

The Start-up and Innovation Ecosystem in Albania and its potential to connect to Europe

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Abbreviations

AADF	Albanian American Development Foundation
ABA	Austrian Business Agency
ACE	Amsterdam Centre for Entrepreneurship
ADF	Albanian Development Fund
AFD	Agence Française de Développement
AIA	Albanian Innovation Accelerator
AIDA	Albanian Investment Development Agency
AWS	Austria Wirtschaftsservice
BIC	Business and Innovation Centre
BIDS	Business and Investment Development Strategy
BMWK	Ministry of Economic Affairs and Climate Action
BMZ	Federal Ministry for Economic Cooperation and Development
BPO	Business Process Outsourcing
CD	Capacity Development
CEE	Central and Eastern Europe
CIT	Canadian Institute of Technology
EBRD	European Bank for Reconstruction and Development
EDIF	Enterprise Development and Innovation Facility
EIF	European Investment Fund
EIT	European Institute of Innovation & Technology
ELNET	European Leadership Network
EU	European Union
FFG	Austrian Research Promotion Agency
FGYO	Franco-German Youth Office
GIN	Global Incubator Network
GINSEP	German Indian Startup Exchange Programme
GINSUM	German Israeli Network of Startups & Mittelstand
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoA	Government of Albania
GTAI	Germany Trade and Invest
HEI	Higher Education Institutions
ICT	Information and Communication Technology
INSTAT	Albanian Institute of Statistics
IPA	Instrument for Pre-Accession Assistance
IPO	Initial Public Offering

ISID	Inclusive and Sustainable Industrial Development
ISO	Innovation Support Organisation
ITA	Italian Trade Agency
JA	Junior Achievement
NASRI	National Agency of Scientific Research and Innovation
NGO	Non-Governmental Organisations
MoES	Ministry of Education and Sports
MoFE	Ministry of Finance and Economy
MoT	Municipality of Tirana
MSME	Mirco, Small and Medium Sized Company
OECD	Organisation for Economic Co-operation and Development
OSFA	Open Society Foundation for Albania
ProSeed	Sustainable economic and regional development, promotion of employment, and vocational education and training in Albania
QH	Quadruple Helix
RISE	Regional Incubator for Social Entrepreneurs
RYCO	Regional Youth Cooperation Office
R&D	Research and Development
SaaS	Software-as-a-Service
SDA	Software Development Academy
SDG	Sustainable Development Goals
Sida	Swedish International Development Cooperation Agency
TTO	Technology transfer Office
UBT	University of Business and Technology Kosovo
UN	United Nations
USAID	United States Agency for International Development
VC	Venture Capital
YSB	Yunus Social Business

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Executive Summary

This **inception study** was commissioned by GIZ Albania as part of the "EU4Innovation" multi-donor action. It provides an overview on the progress of the start-up and innovation ecosystems in Albania between 2018 and 2022, as well as its potential for further growth. The research was conducted in September 2022 and April/May 2023.

The **objective** of the study is to understand the progress made in developing the start-up and innovation ecosystem in Albania and to recommend the way forward for the EU4Innovation multi-donor action and relevant stakeholders. The study also examines Albanian start-up and innovation ecosystem for its opportunities and needs to create international linkages.

The study pursues as its **research methodology** a combination of secondary research and qualitative interviews inside and outside Albania. As a general **limitation**, the initiatives presented in the study do not claim to be exhaustive. The contents of the study do not necessarily reflect the opinion or the position of the European Commission.

The inception study structures as follows:

Chapter 1 provides an overview of the nature of the EU4Innovation multi-stakeholder action, the objectives of the study, and the research methods used and their limitations.

Chapter 2 gives an overview of the Albanian start-up and innovation ecosystem, its strengths and weaknesses, as well as its entrepreneurship culture, sector growth, and the overall business environment.

Chapter 3 provides an updated mapping of Albanian start-up and innovation ecosystem stakeholders and their current support services for start-ups. It gives an overview of the main actors in Albania's start-up and innovation ecosystem. The chapter elaborates on access to finance, existing donor and government support, as well as the cooperation between stakeholders.

Chapter 4 discusses the Albanian start-up and innovation ecosystem in terms of internationalisation. It summarises current initiatives, highlights some of the key selling points of Albania's start-up and innovation ecosystem and takes a closer look at possible learning and collaboration opportunities with Germany, Austria and Italy.

The inception study puts forward the following **key recommendations to Albania's start-up and innovation ecosystem**:

In order to foster a culture of innovative entrepreneurship, it is important to create, celebrate and promote success stories from an early age. The promotion of entrepreneurship and innovation should be included in the vocational training and pre-university education system and strengthened in the Albanian higher education system to unlock the hidden potential of Albanian youth. At the university level, collaboration between researchers, the private sector, and university incubation programmes needs to be encouraged to increase the chances of successful commercialisation of research results, i.e. spin-off companies. For this purpose, Tirana Inc. – Albania's first multi-university incubator – needs to be further strengthened to become Albania's first full-fledged long-term university incubator, catering to students and researchers. Additionally, the action should develop programmes that involve stakeholders from the quadruple helix (QH) (society, government, academia, and business) that address specific development challenges and serve as reference examples of successful collaboration between different actors.

Overall, there is a need for more detailed coordination between innovation support organisations (ISOs) when it comes to timing and specialisation of start-up support programmes during the year to successfully transform the Albanian start-up and innovation ecosystem. Regarding ISOs, e.g. incubators, accelerators, co-working spaces, support should be given to those that are self-sustaining and have a good potential to independently sustain their activities beyond the implementation period of



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the action. In addition, the specialisation of ISOs in specific sectors and niches should be encouraged in order to develop and sustain tailor-made service offerings for specific target groups along the start-up development cycle that complement each other.

In order for the Albanian start-up and innovation ecosystem to receive support from the government, it is important that the "Startup Albania" agency be supported in its strategic development. In the business environment, there is a need to create an enabling environment for equity investments, including mechanisms for investor protection and contract enforcement. At the micro level, the action should aim to build the initial capacities of investors, start-ups and ISOs with regard to the investment process and to support the structured development of an Albanian Angel Investors Network.

On local and municipality level, selected actors with greater entrepreneurial ambitions should be supported. Additionally, the action should actively engage regional policy makers into the measures at the local and municipality level to increase awareness and sensitise for the potential of local start-up promotion.

With regard to the **potential for internationalisation**, the study makes the following key recommendations:

Albania's reputation in the world is improving. Germany, Austria and Italy offer Albania's start-up and innovation ecosystem the greatest potential for learning and collaboration. Partnerships with Portugal, Estonia, the United Kingdom (UK), and Slovenia can also be further explored. AlbaniaTech as the main information platform should be developed into a one-stop shop for outbound and inbound start-ups. Large-scale events such as the "Digital Nomad Festival" are a good first starting point for raising international awareness of the Albanian start-up and innovation ecosystem. They should be continued on a regular basis.

Several Albanian start-up programmes are open to start-ups from the Western Balkan 6 region. However, they should also be opened to international start-ups and advertised on partner platforms in other countries. In the future, start-up programmes of ISOs and universities should include internationalisation modules whenever possible. Albanian start-ups see the lack of funding as the biggest challenge to internationalisation, followed by access to networks and knowledge. In addition, more structured support is needed from the Albanian government to support start-ups to internationalise.



1. Introduction

EU4Innovation multi-donor Action

EU4Innovation is a multi-donor action jointly co-funded by the EU, the German Federal Ministry for Economic Cooperation and Development (BMZ) and Sida, to be implemented from January 2023 to June 2026 (42 months) by GIZ (Output 1-4) and Sida (main part of Output 2). The EU is contributing up to EUR 10,000,000, BMZ up to EUR 1,200,000 and Sida up to EUR 550,000.

The action supports the Government of Albania (GoA) in achieving key economic development objectives, i.e., accelerating the transformation to a more innovation-driven and knowledge-based economy, unlocking human capital, entrepreneurial potential, and research potential, and thereby increasing the country's competitiveness.

The **specific objective (outcome)** of the action is: Maturity and exposure of the Albanian start-up and innovation ecosystem and its stakeholders are increased. This objective is pursued through activities in four main result areas (outputs).

Output 1 focuses on capacity development (CD) for the start-up and innovation ecosystem. Existing actors and services are being strengthened to deliver quality and sustainable services. New public and private actors are also being encouraged to enter the Albanian start-up and innovation ecosystem to complement existing services. GIZ is responsible for the implementation of this output.

Output 2 seeks to improve access to finance for Albanian start-ups and ISOs. As a continuation of the challenge fund managed by Sida in phase 1, the grant scheme will target innovative (i) Micro, small- and medium-sized enterprises (MSME)/start-ups and (ii) start-ups with a strong technology focus that have the potential to expand and grow rapidly globally. It includes companies at all stages of development (idea, validation, growth, scale-up). In addition, GIZ will provide grants and capacity development to ISOs. Selected crowdfunding, angel and equity investment activities complement this approach on the GIZ side.

Output 3 promotes and implements the Quadruple Helix (QH) approach to generate innovation and economic growth. The target group also includes younger generations. Paradigmatic activities include green/circular project pilots at the community level, awareness raising events, and skills development programmes, e.g., through the gradual integration of entrepreneurship education into university curricula. GIZ is responsible for implementing this output.

Output 4 seeks to promote Albania as an ecosystem for start-ups and innovation and as a destination country for international and domestic innovators and entrepreneurs. As part of this output, awareness campaigns and activities to promote key actors within the ecosystem who can serve as ambassadors and role models will be developed. The responsibility for the implementation of this output lies with GIZ.

Context of this inception study

GIZ commissioned this inception study as part of the "EU4Innovation" action to understand the progress made in developing the Albanian start-up and innovation ecosystem between 2018-2022. The research was conducted in September 2022 and April/May 2023.

Objective of the inception study

The objectives of the study were to:

- Understand the progress made in developing the start-up and innovation ecosystem in Albania,

- Identify the strength and weaknesses of the start-up and innovation ecosystem in Albania,
- Identify capacities and challenges of selected ecosystem stakeholders,
- Understand the international visibility of the Albanian start-up and innovation ecosystem,
- Highlight best-practices of internationalisation efforts by selected countries,
- Provide recommendations to improve the Albanian start-up and innovation ecosystem and its international connectiveness.

Research methodology

The research was carried out through a combination of intense desk research, 39 semi-structured qualitative interviews and 1 focus group discussion with start-ups. An online survey with 13 start-ups was carried out as part of the study. Key findings were validated in a joint workshop with actors from Albania's start-up and innovation ecosystem. The researcher conducted 28 interviews with actors in Albania's start-up and innovation ecosystem and interviews with 11 actors from international ecosystems.

Limitations

The study does not claim to be exhaustive. Quantitative data on the start-up sector in Albania are sparse. Unless otherwise stated, the results are based on information provided by the actors interviewed during the research. The study focused exclusively on the start-up and innovation ecosystem and did not comprehensively consider the multiple missions of universities. The study does not provide a complete overview of entrepreneurial activities in all of Albania's regions.

The results of the internationalisation study come mainly from secondary research supplemented by interviews with selected actors in the relevant ecosystems. Larger start-up and innovation ecosystems such as Italy and Germany host a variety of initiatives that a) promote international collaboration, b) support incoming international start-ups, and c) support local start-ups to go international. Therefore, the initiatives presented in the study do not claim to be exhaustive. The Albanian start-up and innovation ecosystem is still largely unknown in Europe. International start-up actors were therefore not able to make qualified statements about the visibility or perceived uniqueness of the Albanian start-up and innovation ecosystem.

2. The Albanian Start-up and Innovation Ecosystem

2.1 Overview

Rapidly developing start-up and innovation ecosystem

The Albanian start-up and innovation ecosystem although developing is still young and only started to emerge a couple of years ago. The start-up and innovation ecosystem was scattered and disconnected at the time of the first assessment in 2019, with ISOs working in silos and offering mostly donor-funded programmes of lower quality at the pre-ideation and ideation stages, and a government that offered little support in developing the start-up and innovation ecosystem. However, the country has made significant strides in the last four years, supported by sustainable initiatives such as the new "Law on the Support and Development of Start-ups" that includes a grant scheme for startups and ISOs, and the creation of Startup Albania Agency, the EU-funded "EU4Innovation" programme and the transformation of the Pyramid of Tirana into technology and innovation hub in the centre of Tirana, supported by the Albanian

American Development Foundation (AADF) and the MoT. Several notable start-ups have developed in recent years, including Publer, Baboon, Cargo Flags, Tegeria, Cardo AI, EasyPay, and Rubicon. Start-up events with an international focus are now held regularly and increase the visibility of the Albanian start-up and innovation ecosystem. Examples include the three-day “Digital Nomad Festival”, held in September 2022, which brought international speakers from across Europe to Albania. The “ICT Awards”, which honours some of the best ICT start-ups from the Balkans, just concluded its 11th edition. With AlbaniaTech a platform that provides essential information on start-ups and the Albanian start-up and innovation ecosystem was developed. In addition, some ISOs have demonstrated skin in the game and are able to sustain their programmes. For example, Uplift - a programme for early-stage start-ups - has just started its fifth cycle, having been able to attract funding from various donors and organisations such as UNICEF, SlovakAid, etc. However, it was highlighted during the research that while the start-up and innovation ecosystem has gained momentum in quantitative terms, it needs to be further developed to provide more qualitative support to start-ups.

A lack of long-term incubation programmes and public university engagement

While the start-up and innovation ecosystem is developing positive and fruitfully, challenges continue to persist on various levels. Given the small size of the start-up and innovation ecosystem, most programmes continue to focus on the pre-ideation and ideation stage and are designed as short-term acceleration programmes. At times, a hodgepodge of programmes at the same time has been observed, due to a lack of coordination among start-up and innovation ecosystem actors, despite the ecosystems relatively small size. Start-ups and ISOs pointed out in interviews that the short-term nature of the programmes contributes to a gap in support, as start-ups generally do not receive further support after they graduate. There is still no long-term incubation programme that provides continuous support to aspiring entrepreneurs who want to build their start-ups. However, Tirana Inc., a joint venture of several universities conceived under the "EU4Innovation" action, that only officially registered early 2023, could take over this role in the future if it manages to acquire a steady stream of funding and build a groundswell of support. It could also address the still low number of high-quality start-ups highlighted by various actors in the start-up and innovation ecosystem. To increase the pipeline, public universities would also need to step up their efforts. Their engagement in entrepreneurship continues to be driven mainly by intrinsically motivated individuals rather than the institutional level due to long coordination and decision-making processes with the universities/HEIs. Hence, no significant incubation programmes have been initiated by any of the major public universities in recent years, other than support for Tirana Inc. by the Faculty of Economics/University of Tirana and the Polytechnic University of Tirana. Additionally, most universities in Albania continue to lack applied research and commercialisation of research as many PhD students are not paid to research for their thesis rather than teaching. Awareness of the need for applied research and commercialisation is increasing, as demonstrated by Albanian Development Fund's (ADF) planned establishment of a Centre of Excellence in Civil Engineering and Architecture at the Polytechnic University of Tirana. In addition, ADF is currently establishing three more such centres in Korça (focusing on tourism and hospitality), Vlora (focusing on IT and informatics), and Shkodra (topic to be determined), which are currently in various stages of establishment. All four centres are expected to conduct intra-sectoral research and promote the commercialisation of scientific results.

Underdeveloped rural start-up and innovation ecosystems

While the start-up and innovation ecosystem has seen some impressive development, migration and brain-drain continues to be among the biggest challenges for Albania. Not only has Albania seen a massive migration abroad, also smaller cities and rural areas are faced with depopulation and migration to Tirana. This has inevitably led to a decline in economic growth in the affected cities and regions. Thus, the regions have developed somewhat more slowly than Tirana. Some municipalities are making

proactive efforts to strengthen their local start-up and innovation ecosystem. The Municipality of Korça has made sustained efforts to make the city an attractive hub for digital nomads and ICT entrepreneurs with the opening of the Korça Technology and Innovation Hub in the local library. However, the space falls partially short of its intended purpose, mainly providing distance IT training opportunities for students and youth managed by the University of Business and Technology (UBT) in Kosovo. The government has recognised the importance of the regions for entrepreneurial development. As a result, seven municipalities received funding from the Minister of State for the Protection of Entrepreneurship's Grant Scheme. While activities are taking place in the regions during 2022, more should be done in terms of expanding the ISOs activities in these areas in the next years, in order to produce significant results. Regional acceleration programmes implemented by Oficina Innovation Hub under the "EU4Innovation" action did not contribute to local organisations launching entrepreneurial activities. The Albanian Innovation Accelerator in Durrës is offering on and off support for entrepreneurs but overall is not very visible in the start-up and innovation ecosystem. While already Tirana is suffering from developing a critical mass and pipeline of start-ups to sustain incubation and acceleration programmes, the regions are manifold challenged in infusing entrepreneurship thinking.

