



POLICY RECOMMENDATIONS

Startup Europe
**WESTERN BALKANS
NETWORK**

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FOUNDING MEMBERS

STARTUP EUROPE WESTERN BALKANS NETWORK



CONTRIBUTOR



Impact Shakers designs programmes to tackle complex societal challenges through entrepreneurship. We are helping more people to start as entrepreneurs and help to build and scale stronger ventures.

FOREWORD

On the 15th of November, 2018, our Founding Members representing the Western Balkan countries, namely, Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia and Serbia, signed the Joint Declaration on **“Reinforcing the Tech Entrepreneurship Ecosystems in the Central and Eastern European and Western Balkan Regions”** during the Startup Europe Summit in Sofia, Bulgaria. On that occasion and under the patronage of Startup Europe, the **Startup Europe Western Balkans Network** was established.

That solemn moment opened the gateway to the Western Balkan countries to become increasingly involved in the European startup scene and connect with their neighbouring region, through the **Startup Europe Central and Eastern Europe Network**.

The Networks represent a unique system of connections between startup hubs of these two regions, as well as an active community of experts lobbying for the improvement of framework conditions of Central and East European and Western Balkan startup ecosystems.

To be concretely impactful and transform years of practical knowledge into tools and advice contributing to encourage and support the growth potential of their region, the Founding Members of the Western Balkan Network committed themselves to formulate policy recommendations. Back then, devising a set of advice specifically tailored to the needs of the startups active in the region, seemed a distant horizon.

Today, a couple of months later, we are proud to present the Policy Recommendations. After an in-depth appraisal of the most pressing needs, this document highlights the necessary policy changes that public authorities and policy-makers should address.

This document represents the point of view of the Founding Members as leading ecosystem builders in their own countries.



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BACKGROUND

The Western Balkans have been referred to as the potential next frontier in the European tech scene. Recent trends in economic growth and startup ecosystem development, indeed, underline the possibility of creating a Danube Valley¹ along with the six countries of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Growth in the Western Balkans has strengthened to an estimated 3.5%² according to the World Bank estimation. Kosovo and Albania are expected to grow at 4%. At 3.8%, Montenegro's growth is projected to be 1 percentage point higher, although still lower than last year. Growth in Bosnia and Herzegovina continues to be stable at an estimated 3.2% Serbia's economy has rebounded to 3.5% growth after last year's weather-related slowdown. North Macedonia's growth also rebounded to 2.5%, as investor confidence was restored.

However, low productivity is still a problem holding back the region's economic development, reflecting years of underinvestment, weak institutions and a difficult business environment. The biggest challenges persist in the areas of competitiveness and good governance according to the latest EBRD report³. Measures to promote a more dynamic business sector (including access to finance), stable legislative environment and growth-inducing macroeconomic policies are needed to put the Western Balkan countries on the path toward sustainable growth.

THE EU AND THE WESTERN BALKANS

The EU is the largest donor, with a massive 725 M EUR committed to improving infrastructure, transport and connectivity. The Western Balkans Enterprise Development & Innovation Facility (WB EDIF) was launched in 2013 with the purpose of providing financing and business support to SMEs in the Western Balkans. By supporting SMEs and the infrastructure surrounding them, WB EDIF seeks to contribute to the overall growth and development of the Western Balkan economies. In particular, SME development is one of the main pillars of the Western Balkans Investment Framework⁴.

In the framework of the **Digital Agenda for Western Balkans**⁵, the Commission together with Ministers from six Western Balkan partners – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – committed to investing in broadband connectivity; increasing cybersecurity, trust and digitalisation of industry; strengthening the digital economy and society including support for eGovernment, increasing digital skills and involvement in European events like EU Code Week; and also to boost research and innovation promoting collaboration between researchers.

¹The Danube Valley: central Europe's answer to Silicon Valley, *Financial Times* (June 6, 2017): <https://www.ft.com/content/8bc3f48a-09ad-11e7-ac5a-903b21361b43>

²Western Balkans Regular Economic Report: Fall 2018: <http://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

³Towards higher productivity in the Western Balkans, EBRD: <https://www.ebrd.com/news/2018/towards-higher-productivity-in-the-western-balkans.html>

⁴Western Balkans Investment Framework, Annual Report 2017 <https://www.wbif.eu/content/stream/Sites/website/library/WBIF-2017-Annual-Report.compressed.pdf>

⁵<https://europeanwesternbalkans.com/2018/06/25/european-commission-launches-digital-agenda-western-balkans/>

COUNTRY-SPECIFIC FINDINGS

The Western Balkan countries share a number of common challenges from lack of funding to general obstacles in collaboration due to historic reasons or difficulties in the macroeconomic environment. Yet, the six countries have their own country-specific needs to be addressed by the respective governments and policy-makers.

