



ANALYSIS OF RELEVANT POLICY FRAMEWORK

by DEX Innovation Centre

Mr. Jan Forman, Project Manager

Project co-funded by European Union funds (ERDF, IPA, ENI)

Content

1. Abstract.....	2
2. Key facts about the region	3
2.1 General data on Liberec region.....	3
2.2 Patterns of company creation and early-stage entrepreneurial activity.....	5
2.2.1 Societal attitude and perception toward entrepreneurship	5
2.2.2 Cost and time of company creation.....	5
2.2.3 Challenges limiting growth and success of startups	6
3. Key legal & tax legislation relevant for start-up ecosystem framework.....	8
3.1 Companies relevant legislation.....	8
3.2 Regulation relevant to new forms of financing innovative projects.....	9
3.3 SWOT Analysis of legal and tax legislation.....	10
4. Identification of barriers to access to equity	11
4.1 Investment cycle and investment types	12
4.2 Identification of barriers of access to equity in Liberec region	13
5. Position and importance of acceleration programs & equity financing environment	15
6. Identification of ongoing and potential acceleration programs in Danube area	18
7. Identification of barriers to access to equity in Danube area.....	20
8. References	21
9. Annexes.....	22

1. Abstract

This document briefly analyses the current situation of accelerator programs and financing options primarily in Liberec region, however, there are some parts of this paper which are oriented on the whole country level as the startup ecosystem is not well established in our region yet.

The first section describes the region itself and its main characteristics, followed by the challenges related to the business set up. The next chapter is dedicated to the company law and regulations. Chapter 4 explores financing options for young entrepreneurs with respect to its barriers, while chapter 5 identifies specific examples of accelerator programs in the Czech Republic. Some of these accelerators actually operate on the Central European regional level, which is the reason they are also listed in chapter 6. The last section is closed by a short identification of barriers to equity in the Danube area.

2. Key facts about the region

2.1 General data on Liberec region

For administrative purposes, the Czech Republic is divided into 13 regions and the capital city Prague. This reflects the division of local administrative units by NUTS III methodology. Liberec region is situated in the North of the Czech Republic and it is the second smallest region in terms of both area and population.

Despite the region's small size, it has a great geographical position close to Germany and Poland, which enables the region to be involved in the international trade on the local level. There is a relatively strong partnership between municipalities and counties at each size of the border. This tripoint area is called Euroregion Nisa.

At the same time, Liberec region is well connected with Prague, which is only 100 km far away. There is a state highway between these two cities and the ride does not take more than an hour. Although this information might not be viewed as important, it has a major impact on Liberec and is critical for our region as it affects the economy in multiple ways and levels. This phenomenon is further described in following chapters.

Historically, Liberec region is famous for its craftsmanship. The glass-blowing has a strong tradition in the region; the origins are dated back in the 14th century. By the end of the 18th century, glassmaking industry was gradually replaced by the textile manufacturer. This was enhanced by the industrial revolution in our country. The focus on textile lasted also during the communist era; however, after the Velvet revolution in 1989, the market has significantly changed. Shortly after, foreign investors flowed the country economy with massive capital investments and first modern factories appeared. In Liberec region, the automotive industry bloomed very fast in the 2000s and today, Liberec region is sometimes called as an "assembly line of the Czech Republic", which references to the excessive focus on automotive industry.

We think that the specific specialization can bring a comparative advantage for the region; however, it depends on the scale of the specialization. We know some well-known examples from the history when the unbounded specialization of the industry was the reason for some greatest empires and countries to fall. This could have been probably caused by the variety of supply shocks, e.g. by the commodity price change. Accordingly, we think it is very smart to diversify the regional economy and not to focus only on one particular industry.

In our opinion, the Accelerator project can be a great opportunity for our region to adapt to this diversification challenge.

Please find some general statistics of Liberec region in the table below.

