



European Union  
European Regional  
Development Fund

**SPEED UP**  
Interreg Europe



# **ACTION PLAN**

Tallinn Science Park Tehnopol



**ESTONIA**

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## PART I – GENERAL INFORMATION

<b>Project Name</b>	SPEED UP - Supporting Practices for Entrepreneurship Ecosystems in the Development of Urban Policies
<b>Partner organization</b>	Tallin Science Park Tehnopol
<b>Country</b>	Estonia
<b>NUTS2 Region</b>	Estonia
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## PART II – POLICY CONTEXT

The Action Plan aims to impact:     x     Investment for Growth and Jobs programme  
        European Territorial Cooperation programme  
        Other regional development policy instrument

Name of the policy instrument addressed:

**Operational Programme for Cohesion Policy Funds 2014-2020, Startup Estonia programme**

### Priority areas:

- Improving the competitiveness of SMEs through increasing the productivity per employee to 80% of EU average by 2020, by improving the export capacity and growth potential of enterprises, and by increasing the entrepreneurial activity in Estonia.

This goal is related to the following actions described in the document: 1. Introducing start-up investment fund to strengthen the financial sustainability of Tehnopol Startup Incubator; 2. Soft-landing programme for migrant founders (Startup Visa). These actions are considered as new project/methodology complementing the Operation Program for Cohesion Policy 2014-2020. Firstly, the investment hand development increases the competitiveness of early stage start-up companies and export-oriented SMEs. The main indicators improved are related to the increasing number of sustainable SMEs, start-up companies capable of starting the exports, start-ups capable for cross-border collaboration with strong corporations. Secondly, the soft-landing service helps to bring to Estonia more technology-based SMEs that can have access to European market. The benefits include having more deep-tech SMEs in the region that are capable to export their products to EU and third countries. Establishing the companies in Estonia and providing the gateway services in Estonia helps to create more productive and value-added jobs.

- Enhance the digital economy through ICT – for example by making fast broadband connections available, developing the basic service infrastructure, and promoting new e-solutions.

This goal is related to the following actions described in the document: 1. Developing Estonian Startup ecosystem KPI dashboard. This action is considered as new project/methodology complementing the Operation Program for Cohesion Policy 2014-2020. Mainly the focus is to develop basic service infrastructure that provides better understanding about the ICT and start-up ecosystem in Estonia and helps to develop the ecosystem based on exact data.

**Further details on the policy context and the way the action plan should contribute to improve the policy instrument:**

Startup Estonia (SUE) is a government policy managed by Kredex and financed through ERDF. The aim of the SUE programme is to give a boost to the development of Estonian startup ecosystem and therefore launch different activities to support the emergence and development of startup companies as well as improve their access to funding. The aim is also to become a well-known startup centre in Baltics and Nordics.

Performance goals of Estonian start-up ecosystem are:

- 1000 strong tech-start-ups by 2020
- Annual tax paid by start-ups around 50M€
- Annual investments into start-up companies: 300M€
- Number of new start-ups created annually: 250
- Number of start-ups achieving global success: 5

SUE will find best partners for the pre-startup and startup phase programs who will offer services for the start-ups.

**Planned actions:**

**1. Developing Estonian Startup ecosystem KPI dashboard**

In order to follow the progress towards SUE programme goals and to demonstrate the Estonian startup ecosystem's key metrics to policymakers and the wider public, an up-to-date reliable KPI dashboard is needed. This will also help to align all the different programme and activity KPIs.

**2. Introducing start-up investment fund to strengthen the financial sustainability of Tehnopol Startup Incubator**

Incubators are the key players and contributors to the startup ecosystem, thus assuring their financial sustainability is very important to achieve SUE's long term goals.

Tehnopol Startup Incubator is planning to introduce Startup Incubator pre-seed investment fund to be able to invest in its portfolio companies and gain returns when exiting at a higher value at

the seed or A round. The gained returns will be reinvested to the companies and used to cover incubator programme costs contributing to the financial sustainability of the incubator.

### **3. Soft-landing programme for migrant founders (Startup Visa)**

One of the goals of SUE is to increase the number of foreign start-ups and for this purpose Startup Visa program was established in 2016. The program has been very successful and in total ca 930 people have been granted the visa and 281 out of them are startup founders. The growth in the number of applications is continuous and the representatives of SUE see great potential in expanding the program even more and spreading the message worldwide.

For the Startup Visa program to have actual effect and sustainability it is important to assure that actual companies will be created and that these start-ups stay here in Estonia for a longer time than just a short acceleration period.

For this purpose, a soft-landing programme for migrant founders will be developed and run by Technopol Startup Incubator.

