

Startup Report 2023

Foreword Civitta

For the past half-decade, the CIVITTA innovation team has been scrupulously monitoring the evolving landscape of the startup ecosystem in Belarus. Through an in-depth examination of its developmental markers, challenges, and areas of fortitude, we have sought to gain a comprehensive understanding of its current state. Annually, we produce a startup report that serves as a comprehensive overview of the most significant transformations that have taken place within the ecosystem over the preceding year.

The past several years have been a trying period for Belarusian startups and the startup community at large. The economic and political turmoil that has plagued the country has exposed the nascent ecosystem's lack of resilience in the face of instability. This has manifested in a decline in the number of active and visible Belarusian startups for the first time in seven years, and a dip in investment levels almost to that of 2016. Furthermore, the tumultuous events impacting the ecosystem have engendered transformative shifts within it. Historically, the Belarusian startup community has been characterized by a dearth of integration, owing to its relatively small size and the lure of larger centers of attraction and hubs. However, in the last year, the trend of relocating startups has accelerated at a remarkable pace, with 56% of startups of Belarusian origin now officially registered in other countries. Additionally, over the past three years, more than 150 startups have emigrated from Belarus with the intention of developing their businesses in other nations.

This year, we decided to focus specifically on the transformation that the ecosystem is undergoing, the consequences of this transformation for startups, and also touched on possible scenarios for the development of the Belarusian startup ecosystem. To do this, in addition to our analysis, we studied the state of innovative and technological companies more deeply, surveying more than 140 founders and C-level managers of active and recently liquidated Belarusian startups.

At the same time, we understand that the startup ecosystem is essentially a community, and thus, in our examination of it, we not only engage with startups, but also solicit the perspectives of representatives from various ecosystem players and experts in innovation. We extend our sincerest gratitude to Zborka Labs, Innovate (PYXERA Global) and other ecosystem enablers for their invaluable contributions in the compilation of this year's report.

Please, enjoy reading our 2023 chapter of the Belarus Startup Report,
Belarus Startup Report team.

Previous reports



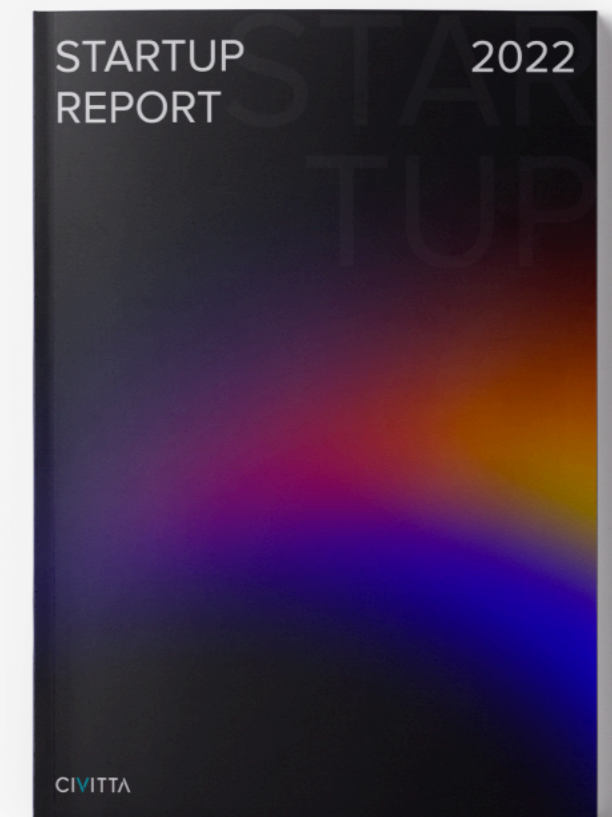
TECH IN THE NEW EAST: BELARUS



BELARUS STARTUP REPORT 2020



BELARUS STARTUP REPORT 2021

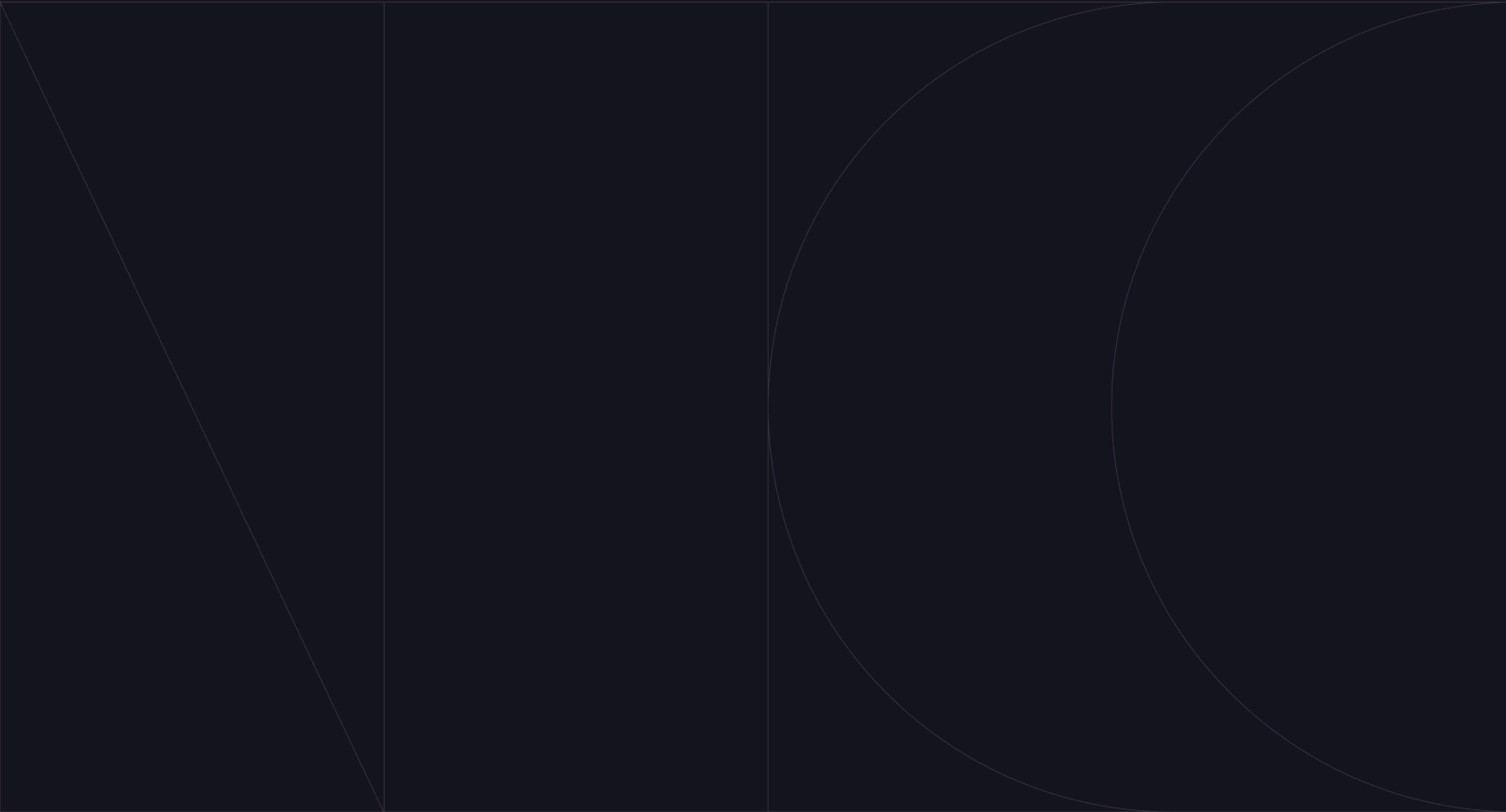


STARTUP REPORT 2022



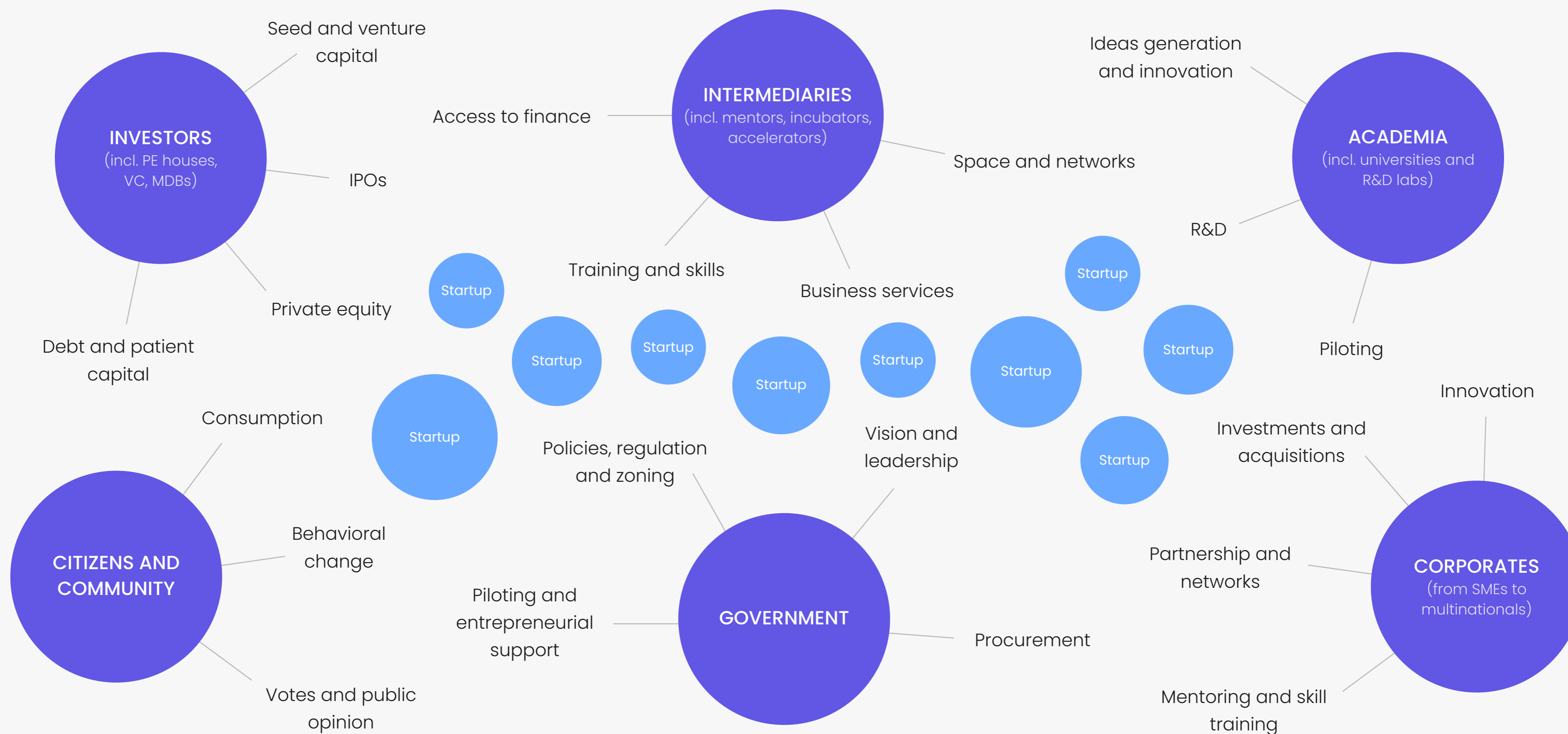
This and previous reports are available on <https://innovatebelarus.org>.

Startup Ecosystem Overview



We define the Belarusian startup* ecosystem as the network of interactions among people, organizations and their environment that is not limited by geographic boundaries

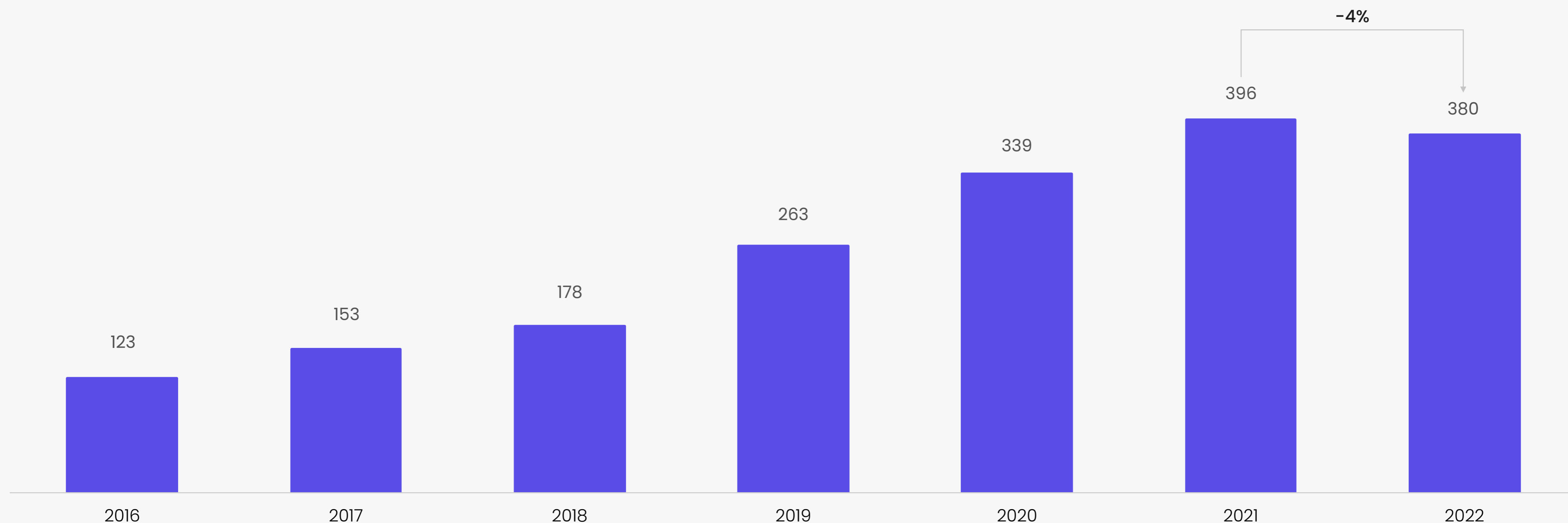
STARTUP-ECOSYSTEM



* – in this report, a startup is considered to be Belarusian if founded de facto or de jure in Belarus, startup has at least one founder from Belarus or has a majority of its team in Belarus

In 2022, the number of startups in the Belarusian ecosystem has decreased for the first time in the last seven years

NUMBER OF OPERATING & VISIBLE BELARUSIAN STARTUPS*, 2016-2022, END OF YEAR

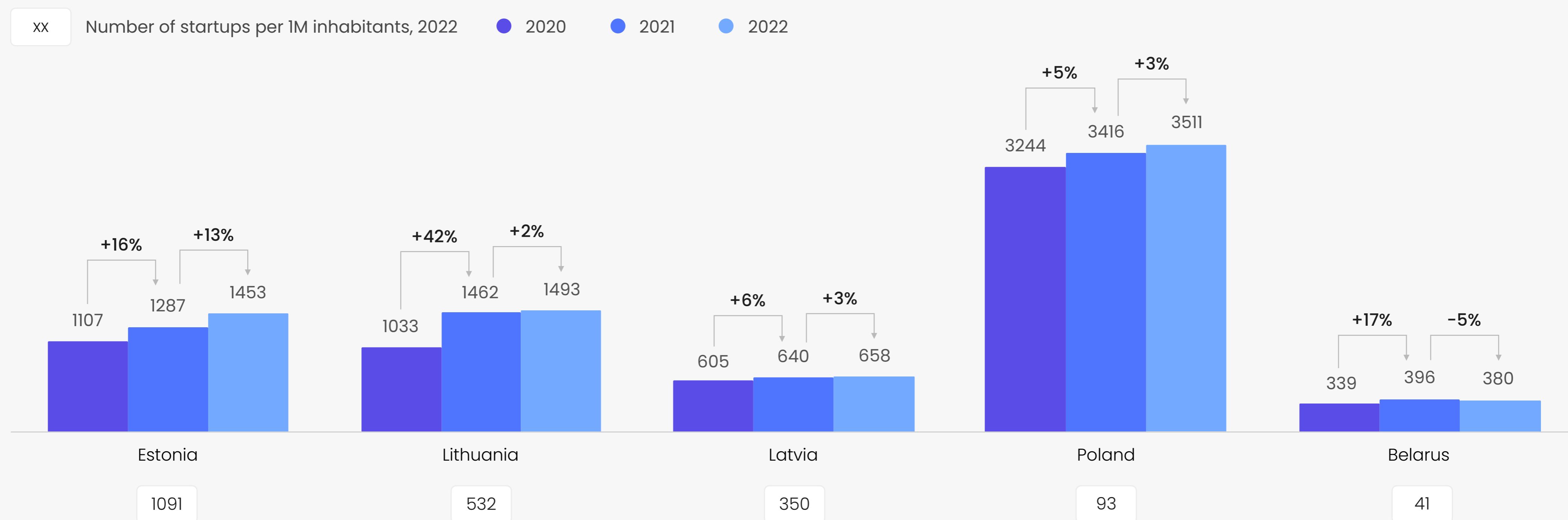


The number of visible and active Belarusian startups amounts to 380 as of the end of 2022. Since 2015 there has been a clear growth trend in the number of operating startups with Belarusian roots. In 2022, the indicator dropped for the first time in the last seven years: the number of startups decreased by 4% compared to the 17% increase in 2021.

* – This indicator reflects the number of visible and active startups in the ecosystem in our database at a specific date, so the difference in the number of startups over the years may not coincide with the number of newly opened and closed startups which are updated annually during the database verification process.

Although all neighbouring startups ecosystem faced slowdown in 2022, they are in a significantly better state – the cross-ecosystem gap started to widen

NUMBER OF OPERATING & VISIBLE STARTUPS BY COUNTRY, 2020-2022, END OF YEAR

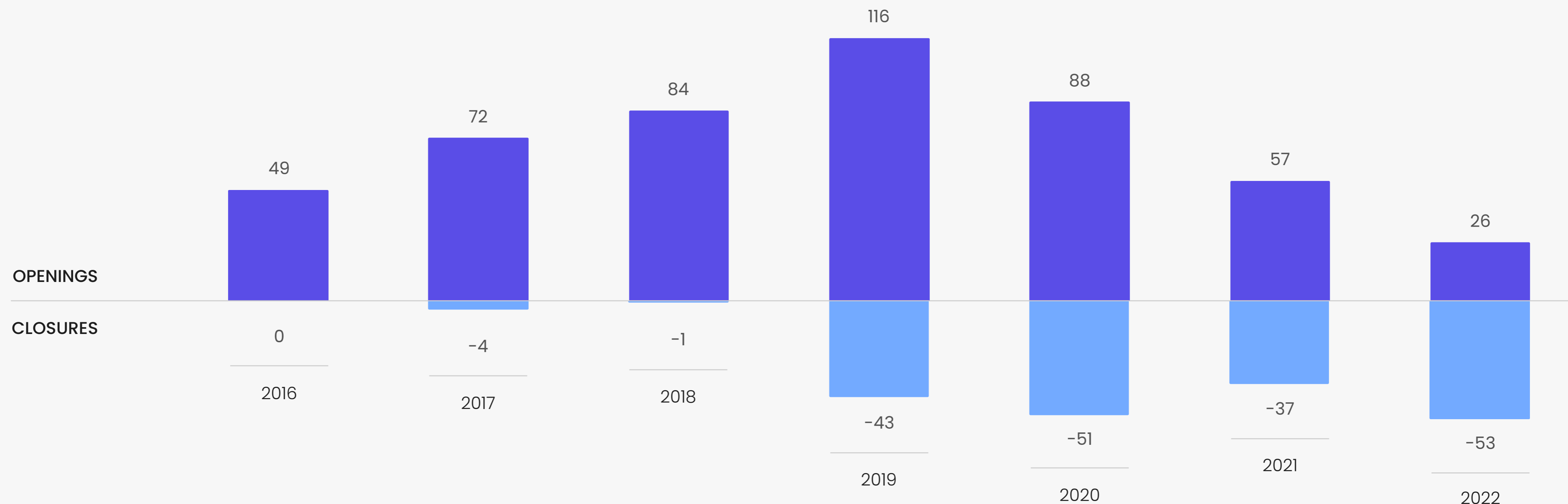


The Belarusian ecosystem is a way behind neighbouring ones. The Baltic countries is collectively home to 3.6K startups. Poland hosts another 3.5K startups. While such mature ecosystems as Estonia and Lithuania have more than 500 startups per 1M inhabitants, Belarus with 41 startups per 1M population falls short of the European average (~250 startups). But the gap between Belarus and peers has been constantly narrowing. Even in 2021.

2022 was the most challenging in the recent history of the technology sector in the region not only for the Belarusian ecosystem. Nevertheless, all peer ecosystems demonstrated resilience and managed to grow. The gap between Belarus and its neighboring countries began to widen

The unprecedented contraction of startup population is driven the record low «birth rate» in the first place and high level of closures

NUMBER OF BELARUSIAN STARTUPS OPENINGS AND CLOSURES BY YEAR, 2016-2022 *



The adverse trend in newborn startups' emergence appeared in 2020 amidst political turmoil. But the situation has much aggravated in 2022. Our team tracked only 26 startup openings in 2022. This is approximately 55% fewer compared to 2021 and 78% less than in 2019. With 53 tracked closures, the startup mortality rate anti-record was broken in 2022.

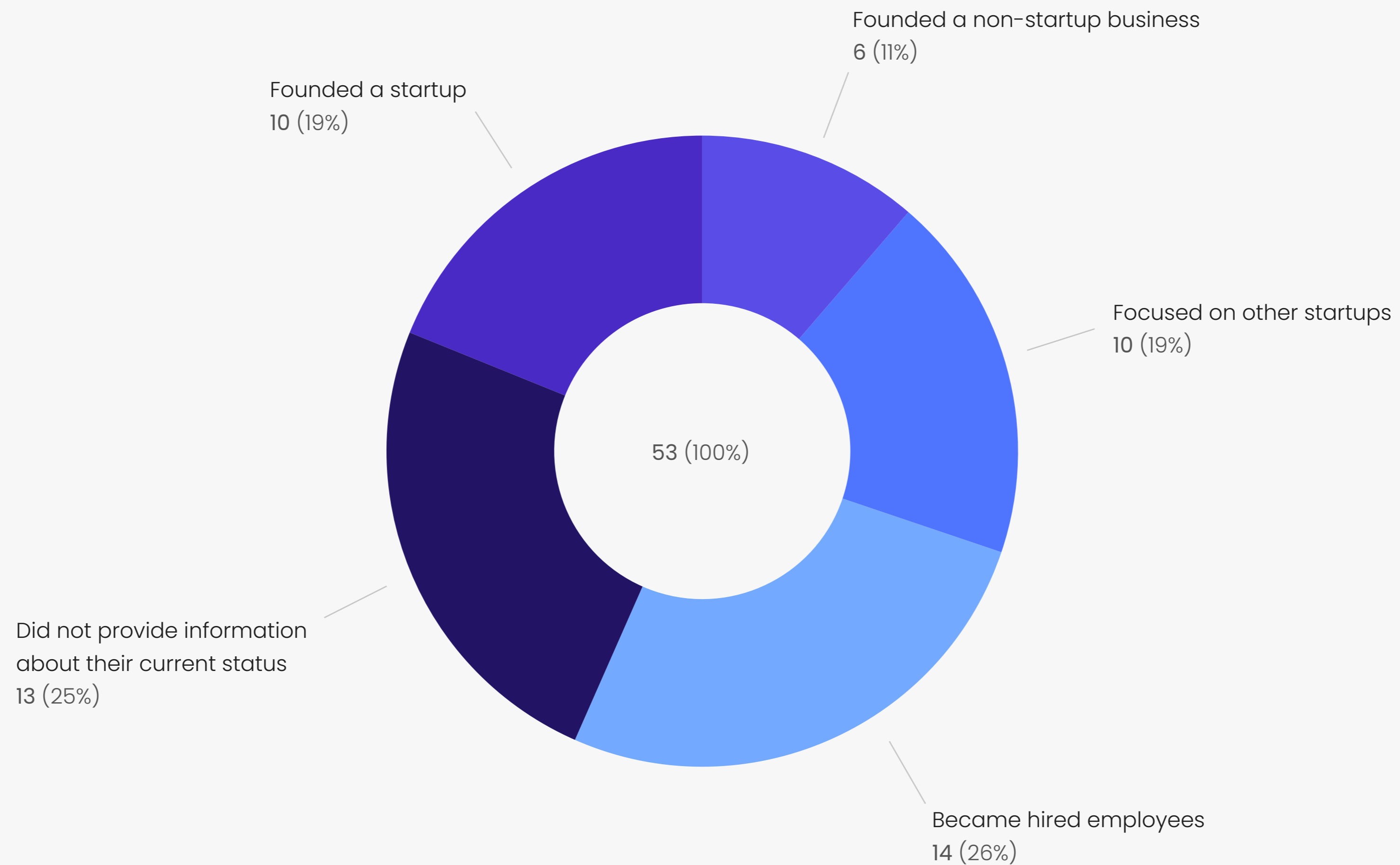
Thus, the startup death rate is 2.1 times higher than the birth rate during this period, which is a clear indication of stagnating ecosystem. Health, marketing, and enterprise software startups prevail among closed startups amidst lifting COVID-19 restrictions.

* – Data on startup closures was not collected until 2019.

** – The difference in the number of open and closed startups (updated annually during the database verification process) may not coincide with the annual increase in the number of operating & visible startups calculated for a specific year.

