



POLICY RECOMMENDATIONS

Startup Europe
**CENTRAL AND EASTERN
EUROPE NETWORK**

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FOUNDING MEMBERS

STARTUP EUROPE CENTRAL AND EASTERN EUROPE NETWORK



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



FOREWORD

On November 15, 2018, our Founding Members representing the Central and Eastern European (CEE) countries, namely, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia, 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 Central and Eastern Europe Network** was established. That solemn moment opened the gateway to the CEE countries to become increasingly involved in the European startup scene and connect with their neighbour region, the Western Balkan through the Startup Europe Western Balkans Network. The Networks represent a unique system of connections between startup hubs scattered across these two regions, as well as an active community of experts lobbying for the improvement of framework conditions of the Central and Eastern 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 **Startup Europe Central and Eastern Europe 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 Central and Eastern European (CEE) region is a diverse group of countries and the fastest growing region of the European Union in recent years¹. Strong tech talent characterizes the CEE countries², which is an appealing factor when large corporates are looking for their new regional headquarters. This peculiarity has a dual effect: it improves the economy in general, yet it also draws talent away from the less stable entrepreneurial path. Still, lower expenses, government support and infrastructure make the region attractive for entrepreneurs open to relocating and doing business from the region³.

Support ecosystems have gone through significant development in recent years. Incubators, accelerators and service providers (co-working spaces) picked up speed and cemented their positions in each country. University spin-offs and corporate accelerators are gaining traction, yet strengthening of regional hubs and clusters should be improved to further.

The number of startups in the CEE region varies, with Poland in the lead with approximately 3000 startups out of which about 1100 are monitored to Croatia where about 350 startups are to be found on Angellist⁴ (but no national registry). However, national databases lack accurate data in many cases which makes it difficult to have an estimate about the exact number of startups companies per country. This vacuum can be explained by the missing European startup definition which complicates the separation between traditional SMEs and innovative startup companies.

Regarding the potential of the region's market, diversity of languages can hinder the scaling up of innovative businesses within the CEE countries. Regional differences and relatively small market sizes (except for Poland) could also limit startups' scaling ambitions. As a result, SMEs and startups often look for elsewhere to scale their products and services. Competing with each other in the region with small markets instead of joining forces to create more collaboration and specialization according to each one's talent is the wrong strategy in the long run. To that end, more policy efforts from governments are needed to connect the CEE ecosystems.

Startup events are burgeoning in the region with Poland's Infoshare, Impact CEE, Wolves Summit, Slovenia's popular PODIM and Bulgaria's Innovave Summit and Webit. However, a pan-regional tech event connecting both the CEE and Western Balkan countries is lacking and should be considered in the future to strengthen inter-regional cooperation and sustain the overall startup landscape across the CEE countries.

Access to funding has significantly improved and by now, nearly all stages of development are covered which is, in part, due to the European Investment Fund's contribution to the local venture capital market. It is still lagging behind in terms of deal flow compared to the Western European ecosystems or Israel, however, the recent growth in investment is staggering: in 2018, investors poured 645.7 million into companies in the area, according to PitchBook Platform⁵, compared to €428.2 million the previous year.

¹Eurostat: Real GDP growth rate - volume

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115>

²Taking the pulse of startups, VCs, and innovation in 'Emerging Europe' (Tech.eu, 7 March 2018)

<https://tech.eu/features/19197/ewdn-cee-innovation-report-emerging-europe/>

³Overcoming Challenges in the Central and Eastern European Startup Ecosystem' (Entrepreneur, 29 Oct 2018)

<https://www.entrepreneur.com/article/321222>

⁴<https://angel.co/croatia>

⁵The next big thing: VC investing in CEE (Pitchbook, April 8 2019)

<https://pitchbook.com/news/articles/the-next-big-thing-vc-investing-in-cee>

COUNTRY-SPECIFIC RECOMMENDATIONS

Bulgaria

REGULATORY

- Central startup organisation:**

A Startup Board (Council) including representatives of the startup ecosystem from different cities and public authorities, representatives of universities, businesses (companies), the NGO sector, and foreign partners are recommended to establish. The Board members could support strategic planning, implementation and monitoring of the policies for the support of entrepreneurship and digital transformation at local and regional levels. The Board members could participate as consultants in the development of strategic documents and policies at the national and also regional level that affect directly or indirectly the startup community.
- Digital administration:**

In order to increase the speed of digital transformation both in Bulgaria and in each CEE country, local leaders and pioneers in digitization processes could gather in work groups (both local and national) in order to join their efforts and identify the weaknesses and strengths concerning the digital maturity of Bulgaria and other CEE countries. Startup ecosystem leaders are expected to initiate and support the development of Strategic Plans at both national and local (municipal) levels for the digital transformation of public institutions and local administrations, companies, universities and other educational institutions, etc. In addition to Strategic Plans, detailed Action Plans for Digital Transformation are also necessary.
- Fiscal measures for investors:**

