

SERBIA INNOVATES

QUARTERLY PROGRESS REPORT 1 AND 2 2021

JANUARY – JUNE 2021

July 15, 2021

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JANUARY – JUNE 2021

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PROJECT OVERVIEW

Serbia Innovates Activity (SIA) is a four and a half-year, six-million US Dollar activity, accelerating the development, introduction and scale-up of new economic models that will strengthen the innovation driven Serbian economy, encouraging its further development, competitiveness, and export potential.

The project will recognize Serbia's most promising domains of innovation and enable the formation of the first Serbian supercluster in this field, as top-level innovation ecosystem and globally proven model providing systematic approach in overcoming institutional, financial and organizational barriers in the development of innovative solutions within Serbian economy. It will offer a competitive edge that boost the entire economy, opening a whole new world of opportunities.

The activity will partner with private, public and financial institutions, the Serbian education system, business associations, and a variety of other service providers, in order to create a support system for innovative business initiatives. Its' supercluster model, as globally proven methodology, represents an effective platform for promoting and enforcing innovation development, building innovation friendly environments, and providing adequate institutional support and sufficient financing.

It will increase collaboration among key stakeholders in the selected domain that will lead to expansion of innovation value chains in the domain and create synergies that will lead to emergence of adequate financing options for innovative companies in the early stage of their development.

Project will address five growth obstacles directly affecting the knowledge economy:

- Low connectivity density and low collaboration among innovation and economy's key stakeholders in Serbia
- Short innovation value chains
- Lack of cooperation between innovative and traditional companies
- Lack of cooperation between innovative companies and financial institutions
- Lack of financing options for innovative companies in the early stage of development

In order to drastically increase chances for success, it is crucial to utilize all capacities to overcome institutional, financial and organizational gaps that currently prevent optimal innovation development in traditional economy.

Establishment of supercluster will be reached by the following, sequential objectives:

- Detect 4 most prominent domains
- Test their potential in real environment by conducting 4 separate supercluster pilots for chosen domains
- Select the most prominent domain and scale it up (engage additional stakeholders).
- Simultaneously, financing activities will as a result

- Create a specialized venture capital fund and promote direct financing that will support specific projects produced by the pilot the scaled-up supercluster

The development of the first Serbian supercluster will intensify collaboration between key stakeholders which will result in a higher number of Serbian innovative companies in the domain, more made-in-Serbia innovations, more traditional companies buying innovative solutions, more complete value chains, forming of specialized hubs, more talent, companies and experts drawn to Serbia, constant creation of new collaborations between traditional corporations, SMEs and start-ups.

PROGRESS ON IMPLEMENTATION

This progress report covers all activities performed in period of the first 2 project quarters (January 27 – June 30).

Progress report refers to the Y1 Annual Working Plan, where essential technical and operational tasks are organized per following sections:

- Preparation activities (operational/administrative activities)
- Activity stream 1 – Identification of four competitive domains
- Activity stream 2 – Preparation for supercluster piloting
- Activity stream 3 – Access to finance
- Outreach and communication

1. PREPARATION ACTIVITIES (operational/administrative activities)

First project months were allocated to setting up of project organization – establishing offices, staff onboarding and delivery of required operational documents as defined in Cooperative Agreement.

1.1. Establishing offices

All activities are completed in accordance with the annual plan and planned deadlines.

- Signing lease agreement
- Furnishing offices
- Buying and installing hardware and software equipment

Project offices are located in Belgrade, Bulevar kneza Aleksandra Karadjordjevica 20.

1.2. Staff onboarding

For managerial positions, recruitment process was led by ICT Hub following internal recruitment procedure. There were 3 rounds of interviews with ICT Hub management and ICT Hub HR Manager, candidates went through situational, behavioral and informational questions.

Hiring Project Director had two additional steps, initial candidates' selection and first interviews were conducted by specialized talent recruitment agency.

Following candidates have been selected:

- Project Director/Chief of Party (with AO approval) – Aleksandra Popovic
- Finance Director – Veljko Milicevic
- Finance Coordinator – Andrej Balanc
- Access to Finance Task Leader – Slobodan Zebic
- Communication Manager – Ivana Vucelic
- Performance Monitoring and Evaluation Expert – Iva Zunic
- Project Coordinator – Lazar Lekic
- Project Coordinator – Bojana Pfandler

MEL Expert will start to work from 1st of August 2021, in accordance with the project plan and budget.

Recruitment process is ongoing for remaining position Supercluster Task Leader and will be recruited by ICT Hub in upcoming period.

1.3. Project administration

Mandatory project documentation was prepared and submitted to USAID within defined deadlines.

- Internal procedures defining roles and responsibilities
- Branding and Marking Plan
- Annual Work Plan
- PMELP

1.4. Retreat in Vrsac

In June, a two days retreat was organized in Vrsac, gathering 20 people, employees of Serbia Innovates and ICT Hub. Goals of the event were:

- To discuss new procedures implemented within NUPAS recommendations
- To conduct finance training
- To define how Serbia Innovates project activities will be integrated and streamlined with other ICT Hub Units (Venture, Project Implementation and Business Consulting Unit)

During this event, Serbia Innovates team presented the project in details along with the potential supercluster domains. ICT Hub has a wide network of potential supercluster members from diverse backgrounds, the idea is to use those connections to promote the project and attract the best candidates for future pilot projects.

The Business Consulting Unit will be a relevant partner in building a network within the corporate business segment while Venture will make significant contacts with the startup scene and Project Implementation with Government institutions.

2. ACTIVITY STREAM 1: IDENTIFICATION OF FOUR COMPETITIVE DOMAINS IN WHICH SERBIA HAS GREATEST POTENTIAL

As per the plan this project seeks to go into discovering Serbian competitive advantages in comparison to the neighboring countries and globally and to reveal new domains emerging as a consequence of cross-pollination between traditional economy and innovative industries. In order to underpin this grow, collaboration of different stakeholders is required.

Accordingly, this activity stream starts with a comprehensive research in order to collect, process and interpret all relevant data related to the density of human, social and economic capital, geographic concentration of firms, start-ups, industries, technologies, and R&D entities.

In the reporting period following activities were conducted:

- Identification of key drivers of innovation ecosystem development – completed
- Detecting up to ten potential competitive domains in the Serbian economy – ongoing

2.1. Identification of key drivers of innovation ecosystem development

This activity sub-stream refers to preparatory tasks related to the defining methodology and timeline of different phases of the research.

All tasks defined within this sub-stream are completed in accordance with planned deadlines.

- Concepts, research methods, research steps, finalization of all research protocols – defined
- Desk research using previous knowledge, reports, and strategies – completed
- List of stakeholders for interviews – completed
- Different sets of questionnaires for interviews – completed
- Protocols and plan for interviews realization – completed

Methodological bases and methods of conducting research are set. Conceptual framework for creating innovation within a knowledge-based economy is finished.