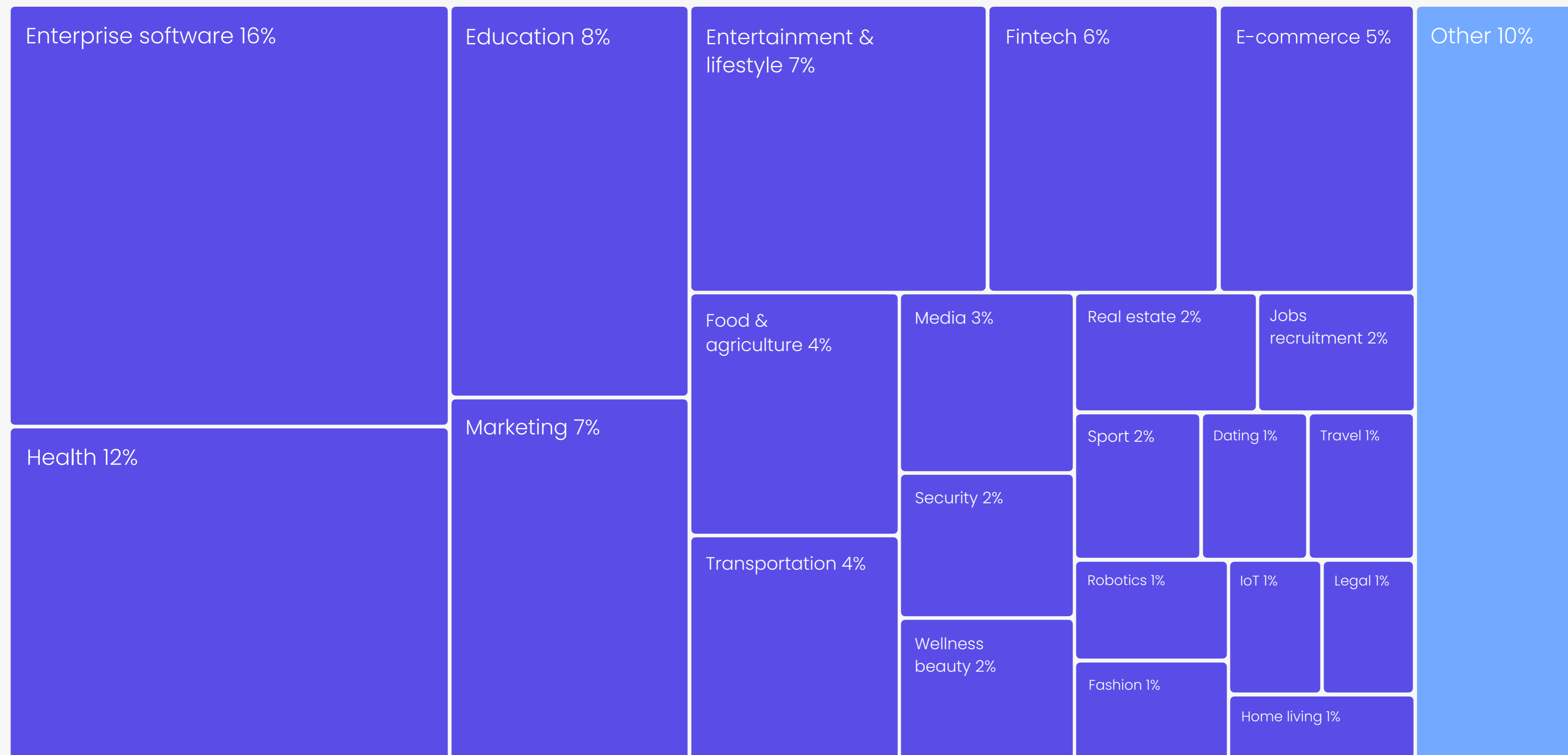
What happened to the founders of 53 closed startups? Most founded a new startup/ non-startup business or shifted focus to another more future proven startups

STARTUP PROJECTS THAT WERE CLOSED BY THEIR FOUNDERS, 2022



Enterprise software category remains the unchanging leader

OPERATING & VISIBLE STARTUPS BY INDUSTRY*, 2022, %

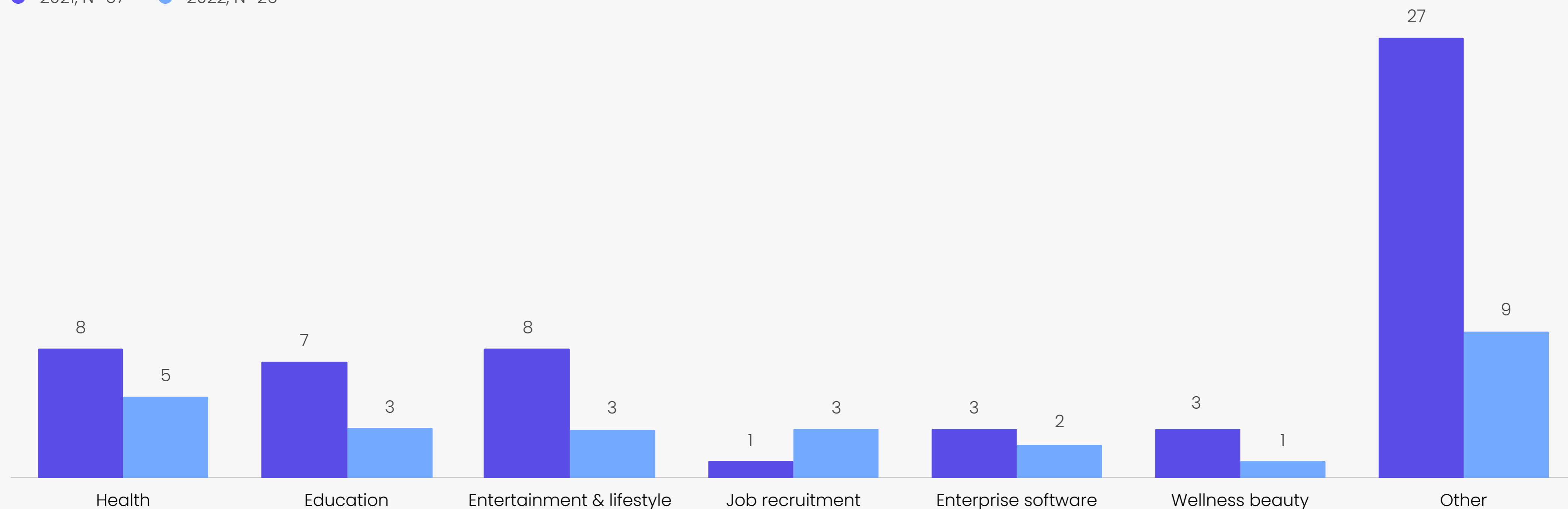


* – Although several industries may apply for one startup, only the primary one was taken into account for the analysis

But Health, Education and Entertainment & lifestyle startup categories continue to pick up its share

STRUCTURE OF NEWLY CREATED STARTUPS BY INDUSTRY*, 2022-2021

● 2021, N=57 ● 2022, N=26

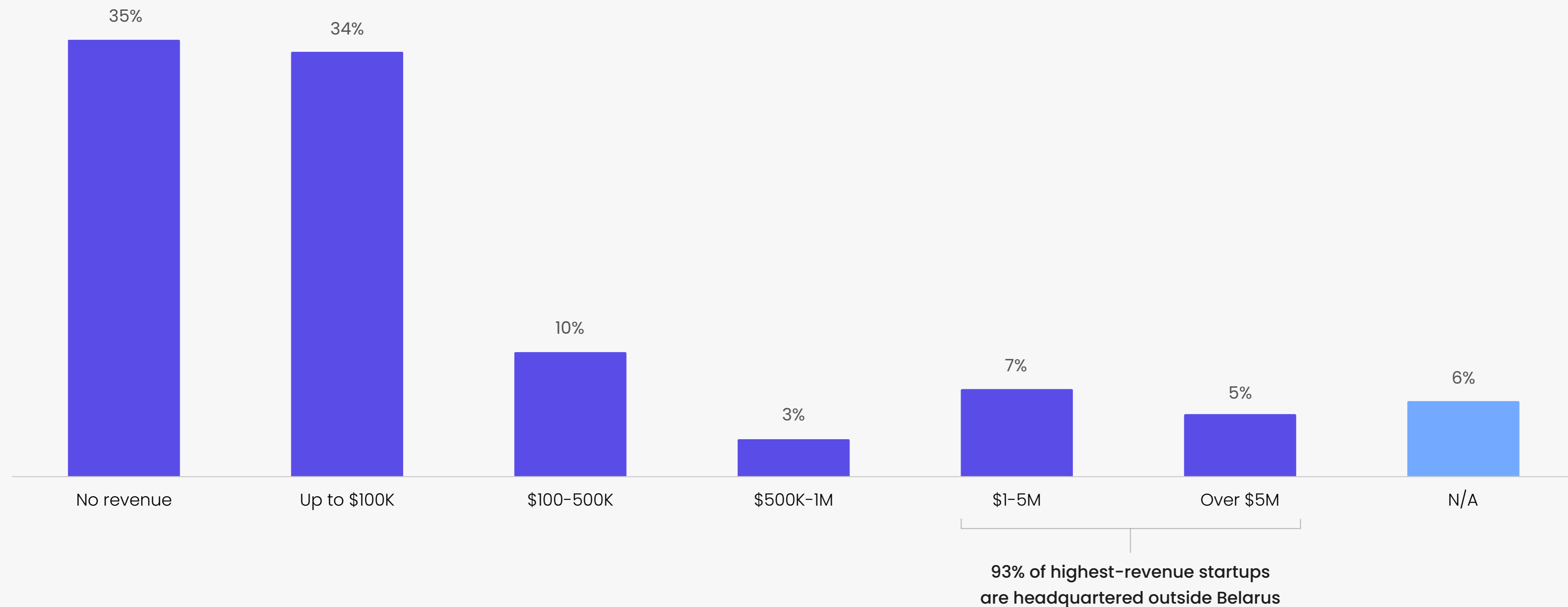


The largest share of newborn startups in 2022 falls into the Health industry category. The health segment takes the top spot for the second year running. The second leader in the previous structure of freshly created startups was entertainment & lifestyle industry, but last year the share of startups founded in the sector dropped by almost 63%.

* – The number of newly created startups is lower than the number of net additions, since the number of net additions also includes the companies that were founded prior to 2022/2021, yet became visible only in 2022/2021

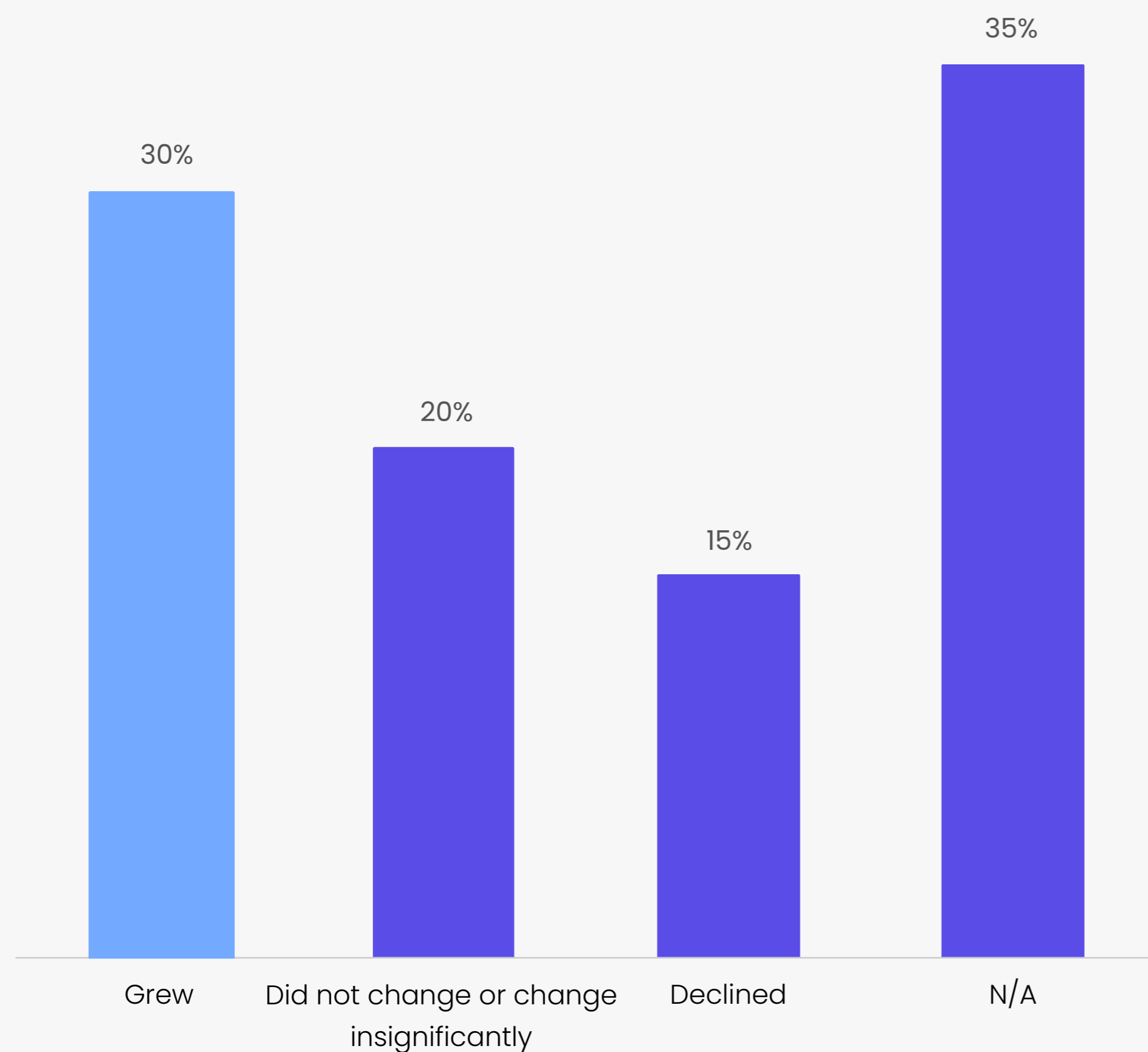
59% of the ecosystem startups have reported revenue in 2021, but majority of them are at the lowest end of the revenue scale (i.e., not exceeding 9k USD per month on average)

DISTRIBUTION OF BELARUSIAN-ORIGIN STARTUPS BY ANNUAL REVENUE, %, 2021

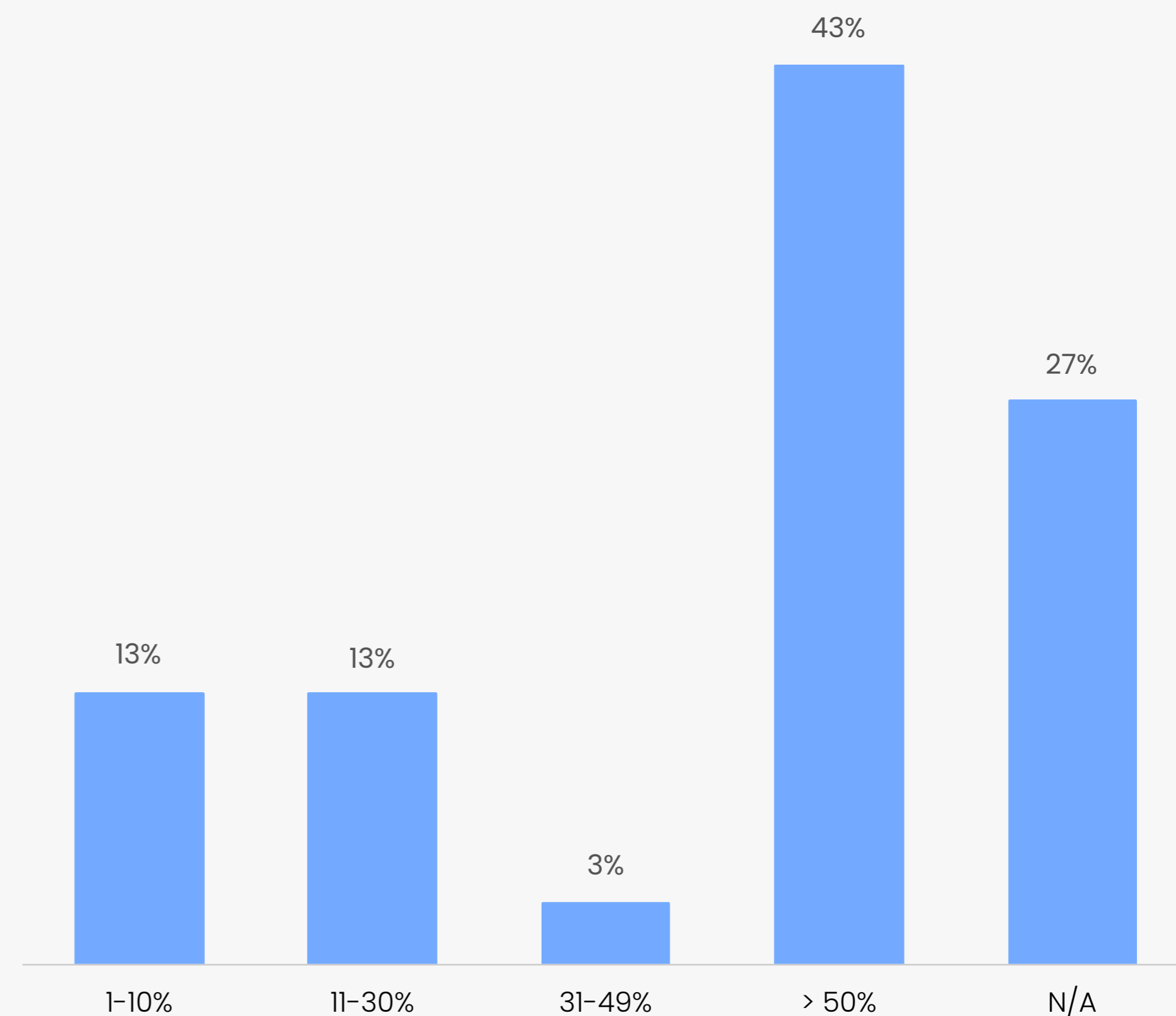


The preliminary 2022 revenue results are rather upbeat: 30% of the surveyed startups observe strong revenue growth, 20% see flat results and only 15% find themselves in the negative zone

