy; finacial/private equity groups are often focused on acqusition of existing CEE companies, Slovak-owned companies also prefer European countries due to familiarity of their investment environment,
- smaller companies are very cautious and they usually invest only in neighbouring countries – with the exception of IT companies such as ESET, which tend to invest in USA as the center of information and communication technologies' research and development.

However, the state support of Slovak companies' FDI abroad is significantly less intense than the support for FDI inflow to Slovakia, which ought to bring new jobs and technologies. Slovakia lacks a unified framework of FDI outflow support, which would help companies willing to expand abroad.

Slovak companies investing abroad are mainly focused on more familiar markets of Central Europe. Despite numerous business opportunities, Slovak FDI in developing countries are virtually non-existent.

As the markets of developed countries are more or less saturated and dominated by MNCs, developing countries present an interesting investment opportunity for Slovak companies. Gradual improvement of the citizens' purchasing power and the quality of life in developing countries might attract a larger number of foreign investors, including Slovak firms. Countries with low production costs (and especially low-cost labour force) might be interesting for those Slovak companies which would need to decrease their own production costs.

However, Slovak firms usually do not have sufficient information on the market opportunities in the developing countries, they are thus often focused on more familiar European countries, which in turn means the lack of information and experience from operations in other markets. According to T. Dudáš (2007), the most suitable institution to help overcome these investment obstacles might be SARIO (Slovak Investment and Trade Development Agency). The supporting system should be based on the team tasked with gathering and processing of the information on foreign territories and potential business opportunities, which might be made available as the information system on the Internet.

Due to the lack of specific information on Slovak OFDI, the following part of the literature review is focused on internationalisation of companies in general, as some of the successful Slovak companies expanded abroad also via OFDI.

In the period of economic transformation after the fall of the Iron Curtain, FDI played a key role in transition from centrally planned to market economy, which was especially true in the case of Slovakia. Existing firms were primarily occupied with privatization and modernization in order to survive the loss of their export markets (predominantly in the countries of the former Council for Mutual Economic Assistance). Newly established companies focused on the domestic market which offered significant growth opportunities. However, firms that tried to expand abroad often faced the scarcity of resources (including state-of-the-art technology and know-how), lack of state support and an established foreign competition from developed or other emerging markets with far more experience in internationalisation.

Slovak economy is heavily export oriented, with relatively low value added in its production, due to low level of research and development present in Slovak companies' operations and also high import intensity of production. Nevertheless, IT industry is the exception with several successfuly internationalised companies, some of which have also carried out foreign investment.

According to Ferencikova and Schuh (2012), the central element in the internationalisation discussion is the competitive advantage on which the internationalization initiative can be built, as it is difficult to overcome the scarcity of resources and the additional disadvantage of the negative country-of-origin effect without it. Negative country-of-origin effect was in the 1990s, and in some cases still is an obstacle of Slovak companies' foreign success. In order to be successful in international business, the firms need to be cheaper than competitors or they have to offer unique products or service features that are appreciated and sought after by customers.

CEE companies seem to have found their competitive arenas in focus on neighbouring markets, as well as in competitive strategies based on either good value-for-money (price advantage vis-à-vis firms from developed countries) or specialisation advantages – and often the combination of both aspects.

Due to the lack of financial and other tangible resources, SME in CEE are using intangible resources as their competitive advantage, which is also the case of IT startups. Seven of them (ESET, Sygic, aSc, WebSupport, Quality Unit, Nicereply and Synopsi.tv) formed a research sample for the study about the internationalisation of Slovak companies (Ferenčíková – Hlušková, 2014). IT startup companies can be considered as the most successful in foreign expansion among the Slovak firms. Startups are also in the center of the Concept of Startup Support, which is being prepared within the cooperation of several Slovak ministries. However, this concept does not mention OFDI support at all, on the contrary one of its goals is to attract foreign entities to invest in Slovak startups. (Ministry of Finance of the Slovak Republic, 2015)

In the case of the software industry, entry barriers are lower than in many other markets, which makes it attractive to newcomers. Also, many CEE countries are small and have relatively high-quality education and superior talents that can compete in the international environment because in this industry, tangible resources are relatively less important at the beginning, and even small and resource-scarce companies can successfully develop their business.

