SLOVAKIA
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

With a population of 5.4 million, the Slovak Republic is a small, open economy, with exports accounting for as much as 92 percent of GDP. In recent years exports served as the main driver of GDP growth. This dynamic changed in 2014, when growth was driven by domestic consumption, accounting for nearly 2 percent of the overall 2.4 percent increase. The main factors driving domestic consumption were a slight improvement in the labor market, as well as zero inflation that resulted in a higher growth of real wages.

Slovakia joined the European Union (EU) in 2004 and the Eurozone in 2009. The country's banking sector is sound, which was reflected in the good results Slovak banks achieved in the recent ECB stress tests. Moody's recently confirmed Slovakia's stable outlook and "A2" rating for government bonds, emphasizing the country's deep economic and financial integration within Europe, and moderate government debt ratios. Projections for 2015 GDP growth range between 2.5 and 3 percent.

Slovakia has been a regional FDI champion for several years, attractive due to a relatively low-cost yet skilled labor force, reasonable tax rates, and a favorable geographic location in the heart of Central Europe. Among the most pressing domestic issues potentially threatening the attractiveness of the Slovak market are the recent increase in corporate taxes, increasing labor costs, changes to the Labor Code that reduced labor flexibility, as well as ongoing corruption issues and an inadequate judiciary. The energy sector in particular is characterized by high costs, unpredictable regulatory oversight, and growing government interference.

Nevertheless, few major investors have exited, and many established companies continue to make new investments in their production facilities. There are more than 120 U.S. companies present in the Slovak market. An informal survey by the U.S. Embassy showed U.S. investments in Slovakia at about USD 4.5 billion for current and future commitments, making the U.S. the third largest source of FDI in Slovakia. The U.S. is Slovakia's 15th largest trade partner.

The government regularly expresses its firm commitment to meeting all EU deficit and debt targets and to being a responsible member of the Eurozone. It bears watching, however, whether these recent successes will be endangered by an increasing focus on social programs in the lead-up to March 2016 Parliamentary elections. Also, as an extremely open economy, Slovakia is highly sensitive to regional economic developments, be it a slowdown of the economic recovery in its major trading partner Germany, or a further escalation of the Ukraine-Russia conflict, especially in light of Slovakia's heavy primary energy dependency on Russia.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The flow of FDI into Slovakia has declined since 2007 due to changes in the government's investment policies which decreased the attractiveness of the business environment. A recent survey conducted by the foreign chambers of commerce in Slovakia concluded that Slovakia is ceding its position as a regional FDI leader to the Czech Republic. The investors criticized Slovakia's tax system, malfunctioning judiciary, and the excess bureaucracy in applying for available EU funding. A low rate of investment in R&D, poor infrastructure, and lack of interest in technical education also threaten Slovakia's position as top FDI destination in the region.

After PM Fico's center-left SMER party gained majority in the 2013 Parliamentary elections, the flat 19 percent tax - introduced during a comprehensive 2004 tax reform - was abolished, and personal and corporate income taxes, as well as the value added tax (VAT), increased. Corporate income tax increased to 23 percent, decreasing in 2014 to the current 22 percent. The rate is below the OECD average of 25 percent and in line with comparable small OECD economies; however, it is 3 percentage points higher than in the other V4 countries (the Czech Republic, Hungary, and Poland). According to a recent OECD tax review, Slovakia's tax system relies heavily on social security contributions, making labor cost less competitive than its neighbors. VAT is currently at 20 per cent, with the exception of 10 percent for pharmaceutical products and books. Efficiency of VAT collection is low, although there has been some recent progress due to the government's efforts to fight tax fraud.

Most recent FDI has been focused on the expansion of businesses already operating in Slovakia (including investments in production facilities and job creation), as opposed to new investors entering the country. According to a recent EC study, FDI inflows to Slovakia as a percentage of the country's GDP fell from nearly 9 percent in the 1999-2003 period to the current level of 2 percent. The stock of FDI reached over 42 billion euros in 2012. Inward flow of FDI to Slovakia was 670 million euros in 2013. Nevertheless, this data is not representative of actual FDI volume, as it does not take into account investments by entities active in the Slovak market but incorporated abroad. The banking, insurance, and energy sectors attracted most FDI inflows in 2013.

Other Investment Policy Reviews

Yes. The Act on Investment Stimuli from the EU structural and investment funds covering the 2014-2020 period, valid as of November 1, 2014; and a government decree regarding maximum investment aid amounts and forms of investment aid in relation to the unemployment rate in the regions around Slovakia, valid as of July 1, 2014.

Laws/Regulations of Foreign Direct Investment

The Economy Ministry is in charge of negotiating with potential and existing foreign investors. A specialized government agency - the Slovak Investment and Trade Development Agency (SARIO) is in charge of attracting foreign investments to Slovakia. A new amendment to the Act on Investment Incentives (561/2007 Coll.) became effective in May 2014. The law regulates the conditions under which investment incentives are made available to foreign and domestic investors, such as eligible sectors (including industry, technology centers, strategic services, and tourism) and specific requirements per sector, such as minimum volumes of investments and underlying conditions for receiving incentives in the form of tax breaks or other forms of stimuli for both new investments and expansion. The amendment introduced a preference for high added value investments, sustainability of created jobs and education requirements for employees. To learn more about investment incentives, please refer to section 5.2 - Investment Incentives.

