

ACCELERATOR

Operational Model for the Transnational Innovation Network

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1. Introduction

The purpose of this document is to explain the main idea of establishing the **Transnational Innovation Network** (TIN) among the ACCELERATOR project partners, define in details rights and obligations of the TIN partners and to set specific actions of the TIN`s partners.

Also, parts of this document are:

- Foundation document (Partnership Agreement on Establishing Transnational Innovation Network);
- Basic Code of Conduct.

The TIN will be implemented by a well-balanced and multi-disciplinary consortium of 15 partners representing 9 countries - 7 EU countries: Hungary, Romania, Slovenia, Bulgaria, Czech Republic, Austria and Croatia, and 2 non-EU countries: Serbia and Bosnia and Herzegovina.

The consortium constitutes a high profile partnership fully capable to achieve the objectives of the ACCELERATOR project. All partners are working closely at transnational level, possessing complementary fields of expertise in startups support, innovation and international projects. All partners have good placement at the regional ecosystem and direct links with startups, business associations, clusters, incubators/accelerators and other business support intermediaries. At the same time, they work closely with financing institutions, research community and policy-makers, and can activate triple-helix synergies for the entrepreneurial ecosystem.

The TIN has to solve some of the main barriers related to the innovation-driven startups and talents community that are identified in the countries of the Danube region through the ACCELERATOR project:¹

- Small innovation ecosystem
- Weak innovative industry focus
- Lack of integration between young talent/graduate/university and business investors
- Brain drain
- Lack of managerial skills and entrepreneurship encouragement & promotion in schools
- Investment readiness issues
- Lack of seed/venture capital availability to increase start-up companies
- Lack of knowledge on SMEs or awareness on availability of support.

¹ Demand & supply analysis, Technology Park Ljubljana Ltd., 2017, p.29.

Considering all relevant analyses conducted through the ACCELERATOR project, TIN has to deliver a new generation of innovation support services for business support organisations, financing institutions and startups/SMEs to create value from aligned regional policies, broader networks, higher innovation skills and emerging market opportunities. The TIN will unlock the potential of the Danube ecosystem by supporting innovation-driven differentiation, investing in startups from the region and transforming ad-hoc interregional collaborations into an active and sustainable innovation network.

To maximize impact, the TIN takes into consideration the Danube strategies in sectors that are marked as important (incl. clean tech, smart city, agro-ICT, etc.) with a view of revealing number of startups to be targeted by the network. The TIN will be implemented by a multidisciplinary and well-balanced consortium that encompasses business support organisations, financing institutions and regional authorities. They have a thorough knowledge of the startups needs and will utilize complementary services and synergies for the enhancement of innovation in the Danube region.

2. Strategic partnership and the TIN

Strategic partnership among the ACCELERATOR project partners within the TIN will be achieved through the Partnership Agreement that will be signed by the project partners.

As it is explained in the first chapter, the aim of the TIN is to deliver a new generation of innovation support services for the capacity building of Danube startups/SMEs, especially in the fields of access to innovation funding (e.g. equity financing, business angels, crowdfunding), but also, technology transfer, transfer of know-how, acceleration services and transnational collaborations. The services will be tailored to the needs identified by analyses, which are created in the WP3 of the ACCELERATOR project. Particular emphasis will be given to synergies with the (equity) financing institutions that have concluded cooperation agreements with TIN's partners, and will be informed about the companies with innovations. At the same time, at policy level, decision-makers will be engaged in creation of a joint strategy on the promotion of accelerator programmes and their integration into the ESIF and non-ESIF programmes that will be created through the project. To this end, an efficient partnership has been formulated, consisting of:

