

# OUTPUT O.T4.1

---

Slovak action plans to support crowdfunding

Version 1  
02 2019

---





## Introduction

The Slovak Republic is one of the fastest growing economies in the EU and OECD (measured by GDP). In the period between 1995 and 2017, real GDP growth increased 2,32 times and nominal growth increased more than 4,3 times. The average annual growth rate of real GDP was approximately 3,73%(nominally 6,57 %).

Despite these numbers, Slovakia placed 24<sup>th</sup> (out of 38 countries) in the Better Life Index (BLI) in 2016. Among the V4 countries, Slovakia placed second, after the Czech Republic (21<sup>st</sup>), followed by Poland (27<sup>th</sup>) and Hungary (32<sup>nd</sup>). Almost all sub-indicators position Slovakia among the lower performing countries. According to the 2016 „Human Development Report“ (using data from 2015), Slovakia ranked 40<sup>th</sup> (out of 188 countries) with a development index of 0,845, while at the same time belonging to the countries with very high growth rates.

The level of innovation performance in Slovakia, as characterised by the IUS (Innovation Union Scoreboard) index, has been at a long-term low-level as compared with other EU countries. By international standards, Slovakia is still among the modest innovator countries with the lowest performance and is very much under-average among the EU countries. Out of 28 EU countries, Slovakia placed 21<sup>st</sup> in innovation performance for the year 2016, which is a slight deterioration compared with the data from 2015.

To follow up on the economic development and reach the Economic Strategy goals by 2030, the following three indicators should be evaluated:

1. Human Development Index, which measures the quality of life and well-being in Slovakia on an international scale. Another OECD Index, the Better Life Index, is also proposed as a supplementary indicator;
2. The percentage of Slovak GDP per person measured in purchasing power parities with the GDP of the original 15 EU countries shows their actual convergence;
3. A comprehensive/aggregate indicator of progressive structural changes that measures the quality of economy and productive structure in Slovakia. The indicator evaluates the relative level of the Slovak economy compared to the trio of small developed economies that are perceived as role models or benchmarks (Austria, Denmark and Finland).

Alternative financial instruments, as well as FinTech, represent one of the factors that can influence these indicators and can have a direct influence on: economic development, improving competitiveness in an international context, improving the environment for entrepreneurship, and directly improving the overall quality of life in Slovakia.

## CHALLENGES & MISSION

The Slovak national priorities regarding implementation of the Agenda 2030 will be elaborated in the draft document, *Vision and strategies for the development of the*



*Slovak Republic by 2030*. This document is being drafted by the Office of the Deputy Prime Minister for Investments and Information Technology and will establish a framework for coordination and integration of sectoral policies and regional and territorial development.

Currently, Slovakia has several national strategic documents that identify the potential for direct application of FinTech as well as the use of alternative financial instruments.

Sample of the strategic documents

Strategy of research and innovations for smart specialization of the Slovak Republic. (RIS3)

The concept and action plan of smart industry for Slovakia

Strategy of the Slovak economic policy by 2030

The national investment plan for 2018-2030

RIA 2020 –Better Regulation Strategy

The concept to support startups and develop the startups ecosystem in Slovakia

Currently, Slovakia is also drafting a Digital Transformation Strategy which will also address the area of innovations in the financial industry (FinTech). Digital transformation has the potential to ensure additional economic growth and strengthen the competitiveness of Slovakia. The digitalization development has also the potential to bring in up to 16.1 million euros by 2025 in additional GDP.

Slovakia is open to accepting strategic materials. However, currently it is at the point where there's a need for mutual coordination of individual strategies to be able to implement, evaluate and update them.

The matter of FinTech, including crowdfunding, is a competency of the Centre for Financial Innovations (CFI).

CFI was established in February 2018 by the Slovak Ministry of Finance with the objective to create a platform where relevant government authorities, market operators and interest groups will be able to exchange information and share best practices on a regular basis. CFI's priority activity is to map the environment influencing the introduction of new technologies in the area of financial markets; to identify shortcomings and improvements in this environment and to remove any barriers standing in the way of helping the creation and active work of FinTech companies in Slovakia.

