

ACCELERATOR

Policy framework

- Summary report -

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Summary

This document is an overview and assessment of policy framework across Danube regions by drawing main points and conclusions around specifics of policy framework, equity finance, opportunities and barriers for start-up companies across regions. Summary and conclusions on policy should provide a basis for the development of Accelerator programme scheme.

Overall Danube regional analysis of relevant policy framework encompass eight regions; Styria region (Austria), Bulgaria, Liberec Region (Czech Republic), Hungary, Romania, Republic of Serbia, Slovenia and Republic of Srpska (Bosnia and Hercegovina).

This regional report contains six chapters; (1) Key facts about the region with general data, patterns of company creation, overall societal attitude and perception of entrepreneurial culture, opportunities and challenges in establishing a start-up company, (2) Key legal and tax legislation relevant for startup framework, (3) Identification of barriers in access to equity; (4) Position and importance of acceleration programmes and equity financing environment; (5) Identification of ongoing and potential acceleration programmes in Danube area and (6) Identification of barriers for growth on cross boarder level.

The overall analysis of policy framework across regions showed the need to improve regulative across all regions and better adjust to start-up business models and new equity finance models and investment tools (i.e. crowdfunding, cryptocurrency etc.).

The simplicity and level of bureaucracy to establish a new business vary across regions. The access to e-register system and availability of documents in English also lack consistency across Danube regions, presenting a barrier in a cross regional collaboration.

In terms of regulations relevant to new form of financing, there is a gap in regulative that concerns particularly start-up companies at their early development stage and focused in innovative industries. These companies are in need for new forms of equity finance (VC, BA, and especially crowdfunding), which is often not lacking relevant law Acts across the regions.

Additionally, entrepreneurs are often discouraged by constraints in obtaining bank loans due to high costs of credit and collateral requirements from banks. This is one of the biggest challenges, given the fact the majority of innovative start-up companies still rely heavily on debt financing at their early stage of development.

Accelerator programmes are quite well developed in Austria, Bulgaria, Hungary, Romania and Slovenia. Republic of Serbia and Republic of Srpska have established incubators providing supportive services and with a great potential to develop into accelerators. Liberec region lacks supportive institutions for start-up companies, however with well developed start-up ecosystem in Czech's capital.

Austria launched several initiatives for start-up companies and thus emerged as a start-up hub, especially in the fields of information technology, media and life sciences as well as creative industries. Forbes, American business magazine recognised Austria as one of seven start-up hotspots in Europe. In terms of access to finance, Austria currently offers a comprehensive system of public funding and private programmes in form of non-repayable grants, guarantees or subsidised loans. As financing present one of the most important issues involved in founding a start-up companies, Austria set up a comprehensive system of public funding and private programmes. The most important funding sources in Austria are the Austrian Research Promotion Agency (FFG) and Austria Wirtschaftsservice GmbH (AWS).

They offer non-repayable grants, guarantees or subsidized loans, from pre-seed and seed funding till consultancy of business angels. However, private domestic risk capital firms such as SpeedInvest and business angels assist start-ups by providing financing, and invest millions of euros in capital. But the most important difficulties which came to light in the process are, on the one hand, a too small risk capital scene in Austria and, along with a low interest of international investors Funds to Austrian companies. Both points are seen as main challenges.

The start-up ecosystem in **Bulgaria** has been growing significantly in the last years and has a vibrant ecosystem. Newly established Accelerators and Venture Capital Funds, mostly funded with resources from EU, but also a number of co-working spaces and events or conferences like Digtalk and Webit contributed to the now vibrant ecosystem. Yet, the start-up scene is mainly based around the capital Sofia and Plovdiv, a software and manufacturing centre 100 km south-east. Due to a relatively high number of highly-skilled IT-specialists especially the ICT-sector is flourishing. Low labour costs, low government taxes and time- and cost-effective company creation are positive features of the entrepreneurial environment in Bulgaria. However, administrative and regulatory burdens are still too high and special treatment regarding regulatory requirements is not foreseen. Regarding the legal framework, no specific legislations towards start-ups and alternative financing (venture capital / private equity / crowd funding) could be identified, which indicates that entrepreneurship has not been identified as strategically important by the government. Fundraising remains as one of the main challenges for start-ups. Even if the situation has improved significantly through the above-mentioned accelerators and VC funds, it is still very much dependent on financial resources from the EU. This results for example in a financial gap between different programming periods (previous JEREMIE, now OPIC), which makes it difficult for start-ups to obtain funding. Attracting investment on international level through VC/PE to overcome the dependency on EU-funds seems to be a good option. However, while a few positive examples already exist, the majority of entrepreneurs are focused on the small, local market.

Legislative system in **Liberec region (Czech Republic)** is moderate, main barriers in establishing a business are particularly around excessive administrative work, with the majority of documents still need to be verified by the notary office, adding a relatively large cost and complexity, not easily obtained by an inexperienced entrepreneur. Czech Republic has a well established accelerator programmes in Prague, while other regions, particularly Liberec, lack in support. In addition, main barrier in Liberec region is a missing link between entrepreneurship at early stage and investors in this region. Usually such a connection is coordinated through business incubator/accelerator, and since there is no such organisations in this area, it is difficult for entrepreneurs to access private equity funds. Since the concentration of promising start-up businesses, investors and access to supportive resource is situated in Prague, it would be necessary to develop ecosystem in Liberec region to attract and keep local start-up companies in this community.

Hungary is at the stage of recognising the ever-increasing importance of innovative SMEs for its economy. These SMEs with their new approaches can develop the economic effectiveness and create more versatile economic system. The number of SMEs in Hungary is high compared to the number of companies; however, this high number not automatically reflects the innovative SMEs as well. For helping the development of innovative SMEs there is need for some new approaches regarding the social and regulatory framework. Cost and time of creating a company in Hungary is very favourable both in the global and in the EU context, as such this makes no barrier for entrepreneurship, nevertheless the relatively low societal values of entrepreneurship are important social burdens. When looking at the start-up ecosystem fundraising and administrative burdens (especially taxes) seem the main challenges for the success and growth of start-ups in Hungary. The current legal system with minor changes is suitable to treat new forms of financing, although there is a great need that the authorities communicate guidance for the special types of companies.

Nowadays accessing equity is quite easy in Hungary, with the presence of programmes and abundance of resources, and increasing ambition of companies thinking of getting equity. However, the main challenge is in using that wisely. There is a need of management skills and the need for experts helping innovative SMEs, which points towards the need of sustainable acceleration programmes with solid management and experience. This gap was recognised by state and private players and there are more and more acceleration programmes to be launched. The missing management skills (including language and sales skills) also limit the ability of internationalisation for SMEs, which is also backed by the scarce international connection of inland investors. This however is under change as the Hungarian investor community has an ever-increasing track record and business angels gain more importance. This lack of international connection can be also improved by the acceleration programmes.

All in all, Hungary can see development need in two things: administration and taxation system regarding innovative SMEs and the improvement of management skills of the entrepreneurs.

Romania is aware of its weakness in R&D and innovation sector development. Together with Bulgaria, it is placed at the bottom of the scale in the level of development of SME ecosystem compared to EU. Romania is aware of its weaknesses, the biggest challenge being the low level of competitiveness. Due to this, almost every strategy contains as a priority to increase the number of innovation drive SMEs supported by an entrepreneur friendly environment. The greatest deficiencies identified in Romania are in implementation of the programme priorities. The reasons for these might be in poor connections between actors of economic – academic and admin sectors. A special phenomenon was created in Romania when entities developed accelerator programmes accessing structural funds within operation programmes as there were no programmes supported directly by the government. This ASIMCOV association designed and implemented pilot accelerator programme which lasted for 10 months and was a great success. The ASIMCOV established the innoHUB co-working space, a centre of connection between education and economy, an organic part of the Business Incubator. The innoHUB is open for freelancers, start-upers and for ambitious young people to develop their ideas. The co-workers are connected to the regional clusters. This connection is facilitated by the management entities having their offices in the Business Incubator. The ASIMCOV, which was the initiator of clusterisation in Romania, is a facilitator in the collaboration and is also a partner in policy making. The business ideas are related to the current national financing programmes which inputs a character of uncertainty of the activity. In these conditions, it is hard to ensure consistency. In Centru Region there is currently no accelerator programme, startup companies from this region need to apply to Bucharest or Cluj Napoca region. However, there are pre-acceleration programmes on national and international programme as a good example and independent of public funding.

The economic situation as well as access to finance in **Slovenia** has been improving in recent years, and is now on EU average. Access to physical infrastructure is on a relatively high level, while quality and training for entrepreneurial education still scores low in EU. The overall entrepreneurial societal perspective is mediocre; however majority of entrepreneurs believe entrepreneurship is respected in the country. Slovenia lags behind in entrepreneurial education in schools, but sees great improvements in support from government and access to financial resource.

The procedure for the establishment of enterprise is quite easy. In the field of legislation Slovenia is good in tax reliefs for R&D, but a lot still needs to be done in the field of legislation;

Crowdfunding and crypto currencies, technology transfer and spin-off creation and in the field of tax regulation supporting business creation. One of the main barriers in Slovenian start-up scene is still access to finance, however great progress has been made in recent years. The willingness of banks to lending money in the last few years has greatly enhanced. But, there is still a lot to do on the availability of credit financing for small businesses, so it is necessary to enable greater access to alternative funding (i.e. crowdfunding), which is particularly important for innovative SMEs with high growth.

Republic of Srpska has been challenged by lack of necessary legislation to enable better access to equity financing. There have been several initiatives to establish equity financial instruments (VC, business angels and crowdfunding), however these have not yet been successful. Perhaps a better promotion of these programmes would also increase its use, as current awareness among entrepreneurs is relatively low. Accelerator programmes are efficient organisations to improve this, but there is currently no such organisations in Republic of Srpska. There are only a couple of incubators at present, offering start-up companies trainings and technical assistance to certain extent. Start-up ecosystem in Republic of Srpska is therefore only on its development stage.

Republic of Serbia on one hand have a relatively easy process of registering the business. Various support programmes are presented more and more often- financial and non-financial and their aim is to develop entrepreneurship and to spread awareness about its significance. On the other hand, SMEs are still not reaching their potential to be the engine of Serbia's economic growth. One of the most important reason is a lack of finance or poor access to finance. Its impact on SME's growth has serious implications for economic recovery and development in Serbia. Their SMEs are dealing with the absence of possibilities to finance operations or growth, and liquidity problems are accumulating so they are not able to create new jobs that Serbia urgently needs.

Other issue for start-up ecosystem remains a very unfavourable opinion on the tax system by potential entrepreneurs, in particular: areas related to taxes and contributions to wages, value added tax, tax administration, grey economy and administrative procedures in general.

