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A bright future for the Western Balkan IT industry

A boom in its tech industry has the potential to bring growth to the Western Balkans, where well-paid and high-quality jobs are scarce

Commonly known for its troubled past and political instability, the Western Balkans has quietly been making a name for itself in the tech industry during the past decade – with its developing IT sector looking to attract attention from both investors and global tech companies. A boom in the region's tech industry promises to bring an exciting future to the Western Balkan countries, where well-paid and high-quality jobs have been scarce in the past. It might also be exactly what the region needs to catch up with other EU member states from the region – at least until full EU integration for all is achieved.

Hope comes in the form of a young and talented population, eager to utilise their skills and resources to create innovative solutions that could potentially change the landscape of the region's tech industry. Each year, around 10 per cent of the total number of graduated students from the six non-EU Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia) come from the ICT sector – a number which is only going to increase as the IT industry becomes a more and more popular work choice.

Driving growth to the region's IT sector

In this regard, EU member states from the wider Balkan region such as Romania, Bulgaria and Western Balkan EU-member Croatia have proven to be the tech industry torchbearers for the rest of the Western Balkans to follow – especially after seeing several of their domestic companies achieve 'unicorn status' over the past couple of years. 'Unicorn companies' are companies that have achieved a valuation of $ 1 bn or more, and the status is considered a major milestone for any startup.

The achievements of companies such as Romania's UiPath, Bulgaria's Payhawk and Croatia's Infobip not only speak to the potential of these companies themselves but also promise to further drive the growth of the region's IT sector. These and several other international tech companies have also set up shop in the Western Balkans, where they can nurture the region's tech talent.

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Additionally, the region's tech startups have been able to take advantage of emerging technologies such as artificial intelligence, blockchain, fintech and gaming, and they have attracted various investments – which again spells jobs and growth in the long run.

However, unlike the rest of the countries that form part of the EU, those that still don't face a significant challenge compared to their counterparts: a lack of accessible private capital to support their business development. This challenge is multi-faceted. While a limited number of investors focus on Western Balkan markets, other regional funds are simply unaware of the potential of startups in the region – or are choosing to overlook it.

Bridging the gap

Until the region is fully integrated into the EU (which could take decades), initiatives such as Open Balkan, which was launched in October 2019 by the leaders of Serbia, Albania and North Macedonia with the aim to strengthen economic ties among the Western Balkan countries, can prove to be a stopgap solution.

By removing trade barriers and increasing cross-border trade, the initiative is expected to simplify business collaboration between regional IT companies. In turn, this will enable companies to share resources, knowledge and expertise, and to develop more innovative and competitive products and services. The increased cooperation will also help to attract more foreign investment to the region's IT industry, which would be considered a bigger – and more stable and predictable – market than the countries' individual markets. This would help to increase the flow of capital into the industry and to create more opportunities for startups and SMEs (small and medium-sized enterprises) to grow.

Lastly, the initiative is also expected to facilitate the mobility of skilled IT professionals within the region, thereby increasing the availability of talent, improving skills development and enhancing knowledge-sharing.

The development of the IT industry and its potential common market in the Balkans could also help to diversify the region's economy, which has traditionally been reliant on industries such as agriculture, tourism and manufacturing.

As the Western Balkan countries and their economies continue to develop, they could also catch up with the region's EU member countries.

Governments across the region are also seeking to attract more domestic and international IT companies to invest in their economies through tax incentives. This will spur increased investment from venture capitalists and investors in promising startups and companies, leading once again to the creation of more jobs and the retention of local talent – in turn reducing the need for talent to seek opportunities abroad.

While the Balkans region may have had a troubled past, thanks to IT, the future could be looking bright, as the region's talented professionals, low costs and supportive government policies are striving to create a fertile environment for tech startups to thrive. And as the Western Balkan countries and their economies continue to develop, they could also catch up with the region's EU member countries – until complete integration of into the European Union is achieved.

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