## PART III – DETAILS OF THE ACTIONS ENVISAGED

### ACTION 1. Estonian start-up ecosystem KPI dashboard

#### Relevance to the project

The fourth key topic the project dealt with sharing experiences on developing monitoring systems within the incubators providing key performance indicators about the incubators' activity and performance of the hosted companies. It was concluded that generalizing KPIs is very challenging and the KPIs have to be developed and deduced from each business model.

SPEED UP shares the following recommendations addressed to the development of monitoring systems:

- Discussion of metrics and KPIs with all main players of the entrepreneurial ecosystem
- Indicators should be readily available, statistically reliable and not too complex
- Ensuring that the data is always up to date
- Customized KPIs and constant adjustment of the process and/or metrics.

Tehnopol Startup Incubator has worked for years with the local start-up ecosystem and stakeholders to indicate the KPIs and metrics that are relevant for all the parties. Incubator KPIs are well set in Estonia and don't need much improvement.

But we were inspired by the presentation given by **Data Scouts** at the fourth good practice interregional training workshop (Reims, France) illustrating the benefits of having well-visualized ecosystem intelligence presented as dashboards and readily available for all parties inside and outside the ecosystem.

Since incubators and accelerators are one of the most important parts of the ecosystem, they strongly contribute to the ecosystem's higher level KPIs. Performance goals of Estonian start-up ecosystem are:

- 1000 strong tech-start-ups by 2020.
- Annual tax paid by start-ups around 50M€
- Annual investments into start-up companies: 300M€
- Number of new start-ups created annually: 250

At the moment, a collection of this data is hectic, the data is scattered, and it takes quite an effort to keep it readily available and up to date. We will be building an Estonian Startup ecosystem KPI dashboard and monitoring system to align all relevant KPIs and assure data quality.

## **Nature of the action**

Building the Estonian Startup ecosystem KPI dashboard and monitoring system includes the following activities:

### **Agreeing on ecosystem-level KPIs**

Estonian start-up ecosystem KPIs listed above have emerged bottom-up from different researches and statistical overviews generated by different stakeholders. This process has thus far been autogenous and uncoordinated and the KPIs have not been agreed on officially.

The first step is to confirm the KPIs with all important ecosystem players and to agree on each players role in contributing to those KPI goals.

### **Setting up a monitoring system**

Different ecosystem participants are currently gathering different data in different quality, frequency and in an unstandardized way. It is necessary to agree with all the data providers on data standard, updating frequency and mode.

### **Developing Startup ecosystem dashboard**

When the KPIs are set and monitoring system is in place, a technical solution for the dashboards will be selected (e.g Data Scouts) and implemented.

## **Stakeholders involved**

Organization responsible: KredEx as the implementing body of the Startup Estonia programme

Contributors and stakeholders:

- all incubators and accelerators in Estonia (5) – providing data on their portfolio companies
- start-up companies in the ecosystem (600) – providing data (employee count, turnover, funding, etc), using the data to promote Estonian start-up ecosystem
- Statistics Estonia – providing data
- Estonian Ministry of Economy and Communications – monitoring the KPIs and making policy decisions based on the progress
- Enterprise Estonia – promoting Estonian start-up ecosystem and managing the data inflow and statistics



## **Timeframe**

2019 IV quarter – indicating the KPIs and performance metrics. Meetings with Startup Estonia team and setting up the framework for metrics dashboard. Selecting the technological platform for the data gathering and analysing. Meeting with ecosystem stakeholders and agreeing upon the data inflow.

2020 I quarter – launching the pilot of the dashboard with accessible data charts. Having at least 2-5 start-up incubators/accelerators/supporting organisations that have been connected to the system and where the data inflow is validated. Having the initial overview of the start-up ecosystem statistics.

2020 II quarter – building up the data inflow system and implementing it across the start-up ecosystem in Estonia. Meetings with all the stakeholders in the ecosystem and linking the data input systems.

2020 IV quarter – fully functional dashboard combining all the needed data according to the KPIs. Introduction of the system to all the stakeholders in Estonia, including Ministry of Economic Affairs and Communications, Enterprise Estonia, local municipality entrepreneurship departments and universities.

## **Indicative costs**

30 000 EUR for building the platform and create analytical tool for data analyses.

## **Indicative funding sources**

Startup Estonia programme budget allocated by the Ministry of Economic Affairs and Communications.