PRELIMINARY ESTIMATES OF REVENUE CHANGE, 2022 VS 2021, %

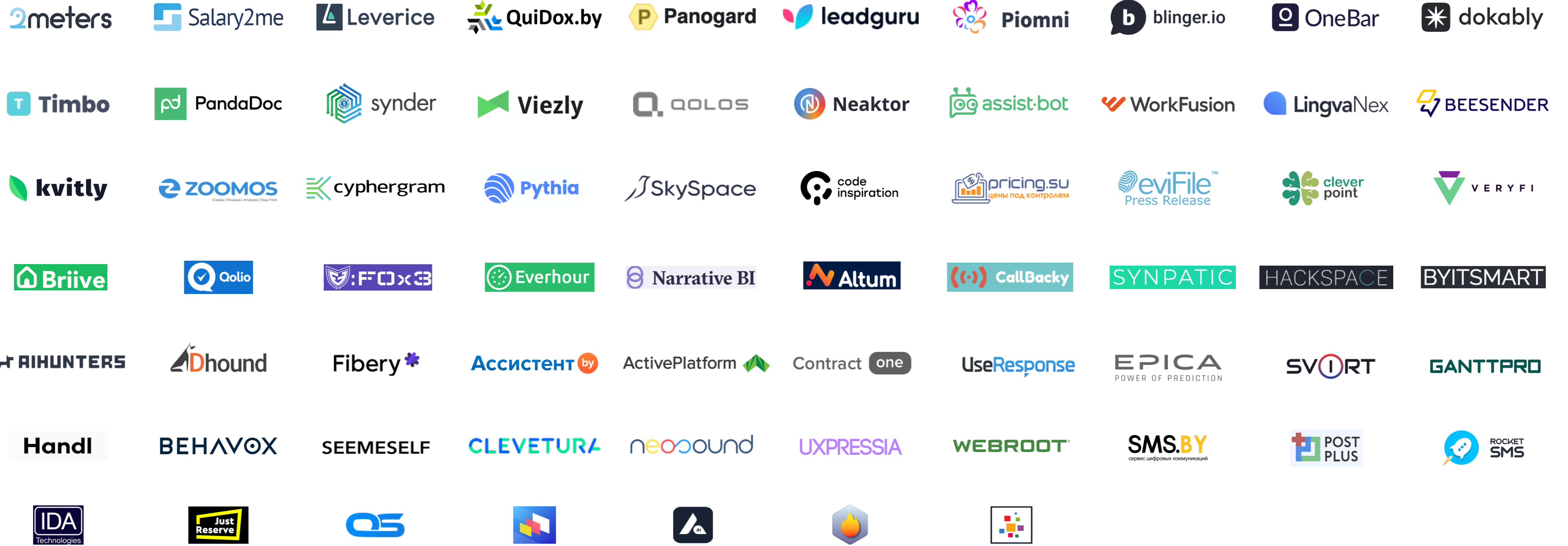


EXPECTED REVENUE GROWTH, %, 2022/2021,



Annex: Startup ecosystem map

ENTERPRISE SOFTWARE & SECURITY

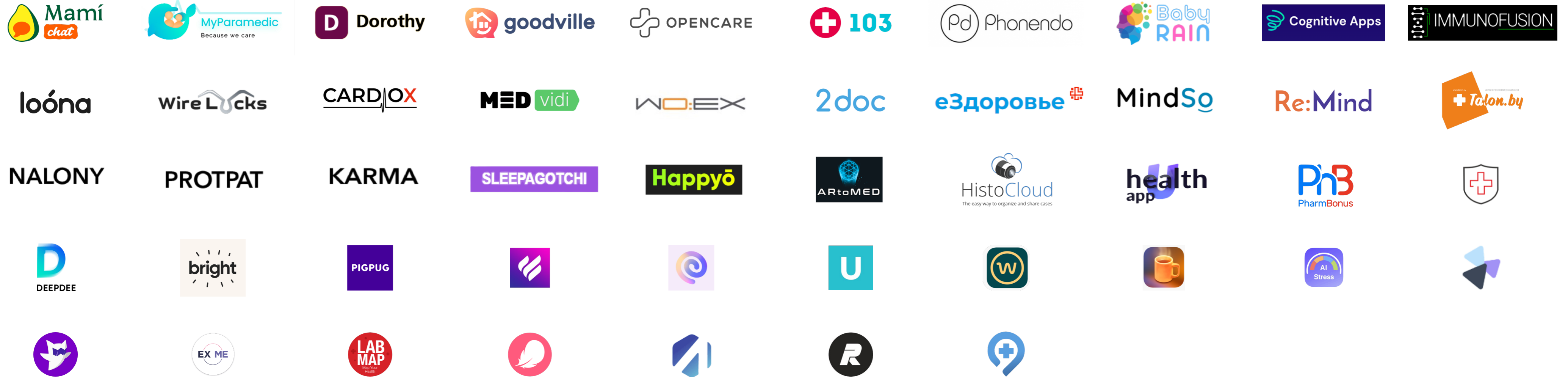


HOME & REAL ESTATE



Annex: Startup ecosystem map

HEALTH

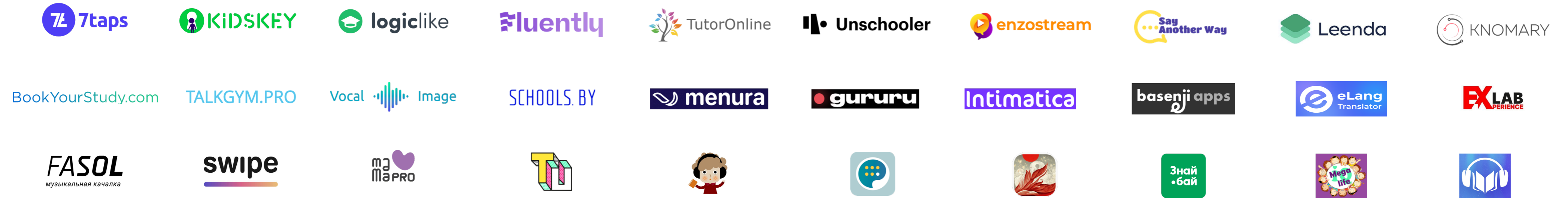


MARKETING



Annex: Startup ecosystem map

EDUCATION



MEDIA & E-COMMERCE

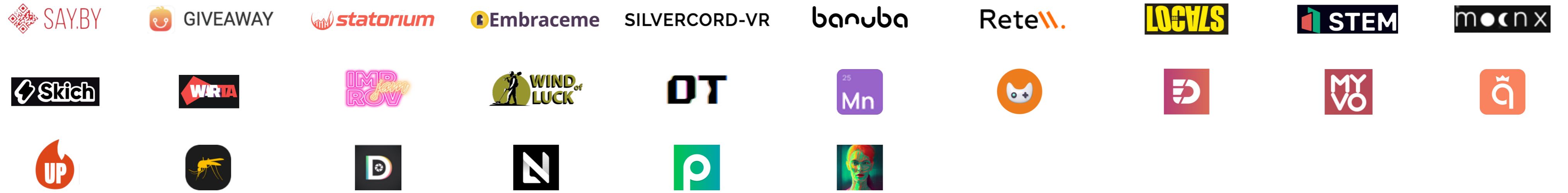


ENERGY, ROBOTICS, IOT



Annex: Startup ecosystem map

ENTERTAINMENT & LIFESTYLE



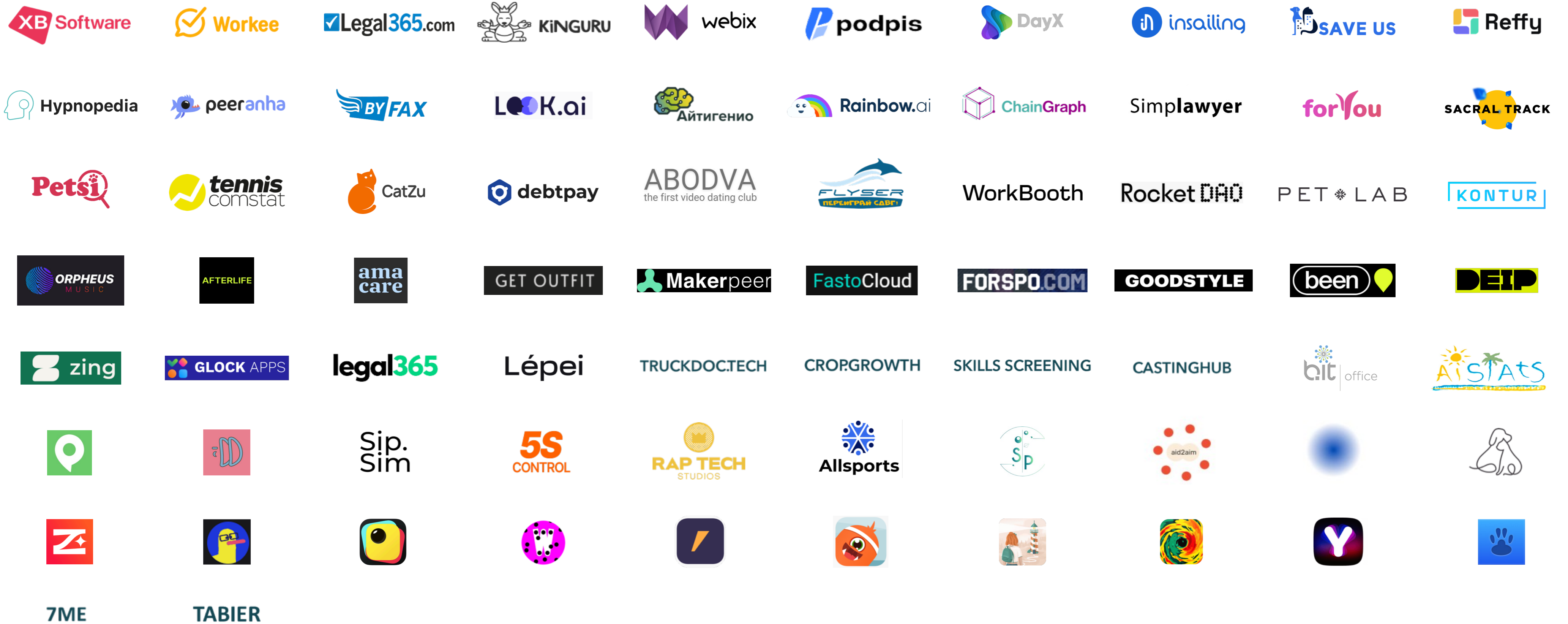
FINTECH



TRAVEL & TRANSPORTATION

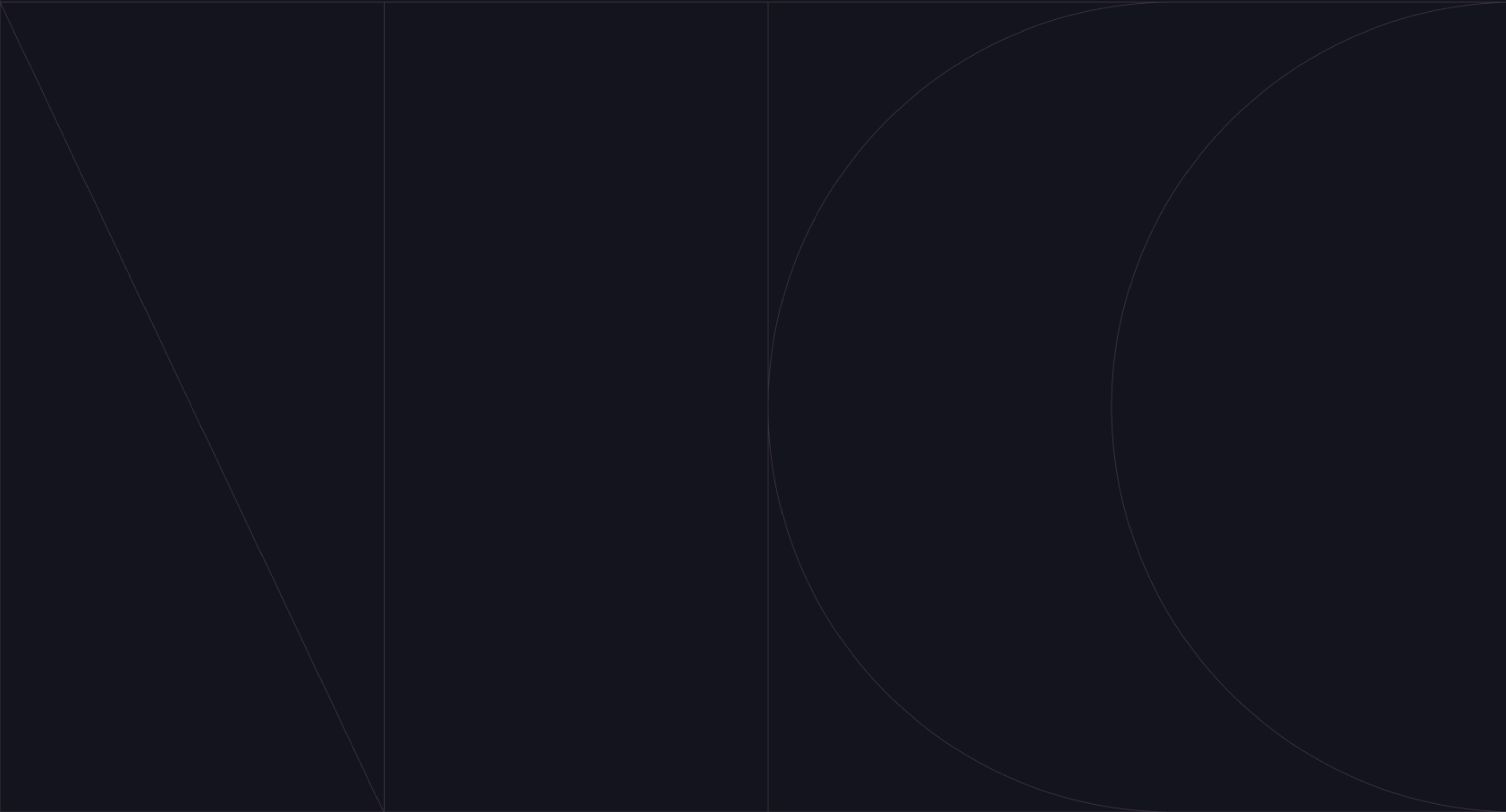


OTHER



If you want to know more about the listed startups, go to the [Innovate Belarus database](#).

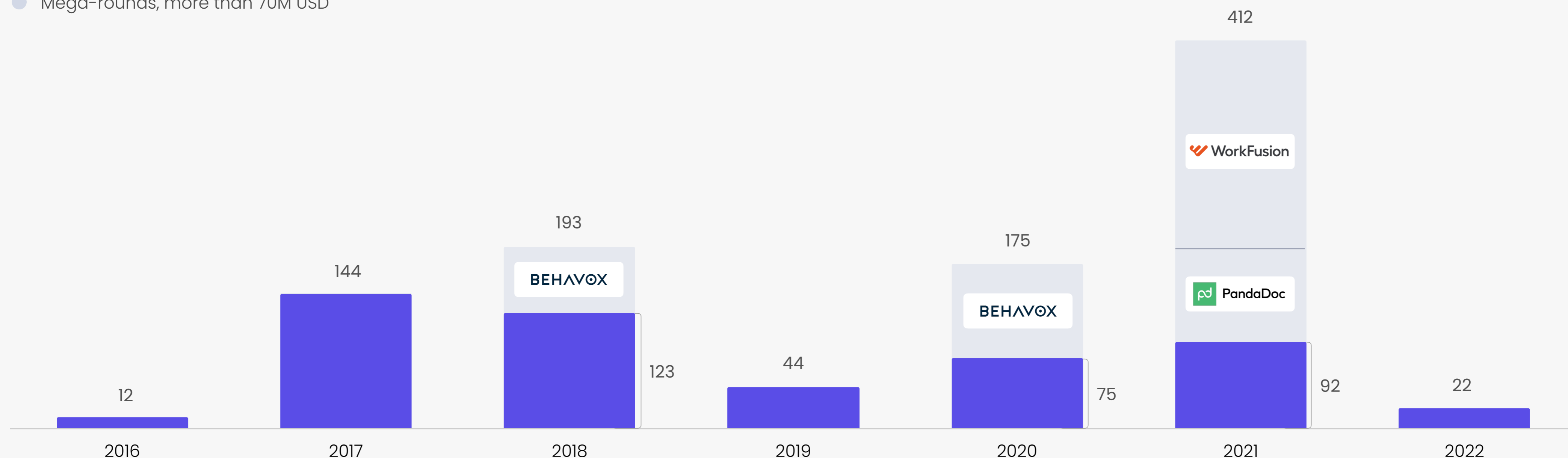
Startup Funding



In 2022, the total volume of investments in Belarusian-origin startups fell backs to levels unseen since 2016

INVESTMENT VOLUME IN BELARUSIAN STARTUPS*, 2016-2022, M USD

● Mega-rounds, more than 70M USD



In 2021 Belarusian-origin startups raised about 412M USD, including 371M USD in multimillion-dollar investment deals of 3 largest Belarusian-origin startups – PandaDoc, WorkFusion and Flo. Notably, with valuation of over 1 B USD, Pandadoc helped the Belarusian ecosystem join the Unicorn club.

2022, in turn, was short on mega deals, while all other deals also contracted by 4.2 times. The total amount of attracted investment in the Belarusian startup ecosystem

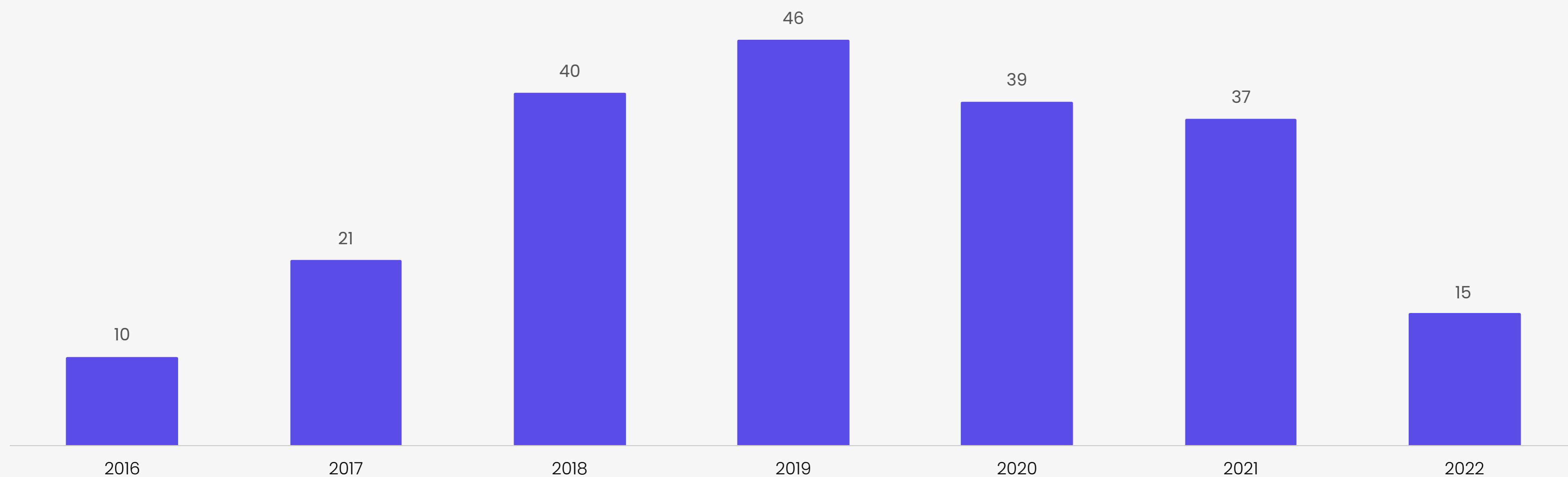
is slightly higher than the 2016 level. Such unfavorable conditions for Belarusian startups were caused by ‘perfect storm’ of intertwined negative factors: ongoing political tensions in the country, mass relocation of people, the Russian invasion of Ukraine, an energy crisis, and a shift in global monetary policy from quantitative easing to tightening by central banks.

* – The investment amount can be higher due to the presence of the deals with an undisclosed amount.

Source: CIVITTA analysis, Central and Eastern European startups 2022 (report by Dealroom.co, Atomico and Google for Startups, Nov '22)

The number of 'visible' deals in Belarusian-origin startups is also at its lowest level since 2016

NUMBER OF INVESTMENT DEALS WITH BELARUSIAN STARTUPS, 2016-2022

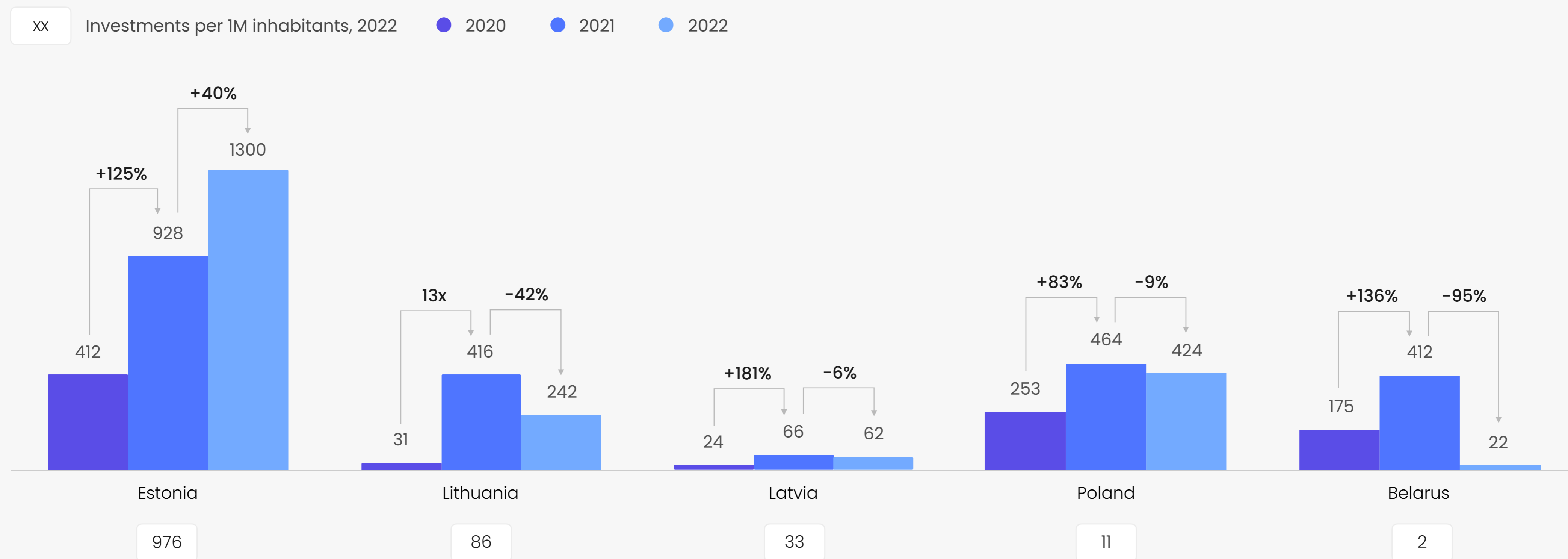


The number of deals is the best indicator of the health of a country's startup ecosystem, as the effect of mega-deals is offset in this case. And the situation with the number of transactions is even more deplorable than with the volume of transactions. The biggest blow from deal declines comes from the drop in investment in early-stage startups.

When investors decide to invest in early-stage startups, they rely heavily on their own sympathies rather than financial valuation or performance. And right now, sympathy is not on the side of the founders from Belarus.

Neighbouring startup ecosystems in their majority experienced a decline of funding as well, but the decrease is less dramatic

INVESTMENT VOLUME IN STARTUPS BY COUNTRY, 2020-2022, M USD



2022 was not the most fruitful year for regional startup ecosystems in terms of total investment raised: only Estonian ecosystem showed an increase in the funding volume. Belarus can be considered an outsider by volume of attracted investments: it reduced by almost 96% and reached \$18 million.

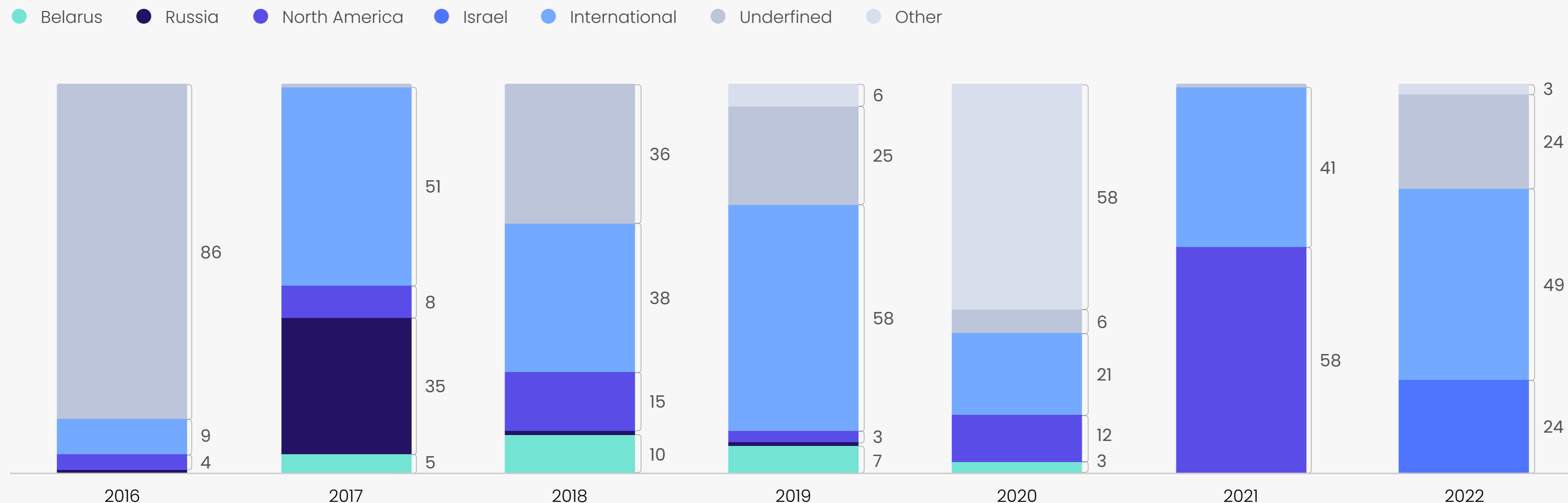
Top 6 visible startup investment deals accounted for almost 88% of the total investment in the ecosystem

TOP 6 LARGEST VISIBLE FUNDING DEALS IN 2022

COMPANY	SUM RAISED, M USD	INVESTORS	DEAL CLASS
Fibery	5.2	Tal Ventures	Seria A
myTU	5.0	Undefined	Seed
Sleepagotchi	3.5	6th Man Ventures, Collab+Currency, Shima Capital, 1kx, DeFi Alliance, Sfermion, Emoote, LCA Game Guild	Seed
SegmentStream	2.7	Fort Ross Ventures, OKS Group, Liad Agmon, Ragnar Sass, Martin Henk, Martin Tajur	Seed
Yope	2.0	Horizon Capital, TA Ventures, iClub, Kolos Ventures, hi5 Ventures, Geek Ventures, Vesna VC, and a former Google executive	Seed
Wizart	1.1	The Untitled Ventures, Fores Ventures, Advance Capital, Joint Journey Ventures, Smart Partnership Capital	Seed

All the investment funding deals were sourced outside the Belarusian ecosystem, primarily from globally scattered VC funds

INVESTMENT STRUCTURE BY ORIGIN OF CAPITAL, M USD, 2015-2022, %



In 2022, the largest share of the funding came from foreign investors. This that has been the trend since 2015. 29% of total investment came from an Israel based Venture Capital group that invested into Fibery.

The share of local investments has been critically low during all 8 years, and in 2021-2022 no public deals with Belarusian investors were found at all. All deals with

the amount of raised capital exceeding \$10 million (Workfusion, Behavox, PandaDoc, Flo Health, Profotero, etc.) have been financed by foreign investors.

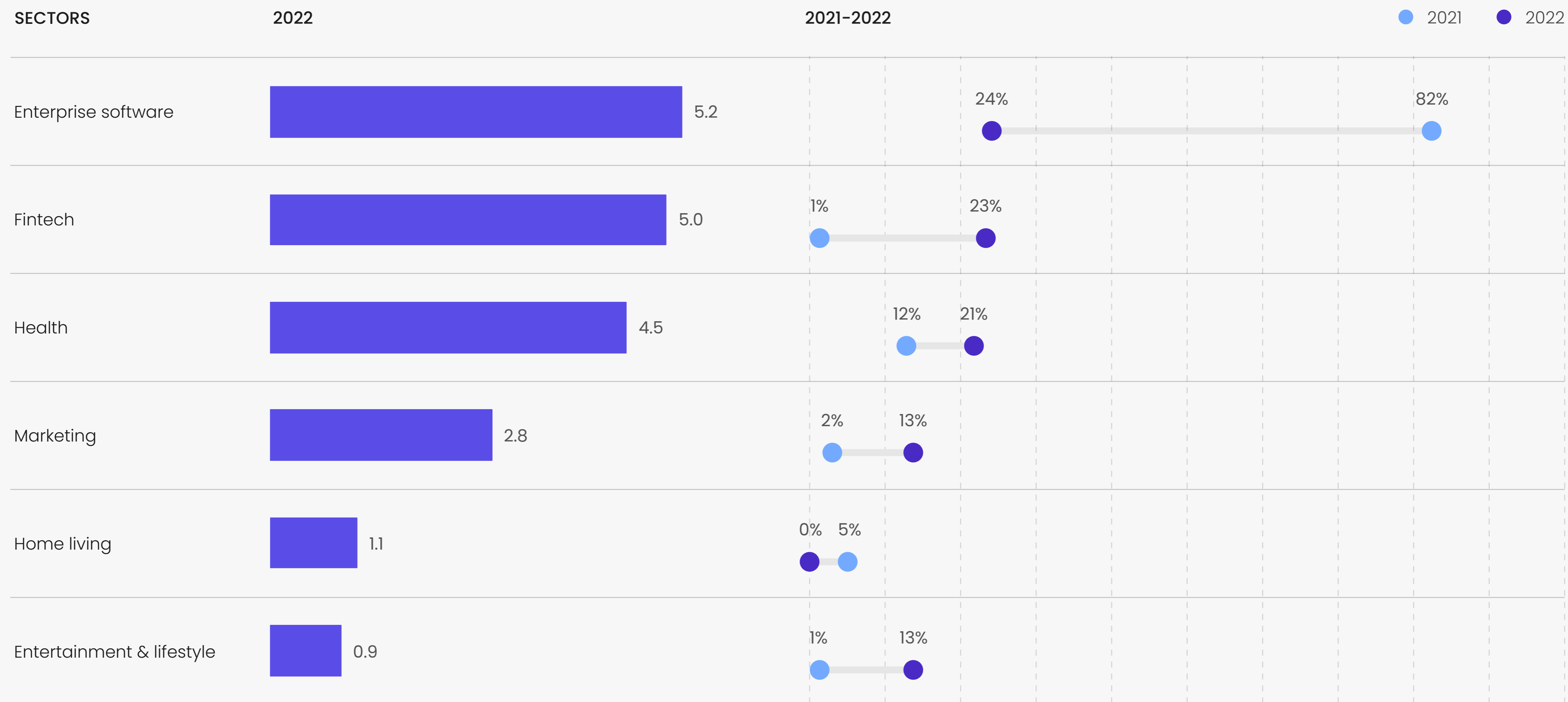
Thus, the Belarusian start-up ecosystem enablers can provide resources for the startup foundation, but often not for scaling them up. This significantly limits the opportunities for start-ups targeting only local investors.

* – International capital includes deals with investors from multiple countries and funding from European institutions such as European Bank for Reconstruction and Development Some values may vary due to data being unavailable
Source: CIVITTA analysis.

