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The result of a one-year-long research across 24 countries, this report highlights the main facts, numbers and trends of startup investment and innovation in Central and Eastern Europe. It can be downloaded at no charge from http://cee.ewdn.com

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- crunchbase
- Global Corporate Venturing
- ICO
- bench
- Kyiv Post
- MARCHMONT Innovation News
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- techEU
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THIS REPORT CONTAINS:

PART 1: Regional Trends
- Trend analysis & executive interviews
- Venture deals & VC market data
- How EIF supports venture activity in CEE
- How corporations are getting involved
- Key regional events and industry resources

PART 2: The Token Spring of Central & Eastern Europe
- ICO market data
- Trend analysis & expert opinion
- Case studies & select articles

PART 3: Artificial intelligence: The New Powerhouse of Europe?
- Trend analysis & expert opinion
- Case studies & entrepreneur interviews
- Select articles

PART 4: Local landscapes
Discover the startup and venture ecosystems in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine

PART 5: Special Russia section
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The Albanian startup industry is at its very early stage of development, with virtually no local investors, very few investment deals, and a lack of exit prospects.

However, the young generation is embracing technology and innovation quickly, and Albania already boasts a few startup success stories.

An active ecosystem has emerged, thanks to a variety of initiatives from the government and non-governmental organizations.
COUNTRY BACKGROUND

POPULATION: 2.9 million (2017)
• 58.3% of urban population (2016)
• 17.08% unemployment rate (2015)
• 58.1% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $12.1 billion (2017)
• Average growth rate 2014-16: +2.6%

SOURCE: WORLD BANK
• Per capita: $11,300 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2014)

Agriculture: 46.8%
Industry: 41.8%
Services: 11.4%

SOURCE: CIA WORLD FACTBOOK

ALBANIAN HAPPINESS

The country ranks 70th in the UN’s World Happiness report (2014-2016)

The Pyramid in the city center of Tirana (photo credit: Depositphotos)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

ALBANIA

LOCAL FUNDS

No local VC fund

LOCALLY ACTIVE FOREIGN FUNDS OR SUPPORT ORGANIZATIONS

- Albanian-American Development Foundation
  www.aadf.org
- Crimson Finance Fund Albania
  www.cffa.al
- South Central Ventures
  www.sc-ventures.com
- Yunus Social Business Balkans
  www.ysbalkans.com

CO-WORKING, ACCELERATORS, INCUBATORS

- Albanian Innovation Accelerator
  www.aianetwork.org
- Innovation Hub Tirana
  www.innovationhub.al
- Oficina
  www.oficina.al
- Protik Innovation Center
  www.protik.org
- Talent Garden Tirana
  https://tirana.talentgarden.org
- Yunus Social Business Balkans
  www.ysbalkans.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- No local venture funds
- No substantial business angel activity

SOURCE: EWON EXPERT NETWORK

VC MARKET DATA (2016)

- Estimated total amount of investment: $400k
- Estimated number of deals: 2

SOURCE: EWON EXPERT NETWORK
A figure of the Albanian innovation scene, Aneida Bajraktari analyzes the legacy of the past, the current state and development prospects of the country’s startups.

Are there many startups and startup entrepreneurs in Albania?
The startup scene in Albania is developing rapidly, as young Albanian entrepreneurs are trying to launch innovative startups. There are a few success stories in the ecosystem, but many startups are either still too early-stage, or copying concepts from others rather than developing their own.

Many youth organizations and the government are running startup programs and competitions to raise awareness of the importance of innovation, technology and entrepreneurship, and to encourage young people to create new, innovative businesses in Albania.

In legal terms, there is no use of the word ‘startup’ in the country, which is why there is also no concrete data related to startups.

Which tech segments tend to develop now?
The country has a strong and flexible software engineering and coding labor force. It is especially the young generation that is mostly focused on the IT field: developing apps and platforms online.

In the meantime, some banks and companies are working to develop financial technologies: many banks now operate via mobile banking applications, and there are companies offering mobile payments.

There are also startups in the field of tourism (http://goo.gl/Lu7miz) Recent tech investments have been made with the aim to modernize agriculture, too (http://goo.gl/7AV91w)

Are local investors interested in startups?
There are no functioning local VC funds in Albania. Among the main reasons are bureaucracy and corruption, insufficient infrastructure, and some inadequate legal or tax procedures. After all, there are not really any special mechanisms for VCs.

Business angels and family offices are also missing in Albania. There are attempts to create business angel hubs like the Albanian Business Angels Network (ALBAN), Angel.al, and the Angels Association Albania, yet, there is no specific data on the activity of business angels.

In addition, there is also a lack of exit prospects, and in particular – no functioning stock exchange. The first privately-owned stock exchange was only licensed in June 2017, but there is still no visible impact on the financial market.

Entrepreneurs are actively seeking funds outside the country, as the provided financial support for startups in Albania is minimal. Funding and investment for entrepreneurship are insufficient: seed funding, angel investment, and venture capital are either weak, unstructured or completely absent.

What about foreign investors?
Foreign investors are mostly looking to the tourism, oil, mining, agriculture and energy sectors, but some of them have shown interest to invest in startups. South Central Ventures is actively seeking to invest in young ventures in Albania, and so is Slovenian ABC accelerator. We have also seen Italian and Israeli entrepreneurs invest in the newest technologies for agricultural products processing.
What have been the most notable startup investments over the past few years?

Two investments come to mind when talking about the most prominent deals of the past years. Gjirafa, a startup that has developed an Albanian search engine, received an investment of $2 million from Rockaway Capital in 2016. Softmogul, a platform that streamlines hotel management, in turn, secured $2 million in a large funding round from Plug and Play.

Other notable deals include a €250,000 investment in food delivery marketplace Baboon, and a €35,000 investment in Dentem, a cloud-based platform for dental practices.

How is the local innovation ecosystem organized? Does it enjoy support from the authorities?

In the past five years, many initiatives have flourished, contributing to building an active ecosystem. I can mention Startup Weekend, Startup Live, Startup Grind and many other initiatives going on (http://goo.gl/YohpKc).

The government, too, is working towards supporting innovation. Two years ago, the Ministry of Innovation launched Innovation Hub Tirana with the aim to create a new generation of entrepreneurs. The goal is to strengthen the possibilities of cooperation by establishing networks, and to provide support at all stages of the development of a business idea. However, no impact report has been made available for the initiative’s work so far.

In 2012, Protik Innovation Center was created with the mission to speed up the development of the information and communications technology (ICT) sector in Albania.

No impact report has been made available for its work in these five years either.

The government (via the Albanian Investment Development Agency) is providing funds to new companies ranging from €1,000 to €2,000. It has also been discussed to lower the tax on profit for IT companies from 15% to 5%.
Are startups appealing to the young generation?

The young generation is the one embracing technology and innovation quickly. Young people are organizing startup contests that have proven to be a good tool for boosting entrepreneurship and innovation.

Many of those young people are starting businesses that are innovative for the country, but not globally. However, most of them are focusing their attention outside the country and using their online tech skills to make their way onto the global scene.

Universities are adding innovation as a subject in their curricula while organizing events to boost their students’ innovative ideas. Innovation is not a subject in the media, as they are more interested in political issues.

Finally, can your country’s innovation ecosystem be considered as mature? How do you envision its development in the future?

The innovation ecosystem in Albania is growing, but is still very young. One of the reasons it took time to take off is that, until recently, Albania had been living in isolation for 50 years. Tools like computers and mobile phones were hardly known to most people in the country. Technological knowledge was given to a selected few, and the main reason was to use it as a tool to control and influence people. Only in the 1990s did people begin to be more exposed to technology.

Albania, like the rest of the world, strives to embrace technology as a means to improving lives and creating new opportunities. But we are still in the process of understanding and adapting global technologies to local needs.

The local startup environment is fairly new and fueled by efforts from the public and private sectors. Albania has many challenges – which, in itself, brings many opportunities to leverage technology and come up with solutions. ICT entrepreneurs are looking to exploit such opportunities with the unique advantages of Albania.

- Aneida Bajraktari is co-founder and managing partner at Balkans Capital, a Tirana-based financial consulting company. She is also involved in a variety of initiatives on the local startup scene: co-director of Startup Grind Tirana, a global startup community designed to educate, inspire, and connect entrepreneurs; lead organizer of Startup Weekend Tirana, the world’s biggest educational movement for entrepreneurs; curator at Startup Digest, a media company that publishes curated email newsletters on startup events and educational content in more than 300 cities.
Armenia has a strong engineering workforce – in part a legacy of the Soviet past – which has supported spectacular developments in the fields of micro-electronics and web development.

In this small country, the startup scene is modest in numbers (around a hundred startups), but already boasts success stories and exits. The tech entrepreneur community is supported by a variety of initiatives as well as several tech parks, incubators and accelerators in Yerevan and some other cities.

Local investors are extremely few, but many Armenian or Armenian-founded startups have received support from foreign funds – especially from Russia and Silicon Valley – and corporations.
COUNTRY BACKGROUND

POPULATION: 3 million (2017)
- 62.5% of urban population (2016)
- 18.5% unemployment rate (2015)
- 44.3% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $10.8 billion (2017)
- Average growth rate 2014-16: +2.26%
- Per capita: $8,467 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017, WORLD BANK

LABOR FORCE BY OCCUPATION (2013)

Agriculture: 17%
Industry: 36.3%
Services: 46.7%

SOURCE: CIA WORLD FACTBOOK

ARMENIAN HAPPINESS

The country ranks 94th in the UN’s World Happiness report (2014-2016)

Panoramic view of Yerevan (photo credit: Depositphotos)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

LOCAL OR LOCALLY-CONNECTED VENTURE FUNDS

Granatus Ventures  
www.granatusventures.com

Hive Ventures  
www.hivefund.co

AMONG INTERNATIONAL FUNDS INVESTING IN ARMENIAN OR ARMENIAN-FOUNDED STARTUPS

eVentures  
www.eventures.vc

Learn Capital  
www.learncapital.com

Sequoia  
www.sequoiacap.com

Telefonica Open Future  
www.openfuture.org

NOTABLE TECH PARKS, INCUBATORS AND ACCELERATORS

Armenia Startup Academy  
www.startupacademy.am

Enterprise Incubator Foundation  
www.eif.am

Microsoft Innovation Centre Armenia  
www.micarmenia.am

Armenian-Indian Center for excellence in ICT  
www.armindia.am

Gyumri Technology Center  
www.gtc.am

IBM Innovative Solution & Technologies Center  
https://istc.am/en

Vanadzor Technology Center  
www.vtc.am

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- 2 local venture funds
- Embryonic business angel activity
- No family office investing in startups

SOURCE: EWON EXPERT NETWORK

VC MARKET DATA

A total of $87.6m of venture capital and grant financing was infused in Armenian or Armenian-founded startups from late 2014 to late 2017. This amount included:

- $2.1m grant money provided by the World Bank and EU/GIZ via the Enterprise Incubator Foundation (55 deals with 50 companies)
- $20.5m seed investments (39 deals with 24 companies)
- $45m series A deals (6 deals with 5 companies)
- the $20m series B deal of PicsArt in 2016

SOURCE: SMARTGATEVC (HTTP://G00.GL/VC8IGG)

AMONG NOTABLE RECENT DEALS

- April 2016: DCM Ventures and Siguler Guff invest $20m in PicsArt (HTTPS://GOO.GL/IBVe5w)
- November 2016: Codefights raises $10m in a round led by e.ventures (HTTP://G00.GL/ecCSpt)
A figure of the Armenian innovation scene: Hayk Asriyants provides a detailed overview of startup activity in the country as well as the role of investors, corporations and the authorities to develop it further.

In which tech fields is Armenia the strongest?

We see amazing developments in engineering with an important legacy coming from the Soviet Union, since Armenia was a major engineering spot at that time. This engineering force is obvious particularly in chip design:

- Synopsys, a global leader in this field, has acquired at least three companies (LED Systems, Monterey Arset, and HPL Technologies) with offices in Armenia and established its presence in the country.
- Virage Logic, a US corporation, opened an office in Armenia’s capital, then merged their Armenian capacity with that of Synopsys, who had acquired them.
- Cisco acquired Memoir Systems, a chip design company with a large office in Armenia.
- Siemens acquired Mentor Graphics, another key player in chip design industry with an office in Armenia.

Web development also holds a strong position in the market. Armenia has a critical mass of website and web application developers for offshoring, with 100-200 service providers in this field (oriented towards the US, Western Europe and Russia).

Some companies, having emerged from this web development industry, went further towards developing custom web applications or software; some others started producing their own innovative products. Armenia has also produced a number of “pure” startups which have raised significant funds from Silicon Valley and demonstrated successful exits.

Some notable successes in B2C:
- PicsArt, a photo editing, collage and drawing app with developed social features, which recently reached 100 million active monthly users. It has raised $45 million, with Sequoia Capital being among key backers.
- SoloLearn, an online community of mobile code learners, which has attracted so far more than $1 million in funding, and over five million members.

Some notable successes in B2B:
- Monitis, which was acquired by GFI, a leading software player, and later sold to TeamViewer.
- Teamable, a B2B solution with AI – a sort of LinkedIn for teams – has raised a $5 million Series A round led by True Ventures.
- Integrien, a systems-monitoring company, founded by Al Eisaian, an Armenian serial entrepreneur living in the USA. Integrien was acquired by VMware for $100 million. Eisaian then founded IntelinAir, with a development office in Armenia.
- Joomag, a digital publishing platform, has secured more than 500,000 business customers.
- Codefights, a platform which helps software engineers to practice and improve their skills and companies to hire the best talent, has more than 500,000 active users and has raised $12.5 million.

All these startups are incorporated in the US, but R&D teams are located mainly in Armenia.

There’s a dozen or so game development companies, a few of them can be considered very successful. In most cases, the games are published by third-party publishers.
At the end of the day, there is no predominant sector in the Armenian startup scene, as it is quite diversified.

**How many startups and startup entrepreneurs are there in Armenia?**

We’ve carefully mapped Armenia’s tech ecosystem, and we’ve identified more than 100 tech startups. Perhaps there are a few dozen more, so called "stealth startups." This is in a country of three million inhabitants — and essentially in a city of one million. By comparison, Estonia has around 400 startups. So, the ecosystem is not massive, but we already have success stories, exits, and the startup scene as a whole is developing very fast.

The startup movement became notable in the second half of the 2000s, with the first hackathons as well as the first notable exit (Monitis being acquired by GFI). The first acceleration program for startups opened in 2014 and was powered by the Microsoft Innovation Center.

**Who invests in local startups?**

The startup investment market in Armenia is not that well developed yet. Individual investors invest rarely and not in a structured way; but an angel investor network was formed in late 2017 ([http://bana.am](http://bana.am)). There are no family offices yet. There are two venture funds, Granatus Ventures (13 companies so far) and Hive (US-based but targeting Armenian tech entrepreneurs).
Some of the entrepreneurs with successful exits have invested in other startups. More recently, affluent businessmen from other industries have also started to ask questions as they see the potential of startups. There is also a lot of interest coming from foreign funds. There is an impressive number of Russian funds, including the RVC, Buran Venture Capital, that are coming here several times per year, organizing educational events, competitions, demo days, and meeting with entrepreneurs as potential investees. Funding also comes from the USA, as exemplified by the above-mentioned rounds of SoloLearn and Teamable, which involved US funds Silicon Valley funds Learn Capital and True Ventures, respectively.

Are corporations interested in Armenian startups?
There are several significant examples:
- Microsoft has a non-profit acceleration center, the Microsoft Innovation Center Armenia.
- Nokia opened its "mLAB" but since Microsoft acquired Nokia, the fate of this center remains to be defined. Perhaps it will be merged with the Microsoft Innovation Center Armenia.
- VEON (formerly VimpelCom) one of the world's largest telecom companies, is holding its annual Eurasia Mobile Challenge in Armenia.
- Ameriabank, owned by Ruben Vardanyan, a billionaire living in Moscow, supports startup contests and hackathons.
- Ucom (formerly Orange Armenia) also has a track record of supporting startup and game development competitions.

Of course, there is also corporate interest in Armenia's engineering force. An example is the Armenian National Engineering Laboratories (ANEL) with industrial equipment supplier National Instruments, as one of the main founders, as well as USAID backing.

How is the local innovation ecosystem structured?
Armenia’s startup scene boasts a number of very active communities and initiatives, among which meetups of various kinds where entrepreneurs and developers can get together and get to know each other. There are such meetups almost every week, and most of them are held in the capital, although recently Gyumri and Vanadzor (Armenia’s second and third largest cities, respectively) have seen the emergence of local startup scenes (see the map of tech entrepreneurship in Armenia: http://goo.gl/FtkVt1).

There’s a couple of tech parks in Yerevan, and two others Gyumri and Vanadzor. There are also a couple of active incubators and accelerators. One of them is powered by the New Technologies Education Fund (NTEF).

Armenia has an IT association, mainly for IT service providers, but no startup-, business angel- (BA) or venture capital (VC) associations yet.

There are, however, a couple of dozen startup NGOs. For example, Startup Armenia (a policy think-tank), Girls In Tech Armenia (an education initiative which teaches women how to code), and CEED Armenia (an EU program that teaches leadership skills to entrepreneurs) and many others.
Does innovation enjoy significant support from the authorities at the country or local levels?

In Armenia, innovation enjoys support only at the country level, and mainly from the Prime Minister and the Minister of Economy.

In 2016, the department responsible for IT policy was moved from the ministry of economy to the ministry of telecommunications, but unfortunately, the authorities did not create a dedicated structure like in Georgia.

So far, this policy has brought its first (modest) results. There is a privileged tax regime for tech startups (http://goo.gl/gXr8mc), and some support of infrastructure projects such as the development of tech parks. Thus, the government supported the Gyumri and Vanadzor tech parks.

There’s also an initiative to establish Armath Engineering Laboratories in each of the country’s 2,000 public schools. This is a private initiative with private donors, both individual and corporations, led by the Union of Information Technology Enterprises (UITE). The government has greenlit and welcomed this initiative and, as of Nov. 2017, there are 210 labs across the country.
What about international public organizations?
Some infrastructure projects are co-financed by such public organizations. For example:
- The World Bank co-financed the tech park in Gyumri, the GTC Gyumri Technology Center;
- USAID co-financed the Microsoft Innovation Center Armenia;
- German development agency GIZ supports a startup grant program by the Enterprise Incubator Foundation;
- The EU and the German government are supporting the Science and Technology Entrepreneurship Program of the Enterprise Incubator Foundation.

Are startups appealing to the young generation?
Society is not hugely aware of and/or interested in the startup scene, yet the topic is dramatically raising its appeal. Due to unemployment, difficult career choices as well as pessimism about corruption, the young generation sees startups as a chance to succeed. A number of non-academic educational institutions have added software courses, or replaced their more traditional classes (e.g. cooking, accounting) with them.

The City of Yerevan has supported and co-organized hackathons, but has not done much more than that.

The media, in turn, have a positive attitude: they like to write about success stories whenever they happen. There are two specialized online media about tech in Armenian, a radio program on high-tech and startups, and a pretty popular TV program.

Finally, can your country’s innovation ecosystem be considered as mature? How do you envision its development in the future?
I would call the ecosystem “emerging,” “fast-growing” and in the process of maturing, because there are all the components: incubators, two VC funds, a BA network, government support, as well as support from foreign donors. There are also some strong connections with Silicon Valley and Moscow through the diaspora.

Given the country’s state of development and economic situation, its complicated relation with its neighbors (e.g. tensions with Azerbaijan; Iran still under sanctions), growing the innovation ecosystem is the only chance for Armenia to get prosperity in a globally integrated manner.

(December 2017)

- Hayk Asriyants is one the pioneers of Armenia’s tech entrepreneurship ecosystem. Since 2011 he has been organizing competitions (StartUp Cup, Startup Weekend, hackathons), hosting Global Entrepreneurship Week in Armenia, and running Startup Armenia, a policymaking think-tank and a member of Startup Nations. In 2016, he was included in the New Europe 100 list and recognized as one of the 100 change-makers in Central and Eastern Europe by Financial Times, Google, Res Publica journal, and Visegrad fund. Holding a mentor certification and firmly believing in the importance of promoting entrepreneurship, Hayk spends part of his spare time pro bono coaching and mentoring aspiring entrepreneurs and startups. He is also a frequent speaker and facilitator at innovation and entrepreneurship events and conferences.
MANUK HERGNYAN OF GRANATUS VENTURES: “ANGEL AND PRE-SEED STAGE INVESTING IS NOW TAKING OFF IN ARMENIA”

Manuk Hergnyan provides details about his fund, Granatus Ventures, which has pioneered the Armenian venture scene, and share his views about this still embryonic industry.

When and how did your fund start?
Granatus Venture Fund I is the first Armenian venture capital fund. Back in 2013, we were three partners — Pierre Hennes, Yervand Sarkisian and myself — to embark on the journey of creating an IT-oriented VC fund in Armenia. The local IT sector had grown rapidly since the early 2000s, driven primarily by multinational companies establishing a presence in the country and the development of IT outsourcing. The development of startups with their own tech product and a global sales strategy came as a second step, inspired by a few success stories.

At that point — it was the very early stage of the country’s startup ecosystem — we felt there would be a huge potential if early entrepreneurs and risk-takers could enjoy the support of an institutional investor. We ourselves needed to set an example by taking the high risk of creating the first venture capital fund. Although we were aware it was a tough business, especially in a newly emerging ecosystem, we captured the historic chance to become the first mover.

Who are your backers?
The early capital commitments were made by a close circle of investors, primarily from the diaspora, who trusted us and were ready to take risks. They were also willing to contribute to the development of a new, promising sector in Armenia’s economy. This private capital was matched by government funding in the framework of a World Bank program on E-society and Innovation for Competitiveness to foster an innovation ecosystem in Armenia.

In further rounds, the fund attracted new private investors from a wide range of countries, including Australia and the USA. We also established a Global Advisory Network comprising experienced venture investors, tech entrepreneurs and professionals from different countries to help us source and evaluate deals, add value to portfolio companies, and make strategic decisions.

What is your investment strategy?
We are an early stage investor investing primarily in seed rounds — typically, from $100,000 to $500,000, in exceptional cases beyond this bracket. We invest in two types of companies: the outbound and the inbound types. Outbound companies are those having started in Armenia but with a global or regional strategy. Inbound companies are startups with origins outside Armenia, but carrying out core value added activities in Armenia (primarily as a result of our investment). In most cases these startups set up R&D units in Armenia — which is a part of our value proposition, since we help them source high quality talents at a comparably affordable cost.

As early stage investors, we look for exceptional teams with balanced skillsets and competencies, preferably with some previous joint work experience. We are technology-agnostic, but prefer technologies that have a disruptive potential, such as AI / machine learning, Big Data, Internet-of-Things, robotics

We love to co-invest with other VCs and investors. A solid list of Silicon Valley based VCs have invested in our portfolio companies, be it in the same or follow-on rounds. Generally, our portfolio companies raised 12 times as much capital as what we invested ourselves.
Why aren’t there more local funds in Armenia?

The Armenian high-tech entrepreneurship ecosystem is still at the embryonic stage and the pipeline is not thick enough yet to absorb very large capital amounts. However, there is a need for more angel and pre-seed stage investing. This type of investment is now taking off. The value chain from science to production and commercialization doesn’t fully function yet, which also limits attractive investment opportunities.

On the other side, the institutional VC culture and practice is little developed, particularly in the high-risk equity space. Contributing to that are a lack of trust towards the jurisdiction, a lack of strong track record, liquidity concerns, etc. The market and society need some time to adopt a new culture of investment.

A part of our mandate is to contribute to the development of the funding component of the ecosystem. As early stage investors, we’re interested in sharing risks and attract follow on investments. Therefore, we are strongly interested in the emergence of new funding institutions.

Recognizing all these constraints and gaps, we recently undertook new initiatives aimed at enhancing early-stage startup creation rate. First, we joined forces with the Seaside Startup Summit to roll out a series of global startup camp events in Armenia, UAE, India, Singapore and other countries. The Summit’s unique setting in the form of fireside tent camp spurred strong interest from startups and investors in the region.

We are also currently planning to launch incubation and acceleration programs with affiliated angel investors networks (in partnership with Seaside Startup Summit) in a holistic framework with regional outreach.

As we strongly believe in the fast growth prospects of the ecosystem, launching the next much larger fund will be a natural evolution of Granatus activities shortly.

- Manuk Hergnyan is co-founder and managing partner at Granatus Ventures. He also founded EV Consulting, a leading Armenian management advisory and corporate finance firm with offices in Yerevan and Moscow, and serves on the boards of several high-tech companies and public sector organizations. Mr Hergnyan holds an Executive MBA from Oxford University, Ph.D. in Economics from Moscow State University and MA in Economics from Yerevan State University.
**TEAMABLE RAISES $5 MILLION TO WIDEN TALENT POOL BY TAPPING INTO SOCIAL NETWORKS**

**VENTUREBEAT, APRIL 12, 2017**

By Bérénice Magistretti

Teamable, which provides recruiting software for businesses, today announced funding of $5 million, led by True Ventures. The startup wants to help businesses connect employees' social networks to Teamable's software as a service (SaaS) in order to increase referrals to open positions.

“The last three years, recruiters have seen a rise in technologies being brought to market that help optimize workflows and create systems of record in HR,” wrote Teamable cofounder and CEO Laura Bilazarian, in an email to VentureBeat. “The next logical step is for recruiters to tap into machine learning and social networks to improve recruiting and HR.”

How it works: Employees connect their social networks (Twitter, Facebook, GitHub, and others) to Teamable and use the tool to search for and refer people in their networks. Company recruiters then use Teamable to source what they call "passive talent" and request introductions from their employees to qualified candidates.

Teamable uses artificial intelligence (AI) algorithms to suggest candidates based on job requirements, skill sets, experience, and other factors. As candidates get referred by employees and referral requests get sent by recruiters, Teamable tracks conversions to interviews, offers, and hires, and improves future referral suggestions by incorporating the data into its algorithms.

The SaaS offering is sold as an annual subscription — the price is based on the number of employees in the company. Teamable claims to have more than 50 customers, including Lyft, Stripe, and Baidu.

Teamable isn't the only startup in the recruiting sector to raise capital.

Whether it's WayUp helping students find their dream job or Beamery using customer relationship management (CRM) to treat job candidates like customers, VC cash is pouring in. Bilazarian views other, more established companies like LinkedIn and Indeed as direct competitors, however.

“What sets Teamable apart is that our smart algorithms surface candidates based on the unique qualities and needs of each company, rather than keyword searches that yield candidate pools that are too general to be useful to recruiters,” she wrote.

SaaStr Fund joined True Ventures in today's investment. The new capital will be used to further develop Teamable's data engine, improve the matching algorithms, and hire more people in sales and marketing. “We will also be integrating with more partners and applicant tracking systems (ATS),” wrote Bilazarian.

Founded in 2013, Teamable has raised a total of $5 million and has 36 employees across its offices in San Francisco and Yerevan, Armenia.

*Read the original story in VentureBeat: [https://goo.gl/4jngf6](https://goo.gl/4jngf6)*
Menu Group, a food delivery startup operating in Armenia, Georgia, and Belarus, has raised $3 million from US funds Perea Capital, Hayastan 1, and Latvia’s SOLventures, headed up by Delivery Club founder Levon Oganesyan.

The new injection of cash will be invested in further technological development of its services and expanding into new markets.

"The funds raised will allow us to accelerate our growth, elevate our management and expertise, and adopt an agile, data-driven approach to maximize efficiency, while putting the needs of our customers, partner restaurants, dedicated couriers, and all other company staff at the heart of what we do,” said Vahan Kerobyan, founder of Menu Group.

The company claims it delivers one million orders a year in Armenia, Georgia, and Belarus. In August of this year, it acquired the Georgian operations of Foodpanda, the German food delivery company owned by Delivery Hero. The company expects to end 2017 with revenues of $3 million.

"We are very much encouraged by the results achieved by the Menu Group team within the Armenian, Georgian and Belarusian markets," added SOLventures’ Levon Oganesyan.

"Acquiring investment will enable the company not only to boost its position in existing markets but also to expand its geographical presence."

All of the new investors will be joining the Menu Group board of directors, alongside previous investors Granatus Ventures from Armenia.

Read the original story in Tech.eu (http://goo.gl/nuRdS6) and see more insights about Menu Group in Part 6 of this report: http://ewdn.com/files/cee_featured.pdf
The research and development efforts of this country, whose main source of revenues has been oil so far, is carried out essentially within corporations from this industry. However, over the past years, the authorities launched several initiatives in a bid foster the country’s high-tech sector and develop entrepreneurship, while some telcos and universities developed innovation-related activities.

- There are at most 500 startup projects, including just teams without a registered company, almost all located in the capital Baku.
- With a couple of VC funds and a few discreet individual investors, startup investment activity does not exceed $1-2 million per year.
COUNTRY BACKGROUND

POPULATION: 9.9 million (2017)
- 54.8% of urban population (2016)
- 4.9% unemployment rate (2015)
- 25.5% with tertiary education (2017)

GDP: $35.7 billion (2017)
- Average growth rate 2014-16: 0%
- Per capita: $17,993 (2017)

LABOR FORCE BY OCCUPATION (2014)

AZERBAIJANI HAPPINESS

85th

The country ranks 85th in the UN’s World Happiness report (2014-2016)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

LOCAL FUNDS INVESTING IN TECH STARTUPS

Khazar Ventures
khazarventures.com

InvestAZ
www.invest-az.com

AZ Finance
www.azfinancegroup.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- 3 local venture funds
  SOURCE: EWON EXPERT NETWORK

VC MARKET DATA

- Estimated amount of deals: $1-2 million per year
- Estimated number of deals: unknown
  SOURCE: EWON EXPERT NETWORK

RECENT NOTABLE DEAL

- January 2017: Fatal Fight, an Azerbaijani online game, was sold to iTech Media Solution, an Estonian company (see article below)

NOTABLE TECH PARKS, INCUBATORS AND ACCELERATORS

AppLab
applab.bakcell.com

Barama Innovation and Entrepreneurship Center
https://barama.az

High-Tech Park Azerbaijan
www.hightech.az

Next Step
www.cnexstep.com

Sumgait Technologies Park
www.stp.az

SUP
http://sup.az
Tech entrepreneur and event manager Agahuseyn Ahmadov describes Azerbaijan’s embryonic startup ecosystem and its development prospects.

How developed is Azerbaijan’s startup ecosystem?

There are 500 projects at most, including just teams without a registered company. They are almost all located in Baku.

The country’s main source of revenues has been oil for the past two decades. There were and there are related research and development efforts, but essentially within corporations, not in startups.

There is also some innovation activity the telco sector, through corporate incubators. In particular, Azercell has launched the Barama Innovation and Entrepreneurship Center (a six-month incubation program with support from Cisco, USAID and Seedstars World), while Bakcell has its own AppLab. Still, this is not enough to talk about a mature or strong segment.

Among the rare cases of major startup successes is Golden Pay, a payment company which started some ten years ago. Since 2011, they have developed Hesab.az, a big online platform for payments with hundreds of thousands of users.

But now the country is trying to change, to develop towards entrepreneurship. There is a new government strategy, exemplified by a program providing funding to family businesses in the agro sector. There’s also a grant program for startups, conducted by the telecom ministry, through which over the past few years a dozen of startups received up to $15,000.

The government has also backed the High-Tech Park Azerbaijan, as well as several co-working spaces intended for all kinds of your companies, not only startups. Meanwhile, a huge tech park project by the sea has been dropped.

Also, a few universities have developed innovation-related activities. These include the Baku Engineering University with their tech park and startup contest YeniFikir, the Azerbaijan State Economic University, and the Baku State Oil and Industrial University.

What about investors?

The main player is Khazar Ventures, which has been active over the past few years. This is the only fully dedicated and really investing in startups. They organize various initiatives, including startup weekends, and dealing with foreign funds.

Among the initiatives supported by Khazar Ventures is SUP, a startup accelerator launched in 2015. It is a major player on the local startup scene, involving several international mentors and organizing three batches per year.

A few other funds, for example AZ Finance and Invest.az, claim that they are ready to invest, but they are coming from other sectors, and just starting to look the tech startup market.

1. The High-Tech Park (http://en.hightech.az) is part of the so-called “Golden Triangle,” established upon a presidential initiative in 2013 in a bid to diversify the economy and foster the country’s high-tech sector. The Golden Triangle also includes a high-tech fund and an IT university. The three organizations are controlled by the Ministry of Communications and High Technologies.
Some individual investors (rather than business angels in the full sense of the term) put money in startups, without any particular knowledge of, or dedication to, this sector. They usually keep their deals confidential or secret.

**Are foreign tech funds interested?**

There has been no example of a major deal so far involving a foreign venture fund and a local startup, to my knowledge.

**Have there been notable exits?**

In late 2016 Fatal Fight, an Azerbaijani online game, was sold to iTech Media Solution, an Estonian company. This has been the only major case so far.

**Are young people aware of, and attracted by startup opportunities?**

Awareness is growing... But the perceptions, expectations and approach are not very mature... Young people read articles about success stories articles, but they usually do not realize it's hard job to do. So many of those who try will easily give up or jump to another project...

**What about politicians?**

In words, they say that entrepreneurship should be supported, and some first steps are made indeed. Not huge ones, but this is still a start. There have been a few notable projects as we said, and a favorable tax regime applies to any young company.

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**AGAHUSEYN AHMADOV:**

“THE COUNTRY IS TRYING TO CHANGE, TO DEVELOP TOWARDS ENTREPRENEURSHIP”

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○ Agahuseyn Ahmadov is Regional Associate for CEE Region at Seedstars World, the largest startup competition in emerging markets. In Azerbaijan, his home country, he previously founded a car-sharing startup and served as community manager at SUP, the first startup accelerator in Azerbaijan.
Khazar Ventures, the only fully-dedicated tech fund in Azerbaijan, was created in 2014 with the support of local individual investors. His founder Mammad Karim shares his vision of the young local startup market.

Why aren’t there more tech-oriented funds in the country?
VC funding is a very new instrument for local investors, who are usually more traditionally-minded. There have been no spectacular achievements or inspiring track record in this field so far.
Another reason for Azerbaijani investors’ reluctance to invest in tech startups is the challenge of finding talents locally. We are approached mostly by enthusiastic guys who may have good ideas but no means or credible plan to implement them technically.

Do you expect the local startup ecosystem to get more mature in the foreseeable future?
I would say it at the very early stage. A lot remains to be done to develop the ecosystem, from coordination between participants to the legal environment. But the entrepreneur mindset is deeply rooted in the Azerbaijani nation, from the very beginning.
This is a positive thing which makes Azerbaijan a good geography for investment. We love to work we love to start things; if [the innovation ecosystem] will be organized and structured in the right way, things will go smoothly.

Do you invest only in Azerbaijan?
We used to invest only in Azerbaijani startups until in 2016, then we started to invest in other startups a variety of geographies, including the USA (e.g. Wetrravel), Turkey (Shrippey, Emlaktown), Dubai (Cyclee, Maliyya.com, Wandaf), and Germany (TicketSetup, OrderHunt).

○ A serial entrepreneur and investor, Mammad Karim is the founder of Khazar Ventures, the first investment funds for early-stage startups in Azerbaijan. He is also leads an accelerator program for local startups, helping them grow locally and expand globally. Mr. Karim has also launched two online media channels and a digital marketing institute.
As the Azerbaijani game market is starting to develop, Fatal Fight, a product developed by Togrul Samad and his team — the most popular locally produced game so far with 5 million Android downloads — has been purchased by Estonian company iTech Media Solution. The news was announced Samad on his Facebook page.

The terms of the deal have not been disclosed, but according to sources the sum amounted to three years of revenue.

"We started to develop this game in the summer of 2014. The development process took six months and we released the first version in Azerbaijan. After analysis, we made some changes to the game and launched on the global market in May 2015," Samad told Report.

"Twenty-two people, including freelancers and permanent team members, participated in the project. Apple included the game in its best games category as soon as we released the iOS version. The product is among most downloaded games in such countries as the United Kingdom and Russia."

"Most changes were made based on user feedback. I remember that we added an arms shop into the game because it was requested by users. We also added a female hero because users wanted to play with girl character," he added.

This is an adapted version of a story published in Report.az

http://goo.gl/3Y7rAL
Belarus, which has a strong legacy from the past in terms of engineering force, is currently shifting from an outsourcing model to a more product- and innovation-oriented IT industry.

The recent acquisition of two Belarusian startups, MSQRD and AI-Matter, by Facebook and Google, has become a source of inspiration for many local entrepreneurs and investors. However, the local innovation scene is at an intermediary stage of development, with still relatively few local and international players supporting startups.

The December 2017 law on the digital economy could be a game-changer. A variety of activities are concerned, from IT outsourcing to startup innovation, to cryptocurrencies, to ICOs. Not only could this new legislation stimulate local projects, it also aims to attract foreign investors, entrepreneurs and tech teams to Belarus.
COUNTRY BACKGROUND

POPULATION: 9.5 million (2017)
- 77% of urban population (2016)
- 1% unemployment rate (2015)
- 87.9% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $48.1 billion (2017)
- Average growth rate 2014-16: +0.29%
- Per capita: $17,654 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017, WORLD BANK

LABOR FORCE BY OCCUPATION (2015)

- Agriculture: 9.7%
- Industry: 23.4%
- Services: 66.8%

SOURCE: CIA WORLD FACTBOOK

BELARUSIAN HAPPINESS

The country ranks 81st in the UN's World Happiness report (2014-2016)

SOURCE: CIA WORLD FACTBOOK

Minsk business center – Night view (photo credit: Depositphotos)
BELARUS

STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

AMONG NOTABLE LOCAL VC FUNDS

Haxus
www.haxus.com

VP Capital
www.vpcapital.com

Zubr Capital
www.zubrcapital.com

AMONG LOCALLY ACTIVE INTERNATIONAL VC FUNDS

Almaz Capital
www.almazcapital.com

Altair Capital
www.altair.vc

Flint Capital
www.flintcap.com

SOME PROMINENT LOCAL BUSINESS ANGELS

Alexandr Chekan, Sergey Divin, Roman Gromov, Dmitry Gurski, Igor Mackhanek, Vadim Nareiko, Valery Ostrinski, Viktor Prokopenya, Kirill Voloshin...

NOTABLE TECH PARKS, INCUBATORS AND ACCELERATORS

Hi-Tech Park
Belarus
www.park.by

TechMinsk
www.techminsk.com

Imaguru Startup Hub
www.imaguru.co

Insight
http://insight.tdi.by

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

• Up to 5 local venture funds
• 10-20 active business angels

SOURCE: EWON EXPERT NETWORK

VC MARKET DATA

• Yearly amount of startup investment: up to $100m (not including M&As))
• Roughly 100 deals per year

SOURCE: EWON EXPERT NETWORK

NOTABLE DEALS (2016-17)

• March 2016: Facebook acquires MSQRD (https://goo.gl/U3K2yM)
• August 2017: Google acquires ALMatter (see article below)
• August 2017: Flo raises $5 million (see article below)
A fine observer of the Belarus startup scene (Imaguru, TechMinsk Accelerator), Hanna Aranovich describes its main supporters and its appeal in the eyes of the young generation.

**Which tech fields do Belarusian startups usually focus on?**

Many companies in Belarus focused on AI (see the map of the Belarusian AI landscape in Part 3 of this report “AI: The new powerhouse of Europe?”). There is also high interest in VR, agritech and healthtech. And since recently many startup entrepreneurs have started developing fintech and blockchain projects, following the strong global market demand.

However, people here are very technical. Marketing and sales are certainly a weaker point.

**Who invests in Belarusian startups?**

There are several funds, including Zubr Capital the first private equity firm founded in 2010 and specialized in equity investments in private Belarusian companies; Haxus, which provides seed (and sometimes pre-seed) capital plus very strong business support to tech startup teams with the potential to succeed on a large international scale; VP Capital, the investment vehicle of Viktor Prokopenya, established in London but still investing in Belarus.

Business angel activity should also be mentioned. Belarus has a BA network called BBAN (https://bban.co); they launched a school for angels in early 2017.

Corporations are starting to show interest in startups, with large companies creating business incubators.

**What have been the most notable cases of startup investment or exit deals over the past few years?**

MSQRD, which had developed a face recognition technology, was acquired by Facebook in 2016, with Zuckerberg announcing the deal personally on his blog. This was an inspiring exit for the startup community in Belarus. Then in 2017 AIMatter, which specializes in image processing technologies, was acquired by Google.

Among the largest deals in 2017 one may mention PandaDoc (raised $15 million in May) and Flo (secured $5 million in August).

**How is the local innovation ecosystem developing?**

There are more and more initiatives. Sometimes several tech events are held the same day in different cities of the country! Among the organizations providing support to tech entrepreneurs and startups, one may mention Imaguru, a pioneering startup hub created in 2013 by Tania Marinich and Nastia Khamiankova. They have a co-working space and run meetups, hackathons, big events and conference such GEW and Venture Day Minsk. Imaguru is also the initiator of Business Angels Academy and the TechMinsk accelerator.

The Minsk startup community is also supported by such platforms as EventSpace, Talaka and others.

A central spot in the high-tech and startup scene is government-backed High Tech Park (HTP), which aims to develop software, information and communication technologies and increase the competitiveness of the national economy. Among their most famous residents are IBA IT Park, ITransition and EPAM Systems.
HANNA ARANOVICH: “THE ECOSYSTEM IS NOT MATURE YET, BUT LOCAL AND FOREIGN PLAYERS ARE GETTING INVOLVED AND BELARUS IS READY FOR A NEW LEAP FORWARD”

How is the young generation getting involved in tech activities?
Startups are appealing, due in particular to the global success World of Tanks, Viber, MASQRD, AlMatter, as well as EPAM. These companies were all founded in Belarus or have strong links with the country. So more and more young people believe that they, too, can launch a successful company.

In addition, there are IT or tech-related laboratories in all universities, due the presence of such major outsourcing companies as EPAM, ITransition and IBA. Literally, starting from the third grade, students are or feel ready to get involved in real projects and work for the international market.

Beyond the startup community, the whole nation is now aware of the word “startup,” which is no longer considered to be kids games like a couple of years ago.

Finally, would you describe the local startup ecosystem as mature?
It would be far from reality to say so. But Belarus is quite competitive at the regional level, and it definitely has a strong potential to develop further. Local investors have shown readiness to invest, international players are getting involved, as witnessed by the deals of the last two years. The country could make a leap forward very soon, should the new legislation announced in December 2017 be applied adequately.

(December 2017)

Until 2017 Mrs. Aranovich was International Communication Manager at Imaguru and startup coordinator at TechMinsk Accelerator. She is now CMO at Neosound in Estonia.
IN AN UNPRECEDENTED MOVE, PRESIDENT LUKASHENKO LIBERALIZES HIGH TECH ACTIVITIES AND ICOs IN BELARUS

By Adrien Henni

December 22, 2017 could go down as a turning point in the history of the Belarusian economy. That day, the country's president Alexander Lukashenko signed a law “On the Development of a Digital Economy” which introduces thorough changes in the legislation, aiming to liberalize the high tech sector in the country.

A variety of activities are concerned, from IT outsourcing to startup innovation, to cryptocurrencies, to ICOs. Almost all the regulations of the Law are set to come into force three months after its publication.

The key provisions of the law can be summarized as follows:

- High tech companies, including startups, will receive additional tax benefits and see their international payment operations simplified.
- International investment agreements in this field can be based on English law.
- Cryptocurrency mining and exchange as well as ICOs are being liberalized with zero taxation on mining and trading activity.