	2015
Size of territory	3 163 km ²
Population	440 636, Czech Statistical Office 2016
GDP Per Capita	315 209 CZK, Liberecky kraj Statistics 2014
Gross expenditure in R&D (% of GDP)	2 610 000 000 CZK (1.89%), Liberecky kraj Statistics 2014
Ease of starting a business score <i>(by global innovation index or TEA by GEM; please indicate source of data)</i>	85.2 by Global Innovation Index, 2016* 7.33 by TEA from GEM, 2013*
No of companies (SMEs) <i>(use GEM, similar studies on SMEs and entrepreneurial activity)</i>	116 006 subjects in total, 94 172 self-employed people and 21 834 SMEs, Liberecky kraj Statistics 2015
Priority sectors of the region <i>(list few relevant for your region, i.e. upon S3 – smart specialization strategy)</i>	<i>RIS3: Production of engineering technologies Optics, ornamental and utility glass Advanced separation and remediation technologies Advanced textile-structure based materials Progressive metal and composite materials and technologies of their processing Nanomaterials Transport equipment components</i>
Talent pool provide No of graduates/year	1 728 University graduates, Ministry of education, youth and sports 2014
No of graduates from natural sciences as % of all graduates/year	Data not available

* Data not available for Liberec region, but only for the Czech Republic as a whole

2.2 Patterns of company creation and early-stage entrepreneurial activity

2.2.1 Societal attitude and perception toward entrepreneurship

Even today, almost 30 years after the Velvet revolution, when the communist regime was overthrown, there is still some negative perception towards entrepreneurs from the society.

Running own business back then was technically illegal (although there were some minor exceptions from this rule) and big international companies were viewed as the public enemies by the communist party. This probably formed the negative perception towards entrepreneurs, especially amongst the older generations.

Another reason for this is the nineties in our country. Some of the most powerful and influential businessmen of today are often somehow connected to the privatization period when the biggest state enterprises were sold swiftly to private entrepreneurs at nontransparent conditions. These people thus allegedly earned billions of Czech crowns and are connected to the politicians even today.

These are two main factors for a general public negative attitude towards entrepreneurship, especially for Generation X and Y. Fortunately, generation Z is not influenced by the communist stigma to this extent. However, the majority of young people in the Czech Republic would still prefer to be employed over starting their own businesses. Only the biggest risk-takers are willing to choose the entrepreneurial path instead of applying for university.

2.2.2 Cost and time of company creation

The Index of Economic Freedom, established and managed by the Heritage Foundation, provides a cross-country comparison and the economic freedom scores for 186 countries worldwide. One of the indicators is so called business freedom. It reflects how costly it is and how long it takes to set up a business in the particular country. Unsurprisingly, Hong Kong takes the first place, while the Czech Republic barely made it to the top 30¹. Given there are no bank holidays, it takes only hours to set up and register a company in Hong Kong. Contrary to the Czech Republic, where the average time to establish own business takes up to weeks or even couple months.

In our opinion, the main reason for such difference is, naturally apart from the law, the use of modern technologies in the country. In Hong Kong, the most of the services are available online unlike in the Czech Republic, where the most of the documents for a business set up must be verified by notary stamp and registered at the provincial courts. The list of administrative tasks

¹ Economic Freedom Index. Available online at <http://www.heritage.org/index/ranking>.

is relatively extensive in our country, while the most of the outputs must be verified by the notary public and sent as a registered mail. All these delays eventually add up to the total length of the business registration process in our country.

Entrepreneurs, who decide to set up a limited liability company, which is the most common type of company, will certainly have to go through the following procedure:

- Legal assistance (foundation agreement)
- City hall (trade certificates, criminal records)
- Land office (company headquarters)
- Public notary (verification of all documents, court fees)
- Accountant assistance
- Tax office (VAT registration)
- Health insurance
- Social Security Administration

For inexperienced individuals without a relevant business law background, this process is extremely complicated, costly and lengthy and almost impossible to pass without a professional guide. Although the minimum requirements for the initial company capital were reduced from 200 000 CZK to only symbolic 1 CZK recently, all other fees remained unchanged². The total price including all administration fees, notarial and legal services, might be somewhere around 15 000 - 20 000 CZK, depending on the quality and price of the lawyer services.

2.2.3 Challenges limiting growth and success of startups

According to Europe Startup Monitor 2016³ survey, the reduction of regulatory and administrative burden was the most relevant issue for startups (60 %). This is followed by expectations of tax reduction/relief (49 %) and support with raising capital (33 %). Further important issues include an improved understanding of the special needs of startups, support for venture capital and better support for startup founders (e.g. local support and advice structures).

² European Union Startup initiative strongly encourages its member countries to meet certain targets, e.g. the possibility to set up the company for less than 100 EUR. The Czech Republic took part in this initiative. However, this applies only to the particular type of limited liability companies in our country, where the content of the foundation agreement fulfills requirements given by the law, but the founders are not allowed to modify it in any way (e.g. general meetings rules or quorums). In such cases, some notarial and court fees are waived, yet the foundation agreement becomes less flexible. The total price for setting up such company shall not exceed 10 000 CZK.