The perception of the impact of macroeconomic indicators on the Serbian economy has been improved, but entrepreneurs still consider that inflation, fluctuation of exchange rates, political instability and volatility variability are very discouraging factors and all entrepreneurs face the great challenge of achieving success in the economy which is still in the phase of compensating for a deep fall that occurred at the beginning and end of the nineties of the twentieth century, which essentially influenced its decline. To conclude, it is very important to improve the overall tax system that now represents a limitation for the largest number of

entrepreneurs and to continuously work on increasing the knowledge of entrepreneurs on financial management.

2 Key facts

- Austria, Bulgaria and Hungary have a high proportion of graduates from natural science, the proportion is slightly lower in Slovenia, Serbia and Republic of Srpska
- Entrepreneurship is generally respectful in the society, however still not enough young talented people decide to pursue this career path
- Educational system needs to be improved and updated, natural science & tech studies need to be more encouraged more
- Establishing an enterprise in Austria, Hungary and Slovenia is relatively easy, with shorter admin process
- Bulgaria struggles with low labour productivity, demographic crisis, low innovative environment and high tech exports and brain drain
- Republic of Serbia sees urgency in improvement of educational system, better promoting tech and natural science studies

2.1 General data on region involved

- Serbian University/ educational system needs to improved, with increase of tech and natural science studies. Sectors with competitive advantages metalworking industry, ICT, wood industry, tourism, agro food and rubber industry
- Within EU Slovenia is treated as a single region, but due to its geo and demographic diversity internally divided into 12 regions. Central region is the most economically developed.
- Austria (Styria region) has by far highest GDP per capita among all Danube regions (33.600 EUR), followed by Slovenia (€18.693) and Hungary (€18.333). On the contrary, Republic of Srpska (€3.306) and Bulgaria (€6.292) see the lowest GPD per capita.
- In terms of Gross expenditure in R&D, Austria (Styria region) scores the highest (4.9%), followed by Czech Republic (Liberec region) (1.89%) and Slovenia (1.69%). Republic of Srpska (0.2%), Serbia (1.69%) and Romania (0.49%) have the lowest proportion of GDP invested into R&D industries.
- In regards to R&D expenditure in proportion to GPD, regions vary. Only Slovenia and Austria (Styria) are performing above EU 28 level, all other regions lag behind. Least resources are invested in R&D in Republic of Srpska, with only 0.2% of GDP.
- Overall proportion of graduates in natural science and technological studies is low across all regions, and the lowest in Serbia and Centru Region .Hungary has the highest population, with the highest proportion of graduates in natural and technical science.

- From enterprise perspective, regions with highest share of SMEs are Hungary, followed by Romania, Austria and Bulgaria.
- Bulgarian geo location provides a strategic connection between Europe and Asia, a strategic logistic hub. The majority of population (73%) lives in urban regions, making Bulgaria a highly centralised country. Sofia, as a capital therefore has nearly 10K EUR GDP per capita, leaving remaining Bulgarian regions way behind and the poorest in EU (nsi.bg).

Each region provided general data and key figures for a better overall background and context of Danube region (please see a full table in the appendix 1)

Territory size and population

- Bulgaria and Hungary are the biggest regions by its territory, and with the highest population.
- The majority of population in Bulgaria (73%) lives in urban regions, making Bulgaria a highly centralised country. Sofia, as a capital therefore has nearly 10K EUR GDP per capita, leaving remaining Bulgarian regions way behind and the poorest in EU (nsi.bg).
- Styria (Austria), with its capital Graz is the second largest state in Austria.

Economics: GDP per capita, Gross expenditure in R&D and innovativeness

- Austria (Styria region) has by far highest GDP per capita among all Danube regions (€33.600), followed by Hungary (€19,700), Slovenia (€18.693), Romania (€8.059) and Bulgaria (€6,292). On the contrary Republic of Serbia (€4,746) and Republic of Srpska (€3,306) see the lowest GDP per capita.
- The majority of regions dedicate % of GDP in R&D below EU average; Republic of Srpska (0,2%), Republic of Serbia (0,4%), Romania (0,49%), Bulgaria (0,96%), Hungary (1,38%), Slovenia (1,69%) and Czech Republic (Liberec region) (1,89%). Only Austria - Styria region (4,9%) is above EU average.
- Bulgaria has an unequal contribution of % of GDP per capita; while South West region (where Sofia is located) has an average GDP per capita €10K in 2015, the remaining five regions lag behind and are the poorest regions in the EU. The share of innovative enterprises is relatively low with only 26,1% in comparison to 49,1% within EU28. Low innovation system is also impacted by outdated educational system, not giving sufficient support to innovative companies or equip young entrepreneurs adequate skills to start a business.
- In 2015, Slovenia spent 2.21% of GDP in R&D and climbed up in the innovation range, now being just below EU average. The proportion of women among all employees in R&D in 2015 remained static through the years, accounting to 35% (36% only in research).

- Traditionally, Bulgaria is a highly centralised country, with the majority of commercial and cultural activities based in the capital and biggest city Sofia. While the South West region, where Sofia is located had an average GDP per capita of nearly 10.000 € in 2015¹, the remaining five regions are lacking way behind and are the poorest regions in the EU.²

¹ <http://www.nsi.bg/en/content/5493/gdp-regions> (last access: 05.05.2017)

² http://www.nsi.bg/sites/default/files/files/pressreleases/ECP_GDP-Regional_2015_en.pdf (last access: 05.05.2017)

2.2 Patterns of company creation and early stage entrepreneurial activity

Ease of establishing a company – cost and time

The process to establish a company is relatively easy in Austria, Hungary and Slovenia. It takes up to a week to register a new business, and the majority of processes can be conducted online.

Income uncertainty, unexpected expenses and customers acquisition are key concerns among entrepreneurs in Austria and can be decreased by a good preparation of business plans and monitoring expenses at the early age of business development.

Cost and time to create a company in Hungary are very favourable in both, EU and global context. The process itself does not present the main barrier in entrepreneurship – the issue is rather in relatively negative perception of entrepreneurship in the society. Similarly, cost and time of company creation in Bulgaria is also favourable.

Slovenia has a relatively easy system to establish a company. The whole process takes a couple of days and can be easily registered online through e-VEM points located across all major cities in Slovenia. The establishment of sole trading company is free of charge, while smaller amount of contribution is needed to register Ltd company. Similarly as in Austria, the majority of relevant information is available in English as well.

Serbia has made significant progress in facilitating business start-up procedures. The process itself requires neither significant time nor significant resources (all together up to seven days)³. What remains the main reason why many do not decide to start their own business is access to funding sources for SMEs- it remains extremely inadequate, as well as lack of access to relevant information, underdevelopment of entrepreneurial skills and access to business networks.

Romania is placed on 38th place in terms of ease of doing a business, just after Bulgaria, Hungary, Czech Republic and also Slovakia and Polonia. The whole process takes 8 days and it requires cost of Trade registry tax and the registered capital, along with notary fees and other legal services.

Republic of Srpska has undergone many reforms aimed at creation of as favourable business environment as possible. The most important reform was finalized by the adoption of the one-stop shop business registration system which became operational on 01. December 2013. Time required for business registration has been reduced from 23 to 3 days, number of procedures has been reduced from 11 to 5 and costs of business start-up have seen multiple reductions, depending on the legal form of the registered entity. For simplest forms, such as

³ *Doing Business 2017*, <http://www.doingbusiness.org/data/exploreeconomies/serbia/starting-a-business>

the single-member LLC with minimum capital requirement, this amount starts from €100 (including foreign trade activity registration).⁴

Main challenges limiting the success and growth of start-up companies

While cost and time to register a company is favourable also in Bulgaria, Romania and Republic of Srpska (the one stop shop business registration system became operational on 1st December 2013), these regions are challenged by complex administrative processes in government bureaucracy, regulation and licensing. In addition, liquidity, fiscal and nontax charges are the main barriers in Republic of Serbia. Bulgaria ranks 39th among 190 countries in the ease of doing business, but dropped five positions since 2013. Overall, starting a business is less favourable. Challenges are in around government bureaucracy, regulation and licencing, along with complexity of administrative procedures and regulations around taxes. It takes 18 days and 4 procedures to register an enterprise. However, the procedure has been improving in the last years.

Similar challenges were identified in Hungary with main barriers in fundraising, admin and tax policies. Beyond these, SME participation in fair public procurement competitions have to be improved, use of regulatory impact assessment has to be broadened, consultations with SME participation in fair public assessments has to be broadened, consultations with SME stakeholders must be made more effective and transparent, insolvency procedures have to be strengthened, loan financing shall be more assessable and innovation capacity and activity of SMEs have to be increased.

On the other hand, Czech Republic has one of the most complicated administrative procedure in registration across regions. The majority of tasks still need to be conducted in person (i.e. to receive notary stamp and register at the provincial courts). This leads to extensive time to register a company; from 2 weeks to a couple of months. Relatively extensive registration process (legal assistance, trade certificates, land office, public notary, tax office, health insurance, social security administration) is demanding and complicated especially for inexperienced individuals without a business law background- almost impossible to pass without a professional guide. Basic fees to register a company have been reduced to a symbolic amount, however other fees remain unchanged (i.e. notarial and legal services).

The biggest obstacles when establishing a company in Romania are in **fiscal and regulatory obstacles, access to finance and lack of entrepreneurial culture/ education**. Students also recognised lack of advices, fear of failure, uncertain economic situation, excessive bureaucracy, support in funding, economic knowledge and excessive bureaucracy. In the present, new and young enterprises represent a key ingredient in creating a job-rich recovery in Romania. For this reason, it is time for action to stimulate entrepreneurship in Romania in order to become more adaptable, creative and to have greater impact in globalized competition that is more demanding and more rapid than ever before. To reinvigorate Romania's entrepreneurial activity, the States must create the best possible environment for

⁴www.investsrpska.net, (accessed on 20 April 2017).

entrepreneurs and to improve the quality of entrepreneurial education programmes creating strong links between school and business environment. To reinvigorate Romania's entrepreneurial activity, the States must create the best possible environment for entrepreneurs and to improve the quality of entrepreneurial education programmes creating strong links between school and business environment.

