

Interview: Robert Simoncic - CEO, Slovak Investment and Trade Development Agency (SARIO)



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28.09.2016

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Slovakia has been Europe's fastest growing economy over the last ten years and the government has identified areas within life sciences as strategic centers for investment in the country. Slovakia has a lot to offer biopharma investors according to Robert Simoncic, head of the Slovak investment and trade development agency (SARIO).

What are the key functions and aims of SARIO?

As the investment and trade development agency for Slovakia, SARIO serves as one of the accelerators of the Slovak economy; we work with foreign and domestic firms concerning both inward and outward investment, and carry out a variety of activities to drive economic growth and improvements in the quality and sophistication of economic activity in Slovakia. Attracting and facilitating FDI is our most significant function and SARIO serves as a key point of contact and source of information for foreign firms, helping to connect them to local resources and potential partners. Among other things, we provide advice regarding the various incentives and tools available to investors.

Winning new FDI projects, such as the USD 1.56 billion investment Jaguar Land Rover just broke ground on – which is coincidentally the largest FDI investment to be made in the European Union in seven years – is a primary goal. However, we also seek to convince established investors to expand their footprint in Slovakia. Satisfaction amongst existing investors is very high, so many have been

and are willing to consider significant follow-on investments.

SARIO also fulfils a role of supporting the internationalization of Slovak companies abroad, providing support for the sales of products and services overseas, and helping to match Slovak companies with potential foreign partners. This function also includes supporting the outward investment of national firms. However, for the time being, there is relatively little demand for our services in outward investment, but we expect this to change in the future as leading Slovak firms reach a critical mass.

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You mentioned a focus on improving the sophistication or quality of economic activity as well as the quantity; what are your specific aims in this regard?

For new investments, we are pushing to bring in more innovative technologies – technologies that a company might be implementing for the first time at the global level in a Slovak facility. We very much want to be seen as a destination for high-tech manufacturing investments, and that means winning as many of these investments as possible to begin with.

In another sense, our goal is to encourage investment and trade so that it benefits the Slovak public; we want investments that do more than just add to the Slovak GDP; we want investments that contribute to Slovak employment and incomes. One of the ways we work to maximize the impact of investments is by helping to connect Slovak companies to FDI investors such that they can play a role in their supply chain; in some cases, we will try to attract major foreign suppliers to come and set up local operations in Slovakia.

In a similar vein, we are also pushing, and seeing success, in bringing R&D activity along with big investments. Often this means encouraging an established company to bring in some small R&D activity and then growing it, starting with some design or testing activities tied to their operations in some cases.

What are the main industries attracting FDI investment into Slovakia?

We have a diverse portfolio of investors that we work with across many sectors, with a wide variety of open cases. A significant number of them will go into our automotive stronghold and its supporting industries, as well as the ICT sector, strategic service centers, and electronics. However we do see some investments in other areas like the chemical and pharmaceutical industries.

The automotive sector is really significant because the huge variety of inputs that go into a car and the supply chain is so diverse; metal, plastics, leather, electronics, software, wood, you name it. In some modern cars the value of the software that goes into them is more than that of the hardware, so in that sense an automotive investment also affects our ICT sector.

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How would you characterize the healthcare and life science industry's position within this portfolio of investors?

There are about 15 companies that are active in pharma production in Slovakia, counting only those with at least 20 employees, and we have close to 20 companies working in the medical device space. Together they employ several thousand employees; less than some industries, but not insignificant.

That said, the Slovak government has identified areas of the life science industry as a priority within the RIS3 For Smart Specialization, which defines the sectors and applications where Slovakia has the most opportunity to build R&D activities and attract advanced technologies. Biomedicine and Biotechnology are listed as the third R&D priority for Slovakia, with material research and ICT – both of which are tied to the automotive sector – listed as the first and second priorities.

What is being done to advance this strategy and increase outside investment in Slovak life science sector?

In line with this strategy, the Slovak Academy of Sciences and key Universities, which forms the bulk of the public R&D sector, has funded a wide array of biomedical and life science research, and supports three science parks across the country; one in each of Bratislava, Martin and Košice. These parks were built using EU funding and currently they are working to expand their relationships with the private sector, although they are already quite active.

There is a lot the Slovak research community can offer international investors, and that community has a long legacy of excellence in life sciences research with decades of experience. We have first class facilities and robust research infrastructure, over 30 000 students in life science and medicine related programs, and the Slovak Academy of Science carry's out a lot of fantastic research, some of which has resulted in patented technologies which could be commercialized by the right private-sector partner.

Of course, we do offer significant tax benefits to R&D investors, and the Ministry of Economy and Ministry of Education, Science and Research will soon be launching a new package of related

incentives.

On a closing note, why should foreign companies invest in Slovakia?

There are many advantages to investing and doing business in Slovakia.

First, it is a very safe and very stable country both politically and economically – rankings and statistics show that we consistently lead central and eastern Europe in this regard. Being a member of the Eurozone is a strong point too, particularly as we are one of the few countries in the region to use the Euro. Slovakia also has the lowest debt of any country in Europe, in terms of corporate, public and household debt. In terms of politics or rather governance, Slovakia is also a leader in the central and eastern Europe region in terms of the security of intellectual property rights.

Second, Slovakia's stable economy also performs very strongly. We were the fastest growing economy in Eurozone over the last ten years in terms of compound growth. This is partly because Slovakia has the highest productivity in central and eastern Europe, with productivity still increasing at a faster rate than real wages. In this respect, investors today can expect to see returns increase as time moves forward and productivity increases.

Third, Slovakia is the ninth ranked country in the world in terms of adapting to new technologies. Thus investors should rest assured that they can efficiently transfer advanced technologies to Slovakia with low risk, and will be able to do so in the years to come.

Finally, we of course offer competitive financial incentives to investors. Our headline corporate tax rate of 21 percent is one of the lowest rates in the region, and significant investors can qualify for very significant tax benefits.

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