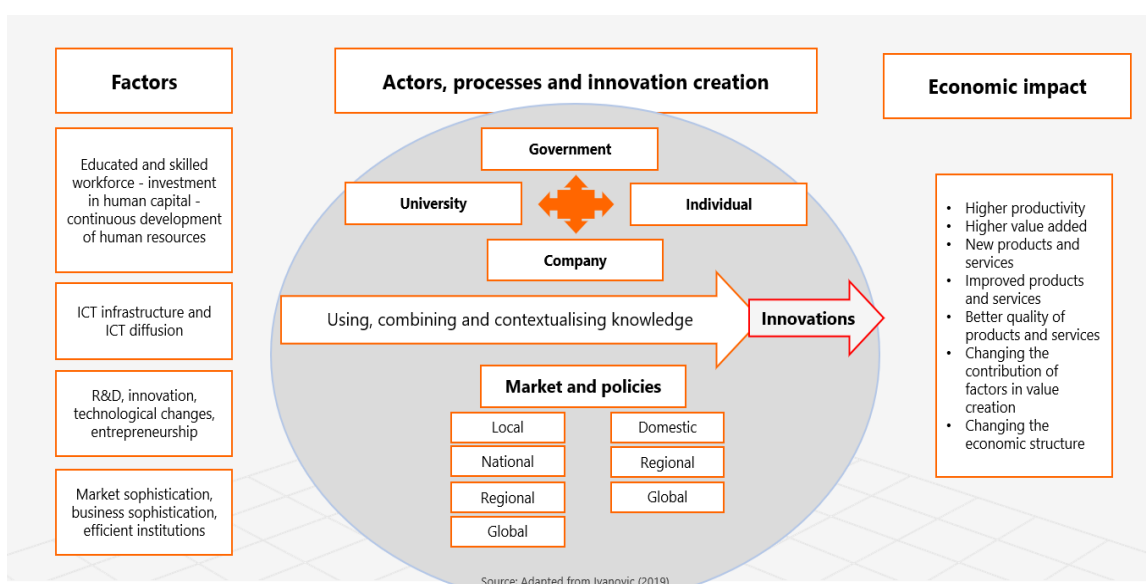


Figure 1: Conceptual framework for creating innovation within a knowledge-based economy

Desk analysis was based on already existing materials, including various reports, strategies and other documentation related to the research area.

The starting point in this analysis was the Smart Specialization Strategy 2020-2027, followed by the research materials that emerge from it. Also, important inputs of research were the following National Strategic Documents Defining the NIE (2018-2027):

- Industrial Policy Strategy, 2021 to 2030
- Artificial Intelligence Development Strategy, 2020 to 2025
- Scientific and Technological Development Strategy, 2021 to 2025
- Digital Skills Development Strategy, 2020 to 2024
- Strategy for Education Development, 2020
- Intellectual Property Strategy, 2018 to 2022
- Strategy of State Ownership and Management of State-Owned Enterprises, 2021 to 2027
- Strategy for Support to Development of Small and Medium-Sized Enterprises, Entrepreneurship, and Competition, 2015 to 2020
- National Youth Strategy, 2015 to 2025

In order to get insight in quantitative parameters, desk research also covered analysis of relevant data from the following sources:

- Horizon Program – EU innovation funding program
- Eureka Program – international innovation funding program
- Innovation Fund of the Republic of Serbia
- Science Fund of the Republic of Serbia
- Statistical Office of the Republic of Serbia

Based on the findings from the qualitative and quantitative analysis project team and consultants drafted an initial list of stakeholders. For each stakeholder group a specific interview questionnaire was created. In parallel with the creation of questionnaires, protocols and plan for conducting the interviews were established.

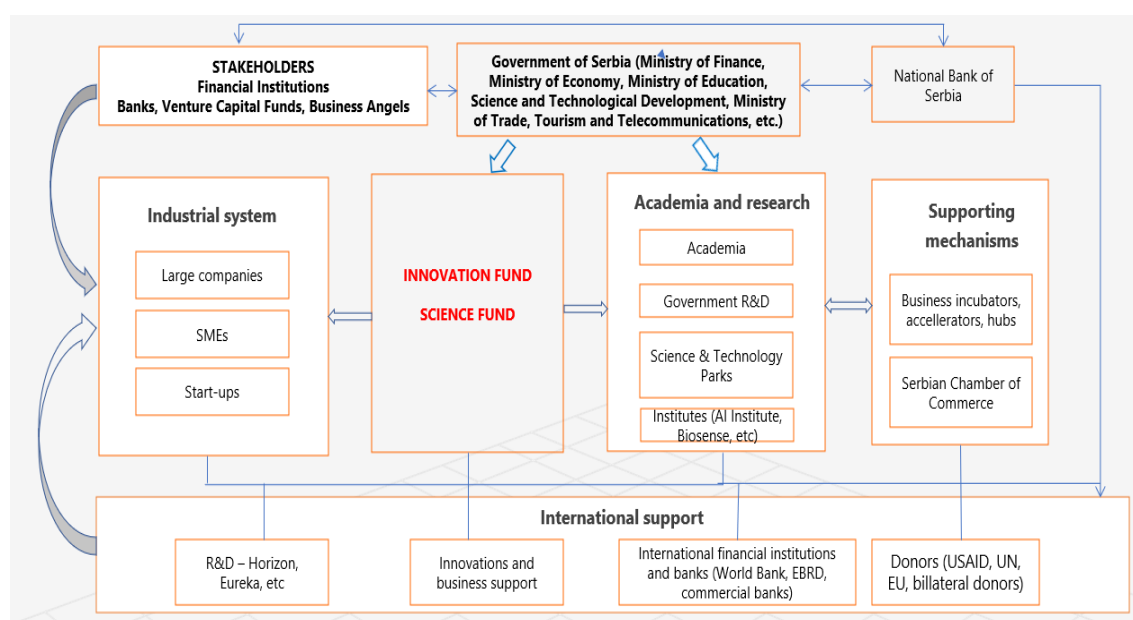


Figure 2: National institutions and actors in the Republic of Serbia

Research deliverables in the reporting period are attached in Annex section:

- Annex 1 – Towards Economic and Societal Values of Innovation: Conceptual Framework
- Annex 2 – Serbia’s Innovation Ecosystem at a Glance
- Annex 3 – Interview Questionnaires

2.2. Detecting up to ten potential competitive domains in the Serbian economy

Due to the administrative issues with the Tax authorities of Serbia, in regards of waiving the VAT for project partners WMEP and PPRC, contract between ICT Hub and PPRC was signed with a 3 months delay (mid-June). As a consequence, no payments could have been made to PPRC which affected their liquidity and forced the team to pause with project activities. Once the contract was signed, the activities were continued, however this pause is affecting the project planning, exact delay will be assessed in upcoming months.

All tasks defined within this sub-stream, described below have started with a short delay and are currently ongoing:

- Carry out between 70 and 100 interviews in Serbia, involving all 5 helix stakeholders
- Classify, code, and analyze conducted interviews
- Map initial list of domains based on desk research and conducted interviews in discussion with partners: ICT Hub and WMEP
- Make a communication with community across Serbia to boost the interest of the domestic and foreign community about the supercluster initiative and steps leading to selection of most promising domains.

Data collection is being conducted through interviews with actors identified by the previous desk analysis. The interviewees are and will be selected based on the snowball method within each group of stakeholders and based on their recommendation whom to interview next.

Results from desk research (including analysis of data from different sources) and conclusions from the interviews are being discussed and evaluated by project team, including all project partners, ICT Hub, PPRC and WMEP.