Enterprise software and fintech startups accounted for more than half of the 2022 startup funding volume

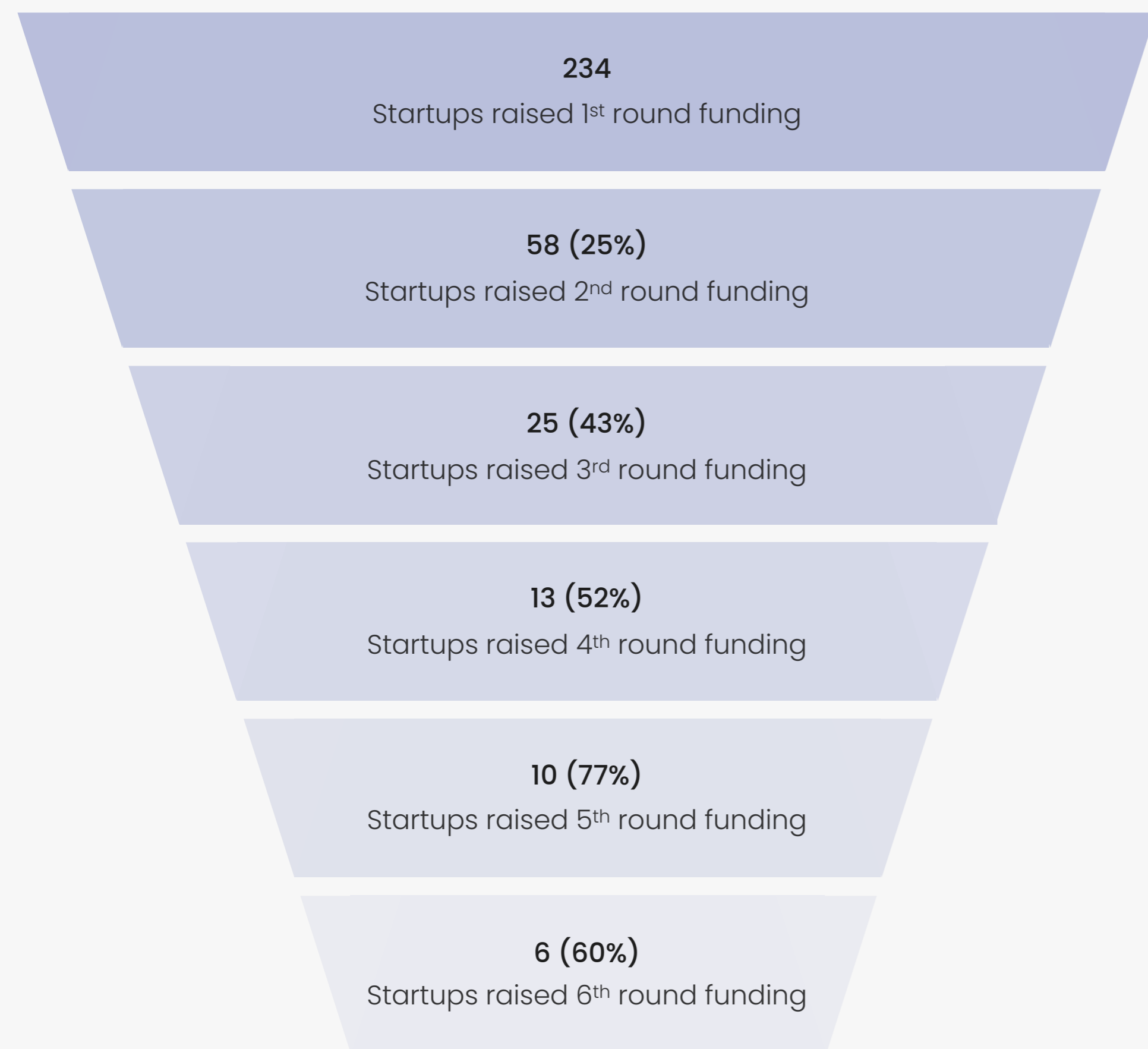
FUNDING BY SECTORS, 2022, M USD

SHARE OF FUNDING BY SECTORS, 2021-2022, %

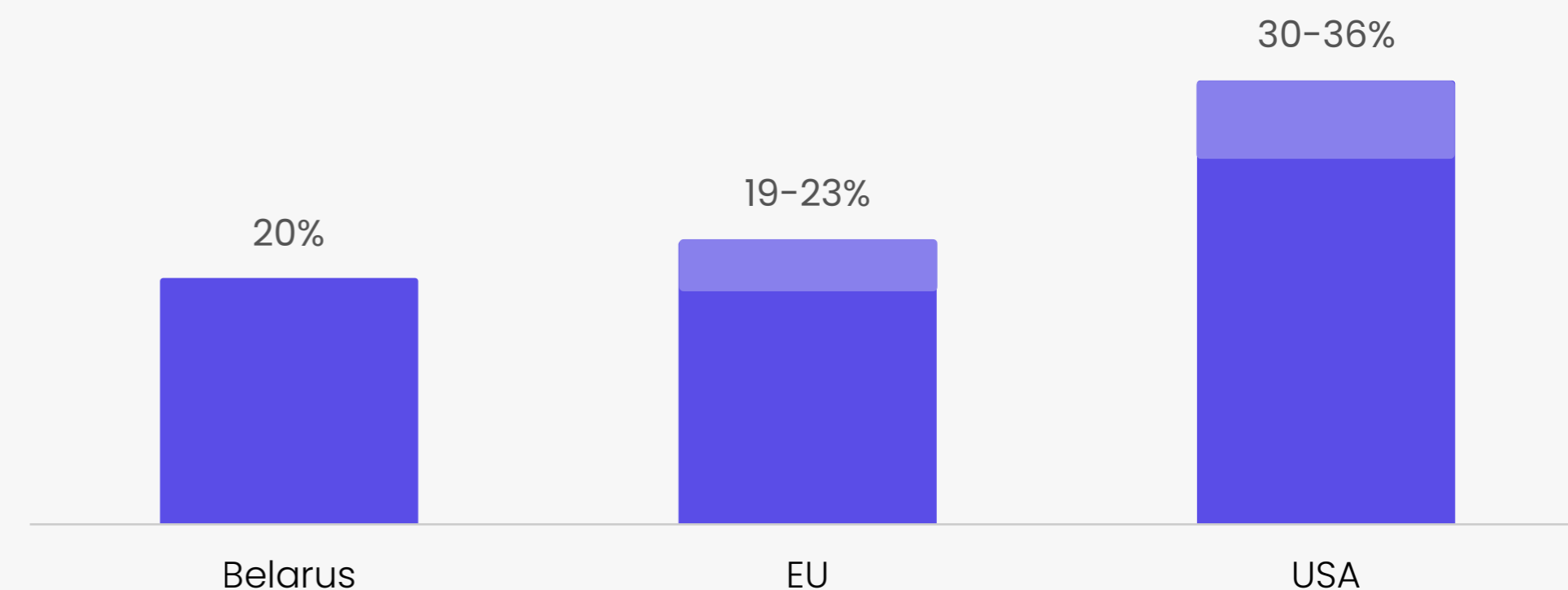


Statistically, Belarusian-origin startups have the same chances of getting funded as in other EU countries, but have much higher survival rate

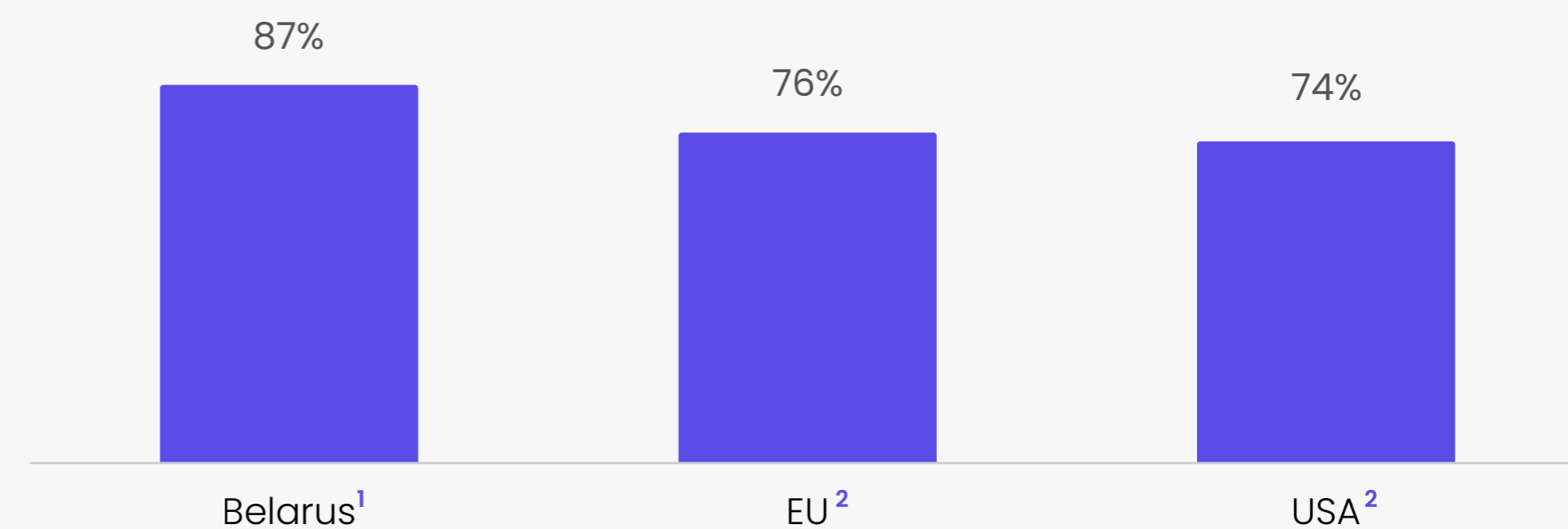
STARTUPS BY THE NUMBER OF ATTRACTED ROUNDS, 2008 – 2022, % OF TOTAL



STARTUPS INVESTMENT CONVERSION, % OF TOTAL COMPANIES



STARTUPS AVERAGE 5Y SURVIVAL RATE, % OF COMPANIES WHO RAISED A SEED ROUND OF FUNDING



1 – Companies who received funding in 2018-22
 2 – Companies who received funding in 2009-14
 Source: CIVITTA analysis, McKinsey reports

It would be inaccurate to assume that Belarusian startups demonstrate a higher degree of resilience and achievement when compared to their EU and US counterparts



Vitaly Labetsky

Project manager, CIVITTA

Upon examination of the funnel, one may be inclined to believe that Belarusian startups exhibit greater resilience and success in comparison to their EU and US counterparts. However, such a conclusion would be fallacious.

The discrepancy in the survival rate of Belarusian startups can be attributed to several underlying factors that impede the overall development of the ecosystem:

A suboptimal entrepreneurial culture, characterized by a lack of incentives for the cultivation of innovative ideas, resulting in a small proportion of the population venturing into startup creation. Startups in Belarus are typically founded by entrepreneurs with ample experience and self-assurance, owing to the lack of an entrepreneurial culture and risk-taking mindset. This results in a limited number of high-risk projects in the market.

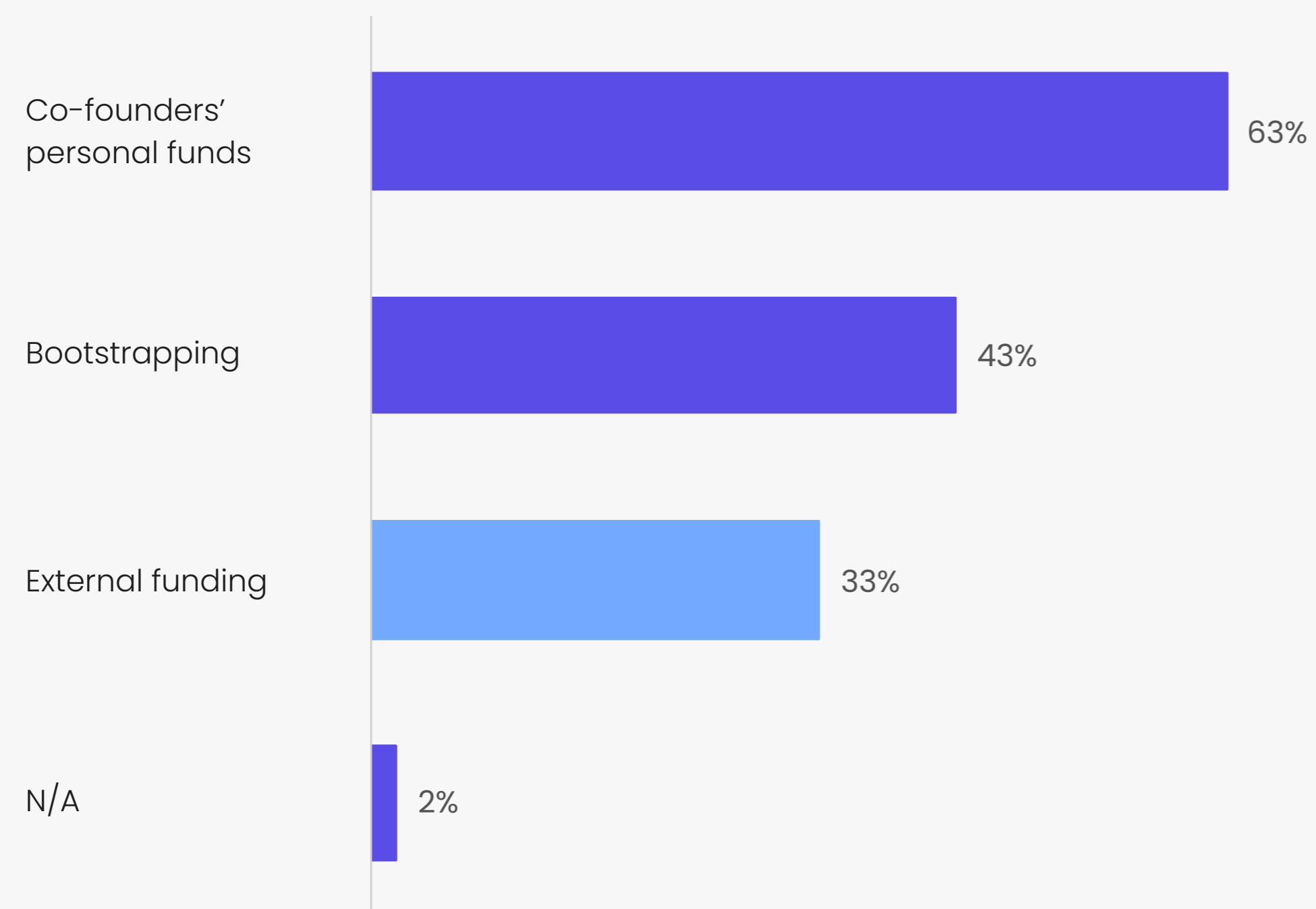
A conservative approach adopted by startups in Belarus, which may sacrifice potential for growth due to the absence of a culture of risk-taking. This is further exacerbated by the stigmatization of startup failure and the tendency to aim for sustainability and regional dominance rather than global expansion.

Founders tend to hold on to their startups till the end, rather than closing it down.

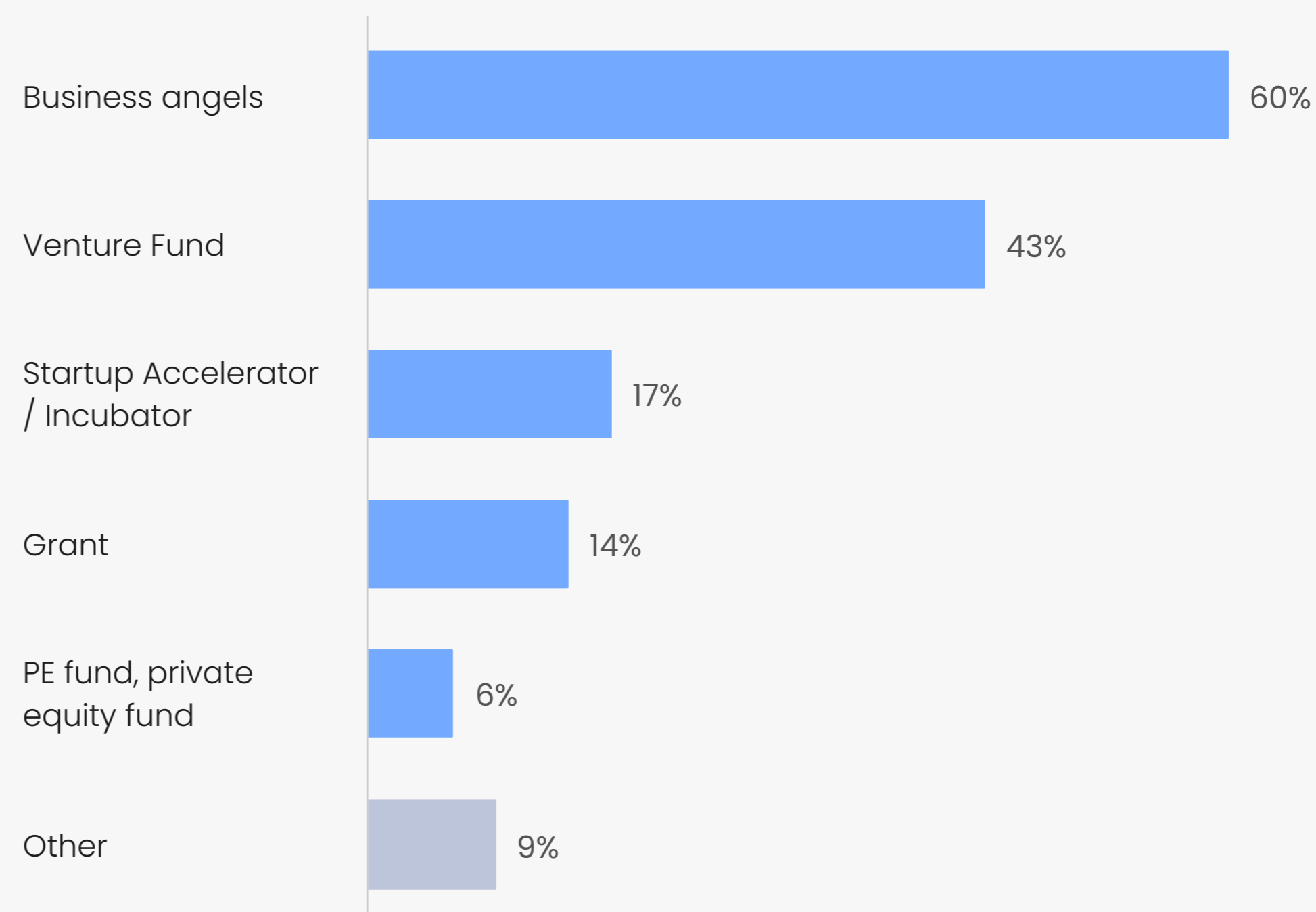
This leads to the presence of zombie startups, which can be attributed to a reluctance to completely disengage from an old business and undertake a new venture. This process is much slower in comparison to global innovation hubs where startups are constantly opening and closing.

One third of existing Belarusian startups have attracted external funding, mainly from business angels and venture funds

DISTRIBUTION OF STARTUPS BY SOURCES OF FUNDING, %



DISTRIBUTION OF STARTUPS BY TYPES OF EXTERNAL FUNDING, %

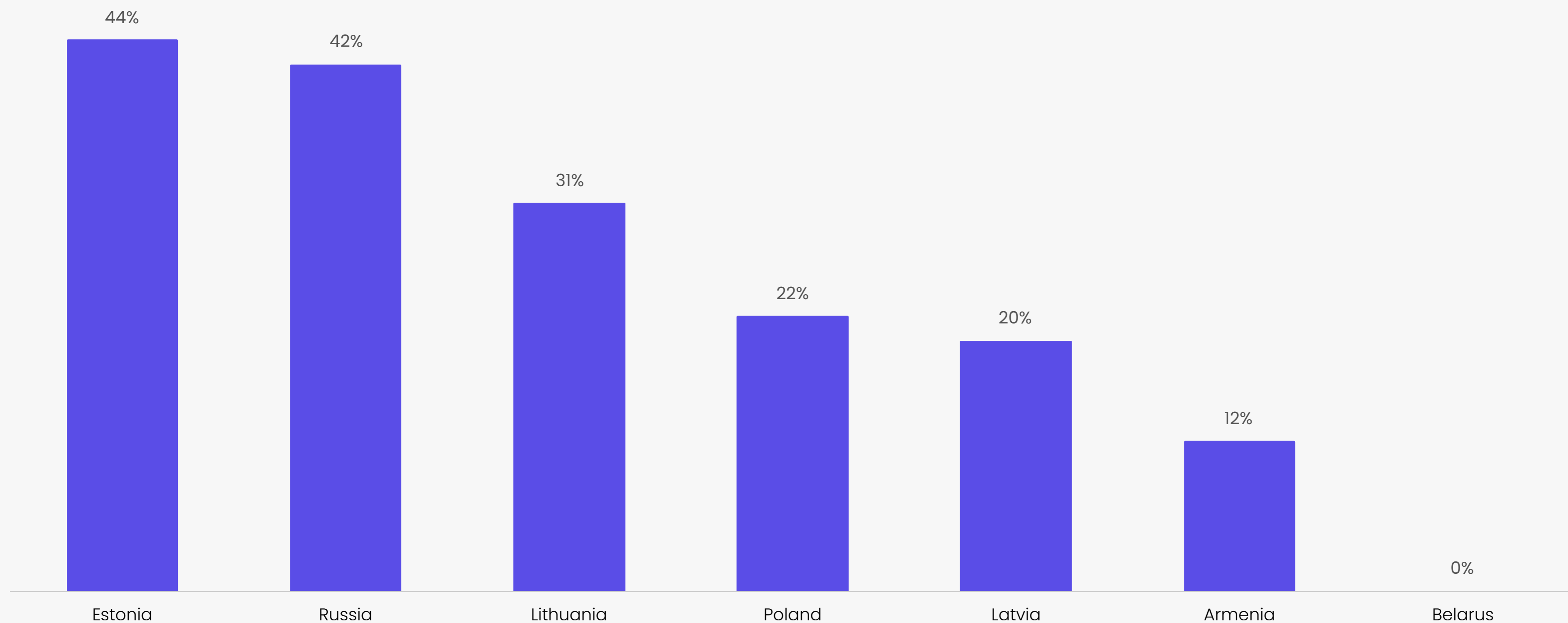


More than a half of startups surveyed mainly use co-founders' personal funds as a core-funding source. The limited availability of funds can extremely reduce growth opportunities for the startups, but it's a suitable option for startups at the early stages of development. Bootstrapping as a way of internal funding, using profits from its own investments, was chosen by more than 40% of startup representatives.

Bootstrapping as a source of funding is available for startups that generate significant revenues. Only one third of startup representatives attract external funding, primarily from business angels and VC funds. External funding allows startups to scale up.

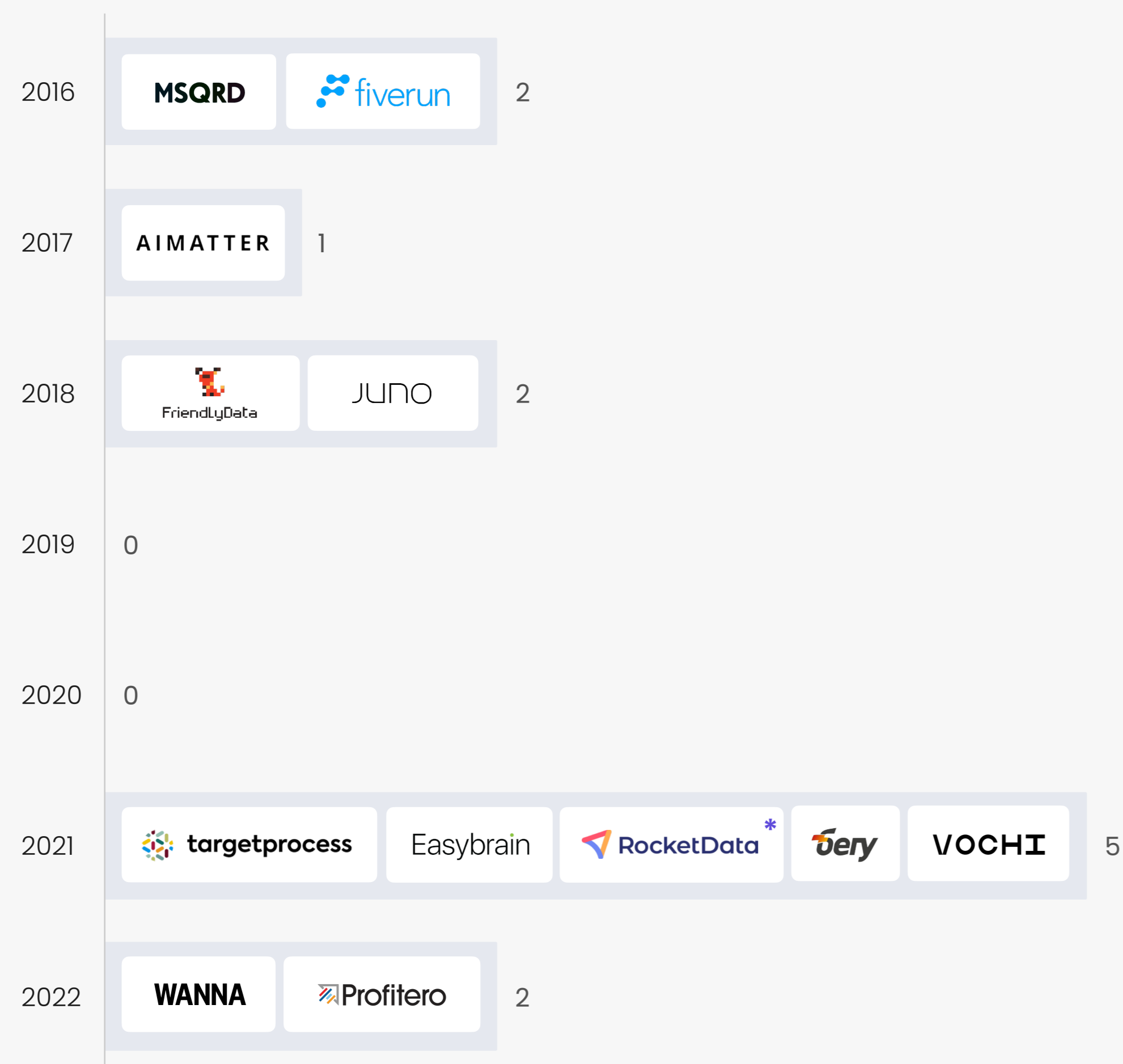
Belarusian startups ecosystem falls short on the corporate VC funding and enablers, while in neighbouring countries it already exceeds 20% and even reaches 40% in some countries

SHARE OF CORPORATE AND CORPORATE VC DEALS AS A SHARE OF THE TOTAL STARTUP INVESTMENT, 2019-2022, %



Despite the turmoil, the startup ecosystem witnessed another 2 acquisitions of Belarusian-origin startups – Wannaby and Profitero

BELARUS-ORIGIN STARTUP EXITS (PUBLIC), 2016-2022



BELARUS-ORIGIN STARTUP EXITS IN 2022

Startups	INVESTOR	AMOUNT	TIME TO EXIST
WANNA	Farfetch	29.4 M USD	4 years 4 month

In April 2022, Wanna (Wannaby Inc) was acquired by online luxury fashion retail platform Farfetch for \$29.4 m. Wanna’s team became part of Farfetch after the deal.