A major barrier for CEE companies is getting access to high-income markets. EU membership does not necessarily help as much as expected because (with the exception of the Western European markets) the US market, Asia and Latin America are the playgrounds where the IT companies need to be active. Development of partnerships proved to be a very efficient way to combine know-how and both tangible and intangible resources abroad in order to be successful. The differences in the starting position of the firms can lead to different patterns in internationalisation. However, in this case, the choice of foreign countries, market segments, market entry methods and competitive strategies were rather similar given the similar nature of the companies studied.

Among the seven companies, only ESET carried out FDI. The rest has expanded abroad by exporting their products or by partnerships with local companies in the given markets in order to facilitate distribution. It seems that the nature of their products (e.g., scheduling software, navigation software, webhosting) do not require establishment of foreign affiliate for the companies to be successful abroad.

On the contrary, ESET, one of the biggest security software companies in the world, has invested in several countiries and can be considered as the most active in OFDI: it set up regional distribution centers in San Diego, Buenos Aires and Singapore and offices in São Paulo and Prague. The company has also established several malware research centers in San Diego, Buenos Aires, Singapore, Prague, Košice, Kraków, Montreal, and Moscow. First foreign affiliate was established in USA in 1999, with the main motive to overcome negative country-of-origin effect. This affiliate was responsible for all operations in the foreign markets. Nevertheless, ESET relied on local partners in the beginning of the expansion abroad (the company was established in 1992 and immediately started its internationalisation). Beside greenfield investment, ESET also acquired Czech company Šetrnet in 2008.

One of the companies, Synopsi.tv even relocated from Slovakia to Silicon Valley. The main reasons, as stated by its founder, were the non-ideal state of Slovak business environment and insufficient state protection of businesses.

Some of the conclusions of the research might also hint at the characteristics of Slovak OFDI. There can be found some features of the Uppsala model of gradual internationalisation in the case studies. Nevertheless, the combination of the resource-based view with the International New Venture theory (given their early expansion abroad) seems to be the most suitable theoretical approach to be used in the conditions of the small, once transitional economies.

Slovak companies in the sample had to rely on their most valuable assets – human resources, if they wanted to enter foreign markets. This is particularly important, as the companies had to counterweight their lack of finance and foreign market knowledge with unique and high-quality products, which served as their competitive advantage. Another important factor might be their narrow specialization, as they do not diversify their product portfolio into new categories, but they rather focus on improving the quality of their existing product or creating its new variations. The examples of aSc, ESET and Sygic hint at the possibility that the more unique the product is, combined with its high-quality, the sooner the company seeks expansion abroad. Despite their worldwide success, all of these companies are still headquartered in Slovakia, as well as the significant part of their research base. This is particularly important as the funding of research and development in Slovakia is insufficient and the share of these activities on the operations of foreign investors is low.

Given the rather small domestic market, many Slovak companies aim to expand abroad. However, SME in particular often have to cope with the scarcity of resources, both tangible (finance, technology) and intangible (foreign market knowledge, managerial know-how). In order to succeed on the foreign markets, they have to substitute the missing resources with others, e.g. unique product serving the niche market, patented technology or highly qualified and skilled human resources. All of them could serve as the sources of their competitive advantage. Based on this advantage, the companies could attract potential partners for joint venture, willing to provide the resources in need. Taking into account their lack of foreign market knowledge, only limited access to the distribution channels abroad and possible negative country-of-origin effect, the partnership with the foreign investor might be the best solution to overcome these obstacles of foreign expansion. To achieve this goal, it is important to provide the companies with the opportunities to meet the prospective partners. The state institutions might be the right intermediaries facilitating the creation of such partnerships.