2.2 Entrepreneurship Culture

Entrepreneurship teaching in schools

Elementary schools, high schools, and vocational schools can play a better role in awakening entrepreneurship in youth to create awareness and knowledge for future entrepreneurs. Entrepreneurship education was officially included in curricula by the Ministry of Education and Sports (MoES) in 2019 as part of the efforts of the Junior Achievement (JA) Albania organisation. The organisation has introduced 15 accredited training modules on skills curricula and entrepreneurship and finance education into the core and elective curricula of pre-university education in Albania. While this has helped increase youth awareness of entrepreneurship through an experiential learning approach (e.g., JA Company Programme, JA Job Shadow Programme, etc.), interviewees pointed out that slow government processes in changing core curricula is one of the challenges to the education system's ability to make progress in education. Another challenge remains teacher engagement and competences. Junior Achievement is addressing these issues through regular competency programmes for teachers. The core curricula modules are being implemented through the public system teachers (paid by the government) and AADF is currently directly supporting the implementation of extracurricular modules/ trainings and activities. Another key challenge to holistic integration of entrepreneurial skills is divided ministerial responsibilities. While school and university education are the responsibility of the MoES, vocational schools are under the Ministry of Finance and Economy (MoFE), resulting in an inconsistent approach and duplication of efforts. Several private, public and donor actors are actively addressing the skills gap in schools. The "EU4Innovation" action jointly with the GIZ "ProSEED 2.0" programme plans to introduce innovation as an important learning area in public VET schools. The idea is to encourage public VET providers to be more open to innovation concepts linking professions with concrete sustainable solutions and networking them with start-up and innovation ecosystem actors beyond traditional partner networks. UNICEF jointly with UPSHIFT, a youth social innovation programme, is seeking to implement several editions of UPSHIFT to support the development of entrepreneurial and soft skills among youngsters and adolescents. The National Youth Agency, a budgetary institution under the Minister of State for Youth and Children in Albania, is supporting informal education of youngsters as well as youth organisations and municipalities through a Grant Scheme. This scheme provides financial support for project proposals regarding youth empowerment and the creation of youth centres.

Growing entrepreneurship culture

The mass of start-up events and programmes is showing first effects on the entrepreneurship culture and mindset in Albania. Start-up and innovation ecosystem actors have started to develop a start-up community thinking by sharing experts for programmes and collaborating. Co-working spaces that were challenged to survive four years ago are now evolving rapidly, e.g., Coolab, DESTIL Creative Hub. Interviewees highlight several other aspects that indicate before-mentioned change in mentality:

1. Programmes such as the “ICT Awards” are seeing a higher number of Albanian applicants compared to four years ago.
2. The start-up and innovation ecosystem has produced first success stories that are celebrated such as Publer, Baboon, and LekoTech. More such success stories are needed to raise awareness among young people and the investment community in the future.
3. Various initiatives and projects try to build ICT skills. It is expected that this positive development will contribute to higher numbers of start-ups in the coming years.

Yet, due to difficult access to funding for start-ups, ISOs continue to face challenges in retaining young people in the programmes, who are often forced to pursue full-time employment in addition to working on their business to fund their lives. Universities emphasised that it is difficult to get students to continue working on their start-ups due to the high demand from the private sector for qualified graduates. Thus, the start-up and innovation ecosystem is in need of more entrepreneur success stories and access to finance opportunities. The few media houses such as the Business Magazine, AlbaniaTech and ICTSmedia's PC World that report on entrepreneur success stories face the challenge of maintaining sustainable business models and have limited human resources.

However, Albania's relatively young population, with an average age of 38, offers good potential to develop a societal entrepreneurial spirit.¹ Despite being able to build on a very young population, Albanians tend to be well-educated and multi-lingual. Most young people are fluent in English and Italian, and German is also on the rise. In the 2020-21 academic year, 32,690 students graduated from higher education, and 66.1% of the graduates were female. Most graduates are from the fields of business administration and law (30%), followed by health and social services (15.6%). While the number of ICT graduates has decreased since 2017 to 5.6% from 6.0%, the number of graduates in engineering, manufacturing, and construction increased to 10.0% from 8.2% in 2017. The total number of graduates has decreased since 2017-18, mainly due to Albanians studying abroad², migration, lower birth rates. While this represents a threat in terms of additional brain drain, it is also an opportunity for the Albanian start-up and innovation ecosystem, as they bring important networks from the country where they studied (brain gain).

Recommendations

1. Develop a holistic inter-ministerial approach to entrepreneurship education in pre-university education and vocational training.
2. Raise awareness for the potential of entrepreneurship in pre-university education, vocational education and training, and higher education by supporting actors active in this area.
3. Create, celebrate, and promote more success stories that encourage entrepreneurial mindset among the young and talented.
4. Unlock the potential of people educated abroad to integrate or start their own businesses in Albania through targeted programmes.

¹ INSTAT, 2022

² INSTAT, 2022

2.3 Sector Growth

In 2016, Albania launched the “Smart Specialisation (S3)” process as a place-based approach to identify unique opportunities for development and growth. As part of the development process, a mapping exercise was conducted to determine which subsector specialisations have adequate critical mass, innovative activity, and scientific and technological performance to drive economic transformation in the medium and long-term. The analysis considered local economic differences and examined interactions at the international level. The mapping exercise identified five priority sectors for Albania:

- Agriculture, forestry, and fishing
- Manufacturing
- Energy
- Accommodation and support service activities
- ICT (including administrative and support service activities relating to Business Process Outsourcing (BPO) Services)

Considering that the ICT sector is one of the fastest growing sectors in Albania and has attracted foreign investors, a special focus must be placed on the development of the ICT sector to further encourage the engagement of start-ups. In 2018, the ICT sector accounted for 2.9% of GDP.³ When analysing the sectors with the greatest need for digitisation, it becomes clear that these correspond to the priority sectors outlined in the S3 strategy. The agricultural sector remains the least digitised sector, followed by the hospitality sector. This offers potential for agritech and tourismtech start-ups to develop solutions for the local market. Companies in these sectors pointed to the need for digital marketing tools and e-commerce solutions. The financial sector is one of the most digitised sectors in Albania, where numerous digitisation initiatives are implemented. At the same time, Albania has seen an increase in fintech start-ups in recent years. Data analytics and e-commerce solutions are among the most pressing digitisation needs that can be addressed by start-ups in this sector. This is in line with StartupBlink’s findings that Albania’s start-up sector is strongest in software and data as well as fintech.⁴

The BPO sector is another sector that has a relatively high level of digitalisation. However, a study by Helvetas found that executives in this sector are less confident about their plans for digital transformation.⁵ Interviewees also highlighted the potential for edutech start-ups and niche development in certain cross-cutting areas such as e-commerce, blockchain and cybertech. The findings correlate with a baseline study conducted in 2020, which identified 257 active start-ups in Albania, 18% of which were engaged in IT/software development, 14% in the education sector, and 10% in the development of e-commerce solutions. The study also highlighted that fintech, hospitality and tourism, handmade arts, and the agricultural sector are emerging sectors.⁶ Some start-up and innovation ecosystem actors reflect that identifying one or two areas and developing a niche in these sectors would guarantee a more valuable return in five or ten years than a horizontal focus on the entire ICT industry.

³ OECD, 2021

⁴ StartupBlink, 2023

⁵ Helvetas, 2022

⁶ AlbaniaTech, 2020

2.4 Business Environment & Regulatory Framework

Easing doing business procedures and digitalising government services as key priorities

As part of its path to the European Union (EU), the GoA is working to update key laws that create a favourable environment for start-ups and entrepreneurs. The GoA continues to work on important strategies in this regard. Over the past four years, Albania has finalised and adopted its Business and Investment Development Strategy (BIDS) for the period 2021-2027. The strategy also forms the basis for Albania's enterprise and industrial policy, which covers SME skills development, innovation, sustainable growth, and conditions for attracting foreign investment. The government has also adopted a programme for "Inclusive and Sustainable Industrial Development" (ISID) for the period 2020-2024, based on the following pillars: industrial competitiveness and market access, productive employment and entrepreneurship development, and sustainable energy for productive purposes and environmental management, and a new law on start-ups.⁷ According to responses, one of the main challenges remains the implementation of the strategies backed by the necessary financial resources. Little information is available on the implementation of the various programmes, which are often developed in collaboration with donor organisations. The Ministry of Finance and Economy aims to conduct an analysis in the near future to review the existing strategies and to identify important blocks that could be revisited.

However, the "Law on the Support and Development of Start-ups" has been one of the major achievements of the start-up and innovation ecosystem in the past years. Introduced in 2022 and developed in collaboration between start-up and innovation ecosystem stakeholders and the Minister of State for the Protection of Entrepreneurship, it is a first step in the right direction and has been hailed as an important milestone by start-up and innovation ecosystem stakeholders. The law defined start-ups and ISOs for the first time and outlined several benefits for start-ups and ISOs certified under the law. As part of the law, a Grant Scheme for start-ups and ISOs was established. The grants under the scheme were distributed for the first time in 2022 and will support the sustainability of the start-up and innovation ecosystem in the long term. End of May 2023, the law was amended to introduce a "National Agency for Innovative Start-ups" called "Start-up Albania", which will provide further services to start-ups and implement the grant scheme to increase efficiency and accountability. The current law also allows start-ups to be registered on the e-Albania platform and receive a so-called "Start-up Passport".

The GoA in April 2023 announced a reform of self-employed and small-business tax rates that has passed a recent round of approval. Currently, small businesses and freelancers/ physical persons earning up to 88,000 EUR p.a. pay zero income taxes. This is set to change from January 2023 with the government seeking to introduce a progressive tax regime based on income within a scale between 15-23%.⁸ The details have yet to be seen but could serve as a discouragement to freelancers. Another important step has been the GoA's effort to digitalise all public services. According to official government pages, 1225 public services or 95 percent of all public services to citizens and businesses are available online through the e-Albania portal.⁹ Registering a business has become significantly easier in the past years. However, a recent World Bank report highlighted that it will be crucial to include further services, enhance English language support for foreign investors and integrate an investor grievance management mechanism on the platform.¹⁰

⁷ OECD, 2022

⁸ EURACTIV, 2023

⁹ Republika e Shqiperise Kryeministria, 2023

¹⁰ World Bank, 2022

Despite these efforts, several challenges continue to hamper an effective entrepreneurship environment. The government should ensure that the public procurement system is open for start-ups and smaller businesses and enable a fair environment for all bidders to compete for government contracts. In addition, there are no major incentives for reinvestment in innovative projects. One start-up and innovation ecosystem actor pointed out that the Montenegrin “Law on Incentives for Research and Innovation Development” has led to growth in the sector and could be an important building block for the Albanian start-up and innovation ecosystem. The law provides a 100% income tax exemption for reinvestment in innovative projects and start-ups.¹¹

Access to Finance remains the biggest bottleneck for Albanian start-ups

One of the biggest bottlenecks for the Albanian start-up and innovation ecosystem remains access to finance, especially equity funding. Although current legislation does not appear to hinder private equity investment and Albania has introduced a relatively liberal investment law, several ISOs pointed out the importance of having in place angel investor protection and contract enforcement. Similar challenges were highlighted in a U.S. Department of State analysis, which concluded that foreign investors continue to perceive Albania as a difficult country in which to do business, despite a solid legal framework, due to endemic corruption, unfair competition, an informal economy, frequent changes in tax policy, and poor contract enforcement. One respondent said that the ban on equity investments for banks was one of the biggest shortcomings of the ecosystem and that the law had not been changed despite various lobbying attempts. GoA representatives have expressed their willingness to address these areas and to conduct an analysis to identify related challenges for start-up investments.

Recommendations

1. Support the analysis of existing strategies with building blocks seeking to promote start-ups and entrepreneurship that could be revised and taken up.
2. Develop a conducive environment for equity investments including mechanisms for investor protection and contract enforcement.
3. Update public procurement laws, opening them up to start-ups and smaller businesses, and creating a fair environment for all bidders to compete for public contracts.
4. Analyse ways to develop laws and incentives for reinvestment in innovative projects by larger companies and corporations.

¹¹ Vlada Crne Gore, 2020

3. The Current Role of Support Organisations

To determine the maturity of the start-up and innovation ecosystem, it is important to understand the organisations that build it and their respective roles. For the purpose of the study the start-up development cycle was used to classify the organisations and their roles. This structure helps to understand which programmes are offered to which type of start-ups. To fully reflect the Albanian context, an additional phase, namely "Pre-Ideation", was added, as many activities of start-up and innovation ecosystem actors continue to be offered in this phase. To determine the phase each actor is in, the following basic key facts were used:

Stage	Description
Pre-ideation:	<ul style="list-style-type: none"> - Development of an entrepreneurship culture - Awareness raising on the importance of entrepreneurship, education and inspiration of young people to start a business through lectures, workshops, seminars, university curricula, etc.
Ideation:	<ul style="list-style-type: none"> - Development of several start-up ideas using different innovation and creativity tools, mostly done in the context of competitions, workshops, events, etc. - Development of a business plan
Validation:	<ul style="list-style-type: none"> - Focus on research and development of a prototype - Validation and assessment of the product success - Incorporation of the enterprise - Finalisation of a market-ready product/technology/service - Rollout of the product/technology/service
Growth:	<ul style="list-style-type: none"> - Development of sales structures - Set-up of a marketing campaign - Fast market penetration through building of additional sales channels - Further development of the product / technology / service
Scale/Invest:	<ul style="list-style-type: none"> - Internationalisation (regional and global) - Diversification of the product and service portfolio - Acquisition of VC funding

