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*The mobility of human capital within and
from the Western Balkans
when innovation stops brain drain*

Anna Ferro, ricercatrice senior, CeSPI

Francesco Martino, giornalista, OBCT

Serena Epis, ricercatrice, OBCT

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OBCT and CeSPI completed a study financed by the Italian Ministry of Foreign Affairs and International Cooperation with the objective to examine how innovative companies and innovation hubs/innovation incubators in the Western Balkans can positively contribute to local social-economic development and ultimately reduce the brain drain of skilled youth. The starting hypothesis is that reinforced conditions of entrepreneurial-innovative development in the Western Balkans can contribute to increasing employment opportunities and retaining youth talents and innovative ideas. The methodology includes a desk literature and a qualitative mapping, realized with 14 interviews with different players in Serbia, Albania and Kosovo. This pilot study presents limitations due to the difficulty to engage for-profit operators and the limited number of case studies involved. Moreover, addressing “Innovation and Brain Drain” in the Western Balkans obviously depends on the specificities of each country, economy, sector and existing clusters/districts.

Background scenario

Data confirm the problem of youth employment in the Western Balkans (27%, RCC, 2021), compared to the EU average (31,4%). Among the countries with the highest evidence of brain drain are Bosnia and Herzegovina, Kosovo, and Albania (European Western Balkans, 2020). The debate on brain drain highlights trust in the possible impact of highly skilled return migrants and diaspora investments, but limited evidence is available.

The definition of innovation is based on the CIS (Community Innovation Survey) in the EU referring to new or significantly improved ideas, goods, products, services, processes or methods that were not used before. Additionally, innovation is the product of any invention that is commercialized. Not necessarily an innovation is solely technological, but today it largely focuses on this dimension. This study is mainly focused on the technological and digital component of its case studies.

Among the key concepts in investigating and looking for innovation in the Western Balkans, the **innovative ecosystem** includes economic agents, economic relations and non-economic parts (as regulatory frameworks, culture, strategies, human capital, infrastructures) that can transform knowledge into innovation (Mercan, Göktaş, 2011). Three factors are considered determinant for innovation ecosystems: the presence of clusters/districts, strong university-industry collaboration, and a dynamic culture to innovate (Mercan, Göktaş, 2011). The ability of an economy to generate innovation depends not only on the contribution of individual actors, but on how they interact as part of a system (Sanguigni, De Crescenzo, 2011).

Innovative ecosystems in the Western Blanks rapidly developed in the last 10 years, representing unexplored markets (as in the case of the fintech, manufacturing and services sector) and competitive export advantages. Nevertheless, they face multicausal challenges and obstacles that have been identified by different studies – as two recent ones from the Regional Cooperation Council “WB Research & Innovation Infrastructure Roadmap” (2022) and Mapping of digital innovation hubs, identification of needs within WB and regional cooperation actions (2021). Among the barriers identified can be found: limited availability of talents and ideas; difficulty in opening/accessing new markets and networks (low integration into global supply chain); weak cultural background and institutional reform framework; difficulties in accessing capital and resources: common lack of research and development funding, of domestic and venture capital funds; limited connection of regional research infrastructures with the industrial sector; outdated existing research infrastructural facilities; limited Government support; low cooperation between innovation infrastructures in the region; limited scale-up and investment readiness of start-ups; tendency of digital innovation hubs to offer only some resources (incubation, preparation and networking).

Overall, talented youth and human capital formation and training are key ingredients for innovation inputs and companies’ new knowledge, but in the Western Balkans they are still a row asset in need to be further empowered through existing policies and initiatives. Among the recommendations, a strategy to support innovation in the Western Balkans shall reinforce a regional approach and capacity

to research infrastructures applied to local environments, with particular attention to youth retention; promote collaboration with business sectors and improve complementarity with EU financing mechanisms (World Bank, Western Balkans Regional R&D Strategy For Innovation - Overview of the Research and Innovation Sector in the Western Balkans, 2013).

Mapping innovative realities in the Western Balkans

Rather than being an economic analysis, the mapping aimed at gathering information from the field to have a better understanding of the socio-cultural context of innovative ecosystems in the Western Balkans. It is based on 14 in-depth qualitative interviews with stakeholders involving *startups*, business incubators, non-profit organizations, cluster organizations, international financial institutions and representatives of the academia working in three different countries: Albania, Kosovo and Serbia.

While the loss of highly-skilled workers poses a clear threat to the region both in the short and the long term, this initial analysis shows that innovative enterprises have a solid potential to attract and retain young, motivated, skilled workers and specialists. Among the benefits that innovative enterprises can offer compared to other more traditional businesses, the capacity to provide better salaries and to respond to the need for more social and environmental rights of the younger generations seems to be strong incentives for talents not to leave their country of origin.

The potential of innovation in curbing brain drain becomes even more evident when innovative businesses or start-ups gather in so-called *innovative clusters*: the case of the gaming industry in Serbia provides a good example that demonstrates that when different stakeholders work together, the advantages of cooperation outweigh the disadvantages of internal competition over high-skilled talents.

The on-field analysis shows that the Covid-19 pandemic had a significant impact on the innovative ecosystems in the region. One of the most evident trends is the rapid increase in remote working. Regarding brain drain, the possibility to work from home has had opposing results: while on one side it allowed more people to remain in their home country, on the other side it exacerbated the competition with foreign enterprises. Today a significant part of highly-skilled youth works for foreign-based enterprises while remaining at home, instead of emigrating.

The research also suggests that there is an overall dissatisfaction among the stakeholders interviewed regarding the general framework for the promotion of innovation in the three case studies: there is indeed a common perception that the political, normative and financial framework is not sufficiently enabling for innovative businesses and start-ups and that institutions should introduce clearer political strategies to create a better environment for business and curb brain drain. While they recognize the central role of public authorities, many stakeholders have already started to implement their own measures to deal with the loss of human capital: some focus on the promotion of a so-called *employee-focused* working culture, while others decide to offer their employees some part of the shares of the company.

Finally, the research highlights the central role played by the education system in fostering innovation. Especially when it comes to higher education, a vital and ready-to-change system is crucial to support innovative economic sectors. While private education seems to be more ready to adapt to the new needs of emerging markets, there are examples of public universities that show a willingness to open new learning horizons. This is the case, for example, of the Belgrade University of Arts and its new department devoted to visual effects, animation and video games. Whether the education system, public and private combined, is able to promote not only innovative skills and competencies, but also a sustainable and long-lasting deep-rooted innovation, culture remains an open question for further research.

Overall, the study confirmed that innovative realities in the Western Balkans can play a potential role to reduce brain drain and at the same time they promote a dynamic vision of the region, far from the stereotypes of backwardness or immobility.

For a more extensive reading, find here the link to the [complete study \(in Italian\)](#)