No.	Name	Acronym	Country
1.	Széchenyi Venture Capital Management Ltd.	SZTA	Hungary
2.	Central-Transdanubian Regional Innovation Agency Nonprofit Ltd.	CTRIA	Hungary
3.	Association of Small- and Medium Size Enterprises of Covasna County ASIMCOV	ASIMCOV	Romania
4.	Technology Park Ljubljana Ltd.	TPLJ	Slovenia
5.	Institute for Entrepreneurship Research	IRP	Slovenia
6.	Technology Center Sofia Ltd.	TCS	Bulgaria
7.	DEX Innovation Centre	DEX IC	Czech Republic
8.	FH Joanneum Gesellschaft M.B.H	FHJ	Austria
9.	Development Agency of Serbia	DAS	Serbia
10.	Republic Agency for the Development of Small and Medium Enterprises	RARS	Republic of Srpska/ Bosnia and Herzegovina
11.	Ministry for National Economy - Deputy State Secretariat Responsible for Implementing Economic Development Programs	MNE	Hungary
12.	Steirische Wirtschaftsforderungsgesellschaft mbH	SFG	Austria
13.	Slovene Enterprise Fund	SEF	Slovenia
14.	<i>It will be defined</i>		Croatia
15.	Executive Agency for Higher Education, Research, Development and Innovation Funding	UEFISCDI	Romania

3. Network approach of the TIN

The ACCELERATOR project makes use of transnational cooperation for knowledge transfer and the implementation of demonstration actions for creating better linkages among actors. Well-functioning acceleration schemes are not widespread in the Danube region. The position and importance of the accelerator programmes is not the same in all countries/regions participating in the project.

The accelerator programmes have been established in Austria, Bulgaria, Hungary, Romania and Slovenia, Czech Republic (Prague) offering start-up companies financial support and services (advisory, mentorship, admin. assistance, networking opportunities, events, etc.).

Its importance is significant and contributed to numerous successful startups development at both, regional and international level.

On the other hand, the absence of accelerator programmes is seen in the Republic of Serbia, Republic of Srpska and Czech Republic (Liberec region). However, the Republic of Serbia and Republic of Srpska have established incubators, offering an extensive list of supporting services, with a potential to convert these into accelerators, but still need investment and improvements. Similarly, Liberec region only has one supportive organisation that most closely reflects the structure of accelerator.²

The TIN will be set up in order to assist in channeling innovation ideas into the regions across borders.

The idea is that promising startups could be offered to join acceleration or similar programmes abroad, and could be introduced to foreign financing institutions. The startups are applicants, candidates ready to participate in the acceleration programmes, other types of investment readiness programmes or ready to receive financing.

The network will be set up among project partners initially with the opportunity to enlarge it later on.

The added value of the network is that partners have the knowledge about specific programmes and initiatives of the others, and so can offers startups such programmes that best fit their needs. It may mean thematic specialisation (cleantech, smart city, agri-ICT, etc.) but also special programmes concerning the maturity of the SME (business idea, acceleration, pre-seed, seed investment, etc.).

The network will be beneficial for the startups since they will have a possibility to enter their best fitting programme pooling for a larger set.

The network will be beneficial for the project partners because they do not have to turn away clients that are promising candidates in case their specific local programme is not corresponding for them. On the other hand they may receive such client offers from partners about which they would not know otherwise.

In the TIN`s activities will be included all the requests of the ACCELERATOR partners that are defined in the relevant analyses created in the project, e.g.³

- Hungary proposed a solution in a better collaboration with Business Angels, as they already have international connections.
- Slovenia suggests crowdfunding as one of options to overcome barriers in cross national collaboration. Instead of building several national platforms, mass financing from international environment can bridge this gap. In the context of enhanced cross

²Analysis of the relevant policy framework, Regional analysis, Technology Park Ljubljana, 2017

³Analysis of the relevant policy framework, Regional analysis, Technology Park Ljubljana, 2017, Ltd.p.44.

border start-up ecosystem, all crowdfunding stakeholders would share existing experiences and build a common supporting environment.

- Republic of Srpska sees opportunities in cross border collaboration - in knowledge transfer for the development of accelerator programmes and establishment of transnational innovation network.
- Romania suggests a cluster system as an efficient concept for greater collaboration and growth.

In the following graph is illustrated the concept of functioning of the TIN.

Scheme 1. Concept of the TIN

TRANSNATIONAL INNOVATION NETWORK	Partner 1	Partner 2	...	Partner n
Innovation eco-system	<i>Specific local programmes (e.g. accelerator programmes)</i>	<i>Specific local programmes (e.g. accelerator programmes)</i>		<i>Specific local programmes (e.g. accelerator programmes)</i>
	<i>Local financing institutions</i>	<i>Local financing institutions</i>		<i>Local financing institutions</i>
	<i>Startups</i>	<i>Startups</i>		<i>Startups</i>

The TIN's partners have different programs of startups support and cooperation with different financing institutions in their local communities. Through cooperation within the TIN, the partners will create mutual innovation eco-system, and based on the transnational cooperation and synergy effect, will provide better support to their startups.