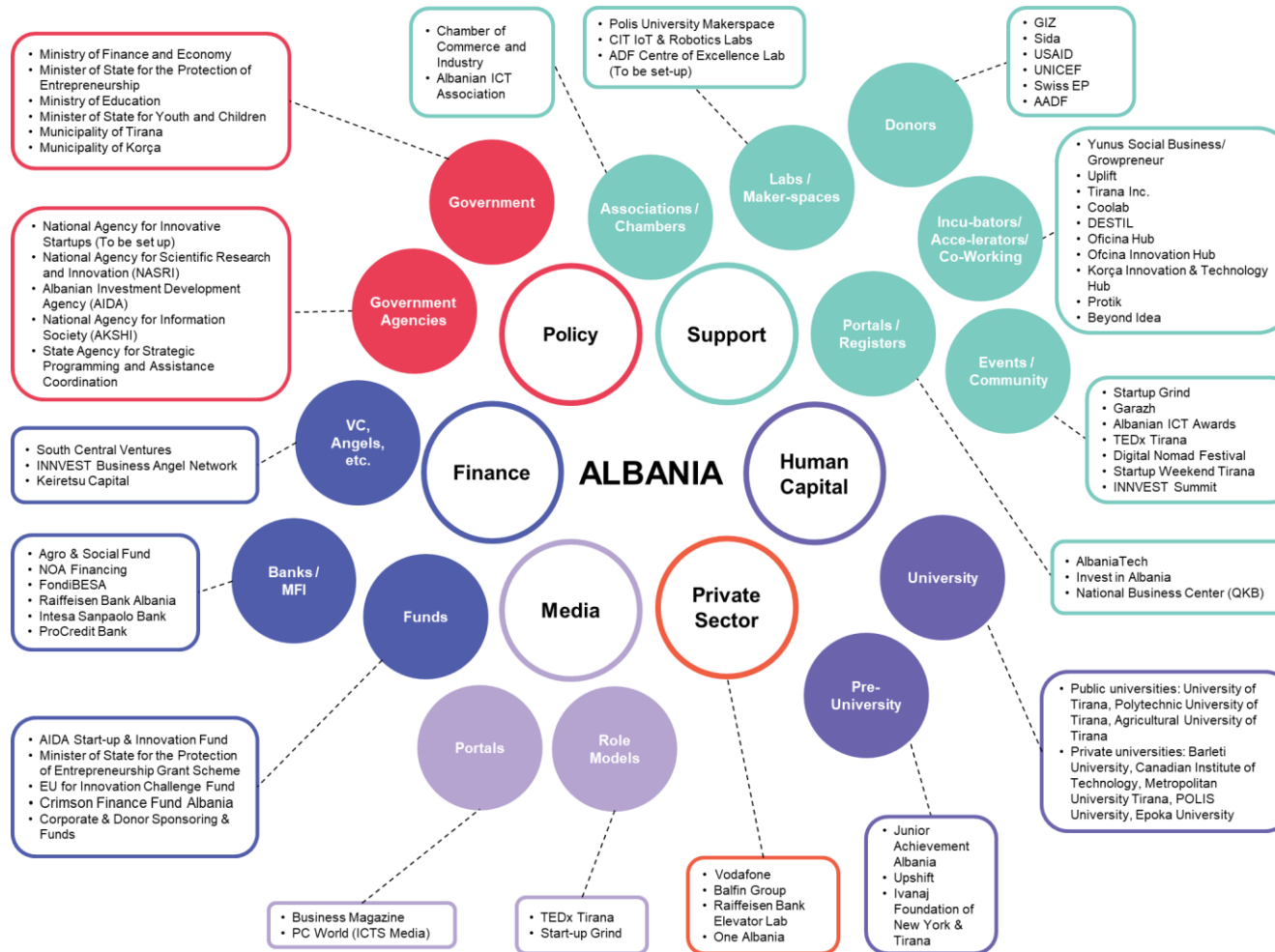


Figure 1: Start-up and innovation ecosystem stakeholder map

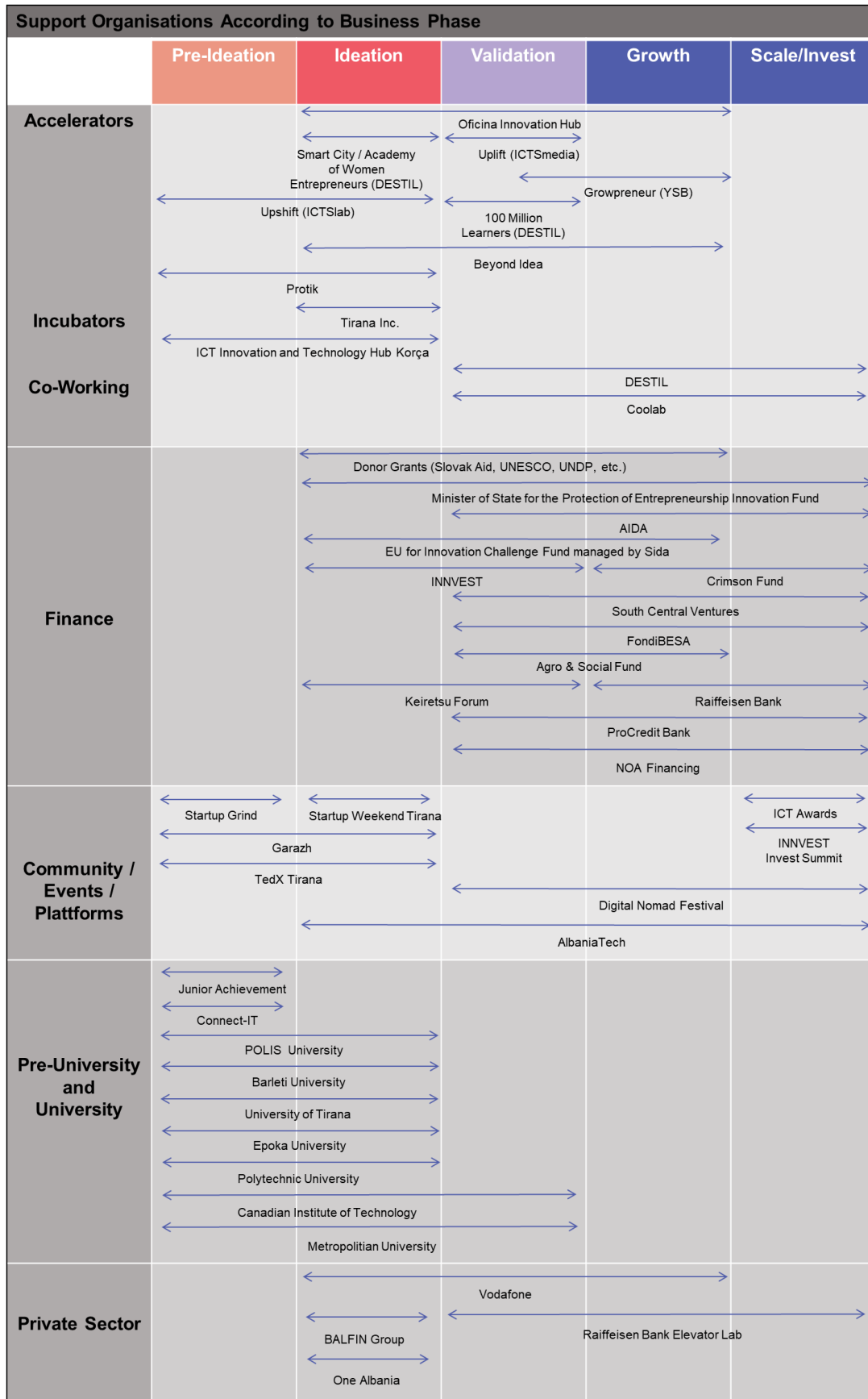


Figure 2: Correlation start-up development phases and start-up and innovation ecosystem actors

3.1 Incubators/Accelerators/Co-Working

Funding is no more most pressing challenge for Albanian ISOs

Incubators, accelerators, and co-working spaces are the cornerstones of a start-up and innovation ecosystem. Compared to other regional start-up and innovation ecosystems, the Albanian start-up and innovation ecosystem still lags but has gained an impressive lead in recent years. Albania hosts more start-up events than other start-up and innovation ecosystems in the region. Additionally, over the past four years, there has been a consolidation of players. For ISOs that have managed to increase their visibility in the start-up and innovation ecosystem, funding is no longer the most pressing issue.

Yunus Social Business (YSB) and ICTSmedia are two of the organisations that provide ongoing support to start-ups. The regional Uplift programme, initiated by ICTSmedia, enters its fifth implementation cycle in 2023 and is mainly targeted at entrepreneurs in the validation phase. The programme has partnered with two regional incubators, namely Venture Up Incubator in Pristina, Kosovo and Ican – Resource Center in Gostivar, North Macedonia, to increase its regional visibility. The programme continues to receive financial support from SlovakAid and CIVITTA. It also has an international aspect with the Bridge2EU module (see Chapter 4. Internationalisation). YSB, with the support of “EU4Innovation”, has launched the acceleration programme “Growpreneur”, targeting growth-oriented start-ups. However, given the small size of the start-up and innovation ecosystem, overlaps between the two programmes have been identified in terms of target audience. Both organisations continue to offer other programmes and events for start-ups. For example, the “ICT Awards”, a regional initiative initiated by ICTSmedia to honour ICT sector representatives in various categories (including “ICT Start-up of the Year”), has become a widely recognised event, currently in its eleventh year. While previously applications were mainly submitted from Kosovo, the number of high-quality applications from Albania has been continuously increasing, indicating the steady development of the start-up and innovation ecosystem. In addition, ICTSlab, an implementing arm of ICTSmedia, is implementing UPSHIFT, a youth social innovation programme developed by UNICEF Innovation, aimed at young people between the ages of 15 and 20 to instil entrepreneurship thinking. YSB, along with five other incubators in the region, runs a regional incubation programme for social entrepreneurs. The programme is funded by the Agence Française de Développement (AFD), the European Union (EU), the Regional Youth Cooperation Office (RYCO) and the Franco-German Youth Office (FGYO). Both actors emphasised the good cooperation between each other and continue to exchange knowledge and experts during the programme implementation. YSB and ICTSmedia are well-embedded in the start-up and innovation ecosystem and are recognised as the most important programmes in Albania that foster entrepreneurship. Both organisations highlighted an improvement in the quality of programmes and services on offer. Yet, they also mentioned further capacity needs to improve the programmes’ methodologies and curricula. A quality assurance or benchmarking system for ISOs is currently not in place for Albania. Additionally, no Albanian ISO has been certified under the EU|Business and Innovation Centre (BIC) Quality Mark Criteria and the EU|BIC Quality Trademark framework, the only quality system recognised by the European Union.

Oficina Hub, established by the Open Society Foundation for Albania (OSFA) and the Harry T. Fultz Institute, has focused primarily on providing support to its own students to develop start-up ideas. Although the organisation says it offers pre-acceleration, acceleration, and incubation support, Oficina Hub has struggled with staff shortages and appears to be more of an open space that Harry T. Fultz Institute students can go to than a full-fledged incubator. As of May 2023, the space was closed due to the Institute's restructuring into a university. While it was emphasised in an interview that the incubator will be adapted to the university's new mandate, specific plans for the space and its vision have not yet been developed.



Oficina Innovation Hub, another ISO, occasionally runs donor-funded start-up programmes but is largely disconnected from the start-up and innovation ecosystem and does not engage in sustained collaboration with other start-up and innovation ecosystem actors, limiting its influence on the start-up and innovation ecosystem development. However, Oficina Innovation Hub has established a good brand presence outside Albania and is recognised as a key start-up player in the region, which helps raise awareness of the Albanian start-up and innovation ecosystem. Oficina Innovation Hub has also been involved in the implementation of regional entrepreneurship programmes in partnership with the "EU4Innovation" programme. However, no sustainable impact could be achieved, as sustainable entrepreneurship initiatives outside of Tirana are only marginally taking place.

The IDEA Programme funded by GIZ "ProSeed" was handed over to the Balance Center and the initiative re-branded to "Beyond Idea". The programme was financed through the Grant Scheme by the Minister of State for the Protection of Entrepreneurship in 2022, but no further notable activities have taken place since then, indicating a lack of further funding for the initiative. The programme addressed a wide target group ranging from start-ups with a focus on innovation, technology, and green solutions, to SMEs that want to innovate.

Protik, another organisation frequently referred to in the Albanian start-up context, has undergone a rebranding in the last three years, with a new leader taking over operations. The organisation sees itself as an educational service provider and has moved away from its original mission as a community centre. In addition to operating a Software Development Academy (SDA) to teach ICT skills to youth, the organisation also conducts entrepreneurship trainings and events such as workshops, hackathons, Tedtalks, etc. With opening the SDA, Protik has achieved certain degree of self-sustainability after AADF ceased funding in 2022. Protik has also been supported by the National Youth Council, the Grant Scheme of the Minister of State for the Protection of Entrepreneurship, and the Agency for Youth over the past two years. While Protik is an important player in the start-up and innovation ecosystem that has made a difference, especially in ICT skills, it remains more of a service provider than a strategic incubator or accelerator, offering neither co-working spaces nor a regular acceleration programme.

Co-working spaces have seen exponential growth over the past four years. While it was difficult for co-working spaces to maintain sustainable business models a few years ago, spaces like DESTIL Creative Hub and Coolab have been able to grow and expand. DESTIL, which started as a small space with an attached hostel, has acquired a three-story building that has evolved into a creative and cultural centre that includes several initiatives, including co-working and event spaces for creative start-ups and freelancers; a cultural institute called the Boulevard Art & Media Institute that combines artistic methods with media as a means to contextualise archival narratives; an Academy for Women Entrepreneurs that enables women to develop creative products; and a Smart Cities programme that aims to develop local youth entrepreneurship, improve the entrepreneurial environment, and strengthen the collaborative network among young entrepreneurs. DESTIL has opted for a cautious growth path and has only recently begun to participate in donor-funded entrepreneurial initiatives. However, by focusing on a niche sector, there is further impetus for the start-up and innovation ecosystem. Coolab, on the other hand, has been active to create an entrepreneurial community by consistently offering its co-working space and working with various players such as ICTSmedia, YSB and Tirana Inc. The organisation is currently in the process of expanding into a new building to further grow its space.

Another important initiative is the conversion of Tirana's Pyramid into a youth and digital education centre by the MoT with the support of AADF. Due to its central location, the Pyramid could become a centre for innovation in Tirana. Several ISOs have expressed interest in locating in the Pyramid, such as Tirana Inc. However, the space has been partially tendered, and ISOs emphasised in interviews that the space was too expensive to be affordable for ISOs and that they feared the centre would become a commercial trade and telecommunications hotspot without significant impact on the start-up and innovation ecosystem. They expressed that the MoT should consider giving space to existing and thriving entrepreneurial initiatives.



The situation in the regions remains more difficult. Almost all start-up activities and actors are concentrated in Tirana. Some support organisations do run short-term programmes in the regions, mainly aimed at raising awareness of entrepreneurship opportunities. Yet, there are few actors in Albania's regions that try to foster entrepreneurship on a sustained basis. In the Municipality of Durrës, the Albanian Innovation Accelerator (AIA) provides occasional start-up activities but is unable to deliver continuous start-up support.

In Korça, the Municipality opened a tender for organisations to transform the local library into an innovation and technology centre. The University of Business and Technology (UBT) Kosovo won the tender and officially opened the space in May 2021. Contractually envisioned as a hub offering ICT and entrepreneurship skills, the Centre has not been able to engage into sustained entrepreneurship activities. ICT courses are partially offered online by the host organisation, UTB. The Centre partly falls short of its intended mandate. However, the Municipality remains committed to its vision and is working jointly with the Albanian Development Fund to open a Centre of Excellence in Tourism and Hospitality in Korça that will facilitate more innovation in Tourism.

No continuous incubation programmes and a cluttering of start-up activities

There is still not a single continuous incubation programme that provides year-round admission for start-ups. All programmes are batch-based and run for a set period. This remains a major gap in the start-up and innovation ecosystem, especially regarding building a constant pipeline of start-ups. Tirana Inc., Albania's first joint university incubator, could fill this gap once it stabilises its operations and further expands its capacity. In this context, start-ups emphasised the need for follow-up support after the programmes ended. Start-ups interested to further pursue their businesses do not find support organisation offering continuous and all-time accessible support. Strong alumni networks, a centrally operated mentor network or flexible support between programmes could address these issues.

However, the number of programmes that aspiring and existing entrepreneurs can participate in throughout the year has increased significantly since the beginning of 2019. The emergence of new players and existing actors who build more sustainable business models offer greater diversity in finding appropriate support programmes. Nevertheless, a jumble of programmes can sometimes be observed, as start-up and innovation ecosystem actors do not logically align their programmes throughout the year and with each other. In particular, the Grant Scheme of the Minister of State for the Protection of Entrepreneurship contributed to a mass of start-up activities in the last three months of 2022 due to its short implementation period, which ended with the fiscal year. The issue was raised during consultations for the next round of fund disbursement, and the Minister of State for the Protection of Entrepreneurship confirmed an extended implementation period for 2023.

Slow consolidation of the start-up and innovation ecosystem and emerging niche programmes

Most ISOs continue to address the pre-ideation and ideation phases, and do not specialise in a particular niche or sector. However, a consolidation process has begun, with the three main players - Tirana Inc., Uplift and Growpreneur - positioning themselves along the different start-up development stages (see Figure 3). In the future, this will further help ensure that start-ups receive support at each stage. While most of the actors do not specialise in a particular sector due to the lack of critical mass, some actors, prompted by donor demands, are running niche programmes or have started to position themselves in a sector. For example, DESTIL targets the creative industries, established the Academy for Women Entrepreneurs with support from United States Agency for International Development (USAID) and is implementing a Smart City programme. YSB is currently running a joint regional incubation programme for social entrepreneurs. ICTSmedia is leading the Tirana edition of Climathon, an initiative of the

European Institute of Innovation & Technology (EIT) Climate-KIC, established by the European Commission. In addition, EIT with the support of “EU4Innovation” is currently in the process of establishing an EIT Community Hub Albania on Urban Mobility in Albania. In parallel, as mentioned above, AFD is establishing four sector hubs in Tirana (focusing on construction and architecture), Korça (focusing on tourism and hospitality), Vlora (focusing on IT and informatics), and Shkodra (topic to be determined). These are important indications of the evolution of the start-up and innovation ecosystem in recent years, as ISOs were not able to sustain niche activities a few years ago due to the lack of start-ups applying for these programmes.

Recommendations

1. Continue to support to selected self-driven ISOs that have demonstrated “skin-in-the game” positioning them along all the start-up development cycle.
2. Build a strong alumni network, a centrally operated mentoring network, and flexible support mechanisms to bridge the support gap between acceleration programmes.
3. Establish a quality standard to ensure excellence in the services provided by ISOs.
4. Encourage slow sector or niche specialisation of selected ISOs to diversify support for start-ups.

3.2 Universities

Set-up of Albania’s first joint university incubator

Universities are key players in the pre-ideation phase, where the foundations for an entrepreneurial journey are laid. Depending on the institution and the value it places on entrepreneurship, universities can also provide incubation support to budding entrepreneurs well into the ideation phase. Awareness of the importance of promoting entrepreneurship has increased significantly over the past four years. More and more universities, especially private ones, are getting involved in entrepreneurial activities such as competitions, hackathons, incubation, etc. The Masterclass series on “How to become an Entrepreneurial University”, conducted by the “EU4Innovation” project has significantly raised awareness of the importance of the concept of the “Entrepreneurial University”. It also led to the creation of Tirana Inc., Albania’s first joint university incubator, consisting of two founding universities (Polis University and Metropolitan University of Tirana) and three associated member universities that support the incubator (Epoka University, Polytechnic University of Tirana and University of Tirana). Tirana Inc. was a response to the lack of university incubation support for start-ups in Albania. It addresses the low resources of individual Albanian universities to provide comprehensive university support to budding entrepreneurs by pooling the resources of both the founding and supporting universities. To develop Tirana Inc. into a state-of-the-art university incubation programme, it has received mentoring throughout from the Amsterdam-based organisation Preneurz.Amsterdam. Tirana Inc. was legally registered in early 2023. It has yet to acquire funding to officially begin operations due to a lack of financial support from its founding universities. However, if Tirana Inc. manages to operationalise its vision, it will fill an important gap in the start-up and innovation ecosystem as it evolves from batch support to a full-fledged, year-round incubator in the long term. One of the critical aspects for Tirana Inc. will be to find a permanent, no-cost location that it can use to provide support to aspiring entrepreneurs. It’s merely affiliated status and legal independence will also allow for independent operations from the founding and supporting universities. It also allows for commercial funding of projects and lean private sector HR and admin procedures as opposed to the often lengthy and cumbersome procedures related with publicly funded academic institutions.

Entrepreneurship promotion hinges on the initiatives of motivated individuals

However, what continues to be evident at almost all institutes is that entrepreneurship promotion hinges on the initiatives of motivated individuals, including Tirana Inc. It has not yet become a core element of university strategies, especially at public universities. None of the larger public universities has established a noteworthy business incubator. However, exceptions to this trend can be observed at some institutes: At POLIS, where the leadership founded the university out of a social innovation project that has evolved into a business, there is a steady progress to contribute to the start-up and innovation ecosystem. The deputy rector was also the driving force behind Tirana Inc. The university opened an innovation factory, a makerspace equipped with prototyping tools such as robotic arms, CSN printers, laser cutters, 3D printers, etc that is open to students and professionals, and is actively seeking funding to use the space. As mentioned earlier, the Polytechnic University (Faculty of Architecture and Urbanism & Faculty of Civil Engineering), with the support of ADF, is planning to build a Centre of Excellence in Civil Engineering and Architecture. The centre will include co-working spaces for students, researchers, freelancers and start-ups and an architecture and design studio as a joint venture between government agencies and universities to improve the skills of students and new professionals and form joint project groups. The vision also aims for a 300 m² FabLab to help professionals create prototypes as well as various programmes such as themed and funded PhDs to focus research on innovation in product development, bootcamps, incubation programmes and events. Similar centres are also planned in Shkodra, Korça and Vlora. The Metropolitan Tirana University is another actor located in Tirana that is actively engaging into entrepreneurship promotion. Despite being the founding member of Tirana Inc., the university was the first one to have an “on campus” incubator. The incubator has already supported a limited number of start-ups in the past. Additionally, Metropolitan University and the Metropolitan Incubator, in partnership with Faculty of Economics at Tirana University, have consistently organised the “Start-up City” competition for young entrepreneurs. May 2023 marked the 5th edition of the “Start-up City” competition. Similarly, the Barleti University, where the university’s founder and owner is an entrepreneur himself, has set up a so-called Barleti Hub incubator. The Barleti University recently shifted to a new campus and has started to focus more on the creative industry. While the University continues to conduct entrepreneurial activities such as hackathons, bootcamps, etc., websites are not regularly updated to provide a comprehensive overview about their activities. Another key university actor is Epoka University, one of the supporting members of Tirana Inc. Although Epoka University does not feature its own incubator, it regularly engages in entrepreneurship activities. The University continues to loosely cooperate with YSB and irregularly conducts events and initiatives such as the “Social Business Day” to foster social business activities. The Canadian Institute of Technology (CIT) also offers its own annual 12-week incubation programme and has established a lab for IoT and robotics that is open to students outside of CIT. Stakeholders emphasised the need for universities to further specialise and collaborate in exchanging students to use existing facilities, rather than providing general support and competing for the few generic ideas developed by their students. They further noted that most universities have not yet developed a specialised strategy to focus on a particular domain or sector.