The following recommendations are observed from a regulatory and non-regulatory perspective and serve as a starting point in a dialogue to improve the startup ecosystem conditions in the region.

North Macedonia

REGULATORY

- **National startup strategy:**
The ecosystem of North Macedonia is not creating products as only 30% of startups that have entered some kind of program developed a demo or a product, and more often than not, those prototypes struggle to generate early revenues⁶. To solve the lack of adequate support and expertise in the ecosystem, a national startup strategy, including the actors of the ecosystem, should be developed.
- **Fiscal measures for startups:**
The tax climate is rather favourable for the development of small and medium-sized businesses. A general recommendation is that Macedonia should introduce progressive taxation both in terms of personal income tax and corporate income tax. It might not be well accepted by bigger companies but should provide fair conditions for startups.
- **Fiscal measures for investors and business angels:**
Fiscal incentives are available for Direct Foreign Investments, but specific measures to engage successful entrepreneurs as business angels and incentives for private investments in startups are missing despite the fact that North Macedonia has adopted a start-up and spin-off definition by Law on Innovation Activity. Tax incentives and a promotional campaign for business angels are recommended to bring more smart money into the ecosystem.
- **Access to finance:**
The biggest supporter of startups and small innovative companies is the Fund for Innovation and Technology Development (FITR) and their Instruments for support. A comprehensive funding lifecycle strategy should be developed to support startups throughout their stages of development from pre-seed to growth.
- **Increase the level of R&D spending:**
The country ranks very low in R&D spending which should be improved with more dedicated resources.
- **Digital administration:**
There are yet no active strategy and measures at country level, therefore a comprehensive framework to improve the digitisation of public services is recommended. It can take form in the continuation and support for the Digital Macedonia Strategy Development which was laid out in a report by Deloitte in 2018: "Roadmap Document to guide and prepare the Government of Macedonia (GoM) to develop a National ICT Strategy".

⁶Connecting the Macedonian Ecosystem, 2018* by Startup Macedonia supported by USAID BEP

NON-REGULATORY

- **Entrepreneurial attitude:**

Traditionally, entrepreneurship has not been encouraged by the older generation and has been considered the last option for a career. Now the mindset is gradually changing and entrepreneurship is much more popular among young people. Still, concerted efforts at national level for promoting entrepreneurial spirit and the startup mindset are needed.
 - **Digital skills:**

The overall trends are positive, especially in non-formal education, but formal education is still lagging far behind in promoting entrepreneurial skills. There is a room for reform and improvement in the field. A national strategy developed by relevant stakeholders is encouraged, along with analysing best practices implemented in other countries.
 - **Startup support ecosystem and networks:**

Startup Macedonia (newly launched organisation and platform) is an association created by a group of Macedonian startup enthusiasts, experts, investors, accelerators, and organisations with the ultimate goal in mind to encourage and help create a suitable and creative work environment for startups in North Macedonia. Structural support for Startup Macedonia to maintain the coordinating role in the ecosystem and ensure its close cooperation with the 3 newly established accelerators is strongly encouraged.
 - **Internationalisation of startups:**

Building stronger regional and Pan-European networks are key priorities. The ecosystem is not connected well enough internationally and there is no sufficient exchange of best practices with other ecosystems. Connecting with more developed ecosystems (e.g.: SCALE cities network, Startup Europe Western Balkan Network, TechStars, etc.), government-sponsored soft landing programmes and study tours could build the necessary bridges for the internationalisation of the ecosystem.
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Serbia