Mechanisms for encouraging investments of business angels and crowdfunding investments in startup companies should be adopted as well as regulating a "vesting agreement" in the trade law. It is also advised to look into the working mechanisms of an "Option Pool" in the law to make it a less complicated process for startups.
- Creation of a European Startup Visa:**

The lack of a startup visa in Bulgaria, hence in Europe, is a hindrance to hiring talent from abroad. A (European) startup visa will provide a simplified administrative procedure for recruitment to startups, scaleups, and unicorns across Europe. This will allow said companies to rapidly secure working permits for employees and their immediate relatives. Ideally, the recipient of these visas will be authorized to work in all 27 countries of the Union.

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

⁸<https://goo.gl/zGrpXq>

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

NON-REGULATORY

- **Entrepreneurial attitude:** Bulgarian people tend to be more passive and avoid risks in business, rather than demonstrating high entrepreneurial spirit and willingness to take risks in business, which may be due to some extent to the long period of interruption (40 years) in the tradition of private initiatives during the socialist era. The level of entrepreneurship potential in Bulgaria is lower in comparison with the average in the world. In 2016, only 24% of the respondents participating in a survey⁶ replied they could imagine starting their own business, while the average percentage in Europe is 39%. To boost entrepreneurship in the country, more incentives are needed from *role models to positive campaigns or fail-safe experimentation grants* for ideators.
- **Startup events:** Both national and local startup events (including conferences, workshops, etc.) should enjoy the support of public bodies in the beginning, which then would lead to more private actors getting involved in organising such events in order:
 - to stimulate the development of entrepreneurial culture;
 - to encourage the exchange of knowledge and ideas between traditional companies and companies providing digital solutions and transformation for businesses;
 - to popularize the latest trends in technology (including AI, Blockchain, etc.) in different sectors like online marketing, management, HR, health care, IoT, etc.
- **Internationalisation:** Scaling is still a difficulty for Bulgarian startups, therefore encouraging different forms of collaborative partnerships between the CEE countries is recommended. For example, the establishment of a Council of Startup Champions, a Network of Startup Leaders or a Startup Board in the country. By exchanging best practices and building bridges between other European countries, these bodies could help pave the way for startups to scale faster and easier.
- **University spin-offs and research:** The business, scientific and educational institutions together with local and state authorities and administrations are expected to synchronize their efforts for encouraging and creating better conditions for entrepreneurship and startups development with special attention to universities and research institutes. European examples such as Italy's Contamination Labs or Belgium's imec:istart⁷ university business accelerator programme are recognized best practices to analyse and potentially build on.

Czech Republic

REGULATORY

- Taxation for startups:**

Incentives for startups in Czech Republic in terms of easing the tax burden can be improved. Best practices from mature ecosystems should be examined, as well as introducing a *special law for startup taxation*⁸ and some financial backing for startup support organisations are necessary. Easing the burden of hiring and firing by *subsidising the mandatory social contribution* after the first employees at the start of a new startup would significantly boost and speed up the startup creation in the country. R&D Tax Credit for investments in research and development should be changed and improved. Government controls aim at uprooting fraudulent ones, which is the tax burden issue and this unsystematic way brings uncertainty and unpredictability and that is why this scheme is not used.
- Fiscal measures for investors and angels:**

In Czech Republic, there are various incentives for investors⁹, which are mainly focused on manufacturing, technology centres and business support services (BSS). Tax deduction is also available for R&D-related expenses, which is a positive sign, yet, no specific incentives so far address business angels or "added-value hi-tech" investors (HNWIs). It is crucial to *broaden the scope of these initiatives with a potential deductible from capital gain tax to include more risk capital from high-value, experienced investors.*
- Digital administration:**

The country's biggest success story is the implementation of "data-box" (eIDAS), yet further improvements towards a *fully digitized experience in running a company* are encouraged to receive structural support. For instance, potential improvement could include the possibility to establish a subsidiary or new company, file all taxes and connected documents online, get direct channels to institutions via online platforms and also access to data analytics.
- Easing the hiring of qualified foreign nationals:**

Facilitating a *less burdensome process in hiring international talent* via a temporary work permit, which can turn into a permanent one after a certain number of years and meeting of stipulated criteria, or *expanding the current startup visa*¹⁰ for foreign talent could boost the local labour market and also contribute to the internationalisation of Czech businesses.