Wanna is the developer of virtual Try-On, AR, and 3D solutions for the apparel industry. It allows users to virtually try on shoes and accessories. It was founded in 2017 by ex-Googler Sergei Arkhangelsky. Soon, it attracted \$2 m funding from Haxus and the Bulba VCs.

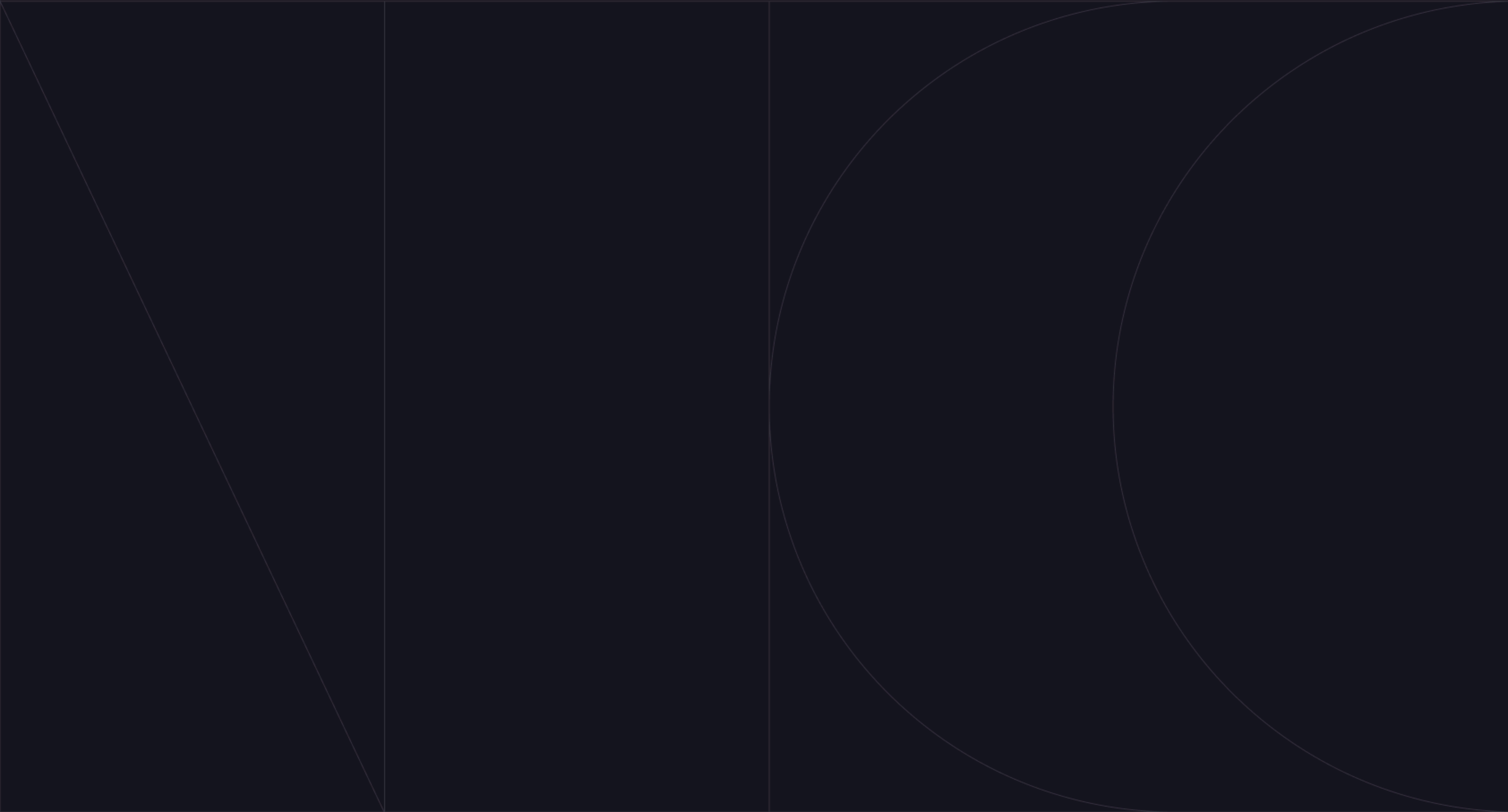
Startups	INVESTOR	AMOUNT	TIME TO EXIST
Profitero	Publicis	200 M USD	~12 years

Publicis Group acquired Profitero in a €200m deal. Profitero will continue operating as an independent company within the Publicis Group.

Profitero is the world’s leading eCommerce performance analytics platform. It was founded in 2010 by Ukrainian Vol Pigrukh and Belarusians Dmitry Vysotski and Kanstantsin Chernysh. Since its foundation, Profitero raised more than \$48 m in funding.

* – 2GIS acquired a 47% stake in RocketData

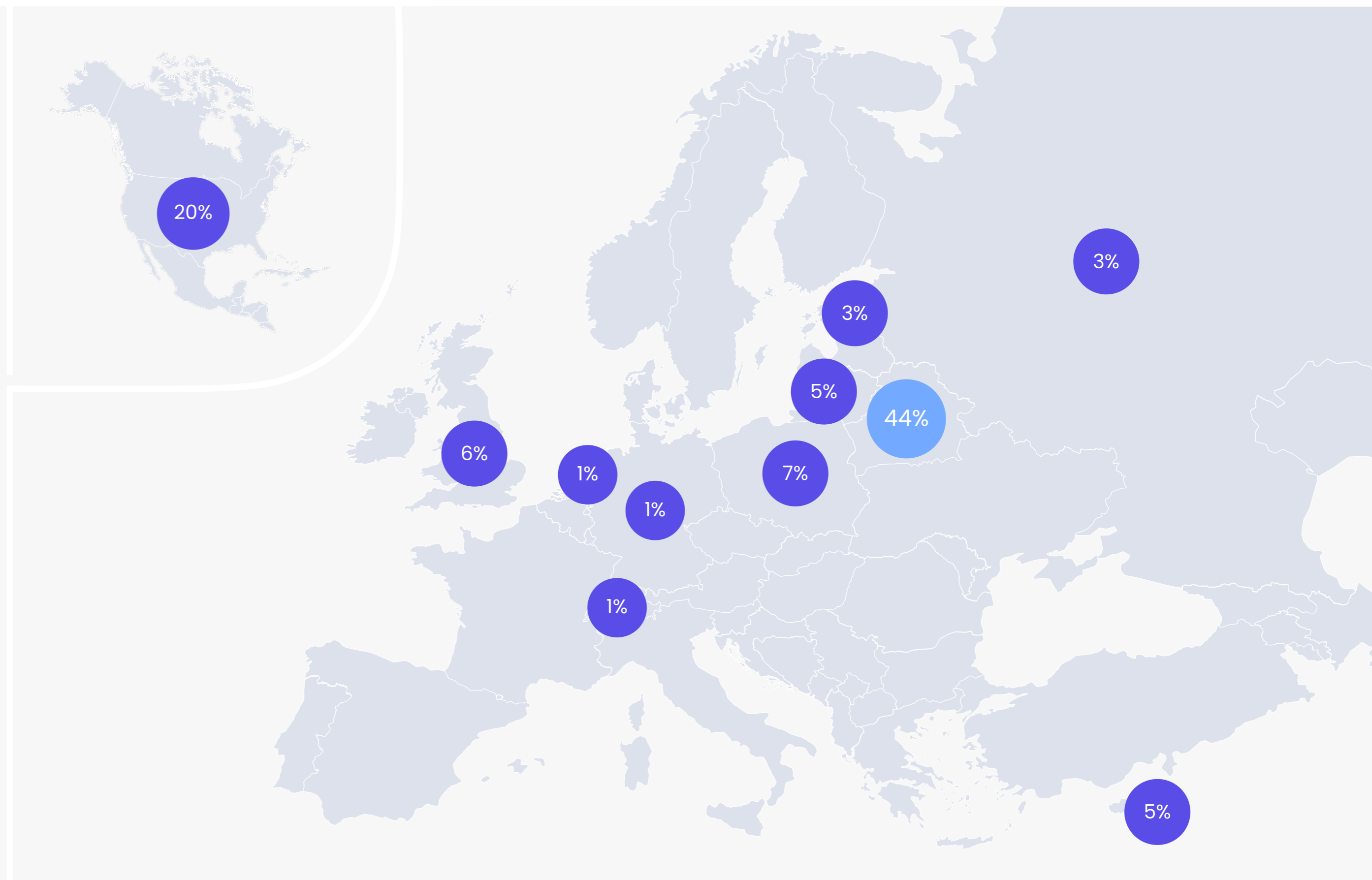
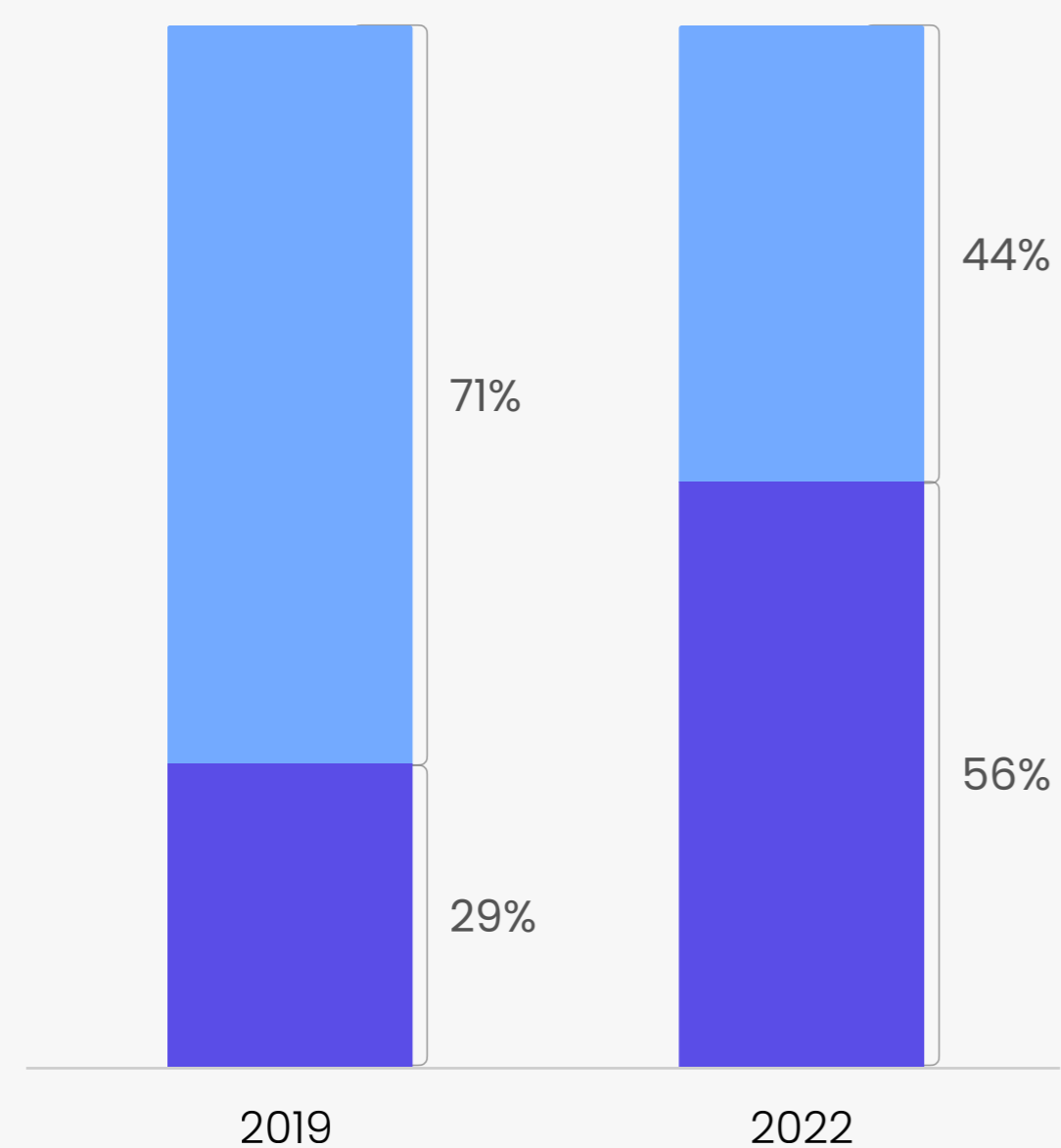
Ecosystem Deepdive



Nowadays, the ecosystem has become extremely decentralized and scattered

STRUCTURE OF STARTUPS BY HQ, 2019/2022, %

● Belarus ● Abroad



The Belarusian startup ecosystem is represented by Belarusian-origin startups scattered around the world.

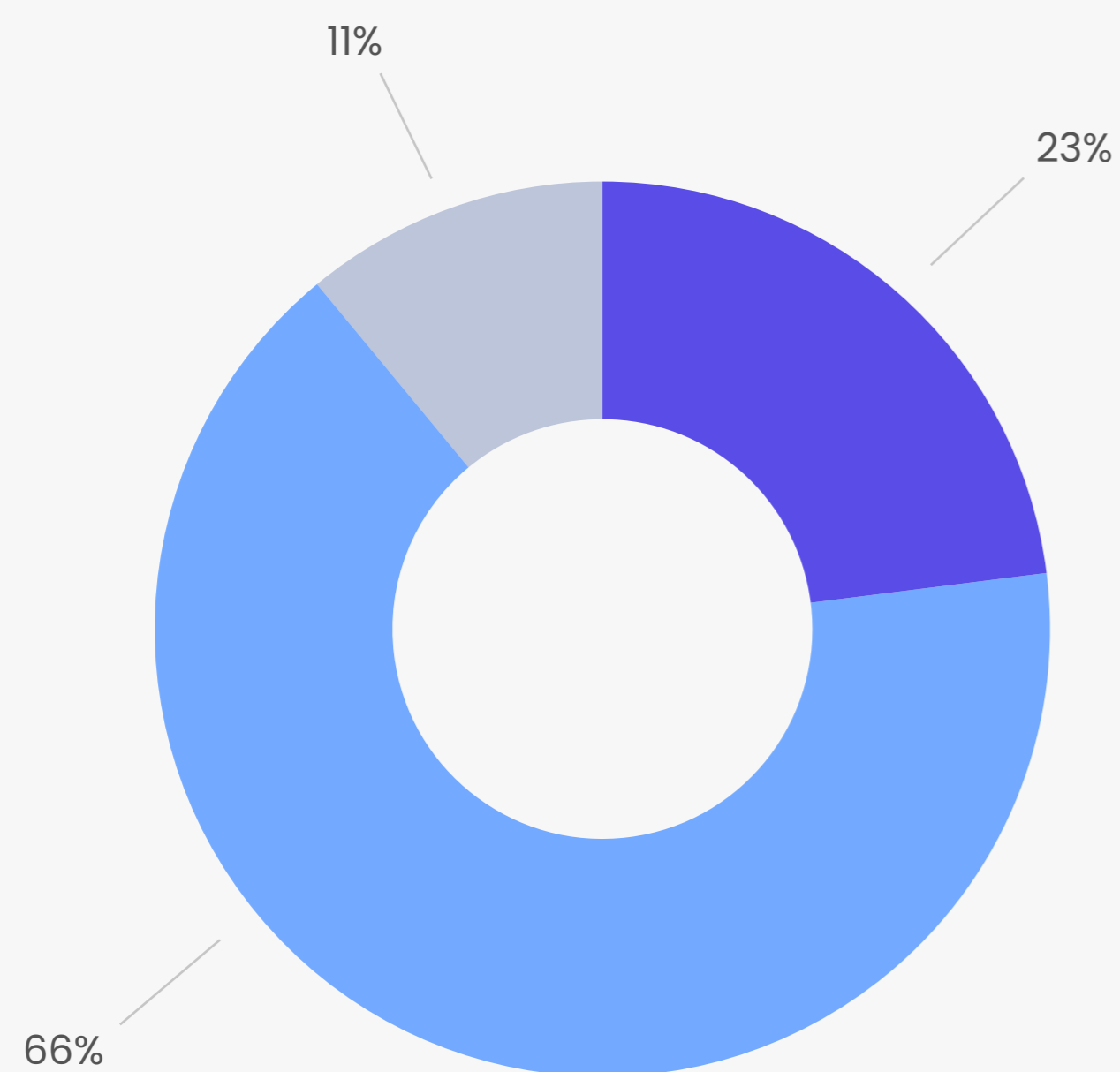
As of 2022, 56% of startups headquartered abroad, representing a significant increase from 29% value in 2019. Even though 44% of startups are legally registered in

Belarus, many have already moved their teams to foreign countries (Poland, Lithuania, Ukraine, Georgia, USA, etc.). Some of them are in the process of legal re-registration, so the share of startups with foreign headquarters is expected to increase in the near future.

According to opinion of numerous startups, belonging to the Belarusian startup ecosystem entails more losses rather than benefits

ANSWERS TO THE QUESTION "DO YOU THINK YOUR STARTUP IS PART OF THE BELARUSIAN ECOSYSTEM / INVOLVED IN THE ECOSYSTEM", %, N=105

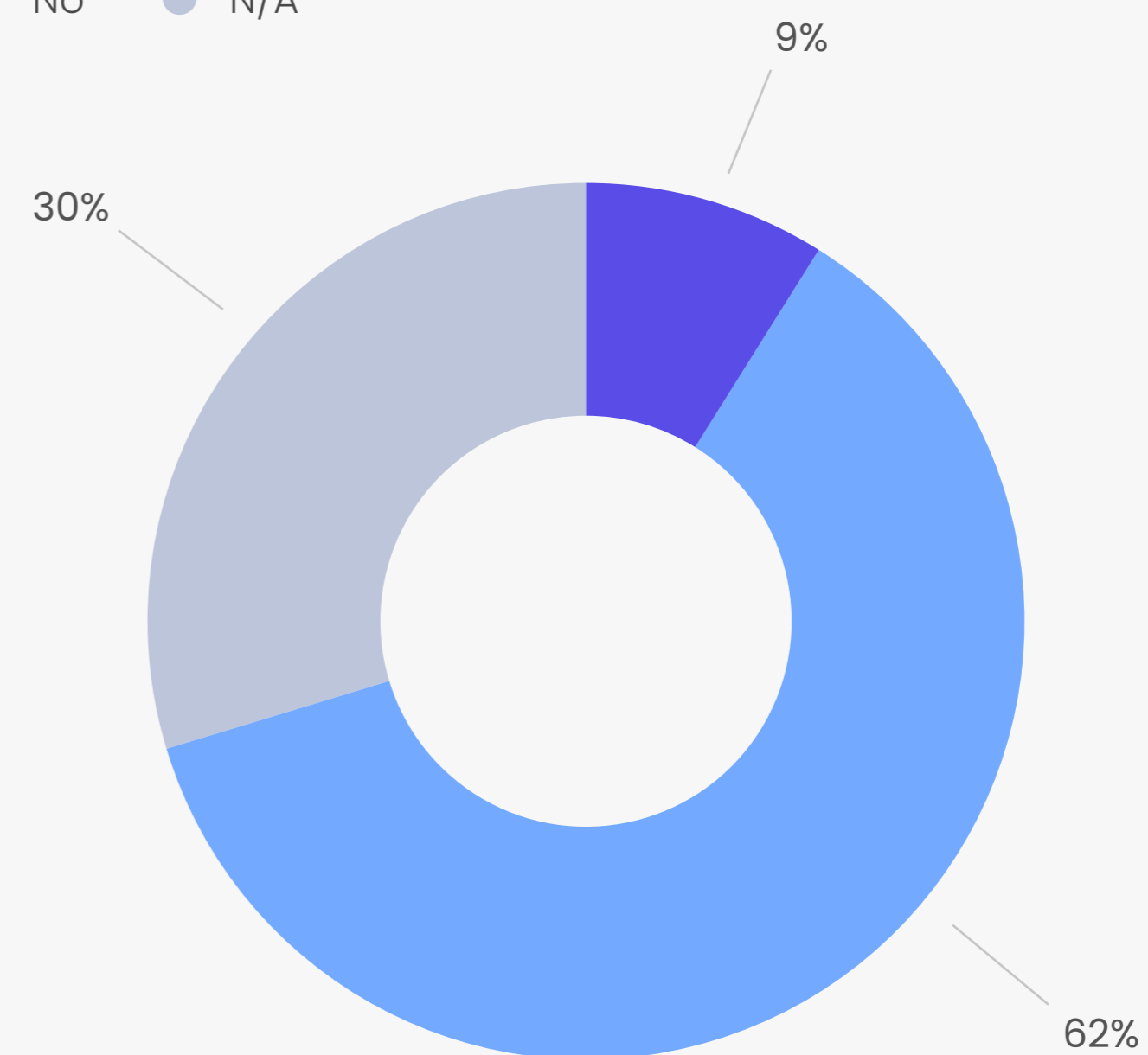
● Yes ● No ● N/A



Over one hundred startup representatives have participated in our survey. According to our methodology, all participating startups can be attributed to the Belarusian startup ecosystem but nearly two-thirds of respondents do not consider themselves part of it. Such notorious fact can be explained by numerous challenges

ANSWERS TO THE QUESTION "ARE THERE ANY BENEFITS OF BEING INVOLVED IN THE INNOVATION ECOSYSTEM IN BELARUS (NOT NECESSARY LOCATED IN BELARUS)", %, N=105

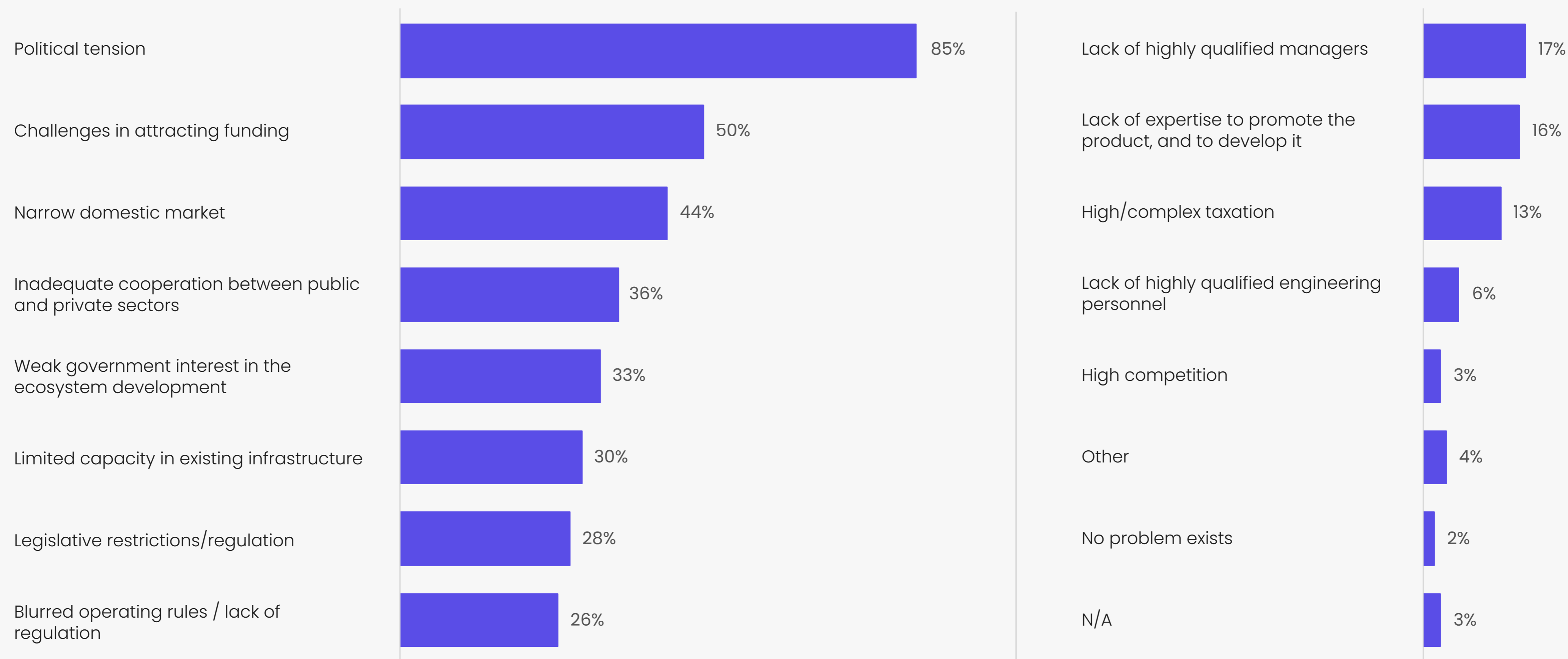
● Yes ● No ● N/A



faced by startups in Belarus in 2020-2022 that limit their capacity for development. Thus, more than 60% of respondents do not see the benefits of being involved in the Belarusian startup ecosystem.

Belarusian startups determine political tension, fundraising challenges, and narrow Belarusian market as main problems in national innovative ecosystem

PROBLEMS IN INNOVATIVE ECOSYSTEM, %, N=105



Source: answers to the question "In your opinion, what problems exist in the modern innovation ecosystem in Belarus?"

Belarusian startups determine political tension, fundraising challenges, and narrow Belarusian market as main problems in national innovative ecosystem

About 85% of respondents highlight the existing political tension in the country as the main barrier to the development of the startup movement in Belarus.

