Belgrade ICT Incubator: An Effective Means to Abate and/or Reverse Brain Drain

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Objective

To create an infrastructure that will enable returning Serbian expatriate/émigré ICT (information and communication technology) specialists/experts to form and operate their companies on Serbian soil and employ Serbian experts and recent graduates that would otherwise most likely leave the country.

Background

Last 10 years or so have witnessed significant surge in emigration of recent engineering school graduates and mid-career engineers and other ICT specialists. The figures are estimated in excess of 5,000 people in their late 20s to early 40s. The emigration destination was typically Western Europe and North America.

Most of the Serbian ICT émigré experts are currently employed by world-class companies that gave them an opportunity to gain significant international technical and/or commercial experience, awareness of the market opportunities and customer needs. Many of them have created interesting business ideas that need capital and/or resources to be turned into successful companies. Unfortunately, many of them have limited personal financial means to fund their start-up companies in the expensive, developed countries.

The idea behind the Belgrade ICT (“BIT”) Incubator is thus to provide a fertile ground where they would be able to start their own companies albeit at a fraction of the cost required in their adopted countries. The office space is cheaper in Serbia, there’s sufficient supply of highly qualified and motivated young and experienced ICT professionals that could be hired also at the fraction of the cost in Western Europe or North America. These young, usually recent graduates would be more than happy to forfeit their plans of leaving the country if they would be offered challenging jobs and, for Serbian terms, “decent” compensation of say €700-1000 per month.

Organization

Any business incubator provides infrastructure, office space, access to sources of funding, technical, commercial and financial consulting/support to the hosted start-up companies. In return for all these “freebies”, incubator takes an equity stake in the hosted company.

Hosted company operates as a separate legal entity, hires employees, develops a product for the market identified in its business plan, etc. Employee compensation usually consists of two components: a combination of somewhat modest salary and a stock option.
BIT Incubator will operate as a management company under the same premises. It would be established as a private company (“d.o.o.” in Serbian parlance) with the assistance of the Serbian government through its Ministry of Science, Technology and Development, City of Belgrade, Agency for SME and Chamber of Commerce. The funding for the operation of the Incubator would come from the Ministry (smaller part) and from the foreign donors (majority). The incubator would need to provide the following to their “chickens”:

- Office space
- Internet, computer, network infrastructure
- Legal support for formation of the hosted companies (external legal experts-law firms)
- Bookkeeping support (external bookkeepers)
- HR support (resident and/or external)
- Marketing, commercial, management support (resident and/or external)
- Technical support (resident and external experts)
- Access to funding: VC, International, Joint Project funding, etc.
- Other services

The location of the BIT Incubator will be at the Technical University since (1) most of the employees will be graduating students or recent graduates, (2) most of the technical experts will be professors or research/teaching assistants (under contract), (3) availability/access to Academic Internet Network and it’s resources and (4) low-cost office space and maybe some office support.

Space in the Incubator will be initially limited to 3-5 returning émigré start-up companies. This is due to (1) anticipated limited financial resources, (2) limited space and (3) need for the incubator management to have keen focus on the hosted companies. Each company would employ 3-5 people. Thus the total number of people in the Incubator will be limited 20-25.

Acceptance Criteria

BIT management will establish clear and transparent acceptance criteria based on the business plan of the returning budding entrepreneur. Some of the risk factors would be market opportunity, availability of alpha customer(s), growth opportunity, founder(s) track record, etc. The goal is to select only those start-ups that appear to provide the highest chance for international success.

One hosted company will stay not more than two years in the Incubator. It’s performance will be evaluated on the quarterly basis and the contract could be terminated earlier in case of worse than planned progress.

Financial structure

Several assumptions have been incorporated in the financial model:

- Office space
• One-time investment in PC/workstation/sw infrastructure
• One-time investment in Internet/network
• Management team cost
• External consultants
• Hosted company employee salaries (brutto)
• Internet, telecom, utility operating costs, etc.
• Insurance, management fees, etc

Ministry of Science, Technology and Development could cover part of the one-time costs plus part of the salaries of the employees (in form of scholarships) The remaining costs would need to be funded by a foreign donor.

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