Please consult the following websites for more information:
http://www.sario.sk
http://www.economy.gov.sk/state-aid-act/142750s

Industrial Promotion

The Economy Ministry most recently published its Industrial Strategy of Slovakia in 2012. According to the strategy, manufacturing sectors will continue to dominate Slovak industry, accounting for 90 percent of total employment and 80 percent of GDP production. The key industrial sectors include automotive, electro-technical, chemical, machine industry, and metallurgy. In 2014, industry and industrial production together accounted for nearly 40 percent of GDP.

The automotive industry, including auto manufacturers and the extended supply chain, continues to play an important role in the Slovak economy. Slovakia still ranks as the world's top per capita producer of passenger cars, with an output of 183 cars per 1,000 inhabitants. Two of the three car makers based in Slovakia announced additional investments in their production facilities for 2015.

Limits on Foreign Control

Slovakia has no formal performance requirements for establishing, maintaining, or expanding foreign investments. However, such requirements may be included as conditions of specific negotiations for property involved in large-scale privatization by direct sale or public auction. Foreign entities have no obstacles in participating in research and development programs financed and/or subsidized by the Slovak government; and receive equal treatment to that of domestic entities. There are no domestic ownership requirements for telecommunications and broadcast licenses.

Privatization Program

The Government is set to sell its 49 percent stake in Slovak Telekom (Deutche Telekom owns the remaining 51 percent) sometime in 2015 via a "dual track" process – an initial public offering (IPO) on capital markets combined with a direct sale in line with valid legislation. The shares should be offered on two stock exchanges - Bratislava and London. It will be the first IPO in Slovakia's history, and the Government expects to reap roughly one billion euros.

Screening of FDI

The necessary steps and conditions for eligibility are specified in the Act on Investment Incentives (561/2007 Coll.), last amended in May 2014.

Competition Law

The Antimonopoly Office of the Slovak Republic is an independent body charged with the protection of economic competition. The Office intervenes in cases of cartels, abuse of a dominant position, vertical agreements, and it also controls compliance of mergers with antitrust law. The key antitrust legislation regarding fair competition is the Competition Law (136/2001 Coll.). Slovakia complies with the EU competition policy.

Please consult the following website for more information:
http://www.antimon.gov.sk/antimonopoly-office-slovak-republic/.

Investment Trends

Please refer to the "Industrial Promotion" section.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	54/175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	37/189	doingbusiness.org/rankings
Global Innovation Index	2014	37/142	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	17,810 USD	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Slovakia joined the Eurozone on January 1, 2009. As a member of the OECD, Slovakia meets all international standards for conversion and transfer policy. The Foreign Exchange Act (312/2004) was last amended in 2004. It governs foreign exchange operations and allows for the easy conversion or transfer of funds associated with an investment. Operations with financial derivatives have been liberalized, and there is no limit on the export and import of domestic and foreign currency. Slovak residents are authorized to open accounts abroad and are not obliged to transfer financial assets acquired abroad to Slovakia. Non-residents may hold foreign exchange accounts. No permission is needed to issue foreign securities in Slovakia, and Slovaks are free to trade, buy, and sell foreign securities. As a result of the 2008 financial and economic crisis, Slovakia is among eleven EU countries that decided to introduce a tax on financial transactions. This tax is scheduled to come into force in 2016.

Please consult the following website for more information:
http://www.zbierka.sk/sk/predpisy/312-2004-z-z.p-7910.pdf

Remittance Policies

There are very few controls on capital transactions, except for rules governing commercial banking and credit institutions, which must abide by existing banking and anti-money laundering laws. The basic framework for investment transfers between Slovakia and the U.S. is set within the Slovakia Bilateral Investment Treaty.

As of January 1, 2015, the Slovak Republic is treated as a territory with FATCA compliant status. Slovakia is not an FATF member; nevertheless, Slovakia receives FATF recommendations.

Please consult the following websites for more information:
http://www.state.gov/documents/organization/43587.pdf
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/SVK4_MER_MONEYVAL(2011)21_en.pdf

3. Expropriation and Compensation

The Constitution of Slovakia and the Commercial and Civil Codes permit expropriation only in the case of public interest, with a requirement to provide proper compensation. The law also provides for an appeal process. The Slovak legislation related to expropriation has been criticized for being split among many different regulations and for favoring State and private investors' interests. In 2011, the Constitutional Court declared unconstitutional a 2007 regulation allowing investors to build highways without obtaining a final expropriation decision. A new law on expropriation is currently being negotiated, with significant public comment on the legislative proposal by the Transport, Construction and Regional Development Ministry. According to the original schedule, the Act should to enter into force as of July 2015. Nevertheless, there have been no developments in the legislative process following the August 2014 closing of the public consultation period, and the possibility of meeting the July 2015 deadline is unclear.

The most recent expropriation efforts date back to 2012, relating to the government plan to revert to a single-payer healthcare system. The government's plan is currently on hold, despite an international arbitrage court's confirmation that this power lies in the hands of a sovereign state. For more details, please see the International Arbitration section.