The political element remains among the key problems in the Belarusian innovative ecosystem since 2020 when the political crisis in our country triggered a mass relocation and the innovation infrastructure destruction.

At the same time, about half of startup representatives identify the existing challenges in attracting funding within the country which relates to comparatively few business angels and VCs in the ecosystem and, respectively, the limited volume of local investments.

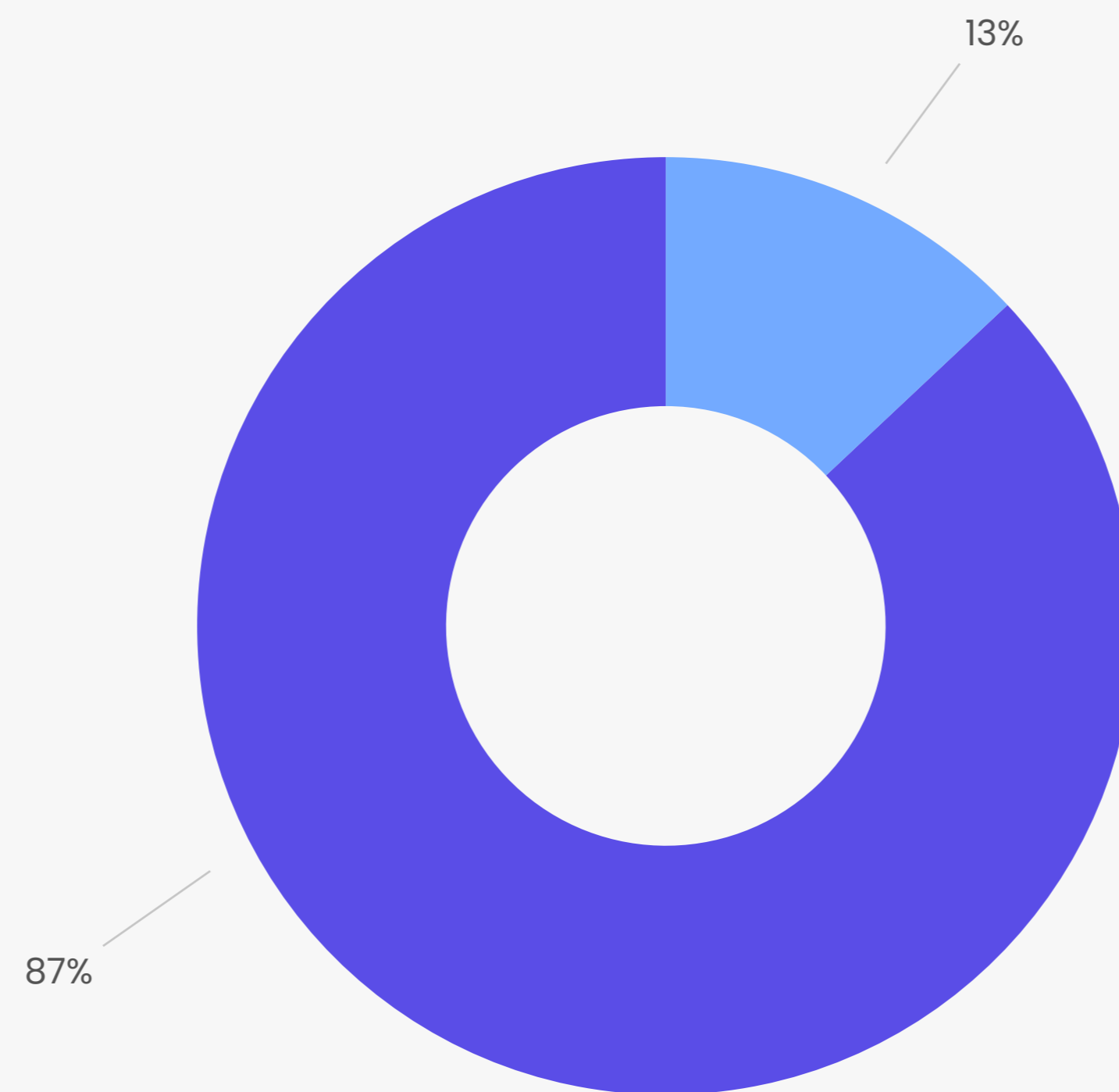
Narrow domestic market frequently determines a sufficiently small-scale innovations created startups operating in Belarus. Major innovators are trying to look for opportunities to enter the global market bypassing local market.

Inadequate cooperation between public and private sectors, an insignificant level of support from the government, and limited capacity in existing innovative infrastructure (lack of accelerator programs and incubators, lack of legal and business advice) are also among top 5 ecosystem problems.

The 'crisis 2022' has significantly reduced employee motivation and led to massive relocation

STARTUPS BY THE IMPACT OF THE 'CRISIS 2020-22', %, N=105

● Yes ● No

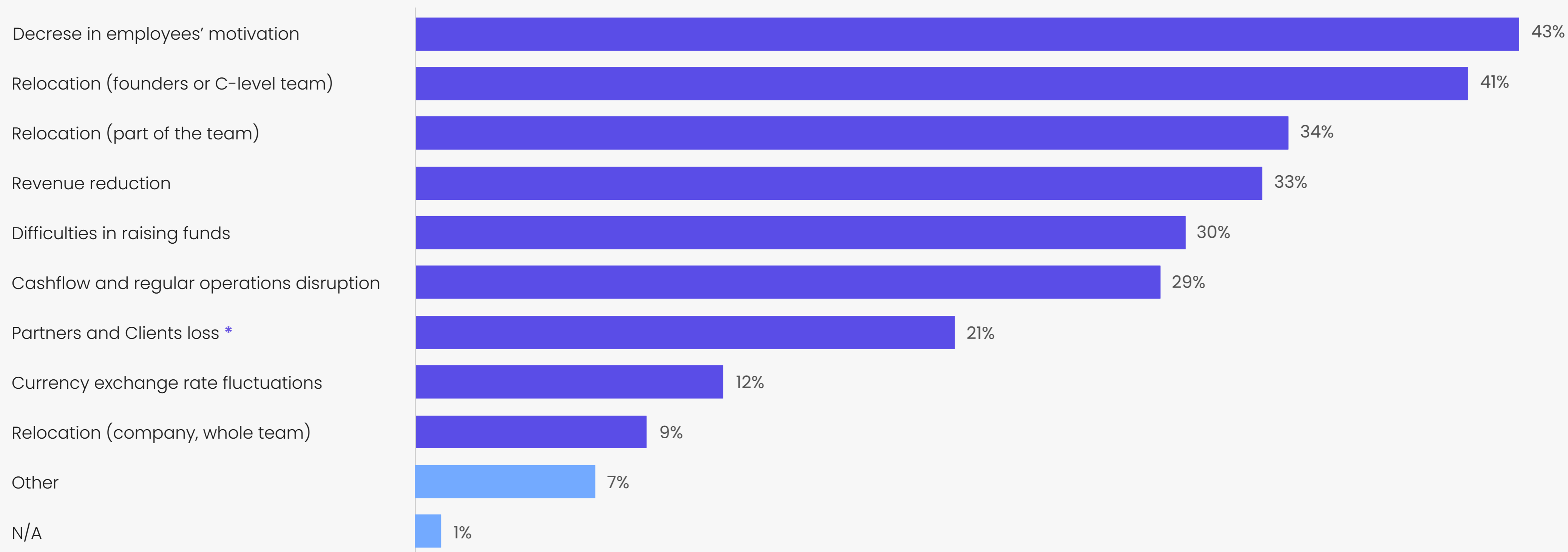


About 87% of startup representatives feel the negative impact of the 'crisis 2020-22'. This period has been complicated by COVID-19 pandemic, mass remote work, political crisis, and the military conflict in the neighboring country. A three-year period of instability caused primarily the decrease in employee motivation which acts as a key driver of innovation development.

Due to February events more than 40% founders and C-level employees were forced to relocate. All the above elements also influenced the level of revenue. Thus, about 33% of respondents have experienced a significant decrease in revenue. The crisis also negatively affected the business conditions due to banking system sanctions: nearly 30% of startups have noted cashflow and regular operations disruption.

The 'crisis 2022' has significantly reduced employee motivation and led to massive relocation

CHALLENGES FACED DUE TO THE IMPACT OF THE 'CRISIS 2022', %, N=91



'Crisis 2022' has expended reputational risks. Due to the events of February 2022, many teams are forced to hide their Belarusian origin to raise investments and have an opportunity to reach global market. Thus, about 30% of respondents experienced difficulties in fundraising, 21% – client and partners loss.

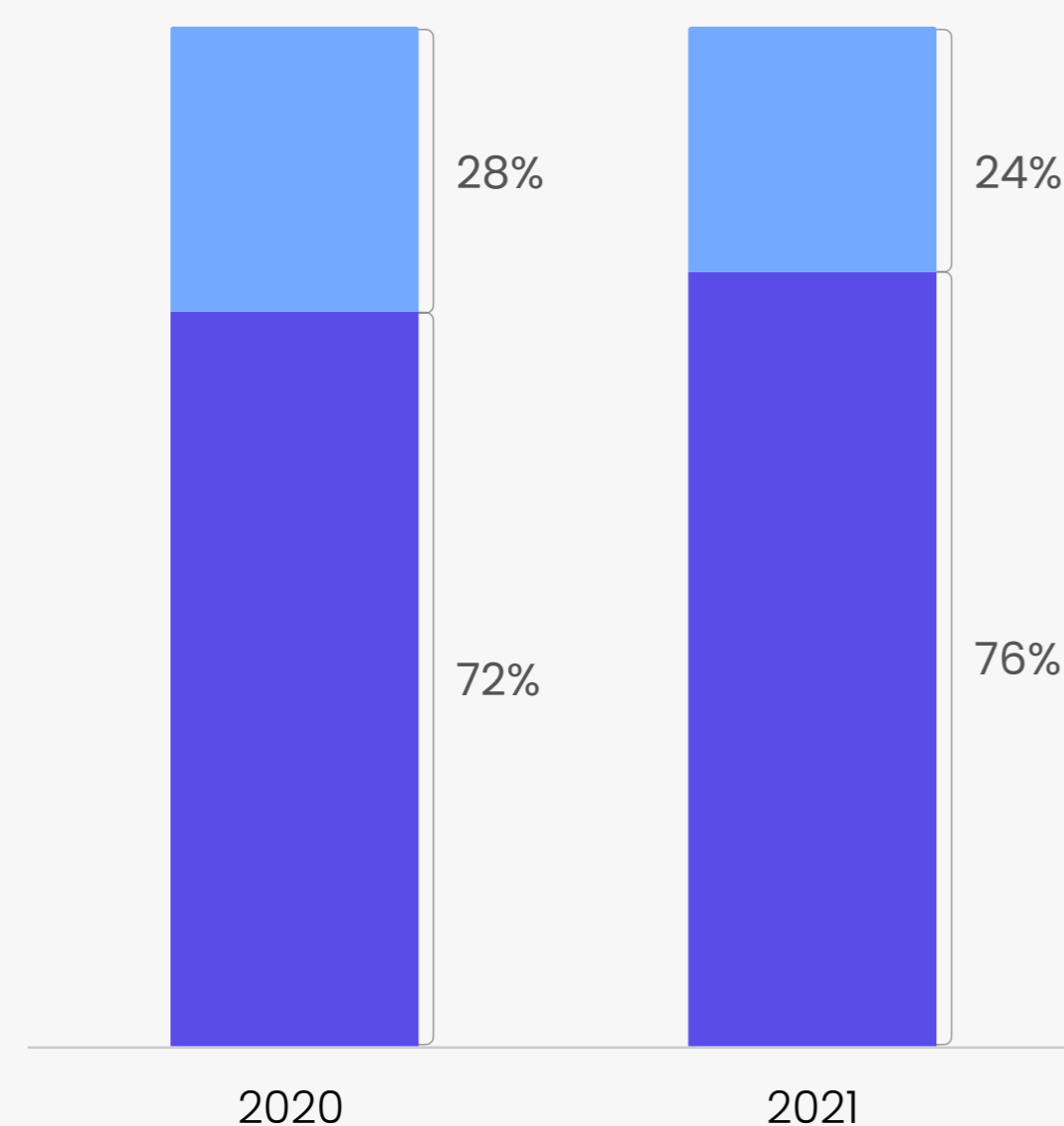
* – Association with Belarusian (or Russian) origin

Source: answers to the questions "Has the 'crisis 2020-22' affected your company?" and "What challenges have you faced due to the impact of the 'crisis 2022'?"

On the way to gender equality within the startup ecosystem: the share of female c-level employees increased in 2021

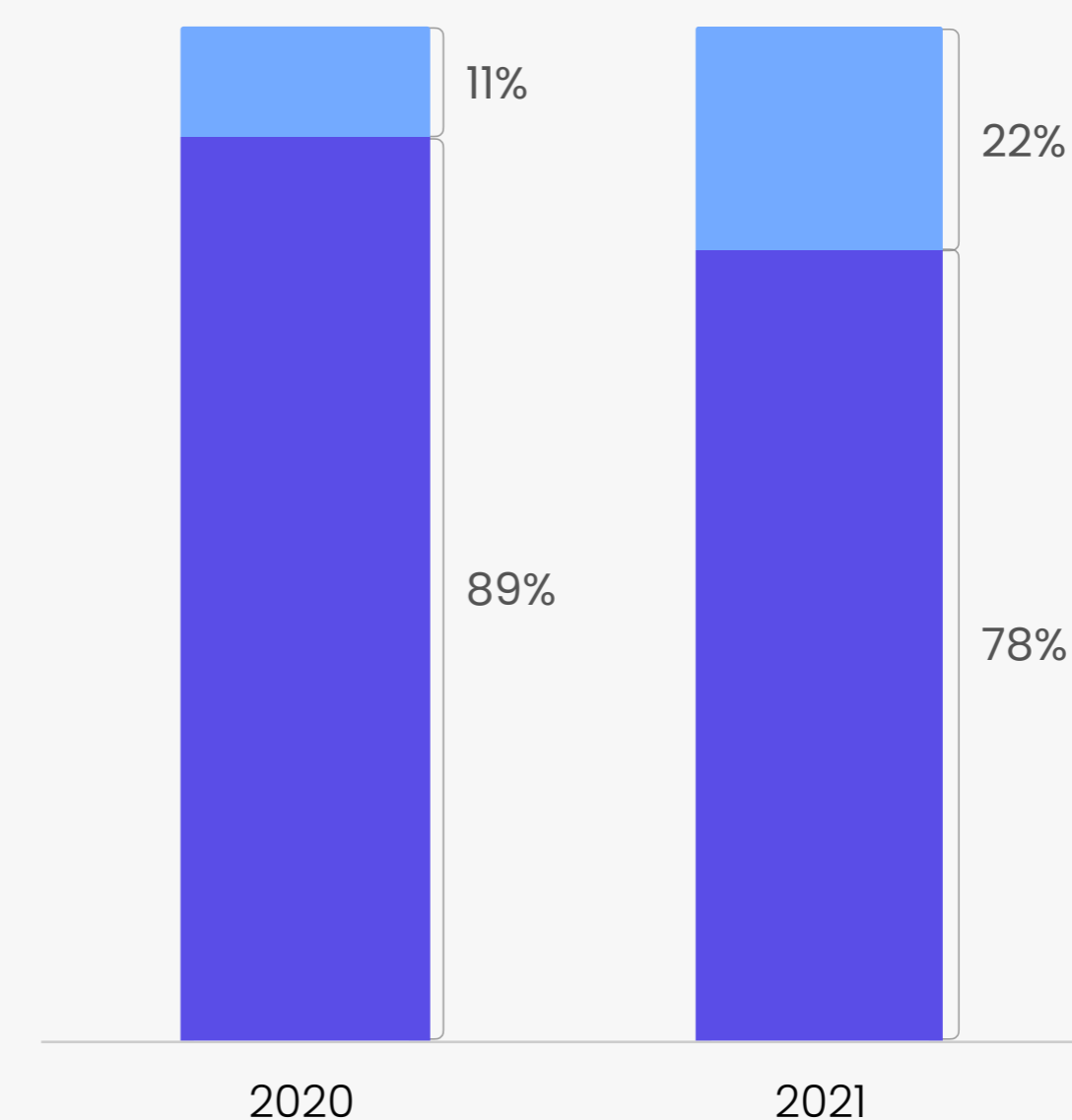
FEMALE FOUNDERS, 2020-2021, %

● Men ● Women



FEMALE CEOS, 2020-2021, %

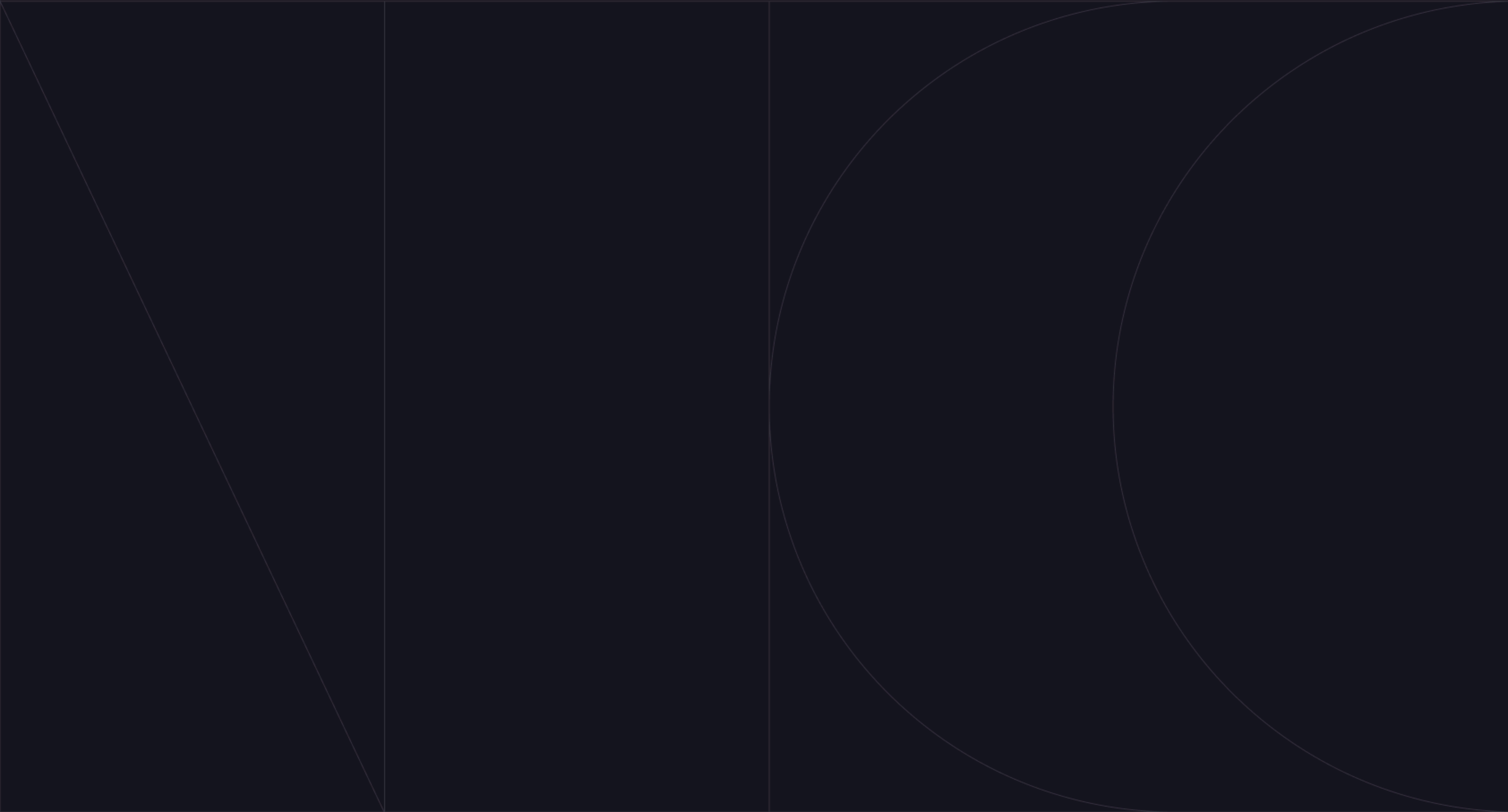
● Men ● Women



Gender perceptions in the innovation space determine the barriers for female entrepreneurs at all stages of a startup's lifecycle, such as bias attitude while fundraising. To identify the trends in gender inclusivity among Belarusian startup teams we compare the distribution of female c-level employees in 2020 and 2021, respectively. The findings show a slight decrease in the number of female founders and a clear positive trend in the number of female CEOs (an 11 per cent nominal

increase in structure). Maintaining the identified positive trends and taking decisive measures to promote women as founders is necessary to build a gender-equal startup ecosystem. The gender gap that exists in startup community could be eliminated by establishing mentoring programmes across sectors for women involved in startup movement and specific VC programmes for women startup founders.

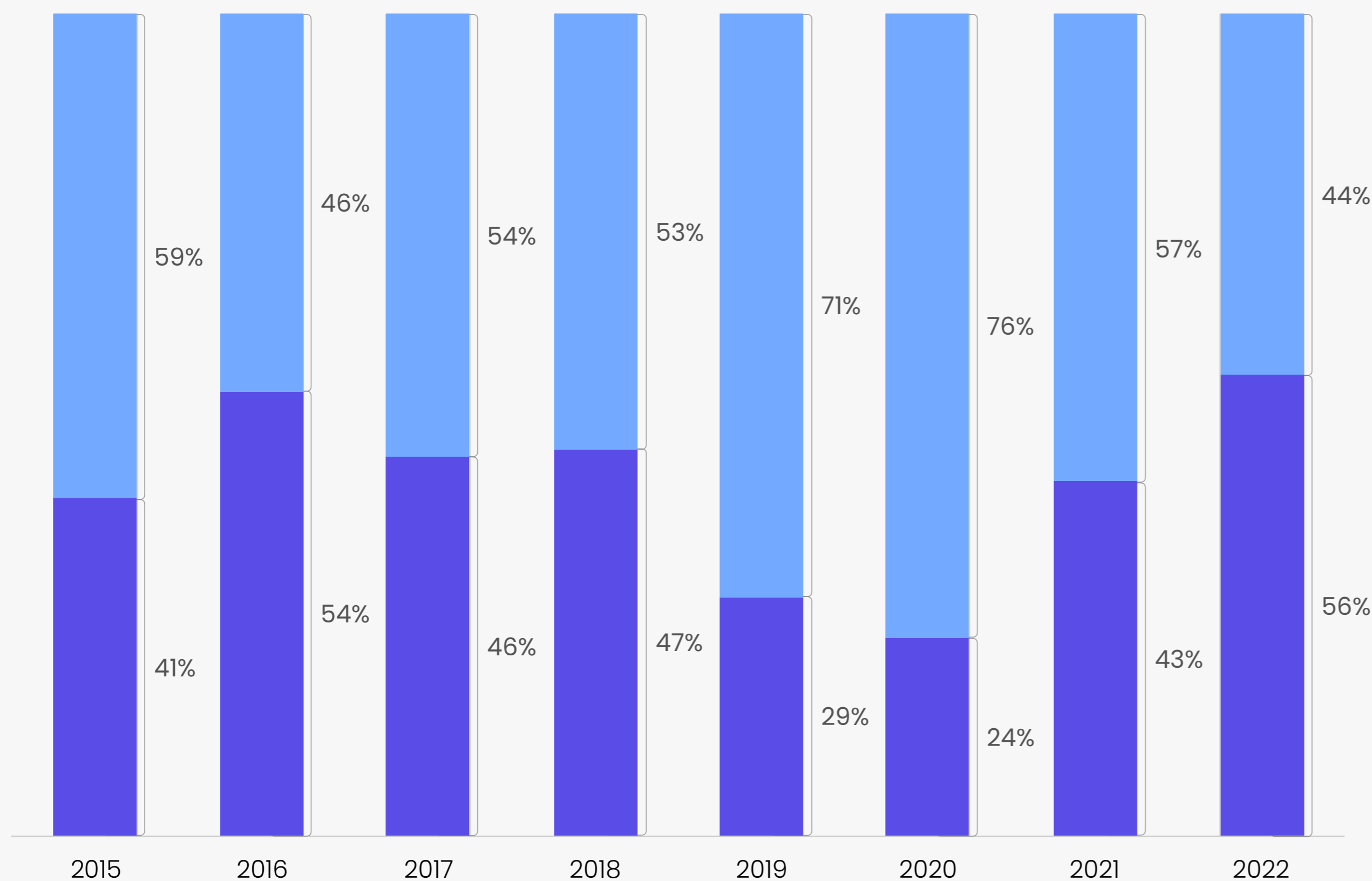
Relocation



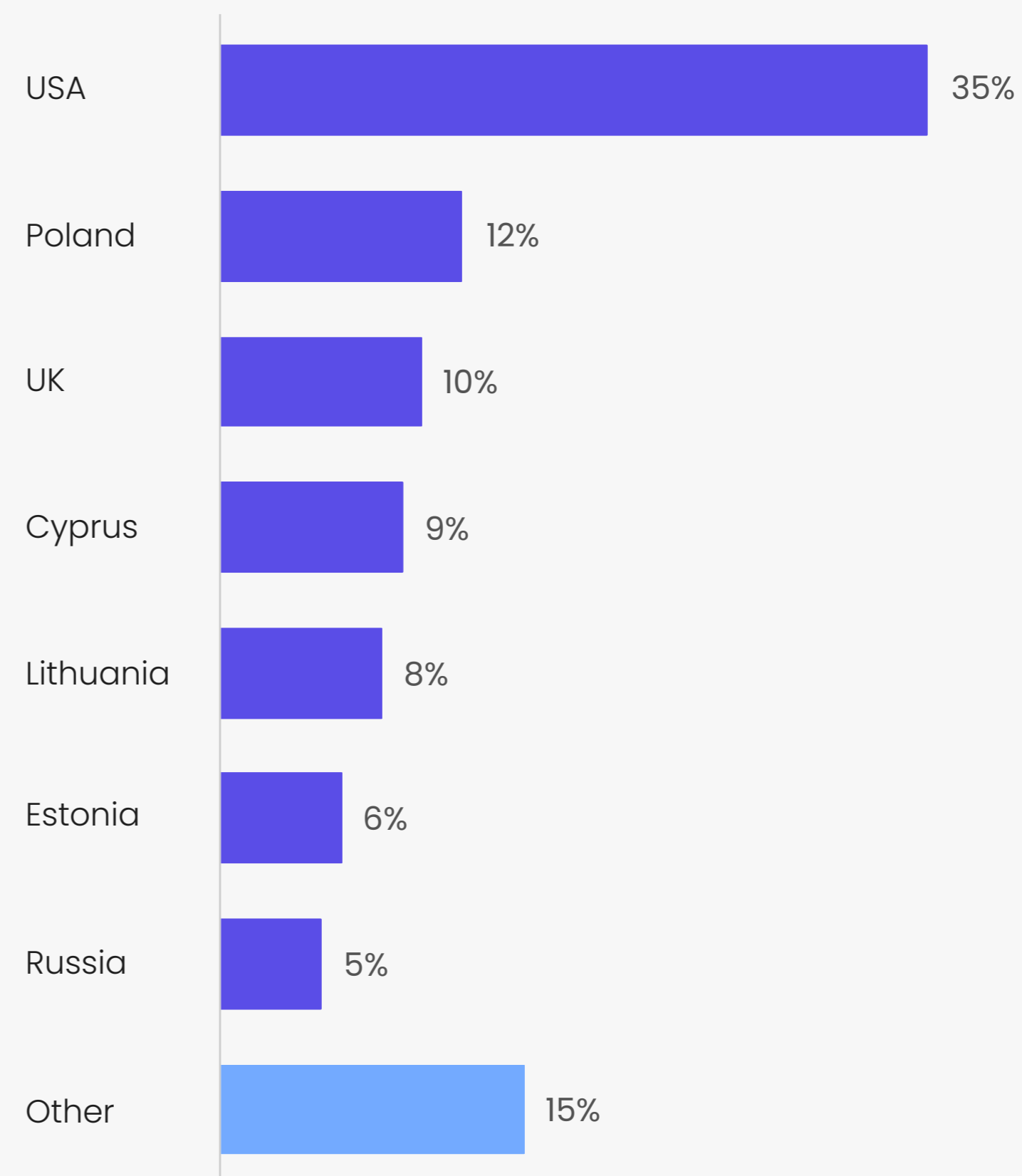
The Belarusian startup ecosystem has never been particularly localized, but starting from 2021 there is a clear trend towards the ecosystem decentralization