## **Monitoring the outcome**

The main outcome will be divided into two outputs. The first stage (period from 2019 IV quarter till 2020 I quarter) concentrates on mapping the current start-up database including the supportive organizations providing help for companies. The expected outcome is estimated to account for 550-600 start-up company profiles and 20-30 supporting organisation profile in the database. The second phase of implementation (period from 2020 II quarter till 2020 IV quarter) focuses on two aspects: building sustainable data exchange model between stakeholders and ecosystem; building analytics to gather information and support the wise decision making on the governmental level.

## **ACTION 2. Tehnopol Startup Incubator pre-seed investment fund**

### **Relevance to the project**

The first topic of SPEED UP project was incubation services with special attention paid to the financial sustainability of the incubation model (project financing, private financing, real estate income, sponsorship deals, incubation fees, etc).

Under this topic, several incubator funding models were presented. As a result of these exchanges, it can be stated that there is no unique optimal business incubation model, but a good mix of different funding sources is needed to assure financial sustainability.

Currently, Tehnopol Startup Incubator has the following funding model:

- fee from the companies – a monthly fee the companies are paying for the program
- success fee – a one-time fee the companies are paying based on achieving the revenue or investment goals
- sponsorship deals – private companies supporting the program to gain visibility
- real-estate income – rental payments of the companies in the program.

Since program fees and rental payments add up to only 20-40% of the program cost and sponsorship deals are mostly unpredictable short-term agreements, most of the budget has to come from success fees. The current practice of one-time success fee based on revenue or investment goals does not assure long-term sustainability. Tehnopol is looking for a better financial model to become self-sustainable.

During the project, Nana Bianca Business Incubator in Florence Italy presented their business model during the first interregional training workshop (Berlin, Germany). At Nana Bianca Business Incubator, incubation services are offered against equity. The main objective of the Nana Bianca is the scouting and accelerating of promising business ideas, with the purpose of realizing satisfying capital gains in the stake acquisition and selling of such entities. The typical acceleration program runs 6 months against equity and a seed investment of 25k is released by number private funds.

Building on the business case of Nana Bianca Business Incubator, Tehnopol Startup Incubator is planning to introduce Startup Incubator pre-seed investment fund.

### **Nature of the action**

Tehnopol Startup Incubator pre-seed investment fund model:

- 100-200 KEUR will be allocated annually for pre-seed investments to portfolio companies
- the fund will co-invest with private investors (40/60)
- the ticket size will be maximum 50KEUR per company against 6-10% equity at a valuation of ca 500-700KEUR
- exit timeline ca 5years

The fund will make all investments on these standard terms (like accelerators do) giving the start-ups or scalable SMEs a “clean” cap table to successfully raise next rounds of capital.

We will co-invest with business angels and act as syndicate managers taking care of all the administrative and monitoring tasks. Fund management costs will be covered from real-estate and service revenues lowering the management fees and thus being an attractive option for the business angels.

The fund will be established indefinitely meaning the fund will not expire and there is no pressure for premature exits.

#### Activities:

- Finalizing the seed investment fund business case
- Getting approval from the supervisory board
- Establishing the fund (creating the legal body, preparing documentation etc)
- Launching the fund.

#### **Stakeholders involved**

Tehnopol Startup Incubator – fund owner and manager

Estonian Business Angels Network, angel investors – co-investors

SmartCap, a KredEx subsidiary and the manager of the state venture capital fund Early Fund II – co-investment arm for early stage fund

Startup Estonia, implementing body of Governmental start-up strategies, including early-stage investment fund mechanisms.

#### **Timeframe**

2019 I-III quarter – preparations and meetings with potential stakeholders. Fund proposal to Tallinn Science Park Tehnopol currents stakeholders – Estonian Ministry of Economic Affairs and Communications, City of Tallinn, Tallinn University of Technology.

2019 IV quarter – I quarter 2020 – establishing the fund and agreements with potential LP-s to conduct the private funding scheme together with public funding. Combining action and business plan for the supportive program (Tehnopol Startup Incubator) and business plan of the fund. Creating managing body for the fund.

2020 II-III quarter - first investments, up to 5 companies in the investment portfolio in 2020.

### **Indicative costs**

100-200 KEUR will be allocated annually for pre-seed investments to portfolio companies. Compiled from public-private capital.

10-15 KEUR per company for management costs.

### **Indicative funding sources**

Fund assets will come by Tehnopol's business activities, including real-estate revenues. Extra funding will be raised from private funds, public-private funds, business angels.

Fund management costs will be covered in total from Tehnopol's business activities, including real estate and other service revenues.

### **Monitoring the outcome**

The key metrics for implementation is the following: a) 100-200 KEUR investment fund created and managed as separate entity. The funding mechanism should include the financing from at least 3-5 stakeholders of the action; b) up to 5 equity (convertible) investments in start-ups or SMEs in 2020.

