

Public-private startup accelerators in regional business support ecosystems



A Policy Brief from the Policy Learning Platform on
SME competitiveness

December 2018



**Interreg
Europe**



European Union | European Regional Development Fund



Summary

The benefits of support to early-stage growth-driven companies from startup accelerators is now widely recognised. Originally developed by private investors, accelerators have gained popularity over the last decade among policymakers and have become a key component in regional business support ecosystems in many European regions.

This policy brief first takes a look at European initiatives that support or are relevant to business accelerators. A list of references where to find out more about these programmes and initiatives is provided at the end of the document.

The policy brief then discusses a range of public-private partnership based accelerator models being set up as a response to the challenge of identifying and supporting innovative startups with significant growth potential and consequent benefits for regional economies, explores different models identified by Interreg Europe projects and presents a series of lessons learned, which we hope will be useful for policymakers considering setting-up an accelerator especially on the basis of a public-private partnership.

The challenge: to support innovative startups¹ with significant growth potential

The majority of European regions are engaged in a determined effort to put in place or improve what is now often called a business support ecosystem; an ecosystem being “a system capable of supporting entrepreneurship, enterprise and job creation and growth in a specific environment or territory. The business ecosystem should support the whole process from the entry of possible entrepreneurs to the continuous support during the lifecycle stages of enterprises.”²

This brief focuses on support measures for startups, and in particular the accelerator approach in the European context. As part of its Start-Up Europe initiative, the European Commission³ (EC) identified the following categories of support as fundamental:

- Providing training/advisory/mentoring services to young startups to prevent early failures;
- Supporting the creation of incubation centres, accelerator programmes and co-working spaces for startup projects;
- Enabling links between source of knowledge (e.g. tech/engineering centres) and source of finance to facilitate access to finance for viable startup projects.

What the EC’s policy push in this area suggests is that **identifying and growing** enterprises, especially startups that have good prospects for job creation and the potential to drive economic growth, is an important current challenge for the development of regional business ecosystems.

Therefore, as part of the wider portfolio of business support services, helping startups to grow has emerged as key goal for business support practitioners. In practical terms, this means assisting with access to finance and access to markets (but not only) as these continue to be the key hurdles to growth; and this is where business **accelerators** have been proving their value.

¹ Also called scaleups, gazelles or high growth enterprises.

² TRINNO: Business Support Ecosystem.

³ European Commission (EC) [Start-up Europe](https://ec.europa.eu/growth/content/public-consultation-under-start-initiative-0_en) initiative. See https://ec.europa.eu/growth/content/public-consultation-under-start-initiative-0_en



Startup accelerators – a new tool for supporting high growth startups

Accelerators are an increasingly popular approach to supporting startups and helping them to grow. Accelerators first gained popularity as private sector initiatives, the [Y Combinator](#)⁴, was the first and is probably the best-known one. Over the last decade, the concept has also gained momentum in the public sector, both in Europe and in many other regions of the world.

What is a Startup Accelerator?

“Startup accelerators support early-stage, growth-driven companies through education, mentorship, and financing.”

Startups enter accelerators for a fixed-period of time, and as part of a cohort of companies.

The accelerator experience is a process of intense, rapid, and immersive education aimed at accelerating the life cycle of young innovative companies, compressing years’ worth of learning-by-doing into just a few months.”

Source: What Startup Accelerators Really Do? By Ian Hathaway, Harvard Business Review, <https://hbr.org/2016/03/what-startup-accelerators-really-do> (retrieved 29.08.2018)

As can be seen from the above definition, accelerators respond to the needs identified by the EC consultation on the provision of **training/advisory/mentoring** services and **access to finance**.

As figure 1 (below) shows, accelerators can be seen as small business support ecosystems.