Republic of Srpska only established legislative framework in 2002 by adoption of law of SME development. Over the past several years, business start-up process in RS has undergone many reforms aimed at creation of a favourable business environment. Support is given by the extensive pool of governmental institutions and other organisations. Although RS has done many reforms to create and improve SME environment, there is still a **need to reduce burdens, admin and other regulative and laws**. A particular attention should be given to the development of education programs for entrepreneurship, aimed at **strengthening the entrepreneurial capacity of population**, particularly youth and their involvement in entrepreneurial activity through self-employment. There is a need for launching financial support government programs in terms of ensuring access to funding, grants for supporting business start-ups, etc. In order to accelerate job creation in the Republic of Srpska, it is crucial to include support for high growth enterprises in strategic documents, with respect to innovativeness and international orientation criteria, which represent relevant factors of competitiveness and strengthening business market position, which provides sustainable business growth.

Serbia has made significant progress in facilitating business start-up procedures. The process itself requires neither significant time nor significant resources. What remains the main reason why many do not decide to start their own business is **access to funding sources for SMEs**- it remains extremely inadequate, as well as **lack of access to relevant information, underdevelopment of entrepreneurial skills** and **access to business networks**. Serbia has a low startup survival rate (only every fourth company survives in the second year), mainly due to lack of access to finance, **liquidity problems, fiscal and non tax charges**. In addition, alternative financial models are still not well developed. In terms of skills, Serbian young population lack managerial skills, also due to a lack of education and training provided in school and Universities. Serbia has still not fully recovered in crisis, but made some important progress in implementing the SBA, e.g. company registration, addressing SME training needs and in promoting innovation. It also made improvements to the process of interaction between businesses and government services and the single point of contact for starting up has been introduced. It is really important for Serbia to reduce administrative and legislative burden on SMEs and to provide better access to finance (strengthening equity finance providers, making EU-based funds easier to access, and putting risk capital in place to support start-ups) in order to revitalise Serbian SMEs.

Based on majority of national experts, Slovenia still lags behind in cultural and social norms supporting entrepreneurial activity and is below EU average in **education and training for**

entrepreneurship, creation of the national corporate strategy, optimisation of the regulatory environment, in improving technology transfer, R&D practices, access to finance and in promotion of entrepreneurship and networking. Slovenian experts believe the government should more actively support entrepreneurship and formulate appropriate national entrepreneurial strategy, coordinated with other national policies and global trends. Improved establishment of enterprises will not only improve economic situation, but give more confidence to young talents, thus decrease a fear of failure. In addition, better access to finance - credit around and external financing should be points, addressed as a priority to improve the situation.

Other barriers to establish an enterprise across all regions are in ensuring adequate financial resources, high cost of additional services (i.e. legal, admin) and lack of entrepreneurs' knowledge or skills.

According to Europe Start-up Monitor 2016 survey⁵ the most relevant issues that need to be addressed and eliminated for improvements in start-up company creation are:

1. Reduction of regulatory and administrative burden (60%)
2. Expectations of tax reduction/relief (49%)
3. Support in raising capital (33%)

Societal attitude and perception toward entrepreneurship

Austria is considered as most active country in EU, entrepreneurship remain very attractive, particularly single enterprise⁶. Also, the proportion of women in entrepreneurship is relatively high, accounting 44% in 2016. The main motivation to start entrepreneurship career in Austria is to be independent, flexible, and the decision is usually made after experiences across different jobs and activities.

Slovenia ranks on the middle of the scale in terms of proportion of people who believe entrepreneurship is a good choice of career (53.7%)⁷, but ranks relatively high (the place) in the EU scale in proportion of people looking at entrepreneurship positively (70%). Positive changes have been seen in Slovenia in past years in taking opportunities to start a business, however only 10% decides to establish a company. Slovenia marks relatively strong confidence in their entrepreneurial skills and competence of individuals (51.5%), which place it on the top ranking scale compared to other EU countries. The main obstacle to establish a new enterprise in Slovenia is a fear of failure.

Perception towards entrepreneurship in Bulgaria has been lower than EU average, however considered as prestigious. Overall, individual perception of entrepreneurship has been quite

⁵ <http://europeanstartupmonitor.com/esm/esm-2016/>

⁶ <http://europeanstartupmonitor.com/esm/esm-2016/>

⁷ <http://www.gemconsortium.org/country-profile/107>

high. Only a small proportion of Bulgarians see good opportunities to start a business in this area (21%) with 39.7% believing they have adequate skills and knowledge required for a successful start-up. Lack of perceived opportunities and weak individual capabilities are the main barriers for Bulgarians to start a business (GEM, 2015).

According to the Global Entrepreneurship Monitor, population in Bosnia and Herzegovina, and of the Republic of Srpska, as its part show positive perception of successful entrepreneurs and entrepreneurship as a desirable career choice, and these indicators are above average of economies of the region.

Most prevalent motive for entering entrepreneurial activity is necessity and necessity entrepreneurship, which is more common than opportunity entrepreneurship. The largest group of entrepreneurs in the Republic of Srpska is aged between 23 and 34 and the largest percentages among early entrepreneurs are persons with a higher level of education. The innovation indicator of early-stage entrepreneurial activity is lower than the average for European countries outside the EU, which requires a focus on encouraging innovative orientation in an early-stage entrepreneurial activity.

3 Introduction of key legal & tax legislation relevant for startup ecosystem framework

3.1 Companies relevant legislation

The majority of regions generally have well-established legislative entrepreneurship system, partly for being members of EU. However, when it comes to legislation concerned specifically to SME, regions often lack relevant law or missing completely. This applies especially to legal acts in alternative source of external financing (e.g. crowdfunding). These challenges have already been tackled by regional governments although more effort will be needed to establish a legislative system in place.

Overall, the complexity of legislation varies and is often still challenging around start-up companies legal framework (and often absence of it), and particularly around:

- Complex bureaucratization
- Tax
- Employment policies
- Alternative financial models (VC, business angels, crowdfunding)

Lack of legislation in Bulgaria and Czech Republic, especially around alternative financial models is one of the barriers in access to finance and faster growth of SMEs.

In Austria companies need to comply with many different legal issues. Sometimes these **vary across 9 areas**- States in Austria. For many SMEs it is very **difficult to know all these different areas and to constantly apply all those different rules as well as stay up to date in all of those fields**. Therefore, Austrian companies make use of professional consultancy for tax and

employment regulative issues. Austrian companies are obliged to register and become a member of Chamber of Commerce. Companies have to pay fees for this membership, but also receive consultancy and services on many different issues. In addition, Austrian government is very active in providing information online.

There is **no specific legislation in start-up and alternative financing** (VC, private equity, crowdfunding) in Bulgaria, which indicates that entrepreneurship has not been identified as strategically important by the government. The discussion on a Draft Act of Innovations is a first step and should be pushed further by the government. This Act has already been initiated by Bulgarian Ministry Council in 2016 to boost competitiveness and innovative potential, including: tax reductions, direct financial aid for innovative enterprises and enhancing the cooperation between education, science and business entities. In addition, lack of financial support is reflected in a very low proportion of the government expenditure allocated for R&D activities (between 0.7% in 2012 and 0.61% in 2015 of the total governmental expenditure; Eurostat 2017).

Start-up trend has not been reflected in Czech Republic legislation act. From the legal perspective, **start-up companies are considered as any other company**. Similarly, as in Bulgaria, there is no legislative system established for start-up companies and alternative financing.

Hungary has **no special and coherent approach in regulation towards innovative SMEs** or start-ups. The legislation system favours SMEs in some administrative and taxation procedures. However, in the past couple of years, **there is a special attention towards innovative SMEs** (tax reduction for R&D activity and for investors, Research fund).

Slovenian regulative system is challenged by lack of entrepreneurial culture and values, lack of initiative, intolerance to entrepreneurial failure and reluctance to take a risk and to globalization (45,71%), outdated educational system (28,57 %), complex bureaucratisation and **absence of legislation on crowdfunding, tech transfer and spin off creation**. Slovenia has made a step forward in 2013, in the exemption from part of the salaries contributions for sole traders, which who are setting up their own start-up company and introduced incentives for new employees in Ltd companies, but real added value of supporting business creation would represent the imposition of a reduced tax rate or tax exemption on profits for start-up companies over a period of 2 years from the establishment.

The Republic of Srpska has done a lot in respect of business start-up registration, tax policies are among the most stimulating in the region, with low income tax rate, profit tax and total contributions rate. Also, the Government provides financial support for employment and technological development. There is a law that defines conditions for establishment and operation of venture capital funds, but still there **are no domestic investment funds that are specialized in venture capital investments**. The fiscal policy instruments still do not recognise or support R&D through tax incentives. The Law on Profit Tax foresees incentives only for those companies that reinvest in production.

Serbia has **no particular legal framework that regulates innovative SMEs** or start-ups, but many supporting documents and administrative procedures were improved in order to

facilitate and simplify the initiation of business. Main weaknesses are related to the absence of particular law, such as: draft Law on Risk Capital was prepared several years ago, but so far has not been approved, draft law on Microfinancing has been announced many times over the past years by different representatives of the government, but it has not yet been adopted and represents a main disadvantage as almost all EU countries have it, with accompanying Law on non-banking financial institutions and in the end No Depository/Non-Bank Micro-Finance Institutions (ND-MFIs) can fill much of the credit gap, in particular to micro and small enterprises but the current legal framework that prevents existing MFIs from lending directly to businesses should be yet amended. Alternatively, a new legal framework for MFIs should be created to allow sustainable development of the MF sector.

3.2 Regulation relevant to new forms of financing innovative projects

No special attention is given to start-up companies at their early stage of development and the majority of regions do not have established rules and regulations, adjusted specifically to SME needs. Regional governments mainly provide support in form of grants or loans, other forms of financing- equity finance models and tax incentives for R&D projects are not well defined and often lack relevant legislative acts and regulations.

Access to Equity finance

Current legal system in Hungary is already suitable for new forms of finance, although there is a great need that the authorities communicate guidance for the special types of companies. New financial models continue to develop in Czech Republic as well, but no special legislation is established. Crowdfunding for example is regulated as other mainstream financial instruments, regulated by standard Acts. Thus, it is very difficult to decide which Act should be applied for individual cases in financing start-up companies. Several Acts around crowdfunding model are missing in Slovenia as well, along with missing Acts in technology transfer, spin-off creation and tax regulation supporting establishment of new businesses.

Amongst other countries, Czech Republic is still considered as innovation follower on EU level. This unfortunately applies to regulations as well, especially how updated these are. An extensive regulation might be counterproductive for the markets, though the law should as well protect investors from frauds. New financial models continue to develop in Czech Republic, but with no special legislation this new form of financing. Crowdfunding for example is regulated as other mainstream financial instruments by standard Acts. Thus, it is very difficult to decide which Act should be applied for individual cases in financing start-up companies. Amongst other countries, Czech Republic is still considered as innovation follower on EU level. This, unfortunately, applies to regulations as well, especially how updated these are. An extensive regulation might be counterproductive for the markets, however the law should as well protect investors from frauds.

