



KOSOVO*

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*This designation is without prejudice to positions on status and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

Kosovo has the smallest and maybe the most fragile ecosystem in the region. Almost all of the emerging challenges can be derived from this situation. Nevertheless, there are some promising signs to be optimistic, as Shaipi (2014) noted: *While all ingredients for a startup ecosystem exist in Kosovo, and all relevant actors in the ecosystem are present, lack of linkages between actors into a one synchronized system has been the main shortfall to boosting the sector's performance in stimulating startups. (...) An important characteristic of the startups in Kosovo is also that the average startup entrepreneurs' age is much lower than the average age in other countries. While this has been largely due to the population demographics, which rank Kosovo as the country with the youngest population in Europe, it has also had an impact on the success rate of startups* (Shaipi, 2014: 6-7).

Also promising fact that specialized organizations were founded to enhance innovation activities in Kosovo (European Commission, 2020):

- Ministry of Innovation and Entrepreneurship;
- Kosovo Investment and Enterprise Promotion Agency (KIESA) under the Ministry of Trade and Industry;
- Ministry of Economic Development;
- Office of Copyright and Related Rights (OCRR);
- Innovation Centre Kosovo (ICK);
- Kosovo Association of Information and Communication Technology (STIKK);
- VentureUP is University of Pristina incubator that gives students the possibility to establish and implement their start-up ideas;
- Jakova Innovation Center (JIC);
- Gjirafa Lab is a private run angel investor scheme.

According to our literature review on Kosovo the top 3 challenges of the ecosystem are the following:

1. Capital and resources (including available information, flow of special knowledge/technology transfer and ecosystem support)
2. Talents, ideas and champions (human resources) & Market and networks & Culture and communities
3. Policy and regulation

The following table (*Table 8.*) summarizes the frequencies of mentions on challenges and the relevance of these challenges according to their appearance regarding the pillars of ecosystem assessment canvas.

Table 8. Relevance and distribution of startup ecosystem challenges in Kosovo

Startup ecosystem assessment canvas	Frequency of mentions	Relevance of the challenge according to frequencies
Vision and strategy	1	6th
Policy and regulation	2	5th
Capital and resources (including available information, flow of special knowledge/technology transfer and ecosystem support)	17	1st
Talents, ideas and champions (human resources)	6	2nd
Infrastructure, education, universities, local/available knowledge and programmes	n.a.	n.a.
Market and networks	5	3rd
Culture and communities	4	4th

Source: Lajqi et al. (2019); Nuño (2019); Shaipi (2014); Sopjani (2019)

1. Capital and resources (including available information, flow of special knowledge/technology transfer and ecosystem support)

Some notable detailed challenges mentioned by experts:

- *In addition, lack of permanent funding for research and innovation has also been identified to be a serious drawback to an enabling ecosystem;*
- *While there are incubators (both physical and virtual), training providers, professional support services that available to startups, the ‘seasonality’ of funding dependent from donor programs, has been a major drawback in the functioning of the ecosystem;*

- *Steady inflow of core funding for key stakeholders is also one of the biggest challenges to stable and sustainable startup ecosystem in Kosovo;*
- *Lack of funding also represents one of the biggest challenges for startups in Kosovo as there are no commercial or public channels through which they can access finance to invest in their business ideas. While donor-funding programs and projects have provided seed funding for startups periodically, lack of standing/permanent sources of funding for startups is a major challenge that needs to be resolved;*
- *Lack of funding programs also represents a major challenge for the development of research activities, which represent one of the biggest drivers of innovation and new product/service development. Lack of programs funding both academic and applicative research has been identified as a key missing ingredient for fostering emergence of startups. While there are companies and organizations that carry out extensive research in Kosovo, they generally carry out on-demand research that is usually dedicated to a restricted audience. Reliable research, and particularly, academically relevant research is very scarce in Kosovo and startups have virtually no access to it;*
- *Challenges remain in the area of provision of alternative forms of financing, incubation space and services and moreover, in the area of support for growth-oriented startups;*
- *One important issue emerging from the mapping and the interviews with organizations and other relevant stakeholders offering business support services is that the support is in most cases donor driven, posing a concern about the future sustainability of start-up support programs. There are also some local initiatives based solely on government funding, but to a limited extent;*
- *The ongoing concern remains that without donor or government funding, only a few start-ups will be able to use the external advice and business support services.*