"Belarus will become the first government in the world that opens wide opportunities for the use of blockchain technology. We have every chance of becoming a regional center in this area," Lukashenko said in a statement in his website.

From enthusiastic reactions to actual implementation

The new law has triggered a variety of reactions in IT and investment communities even beyond Belarus. "Congratulations! A giant step for humanity!," commented Alexander Borodich, a Russian VC operating internationally, on Facebook.

"We can only be jealous of how quickly issues are resolved in Belarus," wrote Olga Pascal from Moldova.

"Yonatan Brender, managing partner of the Israeli Fund Atooro, was quoted as saying: "This legislation solves the biggest problem faced by the IT community in Belarus: the lack of adequate legal instruments for foreign venture funds to invest in the country. The law is fully aligned with international norms. It will make Belarus a regional hub in the field of technology – which is much more than just outsourcing." Time will tell how this law will be applied and its actual impact on the tech sector. "Much will depend on how the international community will react, and whether or not the Belarusian authorities will be able to build a trusting relationship with businesses," said Viktor Prokopenya, one of the businessmen who lobbied the law.

Belarus also needs to raise its education standards in the field of technologies in order to fully realize its potential, believes Prokopenya. In a hint to the challenge of building a modern economy in an authoritarian state, the businessman also called to "develop dialogue, criticism and the variety of opinions in Belarus."

Regional impact

Belarus’s move is being followed closely in neighboring countries, which also need to address the challenges of the globalized tech market and to regulate such new practices as ICOs. The new Belarusian legislation will certainly become a point of reference for them, if not a source of inspiration.

The new Belarusian law might also create new challenges to countries like Russia or Ukraine, should their own IT companies decide to move their head office to Belarus or even relocate there entire teams to benefit from Lukashenko’s IT-friendly legislation.

Read the original story in East-West Digital News: http://goo.gl/mPPSzy
KEY PROVISIONS OF THE DEC. 2017 BELARUSIAN LAW “ON THE DEVELOPMENT OF A DIGITAL ECONOMY”

I. Favorable conditions for IT companies

The law creates unprecedented conditions for resident companies of High-Tech Park (HTP), the state-back tech park launched in Minsk in 2005, whose special legal status is being extended until January 2049.

1. HTP residency is now open to software development and IT businesses specializing in the following activities (the list is not exhaustive):
   - Design, development, support, sale, maintenance of software and (or) firmware based on or using the Blockchain and distributed database;
   - Mining, cryptocurrencies exchange activity, cryptocurrency converter activity, other activity using token;
   - Neural networks and other algorithms in Artificial Intelligence;
   - Unmanned vehicle driving systems;
   - Medical technologies and biotechnologies;
   - Cybersport activity;
   - Software publishing and promotion;
   - Business processes outsourcing.

2. New tax benefits are being introduced as part of the HTP’s special legal status. Specific additional benefits aim to stimulate IT product development. Foreign entities will enjoy a 0% income tax rate.

3. HTP residents’ activities will be simplified. In particular, companies will be able to open and use accounts in foreign banks without the authorities’ permission, while most restrictions to electronic money operations are being lifted.

4. International investment deals involving HTP residents can be made according to English Law. This concerns, in particular:
   - Agreements on granting right of first refusal to execute contracts;
   - Convertible loan agreements;
   - Property loss indemnity agreements;
   - Agreements on liability for labor pirating;
   - Non-compete agreements with employees;
   - Agreements to issue irrevocable powers of attorney

II. Cryptocurrencies and tokens are put in circulation in Belarus.

The authorities claim they are creating "an unprecedented regulatory environment for the circulation of cryptocurrencies and tokens."

The law defines the rights of physical and legal entities in terms of token circulation. Legal entities are entitled to possess tokens, create and list their own tokens through HTP residents, buy and exchange tokens, and perform other operations using tokens only through cryptocurrency exchanges and cryptocurrency exchange operators.

As for individuals, not only are they allowed to perform cryptocurrency mining and possess ICO tokens. They can also exchange tokens, buy and sell them for Belarusian rubles, foreign currency and other electronic currencies.

Even more striking is the cancellation of any taxation in the field of mining and token trading operations. These will not be considered as entrepreneurial activity, and the revenues they will generate will not be subject to declaration by individuals. Turnovers, profits (income, proceeds) from various operations with tokens will not be taxable until January 2023.

For more information:
http://goo.gl/xBAZrp
FLO RAISES $5 MILLION FOR ITS AI-POWERED PERIOD-TRACKING APP

VENTUREBEAT, AUGUST 11, 2017

By Bérénice Magistretti

Flo, an app that tracks women’s health from periods to pregnancy, announced today funding of $5 million. The round was led by returning investor Flint Capital, with participation from model and activist Natalia Vodianova and other angel investors.

Women can download the app on both iOS and Android for free and start logging in their menstrual cycles and symptoms. "Currently, there are over 50 symptoms to track, and this number is likely to double in the future," wrote Flo founder and president Yuri Gurski, in an email to VentureBeat. "Users can keep track of their sexual activity, sports, water intake, vaginal discharge, contraception, moods, pains, and much more."

Gurski, who funded startups like MSQRD and Prisma through his investment firm Haxus, founded Flo in 2015 in Minsk, Belarus.

The app employs neural networks to analyze and predict menstrual cycles. "The use of machine learning increased predictions accuracy by 54.2 percent, with the prediction error reduced from 5.6 to 2.6 days," wrote Gurski. "The more symptoms are logged, the more unique patterns the algorithm is likely to find in a woman’s cycle."

Today, Flo claims to have 10 million monthly active users (MAU) and counts approximately 100,000 women getting pregnant each month using the app.

One feature Gurski is particularly proud of is what he calls the network of “digital sisterhood.” “We’ve recently launched a Quora-style Q&A service within Flo, where users can discuss their most burning intimate issues with experts and other users, anonymously,” he wrote. “We are seeing amazing results; it is truly a strong community of like-minded peers.”

Other period and ovulation tracking apps include San Francisco’s Glow, which was also founded by a man (PayPal cofounder Max Levchin), and the female-led Clue, which was founded in Berlin.

Sweden-based Natural Cycles, another active player in the market, recently announced being the first app to be certified as a method of contraception by the EU.

For now, Flo fuels its growth with investor money, having raised a total of $6 million to date. The startup is, however, exploring new ways to monetize, Gurski said.

“A good example might be paid DNA tests which could provide a user with more personalized content and health insights,” he wrote.

“This is something still to be tested.” Today’s fresh injection of capital will be used to further develop Flo’s AI technology and expand into the U.S. market.

The startup is in the process of opening an office in San Francisco and currently has a little over 30 employees.

Read the full story in VentureBeat: http://goo.gl/oM39L9
GOOGLE ACQUISITION BOOSTS AIMATTER’S EFFORTS TO “REVOLUTIONIZE IMAGE PROCESSING”
VIA VENTUREBEAT, OCTOBER 3, 2017

By Katherine Lazarevich, co-founder and managing partner at Digiteum

At the beginning of the year, Google CEO Sundar Pichai discussed the company’s key areas of focus. He said that, aside from allocating some funds for investments in AR, VR, and cloud technologies, Google will be an “AI first” company. This statement could very well explain one of Google’s latest takeovers.

Google has acquired Belarusian startup AIMatter. As usual, the terms were left undisclosed. The company was originally funded by Haxus, an investor that has already backed a number of AI projects, including the Russian-built photo filtering app Prisma.

AIMatter first drew attention with Fabby and Fabby Look, advanced image processing apps that use neural networks to transform images and videos in real time. Google’s acquisition of the company shows the search giant’s belief in the startup’s potential to transform image processing.

According to a Haxus report published soon after news of the acquisition broke, the AIMatter team came up with a next-generation image processing technology that allows it to “run deep learning models in real time directly on smartphones.” In other words, it puts something as complex as computer vision into a lightweight, offline app.

Prisma Labs was one of the pioneers in AI-based image processing technology that’s fast enough for the mobile environment. Soon after debuting a location-based feed, Prisma introduced a new product for the web that allows users to create their own filters.

In turn, AIMatter introduced a way to process portrait images and video to recolor, refine, and intelligently extract and transform parts of visual content.

The computer vision side of this technology is based on layers of neural networks trained on servers that run directly on smartphones. This makes the solution faster and more elegant than its predecessors. However, the true prize exists far beyond the current application.

Why this innovation matters

AIMatter’s SDK for image processing is a unified AI-powered toolkit with rich potential. In fact, this technology already has a high potential for application. First, it showcases the use of computer vision in everyday life. The application of self-learning neural networks allows machines to detect and respond to certain visual cues — something that is easy for a human brain to process, but complex in terms of math (...) This branch of AI is practical and seen as attractive, especially in process automation and driverless technology.

Second, advanced image processing capabilities contribute to visual search development (...).

Finally, advanced image processing that is lightweight enough to use on a personal device will become accessible with image processing innovation.

With Google’s strong backing, the technology introduced by companies like AIMatter can be applied in a variety of unpredictable ways. The same goes for the potential of the talented individuals who built the technology. Giants like Google keep their attention on the startups that grow in the AI ecosystem, be it computer vision, robotics, or NLP-powered chatbots. In fact, this is the best way for monoliths to follow the AI first approach.

Read the full story in VentureBeat:
http://goo.gl/1zzRX2
In the absence of local funds and substantial government support, there is no startup ecosystem in Bosnia and Herzegovina in the full sense of the term. However, the local innovation scene is far from being empty, with startups emerging in such fields as gaming, IoT, Big Data, digital media and e-commerce.

These startups are supported by several tech parks, incubators and acceleration program, with increased participation from universities. Many of these initiatives enjoy the support of international donors.

Local startup investment activity is supported by some business angels as well as by South Central Ventures, a EU-backed regional fund. No data is available about these deals.
COUNTRY BACKGROUND

POPULATION: 3.8 million (2017)
- 39.9% of urban population (2016)
- 26.26% unemployment rate (2015)
- N/A with tertiary education
  SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $16.5 billion (2017)
- Average growth rate 2014-16: +2.02%
- Per capita: $10.491 (2017)
  SOURCE: CIA WORLD FACTBOOK

LABOR FORCE BY OCCUPATION (2013)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
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<tr>
<td>Industry</td>
<td>19%</td>
</tr>
<tr>
<td>Services</td>
<td>30%</td>
</tr>
</tbody>
</table>
  SOURCE: CIA WORLD FACTBOOK

HAPPINESS IN BOSNIA AND HERZEGOVINA

The country ranks 90th in the UN’s World Happiness report (2014-2016)
LOCAL VC FUNDS

No local VC fund

AMONG LOCAL BUSINESS ANGELS

Edin Mehic, Adnan Manzo, Adnan Catic

LOCALLY ACTIVE INTERNATIONAL VC FUND

South Central Ventures
www.sc-ventures.com

NOTABLE TECH PARKS AND INCUBATORS

BIT Centar
www.bitcentar.com

ICBL
Innovation Centre
Banja Luka
www.icbl.ba

Intera
www.intera.ba

Spark
www.spark.ba

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- No local venture funds
- More than 10 business angels

SOURCE: EWON EXPERT NETWORK

VC MARKET DATA

- No data
MARKO ZELJKO: “BOSNIA AND HERZEGOVINA MAY BECOME A BLOSSOMING TECH AREA, THE ‘SILICON VALLEY’ OF THIS REGION OF EUROPE”

A tech entrepreneur and a figure of the startup scene in Bosnia and Herzegovina, Marko Zeljko is currently Startup Manager & Business Developer at SPARK, a privately-held IT startup accelerator based in Mostar.

Which fields do Bosnian startups mostly focus on?
Our current activity and data show that startups are largely focused on IT innovations, especially in fields of gaming and sports data, IoT, Big Data, digital media and e-commerce. Of course, projects are being developed outside of these areas, too, but IT is currently the most prominent field in the country’s innovation ecosystem.

Are there many startups and entrepreneurs in your country?
Bosnia and Herzegovina is still developing its startup ecosystem and is gradually bringing the entrepreneurial way of thinking to a higher level. There is a substantial number of promising startups in different stages of their development, yet the efforts of accelerators and incubators, and their local and international partners, are essential in further building the startup community in the country.

Who invests in startups in Bosnia and Herzegovina?
The concept of investing in startups is still quite new in Bosnia and Herzegovina. There were significant investments made in startups in Mostar and Sarajevo, but we, as a community, are still working on raising awareness of all the benefits that investing in startups can bring. The return on investment can be excellent, taking into account the low costs of living and working in Bosnia and Herzegovina, and being able to launch products in international markets.

Still, currently, there is no dominant form of financing for startups, and most investments are more of an exception rather than a rule. There is no VC fund focused on startups in Bosnia and Herzegovina; the ones that are indeed looking for possibilities to invest are usually from neighboring countries.

These foreign tech funds show more and more interest in startups from our country.

Are local or foreign corporations working with startups in Bosnia and Herzegovina?
Yes, both local and foreign corporations are interested in startups and in collaborating with them. To develop such relations, we receive support from such organizations as regional development agency REDAH (with which SPARK and its startups have a recurring collaboration), the Swiss Entrepreneurship Program (connecting startups with international experts, potential investors and business angels),¹ as well as GiZ,² the UNDP, MarketMakers and others.

An example of corporate support is about SPARK itself. We enjoy a privileged partnership with NSoft, an internationally-oriented developer of software solutions for online gaming and sports betting. They help us attract the best lecturers and mentors, and bring value in other ways to our startups and the people attending our school.

¹ The Swiss Entrepreneurship Program (2015-2019) aims to create jobs in Serbia, Albania, Bosnia and Herzegovina, Macedonia, Peru, and Vietnam by improving the local entrepreneurship ecosystem.
² The Deutsche Gesellschaft für Internationale Zusammenarbeit (GiZ) GmbH has been working in Bosnia and Herzegovina on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) since 1995.
Do innovators from Bosnia and Herzegovina enjoy other forms of international recognition?

They surely do. For example, all SPARK startups are encouraged to participate in international startup competitions and conferences, and they have got some amazing results so far.

Thus, VRET won the first prize at Betapitch Mostar 2017, an event organized in partnership with Berlin’s Betahaus, so they will visit the German capital in December to compete for the main Betapitch prize.

Another startup, Amplius Electronics, was featured in a number of tech publications and other online resources during their crowdfunding campaign for their smart keychain Rubico.

Our startups are regularly invited to conferences such as PODIM in Slovenia, Spark.me in Montenegro, Sarajevo Unlimited in Bosnia and Herzegovina, SHIFT in Croatia, and the European-wide Betapitch conference, among others.

How is the local innovation ecosystem structured?

The role of accelerators and incubators is important — sometimes essential — to generate the critical mass of people that can shape the startup community.

Universities are getting more involved, too. They have begun to understand the importance of connecting students with the labor market even before they have finished their studies — and startup activity is a good way to do this connection.

No significant or well-organized structure supports innovation to a sufficient, systematic extent, but with support from several players (MarketMakers, GIZ, AHK, FIC, UNDP, USAID...), some good initiatives have recently come up. The situation improves day after day, and we are ready to help all interested parties understand what happens in the startup community and harness the potential of these developments.
Does innovation enjoy significant support from the authorities?
Local and state authorities do not realize the importance of startup communities as an important driver for innovation and the country’s future development. As a consequence, there is no specialized fund and no strategy to support this kind of entrepreneurship. Some institutions may show a willingness to engage with the startup community, but such initiatives are generally originated a few individuals.

What’s more, the ill-conceived legislation does not stimulate potential investors or funds. So, those willing to invest in startups in the country are often discouraged to do so.

Do international public organizations play a role in supporting innovation in the country?
Indeed, organizations like the Swiss Entrepreneurship Program, GIZ, USAID and others play an important role. They do so especially through their support programs, grants and open events where interested startups receive valuable advice and information.

In addition, such initiatives tend to draw social attention to startup-related opportunities in Bosnia and Herzegovina, which is quite a good thing.

Are startups appealing to the young generation?
Startups and innovation (especially in IT) are very appealing to the young generation. We receive a constantly increasing number of applications for our startup program. Young people recognize the importance of the skills and competences that can be acquired in the field of innovation, and they are eager to know more about their options and possibilities.

They like to participate in our open events, startup program presentations, hackathons, conferences, forum, panel discussions, and more.

Startups and innovation are positively covered by the local and national media, the topic raises interest among the population.

Finally, would you say that your country’s innovation ecosystem is mature?
Bosnia and Herzegovina’s innovation ecosystem cannot be considered as mature, but it is developing quite fast and it is going in a good direction. With the continuous support of key players from the startup community, as well as the educational system, international organizations, the government and the public, Bosnia and Herzegovina may become a blossoming tech area, the “Silicon Valley” of this region of Europe.

- SPARK is an acceleration platform for startups and corporate projects from Bosnia and Herzegovina and beyond. Its programs SPARK school, SPARK r&d, SPARK startup and SPARK business are intended for young people willing to learn new skills, engineers working on hardware solutions, entrepreneurs with new business ideas and businesses that need help in new areas (www.spark.ba).
Located in the heart of Bosnia and Herzegovina, Sarajevo is the capital city that's a very fertile ground for developing your own business. Various startup pioneers and enthusiasts already recognized Bosnia’s entrepreneurial potential and are creating the startup ecosystem.

Even though modest in comparison to other European startup communities, its size is of high significance for the socio-economic development of the local community. With unemployment level being over 50%, finding educated, skilled and motivated young people to boost up your business would definitely NOT be one of your problems. With international organizations eager to develop this post-war community through entrepreneurship, the amount of available financial support is definitely increasing. Without further due, let's get you going, let's explore your options!

**What to see in Sarajevo**

One stroll through the main streets and you'll get carried away by the picturesque mixture of Ottoman and Austrian-Hungarian architecture, small, locally-owned restaurants will make you want to stop by every way-too-often and people will charm you with their welcomingness.

Want to know more about the culture? Make sure to stop by Sarajevo Traveler's site! Sarajevo Traveler is a startup itself! Neat, right?

**Engage with the energetic local startup scene**

The startup community of Sarajevo replicates the atmosphere of the city itself: the number of people is small yet they are all very diverse. Same goes for startup ideas. Even though one might assume replication of already existing ideas that have not yet seen this conservative market is what only works, entrepreneurs are proving them wrong – products and services are just as diverse as people are!

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**SOME OF SARAJEVO'S AdvANTAGES:**

- The simple ten-steps-long procedure to have your startup officially and legally ready to be open for business. In order to register your company (or Drustvo sa ogranicenom odgovornoscu – D.O.O. in Bosnian language) you only need €500 as your founding capital and most of the registration forms can be accessed online.
- VAT of only 17%
- Top-notch engineers from local state and international universities who are eager to get involved due to the insane youth unemployment rate (57%).
- Ski resorts, hiking, and biking trails only 20 minutes away from the capital.
- Incredibly low living costs while being located in Europe.

**THINGS TO KEEP IN MIND:**

- Relatively small domestic market (3-4 million people in Bosnia and Herzegovina) which can be negative if you need a big testing market but great if you consider how easy it is to meet the right market.
- Bureaucracy – that is not an obstacle when registering your business but sometimes can be in the later on stages. Public sector support finally recognized the potential startups carry and are offering new incentives.
- Old-fashioned investment mindset should not discourage you as there are startup and innovation centers where you can meet the right people!
WHERE TO LOOK FOR INFORMATION AND MEET PEOPLE:

• Fondacija Mozaik: A social enterprise investing primarily in leadership and youth entrepreneurship.
• Networks: A business center and coworking community
• Ant Colony: A software company that helps entrepreneurs, innovators and inspired people to build products.
• Restart: A business embassy for the diaspora.
• Youth Employment Project: An internationally-funded initiative to support entrepreneurship programs
• HUB38: A workplace that aims to to build a vibrant IT community

ANNUAL FESTIVALS & CONFERENCES:

• Sarajevo Unlimited
• Sarajevo Business Forum
• Link 2017
• Tedx Talk Stari Grad

FIND YOUR CO-WORKING SPACE:

• NEST71 (part of HUB387): for experienced IT entrepreneurs.
• SPARK: promotes new technologies and lifelong learning
• ZeDA: for all the young people who are “stuck” in their apartments or local coffee places.
• WIP (Work in Progress): Where talented people of all ages meet and work together, IT enthusiasts predominantly. WIP also offers free courses for professional improvement.

FINANCING IN BOSNIA AND HERZEGOVINA:

Since startups as a concept are very new to this country with a traditional investing mindset, financing your startup definitely does not come in easy. Crowdfunding platforms, angel and VC investors currently do not exist. The previously mentioned programs are probably the most effective way of reaching out to individual investors as they are organized by business centers which specialize in startups. Some municipalities offer startup grants, generally reserved for local residents.

However, with the public and private sector recognizing the importance of startups at an increasing rate, it is without a doubt that capital firms and investors will have a stronger presence in this country. Additionally, some incubator programs are open already – although not directly in Sarajevo: BIT Centar and ICBL (Innovation Centre Banja Luka)

ADDITIONAL INITIATIVES IN SARAJEVO & BEYOND:

• INTERA Technology Park: An NGO aiming to support technological and economic development in Herzegovina through startup incubation, education and networking.
• Zenica Development Agency (ZeDA) offers a business incubator, a tech park and several innovation development centers.
• SPARK Business Park: An infrastructural complex located in Mostar, the heart of Herzegovina, to promote new technologies and life-long learning, support investment, develop new products and services.
• Foundation Networks: supports the country’s startup via the creation of mentor and BA networks as well as a formal network of national and regional incubator and accelerator programs.

Read the full city profile in Startus http://goo.gl/31wjeP
Bulgarian has a well-developed IT industry which, over the past years, has been evolving from being engaged primarily in outsourcing activities to more innovative, R&D-related activities.

Venture capital activity is substantial, with local funds operating across the full investment spectrum, with support from the EU and the local authorities.

In the capital alone, more than 200 startups were funded in the past years. Sofia, which has a well-developed startup ecosystem, is on the verge of switching to the next stage, with corporates joining the ecosystem little by little.

Sofia plays host to several regional and global tech events, which have become an essential contact point between the local ecosystem and the global market.
**COUNTRY BACKGROUND**

**POPULATION: 7.1 million (2017)**
- 74.2% of urban population (2016)
- 9.1% unemployment rate (2015)
- 73.9% with tertiary education (2017)

*Source: Global Innovation Index 2017*

**GDP: $50.4 billion (2017)**
- Average growth rate 2014-16: +3.9%
- Per capita: $19,097 (2017)

*Source: Global Innovation Index 2017, World Bank*

**LABOR FORCE BY OCCUPATION (2016)**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>66.6%</td>
</tr>
<tr>
<td>Industry</td>
<td>26.6%</td>
</tr>
<tr>
<td>Services</td>
<td>6.8%</td>
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</tbody>
</table>

*Source: CIA World Factbook*

**BULGARIAN HAPPINESS**

The country ranks 105th in the UN's World Happiness report (2014-2016)

*Photo credit: Digitalk*
A MODEST INNOVATOR

Normalized score relative to EU average in 2010 (100):
Bulgaria 47.5; Sweden 143.6

Source: European Innovation Scoreboard 2016

What the EU statistics say...

Bulgaria is a Modest Innovator. Over time, performance has not changed relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are Intellectual assets, Employment impacts, and Human resources. Relative weaknesses are in Innovators, Finance and Support, and Attractive research systems.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining and in Manufacturing, a smaller share of employment in High and Medium high-tech manufacturing and in Knowledge-intensive services, a larger share of Micro enterprises and SMEs in turnover, a smaller share of Large enterprises in turnover, a larger share of foreign controlled enterprise, a larger share of enterprise births, lower GDP per capita, a higher growth rate of GDP, a lower and negative growth rate of population, and lower population density.
KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- Half a dozen notable local venture funds as of late 2017
  
  Source: EWDN expert network

- In 2016, local BA networks claimed 100 members; but just a few dozens of business angels are considered to be really active in the country.
  
  Sources: EBAN, EWDN expert network

VC MARKET DATA

- In 2016, InvestEurope recorded startup investment deals amounting to €5.5m and involving 7 Bulgaria-based companies. These numbers account only for a fraction of market reality: more than 200 startups actually received financing over the past years, according to BVCA, the local VC association.

NOTABLE LOCAL VC FUNDS

BlackPeak Capital
www.blackpeak-capital.com

Empower Capital
www.empowercapital.net

LAUNCHub
www.launchub.vc

NEVEQ
www.neveq.com

Rosslyn Capital Partners
www.rosslyncp.com

Eleven
www.11.me
MOST NOTABLE ACCELERATORS AND INCUBATORS

- **ABLE**
  - www.ablebulgaria.org

- **Founder Institute**
  - www.fi.co

- **LAUNCHHub**
  - www.launchub.vc

- **Start it Smart**
  - www.startitsmart.com

AMONG THE COUNTRY’S TECH PARKS

- **Business Park Sofia**
  - www.businesspark-sofia.com

- **Techpark Sofia**
  - www.sofiatech.bg

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- **Neven Boyanov** – A digital antrepreneur recently involved in creating DivaCare, a platform that helps women recover from breast cancer treatment.

- **Dimitar Dimitrov** – CEO at Tickey, an app that makes it easier for people to use public transport.

- **Anita Klasanova** – Co-founder and chief technologist at Roo Brands, which makes energy bars and cookies from fried fruits, raw nuts and superfoods.

- **Joana Koleva, Iva Tsolova, Anton Gavrailov** – Co-founders of Jamba, an online platform providing training and career assistance for disabled people.

- **Rossi Mitova** – CEO and founder at Farmhopping, an internet shopping platform connecting farmers and consumers.

- **Alexander Naydenov** – Co-founder at PaperHive, an online hub where scholars can collaborate in reading complex texts.

- **Plamen Russev** – This entrepreneur, investor and philanthropist is the founder of the Global Webit Series with locations in Sofia, Istanbul, Dubai, Singapore and New Delhi.

- **Zanni Sabev, Blagovest Dimitrov, Lyubmir Yanchev** – co-founders of Mclimate, which helps users control cooling and heating systems in their homes.

- **Janet Todorova** – Co-director at the Sofia chapter of the Founder Institute.

**SOURCES:** NEW EUROPE 100 CHALLENGERS 2017, EWDN
MARIA MARINOVA OF BVCA: “VENTURE ACTIVITY IS SUBSTANTIAL ACROSS THE FULL INVESTMENT SPECTRUM”

Marina Marinova is Director at the Bulgarian Private Equity and Venture Capital Association (BVCA). She provides here an overview of the country’s fast-growing startup scene and investment activity.

Which are the most developed sectors in Bulgaria?
The IT industry is among the leading sectors in the country and enjoys international recognition. With more than 70,000 IT specialists, Bulgaria has been ranked third in the world for the number of IT professionals per capita in a recent study.

Over the last few years, the Bulgarian IT industry has been pivoting from being engaged primarily in outsourcing activities to more innovative, R&D-related activities. Global IT leaders, such as HP, SAP, Microsoft, IBM, Cisco, Oracle and VMWare have R&D centers in the country.

The majority of Bulgarian start-ups operate in the fields of ICT, digital, engineering and medical technology. The country also hosts remarkable gaming, SAAS, cloud and space start-ups such as Imperia Online, Chaos Group (vRay Software), pCloud and iMediaShare, among others.

How does the start-up and entrepreneurial scene look like in Bulgaria?
Over the last few years, there have been more than 4,000 applications for funding and over 50 entrepreneurial conferences and workshops in the country. In terms of entrepreneurship, Sofia has even been listed among the 10 top cities in the world to launch a start-up by Forbes.

Can you give examples of Bulgarian tech companies having managed to establish leading positions on the global market?
Walltopia is just one example of a success story from Bulgaria. The company is a global leader in indoor climbing walls, exporting to over 50 countries worldwide. They claim to hold a market share of more than 50% in the USA and Europe.

Companies like Telerik (acquired by Progress Software in 2014 for more than $260 million), Chaos Group (the maker of the V-Ray software), among other, have boosted the reputation of Bulgarian engineers and developers around the world.

Other successful examples include ProViotic, the first vegan probiotic which has been endorsed by Harvard Medical School and Oprah, as well as Dronamics, which was awarded best start-up at the Pioneers Festival in Vienna.

How active are venture capitalists?
Venture capital activity is substantial, with local funds operating across the full investment spectrum and more than 200 Sofia startups funded in the past years. The majority of these funds are our members. There is also an increasing number of angel investors in the country.

What about foreign investors?
There are more and more examples of foreign investment in tech companies. It is worth noting that about 30% of startups in Bulgaria are set up by non-Bulgarians.
Foreign investors and entrepreneurs often get acquainted with the country via big international conferences such as Webit, Innovation Explorer and DigitalK as well as our own series of events called BVCA on Tour, which are held in various capitals around the world.

**What is the impact of international support programs?**

In 2010, Bulgaria was among the pioneers in the EU to transform grant support to SMEs into a large, market-based equity and debt instrument program. The Bulgarian Government, together with the European Investment Fund, structured the JEREMIE initiative to support the growth of SMEs. A balanced mix of financial instruments were launched, including seed, venture capital, scale-up equity, debt and guarantees.\(^1\)

**Can the Bulgarian innovation ecosystem be considered as mature? How do you envision its future developments?**

Bulgaria has a fully-fledged entrepreneurial ecosystem including accelerators, business angels, co-working spaces and strong engagement of global IT leading companies. This ecosystem is thriving, with fund managers supporting companies in their growth and competition on the market. The next steps for them are to assert themselves as regional and even global players, rather than remaining local players.

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1. Editor’s note: For example, the EIF made an initial commitment of €20 million into five Bulgarian PE funds – which in turn attracted a similar amount of investments from private investors. Among other examples of international support, America for Bulgaria has sponsored an entrepreneurship program, the Summer Entrepreneurship Program (SEP), for Bulgarian students.
A director of the Sofia chapter of the Founder Institute, Janet Todorova offers a thoughtful comparison between the evolution of the innovation ecosystems in Berlin and Sofia at different stages.

**How would you define a mature startup ecosystem?**

Such an ecosystem typically involves five types of players: entrepreneurs, investors, corporations, universities, and government authorities. One way to assess at what stage of development is an ecosystem, is to analyze which of these players are already present and active. Entrepreneurs and talents come first, followed by investors (VC, angels, accelerators, etc.).

The turning point is when corporations engage. First, they have the capacity to attract foreign talent — if you need that top-notch machine learning expert, it’s much easier to attract and hire foreigners deal with visa or work permit issues, for a large corporation than for a small startup. Once these experts are brought to the local scene, they gain local industry knowledge and a certain number of them quit their job to found or join a startup.

This process takes at least two or three years, as I could witness it in Berlin over the past five years. Berlin certainly is a great example with the influence of Rocket Internet, which attracted thousands of talented people from around to world. They eventually moved on to become entrepreneurs.

Second, corporations have the resources to establish startup accelerators and incubators, to initiate innovation projects within their industries of expertise. Every large German corporation has established a startup incubator or accelerator for the last five years. Beyond access to capital, the key benefits of corporate venture acceleration lie in access to industry knowledge, know-how and data. That’s what makes the biggest impact.

On top of this, German universities and government have become active too, by promoting entrepreneurship, designing education programs and adopting legislation to the needs of the emerging innovation ecosystem.

Thus, the Berlin startup scene greatly benefitted from corporations, which were able to source talent and provide funding as well as industry expertise.
Where does the Bulgarian ecosystem stand now, in this perspective?

As a rule, CEE ecosystems — including Sofia — are at the intermediate stage, with significant startup activity and access to funding to a certain extent. These players are mostly local, though.

Today, Sofia is on the verge of switching to the next stage, with corporates joining little by little to support the ecosystem.

A good example is Telerik Academy for software developers. Established in 2009, this organization supplies the local software industry with talent on a significant scale.

At first, Telerik established this Academy to meet its own demand for software developers. But in fact, this impacted the startup ecosystem, because tech skills suddenly became much more available to more people. It is worth noting that, in 2014, Telerik was acquired by a US company for $262.5 million, which marked the largest exit in the Balkans [https://goo.gl/eFUx5k].

The next milestone for Sofia is to have an industry-focused accelerator backed by a corporate fund. Thus, UniCredit Bulbank has established a fund to accelerate startups at the growth stage. There are a few corporates considering similar moves, but they are still in stealth mode.

There's already plenty of talent in Sofia, however these are usually people engaged in the outsourcing industry who may lack key product knowledge. I believe the way to go is to focus on one exciting industry and try to make Sofia the "top-of-mind" place to be for that industry — be it blockchain, AI, space, clean energy, education, or something else.

In relatively small countries, does the startup ecosystem concentrate on the capital or can it spread to smaller cities?

Today most capital cities in Central and Eastern Europe have developed the required infrastructure, at least at a basic level, to support early-stage startups. In the next five years I expect that every large city (not only the capital) in virtually all countries of the region will have established such an infrastructure. This means co-working spaces, mentor networks, regular startup events.

Then, some cities will become larger hubs with an industry focus, where startups will be able to grow to the next level — by entering a startup accelerator program, opening an office to access a larger market, receiving wider access to talent and capital, etc.

(November 2017)

- From 2014 to 2017, Janet Todorova was a co-director of the Berlin chapter of the Founder Institute. In 2017, she moved back to Bulgaria, her native country, where she joined the directors team of the Sofia chapter of the Founder Institute.
LAUNCHub Ventures launches new €18 million fund for Bulgarian seed investment

By Adrian Pica

LAUNCHub Ventures, a Sofia-based VC firm investing in early-stage startups in Bulgaria and the wider Southeastern Europe region, is announcing their second €18 million fund. They prepare to invest from €300,000 to €700,000 expandable up to €2 million per company.

They are looking at new companies in addition to supporting their existing portfolio. LAUNCHub Ventures’ managing team consists of Lyuben Belov, Todor Breshkov, Rumen Iliev, Stanislav Sirakov, and Stephane Gantchev.

They managed to secure this new fund from the European Investment Fund (EIF) and several unnamed investors.

The VC firm announced the fund’s first investment in HiCharlie, a chatbot for personal finance. Based in San Francisco, this startup was founded by Bulgarian entrepreneurs.

Founded in 2012, the first LAUNCHub fund of 9 million was actively investing until the end of 2015, offering pre-seed tickets of up to €200,000. It backed 62 startups which have attracted more than €20 million in follow-up funding.

Read the original story in 150sec.com: http://goo.gl/wiuLz9
Croatia

Key Country Facts and Trends

- With relatively few startups and a handful of local investors, startup activity is still embryonic in Croatia.
- Since local support infrastructure is insufficiently developed and fundraising opportunities are scarce, tech entrepreneurs tend to seek development opportunities with foreign partners.
- On the positive side, some domestic and foreign corporations have noticed the talent of local engineers and tech entrepreneurs, which they support through incubators and accelerators. Meanwhile, some successful local community initiatives confirm that Croatia’s potential in the field of high tech can be developed further.
COUNTRY BACKGROUND

POPULATION: 4.2 million (2017)
- 59.2% of urban population (2016)
- 16.2% unemployment rate (2015)
- 69.5% with tertiary education (2017)

GDP: $49.9 billion (2017)
- Average growth rate 2014-16: +1.35%

LABOR FORCE BY OCCUPATION (2014)

CROATIAN HAPPINESS

The country ranks 77th in the UN’s World Happiness report (2014-2016)
What the EU statistics say...

Croatia is a Modest Innovator. Over time, performance has declined by 1.4% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are Firm investments, Human resources, and Employment impacts. Relative weaknesses are in Intellectual assets, Attractive research systems, and Innovators.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining, a smaller share of employment in High and Medium high-tech manufacturing, a larger share of foreign controlled enterprises, a larger share of enterprise births, lower buyer sophistication, lower GDP per capita, a lower and negative growth rate of GDP, a lower and negative growth rate of population, and lower population density.

**Normalized score relative to EU average in 2010 (100):**

- **Croatia 54.7**
- **Sweden 143.6**

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Source: European Innovation Scoreboard 2016
CROATIA

MAIN LOCAL VC FUND

South Central Ventures
www.sc-ventures.com

AMONG LOCALLY ACTIVE FOREIGN VC FUNDS

ABC Accelerator
www.abc-accelerator.com/slovenia

eleven
www.11.me

Eleven
www.11.me

YCombinator
www.ycombinator.com

LAUNCHub
www.launchub.vc

LAUNCHub
www.launchub.vc

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

• A local venture fund
SOURCE: EWDN EXPERT NETWORK

• In 2016, local BA networks claimed 30 members; but just half a dozen of business angels are considered to be really active in the country.
SOURCES: EBAN, EWDN EXPERT NETWORK

VC MARKET DATA

• In 2016, InvestEurope recorded startup investment deals amounting to €3.8m. Local incubator ZIP offers a more realistic estimate at €14.8m (http://goo.gl/7cdiVX).

NOTABLE RECENT DEALS

• In 2016 Photomath, a Zagreb-based startup which has developed a “camera calculator,” raised €3m from undisclosed investors (source: ZIP http://goo.gl/7cdiVX)

• In December 2016, South Central Ventures invested €2m in Bulb Technologies (see below)

• In July 2017, Launchpad Venture Group, Launch Capital, Hub Angels, SideCar Angels, and Companyon invested $1.6m in Repsly (https://goo.gl/62rq8m)
STARTUP SUPPORT INFRASTRUCTURE & KEY PEOPLE

CROATIA

MOST NOTABLE ACCELERATORS AND INCUBATORS

- **Innovation Unit**: www.innovationunit.org
- **hub:raum**: www.hubraum.com
- **Startup Factory Zagreb**: http://startupfactory.tehnopark.hr
- **ZIP**: www.zipzg.com

AMONG THE COUNTRY’S TECH PARKS

- **Technology Park Varazdin**: www.tp-vz.hr
- **Zagreb Technology Park**: www.tehnopark.hr

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- **Nenad Bakic**: A serial entrepreneur who has helped change the way STEM subjects are taught in Croatian schools.
- **Ivan Brezak-Brkan**: Founder and CEO of Netokracija, the leading tech media in the Western Balkans
- **Yazeed Kawther, Stevica Kuharski**: Co-founders of Locodels, a sharing economy-based parcel delivery company
- **Luka Sučić**: Managing director at Nest01, part of HUB385, a major startup accelerator
- **Dominik Tomicevic**: Founder and CEO of Memgraph, a real-time graph database.
- **Matija Zuji**: Founder of Agrivi, a platform that helps farmers monitor and analyze crop data.

SOURCES: NEW EUROPE 100 CHALLENGERS 2017, EWDN
LUKA SUČIĆ OF HUB 385: “MOST GOOD INITIATIVES IN THE COUNTRY STEM FROM INDIVIDUALS OR SMALL GROUPS WHO WANT TO HAVE AN IMPACT”

The managing director of Nest01, which is a part of the knowledge and creativeness center HUB385 in Zagreb, Mr. Sučić analyzes the reasons of the underdevelopment of the local startup ecosystem, and the factors that could help it take off in the future.

Which tech segments do Croatian startups tend to focus on?

In Croatia, most startups focus on electronic hardware, IT and product design outsourcing. Electric car manufacturer Rimac and electrical, transport and energy company Končar, for instance, outsource electronics and hardware. Software development is also quite advanced, because of the country’s IT talent that can handle complex projects, embedded systems, enterprise and financial programs.

Are there many startups and startup entrepreneurs in your country?

Yes and no. If you compare Croatia to countries like Bosnia and Herzegovina or Albania, then yes, there are quite a few startups here. But if you compare it to some of the other countries around, such as Germany, Poland, the Czech Republic, Slovakia, Hungary or Slovenia, Croatia is miles behind. The most experienced Croatian entrepreneurs often start their ventures in Germany, the UK, the US or other countries, where there is an overall healthier business environment. The same holds true for experienced developers and other professionals: They tend to go working for big companies like Google, Facebook, and Microsoft.

Who invests in Croatian startups?

In Croatia, we have one business angel network, CRANE. It does make deals, but is not very active with regard to big investments. In total, there are three or four active angel investors in the country, who can invest from €50,000 to €100,000. There are no visible family offices.

The fact is that there is more buzz about investing in startups than actual investments.

A few regional and international VC funds tend to have Croatia on their radar, but they do not have a structured approach. They make appearances at events and conferences so startups are aware they exist.

Since there are very few opportunities to raise money in Croatia, these funds know that startups will eventually approach them when they start fundraising.

IoT workshop at Brave New World, an event held at HUB 385 in May 2017. (Photo credit: Hub 385)
Are local or foreign corporations interested in startups?

Yes, their attitude is positive. Domestic and foreign corporations notice the talent in Croatia as well as the innovation potential of the country. There are corporate incubators and accelerators such as Techstar’s METRO Accelerator, Deutsche Telekom’s hub:raum, Podravka’s Innovation Unit, and others.

This corporate activity hasn’t brought very significant results in the market so far, but it is still more substantial than the current VC activity.

Do innovators from your country enjoy other forms of international recognition?

In recent years, there has been a lot of hype around startups at various events, pitching competitions as well as in the media. In fact, Croatian entrepreneurs have been attracting so much local and international attention (e.g. awards, media coverage) that they have even started to avoid it.

The best example is Mate Rimac, founder of Rimac, who has received numerous awards over the years. Yet, winning those awards did not help him much in making his business a success.

Founders prefer anonymity. They focus more on the work than on the awards and media recognition.

How is the local innovation ecosystem structured?

The local ecosystem is not really structured when it comes to business angels, VCs and other players. Sometimes, the government makes a good step forward, then two steps backward.

South Central Ventures is the only real VC fund in the country. It has been supported by European and governmental organizations, but it has made only one investment in Croatia.

Universities do research, but their approach is more diploma-oriented and not yet commercial. There is still a lack of entrepreneurship programs at universities, although we have seen some progress over the last year.

There are several incubators like ZIP, Core and Impact Hub, but they do not bring enough value to startups. To be fully efficient, programs should provide young companies with money, which will help them reach their market.

At Hub 385, the new generation is getting prepared to its tech future.

(Photo credit: Hub 385)
Do the state or international public programs play a role in supporting innovation in Croatia?

Most good initiatives in the country stem from individuals or small groups who want to have an impact. For example, Osijek, a city in Slavonia, suffered a lot from unemployment. The local community took the initiative and created “Osijek Software City,” a project that managed to create more than 2,000 jobs.

In fact, in Croatia, good things happen when people start working together without expecting anything from the government.

As for international public organizations, there are many tenders for research and innovation, yet innovators tend to avoid them due to the bureaucracy that comes along. Startup entrepreneurs prefer to find more efficient ways to reach their goals.

Are startups appealing to the young generation?

Startup entrepreneurs are a big topic in the media and are often presented as role models. So yes, startups do appeal a lot to the younger generation.

Young people do not want to work a single job for the rest of their lives. They want to make a difference. They realize that just hanging around startups is like having an MBA – within a year they can get as much practical knowledge as nowhere else.

A couple of universities are starting to see that as well, and are making progress towards entrepreneurship. In general, though, the education system in Croatia is still very old-school.

Can your country’s innovation ecosystem be considered as mature?

The Croatian ecosystem is very underdeveloped, and there is still so much to be done until we reach maturity.

There are two main scenarios for the future growth of our country’s ecosystem. Either a Croatian startup will make an exit with a crazy valuation, or serious investment players will establish a structured approach to investing in young businesses in Croatia, thus, adding value to the market.

That will also help decrease the age gap. Many Croatian investors are old-school industry players who made their money in traditional industries and now blindly believe that startups work the same way.
South Central Ventures has invested €2 million in the Croatian company Bulb Technologies, making its largest investment to date.

