

## SUPPORTING START-UPS & SMALL DIGITAL ENTERPRISES IN V4

### Meeting summary

On January 28, the Aspen Institute Prague organized a policy meeting to discuss examples of public and private support schemes for start-ups and small digital enterprises. The points below summarize both the speakers' presentations and the debate that followed.

### **START-UP ENVIRONMENT IN CENTRAL AND EASTERN EUROPE**

- Many entrepreneurs in CEE think very local both in the concept development stage, when little effort is put into initial research of already existing products and services (concepting phase), and in terms of business development strategies. Digital entrepreneurs have to remember however, that they are on global market from day 1 of their operation unlike most traditional businesses. This means global competition as well as global opportunities from the very beginning.
- Modern start-ups and entrepreneurs are **disrupting** the existing **ways of doing business** and the philosophy behind the functioning of financial institutions (e.g. banks), whose instruments, such as loans, do not reflect the structure and needs of digital businesses operating in an instantly changing environment. Moreover, a link should be established between start-up communities and corporations as both would profit from a more institutionalized cooperation.
- There was a general agreement that in Central and Eastern Europe there is more public money available to start-ups than marketable ideas. This **abundance of public funds**, often coming from the EU budget, may corrupt the entrepreneurial spirit if deployed unskillfully. As these funds may dry up in the next EU budgetary framework, the governments should be encouraging private funding. Moreover, there is money for start-ups in more mature developmental phases but what is **underfinanced** is the initial, pre-seed and **seed phases**, and fundamental **research** with not yet defined end-user application.
- Among the reasons for little global impact of CEE start-ups are e.g. the lacking presentation and marketing skills.
- There is **huge technical potential** given by the high number of engineers in CEE. For example, in Poland, Ukraine, Czech Republic and Slovakia there are more engineering graduates each year than there are in the US.

## PUBLIC INSTRUMENTS

- In the Czech Republic
  - CzechInvest provides **mentoring, advisory** (e.g. legal services) and **networking services**. **Czech Accelerator** was a program that helped start-ups enter the **foreign markets**, its successor **Czech Accelerator 2.0** shall also bring cooperation with the European Space Agency.
  - **National Innovation Fund** (NIF) enacted by the Ministry of Industry and Trade in cooperation with the European Investment Fund shall use money from the EU funds to mobilize start-ups in all development phases (more capital will go to start-ups in early stages) and to invest into proof of concept (research projects with clear design but not developed into actual products). NIF shall be operational in 2017 and will seek cooperation with private capital.
- Slovakia: in 2015 the government adopted a concept of 18 measures for the support of entrepreneurship, they include e.g.:
  - **Slovak investment holding** to offer loans to start-ups
  - **National Entrepreneurship Center**, similar in design to CzechInvest
  - **Network of angel investors** to instill the attitude of investing into high-risk projects
  - New type of company - **simple joint stock company** allowing for initial capital of 1 EUR
  - Provision of **start-up visas** for entrepreneurs from non-EU countries.

## PRIVATE INSTRUMENTS

- **Fellowships** for young talents to cover study visits and mentoring program by established entrepreneurs (e.g. Bridge Budapest)
- **Attitude lobby**: organizations and networks promoting the entrepreneurial attitude, they can use **storytelling** of successful examples (e.g. Bridge Budapest)
- **Hubs**: organization enabling **cooperation between stakeholders**
- **Campuses** and **incubators**, described on the example of Google Campus in Warsaw

- Part of global network (other campuses in **London, Tel Aviv, Madrid** and **Soul**) which connects the incubated start-ups with global markets and investors
- **Ecosystem for start-ups** providing a co-working space, where they can learn and inspire each other, and mentoring programs
- Entrepreneurs can choose from **various accelerator programs** according to their focus (both outside and Google accelerators)

## DEBATE SUMMARY & CONCLUSIONS

- Arguments in favor of supporting start-ups from public money are backed by numerous examples of American companies (e.g. Apple, Google), which received public funds (early stage financing or support for specific research projects). Furthermore, some countries (e.g. Finland) have a more lenient policy of granting financial support to start-ups in order to instill entrepreneurial spirit. The latter approach of providing financial support indiscriminately to the majority of applicants fits into a wider philosophical question of **basic income for all**.
- Key elements for the growth of start-up ecosystem in the CEE:
  - **willingness to risk**
  - creating a **narrative of success stories** from the region to motivate entrepreneurs
  - enabled **access to capital**, in which venture capital firms play essential role
  - **access to technologies** gained by cooperation with universities and teaching students to market their inventions
  - **government support**: avoiding overregulation as well as complete reliance on the free market
  - good **legal** and **investment infrastructure**
  - long-term business plans, including **exit strategies**.
- There is a need to support the **continuity** in public fund management, adjusting them rather than redefining totally once a part of the scheme failed.
- Until recently, there was virtually no cooperation among **governments** and **the start-up community**. This is changing now as CEE governments establish communication channels to gain **feed-back from the stakeholders**.
- Travel (exchange programs) and education echoed throughout the debate as the prerequisites for successful formation of the entrepreneurial mentality.