Business Support Ecosystem

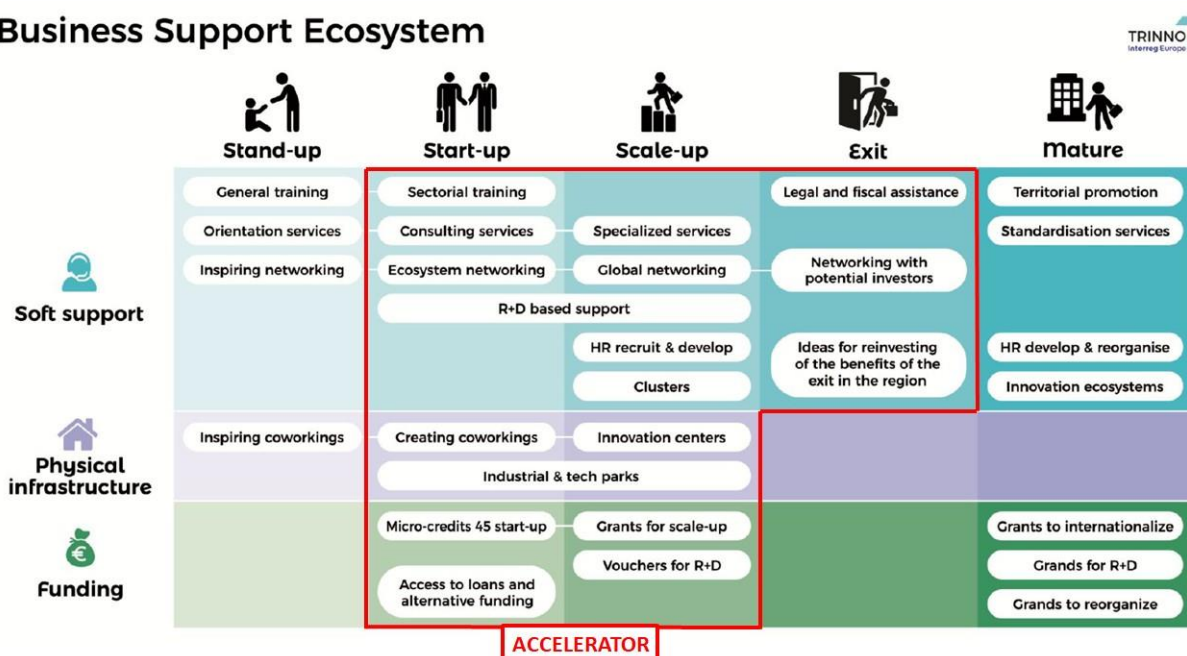


Figure 1: Accelerators as small business support ecosystems

Source: Interreg Europe project TRINNO, Business Ecosystem Report

⁴ Y Combinator opened in 2005 in the United States, with initial batches of companies in Cambridge, Massachusetts and Mountain View, California.



In the following we will:

- first provide an overview of relevant EU level programmes;
- second present lessons from Interreg Europe projects, focusing thereby on public-private partnerships for startup acceleration.

A strong European Push for Entrepreneurship

There is no single European startup acceleration policy, but there is a range of programmes and initiatives to support entrepreneurship. The [Entrepreneurship 2020 Action Plan](#), published by DG Internal Market, Industry, Entrepreneurship and SMEs, summarises the (general) policy action priorities identified by the European Commission:

- *“entrepreneurial education and training to support growth and business creation;*
- *removing existing administrative barriers and supporting entrepreneurs in crucial phases of the business lifecycle;*
- *reigniting the culture of entrepreneurship in Europe and nurturing the new generation of entrepreneurs.”*

Chief among these initiatives are:

The European Innovation Council (EIC) Pilot

The [EIC Pilot](#), which is part of the Horizon 2020 programme, *“aims to support top-class innovators, start-ups, small companies and researchers with bright ideas that are radically different from existing products, services or business models, are highly risky and have the potential to scale up internationally”*.

Offering funding, coaching and networking services for innovative SMEs it can be viewed as a European acceleration scheme. The main funding instrument for startups available under the EIC Pilot is the [SME instrument](#), a business innovation support scheme that targets SMEs in the 28 EU Member States and the H2020 associated countries. The aim of the instrument is to support the best companies with the **most innovative ideas and biggest growth potential** through two main phases – Phase 1 for exploring the **feasibility** of the business idea and Phase 2 for **developing** the innovation and preparing for its **commercialisation** – and various **additional acceleration services** aimed at securing new partnerships and increasing the visibility of the beneficiary SMEs. The ultimate aim of the instrument is to prepare companies to scale up and go global.

INTERESTED? The [SME instrument call](#) is open until the end of 2020 on the EC’s Research & Innovation Participant Portal, where detailed information on the ongoing funding opportunities is provided.