STRUCTURE OF STARTUPS IN THE BELARUSIAN ECOSYSTEM BY HEADQUARTERS, 2015-2022, %

● Belarus ● Abroad



STRUCTURE OF HEADQUARTERS BY COUNTRIES, 2022, %



At the same time, ecosystem builds up overseas: startups founded in Belarus are relocated abroad, and new startups are registered in the relocation

ECOSYSTEM IN BELARUS, 2020-2022

-82

startups with official HQ in Belarus were closed

+59

startups registered HQ in Belarus legally

ECOSYSTEM ABROAD, 2020-2022

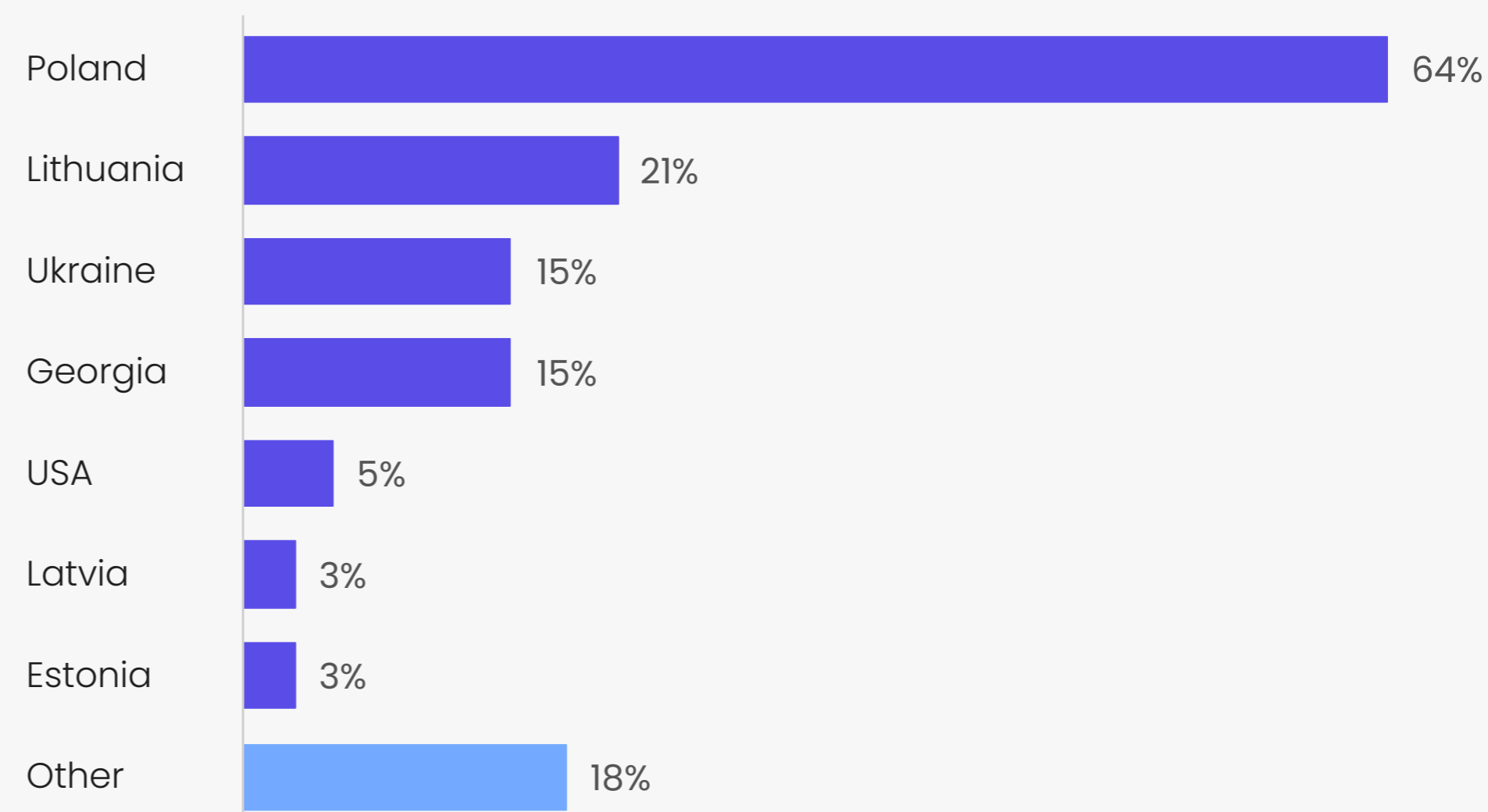
150+

startups relocated the entire team or most of it abroad

50+

startups were founded in the relocation

THE MOST POPULAR DIRECTIONS FOR RELOCATION OF BELARUSIAN STARTUPS*, 2020-2022, %



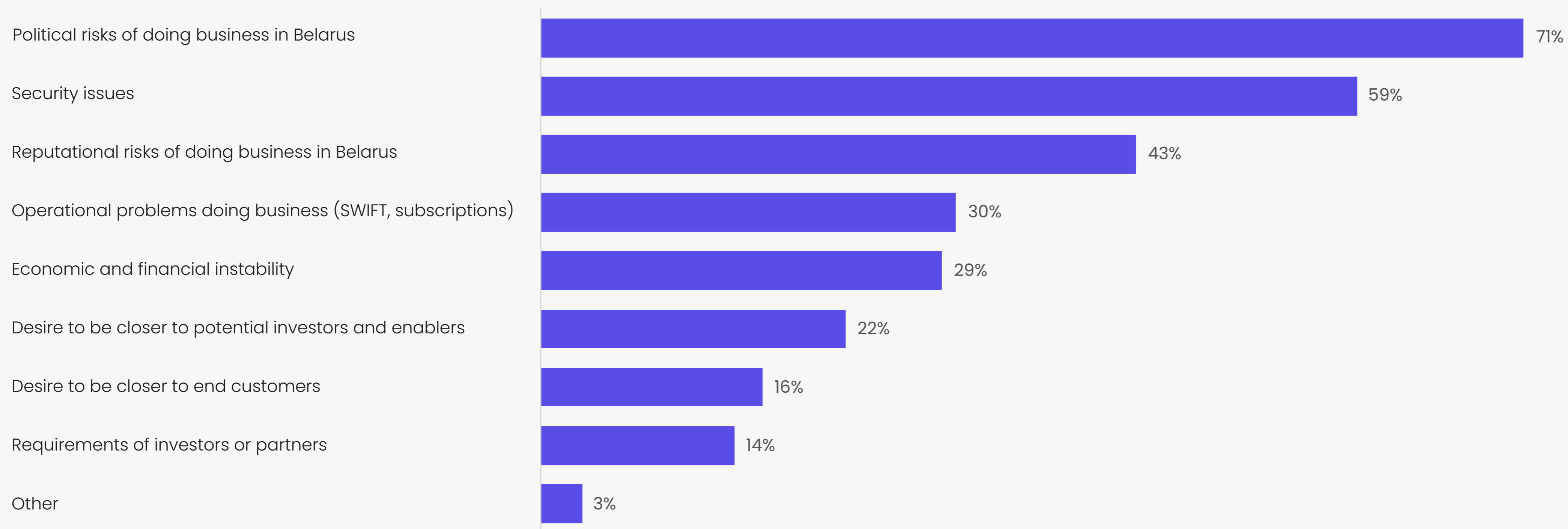
"Local communities of relocated Belarusian are actively developing. Talking about Poland, I attended the very first Uhub meetup with 15-20 other participants, while the latest meeting gathered around 150-170 people. Such communities help a lot both in terms of emotional support and practical purposes: network of professionals and educational events. I hope in the future we could develop such communities into full-fledged organisations with funding so we can systematically solve the problems in the interest of the whole community of Belarusians abroad."

Ecosystem representative

* — Answers to the question: "Which country were the company/team relocated to?"

The main reason for relocation are similar and related to political and reputational risks, as well as security issues

DISTRIBUTION OF STARTUPS BY REASONS FOR RELOCATION, %

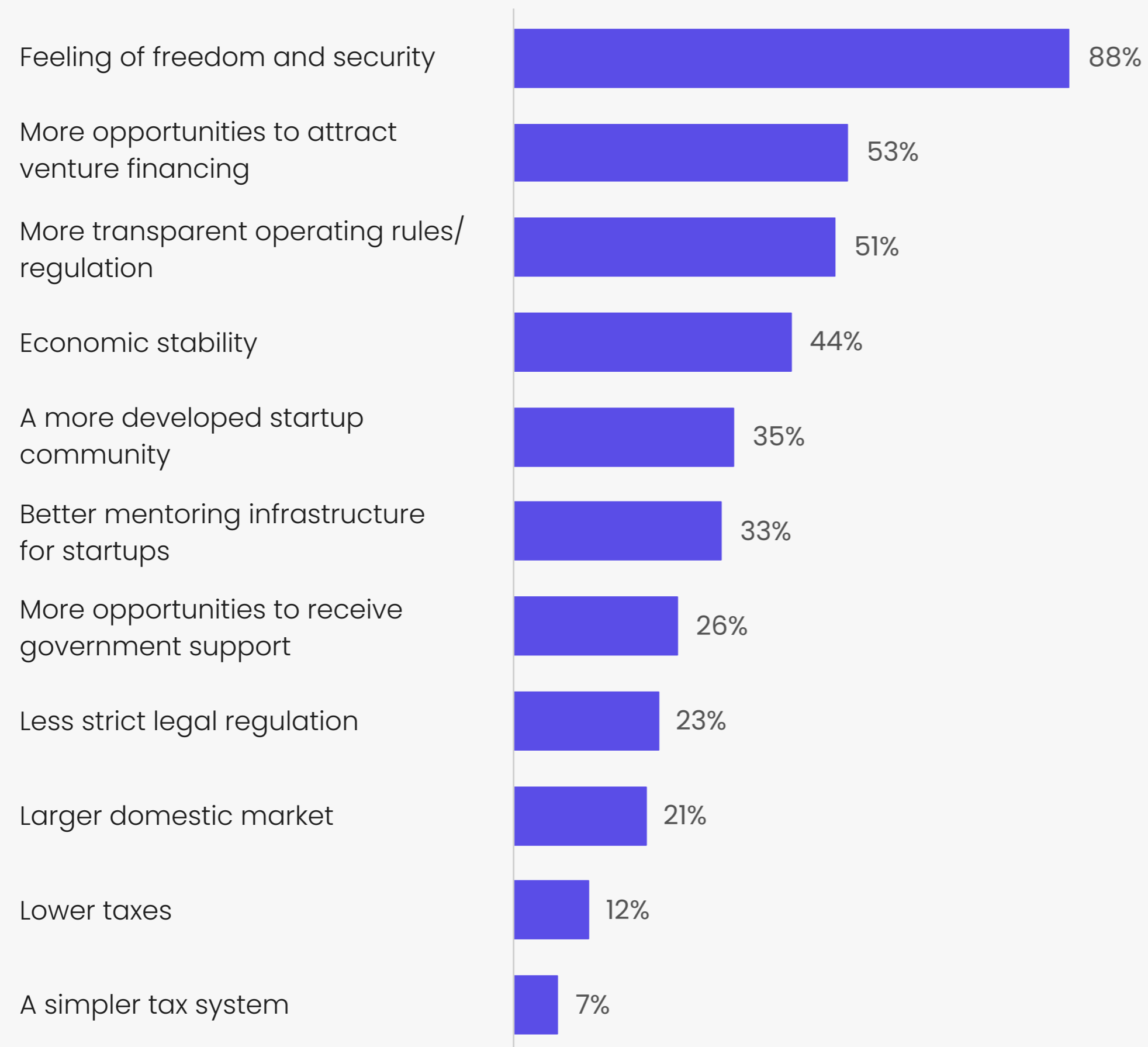


“The fundamental factor defining the future of the Belarusian Startup Ecosystem will be – and has always been – the political situation in the country. Even such major factors as government support or educational standards can hardly be compared to it.”

Kiryl Valoshyn

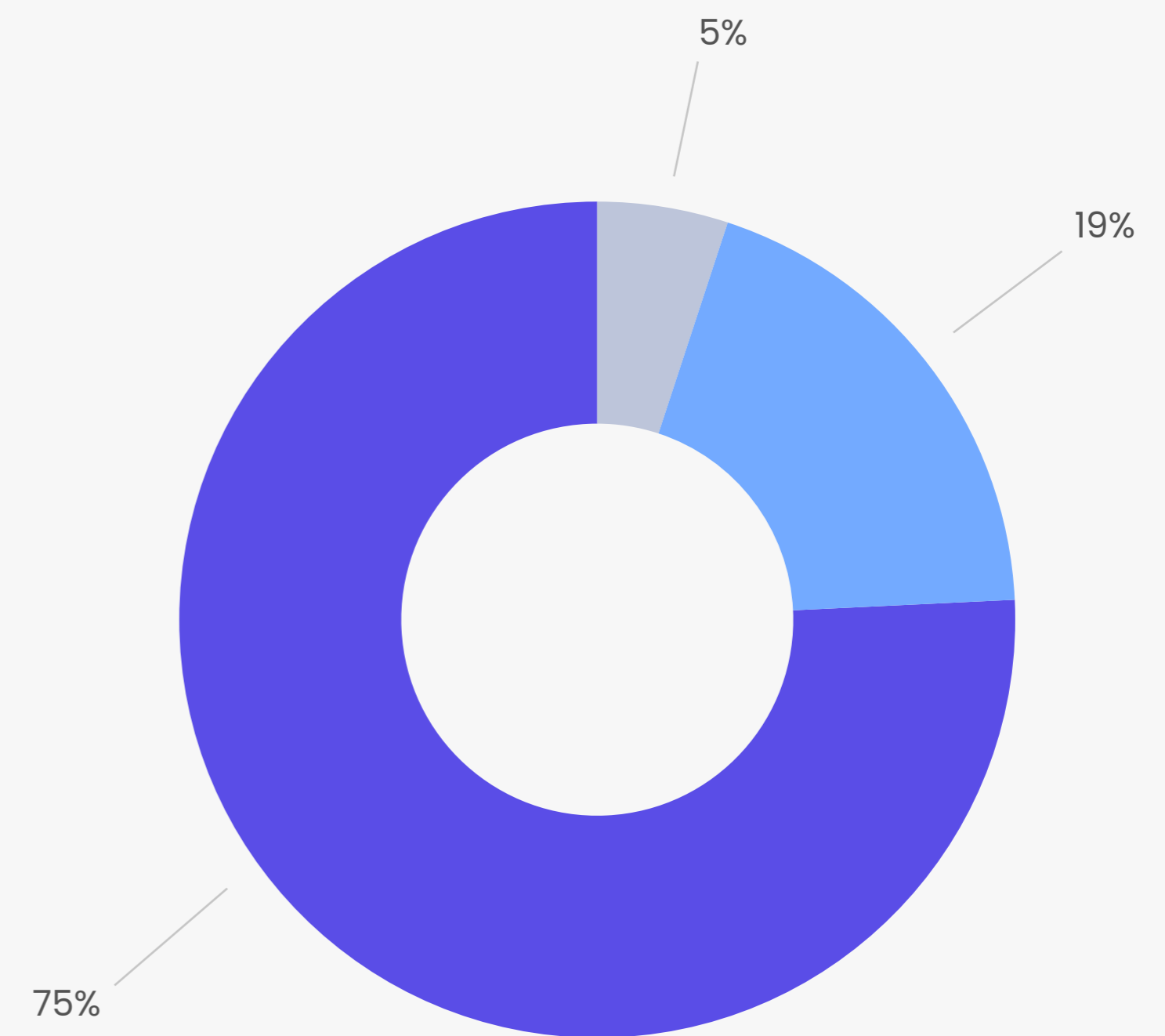
Most startups that relocated from Belarus lived up to their expectations and have successfully met their needs for relocation

THE ANSWER TO THE QUESTION "WHAT ARE THE ADVANTAGES OF THE COUNTRY YOU RELOCATED TO?", %



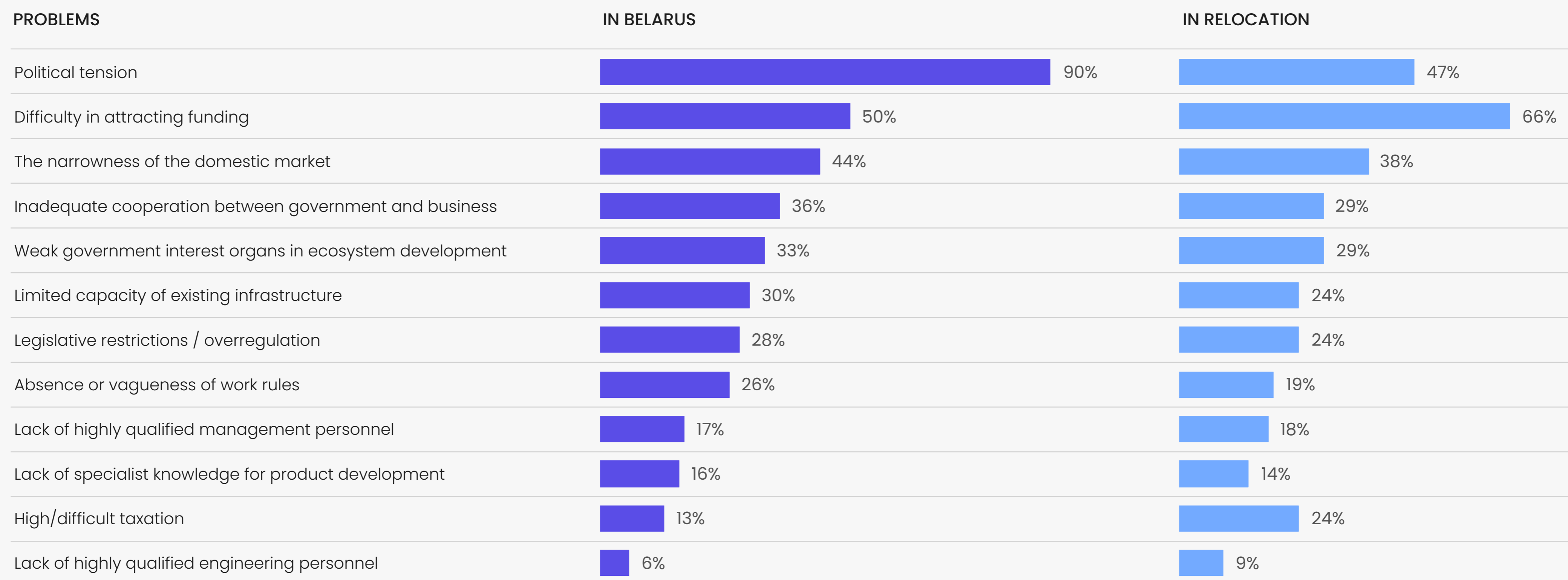
THE ANSWER TO THE QUESTION "DID YOUR EXPECTATIONS FROM RELOCATION COINCIDE WITH REALITY?", %

● Yes ● No ● N/A



The main problem of startups in Belarus is the grueling political situation, while relocated startups most concerned about the complexity of attracting funding

KEY PROBLEMS OF THE MODERN INNOVATIVE ECOSYSTEM OF BELARUS, BELARUS-BASED AND RELOCATED STARTUPS %



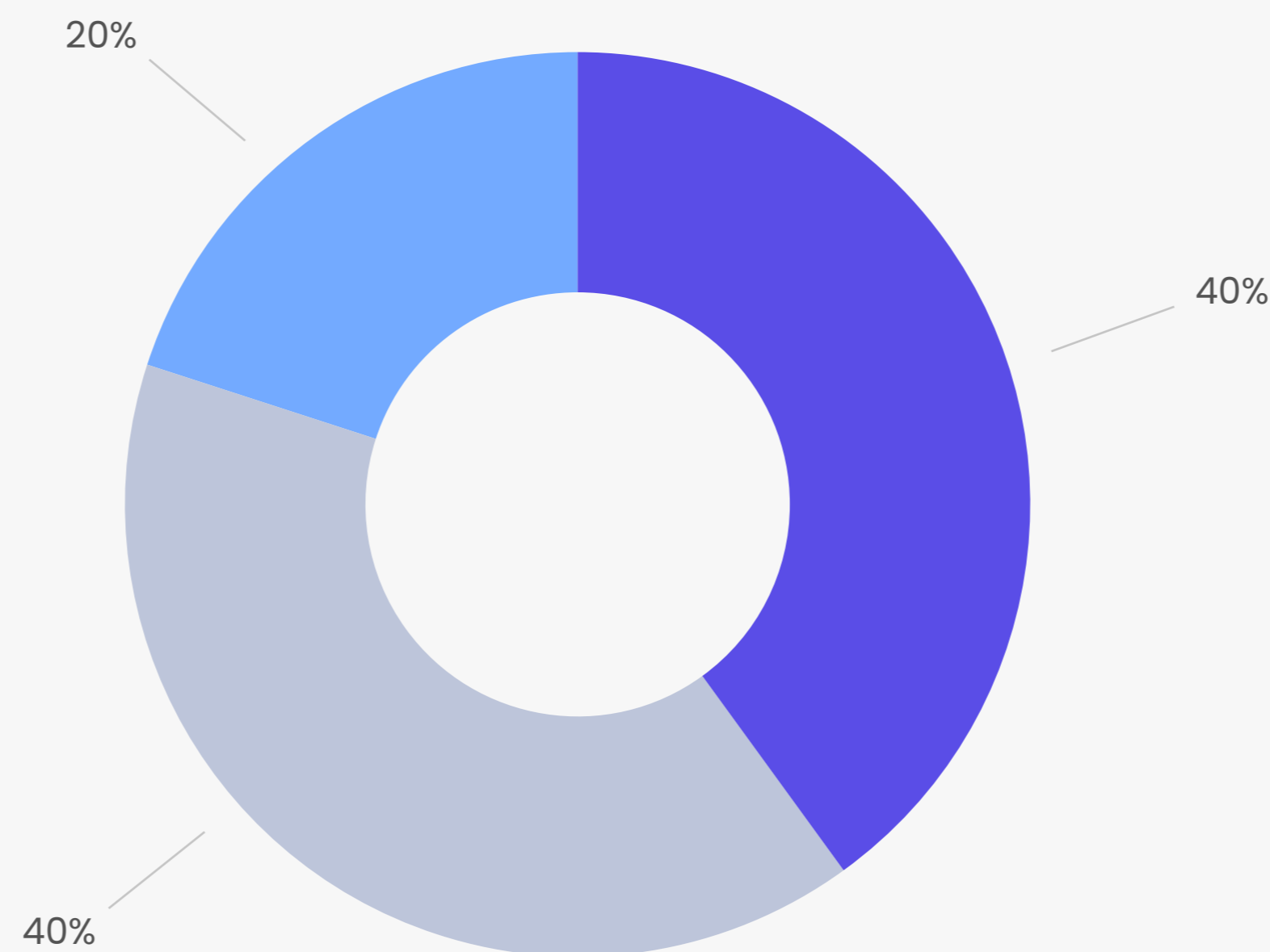
Political tension remains the key limiting factor according to startups located in Belarus, when only 47% of startups representatives who have left the country choose it as a leading challenge. Startups abroad, first, highlight fundraising as a key

problem of the ecosystem, and about half of local startups share this opinion. Belarusian startups in relocation are more likely to note complicated tax procedures and relatively high tax rates.