REGULATORY

- National startup strategy:**
 On March 2015, the government adopted the Strategy development of small and medium enterprises, entrepreneurship and competitiveness for the period from 2015 to 2020. The integration of a strong startup support policy into the existing strategy is encouraged.
- National startup association:**
 So far, there has not been a unified “front” of the ecosystem towards the government. Some ideas appeared, however, coordination between the support organisations is still missing. A representative body will be needed in the long run to be able to identify common challenges and present them with a single voice to the decision-makers. It could bring an unprecedented opportunity to seize the momentum and create a platform for startup support at national level.
- Fiscal measures for startups:**
 On the 1st of October, 2018, the regulation exempting startups and beginners in the business of paying taxes on salaries in the first year of operation entered into force⁷. It is applauded by the community and should be monitored, further improved and corrected, if necessary. Special attention should be paid to easing the tax burden on IT employees as for now many of them are employed as independent entrepreneurs to pay fewer taxes.
- Fiscal measures for investors and business angels:**
 Based on the for Strategy Scientific and Technological Development of Serbia⁸, from the beginning of 2019, tax incentives have been implemented for investments in the field of innovation. Without doubt, it is a positive improvement, however, angel investors and smart money are still lacking from the ecosystem. Further financial incentives (tax break) should be adopted to encourage successful entrepreneurs to become angel investors.
- Access to finance:**
 The main public instrument for the development of the IT sector is the Innovation Fund, which should provide 150 million € in 2017; the money comes mostly from the EU and World Bank. It makes access to finance easier than in the other Western Balkan countries, still, a diversification of the funding available to support all stages of startup development is encouraged.
- Digital administration:**
 Serbia sees the 4th industrial revolution as a chance for a faster and more sustainable development and adopted the Strategy for the Development of Information Security in the Republic of Serbia for the period 2017-2020⁹.

⁷<http://www.parlament.gov.rs/upload/archive/files/cir/pdf/zakoni/2018/3592-18.pdf>

⁸<https://goo.gl/zGrpXd>

⁹<http://mtt.gov.rs/download/3/Strategy.pdf>

NON-REGULATORY

- **Entrepreneurial attitude:**

Serbia is often dubbed as the “Tesla Nation” where innovation is driven by heritage. Serbia is focused on special measures for three fast performance sectors: creative industries, services in agriculture and ICT. The year of 2016 was declared “The Year of Entrepreneurship” which was later extended and renamed as “Decade of Entrepreneurship”. It helped to spread the culture of entrepreneurship and engage the youth in business building activities. To further improve these positive trends, entrepreneurial skills development should be encouraged by building a relationship between the education system and exchanging experience, business knowledge and collaboration opportunities with corporations and international companies.
 - **Internationalisation of startups:**

Lack of information about foreign markets is a serious problem for startups in Serbia as well as the expensive cost of market research. A comprehensive internationalisation policy and government-sponsored ecosystem exchanges and soft-landing programmes can give a significant boost to the startup ecosystem “going global” efforts.
 - **Agriculture and food tech strategy:**

Since these are among the most prominent sectors in the economy, a working group should be established how to involve startups, innovators and corporates and create a strong reputation in these fields should be considered.
 - **Startup support ecosystem and networks:**

Most of the actors in the ecosystem have a basic understanding who does what, but the deeper connections and exchanges are lacking. There are not that many connections between academia and the startup ecosystem. There is not much official communication between the government of Serbia and the startup ecosystem. A coordinating body at national level (a startup association) could take up this role and strengthen the collaboration within the ecosystem.
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Albania

REGULATORY

- **National startup strategy:**

In Albania, there is currently no startup strategy on national level. It is crucial to start aligning the policies developed by the different ministries and agencies to create an integrated, comprehensive, internationalisation-focused National Startup Strategy.

- **Business environment:**

Enabling an entrepreneurship-friendly economy should be a priority for the respective bodies of the government. The working group established by the Ministry of Economy and Finance to work on the Business and Investment Development Strategy is a step in the right direction and should be closely followed up. Transparent taxation system, improved e-services and legal support are all to be considered.

- **Fiscal measures for startups:**

Currently all startups and entrepreneurs are treated equally to all other businesses when it comes to taxation. Examples from other ecosystems should be analysed and adapted to the Albanian ecosystem. Tax breaks for starting innovative companies for the first hires or decreased social contributions are to be considered to encourage startup formation.