Similarly, Hungarian innovative start-up companies have the availability of central supportive programmes (i.e. grants, incubation programmes, equity programmes) but these types of financing products are not different from other grants, equity financing and loans. Current

legal system in Hungary, with minor changes is suitable to treat new forms of financing, although there is a great need that the authorities communicate guidance for the special types of companies.

Proportion of Serbian SMEs that introduce product, process or marketing innovations is close to EU average, but no special attention is given to the regulative for innovative SMEs. One strategic measure was adopted lately – ‘The strategy for scientific and technological development 2016-2010’. Challenges are in access to bank loans, often discouraged by high costs of credit and collateral requirements and also lack knowledge about credit availability. The issues is in banks, not recognising start-ups, social entrepreneurship, micro & small enterprise and are therefore lacking product offering that would be sufficient in support for these forms of companies. Despite the limited bank funding, other significant alternative channels for access to finance have not yet appeared. A significant limitation is the absence of comprehensive regulations on non-banking financial institutions, omissions in the Leasing Act and the inefficient execution of commercial credit agreements. The capital market is also slowly progressing. Other supportive programmes which include grants, incubation programmes, equity programmes etc., are not particularly adapted by innovative SMEs, with the exception of some, for e.g. The Innovation Fund, as a key figure for advancements of science and business cooperation in Serbia.

Access to finance is one of the key obstacles for small, innovative start-ups in the Republic of Srpska, so development of new forms of financing such as venture capital funds, business angels, crowdfunding etc. are of particular importance. Although, the innovation is recognised as an important growth component by the institutions of the Republic of Srpska, financial support to innovative SMEs is very limited and insufficient. There are several initiatives for establishing new forms of financing innovative projects such as establishment of business angel network and crowdfunding platform, but they didn’t give the expected results. Venture capital activities in the Republic of Srpska are underdeveloped, although Srpska allows investment in venture capital funds under the Law on Investment Funds. The government has taken important steps to improve the ecosystem for venture capital funds with adoption of the strategic documents. The Republic of Srpska has done a lot in respect of business start-up registration, tax policies are among the most stimulating in the region, with low income tax rate, profit tax and total contributions rate. Also, there is financial support for employment and technological development. On the other side, the fiscal policy instruments still do not recognise or support R&D through tax incentives. In order to improve access to finance for innovative SMEs in the Republic of Srpska, it is also important to educate public institutions and raise public awareness about the possibilities and importance of new forms of financing innovative projects and to create stimulating legal framework for their establishment.

In addition, entrepreneurs are often discouraged by constraints in obtaining bank loans due to high costs of credit and collateral requirements from banks and usually unfavourable tax policies. This presents a significant barrier, given the fact the majority of innovative start-up companies still rely heavily on debt financing at their early stage of development.

With regard to Romanian taxes, the tax system relies on an almost entirely flat tax of 16%, leading to the fact that Romanian tax rates are among the lowest in Europe concerning

corporate income tax, personal income tax as well as tax on stock options. Capital gains for non-resident investors are taxed accordingly. According to the RIO 2015 Romania report, “fiscal incentives for R&D are used only marginally in Romania. The main obstacle appears to be the uncertainty about the tax authority’s approach to the treatment of R&D costs. Furthermore, according to the Deloitte Romania Corporate R&D Report 2014, 46% of Romanian companies are not familiar with R&D tax incentives. In addition, almost half of respondents (46%) consider R&D tax regulations to be unclear and burdened with risk for the company.”

From the start-up companies’ taxation perspective, there is no special regulation in Hungary, neither it is easy to find the correct way to treat it- and is often costly and complicated.

Romania runs SME support programmes funded by the national budget and coordinated by Ministry of Economy, trade and Relations with the Business Environment. – Directorate General Entrepreneurial Policies (AIPPIMM), but do not specifically target research and innovation activities. For 2016, they included the following funding schemes (apart from the programmes targeting specifically rural enterprises, artisanal entrepreneurs and enterprises founded by female entrepreneurs): The National multi-annual programme for micro-industrialisation, SRLD programme (for entrepreneurs starting their first business), START programme (for developing the entrepreneurial abilities among young people), Start-Up Plus, Romania HUB etc. In addition, Romania started implementing EU structural funds (ERDF and Cohesion Fund) programmes since it accession to the EU in 2007.

Table: Strengths and weaknesses in regulative system across regions

Strength	Weakness
Austria	
Regulative & law policies available in English	Different rules apply across states- difficult to know which one to look
Availability of consultancy and other support service by Chamber of commerce	Employment issues, labour law
Active web site with update relevant information managed by Austrian Government	
Bulgaria	
Relatively predictable and favourable fiscal policy: Flat corporate income tax rate of 10%, Flat personal income tax rate of 10%	No specific legislation towards start-ups and innovative SMEs
Improved and simplified regulation to hire foreign staff employees	No specific legislation concerning alternative financing
Legislation to limit administrative regulation	Modest regulatory framework regarding innovation, which leads to low R&D investments in the economy
National Strategy for encouraging SME and Innovation Strategy for Smart Specialisation 2020 were adopted - focusing in improving in school system and to support young entrepreneurship	Charging of value added tax for the management of investment funds
	Insolvency framework not appropriate

	Slow institutional reform
	Regulatory burdens
Czech Republic (Liberec Region)	
Awareness of the barriers, with proposal of new legislations to encourage entrepreneurship	Lack of transparency in legislation
	Lack of regulatives specifically for start-up companies
Hungary	
Traditionally supportive rules for SMEs that can use innovative SMEs as well	No coherent approach in regulation towards acceleration, innovative SMEs or startups, only amendments of regulations
	SMEs in service industry can harder track their value as accounting system and evaluation is mainly based on fixed assets
Romania	
Favourable tax rates, amongst the lowest in EU concerning corporate tax, personal income and tax on stock options	Uncertainty about the tax authority's approach to the treatment of R&D costs
Republic of Serbia	
The Innovation Fund - key figure in advancement of science & business cooperation	High fiscal and non tax charges
Serbia signed the Entrepreneurship Fund (ENIF) Agreement, enabling start-up companies greater access to VC finance	Lack of legal framework
Activities in Development Agency of Serbia - implementing programmes to support SME in there development	Draft law on Risk capital still not approved
	No law on Microfinance
	Current legal framework discourage sustainable development of micro finance sector
	Lack of comprehensive regulations on non banking financial institutions
Slovenia	
100% of tax reliefs for R&D	Missing Acts: Crowdfunding and crypto currencies Act, technology transfer and spin-off creation, tax regulation supporting business creation, tax regulation supporting business creation
The transfer of research and development from institutions in practice (47,06 %)	Government policy (in particular, the improvement of regulation, high taxes, too high a burden on labour costs) (62,86 %)
Government supporting program for the start-up ecosystem of entrepreneurial education and networking (26,47 %)	Lack of entrepreneurial culture and values, lack of initiative, intolerance to entrepreneurial failure and reluctance to take a risk and to globalization (45,71%)
	Education and training for entrepreneurship - recast an outdated education system (28,57 %)

	Bureaucratization (the complexity of accounting rules)
Republic of Srpska	
Tax policies are the most stimulating in the region with low income tax rate, profit tax and total contributions rate	Venture capital activities are underdeveloped although there is a legal framework which defines conditions for establishment and operation of venture capital funds
Governmental financial support for employment and tech development	Fiscal policy instruments still do not recognise or support R&D through tax incentives
Existing legal framework for supporting entrepreneurship	Law on Profit Tax foresees only incentives only for those companies that reinvest in production
	There is still a need for reducing burdens, administrative and other regulations and laws in order to create favourable business environment especially for supporting business start-ups in Republic of Srpska

4 Identification of barriers of access to equity

Main barriers in access to equity across Danube regions:

- Small market/risk capital scene
- Lack of interest from foreign investors
- Fiscal issues
- Administrative/bureaucracy
- Fear of failure to start a company
- Limited access to finance and support for start-ups at their early stage of development, particularly in innovative industry
- Constraints in access to VC due to bureaucratic barriers
- Lack of promotion about access to finance
- High cost of debt financing and collateral guarantees
- Absence of supportive institutions – missing link between SME entrepreneurs and investors
- Access to finance- high costs of bank loans and interest rates

- Austrian access to equity finance has been hindered by small risk capital scene and lack of interest of foreign investors. Challenging matching of investment requirements on the company side and the investment minimum/maximum amounts on the risk capital

side is, apart from complex deal structure and the fear of unrepresentable costs, usually caused by lack of information.

- Austrian VC industry is too small especially at the early stage of development, with a shortage of available seed capital.
 - Lack of interest from foreign investors/ VC providers
 - Too few national risk capital funds
 - Investment volume
 - Due Diligence and Deal costs
- Bulgarian equity financing is relevant only to a small proportion of SME (3%), the most important sources of financing for SMEs in Bulgaria are credit lines (relevant for 61% of SMEs), leasing (45%) and bank loans (44%). Access to finance is challenged predominantly by (GEM report, 2016):
 - Low financial culture of early stage entrepreneurs
 - Lack of adequate funds
 - Lack of competent fund managers and proficient investors
 - Conservatism and risk aversion of more traditional fund providers (banks)
 - Lack of critical mass of angel investors

Access to equity finance is low also due to lack of information on the possibilities, insufficient capacity of entrepreneurs to utilise this form of finance, sceptical attitude toward assignment of the enterprise shares to private investor in exchange for financial resources and due to high valuation expectations. However in recent years a number of financial instruments have been implemented in Bulgaria, such as the Co-Investment Fund, Risk Sharing Loans, the Acceleration & Seed Fund, the Growth Capital Fund, the Mezzanine Fund, the Risk Capital Fund, the First Loss Portfolio Guarantee and the Technology Transfer Fund, which is aimed at the commercialisation of innovative products resulting from R&D.