³ Available online at http://europeanstartupmonitor.com/fileadmin/esm_2016/report/ESM_2016.pdf.

This survey perfectly reflects our findings described in the previous chapter 2.2.2. Policy-makers should primarily focus on the business law simplification; they might possibly get inspired by Hong Kong or Singapore, i.e. economies with one of the most inviting business laws globally.

3. Key legal & tax legislation relevant for start-up ecosystem framework

3.1 Companies relevant legislation

In 2014, the brand new Business Corporations Act (Zakon o obchodnich korporacich, 2012) partly replaced the old Commercial Code (Obchodni zakonik, 1991). Some of the legislation, which was originally contained in the Commercial Code, is now part of the new Civil Code (Obcansky zakonik, 2012).

The most significant change brought by the Business Corporations Act is the reduction of the initial company capital from 200 000 CZK to only 1 CZK. This was one of the most criticized articles in the old Commercial Code as it represented a great barrier to entry the market. Before 2014, individuals willing to set up a company, but with a lack of capital, had no other chance to rely on so-called “ready-made companies”, where they purchased a pre-owned company with prepaid capital. However, there were potential risks connected with the purchase of a company with unknown history.

Legal-wise, apart from the Business Corporations Act, which is mostly designated for the juristic persons and legal entities, there is another important source of regulation, which is the Trade Act (Zakon o zivnostenskem podnikani, 1991). This act mainly regulates natural persons and individuals. Since this paper should primarily focus on the startups and their acceleration, which is mostly done through the transfer of business shares, we will focus on the regulation of juristic persons in the rest of the document.

Entrepreneurs should be also aware of the Labor Code (Zakonik prace, 2006), which regulates the relations between employer and employee; Consumer Protection Act (Zakon o ochrane spotrebitele, 1992), Patent Act (Zakon o vynalezeh, prumyslovych vzorech a zlepsovacich navrzich, 1991) and Accounting Act (Zakon o ucetnictvi, 1991).

Mentioned laws are the core legal regulations and every entrepreneur should have at least some understanding of those.

Apart from the mentioned above, there are also another two major tax regulations codes – Income Act Tax (Zakon o danich z prijmu, 1990) and VAT Act (Zakon o DPH, 2004).

In our opinion, the law regulation in the Czech Republic does not reflect the latest trends of the startup phenomenon and is quite outdated. The common practice in our country is rather to attach a new amendment to the current regulation instead of redefining the whole regulation⁴, so eventually, the old regulation becomes a mash-up with a new one and it is very difficult for inexperienced users to get oriented in it.

⁴ As it happened with the Business Corporation Act in 2014, which was a rare exception.

3.2 Regulation relevant to new forms of financing innovative projects

The previous chapter clearly illustrates the current condition of the Czech regulations relevant for startups. It is obvious that the startup trend has not been reflected in the Czech business law yet. While some other countries in Danube area might have incorporated the startup phenomena in their regulation and have specialized laws e.g. on venture capital, the Czech Republic is not such case. From the legal point of view, startups are considered like any other companies and have same rights and duties.

Speaking of new financing innovative projects, crowdfunding has become an increasingly popular method in recent years. While this method of raising funds from the wider public creates a lot of new investment opportunities, there are also risks associated with it. EU financial market regulators are responding to the growth of crowdfunding and related risks in order to protect investors⁵.

Although the term crowdfunding was already introduced in the nineties, the biggest boom has only started in last years. Crowdfunding is a platform, mostly online based, typically for raising small amounts of money from a large number of people. In return, such investors usually receive some little gifts or perks from the project founders. One of the greatest advantages of crowdfunding is building a community of supporters gathered around your project. The most of the projects were originally founded by artists; however technology projects are on the rise these days.

There is no regulation of crowdfunding in the Czech Republic at the moment apart from the mainstream regulations, e.g. Consumer Protection Act, Act on Banks, Act on Payment Systems, Act on Capital Markets and Act on Public Collections. Typically for the Czech Republic, all these regulations are fragmented into individual acts and thus it is very difficult for actors to decide which act shall be applied for a specific case.

At the European union level, a relevant complex legislation focused on protection of investors is being prepared by the European Banking Authority and European Securities and Market Authority but is still has not been implemented into the Czech legal system yet.