2.2.1. Desk research summary

- All Domains of Innovation Identified in National Strategic Documents

Domain	Economic potential	Scientific potential	Innovation potential	Networking	Spill-over	Hibridization
Artificial Intelligence						
Environmental protection						
Information Communication Technologies						
BDaBA						
CT						
IoT						
CSD						
ES						
Production and processing of food and beverages						
HTA						
VAFC						
SFC						
Creative industries						
CDMPaS						
GI						
SaAP						
Future Machines and Manufacturing Systems - FMaMS						
AM						
DtDI4.0						
PTaSMS						
SHAaD						
SfSE						
Key enabling technologies - KET						
PHN						
AM						
AMT						
IB						
LEGEND	Questionable	Questionable → Solid	Solid	Solid → Good	Good	Unknown

- Additional Domains of Innovation Identified during desk research: Cross-Sectoral Domains

Artificial Intelligence

Strength

Strong horizontal effect on number of key domains. Initially recognised as a domain with a lack of critical concentration in the 4S, received strong government support in the form of strategic documents (Artificial Intelligence Development Strategy, 2020 – 2025, and associated Action plan) and establishment of the AI Institute, which was aimed at strengthening the expert base and generating interest for numerous applications of AI in various segments of the economy, from agriculture to creative industries to public sector services (such as accelerating decision-making in the judiciary).

Weaknesses

There are limited linkages between local businesses using AI and between firms and academia, mostly as the vast majority of Serbian ICT companies are oriented towards global markets.

Environmental Protection

Strengths

Development in this area is largely based on identified needs for urgent action and expected support of the European Union for Serbia to reach EU environmental standards. Although economic results in the fields of renewables, recycling, emissions reductions, and environmental quality are not significant, environmental innovations are a key long-term priority for sustainable development. Specifically, development and innovation in the areas of energy and energy efficiency are seen to have strong potential due to significant industrial capacity for manufacturing electrical equipment for power systems, renewable energy, and R&D capacities.

Weaknesses

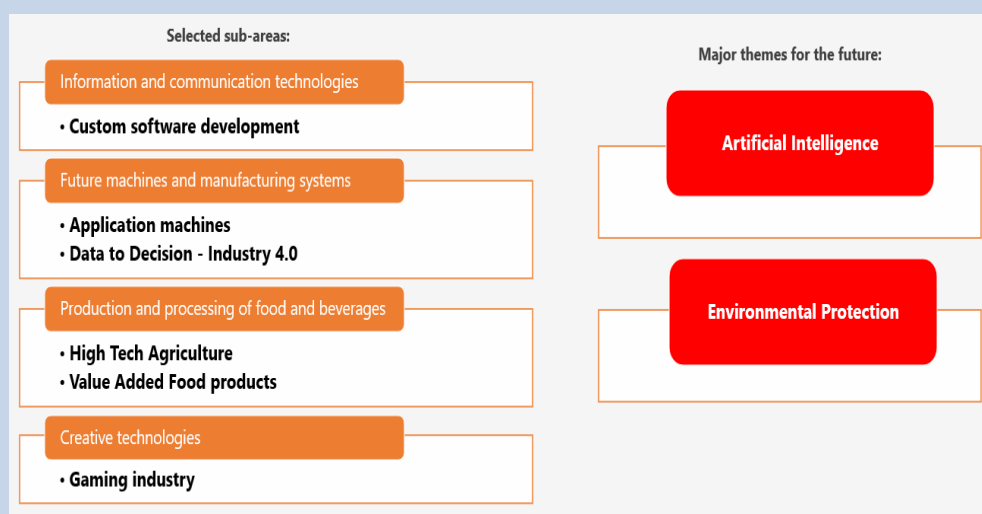
No clear strategy. Industry based on 'green' technologies, water and soil treatment, and waste recycling remains under-represented.

Quarterly Highlights

Winners: Most Promising Domains/Sub-Domains of Innovation

First section of previous research identified eight most promising domains of innovation:

- Artificial intelligence
- Block-chain technology
- High-tech agricultural production
- Gaming industry
- Smart environment solutions
- Eco-smart energy sources
- Advanced materials and advanced production processes
- Biotechnology



Key Findings

The Serbian innovation ecosystem began to develop at a fairly late stage, when the world was already shifting to a new track emphasizing development of the knowledge-based economy.

Nevertheless, the last five years have seen major coordinated efforts to build the national innovation ecosystem:

1. There has been a change in approach, with more reliance on the market and the private sector, coupled with the government's strategic orientation towards support for digitalization and technology development. A variety of strategies have been developed that are relatively well aligned mutually in terms of the development of priority economic and non-economic domains with innovation potentials.
2. The economy has recorded robust economic performance over the past five years (with the average growth rate standing at 3.2% from 2015 to 2019, and nearly 4.4% from 2018 to 2019), which made more funds available for investment.
3. Regulatory instruments have been created that simulate market mechanisms, being based on financial incentives for innovations in both R&D and mainstream and start-up companies. Conditions are being created for alternative financing of these endeavours and promotion of linkages between actors within the ecosystem.

4. Networks between higher education, the NIE, and businesses have gradually begun to evolve from a very poor base. In other words, organizations compete for funding when applying for projects, but their success also depends on co-operation with other ecosystem actors.

5. Reliance of innovation actors on international innovation financing mechanisms (Horizon, Eureka, bilateral sources) is a step in the right direction. This also partly addresses the issue of limited availability of finance in the internal market, creates preconditions for continuous capacity-building for this type of financing for R&D and innovation, and fosters networking and knowledge spill-overs between innovation actors in Serbia, the region, and globally.

These measures and overall macroeconomic policies have resulted in a sustained increase in investment into the ecosystem.

Key Challenges

Serbia continues to fare poorly in terms of its overall innovation capacity, as measured by the number of innovative companies whose management and production processes are substantially digitalized and use innovative digital and disruptive technologies. According to the Growth of innovative companies' indicator, Serbia is ranked 83rd of 141 countries assessed in the 2019 Global Competitiveness Report (WEF, 2019), and this has been explicitly recognized as an issue that requires addressing, with measures already planned to improve Serbia's position (PER, 107). This concern is particularly relevant for the MSME segment, where few companies are planning to undertake digital transformation projects citing limited cost-effectiveness due to poor demand in the Serbian market and a lack of staff and finance (IS, 26).

Another pressing issue is the availability of sufficient human resources, which is being addressed by measures to promote education (in ICT) and attract members of the Serbian community abroad and foreign nationals with potential to promote innovation.

There is no clear idea about Serbia's regional and global comparative advantages, which could adversely affect the allocational efficiency of the country's (relatively modest) human and financial resources and cause them to be used sub-optimally.

With regards to the strategic framework, there is a need for its further harmonization and evaluation of implemented measures. For instance, the strategies lack clear criteria why, say, artificial intelligence and environmental protection are designated as priorities in addition to the four domains chosen under the 4S. Even though there are instruments (Action Plans) to align and amend measures, and the various governmental and private actors collaborate fairly closely in designing additional strategic and practical measures (as evidenced by the Start-Up Ecosystem Development Strategy, currently in preparation), there is no clear methodology or arrangement to measure the impact of these measures and effectively direct activities, funds, and human resources in the government or private sector. One example of this is the inefficient Business Incubators, whose role is to provide high value services to innovative SMEs (GFA, 2020).