- Liberec Region in Czech Republic is underdeveloped in SME ecosystem. Lack of accelerator programmes and incubators are one of the reasons this region is deprived from optimal access to equity. The majority of financial resources and other support is rather concentrated in Prague, where the majority of successful SMEs as well as investors are situated.
 - Limited access to finance – lack of investors in the region
- Romanian entrepreneurial ecosystem is limited in access to equity, mainly discouraged by corruption, political uncertainty and lack of transparency. In addition, high costs of debt financing and collateral guarantees as well as only small amounts of money

invested by private equity and venture capital. Furthermore, the unequal distribution of funds across regions was considered to be a barrier (with the highest density of funds in Bucharest). The data show that the average of Romanian entrepreneur tend to be self-made entrepreneur and that he or she is weakly encouraged and supported by the ecosystem. Most of the respondents declared that they were encouraged and supported by families and friends in starting up their business and just a few of the them feel like advising others to enter entrepreneurship. The networks established among entrepreneurs are not strong enough to lead to a self-sustaining environment. Although the financial policies and non-financial support will encourage more people to enter entrepreneurship, this will not result in an increasing number of start-ups. Very few entrepreneurs access public funding and people continue to be discouraged by corruption, political uncertainty and lack of transparency. The major barriers identified in Romania are:

- Fiscal issues- almost half of interviewed entrepreneurs indicate fiscal issues; regulatory unpredictability, taxation complexity and level of taxes as the biggest obstacles in creating and developing a business in Romania.
 - 82% of respondents considered access to finance difficult. The majority of funding instruments are bank loans, EU funds and microfinance.
 - The most important improvements from entrepreneurs perspective are: 1. Fiscal incentives, 2. Greater provision of loan guarantees, 3. Reduced taxation of capital gains.
 - Fear of failure is also one of significant barriers in entrepreneurship. Less than one third believe entrepreneurs' business failure is a learning opportunity.
 - Qualitative assessment of Romania also showed other significant issues that have a potential impact in access to equity; lack of information related to venture capital, entrepreneurs are not aware of the value added potential of a VC investor and they tend to overrate the value of their business, a lack of awareness related to the milestones that a company has to fulfill once it becomes part of a VC portfolio etc.
- Governmental policies for SMEs have been improved in Slovenia in the past few years, as well as access to finance. Improvements have been implemented to more active equity market and increased cross boarder equity investment. In addition, based on SBA research, Slovenia made a great progress in access to finance in obtaining credit and access to alternative sources of finance, especially for innovative enterprises. The government made significant efforts since 2008 to improve access to finance for all stakeholders. There have been various measures, such as guarantees for bank loans with subsidized interest rates by the Slovenian Enterprise Fund (SEF) and the possibility of access to direct loans provided by SID Bank (Slovenian Export and Development Bank). Willingness of banks to give loans also improved, as well as access to public financial support, including guarantees for credits. One of the major objectives in relation to access to finance, including improving consumption of EU funds. With this measurement government wants to ensure favourable funding for SMEs, particularly

in less developed regions, as well as support start-ups through grants, seed capital and micro-credit. According to SBA there have been a positive development trend in this area, it also shows the number of rejected loan applications or the trend of denial of credit conditions by enterprises, which declined from 26% in 2014, to less than 6% in 2015.

Regardless of significant commitment of the government and the measures undertaken by SPS and SID Bank, access to finance remains one of the main challenges for SME in Slovenia. Access to finance for SME – bank loans is still a barrier, despite significant commitment of the government in recent years

- Less developed regions are still deprived from optimal use of financial support
 - The level of the protection of legal rights in case of insurance and in case of bankruptcy, for both lenders and borrowers is the lowest in the EU
- Despite significantly increased collateral requirements in Republic of Srpska, bank financing remains the primary source of capital SMEs – also above South Eastern Europe (SEE) average (OECD, 2016); 66.3% of companies have an outstanding credit line compared to a SEE average (49%) (EBRD, 2014b). The legal framework for access to finance in RS is well developed, with availability of debt finance for SMEs. However, small, innovative companies often have constrained access to finances, uncertain prospects of success, long time horizons, a lack of tangible assets that can be used as collateral and a limited operating history. Therefore, access to finance, especially equity finance is essential for their growth (OECD, 2016).
 - Limited access to finance for SMEs
 - Low financial literacy & awareness on financial resource availability among SME entrepreneurs
 - Reluctance to cooperate with outsiders as owners or partners in a business

Considering that access to finance is one of the key obstacles for innovative SMEs, especially for start-ups that don't have sufficient funds for the activities of research, development and commercialisation of innovations, development of equity financing has particular importance for the development of new financing opportunities for innovative enterprises in the Republic of Srpska. The promotion of the equity financing such as venture capital and business angel finance, crowdfunding and establishing of investment-readiness and financial literacy programmes for start-ups and SMEs, are very important for development of equity financing in the Republic of Srpska.

Republic of Serbia lags behind in the ease of access to funding sources, and its rating is getting lower. In the latest report of the World Economic Forum on Competitiveness, Serbia is ranked 105th out of 144 countries in terms of access to funding sources, which

is worse than the ranking of many neighbouring countries and the fact is that its rating declining compared to previous years. Main challenges in access to finance:

- Low use of loans
- High financing costs – among the highest in the region. The basic interest rates are very high and directly affected by the government borrowing costs
- Regulatory incentives for SMEs' lending are improving, but they are still inadequate
- Business models of many banks are oriented towards classical corporate lending, which is insufficiently aligned with different needs, risks and sources of SME income. The structure of financing, the lack of risk management instruments and regulatory requirements make the banks to transfer market risk through credit terms to companies
- Despite the limited funding offered by banks, other significant alternative channels for access to finance have not yet appeared. The absence of a regulatory framework for institutions, such as financial intermediaries, microcredit institutions, factoring companies and other non-deposit institutions, limits the possible market response to the needs of SMEs
- SMEs are faced with problems in providing security funds acceptable to lenders. They either do not have the property they could use or there are other factors that limit their ability to provide an adequate collateral
- SMEs often do not have adequate capacity to present their business to lenders. These challenges are further worsen if enterprises do not have a proper formal credit history (or they do not have it at all), do not have complete financial reports and business plans or can not separate business from private finance
- Widespread use of cash or mortgage as a means of securing loans limits the number of SMEs trying to get external finance resources from
- The SME sector lacks negotiation skills with lenders.

5 Position and importance of acceleration programmes & equity financing environment

Main points raised across Danube regions:

- Austria exposed three trends of the 21st century; digitalisation of the global economy, faster innovation cycles, global rise of young and ambitious talents. Austria sees opportunities around improvements in education, awareness and political areas
- Hungarian equity financing is quite well developed by both public & private investors
- Romania and Czech Republic have less developed start-up ecosystem in regions geographically distant from capital cities
- Czech Republic has an extensive list of successful accelerator programmes and start-up companies in Prague.
- Romania suggests Cluster system as a conceptual framework to strengthen start-up ecosystem and increase competitiveness
- Republic of Serbia and Republic of Srpska currently don't have accelerator programmes, but a few incubators, offering technical and other supportive services
- Slovenian start-up ecosystem is moderately developed, supported with funds, initiatives and have established alternative forms of financing; VC, business angels and crowdfunding
- Increasing establishment of accelerators, already contributing to a significant success (Bulgaria)
- Equity finance and acceleration programmes are still underdeveloped in Serbia, therefore public sources remain as one of the main funding systems
- Slovenian SMEs are still predominately debt financed, with developing equity market (mostly VC and increasingly with BA and crowdfunding)
- Romania lacks VC development

Accelerator programmes have been well established in Austria, Bulgaria, Hungary, Romania and Slovenia, Czech Republic (Prague) offering start-up companies financial support and services (advisory, mentorship, admin assistance, networking opportunities, events etc.) Its importance is significant and contributed to numerous successful SMEs development on both, regional and international level.

On the other hand, the absence of accelerator programmes are seen in Republic of Serbia, Republic of Srpska and Czech Republic (Liberec region). However, Republic of Serbia and Republic of Srpska have established incubators, offering an extensive list of supporting services, with a potential to convert these into accelerators, but still need investment and improvements. Similarly, Liberec region only has one supportive organisation that most

closely reflect the structure of accelerator; Student Business Club, managed by Technical University of Liberec, with their primary activity in incubation. The situation in Czech Republic dramatically changes in other regions – especially Prague, with a well-developed accelerator programmes and supportive institutions.

In terms of equity finance, the majority of regions still predominantly depend on loans and bank credit lines. Only a small proportion of innovative start-up companies are using equity finances as a seed capital. For example, only 3% of Austrian SMEs expressed the need to be financed by equity. Similarly, only a small proportion of Slovenian companies use equity finance at their early stage of development. Furthermore, equity financial models are only in the development stage in Republic of Srpska and Serbia- alternative financing are still legally unregulated, insufficiently recognized with a few attempts that have not been successful.

Table: Funding sources across regions

Instrument	Banks	Leasing	Corporate bond market	Venture capital	Credit unions	Crowd-funding	Microfinance
State							
Serbia	X	X					
Romania	X	X	X	X	X	X	X
Slovenia	X	X	X	X	X	X ⁸	
Bulgaria	X	X		X	X		X
Republic of Srpska	x	x				X	X
Austria	X	X	X	x	X	X	X
Hungary	X	X	X	X	X	X	X
Czech Republic	X	X	X	X	X	X	

Source: National bank of Serbia, Statistical Office of the Republic of Serbia.

AUSTRIA

Austria has emerged as a start-up hub especially in fields of information technology, media and life sciences as well as creative industries. The American business magazine *Forbes* selected Austria as one of the seven start-up hotspots in Europe. Since financing presents one of the most important challenges in supporting start-up companies, Austria established a comprehensive system of public funding and private programmes. The most important funding sources in Austria are the Austrian Research Promotion Agency (FFG) and Austria

⁸ Comment: Due to restrictive legislation crowdfunding platforms are currently not active in Slovenia. However, improvements are already under development. Only in 2016 Slovenian startups raised almost 2m EUR on three popular crowdfunding platforms only.

Wirtschaftsservice GmbH (aws). They offer non-repayable grants, guarantees or subsidized loans, from pre-seed and seed funding till consultancy of business angels. However, private domestic risk capital firms such as SpeedInvest and business angels assist start-ups by providing financing, and invest millions of euros in capital.

BULGARIA

Investment in Bulgaria fluctuates significantly in the past years, increasing a gap between certain periods. However with the establishment of acceleration & seed financing through LAUNCHub and Eleven, Bulgaria started achieving considerable success since 2012. In addition, Risk capital fund NEVEQ II invests in start-up companies at their mature development stage. Furthermore, there are some other private capital funds and business angels currently supporting Bulgarian start-up ecosystem.

Bulgaria established acceleration and seed financing through LAUNCHub and Eleven, and already started achieving considerable success since 2012. The former invested under the JEREMIE-program €9m. in 62 start-ups, while the latter supported 116 start-ups or innovative SMEs with €12m. The start-ups have attracted close to €25m in follow-up funding. By the end of 2016 both announced that they have managed to secure up to €35m in new resources from the Acceleration & Seed Fund under OPIC and several unnamed private investors.

In addition to these accelerators, Bulgaria has the risk capital fund NEVEQ II which invested in start-ups and companies in a more advanced stage of development and the funds for co-financing Black Peak Capital and Empower Capital, which finance companies in their mature development stage. Furthermore, there are some other private capital funds active in Bulgaria, as well as some business angels.