CFI will implement the Action Plan for FinTech that was published by the European Commission on August 3<sup>rd</sup>, 2018, and is focused on using the innovations in the area of financial services to create a more innovative and competitive financial market in the European Union.



Since its establishment, CFI has been intensively collaborating with the relevant public authorities, market experts, as well as the scientific and expert public. CFI organized technical working groups in the areas of:

- Crowdfunding, capital markets and insurance industry;
- Payment services and banking industry;
- Virtual currencies, ICO and blockchain.

There is a relatively strong working group specialized in virtual currencies, ICO and blockchain technologies, such as Blockchain Slovakia (a civic association connecting researchers, developers, entrepreneurs, regulators, investors, and the general public with the goal of supporting blockchain technologies in Slovakia). CFI respects this fact and leads a dialogue with the community seeking the best approach to achieve the goal.

CFI is open to communication and anyone who has an input or suggestion related to the topic of FinTech can contact CFI at: [fintech@mfsr.sk](mailto:fintech@mfsr.sk).

In the area of crowdfunding, CFI actively collaborates with crowdfunding platforms also via Creative Industry Forum (CIF) association, which is a partner in the Crowd-fund-port project financed by Interreg Central Europe. CIF created a communication hub and platform for regular meetings with Slovak crowdfunding stakeholders, including CFI. CIF also collaborates with two other projects: CrowdStream - Interreg Danube Transnational Programme (Technical University Košice) and Altfinator (PEDAL Consulting), which are focusing on alternative financing and crowdfunding in relation to the innovations and SMEs.

In Slovakia, there were 11 crowdfunding platforms as of 31.12.2018. One of those is an equity-based platform (Crowdberry), two are reward-based platforms (StartLab, Hithit/SK), one is a loan-based platform (Finnest), three are peer-to-peer platforms (Žltý melon, Zinc euro, Maják) and four are donation-based platforms (Ľudia ľud'om, Dobrá krajina, Srdce pre deti, d'akujeme.sk).

Slovak crowdfunding platforms are interested in creating a transparent environment and a fair approach to consumers, respectively to all transaction participants. Towards this purpose, Slovak crowdfunding platforms adopted a self-regulating initiative and accepted the Ethical Principles of crowdfunding platforms in Slovakia. For more information about the rules and signatories, visit: <http://crowdfundport.ciforum.sk/platforms>.

Among the Slovak crowdfunding platforms, CFI, and the National Bank of Slovakia (serving as the national regulator on the financial market), there is an ongoing discussion about the needs and opportunities for the legislative anchoring of crowdfunding. Part of this discussion follows up on the proposal for regulation of the European Parliament and the Council on European Collective Financing Service Providers (ECFSP) for entrepreneurship and concerns specifically the area of equity and loan-based



crowdfunding. The need for regulation of peer-to-peer platforms is the most discussed topic in this field.

In addition to the actual regulation of crowdfunding, CFI is also addressing and focusing on the possibilities for support of alternative financial instruments by utilizing the concept of a “regulation sandbox” of financial innovations; possibilities of using asset tokenization or linking it to blockchain technologies.

In 2018, CFI successfully organized a seminar on financial market and financial innovations and plans to continue to actively participate in educational activities also in 2019 - in collaboration with the Department of Finance at the University of Economics in Bratislava (EUBA), as well as with other humanities and technical universities/colleges in Slovakia.

CFI looks at FinTech and crowdfunding through the lens of good public administration and thus is motivated to bring the benefits of FinTech to the public. CFI also sees crowdfunding as a tool for participatory budgeting and for reaching the goals of the national, regional or local policies (civic crowdfunding). CFI also helps in implementing the pilot projects that use crowdfunding to leverage public funds and identifying legislative or other administrative barriers to creating best practices.

Some of the current and upcoming activities in 2019 are:

- establishment of an Innovation Hub that should support the introduction of new innovative products and services on the financial market;
- intensifying best practice sharing with other countries, such as the Financial Conduct Authority and HM Treasury in the United Kingdom,
- prioritizing the FinTech topic under the Slovak Council Presidency in OECD which will be dominated by the digital agenda.