The European Institute of Innovation & Technology (EIT)

The EIT is an independent body of the European Union set up in 2008 to boost innovation and entrepreneurship across Europe. The EIT’s main instrument is the [Knowledge and Innovation Communities \(KICs\) model](#). The KICs are expected to boost entrepreneurship and support the emergence of new companies in their thematic areas, which relate to societal challenges such as Climate, Digital or Urban Mobility.

The [KICs](#) are public-private partnerships with significant industrial participation and are currently co-funded by the EU’s Horizon 2020 programme. Their programmes, though they may have different settings, all offer a typical range of accelerator services, including coaching,



business planning and investment readiness for a duration of about 12 to 24 months. Most of the currently six operational KICs ([EIT Climate-KIC](#), [EIT Digital](#), [EIT Food](#), [EIT Health](#), [EIT InnoEnergy](#), [EIT Raw Materials](#)) have established collaboration schemes with the relevant regional ecosystems.

INTERESTED? Then go here <https://eit.europa.eu/collaborate> and here <https://eit.europa.eu/activities>

Start-Up Europe

Several other European programmes aim to improve the framework conditions for the development of startups and SMEs, including through internationalisation and access to finance. While focused on digital technologies, the [Startup Europe](#) initiative is worth mentioning since it focuses on developing local and European ecosystems for entrepreneurship. A map of European Startup Hubs is accessible online from the [Startup Europe website](#) and also offers lessons learnt and policy recommendations.

[Startup Europe](#) contributed to the creation of the [Accelerator Assembly](#), a network for startup accelerator programmes in Europe. It is led by private accelerators but aims to connect the entire acceleration community and welcomes publicly supported accelerators and public organisations dealing with accelerations services. The network offers dedicated events for startups and accelerators but also gathers and shares knowledge about trends and developments in the acceleration industry.

INTERESTED? The recently published call [Startup Europe for Growth and Innovation Radar](#) provides opportunities for regional startup ecosystems to connect with other ecosystems on a pan-European and international level.

Lessons from Interreg Europe projects: public-private partnerships for startup acceleration

Startup accelerators have developed rapidly at regional level because they meet the needs and aspirations of both start-ups with high-growth potential and potential investors.

Regional and local policymakers have also recognised their potential **to support entrepreneurs** in emerging and fast-moving sectors that can be a basis for long-term economic development. It is therefore not surprising that they are the subject of close interest in several current **Interreg Europe** projects. Two projects in particular exemplify the benefits of a public-private-partnership approach:

- [FFWD EUROPE – FAST FORWARD EUROPE](#)
- [ESSPO - Efficient support services portfolios for SMEs](#)

These two projects see business accelerators as integral to a comprehensive business support ecosystem and service portfolio. Of particular interest for policymakers is the importance of the **public-private partnership approach**. Both projects offer several Good Practices and policy development ideas that regions and their managing authorities interested in accelerators will find of interest.



1. The **FFWD Normandie** Business Acceleration Programme under the **FFWD EUROPE** project is one such Good Practice.

The **FFWD EUROPE** project focuses on the creation or upgrade of **publicly supported (but with public-private collaboration in delivery) business accelerators or accelerator programmes** in each of the project regions.



FAST FORWARD EUROPE

FFWD EUROPE helps SMEs to work with **publicly supported accelerators** to improve their performance and competitiveness through **access to private funding and equity, international markets and new business contacts** all over Europe.

Project partners share knowledge and experience with a view to **designing and setting up their own sustainable Accelerator Programmes**.

For further details see: <https://www.interregeurope.eu/ffwdeurope/>

The policy instruments shared by the project can be grouped into three categories:

- **Replication of accelerator models in European regions**
The take-up of the accelerator approach among partners ranges from setting-up new accelerator programmes to improving access to funding opportunities (through ERDF) for accelerated companies within existing initiatives, i.e. a project-based funding. Capacity-building is also undertaken in the form of training for accelerator staff.
- **Access to finance**
Securing access to private funding is often key to ensuring that companies can fulfil their growth potential. Making this happen **is a central plank in the accelerator model**, which builds startup investment readiness and organises opportunities for them to connect with potential investors.
- **Internationalisation**
Accelerators help startups to internationalize as an important pathway to sustained business growth.