There are other major risks that relate to the overall efficiency of investment, efficient allocation of resources for alternative (competing) uses, and, last but not least, efficiency (level of regulation) and absorption capacity of the domestic market.

3. ACTIVITY STREAM 3: ADDRESSING THE CHALLENGES RELATED TO LIMITED ACCESS TO FINANCE

Our access to finance related efforts aim for providing a sustainable financing for companies that are members of pilot superclusters. To do so, we will map various types of investors and establish cooperation, create a pipeline of innovative companies attractive for investment, and create a specialized venture capital fund. We will also address the existing regulatory and tax framework and provide recommendations for incentives for investments in innovative companies.

In this reporting period project team was working on:

- Mapping various types of investors (foreign and domestic investors and international financial institutions) and establishing cooperation
- Creation of an attractive pipeline of innovative companies within the pilot superclusters and the Supercluster and ensuring their promotion to different investors
- Creation of a specialized venture capital fund(s)
- Reviewing related current tax, legal and institutional framework, and crafting recommendations for tax incentives for investments in innovative companies (directly and/or through venture capital funds)

3.1. Mapping various types of investors (foreign and domestic investors and international financial institutions) and establishing cooperation

3.1.1. Cooperation with domestic/regional teams, candidates for General Partners

The goal of this activity is to map at least 4 domestic/regional teams that will participate in the initial research and signing of MoUs with 2 to 4 domestic/regional teams that are willing to participate in pilot superclusters and scaled-up superclusters and to provide financing and expertise as General Partners to venture capital fund(s).

Mapping is identification of potential partners and finding their contacts, understanding fields of interest, etc. and concluding that they would be interested in investing. The main criteria for mapping is the fact that these investors have invested in VC funds before (for IFIs) or that these types of investors are common investors in VC funds in other markets. Types of usual investors in VC funds are confirmed by Invest Europe study that is published each year. Recently, 2020 Invest Europe Report for CEE has been published on <https://www.investeurope.eu/research/activity-data/>

Also, in this reporting period, concrete contact with these investors were established as it was presented in the report.

We have mapped teams who are planning to establish venture capital funds and established communication with them as the first step. Some of these teams have participated in the research

process. In the next step, we will sign a Memorandum of Understanding to participate in pilot superclusters and scaled-up superclusters and to provide financing to innovative companies.

Meetings and interviews have been organized with following investors:

- Mr. Peđa Predin from South Central Ventures
- Natali Delic, representative of Telekom Srbija that is in the preparation phase of establishing a VC fund. It has been agreed that we will closely communicate about the topic, and help with our expertise in the process of establishment and functioning of the Telekom's fund.
- Eric Blanchetete, Christophe Nègre and Novica Mrdovic-Vianello from Western Balkans Private Equity Fund
- Grujica Medic, representative of Artur Bergmann asked for support in obtaining the license from Serbian SEC in the process of establishing of Asset Management Company for Alternative Investment fund.

All meetings were beneficial and have provided an insight in the investors' plans and ambitions for the local market, it was also an opportunity for our project team to present the project goals and position ourselves as someone how will have direct contact with most innovative companies that need investments.

3.1.2. Cooperation with private sector Limited Partners

The goal of this activity is to Map of up to 15 domestic financial institutions and up to 15 other Limited Partners that will participate in the initial research and conduct research.

We have mapped domestic financial institutions and other Limited Partners that will be approached to participate in the initial research. Some of mapped financial institutions are Banks: Raiffeisen, UniCredit, OTP, Intesa, Direktna, ProCredit, Euro banka; Insurance companies: DDOR, Generali, GRAWE, Wiener Stadtische; Investment funds: Intesa Invest, KomBank Invest, Ilirika, WVP; Voluntary pension funds: DDOR Garant, Generali, Dunav, etc. Also, private individuals have been mapped mainly based on interests expressed at the on-line conference organized jointly by Serbia Innovates and USAID CFG named: "Tax incentives for investment in alternative investment funds" held on 13th of May 2021, but mapping also included other contacts.

The research has been started.

3.1.3. Cooperation with international financial institutions

The goal of this activity is to map up to 5 international financial institutions that will participate in the initial research and are willing to participate in superclusters and provide financing to venture capital fund(s).

We have mapped international financial institutions with the goal to establish communication with them, to ask to participate in the initial research and superclusters and to provide financing to venture capital fund(s).

International financial institutions mapped: European Investment Fund, European Bank for Reconstruction and Development, International Financial Corporation, DEG, German

development finance institution, Swiss Investment Fund for Emerging Markets (SIFEM), FMO, Dutch entrepreneurial development bank.

3.1.4. Cooperation with regional and EU/USA venture capital funds and corporations to ensure exit strategy for local venture capital fund(s)

The goal of this activity is to map up to 10 venture capital associations and signing MoUs with up to 5 foreign venture capital funds and/or corporations that will participate in the initial research, support superclusters and provide direct financing to innovative companies and ensure exit strategy for local venture capital fund(s).

We have mapped venture capital associations who should participate in the initial research, who are seen to support superclusters and provide direct financing to innovative companies and to ensure exit strategy for local venture capital fund(s).

One of the aims is to sign MoUs with up to 5 foreign venture capital funds and/or corporations.

Venture capital associations mapped: Greek Venture Capital Association, Austrian Private Equity & Venture Capital Organization, Cyprus Investment Funds Association, Romanian Private Equity Association, Turkish Private Equity and Venture Capital Association, Hungarian Venture Capital and Private Equity Association (HVCA), Bulgarian Private Equity and Venture Capital Association (BVCA), Croatian Private Equity and Venture Capital Association (CVCA), Italian Private Equity, Venture Capital and Private Debt Association (AIFI), Czech Private Equity and Venture Capital Association (CVCA), Slovak Venture Capital and Private Equity Association, Swiss Private Equity & Corporate Finance Association, Slovenian Venture Capital Association.

Venture Capital funds mapped: South Central Ventures, PostSriptum Ventures, Bulgaria; Portfolion, Hungary, Fil Rouge Capital, ICT HUB Venture.

3.2. Creation of an attractive pipeline of innovative companies within the pilot superclusters and the Supercluster and ensuring their promotion to different investors

The goal of this activity is to create a long list of innovative companies and support them in accessing the finance and during the transaction execution (legal support, valuation, corporate governance, etc.) on an ad hoc basis during the Year 1 of Project implementation.

Preliminary lists of innovative companies are being prepared and adjusted in parallel with the research findings. First opportunity to meet with the innovative companies was the project launch event, other opportunities where we participated were:

- Pitch Day AgTech Lab, led by the Chamber of Commerce and Industry of Serbia
- B2B Speed Dating where we have presented our project to representatives of eight start-ups / scale-ups: SMART WATERING SOLUTIONS, Greensoft doo, Avital doo, Atfield Technologies, Fresh AgTech, Bitgear, MK IT Business Solutions, and Cropt

Other companies that we had an opportunity to hear are Gestalt Robotics GmbH, Berlin; Equilibrium Markets, Redditch; Gaetano Volpe, Napoli; PIELERS GmbH, Geestland; Analitica d.o.o., Ljubljana; Agristarbio, Environmental Solutions, Aveiras de Cima; Vermis d.o.o., Murska Sobota; Nova Extraction, London; World from Space, Brno; tsenso GmbH, Stuttgart; Groots,

Barcelona; CBNagro.tech, Bucharest; Nasekomo Plc., Sofia; SpaceSense, Montgeron; Waboost, Ljubljana; Marco Tidona, Heidelberg.