Despite their numerous benefits for entrepreneurs and the economy itself, joint ventures (and other forms of strategic alliances) are given only marginal attention in Slovakia. Research of 45 Slovak-foreign joint ventures (Hlušková, 2014) shows that Slovak companies underwent significant development since last studies on the topic from 1990s. Concerning OFDI, Slovak companies participate in joint ventures abroad to a larger extent than in 1990s. This fact is in line with other findings which prove emancipation of the Slovak partner companies, namely their improved bargaining position due to higher awareness of their potential partners and the experience amassed during two decades of functioning in the market economy.

According to research results, Slovak companies no longer just adapt to the strategies of their foreign counterparts as was the case of the joint ventures in 1990s which almost unaninomously used the strategy of the foreign investor. It is a proof that the business and management strategies of Slovak firms are applicable in today's highly competitive markets.

Another difference concerns research and development: even though the Slovak Republic lags behind other countries in funding and also in research results, there are also Slovak companies which contribute their research to the joint ventures. This is also in sharp contrast with 1990s, when access to know-how and technology of the foreign investor was one of the most important motives of Slovak firms to form a partnership.

All these findings support the notion of improved competitiveness of the Slovak companies, which might eventually result in their better chances to successfuly expand abroad via OFDI. Nevertheless, the state institutions neglect OFDI and focus almost exclusively on support of export.

INTERVIEWS

Below we present the main messages from interviews conducted with actors involved in Slovakia's internationalisation processes. Interviews with representatives of various agencies were conducted via e-mail. In some aspects, their opinions represent their personal view on the issues discussed, stemming from their experience in internationalisation support. These views are complemented by the information stated in official documents, policies and other publicly available information sources. However, representatives of Ministry of Foreign and European Affairs of Slovak Republic and SBA did not respond to the questions sent, not even after repeated reminders.

PROVIDERS OF ASSISTANCE

Slovakia lacks a unified framework to support OFDI. State institutions are predominantly focused at attraction of inward FDI, or at support of export. There is virtually no institution or policy aimed exclusively or predominantly at OFDI. OFDI support is usually indirect (in the case of internationalisation support) or it is just a side effect of certain activities (support of start-ups). This part of the report thus specifies various organisations' activities which could in the end lead to OFDI support, even though it is not their primary (and often not even secondary) goal. The information was gathered from publicly available sources as well as from the information provided by the institutions' representatives who agreed to speak on the topic.

Slovak Investment and Trade Development Agency (SARIO)

SARIO is an institution which provides support for foreign companies willing to invest in Slovakia, but also for Slovak enterprises which aim to expand abroad. SARIO facilitates this cooperation by several means:

- The Slovak Sourcing and Cooperation Portal, automatic matchmaking portal aimed to coordinate foreign demands with production possibilities of Slovak companies; there are 63 firms registered at the Portal as of March 25, 2015 (SARIO, 2015a); this number is considerably lower compared with 108 companies registered as of May 23, 2014 (Hlušková, 2014),
- organisation of business journeys and fairs to provide the companies with the possibility of negotiations with prospective partners,

- organisation of matchmaking events in Slovakia – e.g., Hungarian – Slovak Forum for real estate developers, Slovak – Serbian Business Forum or the seminar on Transatlantic Trade and Investment Partnership (TTIP), all of which will take place in 2015 (SARIO, 2015b),
- direct searching and screening of prospective partners abroad,
- providing of contacts to representative bodies of Slovakia in given markets.

The Slovak Sourcing and Cooperation Portal offers an on-line database of the latest export opportunities and production cooperation offers. The aim of the Portal is to achieve more effective export promotion of Slovak products, to intermediate the cooperation between Slovak and foreign companies and to help to create Slovak-foreign joint ventures. The Portal cooperation offers are divided into four sections: subcontracting, joint ventures, investment and tenders. There is also the catalogue of the companies with the basic information about the business entities registered at the Portal (SARIO, 2015c).

Another tool for promotion of the partnerships, which was created in 2013, is the Database of Investment Opportunities presented at the meetings with various foreign entities. The database contains information about the field of investment, the amount of capital needed and its planned usage and some general information about the investment opportunity (e.g., whether the technology is patented, or the basic technical information about the product).