Bulb Technologies is a Croatian solution provider for the telecom industry. Bulb's team is mostly focused on telecom management and Customer Experience Management (CEM) solutions.

This capital injection will enable the company to expand even faster to the global telecom markets, said Vedran Rezar, a co-founder.

"Bulb Technologies helps telecom operators deliver their key strategic priority today – a super customer experience. Over the past ten years, we have carried out numerous projects for leading telcos, and we are recognized as a partner of choice in telecom service management in Southeast Europe.”

Bulb Technologies has developed CEMPRESSO, a new-concept solution for customer support automation and knowledge management. It provides automated diagnostics and step-by-step guided troubleshooting of all telecom services. It also gives end-to-end visibility of the entire network, encompassing all infrastructure elements involved in service delivery.

With this investment, says Jure Mikuz, Managing Partner at South Central Ventures says, the fund is willing to support the global expansion of CEMPRESSO and Bulb's suite of proprietary products, making Bulb one of the leading suppliers of service assurance and CEM solutions to telecom operators worldwide.

"We are confident that, with our help, Bulb will expand globally and help telecoms around the world improve their customer satisfaction, which is crucial for the retention of their clients,” said Mikuz.

So far, Bulb has the leading telecom players as their clients using their portfolio. Deutsche Telecom, Croatia Telecom and Iskon, Telecom Austria, VIP, B.net are just few to name.

South Central Ventures, which has at its disposal €40 million, operates in the Balkan region, including Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Kosovo, Albania and Montenegro. This fund has already offices in Belgrade, Zagreb and Skopje and is primarily dedicated to early stage and growth investments. Before investing in Bulb Technologies, they supported Letz, CityExert, dryTools, Agrivi and WorkPuls.

Read the original story in SuperFounders: http://goo.gl/GbrkYT
By Jess Rapp

South Central Ventures (SCV) recently announced a €1 million investment in Croatian startup Sentinel Marine Solutions, which aims to build “IoT at sea” by providing the technology for “connected boats.”

Sentinel is the leading smart solution providing an overview of position and vital onboard systems for private boats and charter fleets in the Adriatic. While thousands of smart solutions are widely available for cars and homes, the boat industry has largely been ignored.

Sentinel has addressed this issue by developing software and hardware that is meant to provide boats with a ‘brain’ by bringing a boat’s data online within a single platform. Users can then monitor each boat’s location, the health of the vessel (batteries etc.), and usage information such as petrol station visits, ETA, and danger areas. Accordingly, the technology enables boat owners and rental companies to more closely monitor and control their boats and overcome some common obstacles specifically with regard to boat maintenance and logistics.

The investment from SCV was made through its Enterprise Innovation Fund (ENIF), in addition to participation from private Croatian investor Matej Tomazin. Sentinel will use the money to further its expansion in Europe, where almost 30,000 ships are sold each year, following a global market growth of 8% per annum. Plans to break into the US market are also on the cards.

Gregor Pipan, a passionate boat owner and entrepreneur, founded Sentinel in 2014 in Vodjnan along with a small team of developers. Since then the company has witnessed a substantial growth in the rental boat business and won Croatia’s “Best IoT Startup by GE” in the 2016 Central European Startup Awards (CESA).

“SC Ventures brings the necessary fuel to further expand the team and support our growth strategy at an aggressive pace”, said Marko Pihlar, CEO of Sentinel. “The challenge to connect every boat on the water is an ongoing one and is a crucial enabler for the ‘smart boat’ the industry is headed for. We are recognized as a specialist for rental boats and we will continue focusing on that industry, but we will now also be making a stronger move to the consumer market”.

This is not the first time that Balkans venture capital firm SCV has invested in a Croatian company. It is their third venture in the Croatian market, following their investment in Agrivi, a farm management software, and Bulb, a solution provider delivering projects in the telecommunications industry.

The recent investment in Sentinel will boost the company’s local and international expansion and strengthen its move to the consumer market. Creating huge amounts of data at sea where resources are scarce, Sentinel is providing not only a safer experience on the water, but a more relaxing one too.

Read the original story in 150sec.com:
http://goo.gl/jsMaLD
CROATIA’S FIRST ICO DEMOCRATIZES CRYPTOCURRENCY INVESTING
150SEC.COM, SEPTEMBER 19, 2017

By Zac Laval

Croatian fintech company Digital Assets Power Play (DA Power Play) kicks off the country’s first-ever Initial Coin Offering (ICO) for its DPP token with a two-day pre-sale lasting until 5:00PM CEST on September 21.

The pre-sale will be immediately followed by a public offering from September 21 to 25 that will allow cryptocurrency traders, funds, and investors the opportunity to use the company’s platform to build, share, and execute automatic algorithmic trading strategies.

As reported to Crypto Hustle by founder Matej Ujevic, automated trading in the cryptocurrency market currently accounts for only 30 percent of all trades, whereas it accounts for over 70 percent in traditional stock markets. Within the next three years, the company expects to have captured three to four percent of all cryptocurrency transactions using its platform.

DA Power Play’s goal is to do this by removing some of the obstacles associated with crypto-trading, thereby placing additional decision-making and execution power in the hands of novice and professional investors alike.

One of the most notable features of the platform is the "drag and drop" interface, which allows users of all skill levels to easily design an investment strategy that best suits their wants and needs, as shown in the video below.

“The DA Power Play platform simplifies crypto trading for everyday people and professionals alike by replacing the need for strict discipline with automated, artificial intelligence algorithms,” said Ujevic.

“By combining blockchain technology with scalable system architecture, trading can be easily accessible to anyone, regardless of their programming skill,” he added.

For many individuals and institutional investors, the decision to begin trading in the cryptocurrency market has been a challenge. Opening accounts with the exchanges, executing trades quickly, planning a strategy, and building tradeable financial instruments are just some of the difficulties these parties have faced.
DA Power Play, along with Krypto Investment Partners (KIP), developed KIP’s Eye System, which brings investors, developers, and strategists together to automate trading and boost returns by providing access to historical and live market data.

On the company’s platform, developers can create automated investment strategies and earn DPP tokens by offering their strategies to other investors and fintech companies. Similarly, fintech companies can also create investment strategies and make them available to other users, earning DPP tokens along the way. Lastly, investors can access various cryptocurrency exchanges by leveraging the strategies put forth by the other users or building their own. (see video: http://goo.gl/yJmF3H).

The ICO crowdsale for DPP will represent 25% of the total tokens available. The minimum target to be raised is $2.1 million, which will be used for further development of the company’s platform. The maximum is $5.1 million, of which the money raised would go to the company’s Operational Wallet for development of advanced artificial intelligence strategies and platform features.

DA Power Play is the fourth startup to pass through Cofound.it’s training platform for some of the world’s most promising blockchain startups. The two companies are working in conjunction for the ICO process.

Read the full story in 150sec.com: http://goo.gl/hGkBUk

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CROATIA’S FIRST ICO DEMOCRATIZES CRYPTOCURRENCY INVESTING
150SEC.COM, SEPTEMBER 19, 2017

Croatia’s first ICO democratizes cryptocurrency investing

STARTUP INVESTMENT & INNOVATION IN EMERGING EUROPE • COUNTRY SECTIONS
Czechia boasts a significant number of tech startups, many of which operate the field of IT and in particular cyber security, as illustrated the well-known examples of AVG and AVAST. More established players are thriving in the fields of software, scientific instruments, hardware, electronics and biotech.

- No less than 20 funds and support startup activity.

- Startup support mechanisms have developed rather locally than as a result of a national strategy. While Prague concentrates the better part of highly-qualified jobs, academic research and funding capacity, a structured startup support system has emerged in South Moravia. In such cities as Brno, Ostrava, Plzeň and Zlín, projects have been developed with support from local authorities and universities.
COUNTRY BACKGROUND

POPULATION: 10.5 million (2017)
- 72.9% of urban population (2016)
- 5.05% unemployment rate (2015)
- 66% with tertiary education (2017)
  
  SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $193.5 billion (2017)
- Average growth rate 2014-16: +3.2%
  
  SOURCE: WORLD BANK
- Per capita: $31,549 (2017)
  
  SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2015)

- 59.2% Agriculture
- 2.8% Industry
- 38% Services
  
  SOURCE: CIA WORLD FACTBOOK

CZECH HAPPINESS

The country ranks 23rd in the UN’s World Happiness report (2014-2016)

The Dancing Home in Prague (photo credit: Depositphotos)
The Czech Republic is a Moderate Innovator. Over time, performance has declined by 3.5% relative to that of the EU in 2010.

- **Innovation system:** Relative strengths of the innovation system are in Firm investments, Employment impacts, and Sales impact. Relative weaknesses are in Intellectual assets, Linkages, and Innovators.

- **Structural differences:** Notable differences are a smaller share of employment in Agriculture & Mining, a larger share of employment in Manufacturing, a larger share of employment in Utilities and Construction, a lower number of Top R&D spending enterprises and a lower average R&D spending of these enterprises, a smaller share of enterprise births, a higher growth rate of GDP, a lower growth rate of population, and lower population density.
### Among Notable Local VC Funds
- Credo Ventures [www.credoventures.com](http://www.credoventures.com)
- Inven Capital [www.invencapital.cz](http://www.invencapital.cz)
- JIC Ventures [www.jic.cz](http://www.jic.cz)
- J&T Ventures [www.jtventures.cz](http://www.jtventures.cz)
- Miton [www.miton.cz](http://www.miton.cz)
- Rockaway Ventures [www.rockawaycapital.com](http://www.rockawaycapital.com)
- Y Soft Ventures [www.ysoft.com](http://www.ysoft.com)

### Among Locally Active International VC Funds
- Inven Capital [www.invencapital.cz](http://www.invencapital.cz)
- J&T Ventures [www.jtventures.cz](http://www.jtventures.cz)
- Rockaway Ventures [www.rockawaycapital.com](http://www.rockawaycapital.com)

### Some Prominent Local Business Angels
- Ondrej Tomek, Karel Obluk, Tomas Cupr, Martin Kasa, Jan Vsiansky, Jiří Hlavenka – 42Angels.com

### Key Venture Facts & Numbers
#### Estimated Number of Investors
- Roughly 20 venture funds
  - Source: EWN Expert Network
- In 2016, local BA networks claimed 200 members (not all actually being active startup investors).
  - Source: EBAN

### VC Market Data
- In 2016, InvestEurope recorded startup investment deals involving 9 companies and amounting to €4.2m. This is probably an underestimation of the actual market size.

### Recent Notable Deals
- February 2016: CustomInk acquires Represent, a Los Angeles-based social commerce startup with Czech roots, for $100m [http://goo.gl/w7fcor](http://goo.gl/w7fcor)
- July 2016: Czech Avast acquires AVG, another Czech cyber security company, for $1.3bn (see below)
- August 2017: Acquisition of Slevomat Group, a major OTA, by Secret Escapes (see below)
MOST NOTABLE ACCELERATORS AND INCUBATORS

- InQBay
  www.inqbay.cz
- Point One
  www.pointone.czu.cz
- Node 5
  www.node5.com
- Prague startup center
  www.praguestartupcentre.cz
- StartupYard
  www.startupyard.com
- xPORT
  www.xport.vse.cz

AMONG THE COUNTRY’S INNOVATION CENTERS OR TECH PARKS

- South Moravian Innovation Centre
  www.jic.cz
- Technology Park Brno
  www.technologypark.cz

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- Petr Chaloupka – CEO and co-owner of GreyCortex, an AI company.
- Tomas Gogar, Tomas Tunys, Petr Baudis – AI researchers and programmers who created a startup called Rossum, which creates a neural network for understanding documents.
- Karel Kovar – Video-blogger, also known as Kovy, who has more than 600,000 followers on his main YouTube channels. In addition to pranks and parodies he discusses politics and social issues.
- Jan Lukacevic – Chief mechanical designer for the European Space Agency’s Predator experiment.
- Ivo Lukacovic – Founder of Seznam.cz, a portal and search engine, and Windy.com, an app that provides real-time data on wind.
- Cédric Maloux – CEO of StartupYard, and internationally-oriented seed accelerator in Prague; founder or advisor to several Czech startups.
- Marek Novak – Founder of X:GLU, which makes a credit card-sized smart glucometer that can help people better manage diabetes.

SOURCES: NEW EUROPE 100 CHALLENGERS 2017, EWDN
David Uhlíř, Chief Strategy Officer at the JIC innovation center in Brno, describes the decentralized innovation scene in Czechia, its main hot spots, social attitudes and government policies.

Which tech segments do Czech startups tend to focus on?

A significant fraction of Czech startups operate the IT field and in particular cyber security. Beyond AVG and AVAST, the biggest successes, there is also a significant number of medium-sized companies such as Cognitive Security (which was sold to Cisco a few years ago), Apiary (sold recently to Oracle), Flowmon, Netcope, Trustport and others.

When talking about mature companies (under 25 years of age, given the Czech history) there are several interesting players in the fields of software (e.g. Seznam.cz, Gooddata, Certicon, Kiwi.com), scientific instruments (e.g. Tescan, PSI, Delong Instruments), hardware and electronics (e.g. Jablotron, ERA, Ysoft, 2N), and a handful in biotech / fine chemistry (e.g. Biovendor, Contipro).

How is the Czech innovation ecosystem structured?

There is no central body to coordinate the efforts to support for startups – putting aside a recent initiative by CzechInvest to launch a dedicated website, Czechstartups.org, which acts mostly as a crossroad for information.1

In this bottom-up configuration, the efforts are rather scattered across regions, and relatively limited. They are often centered around university incubators or tech transfer offices – for example, VTPO at University of Olomouc, xPort at Prague University of Economics, or InQBAY at ČVUT in Prague. The most remarkable of them is arguably CPI at VŠB-TU in Ostrava, which also runs their own acceleration programs for university students.

Startups are also supported by dedicated local government-backed organizations and innovation centers, such as BIC in Plzeň, and TIC in Zlín, Technology Centre Hradec Králové and, more recently, Prague Startup Center and ICÚK in Ústí nad Labem, both with their own incubation programs.

Among privately funded accelerators, the most notable is StartupYard in Prague, backed by Credo Ventures which targets both local and international startups, and UP21.

The only region where one can talk of an organized ecosystem, given the number of actors concerned and the concentrated effort to operate as a platform, is South Moravia. This is where JIC runs its own incubation and acceleration programs, works with corporations and mature SMEs, and coordinates a regional innovation strategy. JIC also has its own, publicly funded investment vehicle, JIC Ventures, which takes minority stakes in startups.

Meanwhile Prague, with all its concentration of highly-qualified jobs and academic research, has offered by far the best pre-requisites for startup activity. A number of remarkable startups were born in the capital. However, on the policy side, nothing truly significant has been achieved until recently. A central platform or neutral facilitator has yet to emerge and be recognized to stimulate innovation in the capital. Brno or Ostrava are more advanced in this respect.

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1. At the national level, a number of projects have received support from European Structural and Investment Funds (ESIF) via their Operational Programmes, especially in the period 2007-2013. These grants were mostly used to support the construction of technoparks and incubators – essentially the bricks and mortar part. Only a few of these projects actually provide startups with value-added services.
DAVID UHLÍŘ: “SOCIAL INTEREST IN INNOVATION HAS GROWN OVER THE PAST YEARS, BUT MOST OFFICIALS AND POLITICIANS HAVEN’T YET MADE IT A PRIORITY”

Does innovation enjoy significant support from the authorities?
There have been sizable investments in the ‘hard’ infrastructure, however, often with ambivalent results. Recently, CzechInvest launched a series of new initiatives (www.podporastartupu.cz) essentially supporting the international expansion of the country’s startups, rather than their development at the earlier stages.

In early 2017, the Ministry of Industry and Trade considered creating a National Innovation Fund for startups, using ESIF funding and EIF expertise. This ministry is the key body when it comes to supporting startups and incubators. It is in charge of the ESIF Operational Program “Entrepreneurship, Innovation, Competitiveness.” (http://goo.gl/WJps6W).

As for innovation funding (R&D grants for businesses, including proof-of-concept funding) the key body is Technology Agency (TA ČR) (http://goo.gl/RQQiwR).

Are corporations interested in Czech startups or Czech researchers?
Over the last few years we have seen growing interest from corporations (both local and foreign-controlled ones) in Czech startups. At JIC, we support this trend by organizing “Open Innovation Sessions” to match corporates’ needs with solutions provided by startups and SMEs. Some large companies recently launched their own open innovation activities, most notably Škoda Auto DigiLab.

Corporations’ collaboration with universities may vary a lot, depending on the type of corporation. There is a good number of joint research projects (mostly funded by Czech grants, especially Technology Agency of Czech Republic (TA ČR) and or Ministry of Industry and Trade). The largest of these programs is “Competence Centres” run by TA ČR (http://goo.gl/fCwZ5h, http://goo.gl/xHcCHm).

Contract-based research projects are few and usually small by their size (typically, a few thousands of euros per project).

Do innovation and related topics attract attention in universities, the media, political circles?
Social interest in innovation has grown over the past five years or so. Media have become much more favorable to startups and entrepreneurship. The stigma of business being something dirty – a left-over from the times of ‘wild privatization’ in the 1990s – has disappeared at least partly.

Universities are also taking a more active stance (at least some of them, e.g. VŠE in Prague, Masaryk University in Brno, VŠB in Ostrava).

Meanwhile, most officials and politicians have not made innovation a priority - with the exception of South Moravia where this topic has been clearly regarded as a priority for the past 15 years.

(January 2018)

- David Uhlíř holds the position of deputy director for strategy at JIC (South Moravian Innovation Centre https://www.jic.cz/en), a leading innovation center in the Czech Republic located in the city of Brno, the second largest city in the country. Over the last 15 years he worked at different positions in regional policy and research and innovation policy (Czech Ministry of Regional Development, Regional Development Agency of South Moravia, and Czech Ministry of Education). He also spent four years as a seconded national expert at the European Commission, DG Research. Mr. Uhlíř holds degrees from Charles University in Prague, Czech Republic and a PhD from the Open University, Milton Keynes, UK.
By Adrian Pica

Avast has announced that they have entered into a purchase agreement in which the Prague-based cybersecurity giant will offer to purchase all of the outstanding ordinary shares of AVG for $25.00 per share in cash, for a total consideration of approximately $1.3 billion.

Avast is a Czech security software company headquartered in Prague, Czech Republic, that develops antivirus software and internet security services. Avast holds the biggest share of the world market for antivirus applications.

AVG is a family of Internet Security and Anti-Virus products developed by AVG Technologies, a publicly traded Czech company formerly known as Grisoft, that now has the HQ in Amsterdam.

Combining Avast’s and AVG’s users, the organization will have a network of more than 400 million endpoints, of which 160 million are mobile, that act as de facto sensors, providing information about malware to help detect and neutralize new threats as soon as they appear.

This increase in scale will enable Avast to create more technically advanced personal security and privacy products.

“We are in a rapidly changing industry, and this acquisition gives us the breadth and technological depth to be the security provider of choice for our current and future customers,” said Vince Steckler, Chief Executive Officer of Avast Software

“Combining the strengths of two great tech companies, both founded in the Czech Republic and with a common culture and mission, will put us in a great position to take advantage of the new opportunities ahead, such as security for the enormous growth in IoT,” he added.

The transaction is expected to close sometime between September 15, and October 15, 2016, depending on the timing of regulatory review.

Read the full story in 150sec.com: http://goo.gl/7RvJW3
By Ben Allen

Secret Escapes, the UK’s premium AirBnB getaway purchasing service, has been running a decent business in Central Europe for a while, but has gone further recently with its purchase of Czech competitor Slevomat Group.

Slevomat runs a Groupon-type business, offering a variety of services that fit within Secret Escapes’ usual portfolio, like spas and hotel bookings, and others which don’t, like clothing and subscriptions.

Alex Saint, Secret Escapes CEO, told Tnooz, “We have been competing with Slevomat for nine months or so [...] we know that large numbers of people from the Czech Republic travel internationally with the main destination Croatia. So that gives us the impetus to contract hotels there at the appropriate price point. We can also cross-sell inventory from across the group which will work for these source markets.”

As his remark suggests, Saint sees Central Europe as undervalued. Poland is currently Secret Escapes’ third biggest market, but it is still a business which essentially functions from a Groupon-esque flash-sales model.

While still cautious, the feedback and reviews of Secret Escapes tend to be much better than those of Groupon, despite the inherent problems in the voucher-sales model like how genuine the discounts are and the availability of the deals.

This, though, could be solved with platform functionality, much as Groupon has tried, yet Secret Escapes’ purchase of Slevomat has the added benefit of providing them an extra platform to try out. company on to one platform, but that is a long term goal.

For the moment Saint is happy with three different platforms providing local flexibility – flexibility which may provide avenues of development for the final platform.

Read the full story in 150sec.com: http://goo.gl/X2jUqA
By Ben Allen

The Czech government has allocated €40 million for SMBs to apply for up to €775,000 each to an ‘industry 4.0’ development fund.

The announcement-proper is set for December with applications being accepted between February and May 2018. Funds will be awarded to small- and medium-sized businesses developing technology aimed at automating manufacturing processes. In funding the frontier of the industry, the Czech Republic is taking a bold and forward-thinking stride into a global leadership role Industry 4.0, or ‘smart manufacturing’, refers to a shift from the objective of high-volume production to instilling a flexible capacity which enables the production of a wide variety of products built to suit customer requirements. This next stage of development in manufacturing builds on the maturation of advanced robotics, artificial intelligence, sophisticated sensors, cloud computing and big data analytics.

John Clemons, Director of Manufacturing IT for Maverick Technologies, refers to ‘smart manufacturing’ in his Forbes article as “technology [which] integrates traditionally distinct processes... [to] increase the speed, agility and flexibility throughout a company’s value chain, from product creation, through production and delivery.”

Smart manufacturing is in-vogue in the Central and Eastern European region at present, capitalizing on affordable skilled labor and low corporate tax rates.

Major regional player Y Soft, for example, has moved from outsource-development software, to supplying production solutions, to creating a VC arm which invests in Czech tech which develops the relationship between hardware and software.

Developing nations have traditionally begun by building tech sectors through outsourcing, which is achievable but — as India has found — does not contribute to the country’s intellectual property, nor does it retain profits within borders. If the Czech government can surpass the need for outsourcing and get out ahead of the pack with the latest developments in manufacturing, it could easily find itself a self-sufficient global leader.

A global trend

A move towards smart manufacturing is one echoed around the world, with Silicon Valley’s Plug and Play Supply Chain and Logistics accelerator having partnered with the industry’s biggest players to form their Innovation Platform. The accelerator program inducts startups for a 12-week stint in an effort to build on development and networks at the cutting-edge of the manufacturing industry. Businesses from the Czech Republic were among those competing for a spot in the program, with applications from 30 other countries, representing some of the world’s top institutions like University of Oxford, Harvard University and MIT.

The trend is pertinent to even the most developed countries as Michigan, an ex-manufacturing ‘rust belt’ state in the US is currently undergoing a move towards more technologically advanced forms of manufacturing, after having been subject to a decline in manufacturing jobs.

Advancements in manufacturing techniques are now leading to a situation where it’s even cheaper again to have home-grown factories manufacture products using the most up-to-date technology.

Read the full story in 150sec.com: http://goo.gl/sEM6gR
• Estonia began developing e-government as early as 1997; she has a favorable corporate tax regime and attracts entrepreneurs from across the world through its e-Residency and Startup Visa programs. The country also hosts the EU and the NATO cybersecurity centers.

• Estonia’s startup ecosystem is probably the most advanced and internationally-integrated in Central and Eastern Europe. The country has given birth to several global successes, starting from Skype in 2005, to Transferwise, Pipedrive and some others more recently. There are currently more than 400 technology-driven, scalable startups in the country – a high number if considering the country’s population of only 1.3 million people.

• Funding levels trail behind many Western European countries, but when looking at investment volume on a per capita basis, Estonia ranks above the UK, Germany, and France.
COUNTRY BACKGROUND

POPULATION: 1.3 million (2017)
- 67.4% of urban population (2016)
- 6.19% unemployment rate (2015)
- 69.6% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $23.5 billion (2017)
- Average growth rate 2014-16: +1.9%

SOURCE: WORLD BANK
- Per capita: $28.591 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2014)

- Agriculture: 3.1%
- Industry: 20.2%
- Services: 76.7%

SOURCE: CIA WORLD FACTBOOK

ESTONIAN HAPPINESS

The country ranks 66th in the UN's World Happiness report (2014-2016)

Night view of Tallinn (photo credit: Depositphotos)
COUNTRY BACKGROUND

E-GOVERNMENT

- As early as 1997, Estonia began developing e-government, allowing citizens to access many public services online, saving time and paperwork.
- In 2000, Estonia declared access to the Internet a “basic human right.”
- In 2001 it created the Digital Identity Card, which all citizens use to access everything from transportation to their medical records.
- In 2005, the government started allowing citizens to vote online, the first country in the world to do so.

ATTRACTING AND SUPPORTING ENTREPRENEURS

- In 2014 Estonia launched e-Residency, letting anyone in the world apply to be an Estonian e-resident. The program does not grant the right to live and work in Estonia, but allows e-residents to establish a business there from abroad and access certain e-services.
- The new Startup Visa program, implemented in early 2017, allows startup founders and employees to relocate to Estonia physically.
- According to Startup Estonia, it takes only 15 minutes to set up a business in Estonia, and just 3 minutes to do the taxes. Moreover, the corporate tax in Estonia is 0%, though dividends are taxed at 20%.

HIGH IN INTERNATIONAL RANKINGS

- Estonia has been ranked #1 by the OECD for tax competitiveness, #1 from the World Economic Forum for entrepreneurship, #1 for Barclays 2018 Digital Development Index, and #12 in the World Bank’s Global Ease of Doing Business ranking.
- However, the EU Innovation Scoreboard ranks Estonia as a “moderate innovator,” lagging behind its neighbors Sweden and Finland, and even Slovenia (see next page).
What the EU statistics say...

Estonia is a Moderate Innovator. Over time, performance has declined by 3.6% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Finance and support, Human resources, and Innovation-friendly environment. Relative weaknesses are in Innovators, Linkages, and Sales impacts.

- **Structural differences**: Notable differences are a larger share of employment in Manufacturing but a smaller share in High and Medium high-tech manufacturing, a larger share of employment in Utilities and Construction, a larger share of Micro enterprises and SMEs in turnover, a smaller share of large enterprises in turnover, a smaller share of enterprise births, lower GDP per capita, a higher growth of GDP, a lower and negative growth rate of population, and lower population density.
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

ESTONIA

AMONG NOTABLE LOCAL VC FUNDS

Ambient Sound Investments
www.asi.ee

karma.vc
www.karma.vc

SmartCap
www.smartcap.ee

Tera Ventures
www.tera.vc

SOME PROMINENT LOCAL BUSINESS ANGELS

Ahti Heinla, Jaan Tallinn, Marek Kiisa, Rain Rannu, Rein Lemberpuu, Ivar Silmar

AMONG LOCAL TECH PARKS, INCUBATORS ADN ACCELERATORS

BuildIt
www.buildit.ee

Climate-KIC
www.climate-kic.org

BioMed Incubator
www.biopark.ee

GameFounders
www.gamefounders.com

Tartu Science Park
www.teaduspark.ee

Tehnopol
www.tehnopol.ee

Tehnopol Startup Incubator
www.tehnopol.ee

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

• More than 10 local venture funds
  SOURCE: EWDN EXPERT NETWORK

• In 2016, the local BA association claimed 119 members, but no more than 50 BAs are considered to be really active in Estonia.
  SOURCES: EBAN, EWDN EXPERT NETWORK

VC MARKET DATA

<table>
<thead>
<tr>
<th>2016</th>
<th>Invested volume</th>
<th>Nb of deals or startups</th>
</tr>
</thead>
<tbody>
<tr>
<td>EstoniaMafia</td>
<td>€104m</td>
<td>43 deals</td>
</tr>
<tr>
<td>Tech.eu</td>
<td>€82m</td>
<td>48 deals</td>
</tr>
<tr>
<td>InvestEurope</td>
<td>€6.5m</td>
<td>-</td>
</tr>
</tbody>
</table>

According to community initiative EstoniaMafia, investment volumes grew steadily from 2006-2009 (around €5m per year) to 2016 (€104m), and reached €271m in 2017, including the giant Transferwise deal (http://goo.gl/X4oT8b).

This figure does not take into account ICOs and pre-ICOs which brought at least $215m to some 22 Estonian companies in 2017 (see Part 2 of this report: http://ewdn.com/files/cee_tokens.pdf).

MOST SIGNIFICANT RECENT DEALS

• Aug. 2016: Skeleton raises €13m (http://goo.gl/3W1DgL)
• Jan. 2017: Pipedrive raises $17m (http://goo.gl/2ue51Y)
• Jan. 2017: Starship raises $17.2m (http://goo.gl/ss9hqW)
• Oct. 2017: TransferWise raises $280m following a $26m round in May 2016 (see article below)
Mrs. Vavulski, Head of Startup Estonia, describes the main trends of the Estonian startup scene.

**Which tech fields do Estonian startups focus on?**
The Estonian innovation scene is very heterogeneous and we, as Startup Estonia, support various high-potential startups. The market is still very young and mostly driven by business-to-business (B2B) companies developing fintech, productivity, business and software development tools and solutions. Examples include TransferWise, Pipedrive and Testio, just to name a few.

Cybersecurity and e-governance are also quite important, since both the EU and the NATO cybersecurity centers are based in Estonia. Cybersecurity projects have to do with the Estonian e-government and electronic IDs.

Hardware has also been prominent in our innovation scene, especially since the ex-Skype founders launched Starship Technologies, a company developing autonomous delivery robots. What’s more, in Tartu, the second largest Estonian city, we have the BuildIt hardware accelerator.

**Are there many startups and startup entrepreneurs in the country?**
So far, Startup Estonia has created a list of 400 technology-driven, scalable startups in the country. If we broaden the definition of a startup, though, this number is probably going to rise. It is often said that Estonia has most entrepreneurs per capita. Our goal is to have more quality startups that have the potential to grow globally.

With programs like e-Residency and Startup Visa, we are also looking to attract foreign founders to start their innovative businesses in the country. Startup Visa, in particular, makes the processes of getting a visa and working permit easier for international entrepreneurs.

**Who invests in Estonian startups?**
The Estonian startup scene is on the radar of both local and foreign individual investors and funds. Skype’s ex-founders, for example, have backed two local finance vehicles: Ambient Sound Investments and Karma VC.

There are more than a hundred angel investors registered in EstBAN, the Estonian Business Angel Network, of which about a third are really active.

Local investors invest in early-stage companies, while bigger and later-stage rounds are usually led by foreign investors. Thus, in 2015, some 80% of the total startup investment amount came foreigners.

A number of Estonian startups, in fact, have been lucky to attract world famous investors. Jobbatical got an investment from Union Square Ventures, Pipedrive raised funding from Atomico, Bessemer Venture Partners and Rembrandt Venture Partners, Transferwise – from Andreessen Horowitz, and Funderbeam – from Draper Associates. And the list goes on.

Also, Estonian startups tend to collaborate by sharing their contacts and network, which makes it easier to reach out to and attract top-tier investors.

**Are local or foreign corporations interested in Estonian startups?**
The situation is getting better when it comes to corporates’ support for startups. Estonia is a small country and big corporations do not have large presence and offices.

A good example, though, is telecommunications company Telia. It created the VUNK corporate accelerator, which covers the full cycle from ideation and hackathons, to go-to-market strategy.
Banks are also opening in-house innovation units and accelerators. Swedbank together with the Tallinn Technical University created a very useful project called Prototron, providing prototyping infrastructure, money and other kinds of support for innovative ideas.

**How is your country’s innovation ecosystem structured?**

Startup Estonia is a state-backed umbrella organization to help supercharge the local startup ecosystem. It handles the communication with ministries, entrepreneurs, incubators and other initiatives.

Enterprise Estonia is one of the largest institutions in the national support system for entrepreneurship, providing financial assistance, counselling, cooperation opportunities, as well as training for entrepreneurs, research institutions, the public and non-profit sectors.

Universities, too, play an important role with various startup support programs and challenges.

**Does innovation enjoy significant support from national and international public programs?**

The Ministry of Economic Affairs is very helpful in providing loans and guarantees to startups. Among the main goals of the Estonian Entrepreneurship Growth Strategy is to encourage innovation and a stronger entrepreneurial mindset in society. What’s more, since early 2016, the innovation scene also has its first fund-of-funds, EstFund – an investment tool in the size of €60 million, backed by the Estonian government and the European Investment Fund (EIF), among others.

The Norwegian Ministry of Foreign Affairs and The Nordic Ministry Council also offer grants to early-stage companies with innovative ideas.

Finally, would you describe Estonia's innovation ecosystem as mature?

Estonian investor Markus Udam once said: "You cannot get 20 years of experience in less than 20 years." We have indeed taken steps forward, but that’s not how maturity is measured.

One of the important factors for the future will be the number of exits. We do have some exits each year, but we should have more of them. At the end of the day, exits are strengthening the local investment scene and creating more serial entrepreneurs. We learned that from Skype’s exit in 2005.

- Mari Vavulski is Head of Startup Estonia and member of the Board of SmartCap, a government-held early-stage fund of fund.
By Jonathan Keane

TransferWise, a London-based company with Estonian roots, has raised $280 million in a Series E round led by Old Mutual Global Investors and venture capital firm IVP. The company is now reportedly valued at $1.6 billion.

Other investors in the round include new and old backers like Sapphire Ventures, Mistui, World Innovation Labs, Andreessen Horowitz, Richard Branson, and Baillie Gifford. Previous investor Seedcamp recently sold off its stake in the company as part of its fund sale to Draper Esprit.

TransferWise will use the new round of funding to focus on its Asian expansion over the next year. It recently opened an office in Singapore.

It mainly targets money transfers for small businesses. “The company already has hundreds of thousands of customers in APAC, having announced a regional hub office in Singapore this year, with satellite offices in Tokyo and Sydney,” the company said in a statement. It transfers $1 billion every month, it added.

Read the original story in Tech.eu: http://goo.gl/vpyYjC
By Markus Skagbrant

Estonia is considering launching its own state-backed cryptocurrency called “estcoin” via an Initial Coin Offering (ICO), a crowdfunding platform adjusted for the digital coin community. The move would make Estonia the first country to develop an ICO.

This is the latest development in Estonia’s quest to become the biggest player in the world as far as digital innovation is concerned. The country already launched the E-residency program, which enables anyone to become a digital citizen of Estonia and run a business in the country remotely – a move that has already proved to be a big success.

With estcoins, Estonia would have a cryptocurrency that anyone in the world could have access to thanks to the E-residency program.

The plan was announced in the conditional tense by the managing director of Estonia’s e-residency program, Kaspar Korjus, who revealed the impact that he believes the estcoins could have for the country and in general.

“A government-supported ICO would give more people a bigger stake in the future of our country and provide not just investment, but also more expertise and ideas to help us grow exponentially,” Korjus wrote in a blog post (http://goo.gl/ZxPA2Z).

One person who proved to be highly supportive of Estonia’s proposed initiative was Vitalik Buterin: “An ICO within the e-residency ecosystem would create a strong incentive alignment between e-residents and this fund, and beyond the economic aspect makes the e-residents feel like more of a community since there are more things they can do together,” Ethereum’s founder wrote in a blog post.

“Additionally, if these estcoins are issued on top of a blockchain (they could possibly be issued in multiple formats at the same time, nothing wrong with this), then it would become easy and convenient to use them inside of smart contracts and other applications,” Buterin added.

Read the original story in 150sec.com: http://goo.gl/hKedvw
Startup activity has been growing extremely fast in Georgia since 2014, with hundreds of new projects emerging each year in this small country.

The innovation ecosystem is not mature yet but enjoys strong support from the government, universities and the media. Meanwhile, a few funds and several dozens of individuals invest in local startups.
COUNTRY BACKGROUND

POPULATION: 4 million (2017)
- 53.8% of urban population (2016)
- 11.5% unemployment rate (2015)
- 43.4% with tertiary education (2016)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $14.5 billion (2017)
- Average growth rate 2014-16: +3.4%

SOURCE: WORLD BANK
- Per capita: $9,630 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2006)

Agriculture 35.5%
Industry 55.5%
Services 8.9%

SOURCE: CIA WORLD FACTBOOK

GEORGIAN HAPPINESS

The country ranks 125th in the UN’s World Happiness report (2014-2016)

SOURCE: CIA WORLD FACTBOOK

Tbilisi view (photo credit: Depositphotos)
NOTABLE LOCAL INVESTMENT FUNDS

- Georgian Co-Investment Fund
  [www.gcfund.ge](http://www.gcfund.ge)
- Partnership Fund
  [www.fund.ge](http://www.fund.ge)
- Green Capital
  [www.green.ge](http://www.green.ge)
- Startup Georgia
  [www.startup.gov.ge](http://www.startup.gov.ge)

SOME PROMINENT LOCAL BUSINESS ANGELS

Mamuka Khazaradze, Soso Pkhakadze, George Maisuradze, Irakli Tevdorashvili, Valeri Chekheria

KEY TECH PARKS, INCUBATORS AND ACCELERATORS

- iHub Tbilisi
  [www.ihub.world](http://www.ihub.world)
- Tech Park Zugdidi
  [www.techpark.ge](http://www.techpark.ge)
- Smartex
  [www.smartex.ge](http://www.smartex.ge)

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- Roughly 4 local funds investing in startups
- Less than a dozen business angels

SOURCE: EWDN EXPERT NETWORK

VC MARKET DATA

- No data
Mr. Laliashvili of GITA, Georgia’s innovation and technology agency, has answered our questions about the young Georgian startup ecosystem and its development prospects.

How many startups and startup entrepreneurs are there in Georgia?
Since 2014, the number of startups and entrepreneurs in Georgia has been growing very fast. According to our data, there have been around 320 new ventures from April 2016 to mid 2017.
I would say that creating a startup has become trendy. Government officials and leading media channels actively promote the startup spirit, while universities and students are getting more and more involved in the ecosystem.

Which segments do Georgian startups usually focus on?
Travel tech, fintech, health tech, gaming, edTech...

Who invests in local startups?
Even though established funds certainly tend to get involved in larger deals than startups, the local startup investment market is growing quickly. There are several investment funds, with two investor associations (and angel investor club and a VC association) created in 2017. Wealthy individuals are getting more and more interested in investing in local startups.

What about foreign players?
Foreign funds have shown some interests, but few deals have actually taken place so far. Among international corporations, Telia Sonera (through Geocell) has been the most active so far.

How is the ecosystem organized?
Today, almost all accredited universities and most of other educational institutions either have already done or are currently adding the entrepreneurship modules to their syllabus. New co-working spaces, incubators, business consulting centers are popping out to support the development of innovation ecosystem in Georgia.

What about government support?
Tech entrepreneurship is strongly supported by the authorities. In 2014, the Georgian Government created the Georgian Innovation and Technology Agency (GITA) under the authority of the ministry of economy.
GITA’s main mission is to create a knowledge-based economy by supporting the emergence of an ecosystem of innovative startups in the country. We provide many educational and training programs, help entrepreneurs access infrastructure and finances. We have a business incubator, support university pre-accelerators, fablabs with state-of-the-art equipment for rapid prototyping.
We also provide grants of up to 5,000 GEL [approximately $2,000] for prototyping, testing or international development purposes.
Among our latest initiatives is the “Startup Friendly” campaign, in which companies and corporations provide special services, discounts or other benefits to local startups. This initiative came from the prime minister.
Another government initiative, Startup Georgia (http://startup.gov.ge), provides equity investment of 100,000 GEL [approximately $40,000] for a 5% stake in the company. As of mid 2017, the program had already 20 beneficiaries.
Is Georgia helped by international support programs in this field?

We actively cooperate with the World Bank, which provides funds for both startup and corporate funding. There is also significant support from the IBRD and USAID, through different programs.

Finally, how would you characterize the Georgian startup ecosystem from the maturity standpoint?

Georgia’s innovation ecosystem can be described as pre-mature and rapidly developing. Despite the fact that this startup ecosystem development is very new, a number of startups have a very high potential to grow at the global scale.

(September 2017)

Giorgi Laliashvili co-founded two startups before joining GITA as Chief Specialist of Strategic Development. He is in charge of planning, shaping and implementing programs that support startup development and facilitating startup-investor relationships, among other activities.

Georgian startups have started gaining international recognition (photo credit: GITA)
The Hungarian startup scene is one of the most active in the region with more than 10,000 tech entrepreneurs or wannabe entrepreneurs and a rich community life. Hungary boasts several global success stories, including unicorn Prezi and Ustream.

Startup support infrastructure is well developed — at least quantitatively — generously funded by the EU and the Hungarian government or stemming from private initiatives.

There is no monetary shortage of funds for startups: in 2016, with €31 million in VC investment and 73 VC-backed companies, Hungary led the CEE region (putting aside Russia), according to Invest Europe’s conservative stats. These deals involved both domestic and foreign investors.
COUNTRY BACKGROUND

HUNGARY

POPULATION: 9.8 million (2017)
- 71.6% of urban population (2016)
- 6.8% unemployment rate (2015)
- 50.9% with tertiary education (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $117.1 billion (2017)
- Average growth rate 2014-16: +3.04%
SOURCE: WORLD BANK
- Per capita: $26,222 (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2015)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.9%</td>
</tr>
<tr>
<td>Industry</td>
<td>30.3%</td>
</tr>
<tr>
<td>Services</td>
<td>64.5%</td>
</tr>
</tbody>
</table>
SOURCE: CIA WORLD FACTBOOK

HUNGARIAN HAPPINESS

The country ranks 75th in the UN’s World Happiness report (2014-2016)

SOURCE: CIA WORLD FACTBOOK

Cityscape at Budapest at night
(photo credit: Depositphotos)
A MODERATE INNOVATOR

What the EU statistics say...

Hungary is a Moderate Innovator. Over time, performance has declined by 3.5% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Employment impacts, Sales impacts, and innovation-friendly environment. Relative weaknesses are in Innovators, Finance and support, and Intellectual assets.

- **Structural differences**: Notable differences are a larger share of employment in Manufacturing and in Public administration, a larger share of foreign controlled enterprises, a lower number of Top R&D spending enterprises and a lower average R&D spending of these enterprises, a larger share of enterprise births, lower buyer sophistication, lower GDP per capita, a higher growth rate of GDP, and a lower and negative growth rate of population.