4. Levels of cooperation under the TIN

The TIN will support innovation-based growth in the ACCELERATOR project area by supporting both sustainable transnational innovation network and talented startups. The network goals will be more efficiently reached at the transnational level, compared to national/local approach, due to: a) agglomeration of resources, b) critical mass of stakeholders and users of services, c) complementary specializations for developing centers of excellence. Transnational synergies will convert overlapping policies and instruments into strong points for growth and employment in the DANUBE area.

The activities and services that will be potentially developed will take fully into account the particularities of the pillars, ensuring coherence, coordination, compatibility and win-win solutions.

Scheme 2. Operational model for the TIN

<i>Integrated concept for regional innovation support systems</i>	DANUBE area policy Strategic level	↓ INPUTs
<i>Empowering environment for professional service delivery</i> Result: Partnering activities	Business support organisations/ Financial institutions Operative level	↓ OUTPUTs AND OUTCOMEs
<i>Knowledge-based mentoring services for startups (access to finance mentoring, enhancement of innovation capacities, etc.)</i> Result: Advisory activities	Startups Impact level	↓ Impact evidence

The operational model for the TIN is based on three levels of activities.

*The first one is the **strategic level** - on this one are created policies and strategic documents that define a system of support to innovation-driven startups. The TIN members will consider all the strategic documents related to startups support in the DANUBE area, and adjust its activities to them. Also, this level of cooperation will support creation of the project strategy.*

*On the **operational level** the TIN partners will cooperate in order to achieve as many support activities to intermediaries or financial institutions as possible ("**partnering activities**"). The idea is that promising startups could be offered to join acceleration or similar programmes abroad and could be introduced to foreign financing institutions (primarily equity financing institutions).*

*On the **impact level** will be measured support activities of the TIN members to the startups, defined as the "**advisory activities**". Impact indicators will provide information about the positive effects of the TIN's activities and services on businesses in terms of results (new products, new services, market shares, etc.), efficiency (cost reduction), employment (job creation or preservation), quality improvement (goods or services, client satisfaction, etc.) or innovation.*

5. Activities under the TIN

As it is explained in the previous chapter, cooperation between project partners under the TIN is based on the three levels of cooperation:

- Joint development of the TIN: Partner organisation will sign the foundation document for establishing TIN. Also, in the activities, partners will respect the Code of Conduct which sets cooperation criteria under the TIN.
- Joint Implementation of the TIN: The implementation of the activities includes joint activities and networking events for policy makers, innovation intermediaries, financing institutions, research and business communities; tools will be jointly validated and refined.

Finally, the TIN's partners will provide direct support to startups that will include different areas of advisory activities (e.g. access to finance, enhancement of innovation capacities of startups/SMEs, etc.).

The area of the TIN's activities is quite flexible, and partners will choose by themselves about their activities. Some of the proposed activities that partners would implement within the TIN are:

- international exchange of startups and SMEs – promising startups could be offered to join acceleration or similar programmes abroad and could be introduced to foreign financing institutions;

- international exchange of experts of the accelerator programmes;
- international exchange of management of the accelerator programmes involving jury members in implementation of the accelerator programmes, as well as thematic experts, mentor and investors;
- organisation of international business forums, conferences and events which will attract and connect international investors with locals;
- establishing a virtual platform with an overview of the accelerator programmes, financial resources, mentors, events, TIN partners that will be beneficial for innovative startups from the Danube region. Potentially, the already enrolled startups at the previous and ongoing ACCELERATOR pilots could be listed on this platform;
- better collaboration with business angels as they already have international connections;
- sharing existing experiences between crowdfunding stakeholders.⁴

6. Cross border venture capital investments and the TIN

In the project`s analyses have been identified different possibilities for cooperation between project partners:⁵

- Organising conferences and events (e.g. PODIM in Slovenia) which will attract and connect international investors with local startups
- Crowdfunding platform to attract and connect international investors
- Accelerator programme establishment to improve legislative and support system for startups
- Provision of quality support for exporters – in the form of info and facilitation of technical preparation (Serbia)
- Improvement of legislation

Having in mind that many project partners expect that the TIN primarily solve access to finance barriers that they have identified in their countries/ regions, in the following text is the suggested concept of the cross-border cooperation between equity financial institutions and startups from different countries. Venture capital/private equity funds are identified as the most promising sources for funding innovative startups.