Please consult the following website for more information:
https://lt.justice.gov.sk/Material/MaterialWorkflow.aspx?instEID=1&matEID=7429&langEID=1&tStamp=20140819085822850

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Slovak judicial system is comprised of general courts, the Supreme Court, and the Constitutional Court. General courts decide civil and criminal matters and also review the legality of decisions by administrative bodies. The 54 district courts are called the courts of first instance. The eight regional courts hear appeals. The Supreme Court of the Slovak Republic is the court of final review in selected cases. A specialized criminal court focused on cases involving corruption and organized crime. The Judicial Council – the judiciary's self-governing body – appoints ordinary court judges. These judges receive a lifetime appointment by the President and may only be removed for cause. The Constitutional Court of the Slovak Republic is an independent judicial body that decides on the conformity of legal norms, adjudicates conflicts of authority between government agencies, hears complaints – including individuals' and legal entities' complaints of constitutional rights violations including human rights violations – and interprets the Constitution and its statutes. The President appoints Constitutional Court Judges from a list of candidates provided by Parliament. They are appointed to 12-year terms. Property rights are guaranteed by the Slovak Constitution and the European Convention of Human Rights. The basic framework for investment protection and dispute resolution between Slovakia and the U.S. is governed by the Slovakia Bilateral Investment Treaty. The dispute resolution mechanism set forth in this bilateral agreement is a remnant of the original treaty with the former Czechoslovakia.

European Union member state court judgments are recognized and enforced in compliance with existing EU Regulations. Third country judgments are governed by bilateral treaties or by the Act on International Private Law.

Please consult the following website for more information:
http://www.state.gov/documents/organization/43587.pdf

Bankruptcy

The current Law on Bankruptcy and Restructuring entered into effect on January 1, 2006. Its main aim was to shorten the duration of cases and to increase recovered revenue. The law allows companies to undergo court-protected restructuring and individuals to discharge their debts through bankruptcy. According to the International Monetary Fund, the act overhauled ineffective bankruptcy procedures by speeding up processing, strengthening creditor rights, reducing discretion by bankruptcy judges, and randomizing the allocation of cases to judges to reduce the potential for corruption. A new amendment to the Act came into force on January 1, 2015. The amendment mainly introduces a broader definition of insolvency, and clarifies the responsibility of statutory bodies to file bankruptcy, the treatment of claims of related parties, and the process of restructuring.

Please consult the following websites for more information:
http://www.zakonypreludi.sk/zz/2005-7/znenie-20150101#f6314742
http://www.cfo.sk/articles/novela-zakona-o-konkurze-a-restrukturalizacii-1-1-2015-zhrnutie

Investment Disputes

Slovakia has a number of bilateral investment treaties (BIT), some of which are remnants from the former Czechoslovakia, and others of which were signed after Slovakia became independent in 1993. The basic framework for investment protection and dispute resolution between Slovakia and the U.S. is governed by the Slovakia Bilateral Investment Treaty. The dispute resolution mechanism set forth in this bilateral agreement is a remnant of the original treaty with the former Czechoslovakia.

Please consult the following websites for more information:
http://www.state.gov/documents/organization/43587.pdf
http://www.finance.gov.sk/Default.aspx?CatID=4597

International Arbitration

Slovakia is a member state to the International Centre for Settling International Disputes (ICSID Convention). Slovakia is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitrage Awards (1958 New York Convention). The Finance Ministry is in charge of the BIT, and also manages and represents Slovakia in international arbitration cases.

The Slovak Chamber of Commerce and Industry (SOPK) have a court of arbitration, and have a number of bilateral cooperation agreements with Chambers of Commerce or similar institutions abroad. Nearly all cases involve disputes between Slovak and foreign parties. Slovak domestic contracts generally do not make use of arbitration clauses.

In eight cases of international arbitration between 2008 and 2014, the Slovak Republic won five and lost one, with one case ending in a negotiated settlement, and the last was withdrawn.

A notable ongoing arbitration case is that by the Dutch insurer Achmea, owner of Union Zdravotna Poistovna, one of Slovakia’s two private health insurance companies. In 2008, the government passed a law that banned private health insurance companies from paying dividends to their shareholders, severely limited allowable overhead costs, and required companies to plough their profits from public health insurance back into the healthcare system. In response, Achmea filed for arbitration at the International Arbitration Tribunal. In December 2012, the Tribunal ruled in favor of Achmea and ordered the Government of Slovakia to pay EUR 22 million in damages and EUR 3 million in court costs. In January 2013, the Slovak government appealed the decision to the Upper Arbitration court in Frankfurt, Germany. The Frankfurt court ruled against Slovakia in December 2014, and added over EUR 7 million in interest to the damages. The Slovak Finance Ministry has argued that the dispute settlement provisions of the Slovak-Dutch bilateral investment agreement are no longer valid following Slovakia’s entrance into the EU, and that the dispute should fall under the jurisdiction of the EU Court of Justice. An appeal is pending with the Supreme Federal Court of Germany, which could confirm the International Arbitration Tribunal’s decision, or send the case to the European Commission.

Regarding the government’s plan to reestablish a single-payer healthcare system, an international arbitrage court ruled in May 2014 against Achmea, confirming the state’s sovereign right to organize its healthcare system. Achmea was ordered to reimburse the government over one million euros in legal fees. Nevertheless, due to lack of finances, the government’s single-payer healthcare plan remains on hold.

ICSID Convention and New York Convention

Slovakia is a member state to the International Centre for Settling International Disputes (ICSID Convention). Slovakia is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitrage Awards (1958 New York Convention).

Duration of Dispute Resolution

The legal system generally enforces property and contractual rights, but decisions may take years, thus limiting the relevance of the courts in dispute resolution. According to the World Bank Doing Business 2015 report, Slovakia ranked 55th out of 189 countries in the enforcing contracts indicator, with the average duration for enforcing contracts being 545 days. Slovak courts recognize and enforce foreign judgments, subject to the same delays. Although the commercial code appears to be generally applied consistently, the business community cites a lack of legislation protecting creditor rights, corruption, political influence, lengthy procedures, and weak law enforcement as significant problems in the legal system. Instances of multi-million dollar losses that were settled out of court because of doubts about the court system's ability to offer a credible legal remedy have been mentioned to the Embassy by both U.S. and other investors.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Slovakia is a member of World Trade Organization (WTO) and complies with WTO standards. As an EU member, Slovakia has signed numerous agreements to avoid double taxation, including with third countries, as well as a number of bilateral trade agreements.