- **Fiscal measures for investors and business angels:**

Since 2018, the Albanian government provides 0% tax rate for investors for a period of 35 years who set up their operations in one of the economic parks. However, the current legislation does not provide legal provisions for setting up angel networks. Encouraging successful entrepreneurs to step in and bring not only funding, but smart money is crucial in nurturing the ecosystem. Policy support for setting up an Albanian Business Angels Network, along with introducing tax incentives for business angels are recommended.

- **Access to funding:**

In Albania, financing for accelerators/incubators is largely based on donor funds, which affects sustainability, strategic and mid-to-long term planning by these institutions (GIZ, Delegation of the European Union to Albania, UK-Albanian Tech Hub, Swiss EP). The Albanian Government should consider taking a more active support role when it comes to providing seed funding through, for instance, AIDA (Albanian Investment Development Agency) by supporting the Innovation Fund and the Startup Fund to enable funding from pre-seed to growth capital. More funds need to be made available in R&D.

- **Digital administration:**

Digital Administration was under the umbrella of the Minister of Innovation. Currently, is now fragmented partly followed by the office of Deputy Prime Minister and partly form the Minister of Infrastructure of the Government of Albania. There are a number of agencies which cover different areas of Digitalisation process in the economy. It is important to coordinate the digitalisation efforts and synthesize them in a single strategic document which is aligned with the National Startup Strategy.

NON-REGULATORY

- **Entrepreneurial attitude:**
Critical mass of serious, highly-qualified startups and entrepreneurs is still missing to make the work of support networks such as co-working spaces, accelerators and incubators financially sustainable. As the current national agenda does not sufficiently encourage entrepreneurship, more promotional activities and campaigns to encourage entrepreneurship and bring together the startup ecosystem is recommended.
 - **Strengthening startup support ecosystem and networks:**
By building the ecosystem, it is crucial to keep in mind the bottom-up support approach led by entrepreneurs and organizations supporting startups versus a top-down approach led solely by the government. Policy and financial support for ecosystem building activities are encouraged.
 - **Decentralising startup activities:**
Most of the activity is centred in Tirana, although some effort is being placed in Korca and Shkoder to replicate smaller scale local labs. Therefore, encouraging non-capital-based startup activities through grants, capacity-building programmes and promotional campaigns is strongly recommended to create a healthy national network of startup hubs.
 - **Strategic collaborations with corporates:**
Major initiatives have been announced, such as a tech park by the Municipality of Tirana and a new tech space within the first quarter of 2019 covering an area formerly used by Innovation Hub. These are steps in the right direction which should be reinforced by further strategic collaboration with corporates to encourage startup-corporate innovation activities.
 - **Internationalisation of startups:**
To build bridges between ecosystems, support for soft-landing missions and study tours are crucial, so as to provide sufficient funding for entrepreneurs to be able to participate in such “go global” activities.
 - **Mentoring-based ecosystem development:**
Swiss EP, through funding from the Swiss Development Fund, will continue to provide mentors for the Albanian ecosystem for at least the next 3 years. Seeking the continuation of mentorship-based initiatives are important to build a strong and supportive ecosystem. Connecting to European (Startup Europe) and international networks (Techstars, Startup Grind) should be made a priority.
 - **Startup events:**
Support is necessary for events to attract entrepreneurs sharing their stories, exchange best practices and bring international speakers to the developing ecosystems. Events like Startup Grind Albania, Innovation festival Tirana, OSCAL, Creative Business Cup, Betapitch, StartupLive are a great start and should be further supported.
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Kosovo*

REGULATORY

- **National startup strategy:**

There is a need for stronger cooperation among relevant stakeholders and the government that would strengthen the cooperation between the community in developing new innovative products and services. The recently established Ministry of Entrepreneurship and Innovation aims to stimulate innovative activities in Kosovo, which should result in a comprehensive National Startup Strategy including an R&D strategy (provision of adequate institutional capacities and support structures) and the formation of tech clusters and hubs.

- **Fiscal measures for startups:**

There are no special incentives for startups in Kosovo in terms of easing the tax burden. A special law for startup treating taxation and other incentives, including financial support for startup support organizations is necessary.

- **Fiscal measures for investors and business angels:**

Kosovo has no such fiscal measures for time being. Introducing tax incentives for business angels and investors is strongly encouraged along with the intention of forming a Kosovo Business Angels Network.