## Policy recommendations

1. **Overview of national strategies**- the strategies are created without any mutual interdisciplinary coordination in Slovakia. It seems appropriate for the Slovak Ministry of Finance to have its own overview of national strategic documents and the related action plans in relation to the supply and demand in FinTech.
2. **Information sources** - In 2018, CFI organized many activities supporting and aiming to develop the FinTech market and plans to do so in 2019 as well. In addition to an open communication, publishing press releases, event participation and the effort to provide information about this topic, what is really needed is a simple and transparent source of information about CFI's activities as well as an analysis and statistics about the Slovak alternative financing market, including a vocabulary and taxonomy. Publicly accessible material that describes crowdsourcing and all functions and effects of crowdfunding would also greatly help in the popularization of crowdfunding.
3. **Coordination** - Since its beginnings, CFI has been focused on gathering information about the crowdfunding environment, experience from abroad, and representing Slovak interests also in the preparation of EU legislation. CFI tried to formulate the possibilities of how to solve the supply and demand presented in the market by using its current experience in practical implementation of pilot projects and financial startups, as well as rapid development in the area of virtual currencies and blockchain solutions. Alongside CFI, there are other institutions that are addressing this topic, especially from the entrepreneur's point of view, such as the Slovak Business Agency (SBA) that creates its own information resources or the Slovak Ministry of Economy that presents its own activities in national strategies. These, however, are not updated regularly and likely not compatible with the work of CFI. Going forward, it would be beneficial to reinforce the position of CFI so that it becomes the first-stop body that coordinates, and where appropriate, represents the main information resource.
4. **Implementation** - as of 2019, the activities and initiatives in experience-gathering will be moving gradually towards the creation of instruments of direct legislative and non-legislative character. Properly set prioritization of FinTech topic by the finance industry as well as reinforcing its position and respecting it among disciplines will improve implementation of these instruments in real life, including crowdfunding and alternative financing instrument for SMEs and startups or as an instrument of participatory budgeting.



## Actions

Analysis of crowdfunding market in Slovakia for the year 2018	
Objective and background	<p>Currently, there is no relevant analysis of the crowdfunding platform market in Slovakia nor is there analysis on the use of crowdfunding as an alternative financial instrument.</p> <p>It is necessary to understand the environment and circumstances well to create any analysis of the impact of the measures taken by CFI. The same goes for a comparison in an international context and considering the FinTech action plan implementation.</p>
Description	Gathering relevant information about Slovak crowdfunding platforms in a structured way and focusing on platforms with the intention to provide their services primarily on the Slovak territory. Gathering information about the use of international crowdfunding platforms by Slovak entities, respectively projects with Slovak participation.
Expected result	Creation of a comprehensive analysis as the primary information source providing a wholistic picture of the state of crowdfunding in Slovakia in 2019 and at the same time creating the reference material for future comparison of developments in Slovakia.
Responsible actor	Slovak Ministry of Finance - Center for Financial Innovations in collaboration with partnering universities.
Other partner involved	Slovak crowdfunding platforms Entities that implemented crowdfunding campaigns on foreign platforms
Time scale	7/2019
Estimated costs and resources needed	-
Indicator and target	1 analysis - a resource material about the state of crowdfunding in Slovakia

Analysis of the need for regulation of crowdfunding	
Objective and	There is no specific legislation for regulation of crowdfunding, which allows for emergence of various crowdfunding services. On the other



background	hand, it is necessary to analyse if the crowdfunding platforms work in a stable or limiting legislative environment and if, given the nature of the services (for example peer to peer platforms), an appropriate legislation could help in selling those services. Similarly, in equity crowdfunding, it could be helpful to streamline the legal process of private limited company (jednoducha spolocnost na akciu, j.s.a.). When preparing this legislation, it will be crucial to consider also the Proposal for a Regulation of the European Parliament and the Council concerning the European collective financing service providers (ECSP) for entrepreneurs.
Description	It will be necessary to clearly identify and name the legislative environment at least in each of the four basic forms of crowdfunding (with a particular focus on crowdfunding and crowdlending including peer to peer), to identify the barriers that prevent its existence or non-existence, and to propose appropriate legislative solutions to support market development, ensure consumer protection as well as protection of the state interests in the financial services market.
Expected result	Analysis of the legal environment Preparation of concrete legislative proposals
Responsible actor	Slovak Ministry of Finance - Center for Financial Innovations
Other partner involved	National Bank of Slovakia Slovak crowdfunding platforms
Time scale	12/2019, 12/2020
Estimated costs and resources needed	-
Indicator and target	1 resource material about the state of legislative environment for crowdfunding in Slovakia - as a basis for the draft legislation

Crowdfunding as a tool of participatory budgeting	
Objective and background	There is no concrete example of national, regional or local use of crowdfunding as a participatory budgeting tool in Slovakia. There are, however, many positive impacts of such use of crowdfunding abroad.