However, promotion of OFDI is not a task of SARIO: the Agency is focused only on inward FDI to Slovakia or export of Slovak companies. As for the joint ventures, SARIO support their creation in Slovakia, with the participation of Slovak entities.

The territorial structure of support is aimed at countries labelled as prioritised in the Strategy of External Economic Relations for the years 2014-2020: besides the EU countries, other important states include countries of western Balkan, Southeast Asia, Commonwealth of

Independent States, Brazil, India or USA. Nevertheless, the Strategy is also focused on export, not OFDI.

In spite of that, SARIO aims to diversify its services in the future. In 2014, the Agency undertook first steps to establish the Association of the Complete Industrial Plants Suppliers, a voluntary association in order to facilitate cooperation and subsequently export of complete industrial plants from Slovakia. The establishment of association is now being assessed by several Slovak ministries.

ENTERPRISE EUROPE NETWORK (EEN)

On the European level, Enterprise Europe Network (EEN) aims to provide opportunities for the cooperation of companies from various countries. EEN connects business-supporting organisations from more than 50 countries (28 EU members and 26 non-EU members within Europe and abroad) (Enterprise Europe Network, 2015a). In Slovakia, EEN is represented by the BISS Slovakia (Business and Innovation Support Services in Slovakia) project, coordinated by Business and Innovation Centre (BIC) Bratislava. 50 organisations participate on EEN services in Slovakia, including five project partners: BIC, Slovak Business Agency (SBA), Slovak Chamber of Commerce and Industry and RPIC Prešov (Regionálne poradenské a informačné centrum Prešov, Regional Consulting and Information Center Prešov). (Enterprise Europe Network Slovensko, 2015) In the period of 2008 – 2012, Slovak EEN partners organized nearly 180 seminars with more than 4 500 participants, 66 matchmaking events and 21 company missions with 1 500 participants. The Network team provided free consultation services for more than 5 200 companies and visited more than 1 000 companies to evaluate their business and technology opportunities. All these activities resulted in 66 international trade and technology partnerships.

In order to seek business and technological partners, the companies can make use of two databases: Partnering Opportunities Database and The Projects & Results Service.

Partnering Opportunities Database allows companies to register their offers or request to find potential business partners. However, the number of Slovak companies seeking foreign partners is relatively low: there are 48 business offers, 124 technology offers, 6 business requests, 1 technology request and 1 research and development request, as of March 27, 2015. (Enterprise Europe Network, 2015b)

The Projects & Results Service provide information on EU-funded research projects and their results, with the goal to facilitate the exploitation of the research results in practice. There are 109 projects in which Slovak entities act as coordinators and 1 247 in which Slovak entities participate. (CORDIS, 2015)

According to recent information from BIC, there is no systematic evidence of partnerships whose establishment was based on EEN services, and no evidence of Slovak-foreign joint ventures abroad at all.

EXIMBANKA SR

EXIMBANKA SR (Export-Import Bank of the Slovak Republic), founded by the state in 1997, offers many products aimed at facilitating of the companies' foreign expansion, both banking and insurance. Its main goals are to improve the competitive position of Slovak firms abroad and to support the export of products with high value added, in the highest possible volume.

As mentioned, the products of EXIMBANKA SR can be divided into banking and insurance, and also their combination. However, majority of the products is focused on export facilitation, only direct loans to finance an investment might be considered as OFDI-centered support.

EXIMBANKA SR provides an investment loan for the exporter to establish a subsidiary or a joint venture with foreign partner, or to purchase the shares of an existing company in the country where the Slovak firm export its products. The ultimate goal of investment loan is to increase the export performance of the Slovak company.

The minimum share of exporter's own resources on the investment value is 10%. The Slovak firm should be involved in the investment for at least three years.

The exporter primarily uses the profits generated by its foreign investment to repay the loan. The maturity of the loan is eight and a half years at maximum. Regular payments should take place at least twice a year.