Frequent discontinuation of start-up support

Even though entrepreneurial activities have increased at universities, initiatives launched are often not carried out on a continuous basis. For example, the University of Tirana launched a so-called “Innovation Platform” (Innovate Your Way Out), a competition in which students present their business ideas to a jury of investors. The activity took place in 2017, 2018 and 2019, but was then discontinued. The “Business Terminal” initiative, launched by the Barleti University and Adriapol Institute to promote entrepreneurship, competitiveness, and economic growth was discontinued and no update was posted on the website. Websites are often not continuously updated for a long period of time leading to low visibility of entrepreneurship initiatives conducted by universities.

Similar issues can be observed regarding EU funded projects. Although Albanian universities are actively participating in Erasmus+ programmes, it can be observed that joint activities do not continue after the completion of the projects.

Commercialisation of research rarely happens

When it comes to transferring research to business, the difficulty at most universities lies in a disconnect to industry and market needs and a lack of commercial development of respective solutions. Business cooperation and commercialisation remain one of the biggest challenges of Albanian universities. A recent survey conducted by the academic staff of the European University of Tirana and the Aleksander Moisiu University of Durrës revealed that university-industry collaboration is primarily focused on internships and student employment, followed by open lectures at the university. The survey and interviews highlighted that the use of research results for the development of new products, the integration of research groups with industry, the testing of results in practice, and the modification of research results in practice often do not take place in the framework of the cooperation between universities and the industry.¹² In discussions with university staff, the lack of funding was cited as the biggest barrier to commercialisation, as the government provides little funding for applicable research results. Most universities have project offices and policies for intellectual property and technology transfer that exist only on paper. The only public university that has Technology Transfer Offices established and operative is the Agricultural University of Tirana. On the positive side, interviewees highlighted that the government has been pushing to do more publishable research over the past two years.

Both Tirana Inc. and the Centres of Excellence to be established are aware of the commercialisation issue. Tirana Inc. plans to integrate researchers into the incubation programme in a later cycle. The ADF aims to establish applied doctoral programmes in the Centres of Excellence. However, greater efforts are needed to promote industry-academia collaboration for product commercialisation and applied product development based on industry needs. While it was highlighted that the Albanian market is too small to develop and commercialise products for industry, start-up and innovation ecosystem stakeholders emphasised that Albania offers a good pilot and test area to later scale products regionally and across Europe.

Recommendations

1. Strengthen Tirana Inc. to become Albania's first full-fledged long-term university incubator, including identification of a central venue in Tirana.
2. Increase visibility of entrepreneurial activities of universities by supporting universities to develop comprehensive promotion strategies.
3. Systematically involving the institutional level of the universities instead of targeting only selected individuals/professors.
4. Support selected universities to collaboratively develop specialised sector and domain strategies targeting infrastructure and start-up support.
5. Actively integrate researchers into university incubation programmes to support commercialisation of research and foster spin off companies.

3.3 Business Angels & Venture Capital (VC) Firms

Investors, start-ups and ISOs are unaware about the equity funding process

As mentioned earlier, access to finance and especially equity capital remains one of the biggest gaps in the Albanian start-up and innovation ecosystem. Global investors are not yet aware of the potential of the Albanian start-up and innovation ecosystem. At the same time, no local investors have stepped up

¹² ToKnowPress, 2023

to make a significant impact in the ecosystem. The challenges regarding equity investing are manifold. On the one hand, laws need to be updated to facilitate equity financing, especially of banks. On the other hand, potential investors are not aware of the start-up sector and what realistic expectations could be associated with an investment. In parallel, ISOs and intermediaries need to gain expertise and knowledge on how to facilitate an investment process and support investors during due diligence. More investment-ready start-ups are needed. Start-ups must be aware of the required documentation and be able to provide a realistic valuation of their business.

Grant-based start-up economy continues

With the basic prerequisites for equity funding still not in place, Albania remains a largely grant-based funding economy driven by donors, corporates, and the government. Some of the ISOs, such as Uplift and YSB are distributing grants on behalf of their donors and are slowly building financial capacity. The government has not set-up a professional equity innovation fund like in Serbia and North Macedonia that pushes millions of euros every year into innovative SMEs and start-ups but continues to provide grants. While in the past these government grants were mostly provided by the Albanian Investment Development Agency (AIDA) and rather marginal, the Grant Scheme for start-ups provided under the "Law on the Support and Development of Start-ups" is a step in the right direction. In addition, grant amounts have been slowly increased as the Grant Scheme of the Minister of State for the Protection of Entrepreneurship provides grants for start-ups at any stage up to approximately EUR 45,000 (LEK 5,000,000) for start-ups in the expansion phase. However, bureaucracy related to the disbursement of the grant and no advance payment, were highlighted as major bottlenecks of the fund. While this has been a good step in supporting Albania's chronically underfunded start-up sector, it has been only a drop in the bucket. During the research, several stakeholders highlighted that some start-ups continue to use grant-hopping as a lucrative business model and often the same start-ups are found in different programmes and competitions. To increase the visibility of start-ups and their investments, AlbaniaTech has set up a dealroom (<https://albaniatech.dealroom.co/>) to showcase investments in the start-up and innovation ecosystem. However, not all information about investments on the platform is verified and up to date. With regular updates, the Dealroom could address the issue of "grant-hopping" and contribute to transparency in the funding ecosystem in Albania.

Insufficient knowledge on equity funding

Therefore, no Albanian actor has yet built sufficient expertise to provide equity funding. This causes potential and interested Albanian investors to refrain from investing into start-ups. While there are efforts to build equity investment structures, these remain scattered and uncoordinated:

- There is still no official business angel network and multipliers that can facilitate and accompany the due diligence process. Innovation Nest, which announced the creation of the first Albanian business angel investor network in 2019, has ceased to exist. The former co-founder recently launched INNVEST with a similar mission. However, INNVEST has not yet initiated an investment process and does not appear to have the necessary knowledge and experience to lead an investment process. On a positive note, INNVEST has launched the INNVEST Summit, an annual event that brings together start-ups, investors, ISOs, and policymakers to raise awareness about equity investment.
- In addition, South Central Ventures, which is supported by the Enterprise Development and Innovation Facility (EDIF) Western Balkans programme, the European Bank for Reconstruction and Development (EBRD) and its subsidiaries as well as the European Investment Fund (EIF), has repeatedly mentioned that they would like to invest in Albanian start-ups but has yet to make a single investment in Albania.
- Partners of Albania for Change and Development has established a collaboration platform called Dua Partner Invest to bridge the gap between start-ups and investment opportunities.

However, no investments have been made yet and only six investors are currently listed on the platform. During an interview, representatives of the organisation highlighted challenges to present investment-ready start-ups to investors.

- The potential of the diaspora for investment has been widely recognised by the government and donors but is still underutilised. To address this issue more systematically, the “Connect Albania” programme was launched as an innovative mechanism to promote investment under the IOM Albania programme "Engage the Albanian Diaspora to the social and economic development of Albania". It aims to engage members of the Albanian diaspora around the world as development agents and investors in Albania. However, start-up and innovation ecosystem stakeholders emphasised that they have not yet seen any concrete results from the project.

On a positive note, there are other diaspora-driven initiatives in the making. The Global Albanians Foundation, together with the company SkenderPay, currently explores the possibilities to establish the SkenderPay Technology Fund, a fund composed of investors from the diaspora, from Albania and from other countries with the mandate to invest into the Albanian technology sector. The Keiretsu Forum, a prestigious global community of investors that includes accredited private equity angel investors, venture capitalists, etc. has shown interest in the Albanian start-up and innovation ecosystem and hosted a conference in February 2023 that brought together the region’s most successful investors.

Recommendations

1. Provide resources and capacities to AlbaniaTech to monitor funding in the start-up and innovation ecosystem and update the dealroom in the platform.
2. Build capacities of investors, start-ups and ISOs on the investment process and support the structured set-up of an Albanian Angel Investor Network.
3. Enable start-up and innovation ecosystem actors to provide funding (e.g., grants, seed money) to increase learning about the investment ecosystem.

3.4 Donors

Increased donor-funding has contributed to a better quality of programmes for start-ups

Due to the continuous support and a purge of donor funding into the Albanian start-up and innovation ecosystem, the capacity of the ecosystem actors has increased significantly in recent years. A comprehensive capacity building programme for universities in the field of entrepreneurship was initiated under the "EU4Innovation" programme, which significantly raised awareness of the importance of supporting entrepreneurial initiatives. As a result of these efforts, Tirana Inc. was established and subsequently received further support from Amsterdam-based Preneurz to build its student incubation programme. Uplift obtained support from its regional partners in Slovakia to build its accelerator programme. In addition, "EU4Innovation" and Swiss EP continue to support the start-up and innovation ecosystem with a constant stream of international experts available for programmes, which has significantly increased the quality of these programmes. The recommendations to build a platform as an entry point for start-ups into the start-up and innovation ecosystem have been taken up by "EU4Innovation" and its partners with the creation of AlbaniaTech. Most ISOs now have updated websites where they present their programmes and service offerings. However, it has been observed that websites are less updated between programmes due to a decrease in support for entrepreneurs because of mostly short-term programme-based funding from donors.

“EU4Innovation” is the biggest donor-funded project to support the holistic development of the start-up and innovation ecosystem

“EU4Innovation” has been the first programme consistently addressing the needs of the start-up and innovation ecosystem by pulling technical and financial assistance into the ecosystem. Other active donors include USAID that is financing DESTIL’s Academy for Women Entrepreneurs or AADF that is joining forces with the GoA and MoT into transforming the Tirana Pyramid into a technology and innovation hub for youth.

However, there appears to be a lack of coordination among the various donor agencies working to develop the start-up and innovation ecosystem, and initiatives are being implemented in silos.

Similarly, activities by individual donor organisations to integrate the diaspora have not yielded tangible results, although the various individual efforts to leverage their potential.

Recommendations

1. Combine technical and financial assistance to ISOs to increase the sustainability of activities.
2. Support coordination among stakeholders for a structured engagement of the diaspora into the development of the start-up and innovation ecosystem.

3.5 Government

“Law on the Support and Development of Start-ups” – Albania’s first dedicated entrepreneurship policy

In an emerging start-up and innovation ecosystem, it is usually the government's role to create an enabling environment for start-ups and fund support organisations until the ecosystem can create a pipeline of good and investable start-ups that help support organisations diversify their portfolios to become self-sustaining in the long run. Albania has taken a first step in this direction with the adoption of the "The Law on the Support and Development of Start-ups ", Albania's first targeted policy to promote entrepreneurship which was launched by the Minister of State for the Protection of Entrepreneurship in 2022. To support the implementation of the law, it was backed by a EUR 10 million fund for start-ups and ISOs. The fund was distributed for the first time in 2022 with a budget of EUR 2.5 million, of which 90% was disbursed. The Minister of State for the Protection of Entrepreneurship received a total of 628 applications, with 58 beneficiaries receiving support, out of whom 29 were start-ups and 29 ISOs (including universities and municipalities).

Although the fund was hailed as a major ecosystem achievement, stakeholders pointed to several challenges associated with the fund/grant:

- A timeline of only three months to implement the activities highlighted in the ISOs' proposal due to the end of the budget year. This resulted in a high number of initiatives at the same time in late 2022.
- No reimbursement of Value Added Tax (VAT), which led to additional costs for the beneficiaries.
- No upfront payment for ISOs and start-ups, leading to high upfront investment for them.
- Lengthy bureaucratic mechanisms for reimbursement.
- Reduction in proposed budgets by ISOs without a clear explanation why.



Start-up and innovation ecosystem stakeholders raised these issues in several discussions. At the end of May 2023, the law was amended to establish a "National Agency for Innovative Start-ups" called "Start-up Albania". The agency is expected to address some of the challenges identified to increase efficiency and accountability and to provide additional services to start-ups and the ecosystem. The Minister of State for the Protection of Entrepreneurship envisions to develop a comprehensive strategy in the coming year for the development of the start-up and innovation ecosystem that will pave the way forward for the next 7-10 years.

Albania has received a great deal of support from mostly donor organisations to develop appropriate policies and strategies. Many of these strategies, however, lack adequate budgets for implementation. One of the biggest challenges of the GoA continues to be access to data for evidence-based policymaking. For example, the Ministry of Finance and Economy pointed out that there is a lack of staff with an economics background to monitor initiatives and projects and provide feedback on key economic indicators such as business revenue, job creation, and export growth.

Municipalities slowly realise the potential of entrepreneurship promotion for regional economic development

Infrastructure development has been the utmost priority for many regional municipalities. And indeed, the reconstruction of regional cities and their heritage sites, such as the bazaar in Korça, has contributed to new opportunities for local economic development, e.g., a new influx of tourists. Albanian municipalities begin to recognise the importance of supporting entrepreneurial initiatives. Under the first round of the Grant Scheme of the Minister of State for the Protection of Entrepreneurship, seven municipalities received financial support. However, the funds were used by municipalities mainly for infrastructure purposes to establish co-working centres as places for youth, without a clear strategic vision for the operation of the centres. The Municipalities of Tirana and Korça are unique in their approach because they recognise the potential of entrepreneurship to retain and attract talent. The Pyramid, managed by AADF and MoT, is one of the efforts to strengthen the cities' offerings in innovation, entrepreneurship, and ICT. Promoting Tirana as a destination for digital nomads is another initiative by the MoT to attract talent and entrepreneurs. In September 2022, the first "Digital Nomad Festival" was held in Tirana. Another edition of the festival is planned for 2023. In this framework, a guide for digital nomads has been created, providing information on working and doing business in Tirana, mobility, leisure and culture, and other important information upon arrival in Albania. The Municipality of Korça, in collaboration with UBT, opened an ICT Innovation and Technology Hub in the space of the newly constructed library. While the hub has been able to provide ICT trainings, it yet must fulfil its mission in terms of entrepreneurial activities due to a lack of staff capacity. The hub continues to lack a clear strategy to become an important actor in the start-up and innovation ecosystem. On a positive line, the Municipality has been successful in bringing donor initiatives to Korça time and again. For example, GIZ's "Sustainable Rural Development" programme, in collaboration with the Ministry of Agriculture and Rural Development and the Municipality of Korça, brought the "AgriChallenge" programme to Korça. This programme aims to bring together agricultural students, young farmers, and computer scientists in the Korça region and beyond to develop and implement new start-up ideas. In addition, the Municipality is currently setting up a business centre next to the library, which will be rented out to companies that want to operate from Korça.

While these initiatives illustrate first interventions of municipalities to economically advance, they are still rare. Most municipalities are still disconnected from the needs of the business sector. In addition, many municipalities continue to experience high levels of outward migration and migration to Tirana. Local



governments need to develop a more sustainable approach to entrepreneurship. The revitalisation of libraries as youth and co-working hubs needs to be supported with appropriate strategies and human resources to continue to encourage emerging entrepreneurs. To overcome these challenges, the integration of regional policy makers in interventions targeting private sector development should be an integral part in programmes implemented by international organisations.

Recommendations

1. Support the strategic development of the "National Agency for Innovative Startups", called "Start-up Albania".
2. Support the Minister of State for the Protection of Entrepreneurship to improve the monitoring mechanism and impact measurement tools to promote evidence-based decision and policy making.
3. Support selected municipalities with greater entrepreneurial ambitions in establishing entrepreneurial hubs by actively engaging regional policy makers.

3.6 Cooperation

Increasing cooperation between the government and actors from the start-up and innovation ecosystem but no unified voice of the start-up and innovation ecosystem

Collaboration in the ecosystem has improved overall. For example, the sharing of experts by ISOs and the establishment of AlbaniaTech and Tirana Inc. document an increase in collaboration. Yet, the ecosystem remains partially fragmented.

There are no regular and planned meetings between ecosystem actors to align start-up activities. There is no unified voice of the start-up and innovation ecosystem in the form of a Start-up Association, which could provide structured input to policymakers and advocate for visibility of the start-up and innovation ecosystem. And while the government is increasingly working with the ecosystem to address persistent challenges, it was highlighted that the public and private side often lack adequate preparation for meetings, including to provide concrete solutions that address issues affecting the start-up and innovation ecosystem. For example, none of the stakeholders interviewed were able to clearly outline the policy changes needed related to equity investments. In addition, the ISOs' relationship with the government remains ambiguous.

Lack of cooperation in the specialisation process of universities

There is a lack of cooperation between universities on a broader level. Institutions (most of which are private) avoid collaboration unless it is part of an internationally funded project (IPA, Horizon 2020/Europe or Erasmus Plus) that requires it. The private universities that are most active in the start-up and innovation ecosystem compete for the best students. Tirana Inc. has the potential to create a best practice example of university collaboration in entrepreneurship. Yet, further discussions are needed between universities to identify their own niches, and to open their institutions to students from other institutes. Structured institutional dialogue formats between universities should be supported in this regard.