Amongst other countries, the Czech Republic is still considered as an innovation follower on EU level. This, unfortunately, applies to the regulations as well, especially how updated they are. In our opinion, an extensive regulation might be counterproductive for the markets. On the other hand, the law should protect investors from potential frauds and scams.

⁵ Available online at <http://www.schoenherr.eu/publications/publications-detail/czech-republic-crowdfunding-introduction-to-regulatory-framework/>.

3.3 SWOT Analysis of legal and tax legislation

Strenghts <ul style="list-style-type: none">- Czech Republic is a legal state where everyone is protected by the law and also have a right for the fair trial- the law code is sophisticated and well-developed	Weaknesses <ul style="list-style-type: none">- there is a lot of laws and regulations, which require a further administration process and eventually increase the burecraucy burden of entrepreneurs
Oportunities <ul style="list-style-type: none">- to simplify administration processes, especially when setting up new company	Threats <ul style="list-style-type: none">- the law code will become outdated as it does not reflect the recent changes in the society (e.g. crowdfunding)

4. Identification of barriers to access to equity

When starting their businesses, entrepreneurs often have to challenge the question of funding. Generally speaking, there are two major options how to finance a new project. It is either a debt or equity. Since this paper primarily focuses on equity financing, we will elaborate it further in the document. However, we should still at least highlight the biggest differences between a bank loan and equity financing.

Obviously, the biggest advantage of banking loan is the fact that entrepreneurs do not have to sacrifice a share in the company. On top of that, the banking institution has no say in how they run or manage their companies. All they have to do is to pay the interest to the bank for providing them with a loan. So why anyone would be interested in equity financing if the bank loan has no downsides? Well, it truly has.

Firstly, you need to get the actual loan. Commercial banks are very conservative and not willing to take a risk if it is not necessary. This was especially enhanced after the global financial crisis in 2007 and 2008. Simply put, banks want to protect themselves from losing money. No matter what, each applicant for a loan needs to go through the credit check. Given the company has no trade or accounting records, the chances of getting a loan are significantly reduced. This is a first round screening which primarily focuses on the applicant's cash flow possibilities. If the applicant is able to pass the credit check, banks usually require pledging the property as a security for the loan⁶. This is the second round of the screening process. Only a good cash flow does not, unfortunately, guarantee the loan from commercial lenders. It is clear, that it is very difficult for a new company with no relevant track to get a loan from the bank.

On the other hand, equity financing is more accessible for startups. There is no credit check from investors, as they are more interested in projected sales and turnovers rather than in deep research of previous accounting periods⁷. A great advantage of equity finance affects mostly the company cash flow, as there is no need to pay off the interest and more importantly the actual investment (unlike the bank loan). On top of that, if your project is not successful for some reason, investors usually do not require their investment back as it is a part of the risk they are willing to take.

Are there any cons of equity financing? Well, the investor will certainly have a lot to say about the future directions of the company and the course it will take. Usually, such advice is meant to be mutually beneficial for both original owners and new investors. However, sometimes they might be in contrast with each other. This should be avoided by the comprehensive discussion

⁶ This is caused by the fact the most of new firms are established as limited liability companies.

⁷ Investors are certainly interested in the company previous economic performance. However it is not the main criteria for them.

with the investor prior to the sale of shares in the company. Another often criticized aspect of equity financing is the financial point of view. The startup founder sometimes gets a relatively small initial investment in exchange for the relatively large share of his company. If the company skyrockets, the investor's return on investment is maximized and the founder might not feel good about it.

So, which of these alternatives is ultimately better? There is no universal answer for it. However in general, for founders of businesses with an accounting history that can obtain the loan without jeopardizing their personal assets, it is usually better to go for a cheaper bank loan with an adequate repayment schedule. This implies the loan primarily covers the ongoing needs of the company.

Accordingly, for newcomers and first timers in business, it is strongly advised to go for the equity finance.