Please consult the following website for more information:
http://www.finance.gov.sk/Default.aspx?CatID=8687

Investment Incentives

The decision on investment incentives is made by the Cabinet, and administered by the Economy Ministry. Preference is given for regions with high unemployment rate. Investment incentives cannot exceed 35% of the eligible costs of the planned investment. Eligible costs include land, buildings, new machinery and equipment, licenses and patent rights, or costs related to wages for newly created jobs. Incentives are typically granted in the form of income tax relief for up to 10 tax periods, cash grants (paid ex-post based on annual costs report), and contributions for creation of new jobs (paid ex-post based on annual costs report). Slovakia granted investment aid amounting to 1.5 billion euros in 2002-2014, of which 68% was in form of tax relief. The Slovak Investment and Trade Development Agency (SARIO) is the Economy Ministry agency in charge of attracting foreign investments to Slovakia.

Please consult the following website for more information:
http://www.sario.sk

Research and Development

Slovakia ranks poorly in R&D spending, which has remained well below the EU average (0.25% of GDP in 2012, vs. an EU average of 2.07%). In the WEF 2014-2015 Global Competitiveness Report, Slovakia ranked 78th out of 144 countries in the area of innovation and company spending on R&D. To motivate businesses to invest in innovation, a new law entered into force on January 1, 2015, allowing Slovakia-based companies to deduct from their corporate taxes a combination of 25% of R&D spending, 25% of wage costs for employees working in R&D (some conditions apply), and 25% of R&D costs that are greater than R&D costs in the previous tax period.

Performance Requirements

Temporary and long term residence permits, including work permits (business and employment), are issued by the police department, and in specific cases by the Interior Ministry. The legislative framework on residence and adjacent permits is specified in the Act on Residency of Foreign Nationals, last amended in January 2014. Foreign nationals have criticized the process of obtaining residency permits for expatriates as difficult and time-consuming, stressing in particular that authorities are not always consistent in their recommendations or application of regulations. These procedures, however, do not differ significantly from those of other EU countries.

Please consult the following websites for more information:
https://www.mzv.sk/en/consular_info/residence_of_foreigners_in_territory_of_slovakia
http://www.zakonypreludi.sk/zz/2011-404/znenie-20140101

Data Storage

As a member state of the EU, Slovakia transposes relevant directives and regulations on data protection. The framework for data protection and storage is set forth in the 122/2013 Coll. on Protection of Personal Data and on Changing and Amending of other acts executed by the Act. No. 84/2014 Coll. The national authority in charge of data protection is the Office for Personal Data Protection of the Slovak Republic.

Please consult the following websites for more information:
www.dataprotection.gov.sk/uoou/sites/default/files/kcfinder/files/Act_122-2013_84-2014_en.pdf
dataprotection.gov.sk/uoou/en/content/national-legal-framework

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Slovakia. Private enterprises can compete with public entities in tenders. In addition, businesses are able to contract directly with foreign entities. Private enterprises are free to establish, acquire, and dispose of business interests, but all Slovak obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia. Non-residents from EU and OECD member countries can acquire commercial real estate.

7. Protection of Property Rights

Real Property

Secured interests in property and contractual rights are recognized and enforced. The mortgage market in Slovakia is growing, and a reliable system of record keeping exists. However, real estate titles are often unclear and can take significant amounts of time to determine. Legal decisions may take years, thus limiting the utility of the court system for dispute resolution. The commercial code is applied consistently. Successive amendments to the Bankruptcy and Restructuring Act (7/2005 Coll., into force as of January 1, 2015) have improved creditors' rights and simplified the procedure for lodging creditors' receivables in bankruptcy cases. Investors have also long complained that the process of purchasing land and obtaining building permits is time-consuming and unpredictable. A dedicated web portal makes it possible to readily verify information about land and property ownership.

Slovakia ranked 11th out of 189 countries in the World Bank's 2015 Doing Business "registering property" indicator, averaging 16.5 days to register property.

Please consult the following website for more information:
http://www.katasterportal.sk/kapor/)

Intellectual Property Rights

In general, patents, copyrights, trademarks and service marks, trade secrets, and semiconductor chip design appear adequately protected in Slovak law and practice. Protection of intellectual property rights (IPR) falls under the jurisdiction of two agencies. The Industrial Property Office is responsible for most areas, including patents, and the Ministry of Culture is responsible for copyrights (including software). There is a series of acts dealing with a wide range of issues related to IPR, including industrial property, copyright, patents, design, and customs. Throughout 2014, several amendments to the Act on Intellectual Property Rights (618/2003 Coll.) were submitted. The most recent amendment became valid on October 29, 2014. The amendment transposes an EU Directive (2012/28/EU), introducing new rules for the protection of "orphan works" and their digitalization, as well as rules for commercially non-available works. Moreover, a draft of a new Act on Intellectual Property Rights was submitted for public consultation in December 2014, and it is currently being discussed by the government advisory bodies. This draft legislation transposes a number of EU directives, with emphasis on IP protection in the context of a growing internet economy and digitalization.
Slovakia is a member of the WTO, the European Patent Organization, and the World Intellectual Property Organization (WIPO). The WTO TRIPS agreement is legally in force in Slovakia, though no cases have occurred to test enforcement. Slovakia also adheres to other major intellectual property agreements including the Bern Convention for Protection of Literary and Artistic Works, the Paris Convention for Protection of Industrial Property, and numerous other international agreements on design classification, registration of goods, appellations of origin, patents, etc. The Industrial Property Office of the Slovak Republic is the central government body exercising oversight in the area of industrial property protection. In 2012, the Customs and

Tax Administration were merged into Financial Administration (under the Finance Ministry), dealing with customs and adjacent IPR, including fight against counterfeit goods.