CZECH REPUBLIC (LIBEREC REGION)

Liberec region is one of the last few regions in the Czech Republic without an existing and functioning innovation centre, where start-up incubators and accelerator services could be facilitated on site. There is even a political and social demand for such facility, but unfortunately, there is a problem with insufficient funds. From existing structures, Liberec region can at least name the *Student Business Club* managed by the Technical University of Liberec. However, their primary activity is rather an incubation than acceleration. Although they offer some mentoring services and educational seminars and they even organize a Startup contest, their core target group are students with innovative ideas.

The situation dramatically changes in other regions, especially in our capital city Prague. There is a number of well-known and internationally recognized accelerator programs in Prague, Statup Yard being one of the best in Central Europe. Other successful examples of accelerator

programmes in Prague are Startup Yard Wayra, ePORT, StarCube, Launchpad powered by Google and Pioneers Festival. It is therefore necessary to establish accelerator programmes in Liberec region as well, to ensure more support and better access to finance.

In terms of finance, Czech's biggest and most important VC funds are Credo Ventures and Rockaway Capital, along with StartupYard, xPORT, StarCube and Czech Accelerator (although not providing direct financial investments).

HUNGARY

There is an upheaval of accelerator programmes in Hungary, partly due to central measures (ERFA financed accelerator programmes), partly since market players recognize the gap. The aim of the central programmes is to prepare the companies for the equity financing, while the private initiatives are looking for the good exists of the finding these on foreign markets. Hungarian equity financing environment is quite well developed, supported by both, public and private investors. Though earlier there were regional and mainly state financed agencies to deal with innovation driven SMEs, nowadays there is a shift towards encouraging market players to carry out acceleration task by the cooperation with them and giving financial support to them. Also, there is a big push from state side towards equity investments which is partly explained by a big absorption of ERFA funds.

Currently there is a building acceleration programme community with private and partly private players, which could trigger a good competition among them. However this also means that there is greater chance for innovative SMEs that has to use the resources wisely. The developing acceleration programmes and the available (mainly state financed) equity programme could trigger the equity market, treat the market failures and perform a risk sharing opportunity if they avoid the crowding out effect against private resources.

Hungary has an extensive list of accelerator programmes, typically offering successful services to support start-up ecosystem. It is important to note that the majority of these programmes are relatively new and strongly dependent on EU funds. In terms of other supportive services (mentorship and initiatives) would need further improvements – to offer adequate expert advice and support to SME entrepreneurs. The most prominent accelerators are: Kitchen Budapest, Colabs and Telenor Accelrate. Main providers of seed capital: HiVentures, Innovation Fund, Széchenyi Venture Capital Fund Management Zrt.etc.

ROMANIA

Romania sees investment gaps. As it was already remarked in the 2013, SME needs assessment, only a tiny fraction of the funds currently target early stage enterprises in Romania, with most of the active funds making it clear that they are not interested in VC deals.

The *Global Venture Capital and Private Equity Country Attractiveness study*⁹, compiled by IESE and Ernst & Young, puts Romania on the 46th place in 2016 for the VC index.

Romania was ranked very poorly in terms of the simplicity of closing a business (79th), innovation (55th) and corporate R&D (50th). This index reflects the attractiveness of the county, as Romania doesn't really have an active VC market (e.g. economic activity, depth of capital market, taxation, investor protection and corporate governance etc.).

In terms of the investment at the later stage, the level of activity in the growth segment was adequate, and did not currently require the intervention of public entities due to the low interest of Limited Partners (LPs) in this region, which makes the fundraising process for new funds very difficult, a significant risk was envisaged for this segment to face shortages in the foreseeable future. On the other hand, for buyout investments, targeting mainly mature companies, preferably market leaders, with strong management teams and stable cashflow, there may be insufficient targets and it may be necessary to move into the large enterprises segment. Romania misses complex accelerator programmes on a regional level, however with a couple of local initiatives to support start-ups with mentor programmes, consultancy and office facilities. On the other hand there are programmes on national and regional level which stimulate SMEs to develop innovative products/services with structural funds. In the Centru Region, where the ACCELERATOR project is under implementation, Romania has established pre-accelerator programs. With their help, start-ups are facilitated by different entities to develop their project ideas. They get support and facilities except for private funding. However, SMEs and start-ups from Centru Region can apply for accelerator programmes in Romania in Bucharest and Cluj. There are currently three most prominent programmes: MVP Academy (Bucharest), Spherik Accelerator (Cluj, Nord-Vest Region) and Risky Business (Cluj, Nord-Vest Region).

Romania identified a list of most important equity/ VC programmes: Keensight Capital, Seedcamp Limited Partner, Syntaxis Capital, HBM Partners, Enterprise Investors Darby, Private Equity, DN Capital, East Accession BV, 3TS Capital Partners.

REPUBLIC OF SERBIA

Since the alternative models of financing (seed capital, start-up, business angels, venture capital, and private equity), are not developed and not legally recognized in Serbia, public sources (credits from commercial banks, leasing companies, factoring) still remain one of the

⁹ <http://blog.iese.edu/vcpeindex/files/2016/06/annual.pdf>

main representatives of equity financing environment. In Serbia, there are some accelerator initiatives but still, no company can be yet seen as a product of some accelerator program.

Similarly as Liberec region and Republic of Sprska, Republic of Serbia also have no acceleration programme at present. The first accelerator, Satrtilabs was initiated in 2013, based on US funds, with the main aim to provide both, funding (seed investment up to \$50K) and supportive services (mentorship, infrastructure etc.). Serbia therefore runs four incubators, which could potentially convert into accelerators, given the extensive provision of services offered.

Other forms of financing (business angels and microcredit organisations) are still legally unregulated, insufficiently recognised with a few attempts of realisation that have been ended unfortunately:

- There was one official Business Angels Network but it is rebranded and more focused on matching and cooperation between expert mentors and company founders
- Microfinance: Three organizations that deal with this business in the Republic of Serbia (Agroinvest, Micro Development Fund and MicroFinS), accessible through commercial banks, which makes these funds more expensive for entrepreneurs
- The Serbian Private Equity Association (SPEA) is an independent not-for-profit association, founded in October 2010 by private equity and other investment professionals from Serbia and the Southeastern European region. They still don't provide any form of financing, but they are trying to increase the awareness of the private equity industry in Serbia, by developing educational programs, delivering a series of professional networking events, conducting and publishing insightful research and by promoting best practice;¹⁰
- In Serbia, there are some accelerator initiatives but still, no company can be yet seen as a product of some accelerator program. There are entities that provide a significant number of services that the accelerator should offer. Over the past years, several initiatives have been launched, but they are all shot down.

Serbia is aware of the importance of improving the availability of funding sources and this is reflected in the fact that within the Strategy to support the development of SMEs and competitiveness for the period from 2015 to 2020 ¹¹.

¹⁰ <http://spea.rs/>

¹¹ Strategy to support the development of SMEs and competitiveness 2015 to 2020, <http://www.privreda.gov.rs/wp-content/uploads/2015/06/Strategija-mala-i-srednja-preduzeca.pdf>

SLOVENIA

Slovenian start-up companies are still largely financed by personal funds and bank loans. Equity finance market is developing, with the majority investments being sourced from VC funds, business angels and crowdfunding.

Slovenia offers diversified access to capital for start-up companies, comprising several mechanisms from subsidised incentives and credit to equity and VC funds. Most investments in the start-ups from private equity are from venture capital funds (71%), followed by the platform for crowdfunding (13%) and government incentives. Companies, specialised in hardware, web, machine learning and technology blockchain industries tend to received most support from private investors.

Startups of Slovenian founders in 2016 again raised almost € 100m of funds, which is lower than the record high of €131.7m collected in 2015, but higher than the € 67.3 m in 2014. From the equity financing source, most investments derive from venture capital funds (71%), followed by the platform for crowdfunding (13%) and government incentives. Companies, funded with equity capital are mainly engaged in hardware, web, machine learning and technology blockchain industries. Most equity investments come from the EU and United States, a smaller proportion is contributed by the Chinese and Asian investors while Slovenian private equity investors contribute around 5% of all investments. This is also the main reason that only 25% percent of Slovenian start-up companies remain in Slovenia while the majority of the Slovenian start-up enterprises, together with the investment moved to United States. An increasingly important role in access to capital in Slovenia is Slovenian Enterprise Fund (SPS), which provides the initial capital for new innovative enterprises, more favourable financing sources for the development of the investment companies (subsidies, guarantees) an fostering of private investment (equity, venture capital, credit, guarantees). In addition to this, Slovenia has quite well established public and private funds and initiatives, encouraging and supporting SME growth and internationalisation.

REPUBLIC OF SRPSKA

There is a large funding gap for equity products in Bosnia and Herzegovina, mainly as a result of the absence of specialized investment vehicles such as venture capital funds. Entrepreneurs` access to equity finance is limited to their network of personal connections such as friends and family members.

There are numerous incubators and business centres that are supporting start-up enterprises and a small, but promising IT sector, so the lack of equity financing is particularly troublesome. A few of these enterprises managed to obtain bank loans, but equity financing would usually be a more appropriate instrument.

For medium-sized enterprises, listing on one of the country's two stock exchanges is possible, but very low turnover among all but the largest and most well-known companies assures that very few SMEs consider this option¹². B&H companies can apply for funds from the Program Enterprise Development and Innovation of the Western Balkan countries (Western Balkan Enterprise Development and Innovation Facility - WB EDIF), which was established within the framework of the European Investment Fund. WB EDIF is a joint initiative of the European financial institutions and the European Commission, aiming at improving access to finance for SMEs. This process for B&H is led by the Ministry of Foreign Trade and Economic Relations of B&H and has four mechanisms of financial support to companies.

The most important financial support institutions and funds are: Enterprise Innovation Fund ENIF, Enterprise Expansion Fund ENEF, WB EDIF, COSME, HORIZON 2020 and funding programmes offering specialised loans (InnovFin, EIF, RS Investment Development Bank, RS Guarantee Fund, COSME) and grants (SIDA Challenge to Change 2.0, RS Ministry of Science and Technology).

Although the innovative companies from the Republic of Srpska can apply for funds from different programs, there is insufficient information about these programs, they are not widely recognized and promoted. In the next period, it is necessary to work more on better promotion of the programs available for financing innovative SMEs in the Republic of Srpska, especially with the support of the Enterprise Europe Network of the Republic of Srpska.

There is no functioning accelerator in the Republic of Srpska but have five business incubators that have the capacity to offer training and technical assistance to start-ups in the Republic of Srpska largest cities. However, in some of these business incubators, there is a possibility for introduction of acceleration programmes and supporting start-ups with funding, mentoring, training and other services.