⁸ Things the Government Could Do For the Startup Ecosystem (Startup Yard, September 9, 2015)

⁹ <https://startupyard.com/7-things-the-government-could-do-for-the-startup-ecosystem/>

¹⁰ <https://www.czechinvest.org/en/Our-services/Investment-Incentives>

¹¹ <https://www.czechinvest.org/en/Our-services/Visa-support/Welcome-Package-Project>

NON-REGULATORY

- **Entrepreneurial attitude:**

In the Czech Republic, the ecosystem is growing fast, however, the available support is not sufficiently oriented in the riskier idea stage or seed funding. It is even more staggering if you consider the fact that the last Czech unicorn was AVAST which was established back in 1988. Hence, more early-stage oriented support instruments are necessary to encourage company creation and engage more founders to dare to step up their game. *Grants for ideation, campaigns in universities and subsidised university incubators* can boost the spirit of new founders both in the capital and the regional hubs. Important to minimize the bureaucratic burdens of such early stage support programmes and adjust them to the needs of startups, e.g.: allow companies to buy equipment from the grant for instance.

- **National connectedness:**

The startup and innovation centres are Prague, Brno and Ostrava. Creating greater collaboration between the local hubs, facilitate knowledge sharing and synergies in the form of a (*flexibly structured*) *regional consultative body* should be considered to achieve greater connectedness between each other and also towards the government.

- **Collaboration with universities and commercial R&D centres:**

In Czech Republic, it is not yet common to start a company in academia or research centres according to the Aspen Institute's latest report¹¹. Most startups develop IT products or services rather than technological solutions. *Fostering more university spin-offs and startup-research collaboration* should be a top policy priority to benefit from the vast academic talent and resources Czech Republic has to offer.

- **Internationalisation of startups:**

CzechInvest has developed a range of internationalisation services focusing on regions like the US (NYC, Silicon Valley), Asia (Singapore) and London, which should serve as best practices for the entire region.

To improve the regional scaling within the CEE countries, the experience from these internationalisation programmes should be put in practice in the form of *an advisory board* where knowledge sharing is facilitated. Another interesting aspect to consider is to provide *support for drafting a comprehensive internationalisation plan* for the startups who participate in the global matchmaking events.

¹¹Aspen Institute: The Czech Startup Report <https://www.aspeninstitutece.org/project/czech-startup-report/>

Croatia

REGULATORY

- **Startup definition:**

In Croatia, startups are not yet recognized by the government as a specific subset of SMEs. Without acknowledging the different nature and needs of startup companies, it is difficult to tailor policies to them. As a result, it is recommended to agree on a common definition of startups at the national level.

- **Financial measures for startups:**

Since startups are considered as any other company or corporation, there are no specific tax incentives for them yet. It is recommended to seek best practices and implement ways for easing the tax burden on startups and reducing for instance social contribution after the first employees in the starting years.

- **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. For instance, the Investment Promotion Act¹² promoted by **the Croatian Agency for SMEs, Innovations and Investments (HAMAC-BICRO)** should include financial measures which are more startup-friendly. For instance, it should not require hardly achievable KPIs from young startups such as a relatively long maintenance period for newly created jobs (3-5 years). Introducing certain incentives for domestic and international investors (tax deductions) could also give a boost to the ecosystem.

- **Tax incentive for R&D investment:**

The Croatian Ministry of Economy, Entrepreneurship and Crafts has prepared and recently adopted a new regulation¹³ providing income taxpayers with a tax credit for investment into R&D activities. The measure includes a fiscal relief for research and development projects belonging to the categories of fundamental research, industrial research, experimental development or feasibility studies for those research and development projects. This can be viewed as a precursor for potential startup activities in research and development, so the regulation should be promoted countrywide to engage more investment in the sector.

- **Access to risk capital:**

Some possibilities for funding via the Startup Factory program, EIT Climate - KIC accelerator, Pokreni nesto svoje by ACT group NGO support, some private initiatives (such as Zagrebacka banka ZABA Start contest), and ZICER also provides convertible loans for its tenants, but generally, there is a lack of funding that covers all stages. More support building up the funding landscape which supports riskier idea-stage investments with soft loan schemes or smaller grants and more complex, equity-type instruments for the later stage expansion should be developed and encouraged.

- **Easing the process of starting a company:**

The procedure of founding a company in Croatia is quite complicated. Not only \$4500 of starting capital is required, but the bureaucratic procedures of registering take between 15 and 45 days. A more flexible starting capital amount and a fully digitized fast process should be developed and implemented to encourage more founders to start new companies.