Slovakia was taken off the Watch List of the U.S. Trade Representative's annual interagency Special 301 review in 2006, in recognition of the significant progress that the government had made in addressing concerns related to the protection of pharmaceutical patents in Slovakia. Slovak authorities adopted legal and administrative measures to ensure that patent-infringing drugs are not given market authorization; some of those measures have since been weakened to comply with current EU norms. The government also built a new secure facility to house confidential pharmaceutical test data.

According to the Financial Administration, there were 527 cases of suspected breach of intellectual property rights in 2013, with a value of seized counterfeit goods reaching more than 17 million euros (i.e. 70% increase in value compared to 2012, and a sevenfold increase in cases of suspected breach of intellectual property rights).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Please consult the following websites for more information:
http://www.zakonypreludi.sk/obor/4235923
http://www.dusevnevlastnictvo.gov.sk/Forms/Opening.aspx?menu=50
https://lt.justice.gov.sk/Document/DocumentDetails.aspx?instEID=-1&matEID=7909&docEID=406869&docFormEID=14&docTypeEID=5&langEID=1&tStamp=20150410143755763
http://www.upv.sk/?introduction
https://www.financnasprava.sk/en/homepage
https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Financna_sprava/Vyrocne_spravy/FR_2013/Vyrocna_sprava_2013.pdf

Resources for Rights Holders

Country/Economy resources:
Liam Sullivan
Senior Economic Officer
U.S. Embassy Bratislava
+421 (2) 5922 3412
SullivanLL@state.gov

Please consult the following websites for more information:
http://www.amcham.sk/home
http://slovakia.usembassy.gov/service/american-citizens-services/living-in-slovakia/lawyers-in-slovakia.html
http://www.sario.sk
http://web.sopk.sk
http://www.orsr.sk
http://www.katasterportal.sk/kapor/

http://www.upv.sk/?about-office
http://www.mhsr.sk
http://www.foreign.gov.sk/en/home
http://www.finance.gov.sk
http://www.nbs.sk/sk/titulna-stranka

8. Transparency of the Regulatory System

Investors have expressed frustration with a general lack of transparency and predictability in the Slovak business and legal environments. The Commercial Code and the Economic Competition Act govern competition policy in Slovakia. The Anti-Monopoly Office is responsible for preventing noncompetitive situations. The latest amendment to the Act on Protection of Competition entered into force in July 2014, prohibiting bid rigging. This also introduced new leniency programs allowing the Anti-Monopoly Office to cooperate with firms offering evidence of a cartel agreement. The reward for cooperation is fixed at 1% of the total amount of the fines against the cartel, capped at 100,000 euros.

The Public Procurement law transposes relevant EU directives and contains a more centralized approach towards general government purchases, which are now governed by the Interior Ministry. The Office for Public Procurement supervises and administers public procurement.

Public procurement remains problematic, with the Act on Public Procurement being amended numerous times in recent years, with yet another amendment currently under consideration. At the end of 2014, due to public pressure resulting from a number of corruption scandals (mainly in the healthcare sector), the government introduced an amendment barring from public tender participation so-called “mailbox companies” based in tax havens. Nevertheless, critics claim that the amendment will not be effective, as many “mailbox companies” are actually incorporated in Slovakia or other countries with public commercial registers, but company ownership is often unclear.

Although government officials believe the new Public Procurement law will result in substantial savings in government purchases, business stakeholders and NGOs claim that the new law introduces less transparency, and creates grounds for potential bid-rigging agreements. Foreign investors and businesses have expressed concerns that local companies are often favored in public tenders.

With the aim to decrease speculative and corrupt practices, a pilot “e-market” project was launched in July 2014 through which all public institutions, including regional governments, buy goods and services. The Interior Ministry, which is in charge of the project, claims 16 percent savings on average on purchases via the new online platform. Services and goods that public institutions can purchase via “e-market” are capped. The system became fully operational in February 2015.

Foreign investors and foreign companies operating in Slovakia have complained about a lack of transparency in the regulatory processes in several industries. The business community considers a number of regulatory bodies as not completely impartial and their decisions as unpredictable (including the Telecommunication Office and the Regulatory Authority for

Network Industries - URSO). Political pressure on regulators in several offices has at times resulted in changes of leadership to influence the outcome in specific regulatory adjudications.

The EC's 2015 Country Report on Slovakia cited concerns about the way the Regulatory Authority for Network Industries (URSO) fixes the electricity tariffs: Transparency of the regulatory framework and analysis of determinants of the high electricity network charges has not advanced. In general, in Slovakia, the economic assessment of regulatory decisions is not made public, and nor are the objections raised by those affected by the regulatory decision." This statement triggered a strong denial by the URSO, which accused the report of being subjective and ignoring facts. Businesses, mainly energy intensive industries, have communicated their concerns about the URSO via their business associations, including the AmCham Slovakia. A recent example they cited was the URSO summer 2014 decision, without prior announcement or consultation, to increase the system tariff by 10 percent. The URSO rationale stated "there were too many sunny days, and thus the cost for support of renewable energy sources increased." An independent study shows that the system tariff, paid by both households and industrial consumers, increased eight-fold since 2009, mainly due to support of renewable energy sources.