FFWD Normandie is a Good Practice under the FFWD EUROPE project. It is a successful example of a business acceleration programme driven by regional public actors in close collaboration with the whole regional business support ecosystem, including private sector stakeholders. It provides support to local startups but also welcomes foreign entrepreneurs willing to start up and develop a business in France. The practice offers a 6-month programme for startups and a 12-month programme for existing SMEs (turnover > EUR 2 million) and provides up to EUR 150,000 in seed investment from the regional investment fund Normandie Participations and its co-investor Crédit Agricole Innovation.



[FFWD Normandie](#) is not vertically integrated. It functions through a broad network of experts available on regional level, which enables the accelerator to offer services to several industrial sectors (mainly companies from agri-food, health and well-being, digital, energy and cosmetics). The acceleration programmes thereby focus on business development aspects.

The programme has run for 5 years and has already supported some 30 startups and SMEs by successfully securing investment capital amounting to EUR 10 million. Being publicly driven, its key performance indicators are the creation of added value in Normandy and the number of direct/indirect jobs created. Most of the accelerated startups have developed positively and stayed in the region; however, precise numbers in terms of value and jobs creation are currently being gathered and are not yet available.

The [FFWD Normandie](#) programme has contributed, within the [FFWD EUROPE](#) project, to improving policies⁵ in Hungary, where a **methodology to select and label** projects with growth potential is being defined on the basis of the experience gained by [FFWD Normandie](#). One important benefit will be better targeting of public investment. In Lithuania, the model has been used by Kaunas Science and Technology Park to initiate discussions on the setup of a new accelerator. As part of this initiative, Kaunas Science and Technology Park managers were able to engage in a policy improvement process jointly with the Ministry of the Economy, which led to the setting-up of a new startup acceleration programme. The programme, called Greitintuvų 120 (Accelerator 120), will be funded by the Lithuanian Innovation Development Programme 2014-2020 and will be based on the InoSpurtas 2.0 scheme for innovation consultancy and support services.

2. The [ESSPO](#) project also integrates startup accelerators in its business support services model.



ESSPO

The ESSPO project is about improving the efficiency of SME support policies and service portfolios, with a focus on growth and innovation processes. The project partners are evaluating the role of business accelerators as an integral part of such portfolios. Accelerators feature in several policy instruments and policy improvement plans being implemented by the project partners. These include:

- Nord-Pas de Calais RIS3 • Nord-Pas de Calais ERDF Operational Programme Priority 1, North France Innovation Development
- Development Plan for City of Tartu 2013-2020, Tartu Science Park Foundation
- Centre-Val de Loire ERDF Operational Program Priority 1, DEV'UP Centre-Val de Loire

For further details see: <https://www.interregeurope.eu/esspo/>

⁵ EDIOP Economic Development and Innovation Operational Programme, Investment Priority 4, NSO 2.2 Development of the competitiveness of enterprises having no/sufficient access to funding sources through improved access of enterprises to external funding



[BIND 4.0](#) is an INTERREG Good Practice under the [ESSPO](#) Project with a clear thematic focus. It is a public-private acceleration programme in the Basque Country which focuses on **Industry 4.0 early-stage startups** proposing the use of new technologies in the industrial, energy and health sectors.

The originality of the practice consists in closely connecting the selected startups, which can come from anywhere in the world, to the main Basque industrial companies, including global companies, through client–supplier relations. The only requirements are to stay in the Basque Country at least during the **length of the acceleration programme, i.e. about 6 months**.

Each selected startup, besides receiving **training and mentorship free of charge as well as free working space**, gets the opportunity to develop a solution in collaboration with a large company acting as a customer. The startups receive contracts worth up to EUR 150,000 from one of the industrial companies involved in the programme and retain all equity.

[BIND 4.0](#) is led by the Basque Government and its business development agency SPRI. It collaborates with the main industrial companies in the region and is supported by the three Provincial Councils of the Basque Autonomous Community. The partner companies are directly involved in the selection of the startups entering the acceleration programme, thereby ensuring a good fit with real industrial needs. It is a pre-requisite for startups to reach a collaboration agreement with at least one of the industry’s associated companies in order to join the programme.