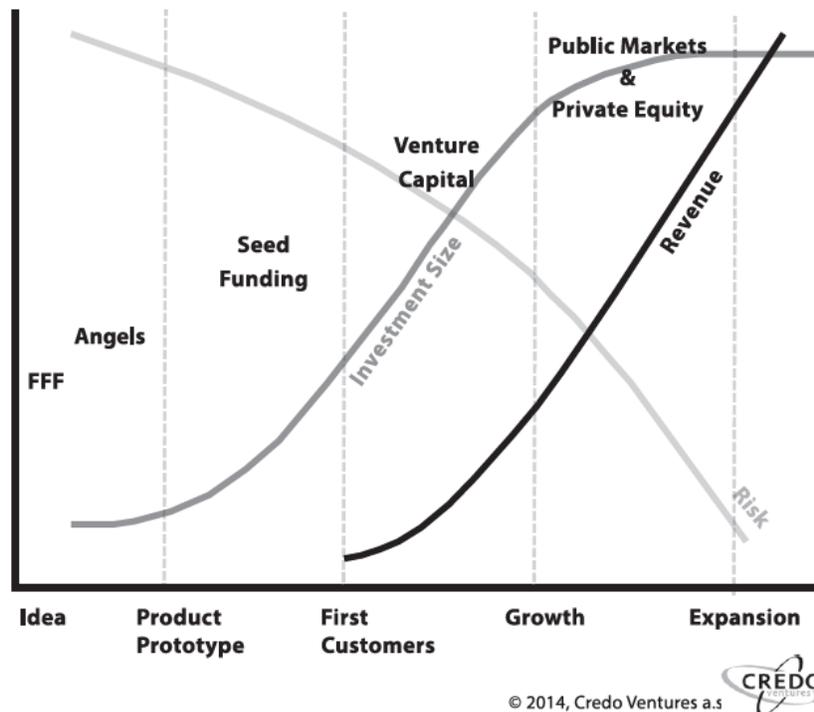
4.1 Investment cycle and investment types

The graph below illustrates the investment cycle, more specifically the correlation between the stage of startup and the type of investment suitable for each stage. The particular phases of the company are on the x-axis. The scale or type of investment is on the y-axis. It also describes the volume of the investment, which is always higher at each next stage.

On the very left of the graph, FFF stands for family, friends, and fools. Along with business angels, these groups of investors take by far the biggest risks, since they invest solely into an entrepreneur with an idea. However, there is a big difference between FFF and business angels. While FFF usually do not require a share in the company and sometimes they do not even require anything in return, business angels are professional investors. Angels invest their own funds, unlike venture capitalists who manage the pooled money of others. A typical angel is a wealthy, well-connected individual with a large network of potential business partners and customers.

Seed funding stage typically focuses on the product development and in some mature countries, e.g. in Silicon Valley, there are even specialized seed funds which focus on transforming the product prototype into the final product ready to be used by general public.

Venture capital, on the other hand, focuses on the companies at a later stage. A company considering a large VC investment should have a perfect product at the first place and a built base of paying customers. Such companies are ready to be scaled and expand either regionally or internationally.



Credo Ventures 2014. Available online at

http://www.credoventures.com/resources/Central_European_Startup_Guide.pdf.

The last category of investment is the private equity funds and public markets. Companies looking for such sources are usually established and well known even to the general public. They typically operate on the international level, but they still explore new ways and more aggressive approaches when conquering new markets, e.g. by the acquisition of their primary competitors.

4.2 Identification of barriers of access to equity in Liberec region

Now, since we are familiar with the main characteristics of Liberec region and the stages of investment cycle described in the previous chapter, it is time to get a big picture of the investment environment in our region.

There is a missing link between the entrepreneurship at early stage and investors in our region. Usually, such connection is coordinated through the business incubator or accelerator platform. Since there is no startup incubator in our region or another relevant alternative, where the representatives of the business sphere could meet with potential investors, it is difficult for

entrepreneurs to grant access to the private equity⁸. Simply put, there is no one to organize such event or to provide an adequate venue on a long-term basis.

Apart from that, as we mentioned earlier, our capital city Prague is only 100 km far from Liberec. Thus Prague is usually viewed as a magnet, which attracts the top tier startups from the whole country, including Liberec region. Such big concentration of crème de la crème startups at one place naturally attracts investors as well, including investors from other regions. Even if there would a top-notch startup settled in the region, it would not take long until investors drag it to Prague. They can usually offer a better permanent working space, networking, mentoring and all other services generally available at startup incubators or accelerators.

Eventually as the result of this, the most promising startups, wealthiest investors along with the most competent coaches and mentors can be found in Prague⁹. Other regional cities must be satisfied with the second tier. In our opinion, this is not going to be changed until there is an attractive place, where such activities could be facilitated.

⁸ There is a desire to build a business incubator powered by Liberec region, however at this point it is only at the stage of a feasibility study.