Source: European Innovation Scoreboard 2016

Normalized score relative to EU average in 2010 (100):

**Hungary 67.4**; **Sweden 143.6**
STARTUP & VC DATA

HUNGARY

AMONG NOTABLE LOCAL VC FUNDS

And Go Partners
www.andgopartners.com

Conor Fund
www.conorfund.com

Day One Capital
www.dayonecapital.com

OXO Ventures
www.oxoventures.eu

X-Ventures
www.x-ventures.hu

Bacconsult
www.bacconsult.hu

Core Venture
www.coreventure.hu

Hiventures
www.hiventures.hu

AMONG LOCALLY ACTIVE INTERNATIONAL VC FUNDS

Primus Capital
www.primuscapital.com

iEurope
www.ieurope.com

3TS Capital
www.3tscapital.com

SOME PROMINENT LOCAL BUSINESS ANGELS

Peter Balogh, Marton Anka, Szabolcs Valner, Zoltan Kovacs, Marton Szoke, Imre Hild

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

• Around 10 venture funds
  SOURCE: EWDN EXPERT NETWORK

• In 2016, local BA networks claimed 200 members (not all actually being active startup investors).
  SOURCE: EBAN

VC MARKET DATA (2016)

• Total amount of disclosed deals: €31.2m
• Number of companies involved: 73
  SOURCE: INVESTEUROPE

NOTABLE RECENT DEALS

• August 2017: Open Ocean Capital, Ycombinator and Fiedler Capital invest $3.2 million in Bitrise
  (https://goo.gl/Mwpy3V)
• December 2017: Barion receives €6m from Czech billionaire (see article below)
HUNGARY

AMONG NOTABLE ACCELERATORS AND INCUBATORS

Bridge Budapest
www.bridgebudapest.org

Design Terminal
www.hdesignterminal.org

Impact Hub Budapest
http://budapest.impacthub.net

Kitchen Budapest
www.kibu.hu

Telenor Accelerate
www.telenor.hu

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- Miklos Tamasi – Creator of Fortepan, an online photography archive.
- Adam Divak, David Ottlik – Founders of Synetiq, a company that uses biometric sensors to measure the way audiences respond to media and marketing content.
- Laszlo Bekessy, Andras P Toth – Inventors of CodeBerry, a platform that teaches people how to code.
- Imre Szszak, Miklos Ilyes, Jozsef Cseh – Founder of Platio, a company that makes pavements from recycled plastic, which can harvest solar and kinetic energy.
- Boton Feledy – Founder and editor in chief of the Hungarian thematic foreign policy news portal Kitekinto.hu.
- Szabo Balazs, Gergo Nyikos, Peter Varha – Founders of Konetik, which makes smart devices to help manage fleets of company cars.

SOURCES: NEW EUROPE 100 CHALLENGERS 2017, EWDN
If you are looking for an abundance of startups in Hungary, make a beeline for the capital. Budapest, the capital city of Hungary, has marked its position in Europe as an up-and-coming tech hub.

Nowadays, Budapest — and in turn the rest of the country — has been placed in the international spotlight by Unicorn Prezi, and is becoming increasingly attractive to startups tempted by an affordable talent pool of developers and engineers, a startup-friendly government, access to funding from the EU and increasingly active homegrown VCs.

But it hasn't always been like this. Just ten years ago, there was pretty much no startup ecosystem to speak of at all.

The founding father

Speak to anyone who knows anything about startups in Hungary, and one name will pop up immediately: Peter Zaboji. Zaboji, who sadly passed away in 2015, was a businessman, investor and former professor at INSEAD business school in Fontainebleau, France, and known by many as ‘Peter Papa’ — the father of the Hungarian ecosystem.

Zaboji is credited with laying the paving stones for today’s flourishing tech scene by launching a number of events and organizations which would bring entrepreneurs together, and offer a platform for shared experience, mentorship, funding and growth.

Zaboji left Hungary as a child in 1956 and grew up in Germany, where he had a successful career eventually becoming one of the top executives of Siemens. He returned to Hungary with his family at the beginning of the startup dawn in Hungary, after his crown jewel corporate accomplishment in 2002 of managing the successful buyout of Tenovis and its subsequent successful exit. One of his key mantras was ‘the biggest room in the world is the room for improvement.’

Zaboji considered himself ‘European first, Hungarian Second’ and tried to install in the Hungarian community the idea that business and innovation needed to be done on a global stage, not hidden away internally in a local ecosystem. Putting his mission in motion, back in 2009, Zaboji launched an English language entrepreneurship workshop series, the Venture Accelerator Course (VAC), in Budapest, which aimed to provide a basic education in the business side of launching a company.

In a Financial Times article, Zaboji stated, "Once I stopped teaching and had the time to look around the region, it quickly dawned on me that it was very much like the late 90s and the dotcom revolution in Germany and France, i.e. youngsters with great, working ideas, but no business knowledge."
How it all began

Before 2009, while some early stage technology companies existed, there was very little of what could be considered a startup ecosystem. When Morgan Stanley opened an office in Budapest in 2006 and reeled in hundreds of developers with attractive Western European wages, a fancy office and good perks, much of the talent which could have been invested in early stage startups went off the market.

Peter Kovacs, esteemed local entrepreneur, connector, and co-founder of xLabs and the Central European Startup Awards recalls a very different landscape: "The arrival of Morgan Stanley made it difficult for early startups, as most development talent wanted to go there. At the same time, people still didn't really understand what startups were, they thought they were a bit shady, they had a bad reputation for not doing things by the books, not paying taxes, etc."

However, while Morgan Stanley's raising the bar of IT salaries in Hungary made it more difficult for small tech companies to pay wages in the short term, it also inadvertently made the IT sector a lot more attractive to the next generation of future startup employees.

Imre Hild, esteemed local investor, mentor and CEO at Global Traction, recalls, "At that time, no one was thinking about startups, the concept of startup was not really known. There were groups of technologists who had worked with corporates and then on the side they began external projects, but no one used the lingo. They were kind of playing around."

That's not to say that successful products had not emerged. iWiW, a social platform known as the Hungarian Facebook, launched in 2002 and raised one million users almost overnight, before going on to be acquired by T-Online, the net branch of Magyar Telekom in 2006.

The team behind current success story LogMeIn, previously known as 3AM Labs, had around 20 employees working out of an apartment in Budapest. Adult streaming site LiveJasmin, which is often overlooked by the tech community due to the risqué industry it works in, was founded in 2001, and became one of the most popular adult sites in the world around 2004. To this day, it continues to be a leading stream and chat site. The founder György Gattyán was named #1 on the Forbes Hungary rich list back in 2014. Many of the engineers who would then move to Ustream began working in streaming with LiveJasmin.

But while innovation was taking place sporadically, there was very little community spirit. Events such as The Open Coffee Club — originally launched in London by Saul Klein, one of the founding members of Skype and founder of LoveFilm — and the Budapest New Tech meetup organized by Tamas Terray, founder of iMind.eu, started to pop up around 2007/8 and bring more and more tech heads and startup enthusiasts together in the same place.

However, when Peter Zaboij rolled out his 'First Monday' events back in 2010, a sense of community really started to come together. These invite-only events brought founders, investors, and bright new minds together, and began to educate attendees about startup culture, and create a more unified community where ideas were shared and advice was given.

Steven Sudy, experienced local entrepreneur and head of SparkLab says in a TNW article, "First Monday events were very important in growing our ecosystem. Initially there were very few startups. You always knew 99 percent of the people. It became very unified, more of a brotherhood."

The Hungarian Startup Ecosystem
Part 1: The Early Days
By Craig Corbett, Chairman AT 150SEC.COM

HUNGARY
The English language entrepreneurship courses and the ‘First Monday’ events began to encourage attendees to start thinking bigger, and create products which could target an international market, rather than products like iWiW which had never scaled outside of Hungary. They were also the first introduction for many to startup culture, and a window into more developed ecosystems as found in Silicon Valley and other tech hubs.

**JEREMIE funds**

In the background, as the roots of the startup community were developing, the EU Commission and EU Investment Fund launched the Joint European Resources for Micro to Medium Enterprises (JEREMIE) fund. As part of the new fund which was first launched in 2007, the EU would provide 70% of funding for early stage companies, if a private investor would put up the other 30 percent.

In theory, this was a great opportunity which should have fueled a startup explosion, however, local experts suggest the money was quickly snapped up by companies with ties to those in positions of power, and didn’t lead to many success stories.

In 2009, a total of eight holding funds were supposed to be available for SMBs, however individual projects were being managed by financial professionals with backgrounds in private equity. These investors were willing to put down the 30%, but approached projects as an investment to make their money back, rather than trying to grow and improve the SMBs themselves.

Irme Hilde argues, “Back in 2009 we had many financial professionals getting involved in JEREMIE projects who were working in private equity before. They were manning VC funds but treated entrepreneurial deals as if they were PE deals. They were ‘masters of the deal’ but had little to help the growth of startups. The format could have worked but it was troubled because it didn’t have safeguards; some funds took advantage. Considering that it was largely public money, the regulator should have introduced growth-friendly rules like VCs can’t ask for 51% of ownership off the bat.”

However, while the funds did little to help startups in Hungary take off, they did draw attention to the region from the outside.

Steven Sudy says, “The PR value of the JEREMIE funds was a bigger catalyst than the funds themselves. There was a lot of money and people started paying attention to it. Some good startups received funding, but the deals themselves were structured horribly and didn’t lead to many success stories.” And soon enough, there would be a lot more outside attention.

**The Prezi effect**

Founded in Budapest in 2009 by CEO Peter Arvai, CTO Péter Halácsy, and Principal Artist Adam Somlai-Fischer, Prezi, a web-based presentation software, would go on to be Hungary’s biggest success story to date. In an interview with Forbes, CEO Arvai recalls a very different business landscape back in the early days: “The startup culture was brand new and unfamiliar to many in the city; in fact, Ádám and Péter had actually looked up ‘start-up’ and ‘venture capital’ on Wikipedia before they reached out to me.”
THE HUNGARIAN STARTUP ECOSYSTEM
PART 1: THE EARLY DAYS
BY CRAIG CORBETT, CHAIRMAN AT 150SEC.COM

The success of Prezi, Hungary's first unicorn, would not only place Budapest, and in turn Hungary, on the map of international investors, but along with the teams of other homegrown tech successes like Ustream and LogMeln, the founding team would be very influential in the startup ecosystem themselves.

As well as investing a lot of time, resources and capital into turning Budapest into a tech hub, the founders of these three companies set up Bridge Budapest, an NGO to promote entrepreneurship in Hungary.

As part of this effort, Bridge Budapest has launched a six-month fellowship program for promising tech talent in Hungary, created a knowledge base called Bridge Basics about how to start a business, and kicked-off an initiative called the Aware Entrepreneur Test — all of which aim to have more success stories coming out of Hungary.

The founding team of Prezi, who opened an office in San Francisco straight off the bat in 2009, are praised for having brought an essential part of the startup culture from Silicon Valley back with them to their home country, and trying to install this entrepreneurial mindset in the next generation of talent too. Bridge Budapest sets out to incubate the next generation of tech and entrepreneurial talent by offering selected Hungarian university students a six-month paid fellowship where they work under the expertise of the most promising startups founded in Hungary. Their previous programs provided the opportunity for talented students to visit the United States and experience life in Silicon Valley or other tech hubs, and bring back all of their learnings to apply to their own companies in Budapest.

But the founders of Prezi went a step further than simply setting up startup foundations. CEO Peter Arvai set his sights on making real changes to society in Hungary.

With the support of Google and Hungarian localization business espell, Prezi co-founded WeAreOpen — an initiative that gives visibility to diversity. As of today more than 1,000 companies, NGOs and communities have joined their manifest, which states that they judge their employees based solely on their performance and actions.

Additionally, Péter Halácsy, the co-founder of Prezi, wanted to make a real difference in his paternal home, and put the wheels in motion for a social project aimed to change the general public's mentality about helping others. This project is called the 'Heroes Square Project', and operates in Budapest where it is led by Dr. Philip Zimbardo, the esteemed sociologist famous for the Stanford Prison Experiment. Halácsy would also go on to create The Budapest School, an initiative to modernize and improve the education system for primary school children in Hungary.

Another founder went on to create a school which teaches young girls to code. Prezi as a company also offered Hungarian startups a positive example to emulate. Prezi has employed team members from 27 different countries, and given employees at the Budapest office the chance to spend one month in Silicon Valley. The startup is known to have a closed Facebook group called Prezi Mafia — a play on PayPal Mafia — where more than 200 current and former employees share ideas and collaborate on new projects in Hungary and further afield.

Imre Hild says, "You cannot underestimate the Prezi effect on the Hungarian ecosystem. Their story was the birth of everything; they were a poster child of how a startup should be. Outspoken, global, liberal — they acted like a Silicon Valley Startup. But most importantly, they are normal, good people, who are down to earth. They played a big role in changing people's impression of startups, and inspiring people to jumpstart their own companies".
Just seven years after Peter Zaboji launched First Monday as a monthly invite-only event, the ecosystem couldn't be more different. Powered by Facebook groups, there are meetups and workshops all over Budapest on a regular basis. The city is also home to a number of tech and innovation festivals, such as Brainbar, which is sponsored by Google and Wire, as well as the software-focused Craft conference, organized by Prezi and Ustream. The two globally successful startups organize four International conferences in total.

Steven Sudy argues that over the last seven years, as seen with the Prezi Mafia, social media has played a big role in expanding and bringing together the local ecosystem.

Facebook groups like the closed group "Startup entrepreneurs" now have more than 16,000 active members, and active communities which share local news, invites to events, and offer advice and support to fellow entrepreneurs.

But local — and foreign — media beginning to take more of an interest in the Hungarian tech scene have offered more unity within the country, and more visibly to the rest of the world. Forbes Hungary is new and very active in startup news, Business HVG covers a lot of startup and innovation, and Index.hu has a well-respected tech section too.

**Support organizations**

While the majority of startup activity has grown out of Budapest, the country has also seen smaller scale startups scenes emerge in other parts of the country due to a strengthening support network.

Debrecen, the largest city after Budapest, has an active scene; Gyor in western Hungary near the Austrian border and Miskolc are growing consistently too.

The Hungarian government has tried to foster the country's startup ecosystem by providing funding for local incubators and accelerators in Budapest and further afield.

In 2016, eight incubators were funded using money earmarked from the European Union as well as the Hungarian government. Each of these incubators was given just under €2 million and was located outside of Budapest in a strategic move to boost rural development.
Despite a couple of success stories, many argue the idea was conceptually flawed from the start. Many entrepreneurs have sneakily played the system by founding their companies near one of the rural towns in attempt to secure funding, but have effectively lived and worked out of Budapest, where a staggering majority of the country's GDP — as much as 60% — is generated.

Steven Sudy addressed a second critical issue: "We don't need eight accelerators," he said, "We need two really good ones."

Instead of thinly spreading the funding, the government could have achieved better results by more strategically concentrating it in its most promising hubs, such as Budapest.

Given the limited success of the government run projects, entrepreneurs have been turning to the growing number of other private incubators, accelerators, innovation labs, and co-working spaces that are helping bring vibrant life to the city's startup community.

- Design Terminal — one of the country's oldest and most well-recognized incubation systems — used to be fully run by government money, but now works from private money with some governmental partnerships.
- Kitchen Budapest, another old incubator, is run by Telekom Hungary.
- Telenor Accelerate, Lab.Coop, and Impact Hub Budapest, along with innovation labs like xLaboratories and Sparklab Newer are startup support organizations which have begun making a positive impact on the startup community as well.

Coworking spaces, too, have sprung up where entrepreneurs can flesh out their ideas through close collaboration. Some that have garnered the most attention and proven themselves as the most important community meeting points include Mosaik, Loffice Budapest, Kaptár, and Impact Hub Budapest.

Mosaik in particular, though founded just two years ago, has been fundamental in cultivating the expanding startup ecosystem. In its first year, it hosted 152 high quality events focused on startups, innovation technology, and networking. Last year, it hosted more than one event per day.

With that being said, the overall ecosystem still has a long way to grow and presents inexperienced entrepreneurs with challenges, as they are often left “to figure out how to build, launch and market a world-class product [on their own],” as put by Robert Hegedüs, Founder and Advisor of Mosaik.

This is representative of a much larger problem facing the ecosystem: a lack of mentorship.

Though the number of support organizations (i.e., incubators, accelerators, co-working spaces, etc.) has grown significantly over recent years, many of the people running them have never worked outside of Hungary.

Digital Factory — another incubator in Budapest — is trying to change this image, though. As such, it is run by a team of 10 key individuals who, between them, hold eight different passports, have lived in 21 countries, and have worked or invested in more than 30.

“Mentors in Budapest face very challenging work”, said Imre Hild. “They must understand startups, how to access bigger systems in Europe and the US, and how to connect startups to the right markets, investors, and opportunities.”
Often times the mentors are the ones who explain how certain business models work internationally, they are the ones who introduce the 'real world' to the startups”.

The general lack of mentorship, however, is a problem that persists and presents itself clearly upon analysis of the startup funding environment within Budapest.

### Education

Education is critical for the development of a well-positioned and successful startup ecosystem. While Budapest has historically been behind in this regard, it has slowly begun making strides to catch up. In the past, universities throughout the country were traditionally famous for their focus in the area of life sciences.

Areas such as innovation and business studies have never been truly competitive with Western European universities such as those in Copenhagen, however the tide has begun to change.

The most well-known university, for example, is the Budapest University of Technology and Economics (BME) which specializes in areas such as technology, math, and physics.

There is also Corvinus University of Budapest which is best known for its studies of business and economics, and Central European University (CEU) with strong MBA programs and even an accelerator that recently won the title as the Best Accelerator and Incubator in Hungary.

While there has been a shift to place stronger focus on business education, however, most universities have accomplished this by partnering with large corporations that could guarantee jobs and high wages.

Over the last two years, the country’s most innovative educational strides have been taken in private developer and user experience schools sponsored by these larger corporations, in addition to an increasing number of coding bootcamps such as Le Wagon, Green Fox Academy, and Codecool.

These partnerships, however, have shown themselves as a double-edged sword. While they have helped develop a new generation of technologically adept individuals, they have ironically hindered the development of the country’s innovative agenda. Many of the large companies which have partnered with the educational institutions have also ended up recruiting the students and snapping up young talent to employ in their own businesses.

As a result, the repercussions have been quite damaging to the startup ecosystem, which requires an entrepreneurial spirit and a comfort outside the bounds of an established corporate environment.

### The role of large corporations

Despite the inadvertent hindrance these large corporations may have caused, they have also done plenty to boost the startup ecosystem outside of educating a technologically advanced populace.

In recent years, Budapest has seen an increasing participation from some of the large companies that it helped give rise to, including MKB Bank (one of Hungary’s largest commercial banks) and MOL Group (Central and Eastern Europe’s second largest company).

MKB Bank, for example, launched an incubator specifically for fintech companies that completed its first batch of startups in July 2017.
THE HUNGARIAN STARTUP ECOSYSTEM
PART 2: TODAY AND TOMORROW
BY CRAIG CORBETT, CHAIRMAN AT 150SEC.COM

Even more recently, multi-national oil and gas company MOL Group announced a partnership with Budapest’s Design Terminal — one of the city’s leading incubation ecosystems — to bring innovative ideas to the company and help disruptive startups scale up their activities. In addition, Deutsche Telekom has also worked closely with Kitchen Budapest — the innovation lab that helped launch Prezi.

Funding opportunities

In Budapest — and the country as a whole — there is no monetary shortage of funds for startups. In fact, according to a report by Invest Europe, Hungary was shown to have led the CEE region for venture capital investment in 2016.

As the leading country, it accounted for 31% of the region’s VC investment total with €31 million and a record high of 73 VC-backed companies. Nevertheless, the problem remains that a large majority of the VC funds are backed by the state.

Given the government’s poor track record with regard to funding through the JEREMIE program and the Gazelle fund, many entrepreneurs are wary of taking such capital and instead search for other private funding opportunities locally or abroad. One should note, neither Prezi, Ustream nor LogMeIn began with assistance from JEREMIE.

For those who look locally, the lack of suitable mentorship translates to a lack of ‘smart money’ — funding accompanied by effective mentorship — which ultimately hinders their growth.

Steven Sudy pointed out, “You still hear of term sheets with 50% equity stake for investors. When you’re trying to build a startup company, this can be a death sentence.”

This fact highlights the general lack of experience that exists in Budapest’s current funding arena, as well as the incentive for entrepreneurs to look for outside funding.

However, as Imre Hild pointed out, smart investing has begun to take root: “Over the past year we have seen more companies being built properly, and more investors who are only taking 20% — realizing there is no point to clip the wings of a startup by taking such a big seed chunk. Back in the day it was news to many that there was such a thing as a next funding round independent from the original investor.”

The changing mentality of these investors is due in part to the scores of entrepreneurs that have gone abroad for programs like Startupbootcamp and Startup Sauna, and taken active roles in the startup community upon returning.

Currently, entrepreneurs in Budapest have a few options for local funding. Day One Capital, for example, is an early-stage investor that manages privately financed funds to invest in countries within the CEE. Other active venture funds include Conor Fund, Bconsult, Andgo Partners and X-Ventures.

Moreover, leaders of local success stories have begun investing and taking more active roles within the startup ecosystem. This year specifically has seen a number of developments with regard to venture funding in Budapest.

As an auxiliary component of its successful accelerator OXO Labs, former Finance Minister Peter Oszko launched OXO Ventures and announced a new €50 million fund in partnership with the European Investment Fund to focus specifically on innovative early-stage tech companies.
Additionally, Hi Ventures has been actively investing from its €160 million fund, sponsored by the European Union and the Hungary Development Bank. While traditional investors place their bets on sexy new technology, Hi Ventures focuses more on building innovation and less on making money.

Nevertheless, funding from outside investors currently remains the best – yet most difficult – opportunity for entrepreneurs in Budapest. This type of funding, in conjunction with the accompanying investor experience, is ultimately what helped launch the city’s biggest success stories, including Prezi, and is crucial for the continued growth and success of Budapest’s startup ecosystem.

Robert Hegedüs, founder and advisor of Mosaik, highlighted this point, saying, “I believe the most successful startups emerging over the next few years will be the ones who bypass the local VCs and manage to bootstrap themselves to a stage where they are able to attract VC money from abroad.”

If the startup ecosystem in Budapest continues to develop and launches more success stories like Prezi, the city will benefit from a larger influx of foreign capital. Prezi was the initial catalyst bringing foreign investment to Hungary, which has most recently helped newer companies like BitRise secure foreign investment.

**Looking forward**

Despite the obvious challenges regarding smart money and mentorship, Hungary also faces the general challenge of honing in on its potential as a startup ecosystem. Peter Kovacs, argues that the country’s startup ecosystem suffers from a lack of self-confidence as well as a clear focus, and needs to more closely define its competitive edge.

Access to idea validation is also a significant obstacle for entrepreneurs within the country to overcome. Validation within Hungary from a bank or local investor is not enough to prove the worth of a product or service. Entrepreneurs need to test their ideas abroad in order to adequately gauge their acceptance and potential success. With increased access to foreign capital, local entrepreneurs will be able to achieve this more easily.

The arrival of major international startup education brands such as Techstars, Seedcamp, Startupbootcamp, Kauffman Foundation, and Lean Startup Machine would play a crucial role in this development. When these major startup brands show presence in Budapest, it will validate Budapest’s position as a startup hub and open the door for a flood of outside capital and mentorship.

As best explained by Imre Hild: “The startup ecosystem here is like Hungarian goulash. All the good parts are here, but it’s not quite done just yet. We need more input from the outside. It doesn’t matter if you are a big name in Budapest; you need to measure yourself against the US, against the rest of the world.”

With success stories like Turbine.AI which was recognized as the top health startup of 2017 at the Pioneers Festival in Vienna, in addition to others like BitRise which was the first Hungarian startup to get into Y Combinator, the future for Budapest looks promising. Entrepreneurs who have tried in the international arena are returning home and bringing lessons to share with their peers.

Moreover, costs remain relatively low and tech talent is high. The ecosystem is heating up, and pretty soon this Hungarian goulash will be ready for global investors and consumers to feast upon.

*(October 2017)*
By Markus Skagbrant

Hungarian online and mobile payment startup Barion was handed a staggering investment of €6 million from Czech Republic's wealthiest businessman, Petr Kellner.

The investment was done via Czech financial service provider, Home Credit Group. The investment does not mean that the company will now be fully owned by Kellner who will now own 20% of Barion as a result of the investment.

Barion was founded in 2015 by tech company Sense/Net and is headquartered in Budapest. It provides payment services at low costs but asks for payment transaction details in exchange. From the data that the company gathers it aims to build the best and worlds biggest consumer database.

The startup has already grown to having 6,000 corporate customers and 2,600 webstore partners. At the moment 95% of the transactions are based in Hungary and the next step for the company is to expand its operations to more countries with Czech, German, Austrian, Slovak and Slovenian markets in their eyesight.

Kellner’s investment will not bring about any imminent changes to the management of the company and strategic decisions will continue to be taken by the current board. The only notable change to the structure of the company is that there will be an addition of two members of Home Credit Group in the board of directors.

According to the co-founder of Barion, Sandor Kiss, the main purpose of the investment to show that the positive results which were achieved in Hungary can be transferable to other countries.

Petr Kellner has an estimated net worth of $11.4 billion and is the controlling head of the PPF group, an eastern European investment house with €35 billion in assets. Kellner is the richest person in the Czech Republic and the 102nd richest in the world.

Read the original story in 150sec.com: http://goo.gl/1FZqbY
MCI.EuroVentures acquires Hungarian insurtech market leader Netrisk.hu. The value of the transaction co-financed by Mezzanine Management and Bank Gospodarstwa Krajowego amounted to €56.5 million.

The seller, Enterprise Investors fund, has been involved in Netrisk since 2010. After the transaction, the MCI Group has approximately 500 million Pzl (€120 million) of assets under management allocated in the fintech/insurtech sector; it is one of the three largest areas of Funds' exposure, along with internet infrastructure and e-commerce.

MCI Group is strengthening its position as a leading technology fund in the region. Through an investment made by the buyout fund MCI.EuroVentures, MCI Group enters Hungary, increasing the scope of investment activities.

Netrisk is a leading Hungarian online insurance broker. The national insurance market is valued at approx. €1.5 billion, of which 20% is generated online. Netrisk is the market leader, responsible for about 30% of online insurance.

Netrisk is a leading online insurance broker, operating in the one-stop-shop model, with the potential for dynamic development. The further Netrisk growth drivers consist of favorable market conditions, consumer shopping habits' shift from offline to the online as well as the company's expertise in the insurance sector.

“Our fund, thanks to years of experience in digital companies development, will actively support Netrisk’s value creation. The company is already a recognizable brand in Hungary with a loyal customer base,” said Krzysztof Konopiński, Partner at MCI Capital, responsible for the transaction.

As stated by Łukasz Wierdak, who is responsible for Fintech investments at MCI: "Netrisk is not only the Hungarian market leader on the dynamically growing online segment of insurance products distribution (including third party and comprehensive cover car insurance policies, real estate insurance, as well as travel insurance); the company has also built a marketplace for banking products and telecom offerings where we also see a significant upside potential in these segments’ further development. Moreover, Hungary is one of the most developed market when it comes to online distribution of insurance products in CEE that makes a great starting point for building a regional champion in the segment.”

“Mezzanine Management supports an investment strategy in the space of digital economy. The acquisition of Netrisk, an undisputed leader in its segment, makes a perfect fit. Its strong market position allows the company to generate stable and increasing cash flows, that increase the investment security and represent a strong base for further growth,” added Przemysław Głębocki, Managing Partner of Mezzanine Management.

Netrisk is the seventh company from the fintech/insurtech segment in MCI’s portfolio and the second online broker of insurance products. In 2015, through an investment of Internet Ventures fund (MCI’s VC arm), MCI has become a shareholder of Polish company mfind. Other insurtech/fintech companies in the fund's portfolio are Marketinvoice, iZettle, Dotpay/eCard, Azimo and NaviExpert.

The latest investment in Netrisk illustrates MCI.EuroVentures' investment strategy, which aims to acquire controlling stakes in mature companies operating within the digital economy with EBITDA in a range of €2-25 million. The fund focuses on the CEE region (…)
Is the first English language community focused website, featuring startup, tech & business news solely focused on giving the CEE region the attention it deserves.

Our mission is to spread the news about awesomeness of startups, communities, events and investors working hard all over the world to grow the potential of the CEE region.

Please send tips and pitches to info@150sec.com
Kosovo

The country counts one or two hundred startup entrepreneurs, some of them gain recognition at international contests and raise significant funding.

However, Kosovo has no local startup investment fund, and just a handful of individual investor. Local support infrastructure remains underdeveloped.

So far, international donors have been more active than the local authorities to support startups. However, the government has just shown signs of more involvement in the future.
COUNTRY BACKGROUND

POPULATION: 1.8 million (2016)
- The youngest population in Europe, with an estimated fertility rate of 2.4 children per woman
  SOURCE: KOSOVO AGENCY OF STATISTICS
- 32.7% unemployment rate (2015)
  SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $6.65 billion (2016)
- Average growth rate 2014-16: +2.9%
  SOURCE: WORLD BANK
- Per capita: $3,661 (2016)
  SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2013)

A view of Pristina with the National Library and the Christ-the-Savior Serbian Orthodox Church
(Photo credit: Depositphotos)

KOSOVAN HAPPINESS

The country ranks 78th in the UN’s World Happiness report (2014-2016)
LOCAL VC FUNDS

No local VC fund

LOCALLY ACTIVE FOREIGN VC FUNDS

Rockaway Capital
www.rockawaycapital.com

Speedinvest
www.speedinvest.com

South Central Ventures
www.sc-ventures.com

AMONG LOCAL TECH PARKS, INCUBATORS AND ACCELERATORS

Gjirofa Lab
www.gjirafalab.com

Tech Park Prishtina
www.stikk.org

Innovation Centre Kosovo
www.ickosovo.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- 0 local venture funds
- A dozen of business angels

SOURCE: EWDN EXPERT NETWORK, EBAN

VC MARKET DATA (2016)

- Around 5 deals identified
- Estimated amount: $2 million
- Estimated amount of undisclosed deals in 2016: $200,000

SOURCE: EWDN EXPERT NETWORK

NOTABLE RECENT DEAL

- February 2016: Rockaway Capital invests $2 million in Gjirofa (https://goo.gl/AVJxq9)
Uranik Bagu, the executive director of Innovation Centre Kosovo, offers an overview of the local innovation scene, its international connections and its prospects.

How many startups and startup entrepreneurs are there in Kosovo? Roughly around 150-200.

What do they usually focus on? No clear tech driver has emerged yet, but there is a slight trend toward web and mobile. Interesting gaming startups are emerging, too.

Who invests in the local startup investment scene? Kosovo does not have many active angels or VC funds, but it has couple of initiatives like the ICK Angel Club, and KOSBAN (Kosovo Business Angel Network).

Are foreign tech funds interested in the country's startups or other tech-related assets? There have been few foreign tech investments in Kosovo, mainly from our diaspora, but also from some South-Eastern Europe, las illustrated by the cases of Gjirafa and Formon. There is an increasing number of accelerators and funds contacting ICK for opportunities.

What about corporations? There is an increased interest from them, too. At ICK we provide soft landing programs and study tours. ICK recently partnered with Raiffeisenbank for a fintech idea contest. Another partner has been IPKO, a telecom company, for an app hackathon.

What have been the most notable cases of startup investment or exit deals over the past few years? Back in 2013, Solaborate, a social network for tech professionals, launched with $1 million in seed funding (http://goo.gl/eZgwdQ).

In early 2016 Girafa, a startup which had developed an Albanian search engine, raised $2 million. The round was led by Rockaway Capital, a fund based in San Francisco and Prague (http://goo.gl/Hv5ksZ).

The Kosovar authorities have begun to support the local innovation ecosystem more actively. Thus, in November 2017, they announced the creation of the Ministry of Innovation and Entrepreneurship. On the picture above, Prime minister Ramush Haradinaj speaks at the Global Entrepreneurship Week Kosovo in November 2017. The event enjoyed the support of a variety of local and international companies, as well as of several German, Swedish, EU and US institutions. (Photo credit: ICK)
URANIK BEGU: “THE FIRST STARTUP SUCCESS STORIES ARE TRIGGERING INCREASED SOCIAL INTEREST”

Do innovators from Kosovo enjoy international recognition?
Yes, the whole region is reputable for good tech skills, and some of ICK’s startups or teams have gained recognition at such contests as the Nasa Space App Challenge, Top 10 Startup Istanbul, StartupYard, Global Startup Weekend, etc.

How is the local innovation ecosystem organized? Is the government active supporting it?
Kosovo’s ecosystem is an emerging one. Innovation Centre Kosovo (ICK) is its main driver and supporter. Universities lag behind and do not have proper instruments to support innovation. There are no other incubators in Kosovo, and no accelerators.
The government wasn't very active until recently. For example, ICK has been doing without state support so far. There is no law or strategy on innovation. However, things might be changing. The government has just created the Ministry of Innovation and Entrepreneurship. This ministry will bring new opportunities for startups, it is expected to spend €10 million on startup in 2018.

Do international public programs play a significant role to support innovation in the country?
Donors like USAID, GIZ, SIDA, the Norwegian Embassy and some others have been the main supporters of innovative ideas and startups in the country so far.
For example, Innovation Centre Kosovo was founded with the support of the Norwegian Ministry of Foreign Affairs; it is now supported by Sweden’s SIDA (Sweden). Their support is crucial for our operations.

Are technologies regarded as a promising sector in the country?
Social interest is increasing especially with the recent developments and success stories of local startups. There is also an increasing interest of politicians to deal with the topic, but we would like to see more action in this field.

Finally, can your country’s innovation ecosystem be considered as mature?
Kosovo has an emerging innovation ecosystem. The country is building the required support instruments and working to change the mindset.

(November 2017)

- Uranik Begu is Executive Director of Innovation Centre Kosovo (ICK), an central element of Kosovo’s innovation ecosystem. He is also Chapter Director at Startup Grind Google for Entrepreneurs, Country Manager at StartUp Europe Awards, Global Ambassador at International Business Innovation Association (InBIA), and an advisory board member of the American School of Kosova
It all started in 2013 with architect Rron Cena and Hasan Cana, Drin Hadri, Florian Piraj, and Arianit Zabergja, four others tech enthusiasts, who created their startup. "In the beginning, we didn't want to make a 3D printer. The idea was to bring 3D printing here in the region, as a service. As we were experimenting with printers, we saw problems and difficulties, for example with usability." But the five guys also saw the potential of the desktop printer. The team started immediately, focusing developing the product.

Three years later, Formon has pre-orders from the United States, the United Kingdom, Canada, Germany, Slovenia and Croatia. "Feedback from customers gave us a lot of understanding of the market. It helped us understand the consumers and how they like to use a 3D printer."

Formon Core is a small 3D printer, affordable for everyone and easy to use. "Even a kid can handle it," says Rron Cena. "It can be compared to an inkjet printer, and connects via wifi or an USB key. Formon Core is not a machine, it's just office equipment, which you can also use at home for your hobbies."

Formon Core will be launched this weekend in London, during the Digital Show organized by iMakr, the biggest reseller of 3D printers in London and New York. "The event gives us a lot of credibility, and opens up new sales channels opportunities."

The Innovation Centre Kosovo, ICK, played an important role in the development of the product. Cena says: "We became part of their incubator program, which gave us an office and also a big network, both international and local. For an IT startup, this is the place to be. Many people walk in and out, including good programmers who are interested in new business ideas."

Safet Rama, who manages the ICK incubator, says he was very excited about Formon from the very beginning: "And after seeing them for three months working on daily basis, I was sure these guys would make it. They have an excellent collegial spirit."

Some might be surprised that such an impressive product is made in Kosovo. But Cena is not: "There is so much unexplored talent here, and so many people who can handle the development of these kinds of products. You will be surprised! We have tried to make a high-quality product that shows that Kosovars can bring value to Europeans."

ICK’s executive director Uranik Begu sees in this startup a role model for young Kosovars: "They are on the right track of presenting the real values of Kosovo’s youth in term of its talent, creativity, and entrepreneurial spirit."

This is an adapted version of an article initially published by Innovation Centre Kosovo (http://goo.gl/xohZBC)
The Latvian startup ecosystem is still very young, but its quantitative record – more than 350 startups and dozens of million euros of investments each year – is impressive given the country’s small size.

In a country where the financial sector has historically been very strong, many Latvian startups dedicate themselves to financial technologies. These fintech startups absorb around two thirds of venture investment.

Foreign investors are active: the local startup association attributes to them nearly 80% of the total startup investment amount in 2017.

The authorities do much to make the country attractive to startup entrepreneurs and investors. Their measures include a favorable tax regime, a soft loan program and a startup visa program, as well as massive capital injections in local funds.

This country section includes excerpts from Tech.eu’s research about the Baltics startup ecosystem. [http://tech.eu/product/report-baltics](http://tech.eu/product/report-baltics)
POPULATION: 2 million (2017)
- Population decline: -8% since 2010
  SOURCE: CENTRAL STATISTICAL BUREAU OF LATVIA
- 67.3% of urban population (2015)
- 9.8% unemployment rate (2015)
- 67% with tertiary education (2017)
  SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $27.9 billion (2017)
- Average growth rate 2014-16: +2.26%
  SOURCE: WORLD BANK
- Per capita: $24,712 (2017)
  SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2016)
- 68.1% Agriculture
- 24.1% Industry
- 7.7% Services
  SOURCE: CIA WORLD FACTBOOK

LATVIAN HAPPINESS
- The country ranks 54th in the UN’s World Happiness report (2014-2016)
  SOURCE: STATISTICAL BUREAU OF LATVIA

Baltic sea shore in Latvia (photo credit: Depositphotos)
Latvia is a Moderate Innovator. Over time, performance has increased by 8.5% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Innovation-friendly environment, Human resources, and Employment impacts. Relative weaknesses are in Innovators, Attractive research systems, and Linkages.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining, a smaller share of employment in High and Medium high-tech manufacturing, a larger share of micro enterprises and SMEs in turnover, a smaller share of large enterprises in turnover, a larger share of foreign controlled enterprises, lower GDP per capita, a higher growth rate of GDP, a lower and negative growth rate of population, and lower population density.
NOTABLE LOCAL VC FUNDS

- Baltcap
  www.baltcap.com
- Expansion Capital
  www.excap.lv
- Imprimatur Capital
  www.imprimaturcapital.com
- Overkill Ventures
  www.overkillventures.com
- ZGI Capital
  www.zgi.lv

SOME LOCALLY ACTIVE FOREIGN FUNDS

- Credit China Fintech
  www.creditchina.hk
- iTech Capital
  www.itcap.vc
- Flint Capital
  www.flintcap.com
- Techstars
  www.techstars.com
- 500 Startups
  www.500.co

AMONG LOCAL TECH PARKS, INCUBATORS AND ACCELERATORS

- Commercialization Reactor
  www.commercializationreactor.com
- Latvian Technological Center
  www.innovation.lv
- Startup Wise Guys
  www.startupwiseguys.com
- TechHub
  www.riga.techhub.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS

- Over 10 local venture funds (2017)
  Source: EWDN Expert Network
- In 2016, the local BA network claimed 76 members.
  Source: EBAN

VC MARKET DATA (2016)

<table>
<thead>
<tr>
<th>Source</th>
<th>Invested volume</th>
<th>Nb of deals or startups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startin.lv</td>
<td>€44.1m</td>
<td>86 startups</td>
</tr>
<tr>
<td>Tech.eu</td>
<td>€24m</td>
<td>50 deals</td>
</tr>
<tr>
<td>InvestEurope</td>
<td>€7.89 m</td>
<td></td>
</tr>
</tbody>
</table>

These volumes are significant, especially if taking into account the country’s size. Latvia shows a consistent upward trend in investment volume year over year since 2014. In the first three quarters of 2017, investment volume reached €31.7m, more than twice as much as in 2014, reveals Tech.eu’s Baltics report.

NOTABLE RECENT DEALS

- Jan. 2017: Credit China Fintech invests $30m in BitFury, a US-based startup with Latvian-Ukrainian founders
  https://goo.gl/ywG65G
- March 2017: South African Capitec Bank invests €21m in CreamFinance
  https://goo.gl/jeg5D5
- July 2017: Drone startup Atlas Aerospace raises €7.2m from undisclosed investors (see article below)
Jekaterina Novicka, the former head of the national startup association Startin.lv, shares her views on the local ecosystem and its prospects.

Which types of technologies do Latvian startups usually develop?
Without a doubt, fintech is the most developed technological field in Latvia’s economy. Our country’s financial sector has historically been very strong: we have 23 operating banks, of which 11 are private local ones. To compare, there are six in Estonia and only four in Lithuania. Current estimates show that about 10,000 people working in banking sector in Latvia.

In addition, about two-thirds of startup investments in the country go to fintech companies. This should come as no surprise given that the Riga Technical University, the BA School of Business and Finance, the Stockholm School of Economics in Riga and other state and private universities have strong curricula in the fields of economics and finance. Now there are even English-language programs in e-banking, entrepreneurship and innovation.

Deeptech is also emerging, too, supported by Commercialization Reactor and by substantial efforts in the field of science commercialization. Latvia also has strong IT and production outsourcing capabilities. These, in turn, generate numerous tech professionals willing to start a company on their own.

How many startups and startup entrepreneurs are there in Latvia?
Our startup ecosystem is still very young. The country began building a real infrastructure — and growing it — only two years ago. At the moment, we have over 320 startups in our database, but there are certainly many more. They are simply not showing up in the media because Latvia is often not their target market. Many of them have won multiple awards and contests worldwide.

The Latvian startup ecosystem is booming. In the nearest future, I expect to see even more activities such as meetups and hackathons, along with the emergence of additional accelerators, incubators and venture funds, among others.

Startin.LV and LabsofLatvia, an online information platform, are two key sources on startups in the country.

Who invests in Latvian startups?
Investment in Latvian startups is primarily driven by business angels and early-stage VC funds. Individual (angel) investors often come from traditional businesses, but this began to change thanks to the work of the Latvian Business Angel Network (LatBAN). This organization was created more than three years ago, initially with government support.

A state-owned financial institution, Altum, helps co-finance investment by business angels in startups, covering up to 60% of deal amounts.

It is also great to see a number of foreign investors and funds scouting and investing in Latvian startups. In 2016, we recorded 86 deals amounting to €44 million, of which nearly €35 million came from foreign investors. The amount of foreign investment for the first 10 months of 2017 already exceeds €31 million.

Are corporations interested in startups or startup organizations?
There is definitely interest from corporates in working with and supporting the local startup scene. There is some activity in this field already, but it is only the beginning, and we expect this activity to accelerate in the near future.
Banks, in particular, are organizing and supporting fintech events and activities across the country. Lattelecom, Latvia's leading telecommunications company, worked last year with the B2B accelerator Startup Wise Guys, supporting them with their first batch in Riga. As a result, this year, Lattelecom is creating its own acceleration fund with governmental support and plans to launch it in the beginning of 2018.

Does innovation enjoy significant support from the authorities at the country or local levels?

Several programs tend to make Latvia attractive to entrepreneurs. For instance, under the Startup Law, there is a flat tax for startups (€252 per month per employee, regardless of the salary amount).

In addition, under this law, highly skilled employees (for example, with PhD degrees) benefit from a special tax regime, with all their social contributions and salary taxes being covered by the state from EU funds.

The so-called Startup Visa program is a fast-lane procedure for non-EU international entrepreneurs and professionals to receive a residence permit, if they are willing to found their startup in Latvia or work for a Latvian startup.

Another interesting program is the Startup Soft Loan, which provides startups with €50,000 in funding, with friendly conditions. It is dedicated to very early-stage companies that have difficulty accessing capital, and so far, around 70 startups have made use of it.

In 2018, €60 million will be received by three acceleration funds, two seed funds and two growth funds backed by the government. And this doesn’t include smart money from private accelerators like Startup Wise Guys and such VC funds as Change Ventures and Rubylight.

The Latvian Investment and Development Agency (LIAA) helps local companies by covering 80% of their costs when attending international events.

Are startups appealing to the young generation?

The young generations are definitely aware of what startups are and do, with many looking to get involved and even start their own business one day.
Universities are becoming more and more active by creating special courses, internal incubators, events and hackathons. Riga Technical University is a member of Startin.LV and one of the most active members of the ecosystem.

The ministry of economy is also involved, for example they organized business trips for Latvian startups to such key spots as Silicon Valley and Tel Aviv. The media, too, show cover the topic almost every day.