The growing number of applications and major companies taking part in the programme speak for the relevance of the practice to the both the Industry 4.0 startup community and the established Basque businesses. The success of the programme results in benefits for all parties: the participating startups the Basque industrial partners as well as the Basque economy:

Partners in BIND 4.0	Benefits
Startups	<ul style="list-style-type: none"> ▪ Access to “first client” ▪ Access to industrial expertise ▪ Access to international networks ▪ Access to relevant business knowledge and expertise (marketing, financing, etc.)
Industrial partners	<ul style="list-style-type: none"> ▪ Access to innovative ideas and new concepts ▪ Access to talented people ▪ Controlled risks and costs for innovative project developments
Basque economy	<ul style="list-style-type: none"> ▪ Further development of existing industrial base through innovative developments ▪ Contribution to create new businesses in the region ▪ Strengthening image and competence base in the strategic field of Industry 4.0

The practice has clear potential for transfer to other regions. However, it requires a strong industrial base, with large or at least medium-sized companies willing to take an active role in the delivery of support to the accelerated startups. Building such a commitment within the regional business base might well be the first step towards implementing a similar practice.



3. Public-private partnerships and private acceleration programmes – a comparative overview

The following table provides a comparative overview of the two models described above as well as typical private accelerators with respect to key characteristics of acceleration programmes:

Characteristics	FFWD Normandie	BIND 4.0	Private accelerators
Duration of the programme	6 months.	6 months.	Diverse. 2-3 months is a common length.
Focus	No vertical focus.	Industry 4.0	Diverse. Usually focus on high-tech sectors.
Private actor involvement	A private bank invests jointly with Normandie Participation. Private actors are involved as experts for the delivery of support to the startups.	Basque industrial businesses are involved as customers of the selected startups. They are also involved in the selection of the startups and provide them with access to their networks.	Yes.
Equity	Yes – but not compulsory. A public institutional investor, Normandie Participations, and a private one, Crédit Agricole Innovation invest jointly up to EUR 150.000 for equity or convertible bonds.	No equity in the startups is taken.	Yes.
Access to soft support	Provided for equity or convertible bonds in return as part of the acceleration programme. There are plans to ask for a financial contribution from startups not opting for the investment offer.	Free of charge. No equity required.	Provided for equity in return. Usually directly delivered by the (potential) investors. This is one of the two pillars of private startup acceleration programmes.
Access to public funding	Yes. The programme supports the access to public funding, including the French Tech soft landing grant for foreign entrepreneurs willing to set up a company in France.	Yes. The programme supports access to public programmes accessible to startups in the Basque region.	Not necessarily. As a result of coaching, accelerated companies might apply for relevant public funding.



<p>Access to private funding</p>	<p>Yes. The programme includes participation in a demo day (FFW'Day) bringing startups in relation with investors and business angels. The objective is to enable a second investment round by the end of the programme.</p>	<p>Indirectly. The partner companies provide contracts worth up to EUR 150.000 to the startups. No equity is required in return. Any further investments might be concluded on a private basis outside of the acceleration programme.</p>	<p>Yes, funding is provided for equity in return. This is the second pillar of private startup acceleration programmes.</p>
<p>Access to infrastructures</p>	<p>Yes. Mainly as a soft landing option for startups from outside the region. Startups must be legally established in the region.</p>	<p>Yes – dedicated co-working space accessible free of charge for the startups. It includes access to e.g. the local Digital Innovation Hub. Startups must be legally established and meet the legal requirements to stay in the Basque Country at least during the length of the acceleration program.</p>	<p>Mostly not. However, it is usually expected that the selected companies are located or move to the accelerator area for the duration of the programme in order to be able to attend different compulsory events: meetings with experts, investors, trainings, demo days, etc.</p>

Main features of public-private-partnership based acceleration programmes

There is little doubt that startup accelerators are an integral part in a regional start-up ecosystem. At the same time, the number of both private and public sector supported accelerators continues to grow and policymakers should undertake cost/benefit analysis before committing spending. Such an analysis would look at the need for **sectoral accelerators** as well as **general accelerator capacity**, taking geography coverage and population into account.

Looking at practices displayed within Interreg Europe projects and taking into account the development of the European acceleration landscape, the following lessons with respect to the main features of public-private startup acceleration programmes can be drawn:

- **Non-financial support for startups is delivered by highly qualified professionals, either public or private;**

Almost all public-private accelerators provide **training, mentoring and access to dedicated premises** as part of their acceleration offer. Services are typically provided over a period of three to twelve months, **mostly free of charge for the startups**. However, in some acceleration programmes, the startups are required to give equity away as a counterpart to those services.