Please consult the following websites for more information:
http://www.zakonypreludi.sk/zz/2001-136/znenie-20140701
http://www.antimon.gov.sk/antimonopoly-office-slovak-republic/
https://www.uvo.gov.sk/en/web/opp/statute-of-the-office
http://www.vosk.sk/legislativa-zakon-o-verejnom-obstaravani
http://www.etrhovisko.sk/#

9. Efficient Capital Markets and Portfolio Investment

The stock market in Slovakia is underdeveloped. Slovakia's first IPO in history (Slovak Telecom) had been planned for 2015, but was cancelled in May 2015 due to a more attractive private bidder.

The Bratislava Stock Exchange (BSSE) is a joint-stock company operating in compliance with the Stock Exchange Act No 429/2002. The BSSE was admitted as an associate member of the Federation of European Securities Exchanges (FESE) in 2002. BSSE became a full member of FESE on June 1, 2004.

Money and Banking System, Hostile Takeovers

Upon its integration into the Eurozone on January 1, 2009, Slovakia became part of the Euro system, which forms the central banking systems of the euro area within the European System of Central Banks. The National Bank of Slovakia (NBS) is the independent central bank of the Slovak Republic, with a primary objective to maintain price stability. NBS issues euro banknotes and coins, promotes the smooth operation of payment systems and clearing systems, regulates currency circulation, maintains and disposes of foreign reserve assets, and implements foreign exchange operations.

Slovakia's financial sector felt the pinch of the Eurozone debt crisis during 2011; however, effects began to ameliorate during the first six months of 2012. No Slovak bank reported any

significant, direct, adverse effects on its profitability, capital, or liquidity position as a result of the crisis. The banking sector in Slovakia enjoys robust liquidity. While most banks operating in Slovakia are subsidiaries of foreign-owned institutions, they report minimal dependence on their mother companies for financing. Thanks to the increased lending activity, increased minimum capital requirements, and the ability of banks to generate net interest income, the Slovak banking sector remains resistant to the negative external developments in financial markets and any slowdown of the Slovak economy. Foreign nationals can open bank accounts by presenting their passport and/or residence permit, depending on the bank.
Three major banks (Tatra Banka, Všeobecná Úverová Banka, and Slovenská Sporiteľňa) are under direct supervision of the European Central Bank (ECB). The ECB also supervises Československá Obchodná Banka, ČSOB Stavebná Sporiteľňa (belonging to the KBC Group), and Sberbank Slovensko (belonging to Sberbank Europe AG), due to the size of the international groups they belong to. The combined total assets of the monetary financial institutions active in the Slovak market were over 64 billion euros as at December 2014. All three Slovak banks (Tatra Banka, Všeobecná Úverová Banka, and Slovenská Sporiteľňa) that participated in the October 2014 ECB "stress tests" assessing the quality of individual bank assets were certified as sound and stable.

At the end of 2014, the total volume of transactions on the BSSE amounted to some USD 11 billion. Bonds are by far the most traded instrument, accounting for nearly 99% of all operations. The market capitalization of stocks reached 3.9 billion euros and bonds 37.3 billion euros.

Please consult the following websites for more information:
http://www.nbs.sk/en/about-the-bank
http://www.bsse.sk/bcpben/Statistics/Year/tabid/171/language/en-US/Default.aspx

10. Competition from State-Owned Enterprises

In general, state-owned enterprises and private companies compete on a level playing field. There are, however, several exceptions. State-owned companies are generally active in strategic sectors, including health and social insurance and "natural monopolies" such as railways and electricity transmission networks. The list of companies that are fully or partially state-owned is available on the Finance Ministry's website (as a part of the state budget documents), and most Ministries also publish a list of such companies on their web portals. Most state-owned companies are structured as joint-stock companies, governed by boards which include a mix of private and government ministry representatives. Until mid-2014, the National Property Fund managed the state shares in a number of companies, mainly those with mixed public-private ownership; however, the government decided to dismantle this institution, and the shares have been transferred to respective Ministries, principally the Economy Ministry. Slovakia does not have a sovereign wealth fund.

In the energy sector, combined state and private ownership is common. The state holds 51 percent stakes in all electricity distribution companies, and a 49 percent stake in the gas transmission system operator. In June 2014, the state took over the Slovak Gas Industry (SPP), when it bought a 49 percent stake from private investors (the Czech and Slovak Energy and Industry Holding, EPH). In July 2014, the Italian utility Enel announced its intention to sell its

66 percent stake in the major electricity producing company Slovenske Elektrarne (SE), where the state owns the remaining 34 percent stake. The relationship between the government and Enel has long been strained, with the current Prime Minister calling the privatization of SE "the worst privatization in Slovak history." The PM openly claimed his intention to increase the state's stake in SE, reiterating that "strategic companies should be controlled by the state." Government actions, such as multiple police raids of SE headquarters and on the premises of some of its power stations, seizing important documents linked to privatization has likely served to decrease the value of Enel's stake in SE. Recently, a major hydroelectric station (Gabcikovo) operated by SE under a 30-year contract was taken from SE's portfolio and handed over to the state-owned Vodohospodarska Vystavba under rather dubious circumstances. Related legal actions are continuing.