	<p>Currently, there is a clear interest to test this among many stakeholders. Considering the regulation of budgeting rules for crowdfunding as well as the fact there is no specific regulation, there are concerns that this may not be a legal way to use public funds, for example when using various forms of fund matching. Use of participatory budgeting as a tool for better governance is also enshrined in several strategic documents, such as RIA 2020 – Strategy for Better Regulation. One of the goals of this strategy is to implement innovative approaches to creating regulations while at the same time creating a methodology for creating a legislation resistant to future environment changes. The methodology should contain recommendations for the translator to consider all aspects in drafting the regulation, including examples of previous regulations that limited innovation. The methodology will also be a part of the process of impact assessment. Under this objective, it is suggested that the impact assessment is expanded to consider two new aspects - the Digital Impact Assessment - DIA, and the Innovation Impact Assessment - IIA. The Better Regulation Strategy identifies using of behavioural approaches to regulation as innovative ways of achieving policy objectives or reacting to the current society problems. Use of crowdfunding as a participatory budgeting tool is an example of such an innovative approach. Under the strategic goal 2.1.4 Implementation of innovative approaches in regulation draft, the plan is to implement selected behavioural approaches in creating a regulation at the Slovak Ministry of Economy- pilot project with the deadline of 31.12.2021. By 31.12.2020, the methodology of the behavioural approaches application should be prepared and this methodology should consider the best practices from testing crowdfunding as an instrument of participatory budgeting. Another reason for consideration could be also the further development of these instruments to use the European Structural Funds in hybrid schemes, which includes crowdfunding.</p>
Description	<p>Is based on the initiatives of relevant municipalities/cities/counties/institutions that will be interested in using crowdfunding and will the pilot projects and the related budgeting rules, taxes and accounting. In case of identifying an inappropriate legislative barrier, a proposal to correct this legislation will be drafted.</p>
Expected result	<p>Oversee the pilot project testing and thus share and create best practice of using crowdfunding as an instrument of participatory budgeting.</p>
Responsible actor	<p>Slovak Ministry of Finance - Center for Financial Innovations</p>



Other partner involved	villages, towns, regional authorities, associations of towns and communities (ZMOS), the Union of Towns and Cities (ÚMS), K8 Association, other public institutions, Office of the civil society representative, Slovak Ministry of Economy
Time scale	Ongoing
Estimated costs and resources needed	-
Indicator and target	Evaluation of at least 2 projects in 2019

Improving the conditions for the entrepreneurship via and in the area of FinTech	
Objective and background	<p>Since its beginnings, CFI has been invested in creating an environment that would allow for the development of new services and innovations in the financial industry in Slovakia by taking advantage of existing personnel capacities or by creating/setting up an environment to attract such capacities. Considering the structure of enterprises (as of 31.12.2016, micro-enterprises accounted for 97,1 % small enterprises for 2,3 % medium enterprises for 0,5 % and big enterprises for 0,1 %), it is clear that small and medium size enterprises account for 99.9% and thus are a significant player in job creation, and it is essential to look for solutions how to increase work productivity and overall competitiveness. Considering this reality, it is also necessary to figure out how to support export and internationalization and how to integrate SMEs in the global value chains - also by re-assessment of existing institutional forms. CFI and the FinTech instruments could be a tool to improve the structure of these enterprises.</p> <p>In the area of entrepreneurial environment there is already a proposed measure under the strategy of economic policy: Measure O.4.8 - to set up conditions for a regulation of new forms of enterprise related to digital economy. The action plan of smart industry in Slovakia has two strategic goals that relate to FinTech:</p> <ol style="list-style-type: none"> <li>1.To increase competitiveness and anchoring the key industry sectors in an environment that allows for successful digitalization of enterprises.</li> <li>2.To create an environment for the development of new technologies, methods and applications directed towards not only supporting of the domestic industry sectors, but also towards export.</li> </ol>