Lack of expertise, weak investment infrastructure, and biased investors make it quite complicated to attract funding for Belarusian startups

STARTUPS BY EXISTENCE OF THE PROBLEMS IN ATTRACTING EXTERNAL FINANCING, %

● Yes ● No ● N/A



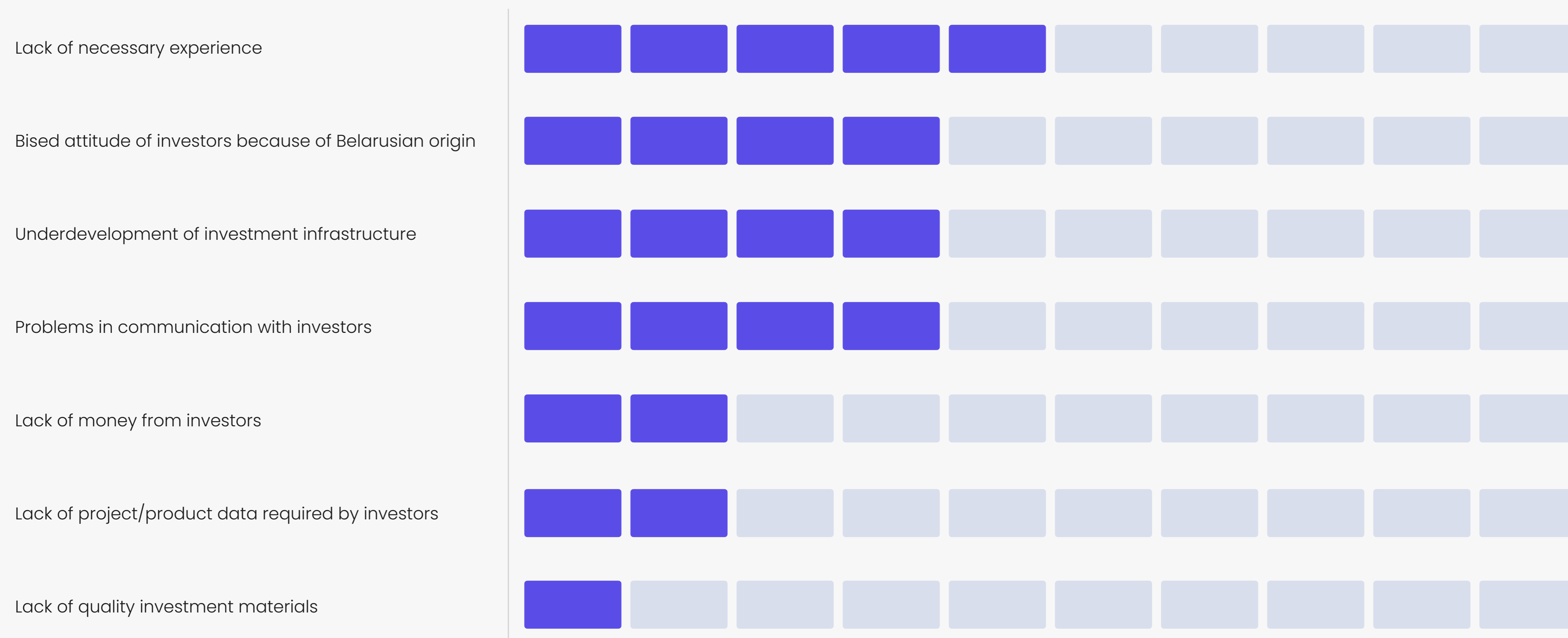
“The attitude towards Belarusian startups has significantly changed since February 2022. Foreign investors do not want to work with us because risks outweigh their interest in the project itself – at later stages venture funds could simply reject the application if there are any connections with Belarus. At the same time, we feel brotherhood and support from Belarusian investors finding ourselves on the same boat: together we have to look for and find new opportunities.”

Startup founder

Lack of expertise, weak investment infrastructure, and biased investors make it quite complicated to attract funding for Belarusian startups

IDENTIFIED TYPES OF PROBLEMS

● Consider the problem relevant ● Do not consider the problem relevant



“I really fail to understand why today we are punished for being Belarusians” — relocated Belarusian tech founders about facing discrimination abroad

“Relocation of any business is always a stressful story shaped by a number of obvious reasons, starting from legal reorganization and logistics to the team's adaptation to a different cultural environment. To build a picture of what this process looks like today (after February 2022) you can sum up all the traditional challenges associated with moving your company to another country and multiply them by strong bias against your nationality (in this case neither your choices — personal and professional — nor reputation built over years matter.”

Founder of International group of companies dedicated to the development of advanced hardware and software solutions

Backstory

We are a full-cycle company operating in a highly specialized industry. The company was founded as an international one more than 2 decades ago. In 2020 we decided that we are against the repression going on in the country and started transferring our business, while in 2022 we completely withdrew from the markets of Belarus and Russia. It was an official stand from day 1, and I really fail to understand why today we are punished for being Belarusians.

What challenges we faced relocating our business in 2022

1. Revenue losses following 2 main factors: deliberate abandonment of large markets (Russia, Belarus) & customer outflow (prejudice against companies with Belarusian stakeholders). In this way, by estimate, our revenue will be down by half.

2. Staff losses following 3 main factors:

- Inability to relocate all team members due to their personal reasons. As a result, we lose rare professionals with deep expertise in narrow domains;

- New restrictions in relocation policies towards Belarusians in neighboring countries. As a result, we are unable to maintain a stable and transparent process even for those employees who have the aspiration to move;
- Prejudice against companies with Belarusian shareholders. Half of the team in one of the neighboring countries has quit since February, despite our company working on the local market for 16 years. Hiring process has become much more

3. Transferring the management & control. To put it metaphorically: imagine a locomotive moving at full speed while you are trying to redesign it and replace half of the components on the go.

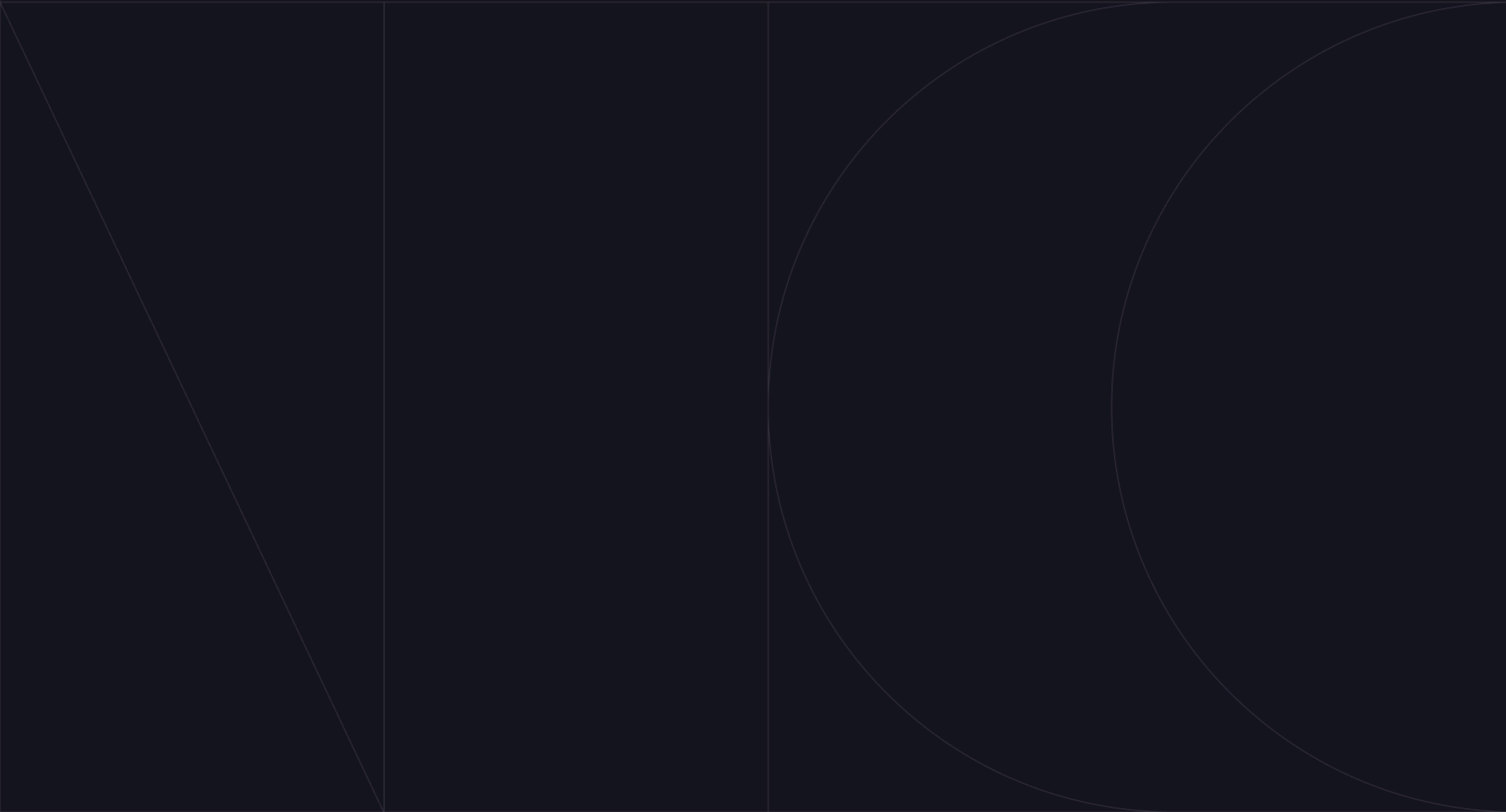
4. Expanding manufacturing facilities abroad. Large amount of sophisticated and unique production equipment we've been collecting and building for years is located in Belarus and cannot be moved to the EU due to sanctions restrictions.

5. Product lines reduction. We have to rethink all logistics and invent new supply chains. One of the biggest challenges is buying necessary production components: we deliberately dropped part of the former vendors, at the same time, some vendors dropped us.

What's ahead?

We still manage to continue working with large-scale Organizations & Projects, Government Agencies, etc. However, the attitude on the part of the international community has changed to the exact opposite, going from supportive in 2020 to something you can call “discrimination on the passport”. Years of operating in global markets, solid reputation and trustful partnerships were dashed in days. Despite this being an industry-specific case, I'm sure that many colleagues can recognize themselves here.

Future of the Ecosystem



“There will still be some projects in the country and will continue to watch new startups emerging, but it will hardly be a venture story, most likely replacements of popular international tools & services”



Valery Ostrinsky

Chairmen of AngelsBand

Key internal factor defining the current situation on the Belarusian market is total pessimism. Majority of entrepreneurs, investors and tech people share the same mood. I would not expect any quality changes until we see the shift in this perspective. Externally, military actions going in the neighboring country do not contribute to the overall productivity as well.

In 2022 we saw the largest wave of relocation over the past several years. According to my estimates, around 50% of IT-sector and 70% of startups have left Belarus. This number applies to the projects in the later development stages that were ready to attract investment. The percentage of relocated investors has reached 90% following the growing toxicity of Belarusian-originated money.

Poland is still the most popular location for startups, then the Baltic countries and Portugal come. Many founders and investors choose Cyprus thanks to the tax incentives. Less common destinations also include the USA, UAE and Hong Kong. Today, among startups applying to AngelsBand, we see mostly projects based in Eastern Europe with team members from Belarus.

Trying to take a look into the future of the Belarusian Startup Ecosystem, I would rely on the realistic scenario. And the realistic one is the point where we are now. There are still some projects in the country and we will continue to watch new startups emerging. The difference is that it will hardly be a venture story. Rather, we can talk

about new technology projects that will replace part of the popular international tools & services. Consequently, such startups will have to rethink the development approach and shift the priorities — focus on instant profitability and search for partners ready to share business risks, rather than investors. At the same time, relocated Belarusian startups will continue actively growing in the local ecosystems, having access to world class competencies and venture instruments.

Nevertheless, particular players are still active in Belarus, maintaining current projects and even launching new ones — Zborka Labs has announced a new educational course for founders, Malimon Accelerator organizes events, etc. At AngelsBand, we conduct monthly pitch sessions with applicants. In my opinion, offline events & communication are what our community lacks most.

“Without efforts to improve this interaction, the most likely future scenario for our ecosystem is its continued disintegration”



Kiryl Valoshyn

Senior Advisor at PYXERA Global, Lithuanian Business Angel
Network Member

Although Belarus’s ecosystem was very immature prior to 2020, even its former structure no longer exists. Today we see ecosystem members scattered across the EU, the USA, and Asia – as many as 70–80% of them, according to recent polls. And that figure is probably more than 90% if counting the most promising and sustainable startups. Unfortunately, the level of interaction between them is quite low at the moment.

Without efforts to improve this interaction, the most likely future scenario for our ecosystem is its continued disintegration. Startups that have already relocated will gradually assimilate within local ecosystems and many may stop associating themselves with their homeland.

And, unless operating conditions in Belarus improve sooner than later, startups remaining in the country will continue to leave. Even before 2020, the headquarters of startups that had reached a critical level of growth were forced to leave Belarus due to its small domestic market and a business environment that was unattractive for driving growth and obtaining financing from investors, whether Belarusian or foreign.

But, many of those founders returned to Belarus to mentor new entrepreneurs and invest in new startups, even if they didn’t come back to stay. It’s interesting – and completely understandable – that most who have recently left landed initially in places where there are communities who can help, familiar languages, and

proximity to family and friends at home. Some of these ecosystem members are actively trying to keep the ecosystem together virtually. However, they need to start working together to succeed. At PYXERA Global INNOVATE, we are trying to support these efforts so that, even with assimilation into new communities, the knowledge and experience of this assimilation is eventually brought back to Belarus – in some form – when times change.

It is difficult to make predictions about the future until the ecosystem is able to take tangible form again. But clearly the safe choice is now the following:

- Go, try, learn something new and grow constantly. Do your best and help others whenever possible, without expecting recognition and benefits in return. No one has canceled the unpredictable results of mutual support!

“Relocated startups are most likely to lose connections with Belarus and melt into foreign ecosystems if we do not manage to form an ‘ecosystem binding center’ to maintain the connections”



Olga Rothko

CEO and founder of Spark venture studio, CEO and partner of Zborka labs

Among other obvious factors that can influence the future of the Belarusian Startup Ecosystem, I would like to highlight the one within our power — communication culture. The skills to find and build partnerships have become as important as ever. A proper network and meaningful collaborations can bring both fresh ideas and access to the resources (money, technologies). The problem is that today we don't have major players able to involve active contributors and establish processes within the ecosystem. The one who will manage to do this, will gather a huge amount of bright people. However, as long as there are people in Belarus willing and ready to make their contribution, there is hope for the future. Geopolitical risks are certainly still here and pretty high, but the opportunities for development are also here — both offline and online, the rest is up to personal motivation, ability to search for information and right people.

Over the past year relocation has taken most active startups, but not them all. After all, we still have an opportunity to cooperate — in one form or another — even without not being physically in the same place. I would say, these were the reasons for relocation and sanctions restrictions that affected the ecosystem most, rather than relocation itself. It takes more effort to keep in touch with people at a distance and is a must for our startup community.

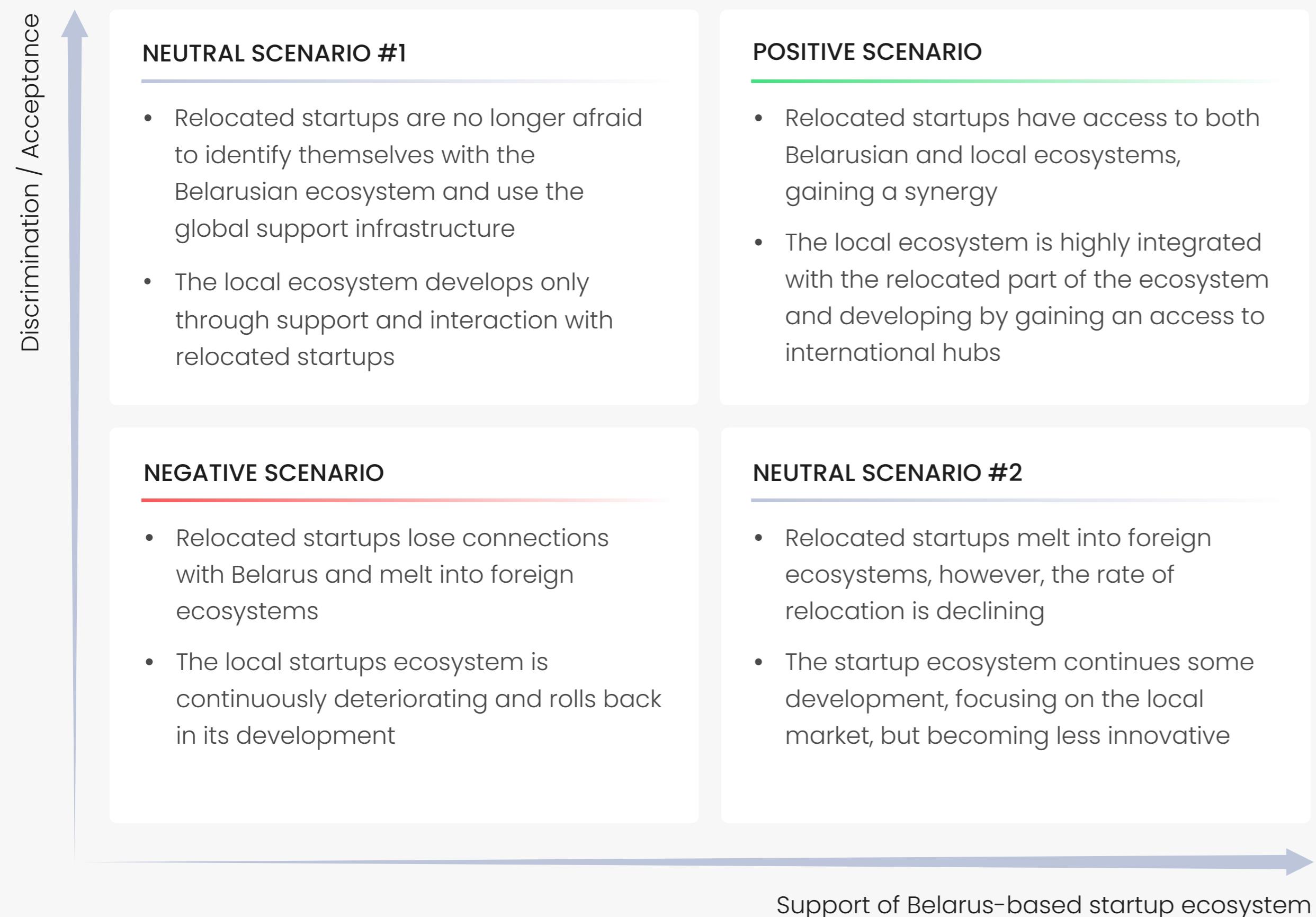
Talking about relocation, main factors defining the choice of the country include: opportunities for doing business worldwide, tax loads and costs of living (housing

prices have become a particular problem following several migration waves). Cultural similarities are of secondary importance in this regard. The geography is vast: UAE, Poland, Lithuania, Portugal, Spain, Czech Republic, Cyprus, Kazakhstan. Ukraine was also a popular destination before February 2022. Some IT-specialists and startups are becoming digital nomads, others try different locations before they finally settle. There are even cases when teams decided to come back to Minsk.

In the near future, the pace of relocation may be slowing down, but those startups that have already left the country will lose connections with Belarus and melt into foreign ecosystems. This scenario seems most probable because of the current risks to be associated with Belarus and because we don't have a binding center that could maintain these connections. That's why creating such a center should be among top priorities in the context of ecosystem's development. I'm a big believer that faith and dedication can unlock unexpected potential — both individual and collective. So, let's try to stay united, focus our energy on specific goals, grow and help others to grow. This is what Zborka Labs is about: the platform & community for founders. While our new project, Spark Venture Studio, was launched to unite mentors for startups and help people with ideas to make their way through the initial stage.

Depending on the development of attitudes towards the Belarusian ecosystem and the level of local support, we see 4 scenarios for the development of the ecosystem

SCENARIOS FOR THE DEVELOPMENT OF THE ECOSYSTEM



BASED ON THE DESCRIBED SCENARIOS, THE FOLLOWING MEASURES SHOULD BE TAKEN TO DEVELOP THE ECOSYSTEM:

SUPPORT FOR LOCAL STARTUPS

- Stimulation of entrepreneurial and innovative activity (creation of start-ups support, support of the venture ecosystem)
- Provision of infrastructure support (access to finance and international expertise)

SUPPORT FOR RELOCATED STARTUPS

- Creation of a strong diaspora of Belarusian startups abroad
- Reducing barriers to the use of international resources (increasing the level of knowledge and reducing the language barrier)

SUPPORT FOR THE ECOSYSTEMS AS A WHOLE

- Allocation of resources to fight discrimination
- Strengthening links between relocated and remaining startups

Future scenarios are not defined and controlled by us, but each of us can take actions that increase the chances of achieving the scenario we all need



Siamion Zlobich

CEO and Associate Partner of CIVITTA BY

The Belarusian nation, in my opinion, has good potential for innovative development. Bright examples of scientific inventions, highly intellectual businesses that have reached a global level, unicorn startups are clear evidence of this fact. Despite this, we have never been able to boast that our innovative ecosystem has at least approached a state of its own flourishing. Innovations always happened not thanks to, but despite. Now, however, we find ourselves in a situation where the development of innovation has been rolled back a decade and all the efforts of enthusiasts aimed at forming a local growth base have been destroyed by fear, ignorance, and apathy. A huge social stratum of business, progressivism, and free creativity has been expelled from the country or lost motivation and fallen asleep, thereby breaking and freezing the nascent development of the ecosystem.

The characteristics of Belarusian mentality have never favored outspokenness: Belarusians tend to blend in and assimilate within the local ecosystem, rather than forming stable local national communities. Meanwhile, the discrimination happening in the Western world by Belarusian national traits only exacerbates the situation. Belarusian startups are denied access to infrastructure and financial support, business sanctions are often harsher than government ones, partnerships with suppliers are riskier, and it is often impossible to work with people who have Belarusian surnames. It has always been much easier to judge by a simple criterion (e.g. nationality) than to deal with the political divisions and vicissitudes of a small

country. In response to such pressure, the relocated part of the ecosystem reacts at the level of "guerrilla" instincts, disguising and distancing themselves, while the remaining part becomes increasingly irritated and resentful. This creates a vicious circle that only exacerbates the problem.

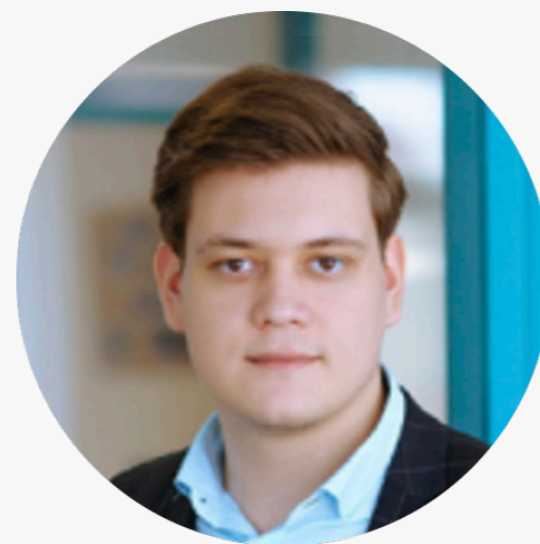
If we do not consider the internal political scenarios of Belarus, we see two main factors that affect the development of the Belarusian innovation ecosystem: the factor of discrimination/rehabilitation/acceptance of those who have left, and support (no matter by whom or how) for what remains. There are already enough barriers and obstacles between the country and the Western world to understand and accept that those who have left do not associate themselves with what is happening at the political level in the country, and all that is needed is not to judge for others' sins and not to interfere, but rather to help and support. The second factor of development could be the support of the local component of the ecosystem, as innovation, entrepreneurship, and progressivism are the only forces that can change the world for the better at least in the long term. The dissolution and degradation of sources on one hand, and support for progress and cooperation with adequacy on the other hand, only depends on us and our actions.

Team



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CEO and Associate Partner
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Project manager, CIVITTA



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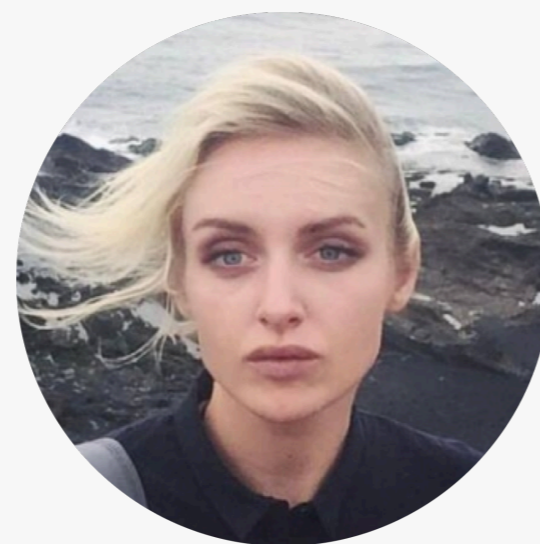
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