2. Talents, ideas and champions (human resources)

Some notable detailed challenges mentioned by experts:

- *The reality today on the ground in Kosovo (mostly Pristina), is that there is a fair size ecosystem of functioning companies with skilled developers doing service contracts and trying to figure out how to become a product company without being able to reach investors, on a small local market without public support or awareness towards entrepreneurship (Nuño, 2019);*

- *Talented young entrepreneurs dismiss their business ideas for salary-based employment in existing companies. In the absence of financing for the development phase, they turn to full-time employment for satisfying their income needs;*
- *In Kosovo, startups appear to achieve a certain point of early development and then stagnate in the later 'phases' and thus stagnate in growth. As a result they are not generating more sales and employing more workers. The reasons behind such phenomena include the limited business knowledge and experience, management style conducive to micro operations only, underdeveloped human resource development, the unfavorable disposition to learning, and the overall "me-too" business model etc. Furthermore, a small and limited market negatively impacts the overall demand (Sopjani, 2019).*

3. Market and networks

Some notable detailed challenges mentioned by experts:

- *There should be opportunities for networking and capacity building for entrepreneurs, private sector investors, and the donor community through events (annual forums, events for entrepreneurs and start-ups), through business plan competitions and start-up fairs, and through social networks (Lajqi et al., 2019);*
- *While the necessary ingredients for a start-up ecosystem do exist in Kosovo, a systemic approach to connecting them to properly function as an ecosystem in support of innovation and entrepreneurship has been missing.*

Other remarkable challenges:

- *Nearly every business support organization (BSO) established in Kosovo is a result of donor funded projects. Only a few startups and new businesses have survived beyond the duration of various projects. The reasons behind a high rate of failure lie on unsustainable exit strategies, limited local authority ownership, limited scope and inadequate business models. Only through transforming into "for-profit" or "cost-recovery" organizations and focusing on clients who have the ability to pay for particular services, a few number of such organizations have managed to survive (Sopjani, 2019).*

Sources of the above mentioned challenges: Lajqi et al. (2019); Nuño (2019); Shaipi (2014); Sopjani (2019).

Thanks to the high-quality research work of the Innovation Centre Kosovo (ICK) we can summarize the challenges specifically from the point of view of startups as well (ICK, 2020).

The survey – among many other things – focused on the causes of startup failures, stagnation and obstacles of growth, support and services from the ecosystem. The next table (Table 9.) gives an instructive extract of the listed factors.

Table 9. The pattern and relevance of startup challenges in Kosovo according to the elements of value creation processes model

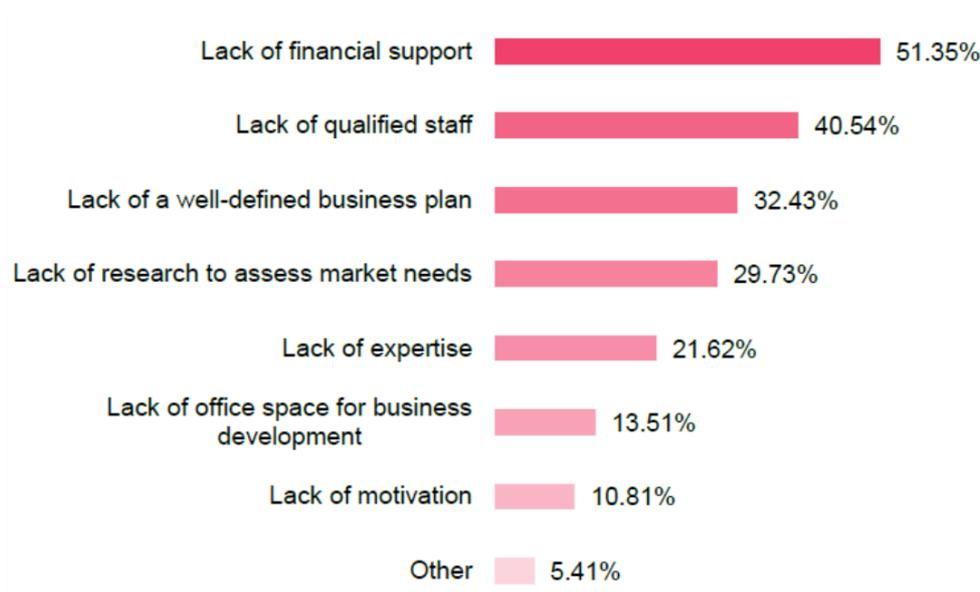
Startup value creation process	Ranking values	Average ranking values	Relevance of the challenge according to rankings
information, impulses, ideas and incoming feedbacks	4, 13	8,5	7th
leadership & vision, entrepreneurial skills	3, 7, 5, 9	6	4th
talents, knowledge & HR aspects	2, 5, 5, 6, 12, 14, 15	8,42	6th
supportive background/ecosystem	4	4	2nd
financing	1, 2, 1, 3	1,75	1st
market conditions, regulations	1, 5, 2, 4, 7, 11	5	3rd
execution (including hard infrastructure, equipments and communication, adaptive skills and competitiveness)	6, 3, 5, 8, 10	6,4	5th
customer experience	16, 17	16,5	8th
social impact	n.a.	n.a.	9th