- **Access to finance:**

Access to finance and funding remains a challenge as many startups rely on donors and grants. The ecosystem depends highly on international donor funding, which is one of the biggest challenges and risks for a stable environment in the country. The creation of an Innovation Fund is necessary to start moving away from donor financing towards sustainability. Institutional support for a startup support organization should also be part of the strategy.

- **Company formation:**

The process has been made easy, and as a result, Kosovo advanced significantly in the World Bank Doing Business report ranking. This advantage should be used more in the country marketing and to attract foreign investment and startup founders to Kosovo.

- **Digital administration:**

Measures to improve digital administration are necessary for the further development of the startup ecosystem. A national strategy should be elaborated and introduced as part of the startup strategy.

- **Visa restrictions:**

As the lack of freedom of movement due to visa restrictions is still a major issue in the country, the government should pay particular attention to seeking ways of easing the restrictions, and as a result, opening up the country for a more intense international activity.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

NON-REGULATORY

- **Entrepreneurial attitude:**

There is currently no strategy at the national level on how to encourage and support entrepreneurship. A country-wide campaign to promote entrepreneurship - in line with the national startup strategy - could create momentum and is strongly advised. As a new Ministry of Entrepreneurship was created with the goal to facilitate entrepreneurship and the innovation sector, it is recommended that they take up a leading role in encouraging entrepreneurship at a national level.
 - **Digital skills development:**

There is no strategy at the national level to improve digital skills. As they are inevitable in a well-functioning startup ecosystem, a strategic approach is necessary. Currently, there is an ICT strategy on paper trying to address the issue and Innovation Centre Kosovo (ICK) is the leading organization behind. Support for the strategy on a government level would give a significant boost to the efforts.
 - **Startup support ecosystem and networks:**

As mentioned earlier, there is no national startup strategy or initiative to align the startup support actors. ICK is the leading organization providing startup support and serving as a hub for all initiatives in Kosovo. The startup ecosystem needs to follow models from developed countries in order to grow in the following years, especially in R&D sector. Better coordination and alignment between the actors should be advocated and reinforced.
 - **Internationalisation of startups:**

No specific program is in place at country level. Currently, the main internationalisation opportunity is attending fairs, conferences and other international B2B events supported by ICK. To make internationalisation a national priority, setting up soft-landing missions for startups and ecosystem builders, creating networks such as the Startup Europe Western Balkans Network and a comprehensive startup international strategy at national level are recommended.
 - **Integration with international benchmark systems:**

Kosovo is currently not listed on the Innovation Union Scoreboard and in the Global Innovation Index score. Measures should be encouraged to put Kosovo on the map of such indexes and other listings (Startup Genome Report, European Startup Monitor, Startup Europe Map, etc.).
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Montenegro

REGULATORY

- **National startup strategy:**
Policy measures supporting startups in Montenegro are mostly limited to plans and recommendations, often based on policy support facilities from the EU. There are no specific policy measures influencing the startup ecosystem currently. A National Startup Strategy integrating the current efforts into a comprehensive document with indicators is necessary to move the ecosystem forward with the Ministry of Science in a leading role.
 - **Fiscal measures for startups:**
There are no tax incentives for the time being for startups. Since the major tax burden is a tax on salaries, measures easing the taxation and social contribution payments in the initial phase when startups try to hire new team members should be adapted. Developing an entrepreneur-friendly bankruptcy law is also encouraged to facilitate the risk-taking attitude and entrepreneurial activities in the country.
 - **Fiscal measures for investors and business angels:**
There are no current incentives for investors or business angels to invest in startup companies. A tax shelter or a certain tax refund on loss or investments would help significantly to attract smart money to the sector. Setting up a Montenegrin Business Angels Network should be considered.
 - **Easing transaction costs on electronic payments:**
It is highly recommended to establish an electronic payment system to overcome the currently high transaction fees.
 - **Access to finance:**
 - Establish a Fund to support startups through the grant and subsidy programs for their research and development.
 - Establishing a Fund for support new venture capital funds and angel investors with additional investment capital.
 - Subsidizes for the R&D costs of technology startups.
 - **Digital administration:**
As the current level of digitisation is insufficient (except for tax submission at the end of the month), measures to improve digital administration are necessary for the further development of the startup ecosystem. A national strategy should be elaborated and introduced as part of the startup strategy.
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NON-REGULATORY