In 2008, the government imposed strict return guarantee requirements and fee limits on private pension funds. Many industry analysts believe the government instituted these requirements to eliminate competition to the state-run "pay-as-you-go" pension system, and to encourage investors to move their savings back into the deficit-plagued state system. The government decreased the contribution to the 2nd pillar (complementary capitalization pillar) from the original 9 percent to 4 percent during 2012, claiming it as a consolidation measure, necessary due to public finance problems. The state recently opened the 2nd pillar for the fourth time, claiming that as many as one million contributors should exit, as their savings will not be sufficient due to limited number of years of contributions and/or low wages. Critics charged that the government hoped to redirect contributions to the state-controlled Social Insurance Agency in order to use the money for recently-announced pre-election "social packages."

The Achmea health insurance company arbitration case, mentioned in the Dispute Settlement section above, is also seen as an attempt by the government to force private companies out of the insurance business in order to consolidate the government's role. In particular, the government's attempt to restrict Achmea's payment of dividends to its policyholders was widely seen as an effort to limit competition with the state-owned insurance company (with its 60 percent market share). Nevertheless, due to lack of finances, the government's single-payer healthcare plan is currently on hold.

Please consult the following website for more information:
https://www.finance.gov.sk/Default.aspx?CatID=10084

OECD Guidelines on Corporate Governance of SOEs

Information not available.

Sovereign Wealth Funds

Slovakia does not have a sovereign wealth fund.

11. Corporate Social Responsibility

Under a government program, corporations can direct 1.5% or 2% of their corporate income tax to non-governmental organizations (NGOs). Many corporations have their own corporate social responsibility (CSR) programs and take advantage of this opportunity, making this program a key funding source for NGOs. Company CSR programs range from employment and education programs for marginalized groups, to supporting green initiatives, to fundraising for charities and NGOs. For example, Whirlpool has a Habitat for Humanity program; U.S. Steel Kosice has a Roma employment program; and Johnson Controls has a community volunteer program. U.S. companies have been recognized by government and civil society for the excellence of their community service efforts. As an official recognition of socially responsible corporations, the Pontis Foundation – a prestigious NGO active in the area of CSR, corporate philanthropy, transparency, and ethics - has for the past 15 years given annual Via Bona Awards to the country's best CSR programs.

OECD Guidelines for Multinational Enterprises

Information not available.

12. Political Violence

There have been no reports of politically motivated damage to property, and civil disturbances are extremely rare. There has been no violence directed toward foreign-owned companies.

13. Corruption

Corruption continues to be among the most serious issues for the business community. Even though there has been a slight improvement in the WEF 2014-2015 Global Competitiveness Index (GCI), with Slovakia ranking 75th out of 144 countries (vs. 78th in the previous review), 16 percent of respondents still named corruption as the most problematic impediment to doing business, just after inefficient government bureaucracy (17 percent). Slovakia also rates poorly on several sub-indicators, such as favoritism in decisions of government officials, irregular payment and bribes, and transparency of government policy making.

Public tenders are frequently associated with corrupt practices. The political class was shaken by several corruption scandals linked to public procurement in 2014, notably in health care, involving the dubious purchases of medical equipment and professional staff incompetence. As a result of public pressure, the Heath Minister was forced to resign, along with other high ranking public health institution officials.

The administration and allocation of EU funds is another area where corruption and lack of transparency remain an issue, costing Slovakia millions of euros worth of unused or lost funds. Although the contracting of EU funds increased at the end of 2014, absorption remains slow (60 percent vs. an EU average of 77 percent). EU funds continue to represent a very high proportion of total public investment in Slovakia – as much as 86 percent.

Responding to public pressure following the corruption scandals, the government announced in early 2015 it would adopt a Rule of Law initiative, initiated by the AmCham Slovakia in cooperation with other business associations and the U.S. Embassy. The government has called for individual Ministries to present specific action plans to promote the rule of law.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Slovakia is a party to international treaties on corruption, among them the OECD Convention on Combating Bribery of Foreign Public Officials, the UN Anti-Organized Crime Convention, the UN Anti-Corruption Convention, and the Criminal Law Convention on Corruption and Civil Law Convention on Corruption. Slovakia is a member of the Group of States against Corruption (GRECO).

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

Dusan Kovacik
Head of the Special Prosecutor's Office
Office of the Special Prosecution under the General Prosecutor's Office
Sturova 2
821 02 Bratislava
Telephone:+421 33 690 3171
Dusan.Kovacik@genpro.gov.sk

Robert Krajmer
Head of the National Anti-corruption Unit
The Ministry of Interior, National Police Headquarters
National Criminal Agency
Pribinova 2
812 72 Bratislava
Telephone: +420 9610 56371
Robert.Krajmer@minv.sk

Contact at "watchdog" organization (organization operating in the country/economy that monitors corruption, such as Transparency International):

Gabrial Sipos
Executive Director
Transparency International Slovakia
Bajkalska 25
82718 Bratislava
Telephone: +421 2 5341 7207
sipos@transparency.sk
Zuzana Wienk
Executive Director
Fair Play Alliance

Smrecianska 21
811 05 Bratislava
Telephone: +421 2 207 39 919
zuzana@fair-play.sk

14. Bilateral Investment Agreements

Some of Slovakia's bilateral investment treaties are legacies of the former Czechoslovakia, while others have been signed following independence in 1993. The Slovakia Bilateral Investment Treaty specifies the basic framework for investment protection and dispute resolution between Slovakia and the U.S. Like other newer EU members, Slovakia had to negotiate an amendment to its bilateral investment treaty with the U.S. to address inconsistencies with EU legislation. The amended treaty entered into force on May 14, 2004. In November 2007, Slovakia signed a bilateral Science and Technology Agreement with the United States.

