



Slovakia: reforming the business environment to boost entrepreneurship

In recent years, a small but fully fledged startup ecosystem has started to emerge in Slovakia; this entrepreneurial sector can contribute significantly to the modernisation of the country's economy, becoming more competitive and innovation-driven; but it must be nurtured by supporting investors and reforming the business environment: these are the findings of a panel of international experts asked to advise the Slovak government.

Paulo Andrez, an experienced investor in several early-stage companies, President Emeritus of the European Trade Association for Business Angels (EBAN) and expert in entrepreneurial ecosystems development, led the panel.

"Slovakia asked us three main questions", says Mr Andrez: How to improve the business environment to promote entrepreneurship and startups? How to improve business incubation and acceleration? And how to increase the existing small community of business angels?

"We framed these questions in terms of an 'ecosystem'," he says, which in Slovakia is small but partially functioning already. The country needs to build on this, "encouraging rather than substituting" the existing actors and activities. He hopes that the contribution of independent experts will enable the government to implement best practices in doing this.

"The PSF is a fantastic tool. It's like a fast-track for countries to make improvements to their R&I systems."

Paolo Andrez

Slovakia is currently changing its strategy for competitiveness. Given the increase in income and productivity over the past decade, Slovakia intends to move from cost-based competitiveness to a more research and innovation-driven quality-based model.

"The expert panel was impressed by the talent pool and potential of Slovak entrepreneurship," says Mr Andrez, as well as by the quality of existing private initiatives, such as incubators and business angels – investors who offer not just money, but mentoring and networking. But the country lacked policy expertise in these sectors.

"We were able to meet all the major actors: from incubators to business angels," says Mr Andrez, explaining that their visits to Slovakia meant the panel could "talk freely, one-to-one," and learn from people on the ground the real issues that the country faces.

The opportunities for learning from others' experience and gaining valuable advice from fresh perspectives are real, according to Mr Andrez. "People were surprised by the suggestions, models and examples we came up with," he says. For business funding, the experts recommended examples from the Netherlands and Portugal, while examples of business angel networks development came from Spain and supportive tax breaks from the United Kingdom.

Thanks to these meetings and hands-on research, the panel developed a set of recommendations to improve and nurture the startup sector in Slovakia.

"The starting point is to manage the startups as an ecosystem," says Mr Andrez, making the best use of EC money, and building a self-sustaining system to nurture innovation and entrepreneurship.

The important thing is to not "crowd out" private investors, according to Mr Andrez, and "to build trust among the key stakeholders," as well as setting clear key performance indicators, and benchmarking with international best practices.

From 'manage with care' to 'let business angels fly'

The PSF expert panel made 21 detailed, specific recommendations, which they have grouped into six principal 'policy messages' in their report:

1. Manage the startup ecosystem with care, by creating a 'connecting hub' that links stakeholders, provides information on support measures, and helps the ecosystem to learn fast by setting up Communities of Practice.
2. Rather than incremental reforms of the business environment, which can go unnoticed, go for radical reform and improvement of regulation, boosting the change process, "bringing visibility to Slovakia" and attracting outside investors.
3. More support for demand- and success-driven incubation, with a programme for the development of public and private incubators based on accreditation as well as some public funding.
4. Set up a brokering service to help Slovak companies access international accelerators, who provide mentoring services and a client base, while supporting a privately operated internationally oriented accelerator in a selected smart specialisation area.
5. Ask universities to improve technology transfer, spin-offs and the commercialisation of research – require a technology transfer strategy and action plan from them.
6. Mobilising private funds for startups by supporting the creation of business angel networks, a national federation of business angels, and support for their professionalisation, including a certification process for business angels.

The panel of four independent experts worked from April to August 2016 to provide the recommendations and a road map for their implementation. The work was part of the 'Policy Support Facility' (PSF), set up by the Directorate-General for Research & Innovation (DG RTD) of the European Commission under the European Framework Programme for Research & Innovation 'Horizon 2020'. The PSF helps Member States and associated countries reform and upgrade their national science, technology and innovation systems.

The Slovak government asked for specific support under the PSF following its adoption of a 'Strategy to support startups and further develop the startup ecosystem' in June 2015.

"It's great that the Slovak government asked for this kind of help," says Mr Andrez, "this shows they are committed to implement new policies to develop the current ecosystem. I am sure that some of our recommendations will have a significant impact very soon after being implemented."

For further information

More information on the PSF, the specific support to Slovakia, and the final report of the expert panel is available at:

<https://rio.jrc.ec.europa.eu/en/policy-support-facility/specific-support-slovakia>