- **Entrepreneurial attitude:**
We need a different type of courses on universities, more startup oriented.
 - **Startup ecosystem support:**
The Montenegrin ecosystem is built out of the bricks that are still barely connected due to a different understanding of the startup concept. A major reason for that is probably the lack of a formal umbrella organisation along with scarce initial financing. A first success story would help connect stakeholders, yet it is still missing.
 - Establish a program to support startups all over the country and help them accessing the network of both national and international business leaders.
 - Support the launch of acceleration and incubation programs.
 - **Internationalisation of startups:**
Montenegro is still not visible enough for investors outside of Montenegro, the ecosystem is not connected enough internationally and there is no sufficient talent exchange in the region. Connections with more developed ecosystems (e.g.: SCALE Cities network, Startup Europe Western Balkan Network, TechStars, etc.), government-sponsored soft-landing programmes and study tours could build the necessary bridges for the internationalisation of the ecosystem.
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Bosnia and Herzegovina

REGULATORY

- National startup strategy:**
In Bosnia and Herzegovina, there is currently no startup strategy on national level. It is crucial to start aligning the policies developed by different ministries and agencies to create an integrated, comprehensive, internationalisation-focused National Startup Strategy.
 - National research and innovation strategy:**
To align R&D activities, encourage more research collaboration with the startup community, the private sectors and academia (spin-offs, university incubators) including financing structure for R&D is crucial for enabling more commercialisation of innovation in the sector.
 - Easing the process of forming and running a company:**
In Bosnia, starting and running a business requires heavy administration, lengthy processes and good connections in the government. It is recommended to lower the amount of the basic capital necessary to founding the company to 1,00 KM, introducing the option of getting certain documents online, an option for startups to be free of paying the profit tax during the first 3 years or lowering the costs of getting a building permit for business spaces.
 - Financial measures for startups:**
There are no tax incentives for startups since they are considered as any other company or corporation. It is recommended to seek best practices and implement ways for easing the tax burden, introducing certain incentives for investors (tax deductions).
 - Fiscal measures for investors and business angels:**
There are currently no fiscal measures for investors or angels. Tax incentives for business angels are encouraged to be introduced along with supporting the institutionalisation of a Bosnian Business Angels Network which would bring smart money and expertise into the emerging ecosystem.
 - Access to funding:**
Earlier, one of the key criteria for government funding was the 2-year existence on the market which immediately disqualified younger startups. It was revised and now public institutions also offer structural funding for accelerators and incubators. However, subsidies and grants are in general not adjusted to the needs of startups in financing initial entrepreneurial activity, and usually have to be spent on education and workshops, rather than business activities. Directed seed funding initiatives are encouraged on a government level and with the help of private actors.
 - Digital administration:**
A national agenda for improving the conditions for digital administration is crucial and would feed into easing the business formation.
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NON-REGULATORY

- **Entrepreneurial attitude:**
No concrete strategy on a national level but plenty of individual initiatives by the community of accelerators, incubators, universities. A comprehensive, country-wide campaign to promote entrepreneurship and encourage more people in starting a business could influence the mindset in a positive way.
- **Startup support ecosystem and networks:**
Significant support by startup accelerators, incubators, universities. New networks are being created and EU concepts (Startup Europe Week, European Makers Week, Startup Europe, etc.), communities (Global Shapers Community...), branded events (FuckUp Nights) are getting more popular.
 - The Federal Ministry of Development, Entrepreneurship and Crafts, USAID, UNDP and Swiss EP are the most important actors supporting the ecosystem. Coordination between their activities to streamline the efforts is encouraged.
 - Encouraging ideation, support hackathons and entrepreneurial education to bring new ideas to the market and strengthened collaboration between university students and incubators/accelerators are to be fostered.
- **Internationalisation of startups:**
Currently the main internationalisation opportunity is attending national and international conferences. To make internationalisation a national priority, setting up soft-landing missions for startups and ecosystem builders, creating networks such as Startup Europe Western Balkans Network and a comprehensive startup international strategy at national level are recommended.
- **Integration with international benchmark systems:**
As mining and metal processing, automotive industry, timber industry, and textile industry are the most prominent industries, bringing together a working group of the representatives of the industries with startup ecosystem builders, innovation experts and relevant startups to draft a strategy how to enhance innovation and startup activities in the sector would bring a great added value (e.g.: corporate collaboration).