¹²<http://www.investcroatia.hr/investment-incentives/investment-promotion-act-overview/>

¹³GEN Startup Nations Atlas of Policies: <https://www.geni-global.org/snap/tax-incentive-rd-investment>

NON-REGULATORY

- **Entrepreneurial attitude:**

In the past years, the entrepreneurial attitude has become increasingly positive and the number of emerging startups is growing consistently. In Croatia, a significant improvement in the ecosystem development has been marked during the past 5 years - mostly in the capital city. Outside the capital, the following initiatives are operational: ICT Zupanija, Osijek Software City and Split Tech City. Building on the momentum is crucial, so it is recommended to use the opportunity for creating more interaction between the hubs by facilitating knowledge transfer through joint events and providing capacity building for the second-tier cities.
 - **Central startup organisation:**

In relation to the previous point and to bring startup support into a unified platform, it is encouraged to create *Startup Croatia* as a bottom-up, independent initiative with the goal of collecting and monitoring data about the local startups, mapping the ecosystem and providing up-to-date information on latest legislation. Collaboration should be strengthened within the ecosystem among the key players - incubators, accelerators, universities, investors, corporates and startups - which can happen through non-formal channels or meeting during relevant startup events in the country. It would boost the knowledge exchange and help speak with one voice towards decision-makers.
 - **Startup-university collaboration:**

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. To do so, the relative isolation of universities from the startup ecosystem should be overcome by supporting more collaboration between startups and university incubators, which would boost the creation of spin-offs as a result.
 - **Startup events:**

Startup events have been playing a crucial role in ecosystem development. More and more high-quality events are organised throughout the country which is further stimulating the ecosystem. Sponsorship support (fiscal or in-kind) for the organisation of events, both smaller, niche ones and flagship events should be considered by the relevant government agencies.
 - **Internationalisation of startups:**

Organisations such as Zagreb Innovation Centre (ZICER) provide internationalisation support for its members which means they heavily subsidize the cost of expositions, fairs, exhibitions and startup events abroad. The City of Zagreb also has internationalisation measures in place for SMEs. Such measures should be spread over the ecosystem in form of workshops or information booklet and be made available to any startup based on their stage and internationalisation plans.
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Hungary

REGULATORY

- **Taxation for startups:**

The Digital Startup Strategy¹⁴ provided a promising start for new regulations pertaining to startups in Hungary. According to the plan, a new law is under negotiation which would reduce the social security burden of business starters by adding a new group of beneficiaries to the Job Protection Action Plan consisting of workers employed by early-stage enterprises. The amount of the allowance (which is equivalent to the employment of researchers) is 28 % of the gross wage (up to HUF 500,000 ~ EUR 1500) in the first two years of the business and 14.5 % from the third year. However, the regulation has not been adopted yet. Therefore, it is encouraged to speed up the process and allow startups to benefit from the initiative.

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

Tax breaks for angel investments have recently come into force allowing an approximately 60 000 EUR deductible from the tax base per startup company. It is a vital development to foster more relevant entrepreneurs in the early-stage domain and encourage successful founders to reinvest into the ecosystem as angels. It is important to *raise awareness regarding the financial incentives offered by the existing regulation* and consider specific measures in case an investor would prefer to invest a larger sum.

- **Central startup organisation:**

The *creation of Startup Hungary* as a bottom-up, independent platform with

the goal of unifying the ecosystem players, collecting and monitoring data about the local startups and providing up-to-date information on latest legislation is desirable to level up the ecosystem. Startup Hungary would also be tasked by creating a *structured startup database* and a comprehensive *ecosystem mapping*.

- **Company formation:**

Easing company formation with smaller starting capital and less punitive insolvency regulation coupled with faster liquidation procedure can give a significant boost for the creation of startups.

- **Employee stock options:**

It is a Europe-wide issue for which a petition has been launched titled 'Not Optional'¹⁵. Hungarian legislation should also follow closely the developments at European level and adapt the best practices from the ongoing dialogue to help attract more talent to startups thanks to such direct financial incentives.

- **Access to funding:**

State actors and public funding can have a distortive effect on the natural development of the VC market which could be observed with the previous JEREMIE¹⁶ funds. After learning from the initial mishaps, these trends seem to be reversed and the next wave of funds supported by the European Investment Fund (EIF) and high-value-adding private investors are far better positioned to deliver great results. As a recommendation, enabling more *matchmaking between the strategic investors* - also from Hungary, but preferably from the region - *and promising startups* should be encouraged.

- **Startup visa:**

Highly skilled IT talent is in short supply even in Hungary which is traditionally strong in IT talent, therefore, easing the hiring of talent outside of the EU and allowing an easier process to hire remotely should be encouraged and implemented.