Source: ICK (2020)

According to ranking lists *financing* was the most relevant factor for startups (the lowest average ranking value). The supportive background/ecosystem was mentioned in the second most important place, and market conditions, regulations were in the third place.

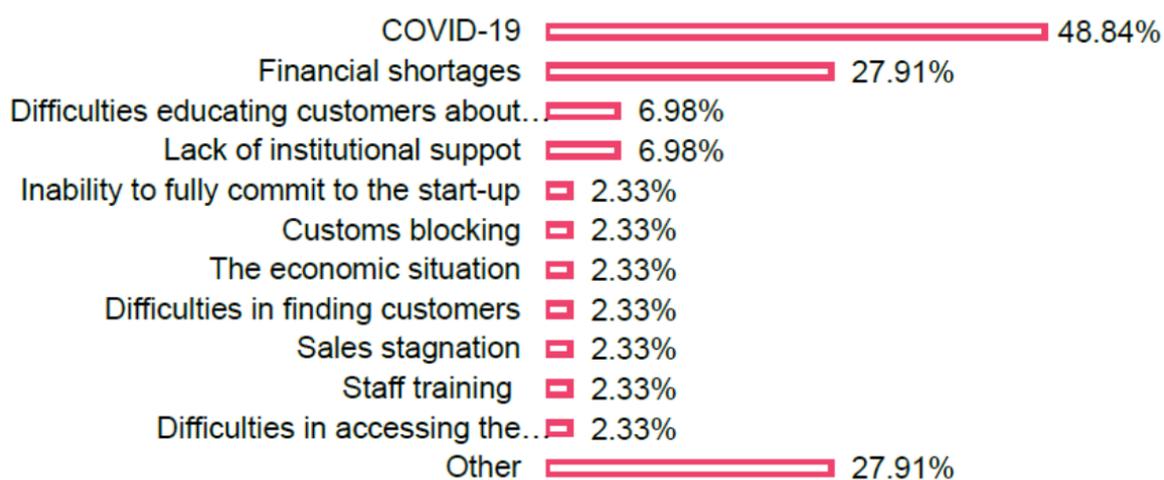
The following figures (Figure 7. 8.& 9.) show us much clearer pictures.

Figure 7. Reasons for startup failure in Kosovo. Source: ICK (2020)



The economic slowdown and the above mentioned triggering factors of startup failures could induce stagnation. According to ICK (2020) 44.76% of startups suffer from stagnation due to the listed obstacles. In order to get a deeper insight, let's take a look at the next figure (Figure 8.)

Figure 8. The causes of stagnation from the perspective of startup owners. Source: ICK (2020)



Hopefully we will win against the COVID-19 pandemic and the societies, economies will recover as soon as possible. This will also be beneficial for the growth of startups. But, remaining realistic and objective, let's see the possible challenges for growth in line with the respondents' opinion (Figure 9.).

Figure 9. The main challenges for developing startups in Kosovo. Source: ICK (2020)