Common challenges and recommendations in the region

1) Need for a comprehensive startup strategy

Startup strategies on a national level are missing in the Western Balkan ecosystems. It is crucial to start aligning the policies developed by the different actors to create an integrated, comprehensive, internationalisation-focused National Startup Strategy. As part of such strategies, the creation of a central startup association (or structural funding to the existing one) should be considered in case there is no organisation in place. Estonia is a good example. Joining the Startup Manifesto Tracker¹⁰ is also recommended to keep track of progress based on indicators.

To make it a step further, the national strategies should be coordinated at regional level in order to provide entrepreneurs access to more growth opportunities, a larger market, access to finance, education or soft landing opportunities. Coordination at regional level can be achieved by supporting already existing mechanisms like the Regional Cooperation Council¹¹ or new initiatives like the Startup Europe Western Balkans Network¹² to help level the playing field in the six Western Balkan countries.

2) Fiscal measures to ease the early phases of development for startups

In most cases, startup entrepreneurs are treated equally to all other businesses when it comes to taxation. Examples from other ecosystems should be analysed and adapted to the Western Balkans. Tax breaks for starting innovative companies for the first hires or decreased social contributions are to be considered to encourage startup formation. The Startup Law of Latvia¹³ which introduced a flat tax regime for startup employees is a pioneering example in Eastern Europe to consider.

3) Fiscal measures for investors and business angels to encourage investment in startups

Encouraging successful entrepreneurs to step in and bring not only funding, but smart money is crucial in nurturing the ecosystem. Policy support for setting up (or structurally supporting the existing) Business Angels Network, along with introducing tax incentives for business angels are recommended. For instance, the Tax Shelter¹⁴ implemented in Belgium is a good example of how to incentivize more investment into startups and scaleups with up to 45% tax reduction.

¹⁰European Digital Forum Startup Manifesto Tracker: <http://www.europeandigitalforum.eu/startup-manifest-policy-tracker/>

¹¹The Regional Cooperation Council serves regional cooperation and European and Euro-Atlantic integration of South East Europe in order to spark development in the region to the benefit of its people. <https://www.rcc.int/#tab-what>

¹²Startup Europe Western Balkans Network: <https://wb.startupeurope.network/>

¹³Latvian Startup Law: <https://labsoflatvia.com/en/news/the-latvian-startup-law-what-it-has-to-offer-who-can-use-it-and-how-to-apply>

¹⁴Belgian Tax Shelter: <https://startuptaxshelter.be/en/>

4) Internationalisation of startups

The Western Balkans are still not visible enough for investors outside of the region, the ecosystems are not connected enough internationally and there is no sufficient exchange of best practices. Connecting with more developed ecosystems (e.g.: SCALE Cities network, Startup Europe Western Balkan Network, TechStars, etc.), government-supported soft-landing programmes and study tours could build the necessary bridges for the internationalisation of the ecosystem. Examples like Tech City UK or La French Tech are also worth considering.

5) Access to finance

Seed funding and a comprehensive funding lifecycle strategy are lacking in most Western Balkan countries. Providing adequate financing instruments for all stages of startup development through an innovation fund should be a high priority for every government. The Innovation Starter Fund¹⁵ in Hamburg is among the best practices to look at.

6) Support R&D collaboration with universities

Connecting the actors, creating synergies and fostering collaboration with the research and innovation community are important steps in nurturing an ecosystem and to commercialise research results. Up until today, the Western Balkan countries have made great progress in establishing the basic startup infrastructure to various extent, however, improvements in connecting the research and innovation community still remain a challenge. Increased R&D spending, support for university incubators and spin-offs are crucial to improve the current state of play. Dublin's Guinness Enterprise Centre¹⁶ - ranked as a top university associated business incubator in the world - is a great example of such collaboration.

¹⁵Innovationsstarter Fonds in Hamburg: <https://innovationsstarter.com/innovationsstarter-fonds/>

¹⁶Guinness Enterprise Centre in Dublin: <https://gec.ie/about/>

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DISCLOSURE

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**STARTUP EUROPE CENTRAL AND EASTERN EUROPE NETWORK
STARTUP EUROPE WESTERN BALKANS NETWORK**

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