**Can Latvia’s innovation ecosystem be considered as mature?**

The Latvian startup ecosystem is not mature yet, and there are plenty of opportunities to develop the potential that has emerged over the past couple of years.

The current stage can be compared to finishing the first year at the university, when you already understand what you are studying and what diploma we will get. We are at the start of the second year, eager to get more understanding of the matter with real knowledge and experience.

*(November 2017)*

- Jekaterina Novicka was Chairwoman of the Board of the Latvian startup association Startin.LV (86 members) until late 2017. She is also Head of Corporate finance and Business development at Orients Audit & Finance. Her background includes designing and executing governmental startup support programs as well as investment and risk analysis. Mrs. Novicka holds an MBA diploma from SBS Swiss Business School and a Master degree in International Finance and Banking from BA School of Business and Finance.
By Adrian Pica

Latvian parliament passed a new law that will create a tax regime designed to lighten the burden of the biggest cost at any startup: employee wages.

The new law creates a flat monthly tax of €259 per employee for startups, regardless of the salary, something that is unprecedented in any EU legislation. Also, for highly qualified employees (those with a PhD or masters degree or 5+ years of experience) a special clause where all their social and personal taxes are covered by the state, and they receive full social benefits.

Because the biggest chunk of costs for startups are salaries, this is amazing news. The total tax burden on those employees is almost equivalent to their net salary cost so this tax regime will result in doubling the runway that a startup has.

To be able to qualify, a startup must meet some criteria: they must have €30,000 or more in early-stage venture capital funding, they have to be less than five years old, and less than €200,000 in earnings in their first two years of existence.

The requirement of having some early stage investment would be a great way to make sure only those companies that seem good business opportunity by a private investor would get the special tax regime, so that the law will truly help just promising startups.

The law that passed with unanimous support in parliament and will enter into action from 1st January 2017. This is seen an attempt by the Latvian authorities to make the country Latvia an attractive base for startups and making sure that it will become an innovation hub. Latvian authorities are also working on new legislation to legalize ridesharing, proving that they understand that innovative technology startups have the potential to create outstanding economic growth.

If we look at this progress in Latvia, Startup Visa program in Lithuania and the amazing financial support for startups in Poland, one has to wonder, when will authorities in other CEE countries decide to take action to create an environment that fosters innovation and keeps talented people in their countries. Maybe it’s about time we wake them up!

Read the original story in 150sec.com
https://goo.gl/5ii4F6
Hungarian billion-dollar giant Prezi has announced acquiring Infogr.am — Latvian data visualization startup. No details of the deal have been announced but the two services are going to continue to operate as separate for the time being. It is likely that Infogr.am’s technology is going to be integrated into Prezi’s presentation software which would allow for powerful data visualizations right inside of the presentations.

Prezi’s CEO Peter Arvai wrote in the blog post: “We searched the market for partners that were creating powerful stories with numbers and found Infogram. Much like us, the Infogram team thinks of visuals as a way to enhance story, and starting today, we’ll be continuing this mission together. After all, a picture alone is worth a thousand words, but the data to back it up gives it priceless credibility. Infogram has a staggering 1.5 billion views to prove it.”

Infogram was founded in 2012 in Riga, Latvia, and has since been used by over 3 million people to create graphs, charts, and maps.

Infogram integrates nicely with cloud solutions like Google Drive or Dropbox and has an option to embed the charts on the website directly or via a WordPress plugin.

Prezi, originally founded in 2009 in Budapest, has recently been busy diversifying its portfolio of products and technological capital. They’ve recently announced its Prezi AR platform. It will use augmented reality combined with the current Prezi Next presenting technology to deliver even more engaging experiences.

Infogram is apparently going to further power up the experience with seamless charts and data visualizations.

It’s indeed exciting seeing Prezi and Infogram, both big success stories from CEE, joining the forces. Let’s see where it’s going to take the both companies and how the two products are going to evolve over the upcoming months and years.

Read the original story in 150sec.com: https://goo.gl/D6NeX1
By Jonathan Keane

Latvian drone startup Atlas Aerospace (which operates under the brand Atlas Dynamics) has raised $8 million in a new round of funding. The names of the private and institutional investors have not been disclosed.

The Riga-based company develops hardware and software products for collecting data via drones, including Atlas Pro, an autonomous drone operating system, with 55 minutes of flight time at ranges up to 50km.

Its chief products are its Visual Line of Sight (VLOS) and Beyond Visual Line of Sight (BVLOS) solutions for use cases like construction, emergency response, and infrastructure inspection. It plans to begin selling its products in North America by the end of the year.

Atlas Dynamics was founded in 2015 and its founders come from an aerospace background.

"The market is ready for fully autonomous drone-based solutions that are available to fly today, capable of providing key data in multiple VLOS and BVLOS scenarios," commented Guy Cherni, CMO of Atlas Dynamics.

"We are using our background and knowledge in aerospace technology to equip our market-ready products with sophisticated aeronautical design, combined with ease-of-use, durability, and accessibility for every business."

Read the original story in Tech.eu:  
http://goo.gl/1jPho1
LITHUANIA

KEY COUNTRY FACTS AND TRENDS

- Lithuania recently made spectacular progress in the field of startup innovation. The past few years, in particular, saw the emergence of sizable tech parks and other infrastructure projects both in the capital and in other cities. These investments have been substantially funded by the EU and supported by the local government.

- Meanwhile, venture capital, small grants, soft loans other incentives have been made available. This small country counts more than 10 venture funds.

- Lithuanian startups (around 400) operate in a variety of fields including gaming, e-commerce, fintech, life science, SaaS and cloud.

This country section includes excerpts from Tech.eu’s research about the Baltics startup ecosystem. http://tech.eu/product/report-baltics
COUNTRY BACKGROUND

POPULATION: 2.9 million (2017)
- 66.5% of urban population (2016)
- 9.12% unemployment rate (2015)
- 68.5% with tertiary education (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $42.8 billion (2017)
- Average growth rate 2014-16: +2.5%
SOURCE: WORLD BANK
- Per capita: $28,359 (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2015)

- Agriculture: 9.1%
- Industry: 65.8%
- Services: 25.2%
SOURCE: CIA WORLD FACTBOOK

LITHUANIAN HAPPINESS

The country ranks 52nd in the UN’s World Happiness report (2014-2016)

Not only is Lithuania a major producer of amber. This fossilized tree resin is a symbol of the country, being strongly present in its language and culture. (Photo credit: Depositphotos)
What the EU statistics say...

Lithuania is a Moderate Innovator. Over time, performance has increased by 21.0% relative to that of the EU in 2010.

- **Innovation system:** Relative strengths of the innovation system are in Innovation-friendly environment, Human resources, and Linkages. Relative weaknesses are in Sales impacts, Attractive research systems, and Intellectual assets.

- **Structural differences:** Notable differences are a larger share of employment in Agriculture & Mining, a smaller share of employment in High and Medium high-tech manufacturing, a larger share of SMEs in turnover, a smaller share of large enterprises in turnover, a larger share of foreign controlled enterprises, a larger share of enterprise births, lower GDP per capita, a higher growth rate of GDP, a lower and negative growth rate of population, and lower population density.

Source: European Innovation Scoreboard 2016
AMONG NOTABLE LOCAL VC FUNDS

- BaltCap
  www.baltcap.com
- LitCapital
  www.litcapital.lt
- Contrarian Ventures
  www.cventures.vc
- Open Circle Capital
  www.opencircicapital.lt
- Nextury Partners
  www.nextury.com
- Practica Capital
  www.practica.lt

AMONG LOCALLY ACTIVE INTERNATIONAL VC FUNDS

- Accel Partners
  www.accel.com
- Pioneers Ventures
  www.pioneers.io
- Contrarian Ventures
  www.cventures.vc
- Open Circle Capital
  www.opencircicapital.lt
- Practica Capital
  www.practica.lt

AMONG LOCAL TECH PARKS, INCUBATORS AND ACCELERATORS

- Kaunas Science and Technology Park
  www.kaunomtp.lt
- RISE Vilnius
  www.thinkrise.com
- StartupHighway
  www.startuphighway.com
- Startup.lt
  www.startup.lt
- Vilnius Tech Park (Sapiego)
  www.vilniustechpark.com
- Sunrise Valley
  www.ssmtp.lt

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- Over 10 local venture funds (2017)
  Source: EWDN Expert Network
- In 2016, the local BA network claimed 122 members.
  Source: EBN

VC MARKET DATA (2016)

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<th>Nb of deals or startups</th>
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<tbody>
<tr>
<td>Open data</td>
<td>€5.25m</td>
<td>16 startups</td>
</tr>
<tr>
<td>Tech.eu</td>
<td>€13m</td>
<td>5 deals</td>
</tr>
<tr>
<td>InvestEurope</td>
<td>€3.21m</td>
<td></td>
</tr>
</tbody>
</table>

The local venture market fell in volume in 2016 (€13m, 5 deals) compared with 2014 (€28m, 25 deals) and 2015 (€46m, 23 deals), notes the Tech.eu Baltics report. The difference is partly due to the considerable amounts raised by Vinted in 2014 and 2015 (see article below).

NOTABLE RECENT DEALS

- May 2017: Octopus Investments and EBRD invest €6 million in Trafic
  https://goo.gl/BKXAzn
- August 2017: Vostok Emerging Finance invests €2.45 million in TransferGo
  https://goo.gl/9Ydwrh
Inga Miliauskiene, formerly head of the local VC association, describes main characteristics, players and prospects of the Lithuanian startup innovation scene.

How many startups and startup entrepreneurs are in Lithuania?

According to Enterprise Lithuania data, there were more than 400 startups in Lithuania as of late 2016, with some 1,600 people employed by them. Startup development is fueled by the important number of tech talents in the country. There are about 31,500 IT professionals, with 1,300 new IT graduates on average each year. On top of that, a significant flow of IT talents is coming from such neighboring countries as Belarus, Ukraine, and Russia.

In early 2017, the government launched Startup Visa, a program which provides a streamlined entry process to the Lithuanian startup ecosystem. This program is intended for non-EU innovative entrepreneurs. To obtain a residence permit, they no longer need to fulfill certain capital or employment requirements. The application process takes between one and two months.

Which segments do Lithuanian startups focus on?

According to startup activity data, most startups in Lithuania operate in the fields of e-commerce, SaaS and cloud, as well as gaming. With around 15 game development companies (a few of which being recognized globally), this industry even outranks the local cinema industry in terms of generated revenue. I believe that this outstanding game talent could make Vilnius a strong gaming hub, which is encouraged by the government.

Fintech is another industry where the country made incredible progress in the recent years. In this field, in my opinion, Lithuania has one of the most innovation-friendly regulation systems in Europe.

The country aims to become the fintech hub of the Nordic and Baltic region, and government officials does everything possible to enable fintech companies to thrive.

In 2017, the government approved of a regulatory sandbox – a supervised space within the real marketplace – where fintech companies can test their innovative business solutions. Operating in the sandbox makes such companies eligible to certain reliefs, including simplified incorporation and licensing procedures. The Bank of Lithuania oversees their work and performance (http://goo.gl/5LU5Z1).

Another sector where Lithuania really stands out of the crowd is laser technologies. This industry, which encompasses biotechnology, information technology and mechatronics, is the most advanced field of production in the country, thanks to continuous collaboration between researchers from scientific institutions and engineers from the private sector. The impressive recent growth of the laser industry is reflected by Invest Europe data: its sales more than doubled from €29.4 million in 2009 to €70 million in 2014. About 90% of production is for export.

Last but not least, Lithuania is asserting year after year its leading position in the region in life science and related industries - from biotechnology, to pharmaceuticals, to medical devices. Thanks to its well-established infrastructure, Lithuania’s life science sector grows around 20-25% annually. Several successful life science startups were created by university students with creative ideas.

1. Vilnius University and the Institute of Physics have been carrying out laser research since the 1970s.
2. For example, Vilnius University’s iGEM team was awarded a gold medal at Boston’s international synthetic biology competition for their breakthrough discovery on how to prevent bacterial reproduction. The neuro-diagnostic company Vittamed attracted an investment of $10 million from venture capital funds and attracted NASA attention. Approximately 90 international pharma and medical companies conduct clinical trials in Lithuania.
Who invests in Lithuanian startups?

The startup investment scene has totally changed since the early 2010s. Not so long ago, the only available source of financing for startups were “friends, fools and family.” This may still be the case, but now venture capital, small grants, soft loans other relevant incentives have been made available. These developments have had a very positive impact on the startup ecosystem.

Among the very first early stage funds were Practica Seed Capital Fund (€6 million) and Practica Venture Capital Fund (€15.7 million), established in 2011 under the JEREMIE\(^3\) initiative. These funds, as well as such other ones as Business Angels Fund I, Nextury Ventures and Startup.It, played a significant role in the emergence of the Lithuanian startup ecosystem.

A new generation of venture capital funds is coming. For example, the early-stage venture capital fund Open Circle Capital (€20 million) launched operations very recently. Another example is Contrarian Ventures, a VC fund launched in mid-2017 with support from a state-owned energy company.

Last year the government dedicated almost €100 million to seven new private equity and venture capital instruments which will be launched in the coming few years.

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3. JEREMIE - Joint European Resources for Micro to Medium Enterprises, is an initiative of the European Commission developed together with the European Investment Fund. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions.
Please tell us more about public support programs.

Since 2007, local R&D and innovation policies have been substantially funded by the EU Structural Funds and conducted by the local government. Today, as a result, the country has one of the most competitive infrastructures for R&D and innovation in Europe with 12 state research institutes, more than 17,000 researchers, nearly 8,000 PhDs and more than 1% of GDP invested in R&D. R&D investment has also been stimulated by specific tax mechanisms.4

The government is also behind such organizations as Enterprise Lithuania (supporting SMEs and exporters), Startup Lithuania (one-stop shop for existing and future startups), the Agency for Science, Innovation and Technology (MITA, implementing the national innovation policy in Lithuania), INVEGA (facilitating access to finance with guarantee, private equity and venture capital instruments), and others.

What about private foreign investors?

A range of Lithuanian startup have attracted substantial amounts from foreign investors. One may cite Vinted, a marketplace for second-hand clothing, which raised $27 million in 2015. (A later round was led by German Hubert Burda Media with participation from Accel and Insight Venture Partners.)

In 2015 Trafi, which offers a public transport app to help plan journeys, secured $6.5 million in a round led by Octopus Investments. In 2016 the London-based Lithuanian startup TransferGo announced a $3.4 million round from Vostok Emerging Finance. CGTrader has been backed by Intel Capital and Practica Capital.

The JEREMIE initiative came as an important factor to make the Lithuanian “legitimate” in the eyes of international investors and attract them to the country. JEREMIE has been perceived as a kind of seal of quality, certifying that the local ecosystem has reached a certain level of development and operates under the normal rules of the game.

Are corporations interested in Lithuania’s startup scene?

Lithuania is a business-friendly country not only for young entrepreneurs and skilled professionals. The country has attracted such high-profile companies as IBM, Barclays, Western Union, AIG, Nasdaq, Thermo Fisher Scientific as well as global startups such as Uber, Wix.com and many others.

Some of these corporations collaborate with startups. Thus in 2016 Barclays established Rise Vilnius, a purpose-built workspace for the fintech community. The Lithuanian capital is now among seven Rise locations next to New York, London, Manchester, Cape Town, Tel Aviv and Mumbai.

Another example is Google, which opened an office in Vilnius in 2015 not only for sales and marketing purposes. Under the SEED (Startup, Entrepreneurship & Export Development) program, the US corporation supports growth-stage startups and other tech companies from the region.

4. Under a triple deduction mechanism, R&D costs may be deducted three times from company income. The depreciation or amortization costs of fixed assets used to carry out R&D can also be deducted from the income. Finally, the entity carrying out an investment project may reduce the taxable profits by the amount of the actual costs incurred for the acquisition of the assets during the tax period.
Finally, would you describe the Lithuanian innovation ecosystem as mature?

Over the past years, Lithuania has made considerable progress in the field of innovation, building a stable ground and improving the environment for innovative industries to flourish. In the European Innovation Scoreboard 2017, Lithuania ranks 16th among the 28 EU member states, eight notches higher than in 2016, and ahead of Poland, Latvia, Spain, Malta, Italy, Slovakia, Greece, Hungary and Cyprus.

Vilnius, in particular, has witnessed the emergence of major infrastructure projects – meaning more offices and working spaces for startups and foreign specialists as well, most importantly, as more a concentrated and collaborative startup community. Thus in 2015, Vilnius Gediminas Technical University (VGTU) launched Linkmenu Factory, a 1,100 sq. m. creativity and innovation area.

Vilnius Tech Park, the largest ICT hub in the region with more than 9,000 square meters and 750 working places, opened in 2016. It has become a new home for Startup Lithuania, VC funds, Startup Highwayand a variety of startups.

Innovation, though, is not all concentrated in the capital. Our small country has five integrated science, research and business centers, which we call “valleys.” They are located in the three largest cities: Vilnius (Santara Valley and Sunrise Valley), Kaunas (Santaka Valley and Nemunas Valley) and Klaipėda (Baltic Valley).

- An expert in financial instruments, Inga Miliauskieneis was formerly head of VCA, the Lithuanian private equity and venture capital association. She now serves as Equity Funds Analyst at the EBRD. The personal views and opinions expressed in this interview do not reflect the position of the EBRD.
A part of the **Sunrise Valley** - the biggest integrated science, studies & business center in Lithuania!

**Sunrise Valley**

- **The best** university in Lithuania, among 1.5% of the best universities in the world
- **The strongest** university of construction engineering in the Baltic States, among 2.1% of the best universities in the world
- **30.5k** students
- **5,000** scientists & researchers

**Open access centers:**
- Life Science Center with Biotechnology Business Incubator
- Civil Engineering Research Center
- Scientific Communication & Information Center
- Technology and Laser Research Center "Naglis"

**Sunrise Valley Science & Technology Park activities**

- Promotion of business and science collaboration
- Incubation of startups and spinoffs
- Commercialization of research and knowledge
- Promotion of local and foreign investments
- Career opportunities for students in innovative and technology-based companies
- Promotion of entrepreneurship

Since 2008

- **150 companies** in the Park community!
- **62 startups** grew up in the Park business incubator
- Investments attracted for the Park project activities: **4.5 M €**

Saulėtekio ave. 15, Vilnius, Lithuania  •  info@ssmtp.lt  •  www.ssmtp.lt
By Vaida Saltenyte

Remember the thick Burda magazine for clothes sewing? Pretty sure most of the Easter European households had at least few of them.

Well, the owner of the Burda and many other clothing and style magazines Hurbert Burda became an investor for a Lithuanian startup that offers peer-2-peer e-commerce platform for secondhand fashion items.

Co-founded about 7 years ago by Milda Mitkute and Justas Janauskas, Vinted allows its members to sell, purchase, trade or give away used clothes, shoes, and accessories.

The platform is operating in web and smartphone apps. Earlier this year, the company expanded its supply to include ‘lifestyle items’.

In their Series-C financing Vinted raised $27 million, the majority of which was given by Hubert Burda. The venture capital deal was also signed by German VC firm Accel Partners and New York-based Insight Venture Partners. These VCs already have some successful companies in their portfolio such as Alibaba, Facebook, Spotify and many more.

This latest round brings the total amount of venture capital Vinted has raised since 2013 to $60.6 million and will help the company to expand beyond Europa and USA plus will be used to support and continue building already huge community.

Read the original story in 150sec.com: https://goo.gl/FsTZpD
LITHUANIA HAS THE HIGHEST AFFINITY FOR CASH IN WESTERN AND EASTERN EUROPE

150SEC.COM, OCTOBER 19, 2017

By Jess Rapp

Despite Lithuania’s reputation as a fintech hub, a new report examining cash use in Western and Eastern Europe finds that Lithuania is the country with the highest affinity for cash.

The new Global Cash Index report, released by PYMNTS.com, analyzed 15 countries in Western Europe and 14 countries in Eastern Europe (which together represent 95% of total GDP in the region) to determine the level of cash use in each country. This metric was determined by looking at each country’s “cash share of the wallet” — a statistic representing “the percentage of the GDP that is cash-driven as opposed to being driven by a different payment type”.

In Lithuania, this represented an 82% share, indicating a strong reliance on cash throughout the country. Additionally, the report estimated a 2.7% total cash growth in Lithuania from 2016 to 2021. Out of the other 13 Eastern European countries represented, Croatia had the next highest share of cash use with 71%. The lowest cash share, on the other hand, was Estonia, with 19%.

The results of this report with regard to Lithuania are quite surprising given the country’s increasing fintech activity, supported by proactive measures from the country’s central bank, increased government support, and international investments into the industry.

The Central Bank of Lithuania in particular has made considerable commitments to the fintech sector, including programmes, such as Newcomer, which provides preliminary answers to financial institution licence enquiries within one week — the fastest turnaround in the EU. The Lithuanian government is also standing firmly behind its fintech future, working hand in hand with the central bank to introduce innovative policies, all of which can be found on the Government’s FinTech Factsheet.

“We see larger contributions of the Lithuanian financial market towards the economic growth as a goal. Favourable conditions for the development of financial technologies are one of the measures”, said Minister of Finance, Vilius Šapoka. “Lithuania goes hand in hand with Fintech industry. It is important not to stop now. We should properly exploit the opportunities at hand”.

With a fast-track system, no regulatory sanctions for companies in their first year of operation, and direct access to the central bank’s payment infrastructure allowing payment services without a middleman, the country has attracted a considerable amount of international attention. Just last month, Singapore fintech company InstaRem was granted approval by the Bank of Lithuania to operate within the country. The international funds transfer company chose Vilnius, the capital city of Lithuania, over fintech capital of the world London, underscoring the popular flexibility the country has to offer in the fintech industry.

Moreover, in light of Brexit, Vilnius is in the position to offer a better economical and political environment for fintech startups in comparison to London. The steps that Lithuania has made towards favorable regulatory environment, good infrastructure and a high-quality talent pool, therefore, could help the country seize the opportunity to become the next preferred jurisdiction for fintech companies in Europe.

However, in light of the Global Cash Index report, challenges still lie ahead for continued growth and expansion of the fintech sector in Lithuania. Nevertheless, the same report highlighted that Lithuania had the fewest ATMs per capita within Eastern Europe, which could push the country to wean off cash in favor of digital payments.

Read the original story in 150sec.com: https://goo.gl/553P2y
The Macedonian startup ecosystem is just nascent, but developing extremely fast. This trend is supported by a sizable tech savvy population, high Internet penetration and access to skillful workforce in a context of high unemployment.

With only one locally-established venture fund, startup entrepreneurs have to struggle to get funding. However, some of them receive support from foreign investors and corporations.

So far, the local government has not done much to empower local entrepreneurship and stimulate startup innovation. International support plays a vital role in this field.
COUNTRY BACKGROUND

POPULATION: 2.01 million (2017)
• 57.2% of urban population (2016)
• 26.07% unemployment rate (2015)
• 39.6% with tertiary education (2017)

Source: Global Innovation Index 2017

GDP: $10.5 billion (2017)
• Average growth rate 2014-16: +3.3%

Source: World Bank
• Per capita: $14,009 (2017)

Source: Global Innovation Index 2017

LABOR FORCE BY OCCUPATION (2016)

Agriculture: 16.6%
Industry: 53.8%
Services: 29.6%

Source: CIA World Factbook

MACEDONIAN HAPPINESS

The country ranks 92nd in the UN’s World Happiness report (2014-2016)

Source: World Bank

The Art Bridge in Skopje
(Photo credit: Depositphotos)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

LOCALLY-BASED VC FUND

South Central Ventures
www.sc-ventures.com

AMONG LOCALLY ACTIVE INTERNATIONAL VC FUNDS

Eleven
www.11.me

Pioneers Ventures
www.pioneers.io

Techstars
www.techstars.com

LAUNCHub Ventures
www.launchhub.vc

SpeedInvest
www.speedinvest.com

TECH PARKS, INCUBATORS, ACCELERATORS

Ceed Hub Skopje
www.ceedhub.mk

Seavus Incubator
www.seavusincubator.com

New Mans Accelerator
www.newmansba.com

Startup Zone
www.startupzone.mk

SuperFounders
www.superfounders.mk

SEEUTechPark
www.techpark.seeu.edu.mk

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS

- 1 locally-based venture fund
- National Innovation Fund
  SOURCE: EWDN EXPERT NETWORK
- In 2016, local BA networks claimed 35 members (not all actually being active startup investors)
  SOURCE: EBAN

VC MARKET DATA (2016)

- Estimated total amount of deals: nearly $4m
- Estimated number of deals: 23
  SOURCE: EWDN EXPERT NETWORK

AMONG NOTABLE RECENT DEALS

- January 2017: Netcetera, South Central Ventures and other investors invest $500,000 in Cognism (https://goo.gl/g6wMcx)
- July 2017: South Central Ventures invests €560,000 in InPlayer (https://goo.gl/UbLRJ1)
Are there many startups in Macedonia, and what do they usually focus on?

There are many entrepreneurs, yet most of them tend to focus on creating traditional business services rather than tech products or solutions targeting the global market. This being said, the young local startup ecosystem is developing at lightning speed. Macedonia offers a great testing ground for companies working on new technologies and business models due to its sizable tech savvy population, high Internet penetration and access to skillful workforce.

One interesting story is that of Fueloyal. This Macedonian IoT startup has invented a smart fuel cap and aims to create a smart ecosystem for the trucking industry. Selected among the Top 10 IoT startups by Techstars, they recently received an investment from multiple investors, including Techstars Ventures.

There’s a growing number of companies working in the field of AI, machine learning and data collection. A young company called Cognism harnesses the power of AI to bring new leads and fuels sales to big companies worldwide. With a database of over 400 million verified profiles and solutions that comply with GDPR, they serve clients like the Financial Times and Oracle.

In addition, there’s a lot of outsourcing companies and teams developing complex solutions for clients worldwide. It’s just a matter of time when Macedonia will generate startups whose products will be able disrupt the regional and even global markets.

How would you describe the local investment activity?

Although there is much more funding available than two years ago, most founders still struggle to obtain the initial funding that would take them to their MVP and market validation.

Currently there are a number of angel investor groups in Macedonia. They have recently began to put smart money in startups and help them develop at a larger scale.

CEED, for example, has created a big impact in educating angel investors, while their acceleration program also provides funding.

The Fund for Innovation and Technology Development, run by the government of Macedonia, was established to support innovation activities in micro-, small- and medium-sized enterprises. It offers co-financed grants for newly-founded enterprises, startups and spin-offs, and has, thus far, funded 36 companies.

In the field of venture capital, South Central Ventures is the most active VC fund, operating across the Western Balkans from their offices in Skopje, Belgrade and Zagreb. In Macedonia, this fund has invested in Letz (AI-powered productivity assistant), Cognism (lead generation and sales acceleration solution), and InPlayer (digital asset monetization platform).

At the same time, several Macedonian startups have received funding from Bulgarian accelerators or seed funds such as LaunchHUB and Eleven. Others have been selected and funded by such international programs as Hub:Raum, Techstars, Rockstart, Wayra etc.

1. This international network of entrepreneurial centers operates in Southeastern Europe; it opened an office in Macedonia in 2007 and is becoming a significant ecosystem player.
Are corporations interested in startups in your country?

Large organizations such as banks and telecom operators are looking to establish fruitful relationships with startups. Deutsche Telekom, for example, has created various contests and challenges for app creators. More recently even local banks and large IT companies are very active in funding hackathons and support initiatives within their domain. However, in Macedonia as elsewhere, there are always cultural differences between corporations and startups.

Seavus is a great example of a corporate incubator / co-working space. Financed by Seavus Group, a Swedish software development company, it actively supports entrepreneurs and creative minds on their road to success. They conduct their pre-accelerator program yearly, which is currently the most comprehensive and mature startup program in Macedonia.

How is the innovation ecosystem structured?

The capital of Macedonia, Skopje, is the main hub for innovation. The better part of startup activity, R&D, and ecosystem participants are there. Bitola comes second with its vibrant gaming scene; then Tetovo with the tech park of the South-East European University (SEEU), which is building a unique tech ecosystem as well. Startup Macedonia was founded as an umbrella organization to encourage collaboration between startups and all local stakeholders in the ecosystem. Its main goal is to build a stronger startup community and strengthen the international image of Macedonian startups.

So far, the government has been focusing on attracting foreign corporations rather than empowering local entrepreneurship. Local startups start to appear on the government’s radar because of their huge buzz. The tend to attract the most talented people and begin to show some economic impact.

Universities do not currently run any entrepreneurial programs or startup training. There is much to improve and develop in the relation between startups and the academia. The SEEU offers one of the rare examples of functioning tech park on its campus.

Filling this gap in traditional education channels, many informal training centers and NGOs provide specialized curricula, contributing to build the next generation of entrepreneurs. Social entrepreneurship has developed lately with a growing number of programs and people showing interest. Social Impact Lab, Ceed Hub, Skopje Lab, Cefe and others work in this field.
Do international support programs play a role in supporting innovation?

International support pays a vital role in the innovation scene in Macedonia as most of the entrepreneurial programs rely on funding from EU programs, USAID, Swisscontact as well as the Dutch, US, German and other embassies.

There are a lot of startup grants to increase both employment and self-employment in the country, since unemployment, especially among the youth, is a major issue. The government through UNDP, for example, supports self-employment with grants of up to €10,000, which some entrepreneurs use as starting capital.

Swiss Entrepreneurship Program, in turn, looks to link stakeholders in the public and private sectors with existing startup support structures to stimulate business growth by building capacities.

Do startups appeal to the young generation in Macedonia?

Startup is a buzzword among young people in Macedonia and many feel attracted by startup lifestyle. Yet not all are actually able or willing to work hard on their own business.

Parents do not advise their children to take risks. Rather, they encourage them to find a steady full-time job, ideally in a government institution or an international company.

We are witnessing dramatic changes. The IT sector is growing with over 5,000 new IT graduates each year and foreign companies opening software development and outsourcing centers.

Can your country’s innovation ecosystem be considered as mature?

The small Macedonian innovation scene is on the rise, there is still much to do for the ecosystem to reach the desired level. Collaboration between all stakeholders is key to achieving progress.

Macedonia needs a hero, a success story which could change people’s mindsets and the government’s views on startups.

(November 2017)

- An associate at South Central Ventures and co-founder of Startup Macedonia, Igor Madzov is actively involved in the startup ecosystem in Macedonia and the region. With a business background in business development, lead generation and sales for startups, he likes to help early stage companies solve monetization problems and define winning go-to-market strategy.

IGOR MADZOV OF SOUTH CENTRAL VENTURES: “MACEDONIA NEEDS A SUCCESS STORY THAT COULD CHANGE PEOPLE’S MINDSET AND THE GOVERNMENT’S VIEWS ON STARTUPS”
In a market of pizza sales that were expected to reach $45 billion in the US alone last year, Slice operates a website and an app that lets people search for pizzerias in their area — over 6,000 nationwide — and place an order online. The pizzerias handle deliveries themselves and pay a flat fee of $1.95 per order to Slice, no matter the size, whereas many other online ordering services charge a percentage of the sale. With Slice, customers don't pay anything extra.

Slice was founded by Ilir Sela, an Albanian by birth, grown up on Staten Island. Most of friends and family of Ilir own and operate pizzerias in the greater New York City area and his grandparents owned a pizzeria in Manhattan in the 70s.

Ilir Sela has been featured many times on various tech medias including ReCode and TechCrunch, however while we didn’t talk to him directly we got the chance to talk with the general manager of the backoffice of Slice in Macedonia - Slice Macedonia, Alban Osmani who’s been leading a large and growing team in the city of Ohrid, Macedonia. Alban was born and raised in Chicago, but now lives and works in Ohrid. Both of his parents are from Ohrid and Diber, respectively, and he’s always had a deeply rooted desire to live in Ohrid. He was constantly following-up about the latest developments around the Balkan region until he found the right opportunity to join Slice and help grow and expand the company. Here is how he answered our questions.

How did all of this start? What was the trigger?

Slice was started by Ilir Sela, Albanian by birth from Debar, Macedonia, which is part of the reason he entered the industry. Most of Ilir’s relatives and friends owned pizzerias in NYC, and his family owned a pizzeria in Manhattan in the 1970s.

Ilir has a degree in computer science and previously owned an IT company, and became the tech support expert for pizzerias his friends owned. Around 2009 he noticed that more and more pizzeria owners would bug Ilir to build a website with online ordering. Sela began to research the pizza industry and found that it was a billion-dollar industry that was largely dominated by independent pizzerias, but with 90% of online orders going to chains.

To level the playing field Sela launched Slice, a website where users could log on to and place orders at their local pizza instead of calling them in over the phone.

During that time, he contacted Butrint Sela in Diber to handle the small amount of backend work needed to support the orders that needed to be handled. It was a win-win for Slice. The company was able to find highly qualified individuals but at a lower rate compared to the US salaries. Butrint gathered a small team and they started the company with a total of 4 employees, and now Slice employs 260 individuals in Ohrid, Debar, and in the heart of NYC.

Why did you decide to come back to Macedonia? What are the reasons?

Back in 2014, my brother Betim Osmani and I, having spent a large majority of our lives in Chicago, USA decided to come back to Macedonia, our homeland. We believed that there was an opportunity in the Balkans to use the talent that others didn’t see.
There was a regular outflow of people from Macedonia to other countries in the West and we simply didn’t know why. We figured that if you worked hard the results would follow, and that should be true for any country you are in. We gave Macedonia a shot and flew one way in the summer of 2014.

At the time, we joined Butrint and the company’s 40 employees, and together Betim, Butrint, and I was able to implement the things we learned in America to the culture of the company. It allowed us to view the business in a different way and helped expand the business to Ohrid. We were able to scale the business at a faster pace and helped organize it in a way that would be similar to companies in the USA and it was welcomed by the talented individuals in Ohrid and Diber who saw it as something special and unique in the region.

What are the benefits of having a company in Macedonia and serving clients to the world?

First and foremost, the most important thing to any and all businesses – cost. Simply put, building a team in Macedonia has a lower cost and it allows for companies to focus their resources on marketing, thus expanding their client base.

However, that is a very small part of the formula. There is also a huge amount of talented individuals who are not being challenged. We saw a lot of individuals who spoke different languages and who were very motivated, passionate, and hard-working, willing to break through any barrier and simply make something happen.

I cannot overstate how passionate people in the Balkans are. There have been many instances when technology failed us, but we would come together in the Slice office and simply work through the backlog of issues, and I feel that only passionate people who care about a business’ vision and mission can do that.

You cannot find this passion and motivation to succeed anywhere else – you simply need to challenge the existing individuals in these regions.

What does Slice do in Macedonia?

We are responsible for managing the back end. We have all of our support teams in Macedonia from customer support, to account management, data entry, market research, and everything needed to support Slice. A large majority of our calls are inbound requests to support our restaurant partners and customers.

Slice team members process orders, build relationships, implement marketing strategies and support thousands of Pizzerias and millions of customers across the United States. [And] we offer [real] opportunities for career advancement.

Ilir Sela, Founder and CEO of Slice
The received funds are going to be used to expand Slice at a faster pace and make sure that we can continue to grow and scale.

This means that for us this is just the beginning. We will also invest in our team to make sure that we continue to support their growth and development. The more our team grows and develops the better we work, the happier we are, and the better we perform; it ends up being beneficial to all parties involved.

What are the next plans for Slice?

We want to expand into Kosovo, or Albania, depending on the need and where it makes the most sense for us. We are looking at all options from Prishtina, to Tirana, to smaller cities like Prizren, and others. We want to continue finding amazing individuals who want to be a part of Slice and advance their careers and not look at Slice as just another job.

So keep an eye out for Slice near you by the end of the year and if you are interested in joining us shoot us a message with your skills and talents and how you can help the company. We are always looking for special individuals who are talented and are waiting to be challenged.

What would you suggest to an investor looking into opportunities around the region?

If you simply take the time to look at the potential opportunity it is very difficult to miss it. The technological infrastructure has improved greatly over the years, and now there are opportunities for outsourcing back-end processes very easily. There is also a very large amount of talented individuals that are not programmers. A majority of our employees have Master’s degrees and speak English fluently. Opportunities to cut your costs by a significant amount are there, it just takes a bit of time to look into what the options actually are.
Similarly, there are tools to overcome the challenges of working remotely or having an office in another country. In today's tech driven society, you have software that allows you to communicate more efficiently without missing a beat, track data and employee progress as if they were working on a floor below you in the same office building.

Finally, it’s important to look at the work that you are currently doing and ask yourself if that particular task needs to be done specifically next to you.

In other words, we email each other files and discuss things through Slack even though we are in the same office, it’s just as easy to email and speak to Slack someone that is further away. Again, there are challenges, but nothing that cannot be overcome with the proper management and the adequate tools.

**What about human resources for your and other startups in the Balkans? Is brain drain an issue?**

The thing that is most surprising for us is how talented and amazing our employees are, you simply can’t find people like this anywhere in the world, and all of their contributions have helped Slice get to where it needs to be. But at the same time, we constantly see how, as a group, the young talented individuals of the Balkans are sometimes very demotivated, and are always seeking for a way to leave the country or city that they are in for a better opportunity in the West. What they do not consider is that things are tough and there are challenges in the West as well; they may be different, and maybe not as difficult to overcome, but that is a matter of perspective.

There are vast opportunities here, and a better future. You’ll [have to] start low, work your way through it, power through challenges, always be at your best, and use every single day as another opportunity.

[…] When Americans were hit hard by the financial crisis in the US, they didn’t have an America 2.0 to emigrate to. […] I hope that the young individuals in the Balkan region give it their 110% before looking at other options. There is a general mindset here that it you cannot be successful in this region, but that is not true. None of what happened to Slice happened by chance, it was a team coming together and working very hard. Absolutely nothing else.

*Read the full story on DigitalSpoilercom: [http://goo.gl/bfaxDr](http://goo.gl/bfaxDr)*
By Gabriela Delova

InPlayer, a next generation video and digital asset monetization platform, has raised €560.000 from South Central Ventures (SC Ventures or SCV), the company announced. This is by far the largest investment made in a tech company in Macedonia, according to the SCV press release.

“We currently have a team of 35 working across all business functions and expect this to double over the next 12 months. SC Ventures will enable InPlayer to continue its growth around the globe adding to the clients in the 24 countries we already have. Macedonia is key to the future of our business and we are lucky to attract the excellent talent who are living locally”, said George Meek, InPlayer’s CEO.

The investment in InPlayer will be used to further expand their team in Skopje as well as position InPlayer as one of the leading video and digital asset monetization platforms globally.

According to the SCV press release, the digital assets monetization business is expected to grow constantly in the next few years. Hence this investment in InPlayer: “MarketsandMarkets estimates the video streaming market alone to grow from $3.29 billion in 2016 to $7.05 billion by 2021, at an impressive CAGR of 18.3% due to the rising usage of online streaming. Key benefits of the growth of this market include the wide variety of choice, control over viewing time, unrivaled flexibility in the manner of consumption, easy access on multiple devices and much more”.

Founded in 2010, InPlayer is a Macedonian/UK company with a mission to make for their clients more money from their library of online media assets, be they live, recurring or on-demand. To date, according to their LinkedIn profile, the company has managed millions of dollars in transactions, making thousands of live events profitable. 24 hours a day, around the world.

Some of their clients are DK4 and US cable network RideTV. Currently they are working with their first major sports agents IMG & SportRadar, they’ve developed full Video On Demand (VOD) solution for the CEE leader FilmBox and have worked with global brands such as Manchester United/Barcelona FC/Connor McGregor etc.

The InPlayer team consists of leading industry experts who have helped manage the distribution and monetization of content for some of the largest media and technology companies in the world.

InPlayer Macedonia has its own top management team, led by COO Nenad Cubrinoski and CTO Filip Dimcevski, while its CEO George Meek and business development team are located in London, UK.

South Central Ventures aims to support the startup system in the region, and help founders bring their businesses to global markets. With offices in Belgrade, Zagreb and Skopje, SCV is focused on tech companies in the Balkans. The €40 million fund is dedicated primarily to early stage and growth investments. The investment in InPlayer is their 9th investment to date.

Read the full story on SuperFounders.com: http://goo.gl/eHa1pn
Moldova

A small and declining population: -13% between 2004 and 2014, according to the census.

Among the lowest GDP per capita in Europe: around $2,000 over the past few years.

The tech sector consists essentially in IT and software service companies. The startup scene is embryonic with a few dozens of companies only; but some operate internationally in the field of gaming, fintech and B2B solutions.

Startup investment activity (in the hundreds of thousand USD per year) is supported by two dozens of individual investors. Venture funds are practically absent.

A few startup incubators and accelerators have emerged over the past few years supported by some corporations and international programs.
COUNTRY BACKGROUND

POPULATION: 3.5 million (2014)
- Incl. Transnistria 0.5 million
- 13% decline from 2004
  (Source: National Census in Moldova and Transnistria)
- 45% of urban population (2016)
- 4.9% unemployment rate (2015)
- 41.2% with tertiary education (2017)
  (Source: Global Innovation Index 2017)

GDP: $6.8 billion (2016)
- Average growth rate 2014-16: +2.9%
- Per capita: $1,900 (2016)
  (Source: IMF)

LABOR FORCE BY OCCUPATION (2016)

- Agriculture: 54.2%
- Industry: 33.7%
- Services: 12.1%
  (Source: CIA World Factbook)

MOLDOVAN HAPPINESS

The country ranks 56th in the UN’s World Happiness report (2014-2016)

View of the Triumphal Arch in the Moldovan capital Chisinau (photo credit: Depositphotos)
VC FUNDS

No local VC fund

SOME LOCAL BUSINESS ANGELS

Alexandru Machedon, Ion Sturza

AMONG LOCAL TECH PARKS, INCUBATORS AND ACCELERATORS

Dreamups
http://www.dreamups.com/

Tekwill
www.facebook.com/tekwill

Business incubator of the Academy of Economic Studies

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- No local venture funds
- Two dozens of business angels at most

SOURCE: EWON EXPERT NETWORK

STARTUP INVESTMENT DEALS

- Estimated total amount of deals: about €500,000 per year
- Estimated number of deals: about 20 per year

SOURCE: EWON EXPERT NETWORK
Matei Sergiu is an entrepreneur with Moldovan roots who now spends most of his time in Silicon Valley and Europe. In this exchange, he shared his views on Moldova’s embryonic startup ecosystem and its development prospects.

How (under)developed is the Moldovan startup ecosystem?

The better part of entrepreneurship / startup initiative in Moldova are in such traditional industries as textile and wine rather than tech startups.

In the technology field, there is a substantial number of IT outsourcing and software development companies. As a rule, these are service providers, not product-oriented startups.

Why such a small ecosystem? Yes, the country is small, but compare with Estonia which is less populated. Mentalities also play a role, with most people seeing life in the traditional way. Few young people think of creating a tech business, young entrepreneurs are usually not very tech oriented. There’s no inspiring model like Skype can be to the Estonian youth. The models may be negative: get or give bribes, stay or leave the country...

The government is not putting barriers, some facilities are even available (tax privilege for young companies with engineers). But the local legislation does not protect enough investors, which is a reason why startups tend to register abroad (mainly in the UK, or the USA).

With all these reservations, Moldova is an interesting country. It has a young population, a good tech education, and three languages widely spoken (Romanian, Russian and English). Salary costs are low by international standards, but these are still good salaries by local standards: from 500 to 2,000 euros.

Do local startups focus on any particular tech field?