In order to provide such services in an effective way, the public partners leading the accelerator make use of their own capabilities and involve members of their regional business support ecosystems whenever necessary, including private sector actors.



Besides financial institutions (see next point) the following business development (public and not-for-profit) stakeholders are typically involved in the delivery of acceleration programmes:

- Incubators and/or technology or science parks,
- Development agencies,
- Cluster organisations,
- Further network partners.

The team of mentors is normally built on the basis of the expertise and skills of individuals – the mentors – regardless of whether they are working in private or public organisations.

- **Financial support for startups is more diversified**

Accelerators that provide financial support to startups normally do it either in the form of a grant, which is a non-refundable financial support, or in the form of an investment. In some cases, financial support can also be provided as a loan and some accelerators combine these options.

Providing grants is often used when the majority of the accelerator's funding comes from the public sector, whereas the investment option is mostly used when private investors are also involved in the accelerator. Not having to give equity away is perceived as attractive to many startups, especially in their very early stages when their growth expectations and exit strategies are not clear.

Whenever publicly led accelerators do opt to take an equity stake, they mostly do so by involving regional public actors, such as regional development banks, which are used to dealing with this type of commitment and the risk of losing the investment in the event that the startups fail.

- **Funding of public-private accelerators and coverage of acceleration programme costs**

General funding, i.e. mainly the costs for the implementation and management of the acceleration programme, often comes from the public purse, which makes the model attractive for additional private investors, who then focus on their investment on the selected startups. Once the acceleration model has proven to be successful, private investors are more willing to contribute to the operation costs.

As shown by the examples of [FFWD Normandie](#) and [BIND 4.0](#), the public funding of acceleration programmes offers a highly attractive opportunity for private investors to access pre-selected teams and business projects. This considerably limits the costs and risks for those investors compared to a situation without the benefits of an acceleration programme. As a result, the total private investment in startups on the regional level is likely to increase in a sustained way over time.

From a regional policymaker's perspective, the expected benefits in terms of value and jobs creation may justify the financial investment in an acceleration programme.

- **Selected startups** from all over the world are often invited to apply. This opportunity is normally coupled with the requirement to stay – including by formally setting up a business within the region of the accelerator for the duration of the programme. Thus, accelerators also contribute to **attracting foreign direct investment** to their home region.



- A **sectoral focus** is not always strictly applied. In some less developed ecosystems this might actually lead to a shortage of good proposals. However, as a general rule the different sectors covered by regional accelerators are congruent with the respective S3 priorities. This is rational in policy terms and takes into account the availability of the necessary capabilities in the region.

However, there is no single best accelerator model available. Instead, there is a multitude of different accelerator models available in Europe and in the world and different approaches have proven successful in different places in different conditions. Therefore, each region needs to find the most suitable accelerator model for its circumstances, but should also take into account what has proved effective in other regions.

Sources, further information

- Good Practices and policy recommendations – Interreg Europe Policy Learning Platform
 - [FFWD Normandie](#)
 - [BIND 4.0](#), Programme terms and conditions: <https://bind40.com/wp-content/uploads/2018/07/BIND-4-0-Terms-and-Conditions.pdf>
 - [TRINNO \(2016\). Business Support Ecosystem. Interreg Europe.](#)
- Interreg Europe projects
 - [ESSPO](#)
 - [FFWD EUROPE](#)
 - [TRINNO](#)
- European policies
 - [Entrepreneurship 2020 Action Plan](#)
 - [European Innovation Council \(EIC\) Pilot](#)
 - [SME instrument](#)
 - [European institute of Innovation & Technology \(EIT\)](#)
 - [Knowledge and Innovation Communities \(KICs\): EIT Cimate-KIC, EIT Digital, EIT Food, EIT Health, EIT InnoEnergy, EIT Raw Materials](#)
 - [Startup Europe](#)
 - [Accelerator Assembly](#)
- [European Accelerator Summit \(2016\). Acceleration today: trends & challenges.](#)
- [What Startup Accelerators Really Do?](#)

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December 2018



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