⁹ Besides of Prague, there is a blooming South Moravian Innovation Centre in Brno.

5. Position and importance of acceleration programs & equity financing environment

At the beginning, we should define our understanding of the accelerator. According to Harvard Business Review, startup accelerators support early-stage, growth-driven companies through education, mentorship, and financing¹⁰. This implies that all three dimensions (education, mentorship, and financing) must be available at the accelerator to meet this definition.

Based on the previous chapters, we have demonstrated that the startup and accelerator community is not well established and organized in our region yet. Although there are several institutions, which operate in the startup field and their activities might resemble acceleration schemes or programs, they, unfortunately, cannot be strictly classified as accelerators due to the definition above.

Instead of a sophisticated cooperation structure, these institutions rather act independently and separately, not knowing activities of each other. As a consequence, some of their activities might be overlaid and some might not be covered at all.

For internal purposes of this document, we can divide the Czech accelerator environment into three main categories:

- Liberec region accelerators
- Non-Liberec region accelerators
- Accelerators on country level

Unfortunately, we were not able to find an accelerator program in that strict sense in our region. From existing structures, we can at least name the Student Business Club managed by the Technical University of Liberec. However, their primary activity is rather an incubation than acceleration. Although they offer some mentoring services and educational seminars and they even organize a Startup contest, their core target group are students with innovative ideas.

Liberec region is one of the last few regions in the Czech Republic without an existing and functioning innovation center, where startup incubators and accelerator services could be facilitated on site. Hopefully, this will change soon. There is even a political and social demand for such facility, but unfortunately, there is a problem with insufficient funds.

The situation dramatically changes in other regions, especially in our capital city Prague. There is a number of well-known and internationally recognized accelerator programs in Prague. StartupYard is no doubt number one accelerator program in the Czech Republic and probably a leading program in Central Europe. It gathers the most influential investors along with the

¹⁰ Available online at <https://hbr.org/2016/03/what-startup-accelerators-really-do>.

Czech biggest venture funds including Credo Ventures and Rockaway Capital. The most respected mentors, coaches, professionals and corporate executives are also an important part of StartupYard.

Until 2015, Prague was on the list as one of the Wayra academies. Wayra is a global accelerator program managed and powered by mobile operator Telefonica. Since the Spanish operator decided to leave the Czech market, they also terminated their other business activities including Wayra. However before it was closed, Wayra was considered as a top-notch accelerator due to its global presence.

Another Prague example is the aPORT acceleration program, which is a part of the xPORT incubator. They are both powered by the University of Economics in Prague. There is a condition, that at least of one the project team members must be a student, alumni or professor of University of Economics. It was only founded in 2015, but they have a strong prerequisite base to succeed internationally due to their academic connection to University of Economics and to big partners, including Microsoft and Ceska sporitelna (part of Erste banking group).

The most successful regional accelerator in terms of offered services and number of accelerated companies is the StarCube managed by JIC (Jihomarovske inovacni centrum). It is located in Brno, which is the second biggest Czech city after Prague. There is a strong link between JIC, region and local municipality, which is essential for accelerator operating on the regional level.

Although there are some more innovation centers in other regional cities, their importance is rather marginal. The scale and quality of acceleration services they offer on-site are relatively deficient. Thus we decided not to include them on the list.

Finally, we are moving forward to accelerators operating on the country level. Unfortunately, the situation is quite unsatisfactory at the moment. Currently, there is only one accelerator program about to start in May 2017. It is a part of the CzechInvest initiative Czechstartups.org. The CzechInvest is an investment and business development state agency, technically under the Ministry of Industry and Trade. Their intermediary program CzechAccelerator does not provide a direct investment in the company as it is a state company. Instead, the chosen applicants are sent to one of the best accelerators in the world, e.g. in London, Silicon Valley, New York or Singapore. The CzechAccelerator will cover the most of the costs.

Our findings are recorded in the benchmarking table below.

	Seed Capital	Early Stage (VC)	Later Stage (VC, Mezzan., Aqis.)	IPO
StartupYard Prague by Node5	X	X	-	-
xPORT by University of Economics	X	X	-	-
StarCube by JIC	X	X	-	-
CzechAccelerator by CzechInvest*	-	-	-	-

* CzechInvest does not provide a direct financial investment

Apart from all accelerators mentioned above, there are several contests for startups on the country level. Some might view them as accelerators as they provide prize money and sometimes even an investment for winners. However, they do not meet our definition of accelerator due to the fact they more represent a startup showcase for investors rather than an acceleration program. It is similar to the application process of e.g. Techstars global startup program, yet the winners are usually only connected directly to the particular investor, rather than to the entire acceleration program. Also, these contests are more likely one-time per year solo actions, which is another reason why we did not include them on the list. An example of such contest is Vodafone Idea of the Year held once a year in Prague at the University of Economics.