Exchange and cooperation between universities must be further promoted, in the framework of promoting the Quadruple Helix Approach that seeks to network government bodies, academia,

industries and citizens. The framework implies the necessity to position the immediate needs of the society at the centre of research for academia, decision-making for governments, as well as businesses. Albania is an emerging country with many development challenges in areas such as smart cities, provision of services to citizens, etc. that could be addressed by the actors working together. However, universities continue to have limited collaboration with other stakeholders, and collaboration is often driven by individuals. Discussions with university representatives indicated the need to build capacity for collaboration and to develop institutional strategies for universities that outline mechanisms for collaboration with industry, society, and government.

Emergence of three main players positioned along the start-up development cycle

While most players continue to provide services at the pre-ideation and ideation stages, three key players - namely Tirana Inc, Uplift, and Growpreneur powered by YSB - have started to position themselves at the different stages of the start-up development cycle. Additionally, co-working spaces such as Coolab have established an open-door and collaboration policy providing space to ISOs for events and programmes. All these organisations and initiatives have shown "skin-in-the-game" and have been able to consistently offer support to start-ups. There has been good collaboration between these organisations, particularly in the exchange of experts. However, further alignment is needed to build the programmes naturally on top of each other so that start-ups can receive ongoing support during their entrepreneurial journey.

Recommendations

1. Support regular meetings between start-up and innovation ecosystem actors and the development of structured mechanisms (e.g., Start-up Association) to lobby for the start-up ecosystem.
2. Install structured dialogue formats to promote university specialisation in a field or niche.
3. Develop programmes that involve stakeholders from the QH (society, government, academia, and business) to address Albania's development challenges that serve as reference examples of successful quadruple helix collaboration.
4. Promote collaboration among the largest ISOs to position themselves in the start-up development cycle.

4. Internationalisation

4.1. Inbound Internationalisation

Digital Nomad visa with the potential to attract freelancers from across the world.

Albania seeks international visibility in the global start-up community and promotes itself as a hub for digital nomads. In September 2022, the first "Digital Nomad Festival", organized by the Municipality of Tirana, took place in Albania. Tirana became the European destination for digital nomads for a few days. This happened while Tirana celebrated its title of "European Capital of Youth 2022" with hundreds of activities.

With the efforts of the Minister of State for the Protection of Entrepreneurship, the "Law for the Support and Development of Start-ups" was amended in May 2023 to include provisions for a visa for digital nomads, allowing a stay of up to one year with tax exemption. The visa allows legal residence in Albania while working for companies or clients outside the country. The visa process, which previously required

separate applications - one to the Labour Office and another to the Border and Migration Police – will now be handled by a single agency to streamline the visa process. This is considered a crucial step to attract digital nomads to Albania and a potential way to draw funding to the ecosystem in the future. However, stakeholders noted in interviews that the introduction of the by-law on digital nomads should be monitored in the future to understand the economic impact of digital nomads. Stakeholders pointed out that the recent announcement to tax local freelancers would be perceived as unfair competition compared to the tax-free visa for digital nomads.

Albanian start-up and innovation ecosystem to develop a strong place marketing strategy

The Albanian start-up and innovation ecosystem is largely unknown in other countries. It competes with other hubs for digital nomads such as Portugal, which has the advantage of being part of the EU. Stakeholders pointed out that Albania needs stronger “place” marketing to become known in the global start-up and digital nomad community. Although the government has taken initial steps to attract digital nomads, stakeholders highlighted that further action by the government is needed to develop a clear place marketing strategy and proposal on what it has to offer to start-ups, freelancers, and digital nomads. For example, one suggestion was to create digital hubs for start-ups and companies that would offer international businesses financial incentives to operate from Albania. This is in line with statements of experts from Austria and Germany, who pointed out that their success in attracting international start-ups has been due to massive financial investments by the government in start-up actors, incentives, funding opportunities and public infrastructure. Stakeholders also suggested that Albania should a) play up its advantages as an attractive and low-cost nearshoring market with a young, multilingual, and educated population that offers diversity in nature and landscape, and b) in the long run specialise in a niche, preferably in the ICT sector (e.g., e-commerce, blockchain, and cyber-security) and start tuning programmes in this direction to attract international start-ups and to build local talent at the same time. Other suggestions include that Albania could be open as a testing ground for international start-ups, similar to the EU AI4cities programme.¹³ The government, municipalities or others could proactively tender development challenges and issue international calls for start-ups to solve, and then provide international start-ups with the necessary support structure and funding to tackle these challenges.

Albania’s global reputation is growing

Albania is one of the countries in Europe with the lowest costs of living and doing business. Tirana is increasingly recognised as the “European Capital of Cafés”. Particularly in Austria and Italy, Albania’s image is rapidly changing due to its historical and geographical proximity, leaving behind its post-communist reputation of being governed by unrecognised state structures. It is increasingly seen as one of the last unexplored natural gems not yet swamped by tourists. In Germany, Albania is still largely unknown and has an undeserved reputation that it has yet to shed. This reputational disadvantage must also be addressed as part of the comprehensive place marketing strategy. In this context, local stakeholders pointed out that the government needs to send out digital brand ambassadors, experienced individuals with international experience, to present Albania to the outside start-up world on fairs and conferences.

Slow opening of Albanian start-up programmes to international start-ups, especially from West Balkan 6 countries

Several Albanian actors have recognised the potential to become a destination for international start-ups. Uplift, for example, is trying to position its acceleration programme as Albania’s first regional start-

¹³ AI4Cities | Home, N/A



up programme. The programme is currently open to start-ups from Kosovo, North Macedonia and Albania. There are also efforts to further scale and promote the programme by implementing parallel batches in Albania, North Macedonia and Kosovo and concluding with a final demo-day in Albania. In addition, YSB is a partner in the "Regional Incubator for Social Entrepreneurs" (RISE) programme, which is implemented jointly with several other partners in Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. The programme offers shared learning and regional mobility opportunities such as a RISE bootcamp and RISE expeditions to visit peers, role models, and trainers in the Balkans. Coolab is actively working to become a leader in the WB6 co-working sector. It is part of the space's strategic mandate to attract remote workers from around the world and integrate them into the local ecosystem. To this end, Coolab has partnered with Remote Year to bring start-ups and digital nomads to Albania. Coolab is actively seeking participation in "remote-work conferences" to promote Albania as a destination for start-ups. However, given the limited resources, the organisation stressed that a collaborative approach with supporting resources from the government is needed to promote Albania holistically on such events, rather than efforts from individual organisations. According to stakeholders this is one aspect where the slow and bureaucratic nature of the government contrasts with the dynamic ecosystem for start-ups. Overall, efforts to promote Albania internationally remain scattered and siloed and lack the required government support and backstopping.

While the ecosystem has taken initial steps to launch programmes and open co-working spaces for international freelancers and start-ups and increase the visibility of the Albanian start-up and innovation ecosystem, efforts remain focused primarily in the WB6. Opening acceleration programmes to international start-ups from Western Europe and actively promoting them will help increase Albania's visibility abroad and will open learning and partnership opportunities for local entrepreneurs.

AlbaniaTech as a single entry-point to the Albanian start-up ecosystem

With AlbaniaTech, the first platform that provides comprehensive information in English about the Albanian start-up and innovation ecosystem was created. International start-ups can find information about city hubs, news, events, success stories and relevant actors. The platform could be further improved to become the one-stop shop for international start-ups by presenting funding and partnership opportunities as well as experts who can support international start-ups expansion into Albania. To make the platform more self-sustainable, AlbaniaTech plans to offer soft-landing services for international start-ups.

The Municipality of Tirana has also launched Digital Tirana (<http://digitaltirana.al/>) in 2021, a platform that brings together a range of private and public sector elements to support start-ups, entrepreneurs, ecosystem actors as well as provide comprehensive information on digital nomads. However, stakeholders pointed out that this is a competing offering to AlbaniaTech, as the platform provides similar information. It was also highlighted that there is no collaboration between the platforms to harmonise the content, indicating duplication of efforts. Stakeholders suggest coming to a joint agreement to focus on AlbaniaTech as the single information entry point to the Albanian start-up and innovation ecosystem and supporting it with the required funds to sustain.

Establishment an annual flagship event with international visibility

the number of start-up related events with international exposure has increased significantly in recent years. As mentioned earlier, the first "Digital Nomad Festival" was held in 2022. Similar large-scale events also took place previously, such as the "Diaspora Summit", which was organised in 2018 and 2019 respectively under the coordination of the Minister of State for the Diaspora. AlbaniaTech is currently planning the first tech fair called Future2Tech, which will showcase technologies and bring



together tech enthusiasts from the WB6. While these events are important milestones to increase international visibility, they need to be offered on a regular basis to be recognised globally. Bits & Pretzels, for example, Germany's largest start-up festival, attracting 5,000 entrepreneurs, investors, and start-up enthusiasts, will enter its tenth round in 2023 and is recognised worldwide as the "go-to" summit for international start-ups in Germany.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Monitor the impact of the "Digital Nomad Visa" and, if needed, develop appropriate financial measures to attract digital nomads and international start-ups to Albania.
2. Develop a comprehensive place marketing strategy for the Albanian start-up and innovation ecosystem supported by all stakeholders.
3. Leverage Albania's advantages (e.g., attractive, and low-cost nearshoring market with a young, multilingual and educated population) and support specialisation in a niche in the ICT sector (e.g., e-commerce, blockchain, or cybersecurity) in the long run.
4. The government should offer development challenges and testing grounds to international start-ups and promote Albania internationally in this regard.
5. Build a network of digital brand ambassadors that can present Albania to the international start-up world on fairs and conferences.
6. Open acceleration programmes for international and/or Albanian diaspora start-ups and promote these programmes in countries with potential for partnerships (e.g., Italy, Germany, Austria, etc.).
7. Facilitate agreement in the start-up and innovation ecosystem to use AlbaniaTech as a one-stop-shop for information about the Albanian start-up and innovation ecosystem.
8. Organize an internationally visible flagship event, held annually and recognised as a "go-to" event for international founders, investors, and start-up enthusiasts with interest in the Albanian start-up and innovation ecosystem.

4.2. Outbound Internationalisation

Lack of funding remains the biggest challenge to internationalisation

Given Albania's small market size, Albanian start-ups with growth ambitions are forced to look internationally to successfully scale their start-ups. However, Albanian start-ups still face various challenges when trying to go abroad. In order to identify the challenges faced by Albanian start-ups when going abroad, a survey was published through AlbaniaTech. 13 start-ups participated in the survey. According to the survey, 53.8% of start-ups said that access to investment remains the biggest challenge to internationalisation, followed by access to networks (15.4%). In order to expand, the surveyed start-ups need support in finding investors (23.1%), connections to international partners (23.1%), access to international programmes/projects, e.g., accelerators (15.4%) and support for international trips, e.g., conferences, fairs, etc. (15.4%). When asked about the partners that start-ups approached while seeking to expand, most indicated that they approached other start-ups and SMEs in the countries they wanted to expand to (38.5%), followed by intermediaries such as chambers, associations and investment promotion agencies (23.1%) and investors (15.4%). Considering these results, improving funding opportunities for Albanian start-ups with potential to scale will facilitate their path to new markets.

To this end, more matchmaking initiatives between Albanian start-ups and international investors need to be created. It was also emphasised that more information is needed on acceleration programmes and

connections to international partners, platforms such as AlbaniaTech need to further develop their information offering to fill current information gaps. More efforts need to be made for AlbaniaTech to cooperate with similar platforms in other countries to a) increase the visibility of the Albanian start-up and innovation ecosystem worldwide and b) to equip Albanian start-ups with information about programmes and actors in other countries. The representative of AlbaniaTech explained that such cross-promotion activities had taken place with similar platforms in Slovakia and Poland but had not been continued on a permanent basis due to lack of human resources capacity. Another platform to consider cooperation opportunity is (balkaninnovation.com), the Western Balkans Innovation and Research Platform. International ecosystem actors also pointed out that Albanian start-ups need to be better prepared before participating in international fairs or join delegations; occasionally it was observed that Albanian entrepreneurs did not take advantage of the opportunities offered to them in terms of networks and contacts due to lack of preparation.

Scattered initiatives link Albanian start-ups globally

Local ISOs and universities play an important role in helping their start-ups access international markets. Although some ISOs have launched such initiatives to facilitate market access, overall, they are still rare. To support internationalisation, Uplift launched the Bridge2EU programme in 2021, a programme for the soft landing of Albanian technology companies, start-ups and scale-ups in Slovakia. The programme was integrated into Uplift's acceleration programme in 2022. In October 2022, 12 companies from the programme were given the opportunity to travel to Slovakia for five days to network with local industry players, potential partners, new customers, and learn more about the Slovak market. The programme was co-financed by the Grant Scheme of the Minister of State for the Protection of Entrepreneurship. The UK-Albania Tech Hub aimed to bring Albanian start-ups to the UK to foster bilateral technology partnerships. The initiative ran three times and was discontinued with the onset of the Covid 19 pandemic. "Growpreneur" implemented by Yunus Social Business Balkans, does not yet link start-ups systematically to international ecosystems. In the university landscape joint start-up programmes are not systematically pursued. Tirana Inc. is an exception due to its continued collaboration with Preneurz. Amsterdam.

No government-initiated start-up bridges with other countries

Ecosystem stakeholders explained that the start-up grant provided under the "Law for the Support and Development of Start-ups" can also be used for internationalisation purposes such as attending trade fairs or conferences. The Minister of State for the Protection of Entrepreneurship highlighted that the Ministry has initiated cooperation with Israel, Italy and Switzerland to promote the exchange of start-ups. Yet, there are no systematic government-initiated start-up bridges with other countries, as the German government has done with the German Indian Startup Exchange Programme (GINSEP) or the German Israeli Network of Startups & Mittelstand (GINSUM) (see chapter on Germany 0. Structures, Organisations & Initiatives).

Recommendations for the Albanian start-up and innovation ecosystem:

1. AlbaniaTech should promote collaboration with similar platforms in other countries to provide Albanian start-ups with information about acceleration programmes, potential partners in other countries, etc.
2. Provide training and adequate preparation of Albanian start-ups before going to trade fairs or international delegation trips.
3. Incorporate internationalisation modules (including delegation trips to relevant countries, matchmaking opportunities, etc.) into existing programmes for growing start-ups.
4. Support universities to find international partners for joint start-up programmes.

5. Expose university staff to best-practice university incubators through delegation trips.

4.3. Start-up Destinations

Europe is becoming a hotbed for start-ups: 12 of the top 20 ecosystems for start-ups and innovation are European countries. The study identified seven countries potentially of interest for their learning and cooperation potential, namely Germany, Austria, Italy, the UK, Slovenia, Estonia, and Portugal. While all these countries offer great learning and collaboration potential, three, namely **Germany**, **Austria**, and **Italy**, were selected for a more in-depth assessment based on various criteria. The criteria include

(i) international ranking for start-up and innovation ecosystems, (ii) their OECD attractiveness for start-up talent, (iii) Albania's export volume to these countries, (iv) diaspora density, and (v) a survey of Albanian start-ups and interviews with Albanian ISOs respectively.

Austria, with its proximity to Albania and its proximity to Germany, a large diaspora community, its existing initiatives in the WB6, and its strong public investments in the start-up ecosystem, provides a perfect testing ground and springboard for Albanian start-ups to enter the larger German market.

Germany, in turn, is the largest economy in Europe. Its decentralised and federal structure, which has developed its own unique start-up strategies with a sectoral focus offers Albanian start-ups the opportunity to scale in one of the numerous start-up hubs in Berlin, Munich, Cologne, Hamburg, etc.

Italy is Albania's largest export partner and is home to a 70,000 to 100,000 strong diaspora. Relations between Italy and Albania date back to the early 20th century. Due to high brain drain and lagging development of the start-up and innovation ecosystem, the Italian government has launched several laws and initiatives to attract international start-ups and to increase their global visibility. Combined with the strong relationships, this provides excellent learning and partnership opportunities to the Albanian start-up and innovation ecosystem.

The following table substantiates the selection of Germany, Austria, and Italy.