Moldova’s startups, though not numerous, concentrate in a few fields. Gaming is one of them, with a few startups and some event activity, though this sector is far from being as successful as in Belarus, for example.

Fintech also has some startups, but no real industry there either. In the field of telecom, some startups are developing in relation with such telcos or ISPs as Orange (which also invests in agrotech) Moldcell / TeliaSonera or StarNet.

B2B products are emerging as providing opportunities to develop a startup even with limited capital, since you can self-fund with customers paying from day one.

There are several noticeable startups from these fields operating on the global market. These include BabyMoon Project, Fentury, Offfy, Planable, EnergySolaris, Retently, Pandametrix, Spooky House, Ritlabs (The Bat!).
How many startups and startup entrepreneurs are there in Moldova?
The market is so new, almost virgin. Around 30 startups have registered on the Startup Moldova online platform; this list is not exhaustive, but it gives an idea of the numbers involved.

Two pioneering startups must be mentioned. Ritlabs, which started in 1997, offers a shareware email client for the Microsoft Windows operating system. There is also 999.md, a sort of local Craigslist.

What about incubators and other supporting infrastructure?
In 2005, a business incubator was launched by a Canadian fund, in the Academy of Economic Studies, a major university. It is more like a co-working space, not very tech focused though. Garage (Garage.md), a local tech-oriented incubator launched in 2011, ultimately did not work.

Dreamups, a tech campus with acceleration, co-working and events with many partners including international ones (Orange, Mobias Bank, USAID), is still up and running, as well as a couple of co-working spaces and other supporting organizations.

Recently, a new technology hub was launched: Tekwill. The project started in September 2015 with the support of USAID under a project named "Development of Moldova ICT Excellence Center." Located in the heart of the Technical University of Moldova (UTM), Tekwill has a 4,000 sq. m. hub with co-working spaces, office, tech labs (IoT, 3D printing) and community events.

Are individual investors and family offices interested in startups?
There are very few local angel investors. But this form of investment will perhaps emerge now: a tech-oriented angel network, dubbed 'Angel Labs,' was created in late 2016.

Individual investors know little about how to invest in a startup, so they usually prefer to invest in traditional sectors. And if ever they will invest in a startup, they will not want to announce it publicly. They will fear that such publicity could attract negative attention from the authorities. These perceptions are not always be justified, but they exist.

What about funds?
There is no local fund investing in Moldova. Some US, Romanian and Ukrainian VCs have invested in traditional sectors, but not in tech startups so far.

Recently the Swedish government and USAID teamed up to launch a support program of $4 million in total. In addition, USAID-backed WNISEF announced the launch of a startup fund to support tech startups in Ukraine and Moldova (http://goo.gl/s3dSo4).

A survey done by Dreamups in partnership with Magenta Consulting, involving more than 500 entrepreneurs, identified a key issue: the lack of financial means, be it in the tech or any other sector. Entrepreneurs believe that the lack of money is their biggest problem, preventing them to create and scale up successful businesses.

1. http://startupmoldova.tech/#startups
MATEI SERGIU: “TO DEVELOP ITS STARTUP ECOSYSTEM, MOLDOVA NEEDS INSPIRING MODELS AND TRUE REFORMS”

Anything from the corporate side?

Local players’ initiatives in these fields are rare, if any. However, Orange has shown interest in potentially supporting tech startups. In addition, Mobias Bank - Société Générale has a startup-friendly credit offer, and sponsors startup initiatives.

Does innovation benefit from enough support from the authorities?

There are some initiatives, for example the Ministry of Youth offered financial support to our educational/training initiatives. The government offers perks and tax breaks to favor tech parks and the IT sector in general. These measures — which are lobbied, in particular, by IT service companies — benefit essentially to the offshoring sector, rather than tech startups as such. And the bulk of government help (subsidies and other facilities) goes to even more traditional sectors.

The rare specific pro-startup government initiatives do not seem to stem from a real strategy. The government has not demonstrated so far a clear and ambitious vision of Moldova’s tech future. This is probably a question of generation and mindset, and due to the fact — let’s be honest — that the startup sector is still so small that it cannot attract much attention.

Similarly, there were some attempts to modernize e-government like in Estonia, but they looked more like the individual initiatives of one or a few government members, rather than a real strategy.

How do you envision the tech future of Moldova?

There is a big population between 20 and 30 right now, I think this is a real opportunity to engage talent and create impactful companies. Things are starting to warm up with some institutional support.

However, we shouldn’t expect a lot of great startup successes in the foreseeable future. Startup success is a matter of numbers, you need a lot of projects to get one big success. Israel produces more than a thousand startups a year, Moldova is still far from such numbers.

To succeed on this way, Moldova needs role models, success stories that can inspire young people — as well as true reforms and democratization. All in all, I am confident that Moldova can emerge one day on the startup global scene with one or great success. We are at the early stage of a process which requires some time. Micro focus, macro patience!

- Sergiu Matei co-founded Travod, a fast-growing startup in the content and translation industry, serving such brands as Amazon, Forbes Group, LSPs based on a network of 25,000 professional translators. Mr Matei is also a director and mentor at the Founder Institute and regional director for Startup Grind, a global community initiative supported by Google.
Rockstart opens Launchtrack program in Moldova

By Agata Kukwa

Rockstart, one of Europe’s first multi-vertical startup accelerators, will support CEE entrepreneurs, typically first-time founders, with prototypes and ideas, aspiring to launch their product and get selected by an international accelerators.

Rockstart has chosen Moldova as its first program in Eastern Europe thanks to a rapidly growing vibrant entrepreneurial ecosystem, as well as its strategic location. Moldova is easily reachable from most of the Eastern European and Central Asian countries, while its visa requirements are not as strict as in the neighboring EU member states.

The entrepreneurs coming from across Eastern Europe, the Balkans, and Central Asia will take part in a 60-day Launchtrack program powered by Tekwill (March 31–June 2) in the Moldovan center of technology and capital Chișinău.

"When I came to Moldova for the first time, I was amazed by how passionate people there are in building up their ecosystem for entrepreneurs to thrive. It shows also how much entrepreneurs value this support in how involved they are in the events that are organized. However, founders still could use support in everything that has to do with finding problem-solution fit, business development, and sales. Our experience in tech entrepreneurship and a wide network of mentors and experts seems like a perfect fit here," said Karin van Soest, Launchtrack Moldova program manager.

Rockstart’s Launchtrack program is carried out in partnership with Tekwill, organization building entrepreneurial ecosystem in Moldova, which was a strong argument for Rockstart in favor of launching a program in there. The passionate team that has formed around the organization, including the CEE startup ecosystem champion and Tekwill advisor Anca Albu, aligns perfectly with the objectives and values that Rockstart has envisioned for the project.

Rockstart Launchtrack powered by Tekwill is also supported by the U.S. Agency for International Development (USAID) and Swedish International Development Cooperation Agency (Sida) within “Moldova ICT Excellence Center Project.”

Who can apply?

This program is for those working on an initial prototype or idea which you believe has the potential for global scale. You will get support from international accelerator team in validating your product idea, find your launching market and get the chance to enter international accelerator. Rockstart is looking for teams or individuals with prototype or idea (pre-MVP) of their product.

Applications will be first reviewed in terms of the team and technology. Final decision will be preceded with a call after which you will be informed if you are selected. Rockstart team will help you to plan your participation in the program and your stay in Chișinău. The program sessions will be held almost exclusively during long weekends, Fridays to Sundays, and you will be expected to participate in all program elements to be able to pass each of the milestones.

Read the original story in 150sec.com:
https://goo.gl/9LRSud
Tech startups appeared in this country only in 2013, and have remain extremely few so far.

Nevertheless, an innovation ecosystem is emerging around a tech park and a few initiatives backed by local or foreign corporations.

Venture activity is still virtually inexistent, with no local fund and no business angels.
COUNTRY BACKGROUND

POPULATION: 0.6 million (2017)
- 64.2% of urban population (2016)
- 17.52% unemployment rate (2015)
- 55.3% with tertiary education (2017)
  SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $4.2 billion (2017)
- Average growth rate 2014-16: +2.5%
  SOURCE: WORLD BANK
- Per capita: $16,123 (2017)
  SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2014)

Agriculture 5.3%
Industry 17.9%
Services 76.8%

SOURCE: CIA WORLD FACTBOOK

MONTENEGRIN HAPPINESS

The country ranks 83rd in the UN’s World Happiness report (2014-2016)

A Montenegrin actor, singer and songwriter, Slavko Kalezić represented Montenegro in the Eurovision Song Contest 2017 with the song “Space.” (photo credit: Depositphotos)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

LOCAL VC FUNDS

No local VC fund

AMONG LOCALLY ACTIVE FOREIGN STARTUP INVESTORS

- Eleven
  - www.11.me
- hub:raum
  - www.hubraum.com
- Hubraum Krakow
  - www.hubraum.com

LOCAL BUSINESS ANGELS

Practically no local business angels investing in Montenegrin startups

AMONG LOCAL TECH PARKS, INCUBATORS AND ACCELERATORS

- Tehnopolis
  - www.tehnopolis.me
- Mtel Digital Factory
  - www.mtel.me
- Mtel
  - www.mtel.me

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- No local venture funds
- No business angels

SOURCE: EWDN EXPERT NETWORK

STARTUP INVESTMENT DEALS

- Estimated amount of deals in 2016: €100,000
- Estimated number of deals in 2016: 2

SOURCE: EWDN EXPERT NETWORK

NOTABLE DEALS (2016-17)

- November 2017: Hub:raum invests in BeeAnd.me
  - (http://goo.gl/wrT1je)
Tech entrepreneur Dražen Žujović describes the emergence of Montenegro's first startups in an evolving social environment.

Are there many startups and startup entrepreneurs in Montenegro?

The first startup in Montenegro was founded in 2013. Since then, the local startup community has grown, but a mere five startups have attracted investment at least at the early stage so far. A few dozens of teams are at a very early stage, but the numbers are growing.

All in all, the startup community consists in a couple of hundred people, if judging by those who attend startup events.

These few local startups operate mostly in the travel, agritech and fintech segments.

Who invests in these startups?

We just recently got our first startup accelerator. They will probably make their first investment in the next six months. We don't have any active angel investors or VC funds. There is one government-backed investment fund for SMEs, in partnership with ENIF1 – but this fund never invested in a tech startup so far. The investments in local startups came from foreign investors: Eleven Sofia, Hubraum Krakow, Huge Things Warsaw, and some angel investors.

This is perhaps because we have one of the biggest startup conferences in the region, Spark.me, which attracts dozens of foreign investors. Startup accelerators and VC funds like Eleven, Hubraum and ENIF also organize events.

It's worth noting that Hubraum Krakow is an emanation of Deutsche Telekom. This accelerator is really interested in our startups, but it's virtually the only example of active foreign corporations on the local startup scene.

In the few cases of investment, what were the amounts?

From €40,000 to €100,000, perhaps a bit more. And there has been no exit so far.

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1. ENIF (Enterprise Innovation Fund) is part of the EU-funded Western Balkans Enterprise Development & Innovation Facility (WB EDIF).
Can you cite an example of Montenegrin startup with international recognition?

BeeAnd.me has developed a smart monitoring system for beehives. They have been widely recognized with Deutsche Telekom promoting them at large European tech events (CeBIT for example). They even told Angela Merkel and the Japanese prime minister about this technology. BeeAndMe has dozens of prototypes in around 10 countries.

How is the local innovation ecosystem organized?

We have a tech park, some incubators or accelerators, and events. There’s no real coordination yet, but there are now more and more discussions and initiatives to organize the ecosystem.

Does innovation enjoy significant support from the authorities?

The government did launch a few business incubators and a tech park, but there's still a lot to do. Developing the innovation ecosystem might become one of the government's priorities next year.

What about international support programs?

There are some UN programs supporting and promoting innovation. They recently published a guide about how to start a tech startup from Montenegro, they distributed it to the government branches involved the support of innovation, to students and young entrepreneurs, to business incubators, to the tech park, etc.

Are startups appealing to the young generation?

There’s much more interest in startups than, say, 10 years ago. The attitude towards entrepreneurship and innovation is becoming more positive in the media, in the universities – but there’s still a lot to do.

How do you envision the future?

Our country’s innovation ecosystem is still at the early stage. Things are changing rapidly in a good direction right now at the government level. We will attract more investors – which, in turn, will raise people’s interest in startups, – improve the legal environment for tech entrepreneurs, and promote or teach entrepreneurship even more in schools and universities.

(September 2017)

○ Dražen Žujović founded TourViaMe, one of the first startups in Montenegro. He now supports the local startup ecosystem by providing mentoring, giving lectures and writing books.
Poland has the most important startup and VC ecosystem in the CEE region by size (after Russia), with several thousands of tech startups, around 70 active venture funds, and dozens of tech parks, incubators and accelerator programs.

The ecosystem is supported by massive financial injections from the government. This translates into easily accessible grants, but the VC market remains relatively modest with annual deal amounts ranging in the dozens of million euros.

Poland also suffers from the brain drain; improving local conditions may help stop it and attract more inventors and entrepreneurs from such neighboring countries as Belarus, Ukraine or Russia.
COUNTRY BACKGROUND

POLAND

POPULATION: 38.6 million (2017)
• 60.5% of urban population (2016)
• 7.5% unemployment rate (2015)
• 71.2% with tertiary education (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $467.4 billion (2017)
• Average growth rate 2014-16: +3.3%
SOURCE: WORLD BANK
• Per capita: $26,455 (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2014)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8.6%</td>
</tr>
<tr>
<td>Industry</td>
<td>23.9%</td>
</tr>
<tr>
<td>Services</td>
<td>67.5%</td>
</tr>
</tbody>
</table>

SOURCE: CIA WORLD FACTBOOK

POLISH HAPPINESS

The country ranks 46th in the UN’s World Happiness report (2014-2016)

46th

Source: CIA WORLD FACTBOOK

Buildings from socialist and capitalist eras in Warsaw center
(photo credit: Depositphotos)
POLAND IN 2016

What the EU statistics say...

Poland is a Moderate Innovator. Over time, performance has increased by 2.0% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Employment impacts, Firm investments, and Innovation-friendly environment. Relative weaknesses are in Innovators, Linkages and Attractive research systems.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining and Manufacturing, a smaller share of employment in High and Medium high-tech manufacturing and Services, a larger share of foreign controlled enterprises, a lower number of Top R&D spending enterprises and a lower average R&D spending of these enterprises, lower GDP per capita, a higher growth rate of GDP, and a lower growth rate of population.
STARTUP INVESTMENT & INNOVATION IN EMERGING EUROPE • COUNTRY SECTIONS

POLAND

STARTUP & VC DATA

AMONG NOTABLE LOCAL VC FUNDS

Black Pearls
www.blackpears.vc

Giza Polish Ventures
www.gpventures.pl

Inovo
www.inovo.vc

Protos VC
www.protos.vc

SpeedUp
www.speedupgroup.com

Experior
www.evf.com.pl

Innovation Nest
www.innovationnest.co

MCI Capital
www.mci.pl

Satus Venture
www.satus.pl

StarFinder VC
www.starfinder.eu

AMONG THE MOST ACTIVE FOREIGN TECH INVESTORS

EBRD
www.ebrd.com

3TS Capital Partners
www.3tscapital.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

• Nearly 120 seed or venture funds, including 70 active ones.
  SOURCE: EWDN EXPERT NETWORK

• In 2016, local BA networks claimed 431 members. But there is only around 50 regular and active startup investors, say local experts.
  SOURCES: EBAN, EWDN EXPERT NETWORK

STARTUP INVESTMENT DEALS

• InvestEurope recorded deals involving 46 companies and amounting to €21.4 million in 2016.

• Inovo analysts have estimated the market size at some $50 million each year, plus another $50 million raised by Polish startups having moved to the USA (http://goo.gl/SNtFBk)

NOTABLE RECENT DEALS

• DocPlanner raised $20 million (June 2016) and €15 million (May 2017) from Target Global and Enern (see article below)

• SALESmanago raised $6 million from 3TS Capital Partners (February 2016 – see below)

Source: EBAN, EWDN Expert Network
AMONG NOTABLE ACCELERATORS AND INCUBATORS

- Founder Institute Warsaw
  [http://fi.co/s/warsaw](http://fi.co/s/warsaw)
- Hubraum Krakow
  [www.hubraum.com](http://www.hubraum.com)
- Huge Thing
  [www.hugething.vc](http://www.hugething.vc)
- InCredibles
  [www.incredibles.pl](http://www.incredibles.pl)
- MITEF Poland
  [www.mitefpoland.org](http://www.mitefpoland.org)
- Orange Fab Poland
  [www.orangefab.pl](http://www.orangefab.pl)
- ReaktorX
  [www.reaktorx.com](http://www.reaktorx.com)
- Startup Hub Poland
  [www.startuphub.pl](http://www.startuphub.pl)

AMONG THE COUNTRY’S TECH PARKS

- Jagiellonian Centre of Innovation
  [www.jci.pl](http://www.jci.pl)
- Krakow Technology Park
  [http://kpt.krakow.pl](http://kpt.krakow.pl)
- Kielce Technology Park
  [www.technopark.kielce.pl](http://www.technopark.kielce.pl)
- Wroclaw Technology Park
  [www.technologpark.pl](http://www.technologpark.pl)

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- Piotr Holubowicz, Artur Racicki – Founder of Seedia, a company that creates eco-friendly products that harvest solar energy, such as benches.
- Eliza Kruczkowska, Director of Polish Development Fund
- Wojciech Pazdur, Kamil Bilczynski, Robert Siejka – Founders of The Farm 51, a computer games company whose projects include an educational virtual reality tour of Chernobyl after the nuclear disaster.
- Maciej Sadowski – President of the Startup Hub Poland Foundation, Member of the National Development Council to the President of the Republic of Poland
- Julia Szopa, CEO of Startup Poland, “the community voice of Polish startups”
- Michal Wroczynski, Gniewosz Leliwa, Grzegorz Rutkiewicz, Tomasz Krupa – Founders of Fido AI, an artificial intelligence program that can understand internet-based blogs, comments, forums, and social media.
- Tomasz Zernicki, Piotr Szczechowiak – Founders of Zylia, which has developed a technology that uses just a single microphone to record multi-track sounds that can later be separated.

POLISH MEMBERS OF INTERNATIONAL TECH PARK ASSOCIATION IASP

- Kielce Technology Park
  [www.technopark.kielce.pl](http://www.technopark.kielce.pl)
- Wroclaw Technology Park
  [www.technologpark.pl](http://www.technologpark.pl)

SOURCES: NEW EUROPE 100 CHALLENGERS 2017, EWDN
Mr. Sadowski heads Startup Hub Poland, a major component of the Polish startup ecosystem with strong regional and international connections. In this exchange, he depicts the main facts, trends and prospects of tech innovation in Poland.

In your country's innovation ecosystem, which are the most developed technological fields?

If judging by quantitative parameters (number of innovative technologies in different segments, and size of these segments) as well as qualitative ones, the Polish market is highly software-oriented. Polish companies enjoy a significant local market to adjust old products and test new ones. International players contribute to this growth by locating R&D and services centers in the country, leveraging the high skill level of the local ICT labor marker. Polish IT engineers are ranked among world leaders with relatively competitive salaries expectations.

Thus, Poland looks like an IT Mecca, as illustrated by the success of Allegro, Comarch, Onet and Wirtualna Polska, to take just examples, as well as such new stars as Asseco, CdProject Red or Ivona Software.

But for me life sciences – in particular medical tech and biotech – are the rising star of Polish innovation. True, in comparison with leading global markets in this field, Poland may still appear as a generic drug manufacturer, but new solutions in diagnostics, nanotechnologies and targeted drug distribution are developed more and more frequently and successfully by big local companies (e.g. Selvita, Mabion, Celon Pharma) as well as new startup forerunners (e.g. OncoArendi, NanoVelos, Svanvid). The healthcare market reached over 114 billion zlotys [approx. €26.9 billion] in 2015, doubling its size since 2006. With almost 1,000 new PhDs every year and fast-growing patent issuing, Poland is becoming the CEE hub for medical tech.

How does the Polish innovation scene look in quantitative terms?

Every year we see high-tech IPOs, but still too few follow-ons and VC exits or M&As.

The past two years saw the emergence of several unicorns, including CD Project Red, the developer of the famous game ‘Witcher,’ and the e-commerce and e-payment company Allegro. Will this trend increase? The industry benefits from 350,000 engineering students graduating every year and from powerful public support for startups, essentially through the National Center for Research and Development (NCBiR) and the Polish Development Fund (PFR).

These are positive factors, but Poland needs to stop the brain drain and to create conditions to attract inventors and entrepreneurs from countries like Ukraine, Russia or Belarus.

As for the number of startups, various estimates are in the range of 2,500 to 3,000.

Please tell us a bit about Polish business angels.

In Poland, you can find 40-50 active BAs with documented success-record and possibly another 200-300 investors in the peloton. They often create alliances and BA networks, among which six or seven groups present a steady performance and invest regularly. At Startup Hub Poland, we deal mainly with Leviathan Business Angels, Black Swan, Cobin BA, Satus, and Capital Ventures BA.

Meanwhile, just a few wealthy private individual investors allocate their assets in startups. It’s a priority for the country to attract them to the startup ecosystem.
What about VC and other tech investment funds?

For Poland is a seed-land, a definite leader in European scale for high-tech concept/proof of concept phase teams of engineers and inventors.

There are some 120 seed or venture funds in the country, among them 70 can be called "active volcanos."

These investment vehicles can be split into four categories:
• Nearly 20 early A-round funds (€500,000 – €2 million) have been supported by the National Capital Fund (KFK), some of them are still ready to invest.
• NCBIR supports early-stage seed funds (tickets of up to €500,000 – hard-tech oriented startups at the Proof of Concept phase and academic spin-offs). The number of this kind of vehicles grew from 10 in 2015 to 20 in 2017.
• PFR will support so called ‘Starters,’ which are seed funds with an incubation mission
• Numerous private initiatives with impressive portfolio oriented mainly on marketing technologies.

To which extent are Polish funds integrated into the global VC industry?

We have four or five strictly international funds in Poland with well-established global relations and a proven reputation. Many Polish investment teams also cooperate with German, Swedish and Czech colleagues in building consortia and finding follow-on investments.

At Startup Hub Poland, we maintain relations with over 60 foreign VCs that help foster valuable collaborations with local players.
High-risk smart capital, in combination with Poland’s development potential (such as skilled engineering labor, reasonable costs, modern and advanced infrastructure, and a big internal market), can create an ideal match. The government’s development strategy underlines this model explicitly as a path for leveraging Poland’s position on the global innovation scene.

Are corporations active in the startup ecosystem?
For the most part, corporations in Poland engage with startups through dedicated conferences and acceleration programs rather than through investments. Poland has still to persuade big industry players to open CVC offices, which could potentially invest every year in a dozen of projects from their verticals.
For many startups, the deficit of fully operational CVCs is perceptible, but it is also well addressed by the authorities. Bridge CVC, operated by PFR, and the ScaleUp acceleration program encourage 15-20 vehicles to work closely towards addressing the technological needs of big industry players.

How is the Polish innovation ecosystem organized?
The Polish innovation ecosystem is developing and still seeking its optimal configuration. We can look at it from the perspective of supply (projects) and demand (investors). On the supply side of the innovation market, we have 52 high-tech universities and institutes introducing a fair number of projects every year.
The country is also home to over 60 science-, industry- and tech parks. The largest incubator network for micro and small enterprise (MSE) is run by AIP, a group that is also a popular co-working space provider.

The Foundation for Polish Science allocates modest grants for outstanding technological teams, while the Startup Poland Foundation plays the role of a community voice for startups vis-à-vis governmental partners and regulators. Startup Academy, in turn, trains startup founders coming into entrepreneurship from the corporate domain. Startup Hub Poland promotes the country’s R&D and seed potential, provides external startup pipelines, selection as well as pre-investment risk assessment to VCs and big industry players.
On the demand side of the equation, there are 120 seed and VC funds. Private equity and VC investors are brought together by the Polish Association of Capital Investors (PSIK). The Coalition for Polish Innovation (KPI), in turn, develops formats for the most effective cooperation between startups, investors and/or industry players. PFR and NCBR are two main agencies making billions of euros of allocations into high-risk investments.
From the variety of expertise-intensive conferences in Poland, I participate regularly in Wolves Summit, EKG, InfoShare, ImpactCEE, Investment Forum, Explory.

Does innovation enjoy significant support from the authorities?
Apart from the agencies and governmental programs described above, our Regional Operational Programs – dedicated to early-stage startups as well as scale-ups – also play an important role. Some municipalities run their own accelerators that attract both talent and investors to their cities. A leading example here is Warsaw with accelerator programs like WAW.ac, Be Creative and Startup Hub Warsaw.

What is the role of EU support programs?
Business and research in Poland are under strong EU influence, and especially so from the Operational Program Smart Growth.
Still, the country is not at the fore of the Horizon2020 race, yet the number of benefitting parties is increasing. Interregional instruments, too, link local ecosystems with regional partners.

Norwegian and Swiss grants are important to support innovation. And the EIF continues to support VC funds.

Are startups appealing to the young generation?

Startup is the new black of the season. The trend to become your own boss has become so popular that traditional businesses like hairdressers, PR agencies or language schools often call themselves startups, even if they are simply new to the market.

This enthusiasm of a post-socialist country, where private entrepreneurship was not welcomed for a long time, encourages the spur of high-tech teams. Universities are learning how to identify and support the best of them, and how to deal with investors so founders are not discouraged by large equity stakes.

With the media reporting regularly on new inventions, politicians are also becoming more aware that bureaucracy needs to be minimized.

Finally, can your country’s innovation ecosystem be considered as mature?

With all its advantages and pros, the Polish ecosystem still lacks maturity. We are the biggest innovation market in CEE and yes, we are ready to learn and grow. Israel turned desert into a high-tech and VC model. Finland needed 35 years to jump into first league. Poland has a perfect position to be better than that. Becoming the hotspot and meeting point of CEE is our first step.
Tomaz Wesolowski is a startup entrepreneur (www.2040.io)\(^1\) and a figure of the tech community in Krakow, the second largest and one of the oldest cities in Poland. In this exchange with Lloyd Waldo of StartupYard, an internationally-oriented startup accelerator in Prague, he shared his vision of the local and national startup scene.

Is Krakow a good place to start a tech company?

Krakow is a special city on the Polish tech map. Thanks to centuries of history and amazing climate, it attracts creative and open-minded people. Very often they choose to study at technical universities such as AGH, or Polytechnic. This means that despite the presence of many foreign corporations, Krakow has a very strong startup community, and the spirit of entrepreneurship leads a lot of people to open their businesses here.

We also have access to amazing people who want to develop and learn new things while they are studying. I was born in Krakow, so I may not be objective, but despite our limitations in terms of infrastructure, having the option of starting a business anywhere in Poland, I would choose Krakow again.

Poland has a reputation in Central Europe as being somewhat isolated and self-sufficient. Do you think this reputation is earned?

It seems to me that the approach Polish businesses on target the internal market is a kind of myth that we must face when talking to people from other countries. It is true that Poland has a very large internal market and for many years it was enough to run a business here to be successful.

However, over the past 10 years that changed a lot. First of all, our entry into the European Union and opening of the borders made so many young people leave the country. Some of them came back with the intention of building their business in Poland, but already with an appetite for the global market.

Secondly, the development of technology has made us start competing with our colleagues who are working on similar projects worldwide. So now, almost everyone is thinking about the market in a global way, and some businesses do not even open their sales in Poland but direct themselves from the beginning to the USA.

Our big Polish market has its advantages. We are able to get some customers and financial base here, which will allow us to scale more freely into foreign markets. Whenever possible, it is sometimes a good idea to start a business on the Polish market, test some hypotheses, and then scale the solution abroad. It is also unmatched by the lower labor costs of engineers coupled with their high competences.

This is why, sometimes, companies cutting their core business from Poland are leaving their R&D centers here, which makes their projects better, faster and cheaper than their counterparts in other countries.

Polish startups also have open access to a lot of government backed up programs dedicated to startups, and as you’ve noticed in your blog post related to this topic this may cause a problem in terms of building real innovations in our country. On the other hand, due to lack of private capital, young entrepreneurs sometimes have no other choice to start their business, so they choose to do it by taking some public funding.

Read the full story on StartupYard’s blog: http://goo.gl/ZhWn1B

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The government of Poland has launched its 800-million Pzl ($225 million) PFR NCBR CVC fund of funds, a vehicle that will invest in corporate venturing subsidiaries in the country.

The fund will be managed by PFR Ventures, the EU-backed investment arm of the Polish Development Fund, which claims to be the largest fund of funds in CEE.

The government is providing half the capital, with the remainder to be provided by private backers.

This is the first Polish fund of funds providing financing in the CVC segment.

The initiative is expected to generate six to nine corporate venturing funds with an average of 80-150 million Pzl in size. Apart from capital, the government expects portfolio businesses to also gain access to the respective corporate expertise and get the opportunity to verify their ideas in a given corporation.

The funds will invest between 5 and 35 million Pzl in domestic startups. They will operate from this year until 2023.

The call for submissions is open to both domestic and international corporations. In the latter case, the Polish government hopes a corporate can also assist with accelerated international expansion efforts by startups.

Maciej Cwikiewicz, vice-president of PFR Ventures’ management board, said: “So far on the Polish market there was no institution supporting CVC funds. Thanks to PFR NCBR CVC this segment of the Polish VC market will be built in the near future.”

Read other such stories in Global Corporate Venturing
www.globalcorporateventuring.com
It's a cliche among startups and investors in the CEE region, that Polish startups lack urgency. There are many cases in which that just isn't true, but I have to say, having visited Poland many times in search of startup founders with global ambitions, the stereotype is rooted in some truth. There is an overwhelming sense, when talking to many young entrepreneurs there, that startups that don't do well can afford to "wait it out," and hope for better days.

In the Czech Republic, startups that are "waiting" are dead, and people generally acknowledge that. Their founders move on to the next thing, as they likely should.

Both countries suffer from the legendary Slavic sense of guilt and shame over failure, a neurosis that Californians or Western Europeans have a hard time understanding. And yet Czech founders do seem to fail faster, and move on just as quickly.

There are, as we have discussed on this blog before, disadvantages to being too big, too comfortable, and too secure. Polish companies have access to the whole Polish market, 4 times the size of the Czech market, and growing quickly. The Estonias and the Kosovos and the Czechias of the world have to foster global thinking in order to make an impact. But Polish startups can and do focus on the Polish market, and do reasonably well.

Startups like Gjirafa (SY 2014), have to think about changing the way everything works in their regions, because there is so much left to do. Others have to look to the whole world to find a market big enough for a truly disruptive idea. But local startups in big regions can settle for a slice, of a slice, of a slice of the bigger pie. They can be just OK.

And Polish government money, most recently in the form of about €1.7 billion in public/private funds announced last year by the Polish parliament, certainly makes Polish startups more comfortable and secure. Compare that to just €40 million for the Czech innovation fund run by EIF. It seems like I haven't met a startup in Poland in the past year that hasn't been in the process of getting a grant, already gotten a grant, or is considering a grant. One founder told me "it's a trap: you can't escape the grants."

So the Polish tech ecosystem enjoys around 40x as much government support as the Czech ecosystem. Even adjusted for the size of the market, that's 10x more funding than a typical Czech startups is likely to get from the government. And yet, are the results 10x better?

According to figures from Deloitte's "Fast 50," breakdown of the fastest growing tech companies in the CEE region, the answer is no. Over the past 4 years, the number of Polish companies included in the fast 50 has actually dropped, from 22 in 2013, to just 12 in 2015, back up to 17 last year.

For comparison, The Czech Republic has grown modestly on the list, from 5 in 2013, to 7 in 2016. And yet that has been enough to bring the Czech ecosystem to #2 overall on the list, behind Poland, but surpassing Romania, Hungary, and Croatia.

Perhaps more damning, Poland boasts just 4 of the 10 "Rising Star" positions in Deloitte's map for 2016, detailing high growth tech companies in the region. The Czech Republic has 3, and Lithuania 2.

Read the full story on StartupYard's blog:
http://goo.gl/8MgGxa
LEADING POLISH STARTUP ENTREPRENEURS APPEAL TO PRESIDENT AGAINST “THE DESTRUCTION OF THE SEPARATION OF POWERS”
OPEN LETTER TO ANDRZEJ DUDA, PRESIDENT OF THE REPUBLIC OF POLAND, JULY 21, 2017

Mr. President,
As entrepreneurs, but first an foremost as citizens of the Republic of Poland we are concerned about the changes to the laws on the National Council of Judiciary and the Supreme Court included in the bills on the Amendment of the Law on The National Council of the Judiciary and other bills, the MP draft law on the Supreme Court and the amendments to the law of the system of general courts and some other legal acts.

At the root of Polish innovator community – both start-ups and mature companies – there is conscious engagement in social and civic life. What connects us is the pride in our country, which just like a start-up built a democratic system from scratch and secured the economic freedoms with a system of independent courts.

We participate in the global competition of talent and we want Poland to be the first choice for business people wishing to build innovative companies. The sine qua non condition for the development of innovative companies and the success of the Strategy for Responsible Development are predictability of the legal system and the guarantee of judicial independence.

Entrepreneurs base their decisions regarding their operation in Poland on the guarantee of stable and consistent rules, also in matters of dispute with the government administration. Global entrepreneurs, including many from Poland, choose only the jurisdictions where the legal system is stable and not subject to dramatic, unexpected changes – especially changes to the political system – protecting the economic freedom and property, including intellectual property.

The separation of powers is fundamental to such a system and maintaining it is for us the guarantee of life in a free and safe country. It is in such a country that we want to realize our dreams of running our own companies, freely competing on the global markets with other democratic countries.

We respect the diversity of political opinion in our society and we stay independent since the innovations we create are meant for the largest possible pool of recipients and transform the economy on international scale.

We suffer acute consequences of the international reception of the way the new laws are being introduced and a potential effect of the implementation of new rules will destroy the trust we have built until now.

We appreciate your involvement in the promotion of innovative economy and we hope you will remain a friend to the young Polish start-up entrepreneur community.
We trust that while seeing the necessity to modernize the court system in Poland you will also protect the democratic separation of powers, which makes it possible to create long-term development strategies for our country.

We want to believe that you make good use of your Presidential prerogative to stop the changes destroying the separation of powers in Poland.”

Signatories on behalf of entrepreneurs and the leaders of Polish start-up community:

SALESmanago Raises $6 Million, Claims 200% Y-o-Y Growth

150sec.com, February 25, 2016

By Vlad Shvets

SALESmanago, a Poland-based marketing automation startup, has closed a new funding round totalling to $6 million. The investor is venture capital fund 3TS Capital Partners. The funding will be used for further market expansion. It's the third large investment deal in Poland this month after Audioteka and Telemedi.co.

SALESmanago provides a wide range of marketing automation tools, as well as lead generation, nurturing and scoring solutions. Founded in 2011, today SALESmanago employs over 130 people in 10 countries. The company had previously raised at least $7.6 million since 2014, and established itself on the European and US markets.

A month ago, SALESmanago reported a revenue of $4.2 million (up 200% from 2014) and a net profit of $0.6 million. The company aims to generate $7.5 million in revenue in 2016, and to strengthen its leading position among marketing automation players for e-commerce and B2C companies.

"It was an excellent year for us and a year of significant challenges connected with scaling such dynamically growing business. Our aim remains still the same: become the leader in marketing automation in Europe," stated Greg Blazewicz, the startup’s founder and CEO.

In 2015, SALESmanago opened new offices and subsidiaries in New York, Bangalore, and London.

Read the original story in 150sec.com:  
http://goo.gl/pU9BDq
DocPlanner has raised €15 million ($16.8 million) in a series D round of funding led by Enern Investments, with participation from Target Global and London-based One Peak Partners.

Founded out of Poland in 2011, DocPlanner is one of a number of players in the online doctor booking realm and currently operates in around 25 markets, with a particular focus on Europe and Latin America. Over in the States, New York-based ZocDoc has raised more than $220 million for a similar proposition, while in Europe several startups are vying for mindshare. These include Luxembourg-based Doctena, which recently acquired German rival Doxter, and France’s Doctolib, which recently raised $28 million as it looks to tackle the broader European market.

Today’s funding news comes less than year after DocPlanner announced a $20 million funding round as it merged with Spanish rival Doctoralia. The company’s latest cash influx will be used to support its expansion into Latin America, as well as developing its software and doubling down on its sales efforts in existing markets.

“In addition to consolidating our presence in core markets, our goal with the new funding is to expand our offering to doctors by moving beyond the calendar management,” explained Mariusz Gralewski, founder and CEO of DocPlanner. “This will also help us accomplish our global mission to ‘make the healthcare experience more human’. We continue the process of integrating the DocPlanner and Doctoralia teams and have already developed a very coherent and well-functioning organisation with a common mission and strategy.”
By Agata Kukwa

Poland has one of the lowest physician densities in Europe — just 2.3 per 1,000 people, according to data from the World Health Organization. This limited access to medical services is ultimately what gave birth to Polish startup Telemedi.co, founded in 2014 and headquartered in Warsaw.

The founders of Telemedi.co Piotr Słomian (CEO) and Paweł Sieczkiewicz (CTO) were aware of the problem and decided that it could be solved by creating an online platform where people could get medical consultations from doctors and specialists online through a video conference or quick chat within the comfort of their homes. They found that more than 70 percent of medical consultations could be done remotely without the patients having to leave their houses, effectively cutting a lot of unnecessary costs and improving efficiency.

Highlighting this point, in an interview with Polskie Radio's Michał Owczarek, Sieczkiewicz pointed out, "Many cases can be done online because you may be coming with a problem where the doctor doesn't even look at your face — because you are, for instance, bringing health results to show to your doctor or coming for a new prescription".

The online platform developed by Telemedi.co is easy for anyone to use and remotely connects doctors with patients. All you have to do is enter their homepage or use the phone application and select the link titled "Talk to the doctor". The link then redirects you to another page where you select the type of specialist you want to speak to along with the date and time of the desired appointment.

After signing up for the website and booking the appointment, you wait for your virtual call with the desired specialist at the specified date and time. Telemedi.co already has plenty of specialists registered on the online platform. Each consultation is 39 Polish Zlotych's from which Telemedi.co takes around 50 percent commission, depending on the doctor and his area of expertise. The startup has come a long way since its early days and its platform now provides a couple thousand medical consultations per month and has significantly increased in staff.

In the future, Telemedi.co is hoping to expand to more countries in Europe and become a baseline for medical consultations globally. It is also working on a new project where patients will be able to receive e-prescriptions in mini markets after getting an online consultation through the platform. The patients can then quickly and efficiently acquire the medications they need from a nearby pharmacy.

It is also worth noting that the startup has recently attracted a lot of attention from Startberry, a startup accelerator and co-working space which was recently launched in Warsaw through the collaborative effort of Microsoft, Senfino and EY. The accelerator aims to help promising Polish startups like Telemedi.co in their quest to global expansion and market success.

Read the original story in 150sec.com: http://goo.gl/8q8YCG
We support elite high-tech startups from CEE in building up their value. We expose top VCs to best investments targets. We do it in Poland.

Why is Poland the Startup Hub for you?

- the fastest growing and already biggest VC market in the Region
- brand new labs, offices and infrastructure ready to exploit
- Euro 0,8 billion equity and non-equity money mobilized for startups
- the EU hotspot for investors & industry from West meeting talents from East

Why is Startup Hub Poland your next call?

- 6 years in constant brokering between engineers and investors
- more then 120 VCs and seed funds asking for your startup
- multinational, globally networked crew with VC background
- experts who structured in Poland dozens of successful companies
- winning grants? €1mln follow-ups? IPO? We were there!!
With nearly 20 million inhabitants, the country is the 7th most populated country in the EU. Romania has 11 million Internet users, and nearly 8 million smartphone users; however the country ranks the lowest in EU innovation performance indicators.

Some 100,000 engineers are employed in outsourcing, with IT firms accounting for more than 6% of the country’s GDP.

Though at a relatively early stage, the Romanian startup scene is vibrant, with hundreds if not thousands (depending on estimates) of companies across the country. Startups are supported by a variety of tech parks, incubators and accelerators, with active involvement from local and international corporations.

Local venture investors are few: a dozens of business angels and a handful of VC funds. Total investment in startups amounts to a few dozens million euros per year. Nevertheless, Romania has already displayed many successful startups, with 12 exits in 2016, demonstrating the talent of local entrepreneurs.
COUNTRY BACKGROUND

POPULATION: 19.4 million (2017)
- 54.6% of urban population (2015)
- 6.8% unemployment rate (2015)
- 53.2% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $187.6 billion (2016)
- Average growth rate 2014-16: +3.9%
- GDP per capita: $22,300 (2016)

SOURCE: CIA WORLD FACTBOOK

LABOR FORCE BY OCCUPATION (2014)

- Agriculture: 42.8%
- Industry: 28.3%
- Services: 28.9%

SOURCE: CIA WORLD FACTBOOK

ROMANIAN HAPPINESS

The country ranks 57th in the UN’s World Happiness report (2014-2016)

SOURCE: GLOBAL INNOVATION INDEX 2017

Night cabs in Bucharest (Photo credit: Depositphotos)
Romania is a Modest Innovator. Over time, performance has declined by 14.1% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Innovation-friendly environment, Sales impacts, and Human resources. Relative weaknesses are in Innovators, Firm investments, and Finance and support.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining, a lower share of employment in High and Medium-high tech manufacturing, Services and Public administration, a larger share of foreign controlled enterprises, a lower number of Top R&D spending enterprises and a lower average R&D spending of these enterprises, a larger share of enterprise births, lower GDP per capita, a higher growth rate of GDP, a lower and negative growth rate of population, and lower population density.
KEY ROMANIA STARTUP & VC FACTS
by Laura Calmore

STARTUP ACTIVITY
- 7,000 ITC university graduates every year
- Approx. 3,700 tech startups or startup projects
- 200-300 new startups or startup projects appear each year

SUPPORT INFRASTRUCTURE
- More than 22 hubs and incubators across the country
- 2 Tier-2 acceleration programs (MVP Academy, RICAP); 2 Tier-3 accelerators (Sprint Point, Spherik); plus a variety of incubator, pre-accelerators/startup academies (e.g. Innovation Lab, Junior Achievement, etc.)
- 4 foreign accelerators actively scout for projects: Hub:raum, LAUNCHub, Eleven, Microsoft Ventures Accelerators. But the most ambitious startups search for top foreign accelerators such as Techstars, Seedcamp, YCombinator.

VENTURE ACTIVITY
- Up to 15% of new startups get BA or VC funding in their first year.
- InvestEurope recorded deals amounting to just €2.3 million in 2016. Local experts’ estimates vary from €10-12 million to more than €40 million per year.
- In 2016, local BA networks claimed 31 members (source: EBAN)
- 2017 was marked by UiPath’s $30 million round (see below)

EXAMPLES OF CORPORATE INVOLVEMENT
- Microsoft: special programs for companies with own IPR (50-100 new Romanian companies per year) to indirectly finance their growth
- Google: special programs and trainings for startups
- Orange Romania: startup partnership program in IoT and geo-fenced marketing
- Carrefour: startup partnership program in advanced analytics, automated marketing, IoT and waste management.
STARTUP INFRASTRUCTURE AND KEY PEOPLE

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

- **Sergiu Ardelean** – Founder of Artivive, an augmented reality tool for artists.
- **Cristiana Bogateanu** – Co-founder of Device Hub, an internet of things company and Academia Inventeaza, a robotics school for children.
- **Alin Chiriac** – Co-founder of Adfaber.org, a non-governmental organization that promotes computer science education for children.
- **Daniel Dines** – Founder and chief executive of UiPath, which provides process automation software.
- **Bogdan Herea** – Founder of software development company Pitech Plus, investor in several startups in Romania and abroad, sponsor of computer programming schools Academy+Plus.
- **Florin Talpes** – Founder and chief executive of Bitdefender, a cyber security company.
- **Ana Maria Udriste** – Co-founder of Avocatoo, an online marketplace for finding lawyers.