The list will be constantly updated during the project lifecycle. Once the research is completed and 4 most prominent domains selected, the list will be filtered and our team will focus on the companies that complies with the project criteria

3.3. Reviewing related current tax, legal and institutional framework, and crafting recommendations for tax incentives for investments in innovative companies (directly and/or through venture capital funds)

3.3.1. Cooperation with GoS policy makers

The goal of this activity is to involve GoS in initial phase of Project implementation, map the decision makers in this area and include them in the research process.

The cooperation with GoS policy makers has been established – Securities and Exchange Commission that is in charge for approving establishment of VC funds, as well as special advisor Svetislav Krstic who cooperates with Ministry of Finance on tax incentives schemes.

They were present like speakers on on-line conference organized jointly by Serbia Innovates and USAID CFG "Tax incentives for investment in alternative investment funds" held on 13th of May 2021

3.3.2. Cooperation with Innovation fund, Science & Technology Parks, etc.

The goal of this activity is involvement of relevant institutions in initial phase of Project implementation, map the decision makers in this area and include them in the research process.

Meetings and interviews with experts from the Innovation Fund of the Republic of Serbia were organized. Results will be presented as soon as materials are analyzed in detail.

Cooperation with Digital Serbia Initiative has been established. We had a consultations and correspondence. Representatives of Digital Serbia Initiative have supported the online conference held on 13th of May 2021, where Ms. Bojana Tomić Brukšanin, Director of Legal and Regulatory Affairs of Digital Serbia Initiative was one of the panelists.

Furthermore, fields where our project and Digital Serbia Initiative will cooperate are various: regulatory and practical support regarding establishment of Funds of funds; support regarding policy initiatives, support to startups that are identified as viable for angel funding by being presented to group of angels, etc.

4. OUTREACH AND COMMUNICATION

Communication is the most important cross cutting activity for the project, considering the promotional work that needs to be done for the industry in domestic, but also in the international markets.

All activities are completed in accordance with annual plan and planned deadlines.

- The communication guide through the entire program designed
- Communication activities and materials defined in line with our subcontractors
- Project identity created
- Kickoff event to announce the Project organized. Wide public and key stakeholder groups informed about the project goals, mission, and activities.
- Panel discussion about Tax incentives for investments in VC funds in cooperation with USAID CFG

4.1. Communication Strategy and Visual identity

During the first quarter, Communication Strategy and Visual Identity for the project were developed to serve as guidelines for communication activities. The Strategy defines the actions and implementation measures expected to efficiently communicate about project objectives and activities and disseminate project outputs in order to ensure the best exploitation of its results. It identifies key messages, all the channels, audiences, information and content to be distributed by the project.

A visual identity Serbia innovates / Srbija inovira has been developed to contribute to the overall perception of the project and its impression. It includes a logo and several supporting devices, such as the project letterhead, website, brochure, PowerPoint presentation and social media profiles all governed by a set of guidelines.



Figure 3: Serbia Innovates Visual identity



Figure 4: Project landing page

4.2. Project online presence

The website is available on the following link srbijainovira.rs. At the moment, the project has the landing page because the focus lies on the presentation of the project itself so that the scope and the aim of the project is well-known within community and wider public. The modern, tech web site is in production.

In order to reach wider audiences and maintain an enduring web presence and awareness of the project, last week of April the project has assessed the available social media channels Facebook, LinkedIn, Instagram and Twitter to publish activities, encouraging debate and participation, as these are channels which are accessible by all target groups. Facebook and Instagram activities are focusing on attracting and engaging the target audience, while LinkedIn will be geared towards making contacts with investors and business people interested in innovation industry.

During only one week's time, Facebook already gained more than 300 and LinkedIn almost 200 followers and for two months period, FB gained 1.790, LinkedIn 525. Engagement rate of 2.54% is above average for a Facebook page.

It reached 681.270 people, which is an excellent result for this short period of time.

On LinkedIn page, engagement rate was also well above average – 4.69%, There was especially fantastic engagement rate on the Kick Off Event follow up post of 51.82% that shows good communication and big interest in the topic.

Instagram page reached 55.640 people, which is a very good result considering IG is the supporting communication channel. Engagement rate of 8.19% is also above average for this platform.



Figure 5: Facebook post sharing project CoP interview

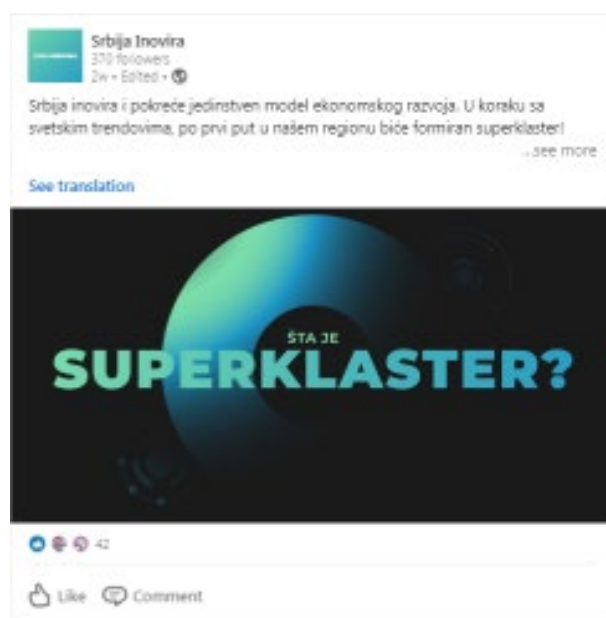


Figure 6: LinkedIn post explaining supercluster methodology



Figure 7: Facebook post invitation for online panel



Figure 8: FB follow up post of the launch event



Figure 9: Instagram post announcing the first cross-section of the research

4.3. PR

Project is also announced through press release, distributed to all major Serbian outlets, including traditional and online media, news agencies, daily press, business and tech magazines, as well as national TV and radio stations, having more than 35 coverages.

Partnerships and support with relevant media are agreed, including the highest-circulation Serbian news magazine Nedeljnik; the largest Serbian business platform Bizlife and Netokacija, the leading regional online magazine and blog dedicated to culture of technological entrepreneurship, digital marketing and new technologies.

Project CoP, Aleksandra Popovic, gave first interviews for Netokracija and Radio Belgrade 1 (radio station, a part of national broadcaster RTS).



Figure 10: Nedeljnik claims that first supercluster will influence Serbia's competitiveness on international market



Figure SEQ Figure * ARABIC 12: News agency Fonet says that ICT Hub, with the support of USAID Serbia, launched the four-and-a-half-years Serbia Innovates Project and will be working on creating an innovations-friendly environment that will accelerate the development, introduction and scale-up of new economic and

Also, Project invited media to join the online conference organized with *CFG Tax incentives for investments in alternative investment funds*, as well as panels final conclusions.