¹⁴The Digital Startup Strategy of Hungary, 2016: <https://digitalisioletprogram.hu/files/89/ea/89eac5ce5f74178f3f527945f7edd08f.pdf>
¹⁵<https://notoptional.eu/>

¹⁶Joint European Resources for Micro and Medium Enterprises: http://www.eif.europa.eu/what_we_do/resources/jeremie/index.htm

NON-REGULATORY

- **Entrepreneurial attitude:**

In 5 years time, the ecosystem has grown, and more and more people are aware of the existence of startups. Government-backed investment programmes like Hiventures¹⁷ are investing at a record-breaking speed in the last few years which will hopefully yield the intended results in the mid-run. Besides the current ones, new private actors are also stepping into the investment field like Octogon Ventures¹⁸, so now the most needed resources are good ideas and talented founders. More *awareness raising to engage new entrepreneurs* is necessary, therefore good practices such as *Bridge Budapest*¹⁹ could potentially be replicated in Hungary's regional startup hubs as well.

- **University collaboration:**

Hungary should foster collaboration between universities and startups. One way to achieve this is to encourage more startup-related courses at universities for credits. Good examples exist such as Startup Campus at the Technological University of Budapest²⁰ or a special entrepreneurship programme²¹ at the University of Kaposvar, yet further implementation of best practices and promotion among the students to increase the reach of the programmes are necessary.

- **Digital skills:**

The digital divide is still prevalent in the country. To close the gap, it is vital to endorse strategies and best practices like Logischool²² and Green Fox Academy²³ that are in place, yet extra *financial support for coding schools and re-training initiatives* are still necessary. Such incentives could help the workforce adapt to the fast-changing labour market, and as a result, it would also provide startups with much-needed talent and skills.

- **Startup events:**

Current festivals like Brain Bar or Craft Conference are excellent initiatives, but not specifically startup, rather innovation-focused. Meetups are of high quality, but relatively niche (e.g. data science). No flagship event is directed at startups, however, it would help elevate the ecosystem to *organise a bigger, startup-focused event on a larger scale* and attract the neighbouring countries to participate.

- **Specialisation:**

With the current startup landscape where each country and city try positioning themselves, it is practical to build on the already approved and launched Fintech strategy²⁴ and AI coalition²⁵ to attract more support for the initiatives from the ecosystem and create synergies with European counterparts.

- **Internationalisation:**

To adopt a global mindset for scaling and, in particular, for reaching a larger market audience, more soft-landing programmes, study trips coupled with supported learning opportunities about intercultural differences in sales and fundraising in various regions (e.g. how to raise funding in Silicon Valley vs. Western Europe) should be considered a priority in the national startup strategy. The V4 Startup Force²⁶ initiative and the INPUT programme²⁷ are good examples which should be further built on.

¹⁷<https://www.hiventures.hu/>

¹⁸<https://www.oktoconvcz/>

¹⁹<http://hu.bridgebudapest.org/>

²⁰<http://www.startupcampus.hu/schme/>

²¹<http://startupcafe.hu/cikkek/2017/03/23/startup-ismereteket-oktatnak-szeptembertol-a-kaposvari-egyetemen>

²²<https://www.logischool.com/hu>

²³<https://www.greenfoxacademy.com/>

²⁴<https://www.slideshare.net/Fintechzone/magyarorszag-fintech-strategia-dr-ol-andrs-levente-digitalis-ilt-program-szakmai-vezetie>

²⁵<https://digitálisjövletprogram.hu/hu/tartalom/mesterseg-es-intelligencia-koalicio>

²⁶<http://v4startupforce.designterminal.org/>

²⁷<https://inputprogram.com/>

Poland

REGULATORY

- Taxation for startups:**
 Although current regulations are considered startup-friendly, it is recommended to create a structured way of consulting with the startup community to avoid any new tax measure which may harm startups.
- Fiscal measures for investors and business angels:**
 Creating employee stock option plans and employee share ownership²⁸ in a smart and less burdensome way could contribute to produce a new generation of business angels in the close future. This is the type of smart money which could help elevate the ecosystem to the next level with seasoned startup founders turning into investors. In order to create these opportunities, simpler regulations with limited requirements and a less demanding procedure should be adopted. In turn, this strategy will promote the stock option amongst Polish tech companies.
- The Polish Development Fund:**
 Formed in 2016, a new government agency was born responsible for development financing, including providing financing for Venture Capital firms. It is encouraged to share best practices and lessons learned from the first years of the fund with the relevant representatives of the CEE countries as it has the potential to become a model throughout the region.
- Access to talent:**
 For Polish startups, one of the biggest obstacles to growth is the lack of suitable talent to hire. Introducing measures, which help startups to hire remotely or bring foreign talent on board with less bureaucracy involved in the registration for a work permit, could give a boost for the ecosystem to reach the next level.
- Startup visa:**
 In close relation to the previous point, it is encouraged to consider introducing a specific visa to attract talent to the country in fields where there is a shortage of labour supply in the Polish market.
- R&D expenditure:**
 Fostering more investments into the research sector could help produce technological spin-offs related to universities. Investors putting their money into research-heavy innovation activities should be rewarded by receiving tax incentives.
- Incentivising the legislation regarding equity stock options:**
 Providing shares and options for employees joining startups is an easy way of attracting much-needed talent. It is crucial to develop mechanisms for employee share ownership alongside the respective, startup-friendly regulation.