### **ACTION 3: Soft-landing programme for migrant founders (Startup Visa)**

#### **Relevance to the project**

Our inspiration came from a project named “Gym on Initiative” presented by **Eurteam Progetti – Vivaio per l’Intraprendenza** during the third interregional training workshop (Antwerp, Belgium). The project consisted of five-day training sessions for university students in order to foster an entrepreneurial mindset. We’ll use the same method to transform migrants with the startup visa/TRP background into new entrepreneurial projects and increase the representation of minority founders in the tech community. The aim of the “Startup Visa Soft-Landing Program” is, therefore, to steer startup visa/TRP employees towards self-employment and new startup projects. Our program will cover subjects such as know your environment, entrepreneurial mindset, and the business start-up support system.

Over the past 2 years when the Estonian Startup Visa/TRP program has been put into practice, Startup Estonia has received about 1100 applications from interested people all over the world. Since then, about 930 people have been granted the right to relocate to Estonia. The growth in the number of applications is continuous and the representatives of Startup Estonia see great potential in expanding the program even more and spreading the message worldwide.

Based on statistics from 2018 the top 5 countries where start-up employees and founders relocate from are Ukraine, Brazil, Russia, US, and India. All of which have different cultural and economic backgrounds. This can make settling in and the actual relocation process a time-consuming issue. Furthermore, the lack of proper information and guidance could even lead to discomfort, which might conclude in leaving before start-up visas or TRP-s expire or cancelling before they start with actual work. Even though there are about 5000 people (expected to grow 30% yearly) working in the start-up community who are usually good at networking and looking up information, they usually struggle with finding the best practice or with necessary actions and registrations. When in need, they usually turn to rather expensive private relocation, legal or other Expat focused companies, which could have been avoided, when provided guidance upon arrival.

The soft-landing program will guide the participants through Estonian administrative process both in the private and the economic sphere. Participants who have finished with the 2-day program have the necessary tools and knowledge to navigate through the Estonian e-services. They will obtain better knowledge, not only about the possibilities of starting and managing a company online but also about the cultural differences in our professional and everyday life. The main ideas of the Soft-Landing Program are to build trust in the new employees and founders, to make their settling in as smooth as possible and to welcome them to a start-up friendly atmosphere. Hopefully, this will lead to new business ventures in Estonia and maybe even to residing permanently in Estonia.

## **Nature of the action**

The Soft-Landing Program will be divided into 2 days. Seminars will be held in a relaxed atmosphere in different cities and start-up HUB-s around Estonia. The participants will have the possibility to ask questions and to put their knowledge into practice from the first day.

The program will cover the following topics needed for new arrivals – immigration questions, employment contracts, setting up a company, general taxation, labor taxes, E-Estonia services and managing your company online, opening a bank account, tax declarations, etc. Furthermore, thorough information about the Estonian Start-Up community and its possibilities, such as mentoring, funding programs, etc. will be provided.

Questions regarding everyday life in Estonia will also be addressed because happiness in a new country often derives from having things in order at your new home and in your social life. Topics like education, housing, health care, transport, and leisure activities can't be left aside.

## **Stakeholders involved**

Tehnopol Startup Incubator – developing and delivering the programme

Startup Estonia (funded by KREDEX foundation) - Startup Estonia leads the initiative in introducing the Start-Up visa/TRP program in Estonia.

Estonian Ministry of the Interior – supervising body of Estonian Startup Visa program and also the initiator of Digital Nomad Visa program.

The Soft-Landing program will also need additional partners which are different co-working spaces, previous successful start-up companies, trainers (for example from the relocation companies Jobbatical or MoveMyTalent), Enterprise Estonia (for promoting the program) etc.

## **Timeframe**

5 sessions during 2019-2021

The Soft-Landing program is currently planned to have 2 sessions a year – one in spring and one in the autumn. One session will consist of a two-day training program. Sessions will take place in October 2019, March and October 2020, March and October 2021.

### **Indicative costs**

5000 EUR per one two-day training program for 20 persons, including all administrative, marketing and training costs.

### **Indicative funding sources**

The necessary funds for the Soft-Landing Program will be applied by Tehnopol Startup Incubator from Startup Estonia programme. Both of which have a general policy of strengthening the Estonian entrepreneurial ecosystem, therefore the Soft-Landing Program and its overall initiative should meet the necessary criteria.

### **Monitoring the outcome**

The key metrics for implementation is related to the two main criteria: the total number of participants per one event (patch) is estimated to be 5-10 start-up companies or SME-s; The total number of companies relocating their activities to Estonia (number of new companies established) is 5-10 annually.