Accelerators/incubator services: Innovation Centre Banja Luka (ICBL), Entrepreneurial Incubator Prijedor, Business Incubator Trebinje, University Entrepreneurship Centre Banja Luka (UEC), Business Incubator Gradiska (BIG).

¹² BFC (2016): *Assessment of financing needs of SMEs in Western Balkans countries*. Country report: Bosnia and Herzegovina

6 Identification of ongoing and potential acceleration programmes in Danube area

Although the presence of accelerator programmes is not consistent through regions, all have developed at least incubator programmes, with a good potential to develop into accelerators. The table below shows the list of supportive programmes and accelerator programmes, with supportive service offer.

Table: Accelerator programmes and its contents

Region	Accelerator programme	Funding (equity investment opportunity)	Mentorship programme	Business Advisory	Networking & exchange of experience - start-up community	Training programme	Cooperation with (network of private) investors	Other
Austria - Styria	Startup Funding Initiative (FFG)	x	o	o	o	o	o	o
Austria - Styria	HighTech Startup Funding (FFG)	x	o	o	o	o	o	o
Austria - Styria	aws Seed-financing	x	o	o	o	o	o	o
Austria - Styria	aws Venture Capital Initiative	x	o	o	o	o	o	o
Austria - Styria	aws Double Equity	x	o	o	o	o	o	o
Austria - Styria	aws PreSeed-Financing	x	o	o	o	o	o	o
Austria - Styria	aws Startup Check	x	o	o	o	o	o	o
Austria - Styria	aws Startup Guarantee	x	o	o	o	o	o	o
Austria - Styria	aws Founders Fund	x	o	o	o	o	o	o
Austria - Styria	aws Growth Capital Fund	x	o	o	o	o	o	o
Austria - Styria	aws Business Angel Fund	x	x	o	o	o	o	o
Austria - Styria	aws i2 - Business Angels	x	x	x	o	o	o	o
Austria - Styria	Speed- invest	o	o	x	x	x	o	o
Austria - Styria	Austrian Angel Investors Association	o	x	x	x	x	x	o
Austria - Styria	i5invest	x	o	x	o	o	o	o
Austria - Styria	startup300	x	o	o	x	o	x	o
Austria - Styria	Up2Eleven	x	o	o	x	o	x	x

Austria - Styria	Celian- venture	x	o	o	o	o	o	x
Austria - Styria	Venionaire Capital	x	o	o	o	x	o	o
Austria - Styria	tecnnet equity	x	x	o	x	o	o	o
Austria - Styria	CISCO EIR	x	o	x	o	o	o	x
Austria - Styria	Constantia New Business	x	o	x	o	o	o	x
Austria - Styria	Investment Ready Pro-gramm	o	x	o	x	x	x	o
Austria - Styria	ARAX Capital Partners	x	o	o	o	o	o	o
Austria - Styria	3TS Capital Partners	x	o	o	o	o	o	o
Austria - Styria	Conda	x	o	o	o	o	o	o
Austria - Styria	Green Rocket	x	o	o	o	o	o	o
Austria - Styria	Prime CROWD	x	o	o	o	o	o	o
Bulgaria	Armada Capital	x	o	x	o	o	x	o
Bulgaria	Endavour	o	x	o	x	o	x	o
Bulgaria	StartItSmart	o	x	x	x	x	x	Coworking space
Bulgaria	TechnoStart	x	o	o	o	o	o	o
Bulgaria	DigiMark Ventures	o	x	x	o	x	o	software development for equity
Bulgaria	Equinox Accelerator	o	x	o	o	x	x	crowdfunding capabilities
Bulgaria	Founder Institute	o	x	o	x	x	o	o
Bulgaria	LAUNCHHub	x	x	x	x	x	x	Coworking space
Bulgaria	ELEVEN	x	x	x	x	x	x	Coworking space
Bulgaria	Cleasntech Climate - KIC Accelerator	x	x	x	x	x	x	Coworking space
Bulgaria	NEVEQ II	x	x	x	x	x	x	Coworking space

Project co-funded by European Union Funds (ERDF, IPA, ENI)
www.interreg-danube.eu/accelerator

Bulgaria	Empower Capital	x	o	x	o	x	x	o
Bulgaria	Black Peak Capital	x	o	x	o	o	x	o
Bulgaria	Teres Capital	x	o	o	o	o	x	o
Bulgaria	Rosslyn Capital Partners	x	o	x	o	o	x	o
Bulgaria	VoiVoda Venturs	x	x	o	o	o	x	2 mnths intensive fund raising programme
Bulgaria	PostScriptum Ventures	x	o	o	o	o	x	o
Czech Republic	StartupYard	x	x	x	x	x	x	Coworking space
Czech Republic	Starcube	x	x	x	x	x	x	Coworking space
Czech Republic	Google Launchpad	x	x	x	x	x	x	Coworking space
Czech Republic	Pioneers Festival	o	o	o	x	o	x	o
Hungary	Kitchen Budapest (kibu.hu)	X	x	x	x	x	x	Admin assistance, co working space
Hungary	COLABS (www.colabs.hu)	X	x	x	x	x	x	Admin assistance, co working space
Hungary	Traction Tribe (traction-tribe.com)	X	x	x	x	x	x	Office space
Hungary	Aquincum Technology Incubator (aquincumincubator.hu)	X	x	x	x	x	x	o
Hungary	First Central European Hardware Accelerator	x	x	x	x	X	x	Manufacturing capacity, office space, business administration
Hungary	NEGOS	x	o	x	x	x	x	o
Hungary	OXO Labs	X	x	x	x	x	x	o
Hungary	Quantum Leap	3 stage programme. No funding provided.	x	x	x	x	x	o
Hungary	Virgo Ventures	x	x	x	x	x	x	o
Hungary	InQbator	x	x	x	x	x	x	Coworking space

Hungary	Drukka Studio	x	n.a.	n.a.	x	x	x	o
Hungary	Design Terminal	o	x	x	x	x	x	o
Hungary	Mosaic Academy	o	o	o	x	x	x	Coworking space
Hungary	Climate KIC Accelerator	x	x	x	x	x	x	o
Hungary	Telenor Accelerate	x	x	o	x	x	x	Coworking space
Romania	InnoHUB	o	x	x	x	x	o	Internationalisation opportunities
Romania	Quib	o	x	o	x	o	x	Infrastructure for prototyping
Republic of Srpska	ICBL	o	x	x	x	x	x	Admin assistance
Republic of Serbia	The Business Technology Incubator of Technical Faculties Belgrade	o	x	o	x	x	o	o
Republic of Serbia	Nova iskra design incubator	o	x	x	x	x	x	
Republic of Serbia	Business incubator Subotica	o	o	o	x	x	x	x
Republic of Serbia	Science and technology park Čačak	o	o	o	x	x	x	x
Slovenia	SPS P2	x	x	o	n.a.	x	n.a.	o
Slovenia	Satrtup:Geek House accelerator (SK75)	x	x	n.a.	x	x	n.a.	Admin assistance coworking space international promotion
Slovenia	Go:Global Slovenia Accelerator SK200	x	x	x	x	x	x	Admin assistance coworking space international promotion
Slovenia	ABC Accelartaor	x	x	x	x	x	x	Coworking space, international promotion
Slovenia	Iskratel Startup Programme	x	x	x	x	x	o	Coworking space international promotion, support sales activities

Republic of Srpska	Entrepreneurial Incubator Prijedor	o	o	o	x	x	x	Admin assistance
Republic of Srpska	Business Incubator Trebinje	o	o	x	x	x	x	Admin assistance
Republic of Srpska	UEC	o	x	o	x	x	o	Admin assistance
Republic of Srpska	BIG	o	o	x	x	o	x	Admin assistance

7 Identification of barriers for growth on cross boarder level

Opportunities for cross boarder collaboration and growth:

- Organising conferences and events (e.g. PODIM in Slovenia), which will attract and connect international investors with local SMEs
- Crowdfunding platform to attract and connect international investors
- Accelerator programme establishment to improve legislative and support system for startups
- Provision of quality support for exporters – in forms of info and facilitation of technical preparation (Serbia)
- Improvement in legislation

Main barriers and challenges across Danube regions:

- Small regional markets not allowing many opportunities to grow locally
- Lack of SME entrepreneurs' skills (international sales skills and Limited foreign language proficiency in Hungary)
- Locally minded entrepreneurs (Bulgaria)
- Lack of seed capital availability – due to risk averse investors (Czech Republic)
- Lack of finances – cross boarder funding (Slovenia)
- 'Export' of start-up companies at their early stage of development to foreign countries
- Lack of competitiveness in technological and quality standards level (Serbia)
- Weak connections with foreign investors (Hungary)

SBA report (2016) suggests EU28 countries did not see significant improvements in internationalisation of SMEs between 2008 and 2016, only 25% of EU based SMEs were engaged in export activities and only 7% exported beyond the EU. However European Commission implemented a policy of 30 measures to encourage SMEs to get specialist expertise. In the last five years, most policy measures have been focused on measure aiming to support SMEs in networking.

However, Danube regional analysis identified most significant barriers in internationalisation and cross boarder collaboration are still in missing links between investors and entrepreneurs, along with difficulties in insuring adequate financial resources. It seems start-up companies across regions still lack attractiveness for foreign investors due to small market size, lack of language proficiency and, again, adequate financial support.

On the other hand, good innovative ideas that are recognised and supported by international investors, often get ‘exported’ at their early stage of development, closer to investors or better developed hubs (especially to US).

Danube regional analysis generally identifies main barriers for (further) expansion to foreign markets: small markets, lack of legislative framework on a governmental level and lack of SME entrepreneurs’ skills. International investors are showing less interest to support ideas on small markets. In addition, lack of interest and motivation of entrepreneurs to expand their business across boarder also have less positive effect on business cross border expansion. On the other hand, ideas with high potential often get ‘exported’ at their early stage of development, closer to investors or better developed hubs (especially to US).

From entrepreneurs’ perspective, main obstacles in potential growth in regions are limited predominantly by undefined or inflexible governmental legislation and regulative, lack of financial support on regional level, lack of international investors’ interest to support local innovative ideas and absence of adequate support services and events to improve awareness on international opportunities as well as connect with potential investors.

Regions individually recognised the main barriers in international growth and interregional collaboration:

Bulgaria can offer only a **small market**, therefore cross boarder collaboration is essential for SMEs growth. There is already a tendency of successful start-ups moving part of their companies abroad (e.g. Claimcompass, Vayant & Hyperscience have opened their offices in USA). Small market with lack of growth opportunities, together with **locally minded entrepreneurs** are obstacles for further boost of innovative start-up ecosystem.