After the launch event in June, press release with welcome speeches and cross-section of the research, was distributed to all major Serbian outlets, including traditional and online media, news agencies, daily press, business and tech magazines, as well as national TV and radio stations, having more than 45 coverages. It included national news agencies Tanjug and Beta, the most visited news portal in Serbia, Blic.rs; news portals with the high readership Telegraf.rs, b92.net, Danas.rs, Novosti.rs; business and news portals Nedeljnik, Bizlife and Ekapija; as well as business and economy magazines Nova ekonomija, Cord and Diplomacy&Commerce. The local portal and printed media Dnevnik and 021.rs, with the highest reach in Vojvodina and Novi Sad also published an article. It also initiated interview at radio Belgrade 1 and in online portal Mediasfera that will be published in weeks to come.

A total amount of media coverages during this period is 94. All Serbian media, including all news agencies and traditional media (press and online) reported about the Project, its activities and the research conclusions in the positive manner.



Prva faza projekta podrazumeva sveobuhvatno istraživanje kako bi se identifikovale oblasti za inovacije kojima će se ovaj projekat baviti, a danas je, posle prvog preseka, predstavljeno osam domena koji u Srbiji imaju najveću šansu za uspeh, saopšteno je.

"Bez obzira na to što svi znaju da su neki od najvećih svetskih pronalazača u protekla dva veka bili Srbi, sada je krajnje vreme da srpski inovatori ovog veka postanu poznati. U proteklih pet godina, videla sam dosta lokalnih uspešnih priča u digitalnoj sferi, od kompanija poput Nordeusa, do Seven Bridges Genomics, kao i CarGo i Strawberry Energy. Uspehi ovih kompanija potvrđuju da definitivno postoji potencijal. Međutim, potrebno je više, Srbiji je potrebno više. Srbiji naročito treba češće zajedničko angažovanje inovativnih startapova i tradicionalne privrede", rekla je Šentli Pinčoti, vršilac dužnosti direktora misije USAID u Srbiji na događaju povodom otvaranja.

VEĆ GODINU DANA PRIMEŃUJE SE ZAKON O ALTERNATIVNIM INVESTITIONIM FONDovima

Удица за фирме са вишком

Стручњаци: Пореским кредитима треба привући и компаније да улажу

НАЈМАЊЕ 30.000 грађана Србије, али и део наше дијаспоре, потенцијални су улагачи. Од априла прошле године Србија има и законски оквир за алтернативне инвестиционе фондове и дигиталну имовину. Стручњаци, међутим, упозоравају да има још простора за пореске олакшице којима

улагаче, али недовољна за толику подршку.
- Они могу да ставе новац у банку, могу да улажу у тржиште некретности и да сами нађу пословни похват, што је врло тешко - сматра Костић. - Алтернативни инвестициони фонд је та четврта могућност. И измена Закона о порезу

ИСТРАЖУЈУ ГДЕ УЛАГАТИ

ПРОЈЕКАТ "Србија иновира" покренули су ICT Hub, Центар за развој технолошког предузетништва и иновације, у партнерству USAID-a. Циљ истраживања је да се мотивише коришћење иновативне технологије. У оквиру пројекta се ради истраживање у којим грађана постоје највећи потенцијали за примену иновативних решења. То ће уједно бити и путаказ где се највише исплати улагати.

би се оваква улагања стимулисала.

Заиста богати људи, како је на USAID конференцији на ову тему појаснио Сетислав Костић, професор Правног факултета, улажу кроз посебна друштва. С друге стране, постоји солидна група средње класе, обавезници пореза на годишњи доходак грађана, који имају извесна средства за

на доходак грађана, омогућен им је порески кредит уколико у њих инвестирају. Оно што нам недостаје је порески кредит за правна лица, како бисмо и њих мотивисали да улажу. У случају дигиталне имовине, потребно је да јој се прилагоде пореске пријаве. Требало би и да се минималне трансакције ослободе пореза на капитални



добитак. То може да мотивише ситније инвеститоре. Међународни инвеститори траже тржишта у којима је могућност зараде највећа, а пореско оптерећење најмање. Они у нас тренутно улажу углавном у куповину државне хартије од вредности. Наше инвеститоре занимају некретности, али они чекају да то профитирају на локалном нивоу - објашњава Игор Лопачев из KPMG-a. - Имамо прве путаљке који расту.

Чекимо да видимо како систем функционише, како функционишу друштва за управљање алтернативним инвестиционим фондовима, како их препознаје Пореска управа. Зантегесовани су за портфолио некретности. Види се да Србија и даље даје веће приносе од некретности, и то на нивоу пословног простора и тржишних центара, дупло у односу на остале. Ако успешно крене, то ће довести позитиван капитал у Србију. ■ С.Б.

Figure 13: B92 reports on key messages of the project launch event

Blic Biznis

GODINU DANA BESPLATNO
najbolji filmovi i serije samo uz BLIC PREMIUM

KAKO DO POVOLJNOG OKRUŽENJA ZA INOVACIJE
Ovo je 8 privrednih oblasti sa najvećom šansom za uspeh

#UživajteUŽivotu
Novi Ceed već od €14.899 + 129 € mesečno
ISPORUKA ODMAH

Viskotehnoška poljoprivredna proizvodnja, veštačka inteligencija i gejming industrija tri su domena od osam mapiranih kao potencijalno najperspektivnijih za ekonomski iskorak u privredi Srbije, saopšteno je na predstavljanju projekta "Srbija inovira".

Figure 15: Blic listing exclusively 8 domains with greatest chance to success

Danas

Istraživanje: Najveći potencijali u Srbiji u osam privrednih oblasti

Ekonomija

Istraživanje: Najveći potencijali u Srbiji u osam privrednih oblasti

U Srbiji postoji u osam privrednih oblasti imaju najveće potencijale za uspeh, rezultati su istraživanja Centra za razvoj tehnološkog preduzetništva i inovacija (ICT Hub) i Američke agencije za međunarodni razvoj (USAID) u okviru projekta, Srbija inovira.

Te oblasti su veštačka inteligencija, biotehnološka tehnologija, viskotehnoška poljoprivredna proizvodnja, industrija video igara, rešenja za pametna okruženja, elektroenergetski izvori, napredni materijali i napredni procesi proizvodnje i biotehnologija.

ICT Hub i USAID predstavili su projekat "Srbija inovira" predstavnicima privrede, startup i akademske zajednice, sa ciljem da zajedno rade na stvaranju povoljnog okruženja za inovacije u Srbiji. Kako je saopšteno, delatnosti projekta, Srbija inovira, imaju širi i po godinu, a u okviru njega radiće se na kreiranju okruženja koje je pogodno za inovacije firme da se ubrzo razviju, uvođenje i skaliranje novih ekonomskih modela.

Vršilac dužnosti direktora misije USAID u Srbiji Šeril Pinoti istakao je da je Srbiji potrebno čvrste zajedničko angažovanje inovativnih startupova i tradicionalne privrede.

MODERNA VIG ZANIMA

Kejt Midlton u lektornom izdanju na kakvo nismo navikli

Primeri kreativnog dizajna koji će vas impresionirati

Generalni direktor ICT Hub-a Krista Andrić rekao je da sve više kompanija, čak i malih i srednjih preduzeća, prepoznaje važnost inovacija, pa počinju da sarađuju, razvijaju digitalne strategije i podršku preduzetnicima.