²⁸Polish Startup Report 2018: <http://www.startupbridge.eu/wp-content/uploads/2019/02/Polish-Startups-2018-Report.pdf>

NON-REGULATORY

- Entrepreneurial education:**

With a booming ecosystem in order to match the growing demand for talent and entrepreneurs, it is encouraged to support very early stage entrepreneurial ideas starting from primary school. At a later stage, 'ideathons' or hackathons, along with strengthened collaboration between universities and incubators/accelerators should become the cornerstone of a national strategy. Last, but not least, a curriculum which prepares for 21st-century skills and emerging tech should become part of universities' offering to adapt to the fast-changing demands of the labour market.
- Access to smart money:**

Strongly related to the previous point that the Polish startup ecosystem needs more foreign VC firms which invest in A+ rounds, engage in co-investment with Polish VC firms and encourage startups to go global. *Measures to attract foreign investors for matchmaking events* should be developed.
- Support for international founders:**

Poland Prize³¹ (a 250 000 PLN grant for helping non-Polish startups launch in Poland) is a great initiative which can spread as a best practice, and potentially, a regional "subversion" could be considered for the CEE startups in particular.
- Incentivising startup-corporate collaboration:**

According to the 2018 Polish Startups Report²⁹, 70% of startups do not cooperate with any corporations. Both Polish and foreign corporations still do not invest a great deal in startups, and rarely become their strategic buyers. It is worth stimulating large companies' demand for young, innovative technologies and services by promoting the best practices in the startup-corporate collaboration model.
- Internationalisation of startups:**

Providing impetus for going global is of paramount importance in countries like Poland where startups can easily build a successful business by only providing for the local market. However, to reach global scale, Polish founders should also be supported by targeted international study tours, soft-landing missions and by including them in matchmaking events. The launch of the V4 Startup Force program between Czech Republic, Poland, Hungary and Slovakia is a welcome move in this direction³⁰.

²⁹2018 Polish Startups Report: <http://www.startupbridge.eu/wp-content/uploads/2019/02/Polish-Startups-2018-Report.pdf>

³⁰Design Terminal announces return of V4 Startup Force (Budapest Business Journal, 12 March 2019) https://bbj.hu/region/design-terminal-announces-return-of-v4-startup-force_162745

³¹Poland Prize: <https://www.parp.gov.pl/component/grants/grants/poland-prize>

Slovenia

REGULATORY

- **Employee options:**
For startup companies, it is problematic to reward employees through share options as selling equity is treated as an employee benefit and not as capital gains. Taxation of foreign company's unlisted shares that were acquired at company acquisition is also a problem. It is recommended for regulators to consult with the community and create a stock option scheme which does not involve extra tax burden for startups and employees.
- **Fiscal measures for investors:**
There are no tax benefits for investors (legal and physical persons) who make risky investments into startup companies. This limitation prevents investors from creating smaller investment funds. It is encouraged to introduce a special tax regime for angel investors who could claim tax deductions after their investment in startups.
- **Company formation:**
When founding a company or injecting equity capital, investors need to be physically present in Slovenia, which is a big barrier for foreigners or Slovenian currently living abroad. It is recommended to introduce an online certification option replacing the physical presence requirement.
- **Legislation pertaining to startups with a loss:**
If a startup company wishes to remove one of the founders or investors (in the form of divestiture), this is not possible in the event that the company is operating at a loss. An impact analysis of the current legislation to remove potential bottlenecks should be considered.
- **Rigid labour legislation and visa policy:**
Institutions should consider easing the hiring process of remote employees and introducing a merit-based startup visa.
- **Intellectual Property Rights:**
Legislative obstacles still exist due to which universities cannot be company owners. Being a successful and common practice in entrepreneurial American and British university centres, the legislators should consider running a needs analysis for implementing the international best practices. Besides, a lack of proper understanding of commercialisation of knowledge and technologies is still prevalent which should be resolved by providing specific training options at the national level and by strengthened collaboration with the European IPR Helpdesk.
- **Speeding up the digitisation of the administration is crucial due to the reasons below:**
 - Too slow and too complicated employment of foreign citizens, also outside the EU, at least for those who have specific knowledge and have a job waiting for them with a priorly known employer (especially in high-tech companies).
 - Complicated business operations and unstable rules when doing business with national authorities (Financial Administration of the Republic of Slovenia, state regulators).