In its profile, EXIMBANKA SR presents the support of investment abroad (and especially the establishment of joint ventures) as the value added of its activities. It also organises various events to promote them. In November 2013, EXIMBANKA SR along with the Ministry of Finance of the Slovak Republic and the European Bank for Reconstruction and Development (EBRD) organised a workshop aimed at export and cross-border investment financing and the role of multinational financial institutions and the state itself in support of these activities. The Slovak exporters which made use of EXIMBANKA SR support also presented their experience and identified areas for improvement of export-supporting services.

The value of export loans (including loans to invest abroad) has been rising steadily in 2009-2013, as the receivables from export loans increased from 24,479 mil EUR in 2009 to 104,129 mln EUR in 2013. The share of export loans on overall granted direct loans in the period of 2009-2013 has risen from 21,86% in 2009 to 48,72% in 2013. (EXIMBANKA SR, 2014)

Slovak companies can also make use of the export credit insurance products in order to insure the risk of failure to repay the credit related to their own investment abroad. This product type represented 9,32% on the overall non-marketable risk insurance products exposure as of December 31, 2013. (EXIMBANKA SR, 2014)

Insurance of credit financing the investment of Slovak legal entities abroad is a product oriented mainly on manufacturers that should get into a more advantageous position by the establishment of the foreign subsidiary in their export market, e.g., by reducing logistics costs or eliminating regulation barriers. Slovak companies often intend to acquire their foreign competitor or they want to benefit from the favourable investment conditions in specific areas of local economy. The bank of the Slovak company which provided the loan to finance investment is insured by EXIMBANKA SR. Since this product is used in support of different businesses, requirements for the investor and its financing bank may also significantly differ, notably in terms of the equity share, maturity of the loan and collateral. In 2013, this product was used to insure the loans provided for investment of Slovak companies in Romania.

Another product, the insurance of Slovak legal entities' investment abroad was not actively used in 2013.

EXIMBANKA SR is also the member of the Berne Union (International Union of Credit and Investment Insurers). Its main goal is to exchange information on cross-border operations' risks, share experience in particular territories, with selected buyers, and support further growth of insurance on a sustainable basis. EXIMBANKA SR is also one of the five founding members of the Prague Club, a platform for the meetings of the export credit agencies (ECAs) and private export credit insurers which do not reach turnovers of the Berne Union members.

The support scheme of EXIMBANKA SR has not undergone any significant changes since 2008, but there is a higher pressure on the quality of project and its reviewing process. There is also more emphasis on the experience of the investor in the given region.

EXIMBANKA SR does not particularly focus on SME: to invest abroad, the company must have certain knowledge of the local environment, sufficient quantity and quality of human resources and also dispose of certain amount of capital on its own. Only a few of Slovak SME consider the possibility of foreign investment.

Territorial diversification is one of the four main goals of EXIMBANKA SR stated in its strategy for the years 2014-2020 (EXIMBANKA SR, 2013). The Bank has divided the countries of priority into two groups:

Group 1: Serbia, Bosnia and Herzegovina, FYROM, Turkey, Vietnam, Indonesia, Cuba, Egypt, India, South Africa, Kenya, Russia, Ukraine, Belarus, Georgia, Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan, Chile, Brazil, China, Mongolia

Group 2: Pakistan, Argentina, UAE, Iraq, Armenia, Libya

These countries are the most promising for the Slovak export. Based on historical trade ties from the socialist period, countries of Southeast Asia, Central Asia and Latin America, Middle East, southern Balkan and North Africa create certain competitive advantage for Slovak companies.

However, there is significant difference between exporters and investors, as the latter are more cautious: they seem to prefer safer markets with the possibility to eliminate risks as much as possible and the countries with which the companies have certain experience. Thus, there is no special focus on particular countries and their choice depends on the demand of the potential investor.

As for the satisfaction of the support recipients, every project is monitored within the internal guidelines of EXIMBANKA SR. Regular meetings with clients, including the discussion about possible further cooperation are a part of the process. The satisfaction can be also indirectly seen in the amount of provided loans and guarantees.

MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS OF SLOVAK REPUBLIC

PODNIKATEĽSKÉ CENTRUM (BUSINESS CENTER)

Business Center is within the competence of Ministry of Foreign and European Affairs of the Slovak Republic. Its task is to provide all the information needed for the export of goods, services or capital, creation of cooperative ties or establishment of joint ventures abroad. The aim of the Center is to provide contacts and to monitor business and investment opportunities suitable for Slovak companies. (Ministry of Foreign and European Affairs of the Slovak Republic, 2015)

The Ministry also coordinates its activities and cooperates with other institutions such as SARIO (e.g., in the case of the Slovak-Turkish Business Forum). As stated, the main mission of the Center is to provide information: it issues the Weekly News Bulletin in support of the business abroad, which contains not only news, but also information on business and investment opportunities, international tenders, business fairs and other events.

Another means of support is the economic information about respective countries, accompanied by the contacts on Slovak embassies and representations abroad and their planned activities in the foreign territories.

Other useful information concerns the public procurement in foreign countries, but also in international organisations.

The Ministry is also active in the Official Development Aid Programme (Slovak Aid), focused on participation of Slovak entrepreneurs in projects aimed at sustainable development of the target countries, divided into two groups: programme countries (Afghanistan, Kenya, Moldova) and project countries (Albania, Belarus, Bosnia and Herzegovina, Georgia, Kosovo and Ukraine), along with South Sudan as a country of exceptional humanitarian and development needs. In 2013, the Platform of Entrepreneurs for the Foreign Development Cooperation was established in order to engage the entrepreneurs in development aid. During ten years of its existence (2003 – 2013), the Programme spent more than 40 mln EUR on 400 projects in more than 20 countries.

One of the eight sub-programmes is also Business Partnerships Programme: Slovak entrepreneurs are able to be given a grant to cooperate with company in the developing country. The main tool of this programme is the support of Slovak start-ups in developing countries, with the budget of 250 000 € in 2015. (Ministry of Foreign and European Affairs, 2014).

As for the feedback on their services, the Ministry is conducting a questionnaire survey concerning the Weekly News Bulletin about the companies' satisfaction with its content.

NÁRODNÉ PODNIKATEĽSKÉ CENTRUM (NATIONAL BUSINESS CENTER)

The aim of the National Business Center will be to ensure complex support of SME, including the systemic support of R&D transfer to the businesses. The Center should act as a one-stop-shop and offer support for new companies, including start-ups and spin-offs. (Národné podnikateľské centrum, 2015). It should be established in 2015 in Bratislava, followed by 5 other regional centres in 2015-2016.

The Centre will provide two groups of services:

1. EEN services: free consultancy services, workshops, trainings for entrepreneurs, matchmaking events to meet potential foreign partners (EEN services have been already described in detail in this report)

2. Services within the frame of Growth Programme: these services will be aimed at SME in the growth phase of development. These services cannot be further specified as they are only in the process of creation. However, they should be complementary with the existing support tools.

As for the territorial scope of support, particular attention will be given to non-EU countries, due to their large growth potential and gradual saturation of EU markets.

The Center also intends to investigate the satisfaction of the support recipients with its services.

ZDRUŽENIE MLADÝCH PODNIKATEĽOV SLOVENSKA (YOUNG ENTREPRENEURS ASSOCIATION OF SLOVAKIA)

Združenie mladých podnikateľov Slovenska (Young Entrepreneurs Association of Slovakia) was founded in 2010. Its goal is to associate entrepreneurs under 40 years of age in order to help them overcome the lack of know-how, contacts and capital. Lack of attention to young entrepreneurs and the obstacles they have to cope with in Slovakia were the main reasons for association's establishment.

One of its activities is the Slovak Business Angels Network, established in 2011 by the Association, then-National Agency for the Development of SME (nowadays SBA) and Hospodárske noviny (economic newspaper). Business angels provide funding necessary for the start-up companies, which usually have difficulties to gain finance in ways traditional for established companies (e.g., bank loans, capital markets). In the case of Slovakia, they are even more important due to undeveloped capital market and relative lack of venture capital. (Združenie mladých podnikateľov Slovenska, 2015)

The Network has several goals:

- increase awareness of entrepreneurs about venture capital topics,
- create a meeting platform for investors (business angels) and entrepreneurs,
- provide consulting on business planning and assistance in the investment process.