Ujrmamo i velike zakonodavne promene kojima se pruža podrška inovacijama i uslugama e-privredne u Srbiji. Ono što nam sada treba je hrabra i konkretna strategija, zasnovana na globalno dokazanim konceptima i specifičnim potencijalima koje znamo da imamo: istakao je Andrić.

Figure 16: Biggest potentials in Serbia listed in Danas

Diplomacy & Commerce

BETTER MANAGERS FOR A BETTER WORLD
MBA www.rbs.mba

USAID and ICT Hub partner to spur innovation in Serbia

June 21, 2021 / Naraša Nikić / No Comments

The first cross-section of the research - 8 economic areas with the greatest chance of success!

ICT Hub and US Agency for International Development (USAID) officially launched the "Srbija Innovates" project, its partners Public Policy Research Center and WIMPEP to representatives of SMEs, startup and academia, investors, government and non-government sector in order to encourage them to work together in designing the innovation friendly environment in Serbia that will accelerate the economic development in the most promising industries. The first phase of the project showcases a massive research, identifying the most promising domains for innovations in Serbia. Today, after the first cross-section, 8 promising domains were presented that have the biggest chance in Serbia.

JAINOVIRA | SERBIAINNOVATES

While everyone here knows that some of the world's greatest inventors during the last two centuries were Serbians, it is now high-time that Serbia makes a name for its innovators in this century. During the last five years, I have seen so

Figure 17: D&C stressing USAID and ICT Hub partnership on innovations

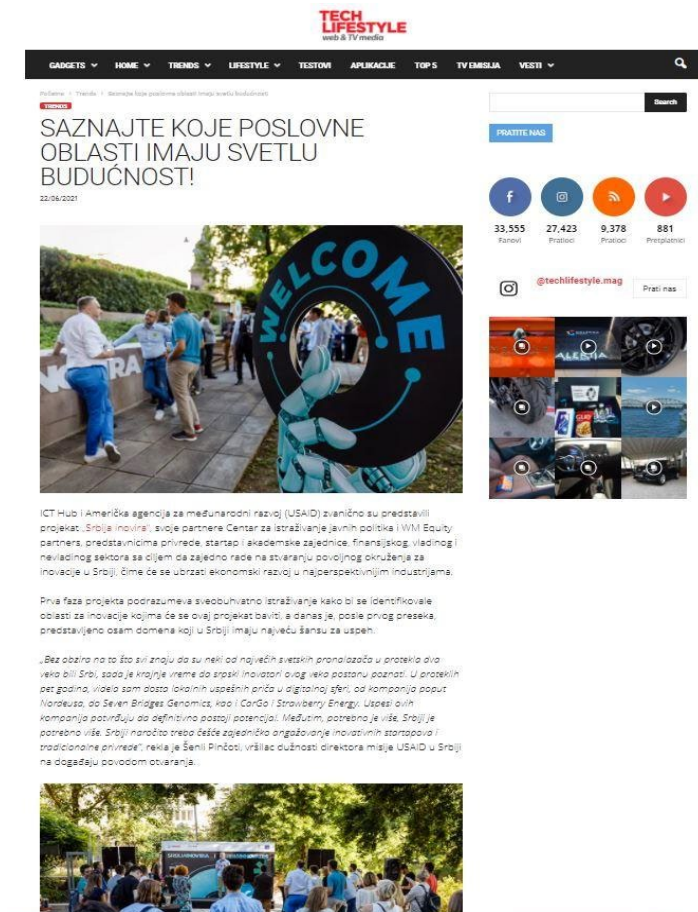


Figure 18: Tech life style explaining which business areas in Serbia have the bright future



Figure 19: Business Telegraph starts the article with Shanley Pinchotti quotes

4.4. Events

- **Online panel: Tax Incentives for investing in alternative investment funds**

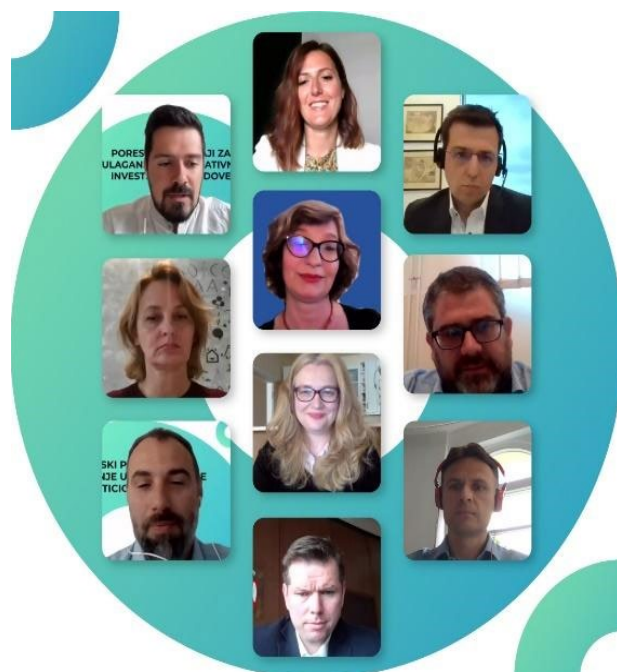


Figure 20: Panel participants

On May 13, Serbia Innovates organized its first online panel discussion in partnership with USAID Cooperation for Growth Project (CFG), on the topic of Tax incentive for investing in alternative investment funds. The panel gathered almost 170 participants and was opened by two CoPs, Ms Dragana Stanojevic (CFG) and Aleksandra Popovic (SI).

The panelists were top notch representatives from government institutions, private sector, academia and civil society, including Marko Jankovic, president of Republic of Serbia securities commission, University of Belgrade professor Svetislav Kostic, Ernst and Young and KPMG representatives Gordana Acanski and Igor Loncarevic, Bojana Tomic Brkusanin from Digital Serbia initiative, and Aleksandar Matanovic from online service for cryptocurrency trading.

Participants had the opportunity to learn how tax incentives can be used in practice, how to provide alternative financing for innovative companies, as well as what the position of cryptocurrency market in Serbia is at the moment. Panelists concluded that the regulatory frame made for the field of alternative sources of financing and introduction of digital assets in Serbian economy are steps in the right direction but also, that the more significant development of this market requires foreign funds entering the Serbian capital market, and precondition for that is the development of domestic funds. The strategy for improving the start-up ecosystem will include a number of measures to support the establishment of VC funds - the most important state fund of funds. It was pointed out that the estimated volume of transactions of Serbian citizens on crypto exchanges around the world is measured in hundreds of millions of euros, and that a part of that could be directed towards VC funds that support innovative companies.

- **Serbia Innovates launch event**

The Project organized a networking event with representatives of SME's, startups, academia, investors, government and non-government sector, at the Devojacki park, in front of ICT Hub, on June 17, 2021.



*Figure SEQ Figure * ARABIC 21: Aleksandra Popovic, SI CoP, Shanley Pinchotti, USAID acting director, Branka Andjelkovic, PPRC co-founder and Kosta Andric ICT Hub executive director*

The aim of the event was to gather all project stakeholders introduced in the start-up phase of the project and to encourage them to work together in designing the innovation friendly environment in Serbia that will accelerate the economic development in the most promising industries. Together with ICT Hub general manager Kosta Andric and Project CoP Aleksandra Popovic, Shanley Pinchotti, USAID Serbia acting Mission Director gave the opening speech emphasizing 20 years of USAID's partnership with Serbia and this project as the logical next step in this development partnership, as it supports knowledge and innovation-based economic development. She also mentioned that this activity is actually one of the very first co-creation USAID projects in Serbia.