- **Missing fintech and cryptocurrency regulations:**

Is an obstacle for developing fintech companies. Indeed, presently the Bank of Slovenia prevents fintech companies from opening a fiduciary account where the user can collect client assets separately from their own business or transaction account. There are no regulations for the field of virtual currency. *A working group by the Ministry of Economic Development and Technology and the Ministry of Finance should be established to crowdsource insights from the community, and based on that, legislative strategies could be developed.*

NON-REGULATORY

- **Entrepreneurial attitude:**

Individuals are still reserved when it comes to entrepreneurial endeavours. More support and encouragement are necessary with the help of role models to shift the perception of entrepreneurship from something risky which is prone to fail to an exciting journey of realizing new products and services.

- **Digital skills:**

At the moment, an inadequate number of suitable educational programmes reflect actual market needs. Targeted educational directions should be defined (e.g. for app developers and ICT programmes) which should be branded and promoted as a desirable and attractive career path for the younger generations.

- **Startup support ecosystem/networks:**

The Slovenian startup ecosystem has developed fast in the last years. While the first fast-growing startups were created in mid-2000's, the ecosystem has only taken truly off when the economic crisis hit Slovenia

in 2008 and in particular after 2011. The Slovenian startup ecosystem has consolidated in the past years driven by private investments into Slovenian companies and professionalization of the startup world. With such history, the recommendation is to further support the regional hubs outside of the capital, Ljubljana by providing capacity building and networking events, and also by creating more synergies with the neighbouring countries in form of cross-border projects and events.

- **Startup events:**

With PODIM growing into a well-respected and popular startup event in the region, it is encouraged to support (either financially or in kind) the organisation of such a flagship event which helps position Slovenia as a leading startup and innovation hub in the border of the Central Eastern European and the South Eastern European Regions.

- **Internationalisation of startups:**

Seeking soft-landing missions and international networking opportunities are encouraged, especially by building bridges between the Central Eastern European and the Western Balkan Regions. To that end, Slovenia is very well positioned with the Startup Europe regional networks as they are located where the two regions meet. Boosting the creation of a more collaborative region should become a policy priority for the Ministry of Economic Development and Technology.

- **Lack of university-industry cooperation:**

Boosting the creation of new innovative ventures, joint projects, and programmes between universities and large corporates should be incentivised along with improving the R&D private-public infrastructure. For instance, EU funding programmes could be directed to support the creation of incubators at universities.

Romania

REGULATORY

- Taxation for startups:**

The biggest burden for a startup is hiring and paying the social contribution. *A tax break on income tax for the first year* to support innovation and the fail forward approach should be promoted. At the same time, some *hiring advantages* are in order to build their capacity to compete with outsourcing companies.
- Fiscal measures for investors:**

It is vital to engage the entire investor community in the country, including especially those founders who have already succeeded with their startups, to invest in the growing ecosystem. Best practices, such as the Seed Enterprise Investment Scheme in the UK, which allows 50% of the investment to be deducted from the income tax, should be considered for implementation.
- National startup association:**

Establishing a national platform unifying the ecosystem and channelling the voice of the startups towards the government is essential. Support initiatives exist country-wide, yet they are still scattered and not under the same roof. Such a national startup association would 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 the national level*.
- Business environment:**

Improving fiscal and legal predictability in the country could boost entrepreneurship and incentivize sizeable tech investments. Besides, digitizing the company formation and management, easing the company formation and providing a digital platform where the required documents can be uploaded are encouraged.
- Digital skills:**

Improving the digital capabilities of Romanians is crucial to prepare the labour force for the changes caused by the digital transformation. By giving vouchers to citizens to attain specific training courses, the flexibility of the workforce would increase and startups can hire from a larger talent pool. Besides this, tax breaks can also facilitate SMEs and large companies in providing digital skills training to their employees.
- Data protection/privacy:**

Develop support services for startups on how to deal with all the regulation concerning data protection and privacy are encouraged. Potentially, issuing vouchers for advice or establishing a specialized informational platform for startup and data-related questions would help innovate companies access the necessary expertise before it is too late.
- Intellectual Property Rights (IPR):**

The complexity of IPR regulations can be challenging for a young startup if they are building an IP-heavy tech product. More training on this issue should be prioritized and incentivized in the ecosystem, as well as seeking cooperation with the European IPR Helpdesk should be also considered.