Cross-border venture capital helps fill gaps in the domestic supply of capital for growth-oriented new ventures (startups and scale-ups) targeting global markets, and tangible support in the internationalization process by bringing advice and contacts with various

⁴ More activities will be added by project partners

⁵WP3, Analysis of the relevant policy framework, Regional analysis, Technology Park Ljubljana, 2017, Ltd.p.41.

partners. On the fundraising level, the ability of venture capital funds to raise capital from foreign investors is important to achieve the scale needed for successful operation.

Investment flows between countries is provided by the balance between demand and supply of capital and the frictions influencing how easily supply can meet demand. Demand for cross-border venture capital is largely related to the existence of a strong pool of attractive investment opportunities indicated by different aspects (high quality human capital, patents, world class science emanating from universities, higher GDP growth rate, supportive exit markets including M&A and IPO opportunities, etc.). The supply of venture capital is positively related to a functioning tax and legal framework for raising venture capital funds. The frictions reducing cross-border flows include e.g. distance, foreign language and different currencies not belonging to a common market, trade relations, lack of availability of experienced coinvestors, lack of information and trust, and lack of regulatory environment the investors would know and trust. The factors are largely similar also for cross-border fundraising. Some of the frictions are hard to be influenced by governments; there are also clear obstacles (regarding the tax and legal environments, which would appear to be relatively easier to be addressed by regional governments, regulators and tax authorities in collaboration with their counterparts in other countries).

Venture capitalist willing to invest in other countries has to cover significant costs from acquiring and maintaining accurate understanding of country-specific investment regulations and from structuring investments to fit the constraints of different national investment regimes. In addition to general problems and additional costs stemming from the lack of regulatory harmonization, there are some particular cross border, venture capital problems that appear common between countries.⁶

From an investor perspective uncertainty represents a risk which is costly to manage.

Although investors can often develop solutions (such as parallel fund structures) to alleviate these real or potential double taxation problems, the resulting structures are often complex and very costly. Especially smaller venture capital funds cannot afford such costly approaches. These and other problems and uncertainties reduce the cross-border investment flows that would otherwise take place between countries.

Having in mind all mentioned barriers of the cross border venture capital investments, ACCELLERATOR partners will also consider cooperation with other financing institutions in their regions/countries that support innovative startups (e.g. investment banks, guarantee funds, business angel networks, crowdfunding platforms, etc.)

⁶Summary report of workshops on cross-border venture capital with national experts, industry representatives and researchers, European Commission, Enterprise and Industry General Directorate, 2009.

In order to provide startups the best support, the TIN's partners will also work on overcoming the barriers that are identified in the cross border venture capital investments in the DANUBE region.

7. Transferability of main outputs

The TIN addresses both strategic and operational issues of transnational collaboration in a specified geographical region and concrete thematic areas. The transferability of the results is encouraged through regular communication of project partners.

In particular, members of the Enterprise Europe Network will be involved in the design/development of the services, transferring their best practices and integrating their ideas, and will be capable of replicating the outputs in different sectors/subsectors of interest for the DANUBE area. The project partners have also strong links and personal involvement in established networks that can contribute to the transferability of the results beyond the DANUBE area, such as: Danube Region Business Forums, the EEN Sector Groups including Creative Industries, ICT and Services, National Contact Points (H2020, COSME, and former Regional Programme), etc.

To better bridge the different "worlds" of startups, innovation providers and financial (equity) organisations, an joint communication platform and smart tools will be created, shaped and implemented through the relevant Strategy. Proposed joint online database will include database of available experts (thematic experts, mentors, etc.), and partners will consider maintenance of the platform after the project ends. It could include the involved startups, too.