**INDUSTRIAL PARKS**

- 72 industrial parks are spread across Romania, placed under both private and public ownership.
- Aerospace, ITC and industrial technologies are among the main areas of focus.
- All industrial parks provide access to utilities and specific benefits, depending on their focus. Investors are exempted from land, building and urban planning taxes.
- Most of these parks are located in the South (21 parks of which 14 in Prahova county) and the North West (15 parks of which 9 in Cluj county).

Source: **Invest Romania**

(HTTPS://INVESTROMANIA.GOV.RO/WEB/INDUSTRIAL-PARKS)
BOGDAN IORDACHE: "THE INNOVATION ECOSYSTEM IS NOT MATURING YET, BUT PLAYERS FROM TRADITIONAL SECTORS HAVE BEGUN WORKING WITH STARTUPS"

An entrepreneur and community builder, Bogdan Iordache is currently Partner at Gecad Ventures, one of the main Romanian venture funds.

Are startups trendy in Romania?
There has been an increase in the past few years, but the increase has been more qualitative than quantitative. I see more and more senior professionals interested in working as part of startups — which is a good thing, since experienced founders tend to create and manage more successful companies.

Politicians and the media talk quite a lot about startups and innovation. It's a bit superficial, but much better than no talks at all. Universities are getting involved through innovation labs. Entrepreneurship is being integrated to school curricula and is taught in five universities in the country.

Which tech fields do Romanian startups tend to focus on?
The vast majority develops SaaS technologies. To a large extent, this is due to the lack of venture capital in the country, with entrepreneurs looking for business models and types of applications which can be monetized very quickly. This is often the case with SaaS solutions. Romania also has some good startups also in cybersecurity, robotics, payments, artificial intelligence, and agritech.

Are foreign funds interested in the country?
There are several such examples, including 3TS and the EarlyBird Digital East Fund as well as Credo Ventures, SOS Ventures, Seedcamp and Eden Ventures.

What about corporations?
Several tech companies from abroad — including Adobe, Fitbit, GoPro, Amazon — have their R&D centers in the country. They also work with startups, but for recruitment purposes mostly.

Telecom companies, including Telecom Romania and Orange Romania, do run programs to enroll startups and work with them. Even non-tech companies have started working with startups, in particular in the fields of retail and agriculture.

Does innovation enjoy significant support from the authorities at the country or local levels?
There are grant programs or state-run incubators that do matter. In the field of education, Innovation Labs — an initiative built by teachers — is active in five universities in Romania. In terms of funding, the government has announced a €40-million investment in two early stage funds, doing both acceleration and seed investment. This initiative is supported by EU money.

Finally, can the Romanian innovation ecosystem be considered as mature, and how do you envision its future?
It’s not mature by far. We need better education for tech professionals, we need more money at all levels, not only early stage but also growth stage. We need better legislation, we need more strategic involvement from politicians. A lot of things could be better. At the same time, 2018 is likely to be a turning point for the ecosystem, so I'm very optimistic.

(May 2017)
Bogdan Herea is an international entrepreneur and investor, and one of the pioneers of the innovation scene in Romania, his native country. In this interview, he talks about his experience in tech business and tech education, and his vision of the Romanian innovation ecosystem.

Please tell us about your experience in socialist and capitalist Romania.

I was seven- or eight-years-old in the early 1980s when I touched my first computers in Romania, basically copies of French computers with Z80 processors. In the early 1990s, I went to study at the National Institute of Applied Science in Lyon (INSA Lyon), one of the first Internet-connected engineering schools in France.

I then worked for a French IT service company, where I discovered what we call ‘industry 4.0’ – which corresponds to today’s idea of computer-connected manufacturing. It’s the same with big data and data mining: these concepts existed already at that time, however with much lower calculation capacities.

In 2005, I went back to Romania, where I created PitechPlus, a service company to serve my former French employers. Thus, I got in touch with the Romanian innovation ecosystem at its very early stages.

In Romania, we [Pitech] had two types of clients. On the one hand, we did on-demand software development for the industry, and on the other, we worked with marketing and communications companies like Publicis. That gave us a chance to see how marketing was becoming more and more of an online industry.

This experience was also very valuable in understanding customer acquisition mechanisms that we could apply to the software products of the other companies I co-founded, apart from PitechPlus.

When we started the product business around 2012-13, we first failed, and it was not until almost two years later that we started having success. Today, I am a majority or minority shareholder in eight companies.

One of our current projects is about car park digitization for smart cities, and we are in business or discussion with big industry players in France and Panama. Other examples include a market study product that allows research companies to generate permanently updated reports based on real-time market data. All these products are designed for the global, and not local, market.

One exception is Zonga, a music streaming company focusing on local content in addition to international music. This company is now targeting Romania with further regional, not global, plans.

What is your current vision of the Romanian startup ecosystem?

At the moment, the Romanian innovation ecosystem is still not very mature. Over the past two or three years, we have seen an increasing number of people, especially the young, launch – or consider launching – tech startups. Still, there is a lack of experienced entrepreneurs on the local scene; there are a few hundred at most.
SERIAL ENTREPRENEUR BOGDANHEREA:
“MORE AND MORE YOUNG PEOPLE LAUNCH STARTUPS,
BUT ROMANIA LACKS EXPERIENCED ENTREPRENEURS”

In terms of support infrastructure, there are incubators and co-working spaces, and they are probably enough given the relatively small number of projects, yet they do lack international mentors and connections. For example, there’s no Techstars in Romania.

Universities and R&D centers do exist but with insufficient links to business in general, including startups. Many researchers have such small remuneration that they tend to work on any research project just to survive, far from developing business or startup strategies.

However, there is a lot of good talent in Romania – and with a change in the academic system – it could provide strong results, including with connection to the industry.

Unlike Silicon Valley or Israel, the Romanian government does not have mechanisms to inject money in research and/or innovative industries. On the corporate side, however, there are some R&D collaborations taking place.

For example, in the automotive field, German car equipment maker Continental and Canadian Telenav have R&D centers in Romania, leveraging the potential of our local engineering – yet, there are no startups emerging from there at this time.

With regard to funding, venture capital is estimated at around €30-40 million, although those figures are lower than in reality. There are many cases of BAs who invest, usually hundreds of thousands of euros, without making their investments public. The actual figures might be two to three times higher. For example, an acquaintance of mine invested €1 million euros in a social network in 2015. Typically, these people made some earlier investment in real estate or other traditional sectors, and now seek diversification.

You’ve spent a part of your life in France. What have been your projects there?

PitechPlus has 50% of its clients in France. Many of them have innovative projects (e.g. with Renault’s corporate venture on mobility and Française des Jeux, which is developing an innovative lottery platform). The company provides software development services in France, Germany, Switzerland, the UK, the US, Israel and South East Asia, where the ecosystems are the most mature.
SERIAL ENTREPRENEUR BOGDAN HEREA: “MORE AND MORE YOUNG PEOPLE LAUNCH STARTUPS, BUT ROMANIA LACKS EXPERIENCED ENTREPRENEURS”

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I have also invested in two French startups, one of which is still active.

Tell us a bit more about your education initiatives in Romania.

We agreed with Ecole 42, an innovative private computer programming school in France, to create a Romanian branch and use the same content as a basis for teaching. We have two locations: One in Bucharest, which opened in August 2017 (http://goo.gl/R7zTLc) and one in Cluj, which has been around since 2014 and has had 200 students by now. These schools operate under the brand ACADEMY+PLUS.

I financed it myself, pro bono around €800,000 in three years, and found sponsors such as the local R&D centers of BNP Paribas, Société Générale, ING as well as other smaller players, including local startups, which will pay for training their future employees.

We haven’t approached the government or the EU, because we wanted to act fast, and EU projects bring many constraints, including less flexibility in further project development. But we do consider receiving such support for particular educational programs.

(November 2017)
WHAT’S SPECIAL ABOUT THE CLUJ TECH ECOSYSTEM?
AN EXCHANGE OF WITH THE STARTUP ENTREPRENEUR COMMUNITY
STARTUPYARD BLOG, SEPTEMBER 16, 2016

StartupYard, a major, Prague-based startup accelerator with activities spanning across Central and Eastern Europe, asked a group of Cluj entrepreneurs and influencers to share their perspective on their own ecosystem. This exchange took place in September 2016 under the auspices of Cluj Startups, a non-profit community of founders, tech people, startups supporters and enthusiasts from the Cluj-Napoca region, which concentrates the second largest startup community in the country.

What do you see as the greatest advantage of the Cluj tech ecosystem, for young technology startups and entrepreneurs?
Cluj is a vibrant city from the IT/tech perspective, with 200+ IT companies working with international clients, 10000+ IT professionals, 2 universities with hundreds of graduates in the IT field every year. Whatever you want to build, chances are that you can find the right people to do it in Cluj. Many projects were developed in various industries like banking, automotive, e-commerce, retail, transportation, infrastructure, e-health. So, for really deep-technology startups, it’s a good place to start or to extend your team.

What about its most important current weaknesses?
The lack of strong product mindset and business development skills. As the ecosystem is relatively young, the first people to come in touch with the startups are still the ones in the tech sphere. In the next two years, the product management and product marketing expertise will be more and more required so we will see people gaining up on this side as well, completing the puzzle of Cluj as an emerging startup ecosystem.

What specialty would you say your ecosystem is most famous for?
Our ecosystem is known definitely for the tech talent and for the IT companies which have grown here, some of them reaching even 1000 employees and more than $10 million in annual revenue. There is a constant attention towards Cluj from the outside, which brings more people interested to partner with local companies or to start a tech startup with a local co-founder/team.

Would you say the local ecosystem is dominated by more copycats, or by original, innovative solutions?
Not many copycats around here, but at the same time many of the startup ideas come usually from people with tech-background, so there is a limited pool of startup ideas we hear around here. There is a gap between the tech industry and other industries and what we need to see more often is for non-tech people, who really see problems in their industry, to partner with the tech guys in order to benefit of a complete range of expertises: business, industry and tech.

In your opinion, does the local ecosystem look abroad for opportunities enough? Too much?
The opportunities abroad are quite visible for us, it happens often that accelerators and funds want to visit our ecosystem and get in touch with local entrepreneurs. But the first step in growing internationally, is focusing more on product-related topics and on innovation. As long as we’re caught with an overwhelming majority in outsourcing, the product-side will be harder to develop, as effort goes where the money come from on a shorter term.
WHAT’S SPECIAL ABOUT THE CLUJ TECH ECOSYSTEM?
AN EXCHANGE OF WITH THE STARTUP ENTREPRENEUR COMMUNITY
STARTUPYARD BLOG, SEPTEMBER 16, 2016

How would you describe your government’s relationship to startups and tech? Is the government helpful or is it out of touch?

This year, we’ve seen a lot more government activity on supporting entrepreneurial initiatives. A total of more €150 million is in process to be released through various programs to stimulate entrepreneurship and part of these funds/grants will go as well for tech entrepreneurship and startups.

The technocrat government has proven that it is listening to tech entrepreneurs (even to individual problems that startups have) and it is more supportive than in the years before. Still the system and communication needs a lot more improvement and it needs also entrepreneurs to involve more in the consultation process.

What about angel investors?

There are a few angel investors, but they are not necessarily associated in a local group or network. However, they invest in a case by case decision, through their own means. Typically, these investors come with a tech or IT business background so they understand well enough the challenges a startup might face. There is a gap on seed stage funding which makes a lot of startups oriented directly towards outside investors.

The good side is that the ones getting funding, move faster in international, bigger markets, but the downside is that chances to get funded are lower as they compete with other European startups. The ecosystem players are very aware of that and starting from 2017, hopes are high for growing the angel community and creating early-stage funds which to support the startups.

What have been your greatest local successes?

So far we have witnessed a few hybrid successes, more precisely companies that had co-founders from Cluj or technical teams here. In 2014, Skobbler (products and services based on OpenStreetMap) was sold to Telenav for $24 million; in 2015, Liverail (monetization platform for video publishers) was sold to FB for some $500 million.

A few startups have now grown to more than a dozen employees and are scaling up. These include Moqups (web-based application to create mockups and wireframes), Onyx Beacon (B2B solutions for companies to develop context-aware mobile apps), Skinvision (a mobile app to detect skin cancer), CRMRebs (doubles the productivity of real estate agents) and MiraRehab (makes physical therapy fun and convenient for patients recovering from surgery or injury).

What would you say to an entrepreneur or a startup thinking about relocating to your city?

Cluj is a great city to find a tech co-founder or to build the technical team. More than 10,000 software engineers live here. The trend for switching jobs towards product-building ones is growing, so more developers are now inclined to take the challenge to work for startups. The model, proven already, is to have the tech team here, while the business development is set in the targeted countries.

The costs, availability and quality of work makes the region attractive, compared with other European hubs, especially for funded startups which are really careful about spending the cash and prolonging the runway. Cluj is welcoming to tech entrepreneurs and relocation should not be hard at all, with various co-working spaces, acceleration programs, tech conferences and meetups.

Read the full story on StartupYard’s blog: http://goo.gl/bHovPH
Fitness wearables brand Fitbit has made yet another acquisition in the smartphone realm, snapping up the team and software platform behind European smartwatch maker Vector Watch. Terms of the deal were not disclosed.

Vector Watch was founded in Romania back in 2013. Now headquartered in London, the company has kept its core development hub in Romania. In 2016 it launched an array of 12 fashion-conscious smartwatch models across Performance, Contemporary, and Classic styles, each promising a battery life of 30 days.

Vector Watches were evidently aimed at fashionistas and promised a number of key features, including activity tracking, as well as mirroring all alerts received on your Android or iOS device. The Vector Watch also came with a series of additional apps for third-party services like The Economist, ESPN, and BBC World News.

However, each of these apps was built in-house, which was one potential problem we highlighted at the time. Any emerging smartwatch brand faces an uphill battle getting third-party developers to build apps for its platform, especially with so many brands on the market already, including Apple Watch and a slew of Android Wear devices.

Smartwatch sales are now reportedly in free fall, with shipments declining by more than 50% year-on-year, according to recent IDC figures, so it’s perhaps unsurprising to see Vector Watch hit the skids. The acquisition news comes a month after Pebble announced it was shutting down, with Fitbit once again on hand to acquire its assets, including the development team. That Fitbit is taking on Vector Watch’s team is further proof that the company is pushing to bolster its own in-house development.

Founded in 2007, Fitbit went public in June last year, but its shares have been falling sharply since its $47.60 peak last July and now sit at less than $8. So Fitbit doesn’t appear to be in great shape itself, but by snapping up talent from the competition — including Pebble, and now Vector Watch — the company is apparently hoping it can turbocharge its in-house innovation and become a force to be reckoned with.

Vector Watch had raised around $12 million in VC funding, including a $5 million round last November, coming essentially from Gecad Ventures, a fund based in Romania, and 3TS Capital Partners, a European fund which is active in the country.

Vector Watch represents the fourth known acquisition by Fitbit. The San Francisco-based company snapped up Fitstar in March 2015 in a $17.8 million deal before going on to buy the assets of wearables payment startup Coin last May.
UIPATH RAISES $30 MILLION TO HELP ENTERPRISES AUTOMATE REPETITIVE TASKS WITH SOFTWARE ROBOTS

VENTUREBEAT, APRIL 27, 2017

By Paul Sawers

UiPath, a robotic process automation (RPA) startup that’s setting out to help companies automate repetitive tasks, has raised $30 million in a Series A round of funding led by Accel, with participation from existing investors, including Earlybird Venture Capital, Credo Ventures, and Seedcamp.

Founded out of Romania in 2012, though now officially based in the U.S., UiPath touts its core raison d’être as bringing automation to the “intelligent enterprise.” It specializes in building what it calls “intelligent software robots” that help businesses complete laborious and repetitive processes through computer vision technology and rule-based processes.

UiPath’s RPA smarts manipulate existing software, including customer relationship management (CRM) tools and enterprise resource planning (ERP) apps, to emulate a specific task typically carried out by a human, be it in HR, accounting, or finance, working at the user interface (UI) level rather than beneath the UI. So these software robots are essentially trained to “look” at the interface, understand what’s going on, and interact with it in a fashion similar to the way a human would.

Allowing machines to carry out such processes on behalf of humans will, according to UiPath, significantly improve “productivity, accuracy, and compliance,” thus enabling employees to “focus on more creative and strategic work.” Needless to say, RPA-powered software robots can operate 24/7, and at a fraction of the cost of their human equivalents.

However, there is surely no guarantee that employees who were once hired specifically to carry out these “repetitive” processes will be suitable for the more “creative and strategic” roles companies may offer. But that is seemingly neither here nor there.

With $30 million now in its coffers, the company plans to double down on its global hiring and product development as it looks to maintain a “leading position in the robotic process automation market,” according to a company statement.

“This investment will allow us to introduce the benefits of intelligent RPA to even more businesses around the world and remain at the forefront of a rapidly advancing industry,” noted Daniel Dines, CEO and founder of UiPath. “We are making work more inspiring and effective for the people that drive our businesses and economies forward, and the potential that remains untapped for organizations is what makes this such an exciting market to work in.”

If this all sounds like the robots are coming to steal our jobs, well, there’s perhaps more than a grain of truth to that. As part of the “fourth industrial revolution,” millions of jobs are expected to be lost to automation, according to a recent World Economic Forum report. The net loss could be as many as five million jobs by 2020, with fields such as manufacturing and production expected to be heavily affected, and another report indicating that more than 100,000 legal jobs will be automated over the next two decades.

UiPath already claims a number of notable enterprise clients, including Lufthansa, Generali, Telenor, and Dong Energy, and has offices in the U.S., Romania, U.K., India, Singapore, and Japan.

Read the original story in VentureBeat:
http://goo.gl/T2uCP3
By Andrei Firoiu

The Romanian business press is having a very good day today — Clever Taxi, a 7 year old Romanian e-hailing company, announced that it has been acquired by MyTaxi, for a sum a little bigger than 10 million euro.

Clever Taxi, boasting over 600,000 users at this moment, was founded by Mihai Rotaru (CEO) and Alex Dumitru (CTO), after they participated and worked at this idea at Startup Weekend Bucharest in 2010 (the first edition of Startup Weekend in Romania).

The very next year, they received a seed round from Andrei Pitis, a local angel investor. In 2014 they closed a second bigger investment round from Calin Fusu, through his company, BestJobs.

MyTaxi was one of the first e-hailing application ever launched, on the market since 2009 and was bought by Daimler (Mercedes) in 2014.

Clever Taxi is not alone in Romania — StarTaxi, another Romanian company, is just one of their direct competitors. Most of the bigger taxi companies are also starting to wake-up and launched, or are launching, their own hailing apps.

And there is Uber of course, who’s facing some direct competition too, coming from Taxify, an Estonian startup. Pretty crowded market, right?

Read the original story in 150sec.com: https://goo.gl/mHohtq
The startup scene is emerging out of a strong local outsourcing industry, and gaming is dominant among some 500 active startups in the country.

Local startup investment activity is embryonic, with annual amounts ranging in the millions of euros and involving just a few local funds. However, some foreign funds and some local or international corporations show interest in Serbian startups, while Serbian-founded startups manage to raise important amounts abroad. Notable cases of acquisition have been recorded lately.

The government has not been very supportive to startups so far; however, since mid-2017 Serbia has had a new, forward-thinking government which regards IT and innovation as key industries.
COUNTRY BACKGROUND

POPULATION: 8.8 million (2017)
- 55.6% of urban population (2016)
- 17.6% unemployment rate (2015)
- 58.2% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $37.8 billion (2017)
- Average growth rate 2014-16: +3.9%

SOURCE: WORLD BANK
- Per capita: $13,671 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2016)

Agriculture 17.8%
Industry 56.6%
Services 25.6%

SOURCE: CIA WORLD FACTBOOK

SERBIAN HAPPINESS

The country ranks 73rd in the UN’s World Happiness report (2014-2016)
STARTUP INVESTMENT & SUPPORT INFRASTRUCTURE

AMONG NOTABLE LOCAL VC INVESTORS

ICT Hub Venture
www.icthubventure.com

StartLabs
www.startlabs.co

South Central Ventures
www.sc-ventures.com

AMONG LOCALLY ACTIVE INTERNATIONAL VC INVESTORS

ABC Business Accelerator
www.abc-accelerator.com

Eleven
www.11.me

VC MARKET DATA

- InvestEurope recorded deals amounting to €1.08m in 2016 – an obvious underestimation of reality.

- According to Startit Centar, the volume of startup investment from Sept. 2016 to Sept. 2017 reached $16m (http://goo.gl/Q3hFzC).

- The numbers are at another order of magnitude if taking into account Serbian-founded startups established in other countries. For example, US-based Seven Bridges, founded by a Serbian team in 2009, raised $45m in 2016 (http://goo.gl/VqVuJi).

- Serbian startups raised around $50m through ICOs from Sept. 2016 to Sept. 2017, according to Startit Centar.

LOCALLY-OPERATING STARTUP SUPPORT ORGANIZATIONS

Climate-KIC Srbija
www.climate-kic.org

Novi Sad Business Incubator
http://inkubator.biz

Science & Technology Park Belgrade
www.ntpark.rs

Smart City Challenge
www.smartcitychallenge.rs

ICT Hub
http://startup.icthub.rs

Startit Centar
http://startit.rs/beograd

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS

- 3 local venture funds (2017)
  SOURCE: EWON EXPERT NETWORK

- In 2016, local BA networks claimed 52 members (not all actually being active startup investors). This type of investment is on the rise.
  SOURCES: EBAN, ICT HUB

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**MARKO MUDDRINIĆ:**
“SERBIAN STARTUPS ARE QUITE TECHNICAL, BUT COULD UP THEIR MARKETING GAME”

Marko Mudrinić is co-founder and editor at Netokracija, the leading online tech publication in the Western Balkans.

**Are there many startups and startup entrepreneurs in the country?**
There are around 500 active startups in the country, with more people getting involved each year in tech entrepreneurship. We haven’t reached the peak yet!

**Which tech segments do Serbian startups usually focus on?**
The biggest players are gaming companies such as Nordeus and Eipix Entertainment. There are SaaS startups, productivity tools and services, but gaming is predominant. In Serbia, the startup scene is emerging out of a strong local outsourcing industry.

**How does the local VC scene look like?**
There are two main tech funds. Startlabs defines itself as “a US-based fund investing in startups from Southeast Europe.” In essence, it’s a team of local investors with Silicon Valley know-how which are working closely with local startups, helping them grow through their US-based network. The other key fund, ICT Hub Venture, is connected to ICT Hub, the country’s main center for tech entrepreneurship. It is based in Belgrade, and operates locally.

In addition, some foreign funds — including 500 Startups, Techstars, Seedstars and other bigger funds — have local scouts and invest in local companies. They are looking for the next big thing coming from Serbia.

**Are individual investors or family offices interested in startups?**
The problem is that local individual investors lack basic knowledge about tech startups to such an extent that it is hard to call them business angels. I don’t believe in business angel investment in the Western Balkans because of this lack of knowledge and experience.

**What about corporations?**
Small branches of SAP, Telekom Serbia and other bigger companies are looking for acquisition and hiring. ICT Hub partners with Orion Telekom, Société Générale and Microsoft. The leading model for corporations is to scout for teams and technology and integrate them.

**What have been the most notable exit deals over the past few years?**
The most famous exits occurred in 2016. ManageWP, a WordPress management tool, was acquired by GoDaddy for an undisclosed amount (http://goo.gl/cLso8N), and AskGamblers, a web portal dedicated to online casinos, was bought by Catena Media for $15 million (http://goo.gl/zaqQbE).

**Do innovators from your country enjoy international recognition?**
Forbes, Business Insider and other big media like to cover Nordeus as one of their favorite examples of a success story from Serbia.

I worked briefly for TechCrunch in 2013-2014, trying to show to the world what is interesting in Serbia. But since then there hasn’t been a lot of coverage of Serbia in the foreign media. Usually, when international media offer a story on Serbia, they take the angle of building a global product out of practically nothing, in a country without infrastructure and resources.

**How is your country’s innovation ecosystem organized / structured?**
The ecosystem is very scattered. The most active players are ICT Hub, Startit, a startup community with coworking spaces, media and event activities, and Netokracija. We at Netokracija are not only contributing scene as a media, we also do mentoring, meetups and conferences that bring the community together.
Some interesting university and high school programs involve entrepreneurship. It will be interesting to see their results in the near future.

**Does innovation enjoy significant support from the authorities at the country or local levels?**

Let's just say that government isn't at the forefront of innovation. Many entrepreneurs perceive it as oppressive with outdated regulations and heavy taxes. Financial support doesn't target small and mid-sized companies, regardless of the industry. Entrepreneurship doesn't enjoy strong support either.

However, things are starting to move slowly. Since last summer, we have had a forward-thinking government which recognizes IT and innovation as key industries. At least they are starting to talk about it.\(^1\)

**Do international programs play a significant role to support innovation in the country?**

The Israeli and Finnish embassies help Serbian startups by bringing them to major events in their countries and covering the costs. It is an opportunity for Serbian startups to showcase internationally.

Serbia does benefit from certain USAID and EU programs,\(^2\) but these are not always meaningful to entrepreneurs who do not necessarily look for a handout.

For example, there is an EU-funded program called "Innovation Serbia Project,"\(^3\) through which companies can receive tax-free, non-refundable money support. But in the end, this money tends to make companies a bit lazy and less proactive, and most of the companies which received this support do not exist anymore.

**Are startups appealing to the young generation?**

Startups are trendy and appealing. If you ask students, many will answer they are into the tech industry. But not all are aware of what it takes to be entrepreneurs. They believe naively that it is possible to build a multi-million company straight after college, without contacts and experience. We at Netokracija try to avoid creating a bubble around startups.

**How do you envision the development of startups and innovation in Serbia in the future?**

We do not lack technical knowledge, but we're not so good in marketing, in transforming ideas into sellable products.

Still, we have a lot room for future growth. We are putting hope in local founders, getting toward an exit within five to seven years. May successful Serbian entrepreneurs follow the example of their Estonian peers, who have given back so much to the community.

\(^1\) Appointed in June 2017, the new prime minister Ana Brnabic has made the country's digitalization and promotion of entrepreneurship one of her government's priorities. A Council for Innovative Enterprise and Information Technologies was established just weeks after her appointment, and headed by the Prime Minister. In October, the government announced the development of a Centre for Digital Agriculture in Novi Sad to ignite the country’s biggest industry [http://goo.gl/PdrRE7](http://goo.gl/PdrRE7). Even before these initiatives, the government was not inactive, as witnessed by Serbia's cluster policy launched in the late 2000s and the strategy for SME development adopted in 2015, as well as the entrepreneurship support programs of the Serbian Development Agency (RAS).

\(^2\) Though the country is not an EU member state, Serbian SMEs and innovative companies are eligible to several EU-backed support programs. For example, in January 2017, EIF and UniCredit signed an InnovFin SME guarantee agreement to provide €160 million to innovative SMEs from eight countries of the Balkans, including Serbia.

\(^3\) [http://www.innovationfund.rs](http://www.innovationfund.rs)
Internet domain name registrar and web hosting behemoth GoDaddy has acquired ManageWP, a platform that lets users manage multiple websites from a single dashboard. The terms of the deal were not disclosed.

Founded out of Arizona in 1997, GoDaddy is one of the world’s biggest registrars, with 60 million domain names under its wing. The company has been diversifying in recent years, and it also now offers a bookkeeping service, the result of its 2012 acquisition of Outright. It later acquired Ronin to integrate invoicing into this service. And in May this year, GoDaddy snapped up cloud-based communications company FreedomVoice, shortly before launching a new standalone app called Flare, designed to help budding entrepreneurs garner feedback for their business ideas.

So while GoDaddy is better known as a domain-registration company, it has actually been pushing into related fields as it searches for a bigger piece of the action. And this is where ManageWP comes into play.

Founded out of Belgrade, Serbia, in 2010, ManageWP offers a range of services, including website monitoring, backups, automated migration, deployment, publishing, and more, but its single centralized dashboard for managing multiple WordPress websites is the real selling point here.

The move makes sense for GoDaddy in many ways, given that it already offers domain-name registrations and hosting — now it can offer bloggers better publishing tools, too. Moreover, there is already some synergy between the two companies, with ManageWP stating that eight percent of all websites it manages are hosted on GoDaddy.

“GoDaddy is serious about investing in WordPress, and ManageWP is by far the leading tool for managing WordPress sites,” explained Jeff King, SVP of hosting at GoDaddy, in a press release. “Together, we’ll bring ManageWP to the scale of GoDaddy, helping web designers and developers save thousands of work hours and touch millions of websites globally, no matter where they are hosted.”

According to a ManageWP statement, nothing will change with regards to the “pricing model, feature set or the way ManageWP operates," but as a result of this acquisition GoDaddy will offer some of ManageWP’s premium features for free. So this can be viewed like a value-added service to entice prospective customers to join GoDaddy, or as a means to keep existing customers happy.

Read the original story in VentureBeat: https://goo.gl/9aDW9P
By Zac Laval

On October 2, Serbia’s Prime Minister Ana Brnabic announced the opening of the Centre for Digital Agriculture at the BioSense Institute in Novi Sad, highlighting the country’s dedication to boosting its agricultural competitiveness and advancing innovation within the sector.

Serbia’s innovation in agriculture

The development of this new centre represents Serbia’s first step in the digitisation of Serbian agriculture, as well as its intention to become a leader for agricultural technology.

Through collaboration with the Serbian Ministry of Education, Science and Technological Development (MESTD), the BioSense Institute at University of Novi Sad is set to become the European Centre of Excellence for Agriculture. Moreover, with the opening of the new centre, Serbia will become the first non-EU country to be granted free access to the EU’s satellite data.

Agriculture is currently Serbia’s largest export sector, accounting for 12% of its GDP and 21 percent of its workforce. Igor Mirovic, the Prime Minister of the Autonomous Province Vojvodina, explained that agriculture in the province “is a key lever of economic development and, consequently, the Centre for Digital Agriculture is the main tool for launching agriculture throughout Serbia”.

As part of this initiative, it was also announced that a new digital platform, AgroSense, has been made available for all farmers to utilize as a tool for "exchanging timely, geographically accurate and relevant information on the activities related to agricultural production" via their mobile phones. Brnabic also hopes that a Scientific and Technological Park of 29,000 sq. m. would be opened soon in Novi Sad.

A push to confront challenges

These developments come at a critical moment for Serbia, as the country has recently been facing a number of obstacles with regard to agriculture.

First, an influx of agricultural products to the country following the EU’s sanctions against Russia heavily increased competition and lowered the prices for local farmers.

“For a country which has long ear-marked agriculture as a key potential growth sector, that is a worrying prospect”, writes Guy Delauney in an article for the BBC.

Additionally, last year Serbia was ranked first in the world by brain drain and was warned of the consequences that could result 10 to 15 years down the road if nothing was done to stop it, leaving a serious deficit of workers with higher education.

The Prime Minister addressed this issue specifically in the official announcement, indicating that the development comes as part of a broader initiative to “keep young people in Serbia, but also so that those who left the country would return”.

Vladica Cvetkovic, Faculty of Mining and Geology at the University of Belgrade, recently suggested that, in order to stop the brain drain, the Serbian government needed to focus on improving transparent employment opportunities, as well as higher quality teachers and professors to better educate the future workforce."
Positive outlook

Taking strides in this direction, over the last nine months, enrollment for technical faculties within the country was expanded by 20 percent, contributing additional funds to the budget for the education and employment of additional teachers and assistants.

Moreover, in 2015, Serbia completed a startup centre for innovative entrepreneurship in Nis, which has since expanded to 55 companies with a total profit of €10.5 million.

This was a signal from the government to young people that it is ready to invest more and provide them additional support to move forward.

While Serbia is positioned to lead the way for agricultural innovation within CEE, it still faces competition from other countries. Ukraine, for example, is another country heavily dependent upon the agricultural sector, and has already helped foster a number of startups aiming to grow the industry.

Read the original story in 150sec.com: http://goo.gl/ouuUih
By Nicolas Waddel

Since its inception, Serbia-based Dadanco has developed a number of solutions designed to tackle the problem of noisy and energy-consuming air conditioning and heating products in CEE. One of its solutions has been distinguished as Most Disruptive Innovation in Deloitte’s 2017 Fast 50 report.

The gong in question was awarded following Dadanco’s announcement that it plans to begin worldwide sales of its 10xHydro turbine within the next 12 months. The product will use microgrid technology to regenerate almost half of the energy in the building, and then reuse it, or store it in batteries in a further step forward in renewable energy solutions.

Serbia has been slow on the uptake when it comes to renewable energy, reportedly relying on fossil fuels for 84% of energy consumption, compared with other European countries, such as France, which uses just 47%.

Deloitte has acknowledged the way that Dadanco Europe, established in 2015, utilises inventiveness and deep technological know-how is enabling it to develop solutions with the potential to significantly disrupt established markets and value networks.

Dadanco CEO, Vladimir Petrovic told Deloitte, “Essentially, we have found a way to regenerate energy within a building’s piping systems, this means that we can turn every building into a hydropower plant”.

The average summertime temperature in Serbia is around 22°C, with highs averaging 27°C in Belgrade. Earlier this summer, the heatwave known as ‘Lucifer’ caused cross-continental temperatures to reach over the 40°C mark, resulting in Serbian animal rights groups urging citizens to leave bowls of water out for stray animals in order to cope with the heat.

During the summer months, countries such as Serbia, and others in South-Eastern Europe, use more electricity cooling their homes than their northern neighbours. It is predicted that by the end of the century, electricity demand could rise between 5-7%.

This, of course, contributes towards higher electricity bills. Despite Serbia, among others in the region, having some of the lowest electricity costs in Europe, it is still a situation that residents do not want to find themselves in.

Dadanco’s technology is a solution to this problem. By using a renewable energy source, less money will be spent on energy generation, in addition to producing fewer emissions, which can harm the environment.

The 2017 UNECE Renewable Energy Status Report revealed that Serbia, in addition to Albania, Belarus, and Moldova are among 17 countries who have so far not yet realised the untapped renewable energy potential of the region. The report states that these countries comprise of just 0.2% of renewable energy investment, despite representing nearly 5% of the global GDP.

This aversion to renewable energy can be due to investors not yet aware of the resources available to fully realise the region’s potential. It could also be a lack of focus from governments who are reluctant to shift from an energy source they have been reliant on for so long.
Last month, several Eastern European nations congregated in Budapest to expand cooperation towards renewable energy in the region. The committee signed a memorandum to further focus on improving the energy infrastructure throughout Eastern and Southern Europe, in addition to carrying out a renewable energy potential assessment by 2030.

Previously, we have discussed companies committed to finding renewable energy solutions in CEE. One of these is Melissa Climate, which similarly works with AC technology which allows you to control the unit through your smartphone.

Furthermore, the Climate Launchpad is competition which provides clean-tech startups the chance to pitch their business ideas in an effort to be accepted into the Climate-KIC programme, with the potential to receive up to €10,000.

Read the original story in 150sec.com: http://goo.gl/3ds2J6
SLOVAKIA

KEY COUNTRY FACTS AND TRENDS

- Slovakia counts around 700 startups which operate mainly in the fields of Industry 4.0, B2B services in design, app, mobile and software development, as well as B2C e-commerce.

- Since the early 2010s, startup activity has increased considerably, and the ecosystem has grown bottom-up, involving universities, public agencies, private incubators, investments and media attention. However, social attitudes have remained relatively conservative and the government began to realize the importance of startup innovation only recently.
COUNTRY BACKGROUND

POPULATION: 5.4 million (2017)
- 53.4% of urban population (2016)
- 11.4% unemployment rate (2015)
- 52.9% with tertiary education (2017)

GDP: $90.3 billion (2017)
- Average growth rate 2014-16: +3.2%

Source: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2016)

- Agriculture: 3.9%
- Industry: 73.4%
- Services: 22.7%

Source: CIA WORLD FACTBOOK

SLOVAK HAPPINESS

The country ranks 40th in the UN’s World Happiness report (2014-2016)

Source: CIA WORLD FACTBOOK

Bratislava castle and the Danube river at night
(Photo credit: Depositphotos)
Slovakia is a Moderate Innovator. Over time, performance has increased by 8.0% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Employment impacts, Sales impacts, and Human resources. Relative weaknesses are in Innovators, Intellectual assets, and Attractive research systems.

- **Structural differences**: Notable differences are a smaller share of employment in Agriculture & Mining, a larger share of employment in Manufacturing, Utilities and Construction and Public administration, a smaller share of foreign controlled enterprises, a larger share of enterprise births, lower buyer sophistication, lower GDP per capita, a higher growth rate of GDP, and a lower growth rate of population.

Source: European Innovation Scoreboard 2016

**Normalized score relative to EU average in 2010 (100):**

- **Slovakia**: 70
- **Sweden**: 143.6
AMONG NOTABLE LOCAL VC FUNDS

- Braun Holding  
  www.braunholding.sk
- FIT fond  
  www.fondfit.sk
- LRJ Capital  
  www.lrjcapital.com
- Bridgestart Ventures  
  www.bridgestart.com
- Lime Rock  
  www.lrpowers.com
- Neulogy Ventures  
  www.neulogy.vc

AMONG LOCALLY ACTIVE FOREIGN FUNDS

- Credo Ventures  
  www.credoventures.com
- Pioneers Ventures  
  www.pioneers.io
- Rockaway Capital  
  www.rockawaycapital.com
- J&T Ventures  
  www.jtventures.cz
- Primus Capital Partners  
  www.primuscapitalpartners.com
- SpeedInvest  
  www.speedinvest.com

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS

- Over 8 local venture funds (2017)  
  Source: EWDN Expert Network
- In 2016, local BA networks claimed 85 members (not all actually being active startup investors). Among the most notable local BAs are Anton Zajac, Ivan Stefunko, Michal Truban, Lukas Alner, David Formanek, Martin Kasa.  
  Sources: EBAN, EWDN Expert Network

VC MARKET DATA

- InvestEurope recorded deals amounting to €9.9m in 2016. This is probably an underestimation, due to undisclosed deals and InvestEurope’s restrictive eligibility criteria.

NOTABLE RECENT DEALS

- Oct. 2016: 3D modelling startup Vectary raises $2.5m in a round led by Berlin-based VC BlueYard Capital (http://goo.gl/cML23i)
- July 2017: Flying car maker Aeromobil secured an undisclosed amount from InfraPartners Management, a fund based in London (see article below).
PETRA DZUROVCINOVÁ: “THE SLOVAK STARTUP ECOSYSTEM WAS CREATED BOTTOM-UP, BASED ON THE ENTHUSIASM OF INDIVIDUAL YOUNG ENTREPRENEURS”

Previously Executive Manager of industry association SAPIE, Mrs. Petra Dzurovcinova is one of the best experts of the Slovak startup and venture ecosystem. In this interview, she shared her views about the local innovation and investment trends, and the prospects of Slovak startups.

How many startups are there in your country?
There are approximately 700 startups in Slovakia. The number of innovative companies is larger, since many technological companies develop in time and still scale their business even over two decades of their existence.

Which is the hottest Slovak startups to follow?
One of the hottest startups to follow in Slovakia is the flying car maker Aeromobil. In June 2017, they launched Aeromobil 4.0, received investment from Patrick Hessel, venture capitalist Martin Hague and InfraPartners Management. Their combined investment will lead the company to production and first sales in 2020. Patrick Hessel is also CEO of c2i, who sold 50.1% of his company to LG Hausys for €40 million.

Which segments do Slovak startups tend to focus on?
According to SAPIE’s 2016 survey (http://goo.gl/5iLoHj), over 50% of startups are developing a new product or service in the top three the fields of web services (26%), SaaS (26%) and mobile software services (23%).

The most prominent technological fields sprung from the industrial background of the Slovak economy. Many successful tech companies provide services in the Industry 4.0, improving processes and delivering better results. Also developed are B2B services in design, app, mobile and software development, and B2C e-commerce.

Who invests in Slovak startups?
According to our survey, Slovak startups finance their ventures mostly through their own capital (87%), followed by business angel (30%) or through a local or foreign VC fund (24%). 21% receive public support, 9% receive a scientific grant, while 9% are supported by a strategic investor. They seek cooperation with business angels or VCs once they are looking for “smart money”, either helping them with accessing new markets or customers.

Are foreign tech funds active in Slovakia?
Our survey shows that some 20% of Slovak startups have received support from a foreign business angel (11%) or a fund (9%). But almost one third hopes to receive financing from a foreign VC fund in the future. Foreign funds are interesting for startups once they need funding for rapid growth or are looking at expansion to international markets.

A great example of such investment is 2016 seed round led by Berlin-based BlueYard Capital with their $2.5 million investment in Vectary, which had developed a 3D modelling software and a community platform. This investment helped them expand to the New York City and enter the US market.

Are local or foreign corporations interested in startups?
Startup-corporate collaboration is most prevalent in the B2B segment. Examples include feedback application Staffino (starting their business with restaurants and cafes and now working with various traditional corporations in banking and retail), marketing analytical tool Exponia, cyber security tool Excalibur, predictive tool TangentWorks, as well as AgentBalance, which has developed a program for customer service personnel.
Do Slovak innovators enjoy international recognition?

Several Slovak companies have turned into successful firms with global reach, such as Pixel Federation, Sygic, or ESET. Some smaller companies are recognized in their fields as a unique technology such as the plasma drilling by GA Drilling.

How is your country’s innovation ecosystem organized / structured?

The Slovak startup ecosystem was created bottom-up, based on the enthusiasm of individual young entrepreneurs. One of the most important elements was help and mentoring from successful and experienced entrepreneurs, while many co-working spaces have been supported by successful businesses and corporate partners. Among the important cornerstones forming the startup community was the StartupAwards.SK competition, which played the role of connecting the entire ecosystem. Slovakia is also quite strong on the number (16) of Startup Weekends held across the country since 2011.

The ecosystem is maturing now and is moving to a new phase, where startup entrepreneurs are looking for specific information, mentoring and workspace to grow their business and create strong teams with valuable product offerings. They are looking abroad for partnerships and opportunities, understanding the need to grow global to succeed.

Does innovation enjoy significant support from the authorities?

They have only recently started to realize the potential of innovation and the added value of these businesses for the economy – as well as the need to support the digital economy to ensure the success of our nation.

In 2016, 44% of the public sector entities had an involvement in the Slovak startup ecosystem. The nature of this involvement varied with 25% engaging directly with startups, 13% engaging at the ecosystem level and 62% engaging with both.

At the beginning of 2017, the new legal form of simplified joint-stock company came into force allowing entrepreneurs to easily start scalable venture prepared for investors, employee stock options and other tools empowering the global potential of innovative ventures.

Various Slovak agencies provide support services for entrepreneurs ranging from mentoring, business services, education and help with participation at global conferences and events encouraging their internationalization.

Do international support programs play a significant role to support innovation in the country?

There are several EU programs run by the Slovak ministries that aim to encourage entrepreneurship, providing skills and training, and helping entrepreneurs assert themselves at international events. The success rate in research projects such as the H2020 is still quite low in Slovakia.