The complete list of bilateral investment agreements can be found on the Finance Ministry's website: http://www.finance.gov.sk/Default.aspx?CatID=4597.

Bilateral Taxation Treaties

In 1993, Slovakia signed a bilateral taxation treaty with the United States. More information on this is available at: http://www.irs.gov/Businesses/International-Businesses/Slovak-Republic---Tax-Treaty-Documents. The complete list of bilateral taxation treaties can be viewed on the Finance Ministry's website: http://www.finance.gov.sk/Default.aspx?CatID=8688.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) offers U.S. investors in Slovakia insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. OPIC can provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Slovakia. Slovakia is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

A newly amended Labor Code came into force as of March 1, 2015, with Parliament overriding the President's veto. The amendment restricts agency employment, i.e. employees contracting with a work agency rather than directly with a company.

Wages have risen steadily since 2004, following the country's accession to the EU and increasing labor demand due to growing levels of FDI. A new 2009 law on the minimum wage introduced indexing of the minimum wage to the overall wage growth in the economy. Slovak social insurance is compulsory and includes a health allowance, unemployment insurance, and pension insurance. 2007 legislation increased the ceiling on social insurance payments, affecting both employers and employees. Slovakia has a standard workweek of 40 hours. Minimum wage was increased in 2014 and is now 380 euros per month (2.184 euros per hour). The minimum living standard is fixed at 198.09 euros per month. The average gross monthly nominal wage in

2014 was 858 euros, up 4 percent vs. 2013). The increase in real wages was more significant in 2014 compared to previous years due to zero inflation in the Eurozone.

Slovakia's economically active population was 2.7 million people in 2014, and the employment rate was 61 percent. The unemployment rate, which was as low as 8% in 2008 due to strong economic growth, entry to the EU, and stricter policies on qualifying for unemployment benefits grew to almost 20% in 2009 but dropped to 13.2% by 2014. There are significant regional variations in unemployment rates across the country, with current rates less than 6% in Bratislava but up to 30% in some parts of eastern and southern Slovakia.

Slovakia has a strong tradition in engineering and mechanical production. Foreign companies frequently praise the motivation and abilities of younger workers, many of whom also have solid foreign language and computer skills. However, some businesses have complained about the growing gap between their labor market needs and the popular areas of study, mainly in the area of technical education – both high school and higher education. To address this issue, the Education Ministry recently passed a new Act on Dual Education (vocational education/apprenticeship), introducing incentives for companies to partner on vocational training programs for students. The act should come into force in September 2015. The Education Ministry also has plans to boost language education, with emphasis on the English language. Slovakia belongs to countries with the highest level of labor productivity per hour in the CEE region, according to Eurostat. According to OECD, 91% of Slovak citizens aged 25-64 have earned the equivalent of a high-school degree.

Union membership has been on the decline in recent years. In 2007, the government re-instituted the so-called "tripartite arrangement," a discussion platform consisting of state representatives, labor unions, and the employers' association. The unions generally have been tolerant of the costs imposed on labor by economic transformation, but union leadership has remained politically engaged and is active among its membership. Slovakia is a member of the International Labor Organization and has ratified all eight core conventions.

Please consult the following websites for more information:
SlovStat - http://www.upsvar.sk/buxus/generate_page.php?page_id=374518

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Foreign trade zones and free ports were eliminated in Slovakia in 2006.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	EUR 75,215	2013	97,707	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2012	EUR 540	2013	686	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2013	15	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2012	60%	N/A	N/A	N/A

*www.nbs.sk/sk/statisticke-udaje/statistika-platobnej-bilancie/priame-zahranicne-investicie
http://ec.europa.eu/eurostat/web/national-accounts/data/main-tables

Note: An informal survey by the U.S. Embassy showed U.S. investments in Slovakia at about USD 4.5 billion for current and future commitments, making the U.S. the third largest source of FDI in Slovakia. Official data on FDI is not perfectly accurate, as is does not account for foreign investors present in Slovakia but incorporated abroad. For example, U.S. Steel Kosice and the Slovak-based operations of Cisco Systems, Dell, and IBM are all registered as Dutch entities. According to the National Bank of Slovakia, 2012 data, the largest foreign investors in Slovakia in order of size were: the Netherlands, Austria, Germany, Italy, the Czech Republic, and Hungary.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	55,816	100%	Total Outward	Amount	100%
Netherlands	11,732	21%	Czech Republic	2,430	55%
Austria	8,797	16%	Cyprus	467	11%
Germany	6,935	12%	Austria	270	6%
Italy	4,742	8%	Poland	163	4%
Czech Republic	4,125	7%	United Kingdom	108	2%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	29,029	100%	All Countries	2,406	100%	All Countries	26,623	100%
France	2,869	10%	Germany	433	18%	France	2,668	10%
Spain	2,473	9%	Luxembourg	320	13%	Spain	2,457	9%
Netherlands	2,402	8%	United States	302	13%	Netherlands	2,402	9%
Italy	2,108	7%	Austria	271	11%	Italy	2,108	8%
United Kingdom	1,911	7%	France	202	8%	United Kingdom	1,846	7%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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