The number of angel investors in the Network fluctuates between 20-30. Until December 31, 2014 the Network registered the total of 828 applicants and 97 of them have met the qualitative conditions and presented their projects to potential investors, 43 of them started negotiations with investors. The investment was eventually carried out in less than 10 cases, in the fields of energy, IT and services. Angels do not only provide finance, but they also have to act as mentors for the starting entrepreneurs.

The investment by angel investors in Slovakia tends to range from 10 000 EUR to 50 000 EUR per investor and up to 100 000 EUR per project (higher amounts are exceptions).

The Network co-organised 17 matchmaking events where the start-ups had the possibility to present their ideas to potential investors. However, the Network does not have information whether any of the Slovak business angels has engaged in investment abroad.

SLOVAK BUSINESS AGENCY (SBA)

SBA is an institution focused on SME support, founded in 1993. The partners of SBA include SARIO and Young Entrepreneurs Association of Slovakia. Its organisations include EEN and the Platform of Entrepreneurs for the Foreign Development Cooperation. SBA is also involved in the National Business Center project.

The role of SBA is therefore tied to other institutions and projects in which it is involved, e.g. in EEN, the Agency can register Slovak companies in the Partnering Opportunities Database or provide them with contacts on their foreign counterparts already registered in the database. Nevertheless, the specific feature of SBA is its main focus on SME.

INTERNATIONALISING FIRMS

In January – March 2015 we interviewed 60 Slovak companies with international activities – the sample was created based on the articles in the economic press (Hospodarske noviny) and the willingness of managers to answer our questions. The interviews were conducted by the students of International Management class, School of Management Bratislava.

Five companies mentioned that they were provided loans for the internationalization from the Eximbank and other banks (1/12 of the sample), and three companies were provided non-financial assistance from Slovak Investment Agency (1/20 of the sample). Three companies were recipients of the investment stimuli in Slovakia (what helped them to be successful on the foreign markets as well) and three of them received funds from the European Union projects for the innovation and technology what again helped them to be successful on the foreign markets. All together only nine companies out of 60 interviewed were recipients of direct or indirect support (some of them mentioned two forms of support) that helped them to operate on the foreign markets.

Conclusion

Based on the interviews with several providers of internationalisation assistance, managers of the internationalized companies and publicly available information, we can conclude:

Only 8 companies out of 60 interviewed companies (13%) mentioned that they used direct financial credit links or indirect support from the state agencies while internationalizing.

To sum up, the major findings of the research are:

- Major institutions with OFDI-focused services in Slovakia are: EXIMBANKA (loans, insurance of investment), and Ministry of Foreign and European Affairs of the Slovak Republic (Slovak Aid – grants for start-ups). 5 companies in our sample used Eximbanka services, no one mentioned start-up support.

- Other institutions offer services which could potentially help OFDI, but it is not their primary intention – 2 companies in our sample mentioned assistance from SARIO – Slovak Investment Agency.

- Official support is focused not only on EU countries, but there are also other groups of prioritised countries, most notably non-EU European countries and Asian countries

- We have not recorded any significant changes in the OFDI support in the aftermath of the Great Recession

- There is no special focus on SMEs, except SBA, which is itself focused on SME support in general.

- As for recipient feedback, we have not found any specific information, but some of the state institutions involved are assessing their clients' satisfaction (survey, interview, repeated interest in services).

- There is an initiative to assist the internationalization of the Slovak companies – a specialised webpage http://export.slovensko.sk/, with intent to provide all the information for the potential exporters in one place; however nothing even remotely similar exists for OFDI.

- Therefore we can conclude that state policy is predominantly focused on inward FDI and export, OFDI exclusively is not mentioned in any policy or strategy, and it is basically neglected in the official economic strategy of the Slovak Republic.

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