Potential Partner & Learning Countries

	Germany	Austria	Italy	UK	Slovenia	Estonia	Portugal
StartupBlink Ecosystem Ranking¹⁴	Rank 7	Rank 25	Rank 30	Rank 2	Rank 48	Rank 14	Rank 26
OECD Attractiveness Ranking Startup Talents¹⁵	Rank 12	Rank 16	Rank 19	Rank 4	N/A	Rank 20	Rank 6
Export Volume Percentage¹⁶	5.0 %	0.6 %	40.8 %	0.2 %	0.2 %	0.4 %	0.1 %
Diaspora Density	Approx. 320,000 Albanians (from Albania and Kosovo)	Approx. 40,000 Albanians (from Albania and Kosovo)	Approx. 70,000 – 100,000 Albanians (from Albania and Kosovo)	Approx. 21,000 Albanians (from Albania and Kosovo)	Approx. 10,000 Albanians (from Albania and Kosovo)	Neglectable	Neglectable
Start-up / ISO Survey							
Pros	<ul style="list-style-type: none"> - Huge Albanian speaking diaspora - Biggest economy in Europe - Several cities with good start-up infrastructure (Berlin, Munich, Hamburg, etc.) - High corporate engagement into the start-up 	<ul style="list-style-type: none"> - Central location in Europe with reach to the West (Germany, Switzerland) and the East (Slovakia, Slovenia) - Investment friendly tax system and support 	<ul style="list-style-type: none"> - Highest no. of Albanian speaking diaspora and biggest trading partner for Albania - Recently launched Italian Startup Act, which reorients existing legislation to incentivise start-up formation 	<ul style="list-style-type: none"> - One of the most advanced start-up ecosystems globally - Innovator Visa and Start-up Visa in place and a low corporation tax rate - Good business environment and top-rated universities 	<ul style="list-style-type: none"> - Most vibrant start-up ecosystem of all ex-Yugoslavia countries and proximity to Albania - Simplified administrative procedures for foreign investors and entrepreneurs 	<ul style="list-style-type: none"> - Aggressive marketing efforts by the public sector with initiatives being now copied by other countries such as e-residency, start-up, and digital nomad visas, etc. - High entrepreneurial spirit despite a small population 	<ul style="list-style-type: none"> - Increasing recognition as a hub for entrepreneurship, foreign investment, and digital nomads - High quality engineering talent and English speakers - Several benefits to non-European residents launching start-

¹⁴ StartupBlink, 2023

¹⁵ OECD, 2023

¹⁶ OEC, 2023

	sector (SAP, Siemens, Bosch, etc.)	<ul style="list-style-type: none"> - network for acquiring funds - Simple processes of starting a business - High quality of life, culture and relatively sustainable cost of living compared to other Western European Countries 	(incl. start-up visa to attract foreign talent)			- Niche leader in IT, cybersecurity, and government	ups in Portugal such as StartUP Visa, Tech Visa, or the Non-Habitual Residence Programme
Cons	<ul style="list-style-type: none"> - Relatively high red-tape and complex tax laws - High cost of labour and protection laws for employees 	<ul style="list-style-type: none"> - Red tape and high cost of labour - Minimum capital of EUR 50,000 by foreign start-ups to get residence permit 	<ul style="list-style-type: none"> - Unequal distribution of start-up support organisation in relation to start-up hubs - Red tape and unfavourable regulatory framework - Low private sector involvement in the start-up ecosystem 	<ul style="list-style-type: none"> - Outside of the EU limiting access for potential entrepreneurs to the UK - Decreasing public funds, e.g., for initiatives like the "Digital Growth Grant for Tech Nation" 	<ul style="list-style-type: none"> - Decrease in global start-up ecosystem rankings over the past years - Relatively small start-up ecosystem with limited attractiveness for Albanian start-ups 	<ul style="list-style-type: none"> - Challenged to keep home-grown successful start-ups in Estonia as cost of living increases - Far away and small start-up ecosystem with limited attractiveness for Albanian start-ups 	<ul style="list-style-type: none"> - Relatively small market far from central Europe - Increasing living expenses with low salaries

4.3.1. Germany

Introduction and Overview

Germany is the most populous country in Europe and is home to around 320,000 Albanians (from Albania and Kosovo). Germany ranks sixth in the StartupBlink Ecosystem Ranking 2022. It is also Albania's second largest export partner and the third most attractive country for start-up talent among the countries detailed in this study. Despite being home to the biggest Albanian diaspora, Germany is Europe's biggest economy, providing vast opportunity for potential new markets and partnerships.

A federal structure with several sector hubs

The German start-up ecosystem is characterised by the federal structure of the country, which provides impetus to the states and supports the development of a non-centric start-up ecosystem. Major cities such as Berlin, Munich, Hamburg, Cologne, etc., have developed strong support for niche sectors and offer the potential for international start-ups operating in these areas to expand there. Currently, there are about 60,000 active start-ups in Germany. Most German start-ups are engaged in ICT (29.7%), medicine and healthcare (10.6%), food and nutrition (10.2%), automotive and mobility/logistics (6.7%), industrial goods (4.2%), energy and power (3.9%), chemicals and pharmaceuticals (3.7%), and leisure, sports, and e-gaming (3.6%). Almost 2/3 of all German start-ups have digital business models, with SaaS (Software-as-a-Service) companies accounting for the largest share at 28.7% and growing rapidly, followed by online platforms at 14.3%. Germany is home to a large industry and several large corporations (such as SAP, Siemens, Bayer, and Bosch) that offer start-up programmes for international start-ups. The biggest challenges for German start-ups are customer acquisition, product development, and access to funding. Increasingly, German start-ups cite finding suitable and qualified personnel as one of the biggest bottlenecks. This offers potential for the Albanian start-up ecosystem to position itself as an attractive outsourcing market for German start-ups due to its base of qualified talent.

An open collaboration culture among German start-ups

German start-ups cultivate a culture of collaboration and cooperation. An annual study conducted by the German Startups Association found that 63.3% of the start-ups surveyed cooperate with established companies. 55.3% cooperate with other start-ups, and every second start-up (50.4%) collaborates with scientific institutions. Although these are high numbers, collaborations have declined since the start of the pandemic. This suggests that the government and other stakeholders need to establish new initiatives and projects to foster collaboration. However, the high willingness of German start-ups to cooperate offers potential for Albanian start-ups to network with their counterparts in Germany if this is structurally encouraged.

Internationalisation – outbound and inbound

Although internationalisation is important for German start-ups, 79.7% of all start-ups generate their revenues in Germany, followed by 12.4% that have Europe as their main revenue stream (excluding Germany) and 4.7% in North America. This indicates enormous potential for German start-ups to further explore international markets and a need for further support structures to encourage identifying new markets.¹⁷ At the same time, Germany is increasingly becoming an attractive country for international founders. According to the Migrant Startup Monitor, an annual study by the German Startup Association, 21% of all start-ups have a migration background. 58% of them were born outside Germany. 29% of first-generation founders with a migrant background came to Germany to study, 22% for a job and 8%

¹⁷ German Startups Association, 2022

to set-up their start-up. Furthermore, first-generation founders with a migration background often generate their revenues, disproportionately, abroad (33% compared to 20% of all founders) and have more international employees than start-ups with German roots in the founding team. On average, 23% of their employees have their place of work outside Germany, compared with 11% of overall start-ups. The state of Hesse has the highest proportion of founders with a migration background (27.2%), followed by Berlin (26.3%) and North Rhine-Westphalia (24.6%).

Red tape, among the biggest barriers for migrant start-up founders

The biggest obstacles they face include contact with authorities (42%) and banks (31%), followed by access to networks (23.3%), finding investors (21.8%) and attracting customers (20.4%).¹⁸ This is in line with the findings of the StartupBlink report, which identifies a relatively high level of bureaucracy, complicated tax laws and high labour costs, as well as complicated laws protecting employees as the main obstacles for international start-ups.

To increase its visibility in the international start-up community, attract international start-ups and support German start-ups to expand internationally, there are several laws, organisations, structures, and initiatives that the Albanian start-up ecosystem can learn from and connect with, which are presented in the following sections.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Position the Albanian start-up and innovation ecosystem in Germany as an attractive outsourcing destination to fill the German gap of qualified personnel in the start-up market.
2. Learn from best practice examples of start-up collaboration and actively promote collaboration between German and Albanian start-ups through matchmaking programmes.

Government

Both the German government and the federal states are actively working to strengthen Germany as an international start-up location through various strategies and laws.

Start-up Strategies

In 2022, the German government launched the new "Start-up Strategy". The strategy describes at various levels how it intends to position the German start-up ecosystem internationally and attract international talent to Germany. To strengthen diversity in the start-up scene, a new instrument will be introduced to strengthen access to the venture capital market for female founders and founders with a migration background, as they are still underrepresented in accessing the venture capital market. Lack of networking opportunities has been identified as one of the main challenges of migrant founders. Hence, the government intends to establish a Forum to better connect migrant founders with German start-ups, established companies and academic institutions to improve the integration of migrant founders into the start-up ecosystem. The German government will initiate the "Start-up Summit Germany", to expand networking opportunities among ecosystem actors further. Furthermore, a network of contact points for start-ups will be established in all federal ministries and subordinate authorities. The Digital Hub Initiative will be strengthened to further connect with other ecosystems. It was introduced to give sectoral focus to the various regions in Germany, to promote cooperation between local ecosystem players, to increase the national and international visibility of the region as a specialised and sectoral hub, and to attract foreign start-ups. In addition, the government plans to become more internationally visible in terms of sustainability and to support the establishment of Sustainability Hubs.

¹⁸ German Startups Association, 2023

Additional plans include offering start-ups more test beds, which could potentially lead to turning Germany into an interesting test market internationally. The "Digital Hub Initiative" marks the starting point for these efforts. In this regard, the German government will also create a digital start-up map to provide an overview of potential test beds. The "German Accelerator," which supports German start-ups going abroad, will further expand to establish a link with other international start-up ecosystems. The Digital Hub Initiative and the German Accelerator will be tasked with providing foreign start-ups with a better overview of the diverse German start-up landscape. In this context, the strategy mentions developing and emerging countries as important target markets. Part of the same strategy is the establishment of a global competence centre for Artificial Intelligence (AI), which will be based in the structures of the "German Accelerator" and will network with other AI centres. In addition, the German government will work with stakeholders to develop a campaign to market Germany internationally as a start-up location. One element of this could be the development of an umbrella brand. It will also examine how the instruments of foreign trade promotion can be leveraged to better promote the internationalisation of start-ups.¹⁹

Although there is a central strategy of the national government, individual federal states have also developed their own strategies. For example, the "Berlin Start-up Agenda 2022-2026" shows how Berlin intends to increase its global visibility as "the place to be." To this end, the business development agency Berlin Partner for Business and Technology will be strengthened to communicate start-up activities in a targeted manner. In addition, the state government will support the staging of an annual, internationally visible start-up event. The strategy envisions to create more transparency about innovation-promoting activities and actors in English to enable quick and easy access, especially for inbound start-ups. To this end, the state of Berlin will build on and link existing platforms and websites, such as startup-map.berlin, the Business Location Center, the Startup Unit website and the "Gründen in Berlin" platform. The state of Berlin also wants to better position itself to attract talent from abroad. Hence, the State of Berlin will relaunch and communicate the Business Immigration Service as "Berlin Tech Visa" (brand name) based on current legal regulations. The state of Berlin will also link the platforms "startup-map.berlin" and "Jobportal Talent-Berlin" to provide Berlin start-ups and incubators with a free platform to publish their offers and programmes. Since bureaucracy is one of the biggest challenges for start-ups, the state government also plans to strengthen English language skills in administration and to fund programmes that introduce barrier-free advice for international founders. Berlin also wants to position itself as a city of cooperation, especially between SMEs and start-ups. For this reason, Berlin will increasingly rely on storytelling and international Geo marketing. It would be conceivable to award a "Cooperation between Start-ups and SMEs" category in existing competitions or events. The strategy also envisages strongly positioning Berlin as an "enabling city" for impact start-ups. Actions towards this end include Geo marketing campaigns targeting impact start-ups and the establishment of a major international event that addresses this target group. The state of Berlin is also striving to open state challenges to impact start-ups. Currently, the necessity of a new actor ("impact agency") is being considered, with the scope to design and implement impact challenges and to provide networking with the relevant administrative units. The state of Berlin, its districts and public authorities are striving to play a pioneering role in the twin green and digital transition and, together with private partners, are developing the city into a digital test bed. They are also striving to facilitate real labs that are open to founders.²⁰ To provide information about Berlin, the "Welcome.Berlin" app was set up a few years ago, providing responsive information for founders depending on their country of origin - information on residence law issues, framework conditions as well as information on starting a business. However, the app seems to have been discontinued, but nonetheless, it could be adopted as a concept in Albania to provide information for digital nomads.

¹⁹ BMWK, 2022

²⁰ Senatsverwaltung Berlin, 2022

The Future Financing Act

The "Future Financing Act" is an important step towards improving Germany's international visibility for start-ups. In April 2023, the Federal Ministry of Finance published a joint key-points paper with the Federal Ministry of Justice. The Act provides for the internationalisation and digitalisation of the German capital market by reducing bureaucracy. The law will facilitate access to the capital market for companies, especially start-ups, high-growth companies, and SMEs, through simplifying listing and post-listing requirements and reducing the initial public offering (IPO) threshold from the current EUR

1.25 million to EUR 1 million. In addition, the government intends to improve the legal framework for the design of financial instruments and transactions, to improve financing opportunities for start-ups, high-growth companies and SMEs, and to digitise the German capital market by enabling companies to issue shares using blockchain technology. Another important point is to make it easier to raise equity through the facilitation of capital increases and the introduction of dual-class shares. In particular, the government wants to allow start-ups and high-growth companies to structure themselves more flexibly by allowing dual-class shares while ensuring investor protection. This would encourage investment and innovation. To make Germany a centre for investment funds, there are plans to extend the VAT exemption for venture capital funds within the scope of EU law. To help start-ups attract talent, the government will also expand employee participation so that employees can get a share in the company's success.²¹

Immigration laws remain challenging

Access to talent is one of the biggest challenges for the German (start-up) market. To attract foreign talent, the portals "Make it in Germany" (<https://www.make-it-in-germany.com>), "Study in Germany" (<https://www.study-in-germany.de/en/>) or "Research in Germany" (<https://www.research-in-germany.org/>) have been established. To facilitate immigration to Germany, different visa categories have also been introduced, such as the "Visa for Job Seekers", which allows you to find a job in Germany within six months, the "Visa for IT Specialists" for experts with practical work experience in the fields of IT and communication technology, the "EU Blue Card", which is specifically designed for foreign academics seeking qualified employment in Germany, and the "Visa for Self-Employed", which is open to entrepreneurs and freelancers. However, visa procedures still take far too long by international standards and at the same time the process is too complicated. During the development of the national "Start-up Strategy", the introduction of a tech-visa was suggested by individual stakeholders, particularly from the point of view of Geo marketing. The recognition of degrees was also seen as problematic in some cases. Especially in the case of start-ups, where lateral entrants are common, complicated regulation on academic diploma recognition makes access to the existing talent pool more difficult. All federal states were recommended to improve the welcoming process and to increase the number of welcoming centers and one-stop-shops. In addition, it was suggested to provide the Germany Trade and Invest agency – a globally active investment agency – with a recruitment mandate.

Massive private and public funding

To boost start-up activity, both the federal government and the individual states offer massive financial support for start-ups at various stages. These programmes, most of which require registration in Germany, are also open to foreign founders and offer financing in the form of loans, grants, and equity investments. The MicroCrowd NRW funding programme, for example, provides a low-interest loan that covers up to 80% of the financial needs of start-ups, a maximum of 50,000 euros in connection with a crowdfunding project. The programme promotes the establishment and further development of companies whose business plan pursues social or ecological goals and which co-finance their projects

²¹ Bundesfinanzministerium, 2023

in parallel via a crowdfunding project. All federal funding opportunities are listed on a central platform accessible to start-ups (<https://www.foerderdatenbank.de>). One of the limitations is that the platform is only available in German.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Consider developing a comprehensive start-up strategy that outlines how the country will attract international start-ups, promote Albanian start-ups abroad and increase its international visibility.
2. Learn from Germany how to attract foreign capital and build a favourable capital market to become a more interesting destination for international start-ups.
3. Consider developing a "Welcome to Albania" app with information on starting a business in Albania for digital nomads and international start-up founders.

Structures, Organisations & Initiatives

There are several public and private organisations, structures, and initiatives that, on the one hand, promote Germany's visibility and build bridges to international start-up ecosystems and, on the other hand, support foreign start-ups to enter Germany and German start-ups looking to expand internationally. The following list is not exhaustive, but some of the notable organisations, structures, and initiatives that Albania could emulate or partner with are listed in the next sections:

International, national and regional investment agencies

The national agency for promoting investment in Germany, helping companies to internationalise, and promoting Germany's visibility abroad is the government marketing agency Germany Trade & Invest (GTAI). It is owned by the Ministry of Economic Affairs and Climate Action (BMWK) and actively promotes and markets Germany around the world. Most of its services are offered free of charge. GTAI is represented in more than 59 locations. Its office in the Balkans is in Zagreb. In addition, each region and often even each city in Germany has its own investment agency, funded by local governments to support the establishment of new foreign companies in Germany. In recent years, some of them have been increasingly supporting foreign start-ups to establish themselves in Germany. They offer various support measures, such as applying for a visa, starting a business, but also special offers for start-ups. For instance, Invest in Bavaria offers three months of free coworking spaces for start-ups and actively supports international start-ups to participate in acceleration programmes open to foreign start-ups. The Düsseldorf Office of Economic Development is another key player in promoting the settlement of start-ups in Germany. Not only do they bring start-ups together with companies, but also co-organise the annual Digital Demo Day that offers selected foreign start-ups free booth space during the fair. In Berlin, Berlin Partner for Business and Technology is the first port of call for foreign start-ups looking to accelerate their growth in the capital region. Actors like Berlin Partner not only promote inbound start-ups, but also actively build bridges to other start-up ecosystems. In February 2023, a delegation of start-ups, practitioners, and intermediaries travelled to Kigali and Kampala with the goal of connecting Berlin start-ups with peers in Uganda and Rwanda.

Chambers of Industry and Commerce

While chambers of industry and commerce are often seen as traditional, they also offer support for start-ups to varying degrees. Since membership in a chamber of industry and commerce is mandatory in Germany, they exist in almost all cities. By law, the chambers of industry and commerce have the task of representing the overall interests of companies at national, European, and international levels. An initiative of several chambers of commerce and industry together with the chambers abroad, which is



intended to support start-ups in partner countries in establishing themselves in Germany, is the START.UP! GERMANY TOUR, which will be discussed in more detail in the next chapter.