Our findings illustrated, that the most developed startup ecosystem including accelerator schemes can be found in Prague. Unsurprisingly, equity financing is concentrated in Prague as well. Usually, it is somehow associated with existing incubator or accelerator structures.

6. Identification of ongoing and potential acceleration programs in Danube area

Undoubtedly number one accelerator program in the Czech Republic and possibly the Central European accelerator leader is the Startup Yard Prague. At the same time, it is the one and only Czech accelerator listed at the prestigious Global Accelerator Network (GAN), along with Techstars, Numa or Startupbootcamp.

It closely cooperates with Node 5, which is a modern co-working space in Prague. They are both owned by the same investor group gathered mostly around Mr. Ondrej Bartos. He is probably the most famous Czech investor, partly because his presence at the Czech version of the Shark Tank TV series broadcasted by the Czech Television. They offer a full scale of services for companies which joined their top-tier program. The applicants are not limited by their nationality or country, where they operate their business from. The call is open for everyone.

The Starcube by Jihomoravske inovacni centrum (JIC) took a similar approach. In order to increase the competition within the program, they decided to open it for everyone no matter the nationality, thus English has become the official accelerator language. The most famous accelerated firm is Kiwi.com (former Skypicker), which is the international flight search engine.

Since they are both open all nationalities, we have decided to include them on the Danube accelerator list.

The latest addition to the Czech Republic / Central European accelerator family is the Launchpad powered by Google. They entered the Czech market only couple months ago, in March 2017. Besides of the Czech Republic, they also operate in Hungary and Poland. Their office is located at the Google Campus in Warsaw, Poland. The best applicants will be selected for a two-week intense mentorship program at Google Global Headquarters in Silicon Valley, which is followed by a six-month training program in Warsaw.

The last “accelerator” scheme from Danube area we have decided to include on the list is the Pioneers Festival, which is held every year in Vienna, Austria. It is rather an invite-only networking event, which brings together the 500 most promising tech startups to meet with the world’s top investors and executives.

Element of acceleration program	StartupYard	Starcube	Google Launchpad	Pioneers Festival
Funding (equity investment opportunity)	X	X	X	
Mentorship program (mentorship provided by experienced entrepreneurs)	X	X	X	
Business advisory program	X	X	X	
Networking & exchange of experience - start-up community	X	X	X	X
Training program (i.e. mix of training including investment readiness program, business model development upon lean methodologies)	X	X	X	
Cooperation with (network of private) investors	X	X	X	X
Co-working space	X	X	X	

7. Identification of barriers to access to equity in Danube area

Generally speaking, investors from the Central Europe area and Danube area are rather conservative and risk-averse. As the consequence of such investors' profile, there is a lack of angel investors and seed funds available on the market. The reason for this is that these two group of investors are willing to take the biggest risk as the startups are at the very beginning of their journey.

Regarding the venture capital, the situation is slightly better. There is a number of VC funds, either based in Central Europe or active in the region via their offices abroad. They can be easily found through their websites.

The latest investment stage includes public markets and private equity. According to Mr. Andrej Kiska Jr. (Central European Startup Guide) of Credo Ventures, there is actually a surplus amongst these investment categories. Some smaller companies were forced to shut their businesses as there is a fierce competition on the market. Public market-wise, the situation is bit worse. The stock exchanges in Prague, Vienna, Budapest, or Bratislava are simply not attractive for companies. They would rather prefer to IPO in New York Stock Exchange or Nasdaq.

In our opinion, there are enough high-quality funding options available on the market at the moment. However, the actual access to them might a bit tricky as they only cooperate with the top-tier startups. In some cases, the main issue is to move the startup to the phase, where investors would be interested in them.

8. References

GEM: www.gemconsortium.org

ESM: www.europeanstartupmonitor.com

WEF: Global competitiveness report 2016-2017

SME Performance review

Economic Freedom Index

Liberecký kraj

Český statistický úřad

Zákon o obchodních korporacích

Andrej Kiska Jr.: Central European Startup Monitor

9. Annexes