What about social attitude to innovation? Are startups appealing to the young generation?

While in the last five years we have seen activity and growth favoring startups on basically all fronts – universities, public agencies, private incubators, investments and media attention – this was more a result of pent-up energy being released primarily due to the first angel accelerator and VC investments and first community mobilizing events and initiatives.
PETRA DZUROVCINOVÁ: “THE SLOVAK STARTUP ECOSYSTEM WAS CREATED BOTTOM-UP, BASED ON THE ENTHUSIASM OF INDIVIDUAL YOUNG ENTREPRENEURS”

The variety of events offered by co-working spaces, incubators and accelerators across Slovakia are one of the most popular ways Slovak startups educate themselves and develop their business. However, the nation is still quite conservative and looks at the employment opportunities first, then consider entrepreneurship as a valuable option.

Finally, can your country’s innovation ecosystem be considered as mature? How do you envision its development in the future?

The ecosystem has certainly been changing in the recent years. More entrepreneurs choose to dedicate their time to specific programs or events that will help them grow their venture and succeed internationally.

These programs aim at groups such as e-commerce (MastersGate or Pricemania Academy), various business and networking clubs allowing entrepreneurs to exchange knowledge, insights and expertise.

Successful startup entrepreneurs turn their companies into scaleups that are facing new challenges and opportunities. They are willing to dedicate their lives to them to see them succeed.

SAPIE encourages startups from Slovakia, Hungary, Czechia and Poland to conquer America.
By Chris O’Brien

AeroMobil has set its sights on the Asian market as its flying cars edge closer toward becoming a reality.

The Slovakia-based company said it had raised an undisclosed amount from InfraPartners Management, a fund based in London and Bratislava but with extensive ties to China and Korea. AeroMobil is hoping both the money and IPM's connections will help get its flying cars into Asian markets.

"Now that we have launched the next generation of the AeroMobil flying car, we are 100 percent focused on getting the vehicle ready for testing this year and delivery to our first customers by 2020," said CEO Juraj Vaculik, in a statement.

"We are confident the engineering and technology approach we have taken will ensure this vehicle will meet growing demand for personal air transport," he added.

AeroMobil is just one of many companies battling it out in what has improbably become a race to start selling the first flying cars. The company has been pressing ahead with development of its flying car, technically a “vertical take-off and landing (VTOL) flying vehicle.” The price is expected to come in at roughly $1.3 million for the basic version.

In April, the company announced it had started taking preorders for its first batch of cars. AeroMobil said it will use the new capital to start touring the car in South Korea and China in the hopes of attracting more investment and partners. The money will also be used for continued product development and testing.

The company says that the poor infrastructure and bad traffic in many Asian cities make the region an enticing target for flying cars.

Read the original story in VentureBeat: https://goo.gl/Ra1VY5
The Slovak Alliance for Innovation Economy

— ABOUT US

Founded in Bratislava in 2014, SAPIE (The Slovak Alliance for Innovation Economy) is a leading forum for debate on digital economy and innovation in Slovakia.

We act as a neutral, independent and non-profit platform connecting more than 50 innovative companies.

We are committed to building collaborative network of private and public actors, creating national and regional partnerships and advocating for innovation. We believe that there is a great and untapped potential for Slovakia and the neighbouring region to become an important innovation hub in Europe. Since our founding, we are creating a world-class Slovakia by helping innovative companies grow.

— OUR PILLARS

Innovating Education
Supporting high-quality technical, creative and entrepreneurial education

Boosting Ecosystem
Fostering innovation through the creation of a functioning start-up ecosystem in Slovakia and neighbouring countries

Going Global
Helping innovative companies from Slovakia to scale their business to global markets

Connecting Partners
We bring together small and large, public and private organizations. We form networks and build bridges that promote knowledge-sharing and raise awareness of their needs and concerns.

Expert Analysis
We produces highly respected research and thought leadership on the Slovak startup and innovative ecosystem to make the up-to-date data accessible to founders, investors, decision makers and wider public.

— WHAT WE DO

Policy Advocacy
We acts as the unifying voice for innovative companies in Slovakia, promoting open, outward-looking and flexible legislation that serves as an enabler of innovation.

— SAPIE IN NUMBERS

2016
49 members

2015
34 members

2014
11 members

3 NGOs
10+ corporations
25+ startups

1 Venture capital fund
6+ business angels
12 national, regional & EU partners
5 coworking spaces, incubators & accelerators

+421 944 38 11 86
info@sapie.sk
www.sapie.sk
SLOVENIA

Slovenia appears a strong innovator in EU rankings – which is an exception in Central and Eastern Europe. The country has a rather solid and diversified startup ecosystem, driven by a mix of public and private initiatives.

Provided by half a dozen funds and around 70 business angels, locally available capital is not sufficient to fuel the growth of local startups. Nevertheless, Slovenian startup entrepreneurs, including those established outside the country, raise considerable amounts on the global VC and ICO markets.

With around 100-150 new startups created the country every year, startup culture is expanding fast. Slovenian startups usually operate in the fields of IT (including gaming, fintech and cybersecurity), agritech, energy, aerospace and defense.

In early 2017, Slovenia saw the emergence of its first unicorn with the exit of Outfit7.
COUNTRY BACKGROUND

POPULATION: 2.1 million (2017)
- 49.6% of urban population (2016)
- 8.9% unemployment rate (2015)
- 82.9% with tertiary education (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $44.1 billion (2017)
- Average growth rate 2014-16: +2.6%
SOURCE: WORLD BANK
- Per capita: $31,007 (2017)
SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2015)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.7%</td>
</tr>
<tr>
<td>Industry</td>
<td>31.7%</td>
</tr>
<tr>
<td>Services</td>
<td>64.6%</td>
</tr>
</tbody>
</table>

SOURCE: CIA WORLD FACTBOOK

SLOVENIAN HAPPINESS

The country ranks 62nd in the UN’s World Happiness report (2014-2016)

Panorama of Ljubljana (photo credit: Depositphotos)
What the EU statistics say...

Slovenia is a Strong Innovator. Over time, performance has declined by 0.2% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Human resources, Firm investments, and Innovation-friendly environment. Relative weaknesses are in Finance and support, Sales impacts, and Innovators.

- **Structural differences**: Notable differences are a larger share of employment in Agriculture & Mining and Manufacturing, a larger share of micro enterprises and SMEs in turnover, a smaller share of large enterprises in turnover, a larger share of foreign controlled enterprises, a lower number of Top R&D spending enterprises and a lower average R&D spending of these enterprises, a smaller share of enterprise births, lower buyer sophistication, a lower growth rate of GDP, and a lower growth rate of population.

**Normalized score relative to EU average in 2010 (100):**

- Slovenia 97.8
- Sweden 143.6

Source: European Innovation Scoreboard 2016
STARTUP INVESTMENT DATA

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2017)

- 7 local venture funds
- In 2016, the local BA network claimed 60 members.

SOURCES: EWON EXPERT NETWORK, EBAN

STARTUP INVESTMENT MARKET DATA

- In 2016, according to InvestEurope, investment in Slovenia amounted to €2.96m.
- Covering investment attracted by Slovenian startup entrepreneurs wherever they live across the world, SiliconGardens analysts identified, for that same year, 65 deals worth $95.6m, including $24.4m invested in startups located in Slovenia. 258 startups raised over $350m between 2005 and 2016 in over 400 transactions. Unpublicized deals accounted for a third of all funds raised in 2016. [http://goo.gl/j5YptP](http://goo.gl/j5YptP)
- ICObench identified 13 ICOs or pre-ICOs completed or launched by Slovenian companies in the course of 2017, amounting to more than $57m in total (not all amounts have been disclosed) – see Part 2 of this report: [http://ewdn.com/files/cee_tokens.pdf](http://ewdn.com/files/cee_tokens.pdf).

INVESTMENT IN SLOVENIAN-FOUNDED STARTUPS

ANALYSIS BY GEOGRAPHY (2016)

- Startups located in Slovenia: $24.4m; investors from Slovenia: $4.9m
- Startups in other EU countries: $26.5m; investors from EU: $30.7m
- Startups located in the USA: $43.9m; investors from the USA: $42.8m
- Startups located in Asia: $1m; investors from Asia: $6m

SLOVENIA

KEY INNOVATORS, INVESTORS & SUPPORT INFRASTRUCTURE

NOTABLE LOCAL VC FUNDS

ABC First Growth
www.abcfirstgrowth.com

Zernike Meta Ventures
www.metazernikeventures.it

MPE
www.pequitymanagement.com

NOTABLE ACCELERATORS AND INCUBATORS

ABC Business Accelerator
www.abc-accelerator.com

Hekovnik
www.hekovnik.com

Go:Global
www.goglobal.si

CEED Slovenia
www.ceed-slovenia.org

Geek House
www.geekhouse.si

Tovarna Podjemov
www.tovarnapodjemov.org

SiliconGardens
www.silicongardens.si

AMONG THE COUNTRY’S TECH PARKS

Tehnoloski Park Ljubljana
www.tp-lj.si

Primorski Tehnoloski Park
www.primorski-tp.si

AMONG THE BRIGHTEST FIGURES OF THE LOCAL INNOVATION SCENE

• Ales Spetic, Marko Mrdjenovic – Founders of CubeSensors, which makes connected sensors for monitoring everything from air quality to noise in the home.

• Miha Fabjan, Matej Ramuta, Ziga Besal – Co-founders of SmartNinja, an IT training school.

• Jernej Vidmar, Martin Vuk, Ziga Bohm, Ziga Stopinseck – Co-founders of AgiliCity, a 3D tool for city planning.

• Damjan Malis – Co-founder of Ulla, which makes a gadget that reminds people to drink enough water throughout the day.

• Kristjan Kosic, Matej Vogrincic, Andraz Leitgeb, Zedin Salkanovic – Co-founders of Adora, which allows doctors to look at patient data using gestures.

• Some prominent business angels: Gregor Reboji, Jugoslav Petkovic, Branko Drobnak, Niko Plesko, Peter Ribari, Zvone Jagodic.

SOURCES: NEW EUROPE 100 CHALLENGERS 2017, EWDN
A researcher, entrepreneur, connector and investor, Ales Pustovrh comments on the current transformation of Slovenia's startup and innovation scene.

Are there many startups in Slovenia, and which fields do they mainly focus on?

There are around 100-150 new startups created in our country every year. The startup culture is expanding fast – especially after the exit of Outfit7, the creators of Talking Tom, for over $1 billion (see article below), which makes it the first Slovenian unicorn. This exit has encouraged a change of mindset, and motivated more people to pursue their ideas, hoping they might achieve such success in the future as well.

Ten years ago, the richest people in Slovenia were mostly traditional businessman. Many of them ended up in jail. Today, seven out of the 10 wealthiest people in the country are either related to or involved with startups.

Startups in Slovenia are largely active in the fields of IT – in which gaming and cybersecurity are prominent subfields, as well as fintech, agritech, energy, aerospace and defense. Blockchain and artificial intelligence (AI) are also rather well developed. Blockchain startups, in fact, raised a lot of money through initial coin offerings (ICOs) in 2017; I believe it was over $50 million.

Who invests in local startups?

There are still not many local investors active in the country. Based on recent industry research (http://silicongardens.si/ecosystem2016), only about 5% of all capital invested in Slovenian startups is Slovenian. We need a more developed, bigger and better VC scene.

ICOs have been the most important source of funding in 2017 [with 13 ICOs or pre-ICOs identified by ICObench and EWDN – see Part 2 of this report: http://ewdn.com/files/cee_tokens.pdf].

There is a club of angel investors in the country, the Business Angels of Slovenia (BAS), yet their combined investments are below €1 million. We also have five small VC funds operating in Slovenia. The largest one manages €10 million, but they invest rather small sums.

We expect to have new financing instruments in the future, in particular government programs, funds of funds, and others. I also expect corporate venture deals to become more of a trend in the future.

Foreign tech funds, in turn, are becoming increasingly interested in the Slovenian startup scene, especially thanks to the attention raised by some of our startups' recent exits.

Are local or foreign corporations interested in local innovators?

There have been some developments over the past two years. Kolektor, one of the largest companies in Slovenia, has its own corporate venture capital (CVC) fund that has been actively investing lately. I would say that there are probably two more corporate funds that have not officially launched, but are still very active in collaborating with startups.

The ABC Accelerator is based in one of the largest business and shopping centers in the region, BTC City. This opens a gateway for startups and corporates to get to know each other and work together.
What have been the most notable cases of startup investments or exit deals?

Zemanta was one of the first Slovenian startups. Its founders, Andraž Tori and Bostjan Spetic, have been two of the key people in establishing and supporting the Slovenian startup scene. The acquisition of Zemanta by Israeli advertising company Outbrain in 2017 is definitely one of the most notable cases.

There was also the exit of Outfit7 for $1 billion, as I mentioned. Yet, we would still like to see more such exits.

Other startups, including Cofound.it and Vibrate.io, have been able to raise funds with the help of ICOs. Ethereum-based investment fund platform Iconomi, for example, raised $10.5 million in 2016.

I expect Celtra, a mobile advertising company, to be the next Slovenian unicorn. They are currently targeting an IPO in the US.

Do innovators from your country enjoy international recognition?

Definitely. ABC just got awarded best accelerator in the 2017 Central European Startup Awards (CESA).

Slovenians, in general, are becoming more recognized across the region. Still, we have not built such a strong image globally as Estonia has, for example.

High tech makes up for around 2-3% of Slovenian GDP, which is not that big when compared with Israel. Yet, compared with Bosnia, for instance, it is a true achievement.
How is your country's innovation ecosystem structured?
The ecosystem is stronger and more diverse than compared to other Balkan countries, but there is less venture capital activity than in western countries. Startups in Slovenia need more funding than is currently available in the country.
The ecosystem is driven by an interesting mix of public and private institutions, which creates a diverse and resilient community.
The Slovene Enterprise Fund (SEF) offers three equity or grant support programs. Most Slovenian startups make use of that opportunity, and every year, between 40-80 startups get support of €75,000-200,000 through such initiatives.

Do international public organizations play a significant role in supporting innovation in the country?
Slovenia actively participates in EU programs, and has the most success in leveraging the SME instrument of the Horizon 2020 program per capita.
As of recently, the country is also taking part in the Central Europe Fund of Funds (CEFoF).
Slovenia, however, is too developed for USAID or similar programs, as these are active in less developed countries.

Is there strong social interest in innovation?
Innovation has been a major topic in the media lately. When startups raise money, or expand abroad, they are very likely to get coverage. That also increases the awareness of the Slovenian public towards innovation and entrepreneurship.
I work a lot of students and when I ask them what they would want to do in future, launching a startup is often one of their options. Still, that option is quite niche for the time being.

- Ales Pustovrh is a co-founder of ABC Business Accelerator, an accelerator with branches in Ljubljana, Germany and Silicon Valley, and Partner at ABC First Growth Venture Capital Fund, the venture arm of ABC Accelerator Group. Mr. Pustovrh is also Assistant Professor at the Faculty of Economics of the University of Ljubljana, Managing Director at Bogatin DOO, a market research company.
**3 CHALLENGES FACING THE SLOVENIAN STARTUP ECOSYSTEM**

150SEC.COM, SEPTEMBER 28, 2017

By Omar Elorfaly

Slovenia, a country of just over 2 million people, joined the EU in 2004 and introduced the Euro as its currency in 2007.

However, between those two events, the nation witnessed growth of 5-8% annually, then stopped. Following the financial crisis and the European sovereign debt crisis, the country has been finding it difficult to get back on steady feet.

Just like the rest of the CEE, Slovenia has been trying to hop on the startup wagon, but has been faced with several challenges that hindered its progress.

1 – Lack of funding

While the whole region is attempting to transform itself into an international startup hot spot, with over 30,000 startups open, the region has seen a short list of unicorns, such as Skype, Avast, and Transferwise.

As an emerging ecosystem, the nation lacks the formidable portfolio of exits (acquisitions or IPOs) required to attract big-time investors. During a trip to Estonia to discuss startup ecosystem success, Michael Goldberg, Case Western Reserve University professor, found that while there’s a big population of Slovenians in Cleveland, there was almost no interest in investing in Slovenian-based startups, from American-Slovenian businessmen.

“Many of the Slovenians that have emigrated to the U.S. over the past few decades were fleeing communist Yugoslavia and may not have a deep connection with modern Slovenia,” he reported on the reason.

2 – Negative corporate reputation

Aleš Špetič, a representative for the Startup Community of Slovenia gave his two cents about why hundreds of startups were forced to seek a more friendly ecosystem to conduct their business. Other than funding, the issue lies within a negative reputation that came from Slovenian global corporations that operate at less-than-acceptable speeds.

“There are problems that are related to the misunderstanding of some pro-activity that the startups have,” Špetič explained, adding, “we are just trying to find solutions that will make our work easier.”

3 – Lack of competition

Resulting from lack of funding, and an automatic negative connotation that comes with Slovenian processing speeds, in Špetič's report, he shows how young, highly educated staff are looking for business opportunities elsewhere, most often because of a rigid and refractory business environment that does not respond to their demands and new ways of doing business.

Inherently, with a lack of funding and qualified workforce, the market is lacking the competitive driving force, leaving it to the major corporations who were one of the roots of the problem, originally.

Read the original story in 150sec.com: https://goo.gl/WP5J4U
By Dean Takahashi

United Luck Consortium has purchased Outfit7, the maker of the wildly popular Talking Tom mobile app, for $1 billion.

The buyer is not actually the previously rumored acquirer, Chinese chemical firm Zhejiang Jinke Entertainment Culture. Rather, Outfit7 Investments Ltd. (Outfit7) said in a press release that its shareholders have sold 100% of the company to a consortium of investors from Asia, represented by United Luck Group Holdings Limited under the leadership of Ou Yaping.

Founded in 2009 in Slovenia, Outfit7 is now based in Cyprus, with operations in Slovenia, the United Kingdom, and China. It now has about 200 employees. The company’s Talking Tom and Friends franchise has more than 5.6 billion app downloads worldwide.

Talking Tom debuted 2010, becoming a hit as kids and adults alike learned how to prompt the funny character to say amusing things about their friends or make farting noises. The franchise has also amassed over 10.3 billion video views of its various branded content online.

This deal comes right on the back of the launch of “Outfit7’s My Talking Hank, which launched on January 12 and features Outfit7’s take on a tamagotchi-style mechanic.”

Goldman Sachs International served as exclusive financial advisor and Taylor Wessing LLP as legal advisor to Outfit7 and its shareholders.

Read the original story in VentureBeat: http://goo.gl/9pJRZQ
With a highly educated workforce and strong traditions of technical excellence, Ukraine has always been strong in software development.

Over the past years, the country has seen the emergence of a plethora of startup projects, especially in the fields of software, enterprise, online services and mobile, as well as agritech and energy efficiency.

Tech investment is supported locally by a number of business angels, a few dozens of VC funds as well as by some foreign organizations including the EBRD, USAID and a Soros fund. On its side, in spite of intense lobbying efforts since the Maidan revolution in 2014, the government has not done much so far to support startup development.

Most successful startups tend to establish themselves in other geographies, first and foremost Silicon valley, due to the relatively small size of the domestic market and the limitations in locally available funding and support infrastructure. The consequences of this brain drain are not necessarily negative, since Ukrainian founders usually keep their R&D teams in their homeland.
COUNTRY BACKGROUND

POPULATION: 44.6 million (2017)
- 69.9% of urban population (2016)
- 9.1% unemployment rate (2015)
- 82.3% with tertiary education (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

GDP: $87.2 billion (2017)
- Average growth rate 2014-16: +3.9%

SOURCE: WORLD BANK
- Per capita: $7,518 (2017)

SOURCE: GLOBAL INNOVATION INDEX 2017

LABOR FORCE BY OCCUPATION (2014)

Agriculture 5.8%
Industry 26.5%
Services 67.8%

SOURCE: CIA WORLD FACTBOOK

UKRAINIAN HAPPINESS

The country ranks 132nd in the UN’s World Happiness report (2014-2016)

SOURCE: CIA WORLD FACTBOOK

Night view at the Pochtova Square (photo credit: Depositphotos)
What the EU statistics say...

Ukraine is a Modest Innovator. Over time, performance has declined by 4.2% relative to that of the EU in 2010.

- **Innovation system**: Relative strengths of the innovation system are in Employment impacts, Human resources, and Firm investments. Relative weaknesses are in Linkages, Attractive research systems, and Innovators.

- **Structural differences**: Notable differences are lower GDP per capita, a lower and negative growth rate of GDP, a lower and negative growth rate of population, and lower population density.
MAIN LOCAL OR MIXED VC FUNDS

Aventures Capital
www.aventurescapital.com

CIG
www.cig.vc

Digital Future
www.digital-future.org

Horizon Capital
www.horizoncapital.com.ua

SMRK VC
www.smrk.vc

UFuture
www.ufuture.com

Wannabiz
www.wannabiz.com.ua

Best Business Group
www.bbg.ua

Detonate Ventures
www.d2n8.com.com

Fison
www.fison.org

Imperious Group
www.imperiousgroup.com

TA Ventures
www.taventures.vc

U.Ventures
www.u.ventures

KEY VENTURE FACTS & NUMBERS

ESTIMATED NUMBER OF INVESTORS (2016-17)

- 31 tech funds operate in Ukraine incl. 17 VC funds, 8 PE funds, 5 incubators and accelerators, 1 corporate fund.
- The UAngels network has 37 members

VC MARKET DATA (2016)

- In 2016, UVCA identified 88 deals accounting for $88m, including deals involving companies founded by Ukrainians but having established their HQ or significant activity in a new geography (typically Silicon Valley)
- In 2016, UAngels members invested $3.5m

NOTABLE DEALS (2015-17)

- Sept. 2015: Looksery acquired by Snapchat for $150m (see article below)
- July 2017: Eda.ua merges with Foodout (see article below)
- 2017: Petcube acquires Canadian PetBot and raises $10m (http://goo.gl/Nu2vcG)

See more deals: http://goo.gl/upJfE6
We Invest in Ukraine

UVCA shapes the future direction of the private equity industry by promoting investment opportunities in Ukraine, representing interests of private equity investors to policymakers and improving investment and business climate in Ukraine. We connect our members with main players of the global investment market, being a member of Invest Europe [former EVCA] in particular. UVCA plays the role of a bridge between Ukrainian and foreign PE ecosystems.

43 / $407 MLN / $10B+
MEMBERS / INVESTED OVER THE PAST 5 YEARS / CAPITAL UNDER MANAGEMENT

Let's keep in touch!
www.uvca.eu
director@uvca.eu
An associate at Aventures Capital, one of Ukraine’s leading venture funds, Yuliya Sychikova presents the main trends and issues of the Ukrainian startup and VC scene and its integration to the global market.

What do Ukrainian tech companies usually focus on?
Ukraine has always been strong in developing software. Originally an important outsourcing player, Ukraine now boasts hundreds of product companies developing anything from SaaS products to hardware. Among the most popular fields that we see in our investment practice are such classic ones as software, enterprise, online services and mobile. Within these broad categories we encounter more SaaS solutions, energy-focused startups, cybersecurity, IoT and agritech ideas.

Are there many startups and startup entrepreneurs in the country?
With more than 100,000 professionals, Ukraine is one of the strongest IT powerhouse in Europe. While most of them are employed in the outsourcing sector or in the R&D offices of global companies, many of them become talented entrepreneurs driving innovation on the local and global levels. Thus, thousands of startups are developing in the country and every year we see more and more angel and VC deals involving Ukrainian or Ukrainian founded companies.

Who invests in Ukrainian startups?
The local startup ecosystem has matured a lot in the past few years. Today, Ukraine has several angel-focused organizations (i.e. Angel.ua), an official VC association (UVCA) and at least five very active local VC funds. These invest in seed and Series A rounds on a regular basis. Some of these funds operate as family offices some others follow a standard VC/PE model.

Among the most active funds are AVentures Capital, Digital Future, TA Ventures and Horizon Capital. Usually, product companies targeting the global market start with a capital injection of a few hundreds or thousands, up to one million US dollars from local funds. These checks are large enough to prove a business model and lead the company to a larger round with the participation of foreign players.

As for startup targeting the local market, the options are limited to a handful of players. Here international investors are interested only in a few significant niches such as outsourcing and e-commerce.

Are foreign tech funds interested?
Foreign tech funds are interested in great entrepreneurs with great ideas no matter where they come from – and many Ukrainian talented teams have drawn their attention. Most of the deals with their participation usually happen in syndicate with local funds.

Thus, Almaz Capital invested in Starwind and Petcube and TMT Investments in Attendify, Sixa and Depositphotos. Naspers has been actively investing in Ukrainian e-commerce over the past few years. Other startups like People.ai, Petcube and Sixa have successfully graduated from globally famous YCombinator and managed to secure rounds with participation of at least a few foreign funds and angels. In May 2017, Grammarly secured $110 million from General Catalyst, IVP and Spark Capital (http://goo.gl/DuUr9P).

But many of the startups you are mentioning have moved their HQ to Silicon Valley... Can they still be considered as being Ukrainian?
They were founded by Ukrainians; and most of those which settled their headquarters abroad usually keep at least their R&D teams in Ukraine – which means that this type of brain drain is not necessarily negative for the country of origin.
In this globalized market, geography is relative, and country attribution is a matter of taste.

This situation affects a number of emerging countries. When talented founders do not find locally the necessary means to get their company to the next level, they tend to seek them in areas with a higher concentration of capital and development opportunities. This is often the case in Ukraine, Russia, or Slovenia, to take just a few examples from Central and Eastern Europe.

**Do Ukrainian innovators enjoy international recognition?**

Many Ukrainian startups have received international awards. To take just a few examples, last year five Ukrainians have won places on the New Europe 100 list of 100 of the "brightest and best people" in Central and Eastern Europe (http://goo.gl/q2wPw7), while Mobalytics, won the 'Startup Battlefield' of last year's TechCrunch Disrupt.

A spectacular example of international recognition is the acquisition of Looksery by Snapchat in 2015.

Another remarkable example is that of Ecoisme, a startup which has developed a connected device for energy management. Launchd in 2013, his startup completed an acceleration program at Hubraum, a Polish incubator backed by Deutsche Telekom; it was distinguished at EDF Pulse Awards, then selected to participate in Richard Branson’s Virgin Media Accelerator. More recently it agreed a pilot project with the Dubai Electricity and Water Authority (DEWA) (http://goo.gl/Ypjvre) while its co-founder Ivan Pasichnyk got listed in Forbes Europe "30 Under 30" success list.

1. This annual list was organized by U.K. business daily Financial Times, the Visegrad Fund, Google and Polish journal Res Publica

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*Petcube, which has developed a pioneering connected pet device, has been one of the most brilliant Ukrainian tech success of the past few years.*
YULIYA SYCHIKOVA: “ALTHOUGH UKRAINE GAVE BIRTH TO A SIGNIFICANT NUMBER OF GLOBAL SUCCESS STORIES, THE LOCAL INNOVATION ECOSYSTEM IS JUST NASCENT”

Of course, startups need support to get recognized in the highly competitive global market. Year after year, Ukrainian technologies are featured at the CES in Las Vegas, thanks to the support of UVCA and WNISEF, a USAID-backed program. Of the eight startups which participated in this exhibition in January 2017, seven had already attracted investment less than a year later (http://goo.gl/vbnZjz). Going further, preparing the 2018 edition of the Davos forum, UVCA, WNISEF and the Victor Pinchuk Foundation are backing a Ukraine House, with a focus on such themes as creativity and innovation.

How is the Ukrainian innovation ecosystem structured?

There are many universities in Kyiv and across the country that provide solid technical education, with an increasing number of students pursuing computer science. They serve as a base for a strengthening IT ecosystem.

Since we do not have strong acceleration programs, local startups undergo such programs in Estonia, Berlin, UK or the US. In addition, there are a few local grant programs organized by Microsoft and Cisco. As the ecosystem gets more mature, we expect to see more quality local support programs to raise global stars.

Does innovation enjoy support from the authorities?

Except for relatively low tax levels, government support has been limited so far. What’s more, some tech companies have been exposed to illegitimate tax inspections, with the inspectors suddenly seizing all computers and practically stopping the company’s operations.

On the positive side, there have been talks of increasing such support through creation of funds of funds (http://goo.gl/7Ggp61). Hopefully, these intentions will become a reality in the near future.

Finally, can the Ukrainian innovation ecosystem be considered as mature?

Although a significant number of global success stories have already emerged from Ukraine, the local innovation scene is still in its nascent stages of development. The quality of startups increases year after year; we also feel stronger competition among local funds to invest in the most promising teams.

How do you envision the future?

Such trends will only consolidate in the future. We may also expect the emergence of strong acceleration programs, new funds, increased interest from foreign investors, which will be driven by the first big exits and success stories.

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The Dealbook of Ukraine

The freshest and most reliable data on local VC activity

Free download: http://goo.gl/ctTEJq
Yesterday Snapchat announced the launch of “Lenses,” a new feature that enables users to create a variety of face effects while making selfies. These augmented reality filters will allow you to change eye or skin color, alter your face to remove blemishes or look thinner.

Behind these new types of avatars is a technology developed by Looksery, a startup originated from Odessa, Ukraine, with offices in San Francisco.

The startup itself has been acquired by Snapchat with Looksery’s team joining the company. The details of the transaction have not been disclosed [It was later confirmed that the deal amounted to $150 million, making it the biggest acquisition in the history of the Ukrainian tech industry.]

Looksery was founded in 2013 by Ukrainian serial entrepreneur Viktor Shaburov. Its technology instantly became a hit in Mexico, Ukraine, Greece, Russia, Brazil, Chile and many other countries when it was launched in October 2014.

A few months before, Looksery had led a successful campaign on Kickstarter. It also took third place in the startup competition at IDCEE 2014. With offices in the USA, Ukraine and Russia, Looksery now has more than 45 employees.

Beyond its entertainment dimension, the Looksery technology may be applied to corporate clients. For example, the service may be of use to call centers for video support and to improve appearances during video conferences.

The use of 3D avatars in video support will reduce the volume of traffic by 98%, according to Looksery. The startup’s technology may also be interesting to manufacturers of mobile devices, operators, cosmetic companies, brands, and movie studios. “This is the future of video communication,” said Shaburov.

Read the original story in Ukraine Digital News http://goo.gl/FZ2DYf
Preply: From Ukrainian Startup to Global Leader

By Vladimir Kozlov, Ukraine Digital News

Online learning has gained much popularity over the past few years, and a number of innovative new businesses have taken note. Ukrainian Preply is one of them.

This startup runs a platform that matches foreign-language students from various countries with most suitable tutors for online lessons, using machine learning to achieve the best match.

"The technological core of the platform is its self-learning ranking algorithm that pushes the best tutors up on the list, meanwhile enabling 'young stars' - new tutors who don't yet have students - to remain visible and be able to get new students," says co-founder Kirill Bigai.

"For each tutor, we measure how he or she can motivate the student, as well as their soft skills, methodology, punctuality and overall effectiveness, using each student's assessment as separate metrics," he adds.

According to Bigai, the algorithm is fed data from detailed user reviews and the ratings system, while there is also a manual verification process for tutors.

Preply says it is currently generating revenue from more than 130 countries. The company's business model is based on taking a revenue share of any lessons booked on the platform.

As the company moves to embrace contemporary technology, Preply has started to accept payments in bitcoins, enjoying the lower fees associated with cryptocurrencies.

Filling the niche

Bigai arrived at the initial idea for the startup a few years ago when he tried to find Chinese courses in Kyiv, his home city, to figure out it "wasn't a trivial task," as he put it. But filling the obvious niche turned out to be difficult, and Bigai and his partners had to go by trial and error.

In 2012, they launched Find Guru project for finding local courses on various subjects, but it didn't work out.

"Unfortunately, that idea didn't work," admits Bigai.

Having abandoned it, he and his partners went to the United States and launched an auction of online tutors for ACT/SAT exams preparation, this time using the name Preply.

"But we didn't find a product market fit straight away," Bigai recalls. "Besides, we needed too much money to successfully compete in the US market."

The entrepreneurs returned to Ukraine and launched a marketplace for finding both local and online tutors, targeting Russian-speaking countries. "Later, we decided to focus only on online tutoring as we believe it's the future of learning," Bigai says.

An initial investment of $200,000 was brought in by business angels Semyon Dukach, Torben Majgaard, Boris Shakhnovich and Vadim Yasinovskyi and others in mid-2012.

In mid-2015, Preply entered the acceleration program of TechStars in Berlin and collected another $120,000 (http://goo.gl/5US3hV).
PREPLY: FROM UKRAINIAN STARTUP TO GLOBAL LEADER

In the summer of 2016, Preply closed a $1.3 million seed round led by Poland’s Mariusz Gralewski, the Hedgehog fund, and former Booking.com CMO and co-founder Arthur Kosten with support from Przemysław Gacek, RTAVentures and another Polish business angels (http://goo.gl/LnG94d). Some of Preply’s existing investors — including venture firms from Poland, Ukraine, US, and Germany — followed on in the round.

Currently, Preply has over 70,000 tutors and 100,000 students registered on the platform. A variety of languages are taught, including English, German, French, Russian, Polish, Ukrainian, Arabic and Chinese.

However, competition in the segment is tough, with such players as E-korepetycje.net in Poland and Repetitors.info on the Russian and Ukrainian markets, as well as US-based Wyzant, iTalki, and Takelessons. In quantitative terms, Perply is behind those companies as Repetitors.info, for instance, boasts 220,000 registered tutors.

Still, Preply claims it has something to stand out among the competitors as the startup focuses on exclusively online tutoring and offers an advanced recommendation system, calendar and scheduling tool.

“Such an approach helps to find and book tutors faster than other tutoring companies,” says Bigai, adding that the company is also very careful with verifying teachers. "If a user did not like the quality of the lesson, Preply returns 100% of the money.”

Meanwhile, as the company looks ahead, it plans to expand the scope of courses, adding new school, hobby and business subjects.

Going global

Initially, the startup covered the Ukrainian, Russian, Belarusian and Kazakhstani markets. But in early 2015, Preply ventured beyond the former Soviet Union and entered the Polish market with a localized version of its website. In 2016, the service was made available to Brazilian users (http://goo.gl/fTW7KG).

"Brazil was chosen because of its huge population and growing language learning market," says Bigai. "That’s our common approach for choosing the next market to launch.”

Still, Preply hasn’t opened foreign offices, preferring to hire personnel from countries where it is active for the office in Kyiv.

Currently, the company operates globally focusing on seven countries, including the US, Germany, Ukraine, Poland, Russia, Mexico and Brazil.

“Starting from 2015, we have been working on launching on the DACH (Germany, Switzerland, and Austria) and the US markets in a stealth mode," says Bigai. "While I cannot call it launch, we began receiving payments from these regions and the US became our largest market by revenue in September 2017."
Run by serial entrepreneurs and experienced financial professionals, AVentures Capital has been investing in the TMT and technology space since the early 2000s.

In 2012, Aventures Capital launched an early-stage venture capital fund.

The fund invests in software, cloud technologies, consumer internet, e-commerce, mobile, payment, internet-of-things and other high-growth segments.
SolarGaps, a Ukrainian startup which has designed "the world's first renewable energy producing window blinds that use solar panels to create electricity to power your apartment, home or office," has received a €50,000 grant as part of the first stage of Horizon 2020’s SME Instrument program. The funding will be used for product development, business development, and marketing.

After the first stage of the program, the startup plans to apply for up to €2.5 million in funding.

As part of the Horizon 2020 program, an EU-backed €80 billion research and innovation program, the European Commission aims to support potentially disruptive SMEs. The selected businesses may receive up to €2.5 million in funding coupled with business coaching and acceleration services.

SolarGaps' smart blinds automatically track the sun throughout the day, adjusting the position to the optimal angles to generate solar electricity to power devices in your home, apartment or office. The startup claims to help you "save up to 70% on your electric power bill."

The company's team, which consists of more than ten people, is split between the USA and Ukraine. While the Californian office is responsible for product design and development, R&D, marketing, and fundraising, the Ukrainian team serves as a back office and a manufacturing platform.

"By the end of the year, we are planning to prepare for mass manufacturing in Ukraine, start certification process in the USA, Canada, and the EU [the startup has been already certified in Ukraine] in order to deploy industrial-scale production in early 2018.

Besides North America and Canada, we see the Middle East, Africa and Australia as prospective markets for SolarGaps," Rostyslav Grygorenko, the startup's CFO, told Ukraine Digital News.

“We have signed letters of intent with twenty dealers who are interested in promoting our offer in nearly 30 countries," he added.

SolarGaps was featured among top ten Ukrainian startups in 2016. This past spring the company was also among CB Insights' list of 92 renewable energy companies outside the US that have raised equity funds since 2015.

In June, SolarGaps raised a bit more than $100,000 on Kickstarter. Last year, the startup attracted $120,000 from several investors.

*Read the original story in Ukraine Digital News [http://goo.gl/4eWXaf]*
By Jane Kuhuk

Some cool food startups are now emerging from Ukraine — a country which has been traditionally known as the farming superpower of Eastern Europe.

Recently we reported on AgriEye and Drone.ua. The previous offers a full-cycle land farming solution; the latter is an integrator of unmanned technologies which aims to become the largest provider of drone services for agriculture in the country.

Another startup, BIOSens, launched last year to develop an Internet-of-Things (IoT) biosensor to detect mycotoxins in food products. The device can be applied in the field, in farms and elevators.

Substances are tested when put on the sensitive side of the biosensor. The data is sent to a mobile phone via Bluetooth, and subsequently to the BIOSens online platform, where it is analyzed. The analysis takes just 15 minutes, according to the startup, while it usually takes days with other systems.

"We are still working on the mycotoxin detection mechanism. It's the key point before commercialization, which we expect to start in 2018," said Andrii Karpiuk, CEO and founder of BIOSens, in an exchange with Ukraine Digital News.

"We seek to make people confident that the food they produce or eat is safe. With the sensors we expect to develop in the future, people will be able to control the quality of the food in real time," he added.

Karpiuk claims that no BIOSens rival can can match its super-fast mycotoxin detection method.

"This is an IoT solution, and we have seen such inventions neither in Ukraine nor abroad," he added.

**Swiss acceleration**

BIOSens has attracted $20,000 in a pre-seed round of funding, said Andrii Karpiuk, who declined to name the investors. The investment has been used for market research and recruitment purposes. The startup currently employs five people in Kyiv (Kiev).

BIOSens has just started the Kickstart acceleration program in Switzerland. The first Ukrainian startup in this case, it has been selected out of 1,500 applications from 86 countries.

Presented as one of Europe's largest zero equity, multi-corporate accelerators, Kickstart Accelerator claims to give access to some of the best-known corporates locally and internationally.

Food delivery is another hot market in Ukraine, in which the local oligarch Leonid Chernovetskiy is investing sizeable amounts to create the regional leader in Eastern Europe. Meanwhile, Zakaz.ua, Ukraine's first online grocery delivery operator, launched its service in Boston as well as a B2B solution under the CartFresh brand.

*Read the original story in Ukraine Digital News [here](https://goo.gl/Ae1uBY)*
By Jane Kuhuk

Last week Chernovetskyi Investment Group (CIG), a Ukrainian investment company, announced that its portfolio company Eda.ua has merged with Foodout, a major food delivery player operating in Baltics.

The deal between CIG and Foodout's investor, the Gold Fish fund, has resulted in the creation of Foodout Group.

Neither the terms nor the amount of the deal have been disclosed, but CIG announced that the new company has been valued at "dozens of millions of euros."

The Ukrainian group has invested an additional €1 million to fuel Foodout Group's further expansion across the region.

The new group is presented as "one of the biggest food delivery services in Eastern Europe."

"In addition to the Ukrainian market, where Eda.ua is currently active, the company will operate in Lithuania, Latvia, Estonia and Iran. The service will also be launched in Belarus in the nearest future," CIG stated.

Thus, the new company covers six countries totaling 140 million inhabitants.

Towards regional consolidation

Furthermore, CIG announced "preliminary agreements" to merge with several leading food delivery players in five other countries of the region.

"We clearly see how to build the biggest regional player in the next 2-3 years", said CIG Managing Partner and Foodout Group board member Volodymyr Kryvko.

"We believe that the food delivery and takeaway business is [entering a] consolidation phase. We think that M&A in markets with a clear [leader] is the smartest way [to secure] investors' ROI," said Tomas Martunas, Gold Fish Managing Partner Foodout Group board chairman.

Eda.ua is a Ukrainian food delivery online service partnering with over 1,500 local restaurants. The merged company has made 1.7 million deliveries more than 30 cities in six countries from some 4,000 restaurants, according to Gold Fish.

CIG is backed by Leonid Chernovetskyi, a wealthy Ukrainian businessman and former Kyiv (Kiev) mayor.

Gold Fish, a fund with Baltic roots, presents itself as a network of successful European and African entrepreneurs investing in "frontier markets," with a focus on "disruptive e-commerce and mobile-first projects."

Read the original story in Ukraine Digital News
https://goo.gl/g44oYr
By Mike Buryk

In 2014, Estonia launched a unique program to help non-EU entrepreneurs gain access to global markets. Based on the most recent data, Ukrainians are among the major users of it. Oleg Gutsol, a Ukrainian-born Canadian and former Head of Global Growth for the e-Residency program, said, "Ukraine was the first country that we focused on." While the overall target was "digital nomads", there have been a wide variety of companies registering.

"Import-export companies (for example selling honey), buying and selling cars, trading crypto currency, IT consulting firms, etc.," according to Gutsol.

Early on, there was no active marketing of Estonian e-Residency to Ukrainians. They found out about it by word-of-mouth and social media. When Gutsol came on board in May 2017, he started an event series that toured major cities in Ukraine. "I took part in events in Kyiv, Lviv and Dnipro and later in 2017 Ukraine country manager Alexey Voronkov went to other cities like Odessa," said Gutsol. The purpose of the events was to familiarize Ukrainians with the benefits of e-Residency.

What are the key benefits of the program for Ukrainian entrepreneurs? Gutsol emphasizes it is access to global markets and ease of doing business without having a physical presence in Estonia. The use of international payments systems for business, not readily available in Ukraine, is an important part of this.

Early in the program there were issues for non-residents of Estonia establishing local bank accounts. This was solved using companies with FinTech banking solutions like the Finnish provider Holvi. Ukrainians can now accomplish everything online including establishing a bank account.

Alexey Voronkov is currently the country manager for Ukraine. He shared some statistics about the program as of January 30, 2018:

- The current total number of applicants is 32,590 from 155 countries
- The top three countries by applicant are: Finland, 3,586; Russia, 2,081; Ukraine, 1,886. The current total number of applicants who have incorporated companies is 2,969.
- Top three countries for incorporating companies are: Ukraine, 372; Finland, 300; Russia, 269.

The rate of Ukrainian companies incorporating is the fastest growing for all countries.

"The program does not allow you to travel to Estonia or other European countries or give you residency in Estonia or a tax I.D.", said Voronkov. He points out that e-Residency does provide a digital I.D. card that can be used to conduct legal transactions online like signing documents and registering a corporation within Estonia's legal framework. For example, it helps Ukrainian software developers who have global clients to obtain funds through regular international payment systems like PayPal, which is not now available in Ukraine.

In terms of the future, Voronkov hopes that Estonian e-Residency can help facilitate ICOs.

In the future, Voronkov says there will be other "country-as-a-service" programs worldwide and mentioned that both Croatia and Azerbaijan are considering offering their own e-residency options.

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