The level of **internationalisation is below average** in Republic of Serbia. The largest number of Serbian SME do not sell their products abroad, SMEs accounting only 4.3% of exporters. However, Strategy to support the development of SMEs and competitiveness 2015-2010 aim to increase this number to 7%. The main reason for such a low level of internationalisation is SME inability to grow – the majority of Serbian exporters are not competitive on the world market and the performance of non fiduciary factors (sales market analysis, application of quality standards) has not fall in place yet. At the same time, foreign companies rarely appear in Serbia.

Czech Republic highlighted the issue of **risk averse and conservative investors** – and consequently lack of seed capital availability. However, VC accessibility is better, with a number of VC funds, either based in Central Europe or active in the region via offices abroad. These can also be easily found on web sites. Overall, Czech Republic believe there are enough high quality funding options available on the market at the moment. However, the actual access to them might be a bit tricky as they only cooperate with the top tier startups. In some cases, the main issues is to move start-up company to the phase, where investors would be interested in them.

Hungary identified two trends in internationalisation among SMEs. 1.) Innovative SMEs aim for international expansion, but are **limited with foreign language proficiency**. 2.) Hungarian SMEs tend to reallocate to US, which requires US headquarters and US based operation.

Another observation is that start-up companies from abroad rarely appear on Hungarian market and involve into Hungarian accelerator programmes – due to a language barrier.

Additional barrier could be identified with foreign investors choosing promising investments and bringing these abroad at their very early stage of development.

Romania **lacks complex accelerator programmes** on a regional level, however a couple of successful local initiatives to support start-ups with mentor programmes, consultancy and office facilities. have been established. On the other hand, there are no programmes on the national level to stimulate SMEs to develop innovative products and services with structural funds. SMEs and start-ups from Centru Region can apply for accelerator programmes in Romania in Bucharest and Cluj. It's typical for the region that entities connect their mentoring activities with actual projects funded with the help of structural funds, thus project activities becoming an accelerator programme. The weakness of these initiatives is that it's **hard to provide continuity** because while auxiliary activities and facilities are stable and permanent, **funding for development and innovation depends on operational programmes**. The priorities of regional/national smart specialization strategies have to present jointly a comprehensive image of the region in 5 years' time. According to the European Commission's document* about the role of clusters in the implementation of smart specialization strategies, Clusters provide a conceptual framework to describe and analyse important aspects of modern economies.

Slovenia is performing well in attracting foreign investors and is the biggest exporter among EU 28 SMEs (SAFE, 2016)¹³. The bigger issues is actually in a relatively high proportion of successful startup companies **moving abroad**. The challenges that appeared a couple of years ago when certain VC companies and business angels ceased their operation were quickly recovered by new opportunities – with a rise of private and corporate accelerators, providing all necessary infrastructure, knowledge and finances to support start-up companies in faster growth in sales on the global market.

Slovenian SME market is rather challenged with lack of investments for innovative SMEs over the age of five years. For these companies, lean enterprise form would be a good direction-however this model currently does not have public support for funding of these types of products. Another key challenge Slovenia recognised on EU level is to establish a single European market. The main objective is to achieve legislation and regulations of each Member State. To promote cooperation and networking, it is necessary to strengthen the functioning of the joint activities such as virtual platform organising common workshops. Exchange events and preparation of comprehensive start-up system infographics to increase awareness of opportunities beyond borders.

Examples of good practice in Slovenia are a cross regional model – Start:Up initiative Slovenia and Slovenian Enterprise Fund, which upgraded the start-up training with funding. It is a showcase on cooperation among regional actors as well as matching between investors and start-ups under the umbrella of acceleration programme.

¹³ <http://ec.europa.eu/DocsRoom/documents/20403>

Other recommendations are in a further promotion of existing programmes; private accelerators in Slovenia; ABC Accelerator which already operates cross border, programme Start:up Alpe Adria – a programme to raise the quality and range of services and resources for entrepreneurial talents and attract foreign stakeholders of start-up ecosystem, PODIM conference in Alpe Adria region which also represents culmination of social interaction, exchange of knowledge, experience and networking.

*Hungary proposed solution in **a better collaboration with Business Angels**- as they already have international connections.*

*Slovenia suggest **crowdfunding** as one of the options to overcome barriers in cross national collaboration. Instead of building several national platforms, mass financing from international environment can bridge this gap. In the context of enhanced cross border startup ecosystem, all crowdfunding stakeholders would share existing experiences and build a common supporting environment.*

Republic of Srpska sees opportunities in a cross border collaboration- in knowledge transfer for the development of acceleration programmes and establishment of transnational innovation network

*Romania suggest **Cluster system** as an efficient concept for greater collaboration and growth.*

Republic of Srpska start-up ecosystem and prosperity for international collaboration has been challenged by admin and bureaucracy, taxes (support for R&D through tax incentives is not recognised in fiscal policy instruments), access to finance (lack of grants for supporting innovative start ups and SMEs, lack of new forms of equity financing, insufficient info provided on financial resource availability).

The importance of international cooperation for the long term economic growth and integration of Republic of Srpska into international scientific and innovation networks has also been recognised by RS by adopting an action plan for the implementation of SEE Strategy 2020 which asserts commitment of Republic of Srpska to regional cooperation and regional initiatives with the context of Euro integration process of Western Balkan countries.

In addition, one of the main goals of Republic of Srpska strategies is to promote internationalisation of science and innovation to increase competitiveness. Republic of Srpska should therefore pay a particular attention to build quality knowledge and innovation, particularly in IT sector. Since these activities take longer time to develop, international investment is necessary.

Republic of Srpska suggest development of accelerator programme by using transnational cooperation for knowledge transfer for the development of acceleration services providing a new type of answer to the common regional challenge of early stage finance gap. The project will impact on **improvement of the legislative framework** and the related policy instruments of early stage equity financing in the Republic of Srpska and strengthen awareness of public bodies about importance of acceleration programmes. The project will enhance the links of the Republic of Srpska with regional innovation ecosystem and strengthen innovation capacities of the Republic of Srpska.

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9 Appendices

Appendix 1: General data by region

	Austria	Bulgaria	Czech Republic (Liberec Region)	Hungary	Hungary Central- Transdanubian Region	Romania	Serbia	Slovenia	Republic of Srpska
Size of territory	83.879 km ² (Austria) 16,401 km ² (Styria)	110,879 km ²	3 163 km ²	93,030 km ²	11,086 km ²	34,082 km ²	88,361 km ²	20,273 km ²	24.641 km ²
Population	8.700.471 (01.01.2016) (Austria) 1.222.326 (01.01.2016) (Styria)	7 101 859	440 636	9 799 000	1 057 000	2 350 147	7 040 272	2.065.879	1 170 342
GDP Per Capita EUR	36 600 (2015) (Austria) 33 600 (2015) (Styria)	6292	12 071	19 700	18 333	8 059	4 746	18 693	3 306
Gross expenditure in R&D (% of GDP)	3,07 % (2016) (Austria) 4,90 % (2016) (Styria)	0,96 (provisional)	1.89%	1.38%	N/A	0.49%	0, 4 %	1,69%	0, 20%

Ease of starting a business score (by global innovation index or TEA by GEM; please indicate source of data)	9.6% (TEA by GEM, global report 2016/17)	Rank 43/128 in the Global Innovation Index 2016 (value 91,1) Ease of starting business: 39 Starting a Business World Bank: 82/190	85.2 by Global Innovation Index, 2016* 7.33 by TEA from GEM, 2013*	Rank 45 in the Global Innovation Index 2015 (value 90.56) from 128. Starting a Business Rating 2015 World Bank: Rank 75/190	not relevant	Doing Business 2016: Measuring Regulatory Quality and Efficiency. Rank: 2017 - 36 2016 - 37 2015 - 48	Rank 62 in the Global Innovation Index 2015 (value 35.34) from 127	0.87	72.5
No companies (SMEs) of	In 2014, almost 330,000 companies in the market-oriented economy were SMEs, ie 99.7% of all domestic enterprises in the market-oriented economy. SME contribution to GDP: 61% (2015) GEM Number of SME's in	332.800 (2014), 99.8% SMEs (2012)	116 006 subjects in total, 94 172 self-employed people and 21 834 SMEs	652 057, of which 651 155 SMEs	63 629	Romania: 513850; Centru: 59586	≈ 325.000	191.537 STAT SME Contribution to GDP: 63% (GEM 2015)	38.551

	Styria: 40.653 (2015)								
Priority sectors of the region	<ul style="list-style-type: none"> •Mobility (automotive, rail, aviation) •Health Tech (medtech, biotech, foodtech) •Eco Tech (energy and environmental technologies, wood, pulp & paper) 	<ul style="list-style-type: none"> •ICT and Informatics • Healthy Life and Biotechnology industries • Mechatronic and clean technologies • New technologies in creative and re-creative industries 	<ul style="list-style-type: none"> •Production of engineering technologies •Optics, ornamental and utility glass •Advanced separation and remediation technologies •Advanced textile-structure based materials •Progressive metal and composite materials and technologies of their processing •Nanomaterials •Transport 	<ul style="list-style-type: none"> •Healthy society and wellbeing •Advanced technologies in the vehicle and other machine industries • Clean and renewable energies • Sustainable environment • Healthy and local foods •Agricultural innovation • ICT and services • Inclusive 	<ul style="list-style-type: none"> •Vehicle Industry •Electronics •Material Technology Industry 	<ul style="list-style-type: none"> •Textile & confection •Forest & wood industry • Balneary tourism •Agriculture • ITC • Sustainably built environment •Health & pharmaceutical industry •mechatronics • Aeronautic industry 	<ul style="list-style-type: none"> • Agriculture/food industry • Metalworking industry, •Tourism • ICT •Wood processing •Textile industry 	<ul style="list-style-type: none"> •Factories of the Future (FoF) •Health – medicine •Mobility •Development of materials as end products 	<ul style="list-style-type: none"> • Metalworking industry •Wood industry •Agriculture and Food industry •Textile, Leather and Footwear Industry •Renewable energy •ICT •Tourism

			equipment components	and sustainable society •Viable environment					
Talent pool No of graduates / year (tertiary, university degree)	Number of students in Styria: 48,369 (2016) No of graduates: 7.471 (2015)		1 728	56 000	3 559	Centru Region: 15384 Romania: 133478	51 000	18.631	6 062
No of graduates from natural sciences as % of all graduates / year (2014)	12 %	62.718	N/A	29%	N/A	Centru Region: 3% Romania: 6%	≈ 6%	9%	8.83%