	<p>To develop the digital industry.</p> <p>The measure no. 12 proposes to establish Centers for Digital Innovations in Slovakia (CDI), which should bring practical experience from digital innovations into the entrepreneurial environment. Slovak Ministry of Economy wants to create such a CDI by 30. 06. 2019 based on the results of the study and to ensure coordination of the activities of CDI with the activities of the Digital Coalition that is being established. The Ministry also plans to draft the National Strategy for support of CDIs in Slovakia.</p>
Description	<p>Active CFI will allow for an analysis of the entrepreneurial environment in which entrepreneurs could function legally as a controlled experiment, while public administration employees would continuously evaluate the results, consult with the consumers and market participants and thus were gaining experience and knowledge for broader initiatives.</p> <p>CFI has tentatively indicated asset tokenization to be an interesting area in future development among the new trends - as for general economy as well as for entrepreneurial environment. That is why CIF would like to focus on analysing the use and legislation adaptation/changes.</p>
Expected result	<p>Analysis of potential impact of using the concept of regulation sandbox of financial innovations</p> <p>Analysis of potential use of asset tokenization</p>
Responsible actor	Slovak Ministry of Finance - Center for Financial Innovations
Other partner involved	villages, towns, regional authorities, associations of towns and communities (ZMOS), the Union of Towns and Cities (ÚMS), K8 Association, other public institutions, Office of the civil society representative, Slovak Ministry of Economy
Time scale	Ongoing
Estimated costs and resources needed	-
Indicator and target	Evaluation of at least 2 projects in 2019



## Online references/useful links/Annex (if needed)

Strategy for research and innovation for smart specialization of the Slovak Republic - Stratégia výskumu a inovácií pre inteligentnú špecializáciu SR (approved by the Slovak government resolution 665/2013 on 13.11.2013

<https://rokovania.gov.sk/RVL/Material/10348/1>)

Concept of smart industry for Slovakia -Konceptia inteligentného priemyslu pre Slovensko (approved on 26.10.2016 by government resolution SR 490/2016

<https://rokovania.gov.sk/RVL/Material/21549/1>) and Action plan of smart industry of the Slovak Republic- Akčný plán Inteligentného priemyslu SR (approved on 10.10.2018 by Slovak government resolution 123/2018

<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=27835>)

Strategy of the economic policy of the Slovak Republic by 2030 - Stratégia hospodárskej politiky SR do roku 2030 (approved on 27.6.2018 by Slovak government resolution 112/2018

<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=27585>)

National investment plan for 2018-2030 -Národný investičný plán na roky 2018-2030 (approved on 12.9.2018 by Slovak government resolution 412/2018

<https://rokovania.gov.sk/RVL/Material/23132/1>)

RIA 2020 - Better Regulation Strategy -RIA 2020 - Stratégia lepšej regulácie (approved on 24.1.2018 by Slovak government resolution 32/2018

<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=27132>)

Concept of support system for startups and startup ecosystem development in Slovak Republic -Konceptia pre podporu startupov a rozvoj startupového ekosystému v Slovenskej republike (approved on 10.6.2015 by Slovak government resolution 307/2015

<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=24603>)

Center for financial institutions of the Slovak Ministry of Finance -Centrum pre finančné inštitúcie Ministerstva financií Slovenskej republiky

<https://www.finance.gov.sk/sk/financie/financny-trh/financne-inovacie/centrum-financne-inovacie/>

Crowdfunding hub Bratislava <http://crowdfundport.ciforum.sk/>

Crowdfunding hub Košice <http://inno-hub.sk/>

Blockchain Slovakia <https://blockchainslovakia.sk/>

KRYPTOMAGAZIN.sk <https://kryptomagazin.sk/>

Finančný kompas <https://www.financnykompas.sk/bitcoin-kryptomeny>

Action plan for FinTech -Akčný plán pre FinTech

[https://ec.europa.eu/info/publications/180308-action-plan-fintech\\_en](https://ec.europa.eu/info/publications/180308-action-plan-fintech_en)