NON-REGULATORY

- **Database of startups:**

The current crowdsourced best practice, Romanian Startups, is encouraged to develop further and embed into a *national strategy about collecting data and monitoring startups*. It is encouraged to do so under the umbrella of the earlier mentioned national startup association or body.
- **Entrepreneurial attitude:**

Building on recent success stories like UiPath and eMAG, it should be considered to develop and run *nation-wide entrepreneurial education training programmes* in high schools and universities to entice more young founders towards entrepreneurship.
- **Entrepreneurship education:**

Improving the knowledge base of Romanian enterprises and entrepreneurs is vital. Such programmes should span the entrepreneurship life cycle from very early stage in high schools and universities to more in-depth capacity development for the later-stage founders. *Building startup and entrepreneurial skills development into the national education strategy* is encouraged.
- **Startup support ecosystem/networks:**

To help the ecosystem mature, it is vital to *recognize accelerators as essential actors* within the innovation ecosystem, thus involve them regularly in public consultation for policy-making.
- **Startup events:**

Events are important to bring the ecosystem together for networking, knowledge exchange and visibility. Pushing for regional events to facilitate the creation of a truly European ecosystem, and in this case, a stronger and *more interconnected CEE ecosystem* can be achieved by better event coordination.
- **Internationalisation of startups:**

To achieve international scale, more emphasis should be put on structural support for international exchange and study programmes in Romania. It could happen for instance by providing vouchers to access specific grants which help startups travel abroad to meet potential clients and promote their services. *Including promising startups in economic delegations* can also be a viable and fruitful strategy.

Common challenges and recommendations in the region

1) Internationalisation

Similarly, to the Western Balkans, internationalisation and more collaboration within the region are cornerstones to support the growth of the region's most talented companies. Most countries have already developed soft-landing programmes to some extent, however, an impetus for the region's startups to grow internationally should be supported further to reach a truly global scale. Seeking connection to international and European networks is a first step which should be strengthened by increased *coordination of cross-border scaling within the Central and Eastern European region*. Globally, the region as a whole could represent a stronger voice, therefore, common platforms such as StartupDelta are worth considering as a policy priority.

2) Pan-regional matchmaking event

While there is a number of high-profile events in each of the considered countries, to strengthen collaboration and provide matchmaking within the broader Central and Eastern European region (and the Western Balkans), organising a pan-regional tech event could be an interesting option to consider for the close future, either by the individual network members or the Central and Eastern European and Western Balkans Networks for instance.

3) Diversity

On one hand, the variety of this region can be attributed as a strength, yet cultural, historical and linguistic differences between the Central and Eastern European countries can hinder collaboration. Instead of competing, it is vital to facilitate smart specialisation within the region with vertical structuring and strengthened (institutionalised) collaboration.

A structured regional collaboration which stems from bottom-up yet enjoys the political support of the CEE countries could be particularly helpful to bring the ecosystem to the next level. *Networks like the CEE Network & Western Balkans Network* can provide the necessary platform for dialogue and best practices.

4) Entrepreneurial attitude

The region is traditionally risk-averse which can be attributed to historic reasons. Positive trends can be observed, yet a more straightforward and secure career in multinational companies, SMEs or in public is still considered the go-to option for most people. The tide is slowly changing as the ecosystems mature and more and more success stories of entrepreneurs see the day of light. Political impetus to raise the profile of a startup career in a traditional manufacturing region could give a serious boost to the maturing ecosystems. Inspired by the South East European Centre for Entrepreneurial Learning (SEECCEL), it is encouraged to consider *bringing together the policy makers of the region for knowledge sharing* and regular ideation. It could be implemented *as a pilot under the aegis of the Central and Eastern European Network*.

5) Access to talent

The CEE region is no exception when it comes to the shortage of qualified labour force to fill the never-ending demand for IT specialisation. However, most countries apply strict immigration and visa regulation to non-EU nationals. Well-implemented policies can provide support for startups to hire the talent they need either from abroad with the help of a *startup visa* or by *easing the process of getting work permits* for international professionals living or studying in the region.

6) Fiscal measures for startups and investors

Encouraging successful entrepreneurs to step in and bring not only funding, but smart money is crucial in nurturing the ecosystems. *Policy support for setting up (or structurally supporting the existing) Business Angels Networks, along with introducing tax incentives for business angels are recommended.* For instance, the Tax Shelter³² implemented in Belgium is a good example of how to incentivize more investment into startups and scaleups with up to 45% tax reduction.

7) Starting over

In the CEE countries, the social pressure is huge on entrepreneurs who failed a business. Not only the complex regulation of insolvency and bankruptcy hardens the situation of a failed company, but the general attitude towards failure is also a profound problem in the region. Cumbersome insolvency laws, public shame and difficulty to start over characterize most countries, thus initiatives to *ease the process of starting over after a failed venture* combined with events like FuckUp Nights where the *“failing forward”* attitude can spread are crucial.

8) Funding

There is no shortage in seed funding, however larger ticket sizes are missing and growing startups tend to turn for funding outside of the region in search of new markets. One of the reasons is the short supply of smart money, international connections and trade/sales experience in the region. Regular *knowledge exchange and matchmaking* between the region's investors and startups in the long run as well as support for the creation of a *CEE-Western Balkans-focused regional Fund* could give a tremendous boost for the region's startup ecosystem.

³²Belgian Tax Shelter: <https://startuptaxshelter.be/en/>

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