The highlight of the event was the presentation of projects massive research, identifying the most promising domain for innovations in Serbia, which identified, after the first cross-section, 8 promising domains that have the biggest chance in Serbia: Artificial intelligence, Blockchain technology, High-tech agricultural production, Gaming industry, Solutions for smart environment, Eco-smart energy sources, Advanced materials and advanced production processes and Biotechnology. The research will last till autumn, when the project will decide which four domains will be tested in real environment by conducting four separate supercluster pilots.

The event gathered around 60 people, with more than 40 media releases in national and local media outlets like Danas, Blic, Nedeljnik, Novosti, Bizlife etc.

This is the first in the series of gatherings with stakeholders that will serve to share information and experiences of relevant interventions undertaken to date, integrate the Project efforts with other technology initiatives and coordinate activities with other institutions, both to avoid duplication and to achieve the scale of activities required for systemic impact.

MANAGEMENT AND ADMINISTRATIVE ISSUES

ICT Hub and the USAID have signed the Cooperation Agreement specifying the subawards for: WM Equity Partners (WMEP), Belgrade and Public Policy Research Center (PPRC), Belgrade.

Relationships between project partners have been regulated with separate contracts.

Contract signed between ICT Hub and WMEP have been submitted to the local Tax Authorities in order to obtain the VAT waiver for WMEP and unexpectedly the waiver was denied. Giving the fact that WMEP is in the system of VAT this was not something affecting their business. However, the risk of getting refusal for the PPRC contract (as announced by the Tax Authorities) was assessed as extremely high as it would drastically impact their business model and liquidity, since they are a non-profit organization and not in the VAT system.

For that reason, signing of contract with PPRC was delayed for 3 months until we understood what were the reasons for the refusal and were able to change the contract accordingly.

LESSONS LEARNED

Initial contracts between partners were in a form that corresponds more to corporate businesses and not to relationships between the non-profit awardees.

Once the contract form was changed, VAT waiver was approved by the local Tax Authorities.

ACTIONS TAKEN IN RESPONSE TO PREVIOUS AOR/COR FEEDBACK

Once we understood that the reasons behind the refusal, AOR provided us the template in the appropriate form and helped the project team to resolve this issue.

PLANNED ACTIVITIES FOR THE NEXT REPORTING PERIOD

Activities planned for next reporting period are described below.

1. Activity stream 1 – Identification of four competitive domains

Research phase will be continued, interviews will be completed and survey targeting 1000-1500 people will be started in the next reporting quarter.

Criteria for the final selection should be drafted based on feasibility, relevance, capacity and available resources, collaborative potential as well as potential to generate change and make impact in the selected domain.

2. Activity stream 2 – Preparation for Supercluster piloting

Concluding contract with Supercluster consultant will be performed.

Definition of pilot application methodology will be drafted: definition of application process, framework and policies.

3. Activity stream 3 – Access to Finance (technical activities)

For the following reporting period and until the end of the year, regarding access to finance component, planned activities are described below.

Cooperation with domestic / regional teams, candidates for General Partners

- Signing of MoUs with candidates for the General Partners that we have mapped and contacted in the previous period and continuation of cooperation in this respect
- Preparation of workshop in order to identify potential challenges (legal, tax, financial, etc.) in the process of fundraising and establishing of venture capital fund from the perspective of General Partners and Limited Partners
- Engagement of Awareness raising Expert for Investors in VC fund

Cooperation with private sector Limited Partners

- Continuation of research and cooperation with potential Limited Partners
- Engagement of Advocacy and Communication Expert

Cooperation with international financial institutions

- Conduction of research of International Financial Institutions
- Participation on at least one investors conference organized by IFIs (until end of the year)

Cooperation with regional and EU/USA venture capital funds and corporations to ensure exit strategy for local venture capital fund(s) - Research of venture capital funds/associations to be conducted

- Participation on Belgrade Venture Forum and potentially on other investors conferences

Focusing the existing market strengths and talents to the identified domains

- Continuation of research of innovative companies
- Continuation of mapping of the innovative companies, establishing communication with them and supporting in accessing the finance

Legal establishment of venture capital fund

- On demand, to provide documentation for legal establishment of VC fund / Asset Management Company, provide support in obtaining necessary licenses from regulatory bodies and registering the VC fund / AMC within relevant authorities

Scope of work for the position Legal Expert for Investors in VC fund will be prepared.

4. Outreach and Communication

- Creation of specialized online podcast, as promotional and educational platform, focused on the innovation driven economy, in order to raise a new, inspiring communication regarding the Serbian innovation economy and to provoke a discussion in an engaging way to encourage curiosity about the topic
- Production of Project web site as an effective tool to raise awareness about innovations and knowledge-based economy among different target groups
- Organization of 5 expert workshops to present and promote the selection of 4 domains; to announce the public call and to explain the project support in the area of access to finance
- Designing project outreach annual campaign (around selection of 4 domains and public call for pilots)
- Preparation of National Innovation Ecosystem Conference. This 3-day event presents the real opportunity to bring together all the major players, present project activities, research findings, promote the selected domains and announce public calls. It will also be the opportunity for sharing challenges, identifying opportunities & networking with partner industry innovators. The event will be oriented towards domestic and international public and will be accompanied with strong promotional efforts. Due to Covid 19 pandemic and following the situation in the industry, the conference may be postponed or moved to online.

ADDITIONAL SECTIONS PER YOUR AGREEMENT OR CONTRACT

Due to the administrative issues with the Tax authorities of Serbia, in regards of waiving the VAT for project partners WMEP and PPRC, contract between ICT Hub and PPRC was signed with a 3 months delay (mid-June). As a consequence, no payments could have been made to PPRC which affected their liquidity and forced the team to pause with project activities.

Once the contract was signed, the activities were continued, however this pause is affecting the project planning. Even if the pause was 4 weeks long, it may impact the project plan for 2 months, because it affected the research phase where we should interview 100 people and organize a survey for up to 1500 people. This is extremely difficult to achieve in the period of summer vacations.

Exact delay in project timeline would be assessed by the end of August.

ANNEXES

ANNEX 1: Towards Economic and Societal Values of Innovation: Conceptual Framework



**ANNEX 1 Towards
Economic and Societa**

ANNEX 2: Serbia's Innovation Ecosystem at a Glance



**ANNEX 2 Serbia's
Innovation Ecosystem**

ANNEX 3: Interview Questionnaires



**1. Business sector -
Questionnaire for inte**



**2. Start Ups -
Questionnaire for inte**



**3. Research and
Academia - Questionr**



**4. NGO sector -
Questionnaire for inte**



**5. Public sector-
Questionnaire for inte**



**Quantitative
questionnaire -All seci**

ANNEX 4: Press clipping Pre launch – Project start



**ANNEX 4 Press
clipping Pre launch – |**

ANNEX 5: Press clipping – Online conference Tax incentives for investments in alternative investment funds



ANNEX 5 Press
clipping – Online conf

ANNEX 6: Press clipping – launch event



ANNEX 6 Press
clipping – launch ever