The Digital Hub Initiative

The Digital Hub Initiative was launched by the BMWK to strengthen Germany as an attractive location for digital innovations and as one of the world's leading digital ecosystems. There are currently twelve industry hubs that increase the visibility of the sector in the respective location and act as a solid network to enable the exchange of technological and business know-how, programmes and ideas. Some of the Digital Hubs are located in Berlin (IoT & fintech), Cologne (insurtech), Karlsruhe (artificial intelligence), Frankfurt/Darmstadt (fintech & cybersecurity), Hamburg (logistics), etc. As mentioned above, the German government's new "Start-up Strategy" plans to further strengthen the initiative to provide foreign start-ups with a better overview of the diverse German start-up landscape. The "Digital Hub Initiative" is closely interlinked with the GTAI. They support the individual hubs of the initiative in their internationalisation by bringing them into contact with international players and helping them to be noticed on the international stage. The Digital Hub Initiative also has a network of international ambassadors in various countries. German start-ups looking to expand can contact the ambassadors for information. At the same time, the ambassadors in the countries serve as the first point of contact for local start-ups to the digital hub community and promote the Digital Hub Initiative abroad. The only country represented by an ambassador partner in the Balkans is Slovenia.

German Accelerator

The German Accelerator was founded in 2011 to support promising German start-ups in their internationalisation. The programme is also funded by the BMWK and implemented by German Entrepreneurship GmbH. It is a massive effort by the German government to provide structural support for the internationalisation of German start-ups. It is supported with around EUR 10 million annually. The German Accelerator takes promising companies on a fast-paced learning journey to some of the world's leading innovation centres. It started in 2012 with a delegation to Silicon Valley in the USA. In 2014, an office was opened in New York. A year later, the life science track was initiated with Boston. In 2018, the German Accelerator turned east and opened an office in Singapore to serve the Southeast Asian market. In 2019, the Next Step programme was added, bringing India into the German Accelerator portfolio. The German Accelerator has also begun supporting German start-ups in Japan, South Korea, and China, and will expand to South America. The German Accelerator has programmes for start-ups at all stages, both preparing start-ups for internationalisation and helping start-ups enter partner markets through specific delegation trips. The programme has also developed an "Internationalisation Readiness Checklist" to assess whether start-ups are ready for new markets. As already mentioned, the German government's "Start-up Strategy" envisages further strengthening of the "German Accelerator".

START.UP! GERMANY TOUR

The START.UP! GERMANY TOUR is an initiative of several North Rhine-Westphalian chambers of industry and commerce and the chambers of commerce abroad, sponsored by the Ministry of Economic Affairs, Industry, Climate Action and Energy of the State of North Rhine-Westphalia and NRW. Bank. The Start.up! Germany Tour is a predominantly digital tour that supports international start-ups from abroad to get in touch with companies and key players from North Rhine-Westphalia (NRW) and to show them the advantages of NRW as a location for starting a business. The participating start-ups are selected by the local network (e.g., German chambers of commerce abroad) in the partner countries. They select start-ups from the fields of logistics/mobility, green tech, or industrial solutions. However, only five start-ups per country are allowed to participate in the START.UP! GERMANY TOUR. More than 45 countries are involved in the initiative, but in the Balkans only Croatia is a partner country.



Bilateral or regional start-up programmes and bridges

Despite the various internationalisation programmes, both the federal and state governments have established bilateral or regional start-up programmes and bridges. For example, the German-Indian Startup Exchange Program (GINSEP), which ran from 2018 to 2022, was implemented by the German Startups Association and funded by the BMWK. It supported Indian and German start-ups to enter each other's countries by offering market delegation trips, providing comprehensive information about the ecosystems, offering training and capacity building measures, and building a network of German investors interested in investing in Indian start-ups. After the funding expired, the programme continued as a private initiative with the support of companies and various investment agencies. The initiators of the platform are actively seeking to expand the platform to other countries as well. Another such initiative is the German-Israeli Network for Start-ups and SMEs (GINSUM). The programme is also funded by BMWK and implemented by the European Leadership Network (ELNET). It aims to connect German SMEs and municipal players with Israeli start-ups. GINSUM provides networking opportunities through events, workshops, pitching formats and roadshows, as well as information and practical support for growth opportunities on both sides. One initiative supported by the state of Berlin is AsiaBerlin and AfricaBerlin. AsiaBerlin grew out of the Asia-Pacific Week, which was launched back in 1997. Today, AsiaBerlin forms a common platform that brings together communities within the start-up ecosystems in Asia and Berlin. The programme facilitates relationship building between investors, start-ups, and bridge builders by organising monthly AsiaBerlin events and delegation trips to Berlin and Asia throughout the year. The programme operates on a meta-level, fostering networks between all actors within the partner start-up ecosystems, with the goal of supporting connections and collaborations between start-ups and their partners in Berlin and the partner hubs. AsiaBerlin's flagship event is the AsiaBerlin Summit, which takes place once a year in Berlin. The platform also hosts a volunteer network of ambassadors who support networking with their expertise. Building on the experience with AsiaBerlin, AfricaBerlin was initiated in 2021. The AfrikaBerlin network pursues three project goals: the initiation and implementation of expansion and internationalisation projects, the institutionalisation of cooperation with actors in selected start-up ecosystems in the focus countries, and the creation of a talent bridge between Berlin and the partner countries.

Acceleration and incubation programmes

There are dozens of (corporate) acceleration and incubation programmes in Germany that have worked with international partners or are open to international start-ups. For example, the InsurTech Hub Munich, which is also a digital hub, regularly runs accelerator programmes that are open to international start-ups. Impact Hub Berlin also runs various donor-funded programmes to attract international start-ups to Germany. In 2022, for example, Impact Hub was the lead implementing agency of a GIZ-commissioned market access programme to help selected women entrepreneurs from India find further growth opportunities in Germany. In 2021, the Start-Up Incubator: Blue Factory at the Institut Jean-Baptiste Say hosted a Start-up Internationalisation Bootcamp where more than 20 selected start-ups were mentored by experts from Italy, Spain, and France. UnternehmerTUM, the independent incubator of the Technical University of Munich, has cooperation partners in more than 35 countries and offers, among other things, exchange programmes to help its start-ups internationalise, as well as access to international events. In addition, most corporate programmes are open to international start-ups, such as Bayer's G4A programme, Bosch Household Appliances' BSH Startup Kitchen, or the SAP.iO programme. However, most companies are looking for fast-growing high-tech start-ups, where the Albanian start-up market is still lagging. Therefore, collaborations should be encouraged especially with accelerator programmes that have worked on programmes with developing markets in the past and have a stronger CSR approach.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Install and promote an ambassador located in Albania for the “Digital Hub Initiative” to promote linkages and support inbound and outbound start-ups.
2. Involve Albania in the START.UP! GERMANY TOUR initiative to offer Albanian start-ups the opportunity to travel to Germany.
3. Replicate the START.UP! GERMANY TOUR in Albania to showcase international start-ups opportunities in Albania.
4. Replicate the programmes of the German Accelerator to support internationalisation of Albanian start-ups.
5. Introduce components of GINSEP on AlbaniaTech (e.g., network of experts for internationalisation, market information, etc.) to promote the platform as an entry point for international start-ups and as a source of knowledge for Albanian start-ups.
6. Partner with acceleration programmes that are open to international start-ups or have experience in implementing market access programmes or joint programmes.

4.3.2. Austria

Introduction and Overview

Due to its strategic location Austria is seen as Europe’s unrivalled springboard to Central and Eastern Europe. It is home to the third largest Albanian diaspora and is the third biggest export partner of Albania among the countries selected for this study. It was also ranked third by start-ups and ISOs participating in the survey and is an attractive market due to its investment-friendly tax system and support network for obtaining funding, as well as its simple procedures for starting a business. Like Albania, Austria offers a high quality of life and a relatively low cost of living compared to other Western European countries.

Every second Austrian start-up pursues a social or green business model

Like Germany, Austria is characterised by its federal structure, which gives a boost to start-up development in Austria. Most start-ups are found in Vienna (47.1%), followed by Styria (12.6%), Upper Austria (11.3%) and Tyrol (8%). Especially in Lower Austria and Tyrol, there has been a disproportionate growth in start-ups in recent years. A total of 3.300 start-ups have been founded since 2011, an average of 360 start-ups per year. Despite a slight decline, most Austrian start-ups are still active in IT/software development (29%), followed by life sciences (11%), consumer goods (9.9%), industrial technology (9.6%), communication/marketing, media, and creative industries (7.0%), energy & mobility (5.1%), trade (5.1%), finance and financial technology (4.8%), construction & real estate (3.5%), education (3.2%) and tourism (3.2%). It is interesting to note that 50% of all Austrian start-ups are green or social start-ups. 20% of all start-ups pursue a SaaS business model. In second place is product distribution (hardware) with a total share of 17%, followed by IT/software development (8%) and 7% of start-ups with e-commerce business models.

Customer acquisition, revenue growth and internationalisation among the biggest challenges of Austrian start-ups

According to the Austrian Startup Monitor, access to qualified personnel is not one of the biggest challenges for Austrian start-ups, in contrast to Germany. Due to recent global conflicts (Russian-Ukrainian war) and crises (Covid-19 pandemic), Austrian start-ups cited cash flow and liquidity (19.3%)

as one of their biggest challenges, followed by sales and new customer acquisition (16.3%), revenue growth (10.5%), fundraising (9.9%), product development (9.2%), internal processes and organisation (5.8%) and internationalisation (5.6%). The challenges of Austrian start-ups lie primarily in the areas of customer acquisition, revenue growth and internationalisation, as they have a strong international focus. Around 40% of all revenues are generated in export markets. Around 80% of all exports go to the EU. Other important markets are other European non-EU countries and North America. 80% of all Austrian start-ups plan to enter new export markets in the next 12 months. The EU remains one of the preferred markets for future internationalisation, with 73% of Austrian start-ups saying they plan to export there. 25% of the start-ups surveyed said they planned to export to other European countries outside the EU in the next 12 months.

Austria is home to high number of migrant founders

Austria promotes a diverse start-up culture, which is also reflected in the number of founders with a migration background. Around 22% of all founders have a first-generation migration background. While Germans represent the largest migrant group in the Austrian start-up scene with 36.7%, 29.3% come from other European countries, followed by 18% who immigrated from other European non-EU countries. Particularly many founders come from Eastern European (e.g., Hungary and Ukraine) and Southeastern European countries (e.g., Bosnia and Herzegovina and Romania). Interestingly, the gender gap is smaller in the immigrant founder community than in the non-immigrant community. While the share of female founders in the total founder community is 25%, it is 28% among founders with a migration background. Among non-EU European countries, the share of female founders is particularly high at 33%. This offers potential not only for Albanian start-ups to establish contacts with these female founders and build bridges between Austria and the Western Balkans, but also to promote female entrepreneurship. The Austrian Startup Monitor found that migrants in Austria benefit from a variety of resources when starting a business, which come from their international experience, network, and knowledge. For example, 26% of migrant founders surveyed see advantages in internationalisation, 19% in finding skilled workers, and 14% each in identifying business ideas and sourcing goods and services from abroad. The biggest obstacles for migrants remain a lack of networks (33%), language barriers (19%), cultural differences (16%), bureaucratic hurdles before (8%) and after founding (10%), and recognition of degrees (5%).²²

To increase its visibility in the international start-up community, attract international start-ups and support Austrian start-ups to expand internationally, there are several laws, organisations, structures, and initiatives that the Albanian start-up ecosystem can learn from and connect with, which are presented in the following sections.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Connect female founders from both countries, e.g., focusing on Austrian women-owned start-ups with a migration background through matchmaking programmes.

Government

Austrian start-up ecosystem - Female, green and social

Unlike Germany, Austria does not have a "Start-up Strategy" in place. Overall, the country is positioning itself as a hub for female, green and social start-ups, as every second start-up is green or social and Austria has the highest proportion of start-ups in the EU where at least one founder is female. The city of Vienna is keen to develop in this respect. The city's strong positioning has resulted in one out of every

²² AIT Austrian Institute of Technology GmbH, 2022

two social enterprises in Austria being in Vienna. The city of Vienna is also the only federal state that mentions social enterprises in its government programme. Several ISOs have emerged in Vienna to support social and green enterprises, such as the EIT Climate-KIC Initiative, the Impact Hub, or the Climate Lab. In its brochure for international start-ups, the Austrian Business Agency (ABA) also emphasises the benefits Austria offers for female founders. These include "Female Entrepreneurship" bonuses in many Austrian funding programmes - both on federal and provincial level, "Fund F" - Austria's first venture capital company focusing exclusively on gender-mixed founding teams and platforms, as well as acceleration programmes targeting women such as Women in IT-Health, Women in AI, Female Factor, Investorinnen.com, etc. Although Austria, like Germany, has several sectoral hubs in cities such as Graz (life sciences), Klagenfurt (drones), etc., these are not actively promoted as part of the location marketing strategy.

Strong funding support for new companies

To encourage start-ups of all sizes, the government has allocated significant public funds to support start-ups. For example, any company, regardless of its size, industry, or corporate structure, can apply for a research loan. The Austrian Research Promotion Agency (FFG) is responsible for distributing the research and innovation funds. Funding is generally available in all areas and covers up to 80% of the total costs. In 2022, the FFG supported more than 850 start-up projects.²³ Austria Wirtschaftsservice (aws) is Austria's state-owned development bank. It offers a wide range of financing instruments for start-ups, ranging from equity to loans. To identify the right support, aws has set up the Förderpilot platform (<https://www.foerderpilot.at/>) as well as a configurator (<https://www.aws.at/fileadmin/DigiCoach/app/>) that guides start-ups to the appropriate funding programmes. To support internationalisation of companies, the Austrian government launched the "go-international.at" initiative. Based on its success, the programme was extended until 2027. A comprehensive programme of events that can be accessed on the platform and a total of five funding instruments support Austrian companies in their internationalisation steps. Additionally, the individual federal states also have set-up funds for internationalisation. For example, Vienna Business Agency supports the internationalisation of companies with up to 50,000 euros and a subsidy rate of 50% for costs associated with implementing the internationalisation plan.²⁴

Simplified processes when setting up a company but difficult migration laws

To make setting-up a business easier and less expensive, the New Companies Promotion Act was launched to provide benefits on land transfer tax, certain non-wage labour costs when hiring employees within the first 36 months and simplified founding process for single-person limited liability companies. And while setting-up a business has been eased, Austria's migration processes at times remain lengthy and bureaucratic. Despite the EU Blue Card, foreigners seeking to start a business in Austria can also apply for the Red-White-Red Card. However, to receive the latter, the business must meet one of the following criteria:

- Involve a transfer of investment capital to Austria amounting to EUR 100,000 minimum,
- Create new jobs or secure existing jobs in Austria,
- Involve the transfer of know-how and new technologies, or
- Be of considerable significance for the entire region.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Learn from Austria how to position a country in a niche.

²³ ABA, 2023

²⁴ Vienna Business Agency, 2023



2. Learn from Austria about different funding instruments for start-ups of all sizes, industries, and corporate structures.
3. Learn from the go-international initiative by the Austrian government that supports Austrian start-ups to go global.

Structures, Organisations & Initiatives

There are several public and private organisations, structures, and initiatives that, on the one hand, promote Austria's visibility and build bridges to international start-up ecosystems and, on the other hand, support foreign start-ups to enter Austria and Austrian start-ups looking to expand internationally. The following list is not exhaustive, but some of the notable organisations, structures, and initiatives that Albania could emulate or partner with are listed in the next sections:

International, national and regional investment agencies

The national agency for promoting investment in Austria and enhancing Austria's visibility abroad is the state-owned Austrian Business Agency. The agency provides information, personal advice, and tailored services for international founders in areas such as financing options, labour law and tax issues, networks and business contacts, etc. In addition, each region has its own business agency, funded by local governments, to support the establishment of new foreign companies in their region. It is worth noting that the Vienna Business Agency offers a range of services for international start-ups. With the Vienna Startup Package, selected international start-ups that want to expand to Austria are invited to Vienna every year. During the four-week programme, international start-ups receive interactive and hands-on workshops, 1:1 coaching, networking opportunities with companies and stakeholders, and a general introduction to the Austrian start-up and innovation ecosystem. Travel expenses, accommodation and co-working as well as individual business coaching are covered by the Vienna Business Agency. In 2022, the package was awarded to 19 start-ups from 15 countries. The Vienna Business Agency also promotes current tenders and competitions on its platform.

Global Incubator Network Austria

The Global Incubator Network (GIN) Austria was initiated by the federal government of Austria in 2015 with the aim of strengthening inbound and outbound internationalisation and innovation exchange with Asia. With GIN, a programme was launched that for the first time focuses on the fast-growing markets of Asia. The programme is funded by the Austrian National Foundation for Research, Technology and Development and managed by Austria's main public funding agencies - FFG and aws. GIN is the connecting link between the Austrian start-up ecosystem and the world. GIN focuses on six target regions in Asia, namely Hong Kong, Singapore, Japan, South Korea, Israel, and Mainland China. In addition to supporting start-ups in their expansion plans, GIN also addresses investors, incubators and accelerators from Austria and the GIN target regions. While only open for Asian start-ups and Austrian start-ups seeking to expand to Asia, there are internal ongoing discussions about also integrating other regions into the programme.

Discover Vienna – Softlanding Programme

Discover Vienna is a soft-landing programme for international start-ups looking to discover new opportunities in Vienna. Each year the programme is dedicated to a specific topic and offers insights and networking opportunities within this framework. Discover Vienna programme is aimed at companies/start-ups that are interested in the Vienna start-up scene, are not older than 8 years, are beyond the prototype stage and have already successfully launched in their home market. In 2023, Vienna Business Agency partnered with EIT Manufacturing to conduct the programme. During the programme, start-ups receive two months of mentoring and coaching support with focus on business





development, intensive access-to-market programme to get acquainted with the dynamics in the Austrian and Viennese markets, deep dive sessions and introductions to leading Austrian industrial corporates and participation in leading networking events such as the “aws Connect Day” and “Manufacturing Day”.

Born Global Academy

To support Austrian start-ups to grow globally, the Wirtschaftskammer Austria jointly with weGrow International has established the Born Global Academy. The goal of the Born Global Academy is to introduce Austrian scaleups to internationalisation possibilities with a series of events, as well as to take concrete market entry and growth steps in jointly defined target regions. Scaling experts provide consultation services and assist start-ups as they take concrete steps towards market entry and growth. Following the Born Global Academy, the Wirtschaftskammer Austria support seamlessly transitions to programmes it has partnered with such as the GIN programmes in Asia, Pitching Days in London, New York and Tel Aviv, and Landing Zones in the UAE, South Africa, and more.

Start-up Alpe-Adria project

The Start-up Alpe-Adria project is an Interreg project financed by the European Union that aims to connect stakeholders, entrepreneurs, start-ups, and talents from both sides of the Austrian and Slovenian border. It also aims to raise the quality, range of services, and resources for entrepreneurial talent and start-up companies and establish the Alpe-Adria region as an interesting start-up destination. As part of the programme a “Alpe-Adria Start-up and Scale-up Manifesto” was developed outlining action points to make the ecosystem an attractive destination. As part of the programme a Start-up Alpe-Adria Summit, a two-day online meeting of Slovenian and Austrian actors of the cross-border start-up ecosystem and international guests took place with the aim to strengthen cooperation and to reflect on possible ecosystem improvements and possible measures for improvement.

Validate.global

The Validate.global programme assists international entrepreneurs and innovators tackling the United Nations (UN) Sustainable Development Goals (SDGs) to explore new business and impact opportunities in new markets. The programme is being implemented by the Impact Hub Vienna and INITS with funding support from the Austrian Development Agency. Together with their global partners, start-ups have access to soft-landing infrastructure, services, and expertise. The programme lasts for 6-months and helps international entrepreneurs with products and solutions targeting the agriculture, health, or food sector to explore and validate their businesses in Ghana, Nigeria, and Rwanda.

Acceleration and incubation programmes

Like Germany, there are dozens of acceleration and incubation programmes in Austria that have collaborated with international partners or are open for international start-ups. The Impact Hub Vienna runs several acceleration programmes open for international start-ups such as the “Better Mobility Accelerator” and the ClimAccelerator”. Impact Hubs also runs the Validate.global programme as outlined above. The Health Hub Tirol runs an international call for life science start-ups. The Science Park Gratz has accelerated more than 150 start-ups and has many international partnerships. Grow F is an acceleration programme for female-led start-ups that offers mentoring, industry connects, etc.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Promote the Vienna Startup Package and the “Discover Vienna” programme among eligible Albanian start-ups through AlbaniaTech.



2. Elaborate possibilities to integrate the Balkan region into the GIN programme in a joint effort with other Balkan countries.
3. Learn from the Start-up Alpe-Adria project how to develop cross-border start-up ecosystems and replicate elements of the programme such as the summit to strengthen cross-border collaboration.
4. Initiate discussion with Impact Hub Vienna to add Albania as a target market to the programme.
5. Partner with acceleration programmes that are open to international start-ups or have experience in implementing market access programmes or joint programmes.

4.3.3. Italy

Introduction and Overview

Italy is a natural learning and collaboration partner for Albania's start-up and innovation ecosystem. There are approximately 70,000 to 100,000 Albanian speakers living in Italy. Close cultural ties exist between both countries. According to StartupBlink, Italy ranks 30th in the world for start-ups and innovation in 2022, making it a potential learning country. The ecosystem for start-ups and innovation is not as developed as in the UK, Germany, and Austria, but ranking neck and neck with Latvia, with both countries having similar VC funding per capita.²⁵ Italy is Albania's largest export partner, with 40.8% of all exports heading to Italy. The products that are most frequently exported to Italy include footwear, clothing items, but also electrical and electronic equipment.²⁶

Several ecosystems within the country – mostly concentrated at the North

Italy has many regions with different innovation foci across the country. In total, 26 Italian cities are in the StartupBlink report's top 1000 cities. Many of those host a vibrant start-up and innovation scene, including Milan, Florence, and Bologna, which have performed the best in recent years, followed by Roma, Modena, Bergamo, Turin, Parma, and Cagliari. Milan (Lombardy) is considered the largest start-up and innovation ecosystem in Italy due to its commercial mentality and a significant number of venture capitalists. It hosts a significant number of fintech start-ups, while Rome (Lazio Region) is more focused on energy and the environment. Turin (Piedmont region), on the other hand, is slowly positioning itself as an edtech hub. Overall, Italy has a long tradition of entrepreneurship, ranging from high-end leather goods to aerospace, from apparel to medical technology and industrial automation. However, unlike large European economies such as Germany, the UK, France and Spain, Italy is not in the global top 25 in any of the 11 sectors mentioned in the StartupBlink report.²⁷

There are approximately 15.000 active start-ups. With regards to the distribution, 75% of them provide services to companies (such as software, R&D, etc.), while 16% are active in manufacturing (production of machinery and electronic devices mainly). Another 3% are active in the trade sector and 6% in other sectors of activity such as fintech, health, food, etc. However according to Dealroom, the fintech sector, followed by the food and enterprise software sector are the sectors that have received most start-up funding in the last years, making it promising future sectors for Italy.²⁸

²⁵ Motte, 2023

²⁶ Trading Economics, 2020

²⁷ StartupBlink, 2023

²⁸ Dealroom, 2022

Innovation barriers in the Italian ecosystem

Italian start-ups face several obstacles that have contributed to the internationalisation of Italian start-ups, including bureaucratic obstacles and access to funding. Faced with a lack of funding, Italian scaleups are moving their headquarters abroad to obtain funding while keeping research and development in Italy.²⁹ Although Italy is a largely export-oriented economy, the local start-up and innovation ecosystem has failed to contribute significantly to the economy. Therefore, the government needs to create a more favourable regulatory environment to encourage start-ups, improve tax policies, and create a stronger overall global perspective. With the adoption of the "Italian Start-up Law" and the creation of a new venture arm (CDP Venture Arm), the government is trying to address these issues. On a positive note, Italy also has a vibrant university landscape with a large talent pool.

To increase its visibility in the international start-up community, attract international start-ups and support Italian start-ups to expand internationally, there are several laws, organisations, structures, and initiatives present in Italy that the Albanian start-up and innovation ecosystem can learn from and connect with, which are presented in the following sections.

Recommendations for the Albanian start-up and innovation ecosystem:

1. Connect with Milan as a fintech hub and explore joint programming opportunities given Albania's growth in the fintech sector

Government

Recognising the challenges of the Italian start-up ecosystem, especially regarding its international visibility, the Italian government has launched various laws and initiatives to attract incoming and outgoing start-ups.

“Italian Start-up Act” – providing a range of incentives for innovative start-ups

In 2012, Italy introduced a legislative framework to support the creation and growth, as well as the internationalisation of the Italian start-up and innovation ecosystem. The law introduced a legal definition for innovative start-ups attributing a specific set of provisions to start-ups certified under the category such as free and digital incorporation, exemption from stamp duties and other fees normally due to the Chambers of Commerce, exceptions to general company law, simplified access to the SME Guarantee Fund, etc. The law also stipulates ad hoc services for the internationalisation of start-ups through the Italian Trade Agency. Italian start-ups with an interest to internationalise can receive free guidance by the agency to some of the main international events for hi-tech companies. Start-ups interested to fall under the law, can send a self-certification of compliance with requirements to the local Chamber of Commerce. The chamber is also carrying out routine checks to ensure that the registered start-ups meet the legal requirements. Requirements need to be checked and confirmed once a year, and start-ups are obliged to update their profile on startup.registroimpresa.it. This also allows the Italian government to keep track on the development of the start-up ecosystem and gather data for evidence-based decision making.

Italia Start-up Visa and Italia Start-up Hub – facilitating access of non-EU innovators to Italy

To give start-ups and entrepreneurs from non-EU countries the opportunity to create and develop their innovative business in Italy, the government introduced the Italia Start-up Visa and the Italia Start-up

²⁹ Flanders Investment & Trade, 2020



Hub in 2014. The Italia Start-up Visa provides a simplified procedure for innovators from non-EU countries who want to join the Italian start-up and innovation ecosystem. The Italia Start-up Hub was developed to allow innovators from non-EU countries who are already in Italy to extend their stay to create an innovative start-up. Start-ups wishing to apply for the Start-up Visa can do so through a direct application by sending their documents to the Italian Ministry of Economic Development Committee, or through a certified incubator. However, foreign start-ups must have financial resources (their own or granted by third parties, such as certified incubators or investment funds) of at least EUR 50,000. Despite these incentives, the number of foreign start-ups is relatively low compared to other start-up and innovation ecosystems, at around 3.7% of all start-ups.

Voucher Schemes for internationalisation and patenting of start-ups

To support micro-enterprises, start-ups and SMEs, the Italian government has introduced various voucher schemes that allow companies to benefit from consulting services in exchange for a voucher funded or co-funded by the Italian government. Under the 3I voucher, innovative start-ups registered in the Special Registry can upgrade and protect their patents for industrial inventions in Italy and abroad, receiving up to 9 vouchers per year. An internationalisation voucher was designed to support micro and small manufacturing companies (including start-ups) based in Italy to help them expand into foreign markets. However, funding for both programmes has been exhausted and is currently no longer offered.

Increasing access to funding to support start-up creation and internationalisation of start-ups

The government is aware that access to finance remains one of the biggest challenges for start-ups and internationalisation. It has therefore launched several initiatives to improve funding opportunities. The "Smart&Start Italia" programme, launched in 2014, is the most important financing programme for innovative and digital start-ups at the national level and has a total budget of around 200 million euro. The programme offers innovative start-ups (already active or soon to be founded) interest-free loans to cover up to 80% of investment plans and administrative costs within the limits of at least 100,000 euros and up to 1.5 million euros. The loan coverage rate increases to 90% if the company's members are majority women or under 35 years of age or include a returning researcher from abroad. To boost start-up activity in the underserved south of Italy, start-ups based there receive 30% of the funds as a non-repayable grant.³⁰ In 2019, the government introduced the National Innovation Fund, managed by CDP, Italy's public investment bank. The fund invests in emerging technologies, such as blockchain, IoT (Internet of Things), and AI. According to various players in the ecosystem, the initiative has had the greatest impact to date in fostering innovation in Italy. Another important announcement was made at the end of 2022: CDP and SIMEST, the agency for the internationalisation of Italian companies that is part of CDP, announced a €150 million investment in the creation of a fund dedicated to the growth and expansion of Italian start-ups with great development potential in foreign markets.³¹ The measure aims to help Italian start-ups become international innovation leaders and increase the visibility of the Italian start-up and innovation ecosystem overall.

The "Sandbox reform" offering regulated testing grounds for fintech start-ups

To encourage the development of the fintech start-up sector, Italy has launched a regulatory sandbox reform. Sandboxes are a concept that allows start-ups to conduct "live" experiments under regulatory supervision. Supervised intermediaries and operators in the FinTech sector can test technologically

³⁰ Invitalia, 2023

³¹ Global Trade Alert, 2022



innovative products and services in the banking, finance, and insurance sectors for a limited period of time. To participate, projects must be highly innovative and at an advanced stage of testing. They must also add value to end users and increase the efficiency of the financial system. Projects that are approved for testing can participate for 18 months, with the possibility of requesting an extension. Throughout the trial period, the competent authority will monitor the activities of FinTechs within the sandbox and may modify the conditions under which they are allowed to continue experimenting. The reform is seen as an opportunity to attract international fintech start-ups to Italy on the one hand, and for local start-ups to raise capital and enter the target market while saving time and costs.

Foreigners can benefit from two “Brain Drain” Acts

To reduce the brain-drain and attract qualified professionals, the Italian government has issued two new regulations in 2019. Both Italians and foreigners who transfer their tax residence to Italy as employees or self-employed persons will benefit from tax incentives. It is worth noting that the percentage of income exemption can increase up to 90% when workers move to the southern regions of Italy. Applicants should not have resided in Italy for the last two years. A similar scheme has been developed for the return of researchers and teachers. The law provides for the exemption of 90% of the remuneration of teachers and researchers who have carried out research or taught abroad continuously for at least two years.

Recommendations & learnings for the Albanian start-up and innovation ecosystem:

1. Learn from the “Italian Start-up Act” to integrate workable provisions into the Albanian “Law on the Support and Development of Start-ups”, especially regarding the start-up database to support evidence-based decision making.
2. Consider introducing a voucher system to support the internationalisation of Albanian start-ups with the help of advisory services.
3. Consider providing financial incentives and support to returning diaspora members who want to start a venture in Albania, like the provisions of the “Smart&Start” Italia programme.
4. Learn how to implement the “Sandbox reform” to promote innovative ideas and offer testing grounds for national and international start-ups.
5. Consider introducing “brain-gain” laws that create incentives for the return of professionals to Albania with the goal of setting-up a start-up.

Structures, Organisations & Initiatives

There are several public and private organisations, structures, and initiatives that, on the one hand, promote Italy's visibility and build bridges to international start-up ecosystems and, on the other hand, support foreign start-ups to enter Italy and Italian start-ups looking to expand internationally. The following list is not exhaustive, but some of the notable organisations, structures, and initiatives that Albania could emulate or partner with are listed in the next sections:

National investment agency

The national agency promoting investment in Italy and supporting companies in their internationalisation is the Italian Trade Agency (ITA). ITA supports Italian start-ups in their internationalisation process by organising joint participation in main international innovation fairs, assisting investors, incubators, and accelerators to participate in Italian innovation fairs and organising business meetings and forums abroad. ITA also provides regulatory, corporate, tax, real estate, contract, and credit services to start-

ups. Start-ups certified under the "Italian Start-up Act" can apply for a so-called "Start-up Service Card", which gives them a 30% discount on standard costs.

Chambers of Commerce

Although being conceived bureaucratic, the Chambers of Commerce have started to focus on providing support and new incentives to start-ups and potential entrepreneurs seeking to internationalise. One of the initiatives noteworthy facilitated by the Chamber of Commerce Milan is the Mind the Bridge programme, a global initiative seeking to connect ecosystems. The programme gave innovative Italian start-ups the chance to present their idea in front of innovation players in San Francisco to create partnerships and attract investors. In addition, under the programme, Italian start-ups received due diligence support and expertise from local professionals.³²

Global Start-up Programme

To support Italian start-ups in entering international markets, ITA in partnership with various other organisations, has launched the Global Start-up Programme. Each year, the programme supports 100 innovative Italian start-ups engaged in the development of product or service innovation and seeking to strengthen their technical, organisational, and financial capabilities to enter new markets. The programme offers participating start-ups the opportunity to take advantage of an incubation or acceleration programme abroad. For this purpose, ITA has partnered with international incubators and accelerators. The incubators/accelerators host the selected start-ups for 8 weeks. While abroad, the selected start-ups participate in training, mentoring activities, pitching sessions, meetings with potential investors and companies, and networking events. Participation in the programme is free of charge. Target countries for the programme are China, South Korea, the United Arab Emirates, France, Germany, Japan, the United Kingdom, Singapore, and the United States of America.

Bilateral or regional start-up programmes and bridges

The start-up scene in Emilia Romagna has been attracting a lot of attention. Guided by the regions administration, several initiatives have been carried out to support the setup, growth, consolidation, and first international steps of local start-ups. One of the noteworthy initiatives is the 'Emilia-Romagna in USA' initiative. Under the initiative several programmes are being implemented. The Business Match programme aims to connect SMEs and scale-ups to connect them with corporate investors and possible partners or buyers in the Silicon Valley. The Mindset programme is an introduction programme to the innovation ecosystem in the US to support start-ups to initiate first contacts. Under the International Accelerator programme, innovative Italian companies from the region are getting access to a three-months long acceleration programme within the Plug and Play Tech Center. The Incubator programme aims at a knowledge transfer from incubators in Silicon Valley to incubators in the Emilia-Romagna region. To support start-up exchange between India and Italy, the India-Italy Start-up Bridge was launched in March 2023. The Startup Bridge between two nations intends to connect start-ups, investors, incubators, corporates, and aspiring entrepreneurs from the two countries. To date, the platform hosts a "Go-to-Market Guide" for both countries and contact points to reach out when seeking to internationalise.

Acceleration and incubation programmes

Like in other countries, there are several acceleration and incubation programmes that are open for international start-ups or have cooperated with international partners. The PoliHub, one of Italy's biggest

³² Camera di Commercio, 2023

university incubators has global cooperation with well-known incubators such as UnternehmerTUM, ETH Zürich, hello tomorrow, The Collider, etc. The Vegapark in Venice hosts an incubator specialised in ICT, green and digital manufacturing, thus could give interesting insights to Albanian partners given the increasing emphasis and programmes in ICT and green solutions. Fin+Tech Accelerator, initiated by several Italian VCs and incubators such as CDP, Digital Magics, Startupbootcamp, Nexi, and Fintech District, targets fintech and insurtech companies and is also open for international star-ups. The programme lasts 4 months and includes three phases - an in-depth project evaluation, development, and presentation. Another interesting programme given Albania's and Italy's close ties in the apparel sector is the StartupBootcamp (fashiontech). It is a yearly three-month acceleration programme that supports global fashion tech start-ups.

Recommendations & learnings for the Albanian start-up and innovation ecosystem:

1. Integrate services of ITA in the portfolio of the "Start-up Albania" agency that will be formed soon.
2. Engage with "Mind the Bridge" to bring the initiative to Albania and expose start-ups to global ecosystems to create networking opportunities to entrepreneurs.
3. Include Albania or the Balkan region in the Global Start-up Programme to support Italian start-ups to expand to Albania or replicate the programme in Albania by building a global network of partners to support internationalisation of Albanian start-ups.
4. Partner with acceleration programmes that are open to international start-ups or have experience in implementing market access programmes or joint programmes.

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