SUPPORTING ACCESS TO FINANCE FOR HIGH-GROWTH FIRMS IN FINLAND/NORDICS

PROMOTING SUPPORT POLICIES FOR INNOVATIVE, HIGH-GROWTH ENTERPRISES IN EASTERN EUROPE AND SOUTH CAUCASUS

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4FRONT in brief


- Focus on impact management and evaluations for public sector. Clients include ministries, agencies, cities & regional actors, international organisations.

- Key expertise areas: research, innovation & entrepreneurship policies

- For more information & project references visit: www.4front.fi

- Some example references on HGFs:
  - Study on growth funding and utilization of EU-instruments (in Finland) – ongoing
  - Evaluation of the Nordic Scalers programme (Report)
  - Effectiveness of Tesi’s international investment activities (not published)
  - Role of Tekes in Start-up and Accelerator Activities – Evaluation Study (Report)
  - Support to the preparation of Vietnam’s SME law, including two background papers:
    - Best practices on supporting startup ecosystems
    - Best practices on business support services
Content

1. Context in Finland/Nordics
2. Overview of Finnish policies & programmes for high-growth firms
3. Example initiatives
   - VIGO programme + Business Finland VC
   - NIY funding
   - Nordic Scalers
Context in Finland
(and in Nordics to some extent)

- Nordics regarded as one of most attractive “startup hotspots” (Supercell, Spotify, etc.)
  - Rapid development / “startup boom” in the 2000s
  - ..but scaleup-phase a challenge (small internal markets, etc)
- Relatively similar context & policies (+ common brand) – but policies and programmes mostly national / regional
- Private equity investments (especially VC) per capita very high
  - But lack of larger private funds (excl. Sweden) -→ role of foreign investments!
- Startup ecosystem largely entrepreneur/company-driven (e.g. Slush) – public sector at the background

Policy trends (in Finland):
- Variety of direct funding instruments (grants, loans, etc) – but no tax instruments
- 2000s: increased emphasis on HGFs (VIGO & NIY programmes, public VC)
  - Public VCs important in facilitating private market
- 2010s: increased emphasis on non-financial support (networks, capacity building), talent attraction (startup-permits etc.), regulation, public procurement etc.
  - Access to finance stil important but not the main issue (anymore)
- Now: challenge-driven funding (Impact investing, SDGs, etc.)
- Some ambitions towards more ‘market-driven’ instruments
Overview of Finnish HGF policies & programmes
(focus on access to finance)

- **Business Finland**
  - R&D loans and grants
  - Funding for Young Innovative Companies (YIC)
  - Business Finland VC – funding for Finnish (early stage) VC funds (VIGO as predecessor)
  - + thematic/ecosystem programmes, testbeds, Innovation Vouchers, etc.

- **Tesi (Finnish Industry Investment)**
  - Direct VC investments
  - Investments to Finnish private funds → stimulating private markets
  - Fund-of-funds (KRR)

- **Other SME funding programmes/instruments**
  - Finnvera loans and guarantees for SMEs
  - ELY-center grants for SMEs

VIGO accelerators (& BF VC)

- VIGO programme aimed to attract experienced investor/accelerator teams and help to catalyse the Finnish early stage VC market.

- **Evaluation in 2017-2018** – key conclusions:
  - “clear (although limited) role in catalysing the Finnish accelerator and early stage VC market.
  - “… provided valuable learnings and experiences of different models.”
  - Some flaws in design (discussed more in [The VIGO Programme Mid-Term Evaluation](https://www.businessfinland.fi/globalassets/julkaisut/startups_accelerators_and_role_of_tekes1_2008.pdf)):
    - Difficult to find a profitable business model
    - Different perceptions and expectations of the main goals (communication issues)
    - Management fees issue → misunderstanding & negative image

- Business Finland VC launched in 2014 → investments into early-stage VC funds (incl. previous VIGO accelerators/funds)
Funding for Young Innovative Companies (YIC)

“With the Young Innovative Company funding Business Finland intends to accelerate the global growth of the most ambitious, rapidly growing startups in Finland.”

The funding is intended for a startup company that has been in operation for less than five years, and has proven its business concept, so that it already has paying customers.

The funding can be used for the comprehensive development of business activities.

Funding in three phases (see figure) – milestones to be agreed between companies and BF

Several impact evaluations conducted, results very encouraging/positive

see e.g. 4FRONT (2018) Startups, Accelerators and Role of Tekes.

Nordic Scalers

- Mentoring programme for Nordic scaleups
  - Pilot phase 2017-2019, funded by Nordic Innovation
  - Next generation & revised model in autumn 2020 – aim to further stimulate private market (of mentoring programmes)

- Some key characteristics (of the pilot phase)
  - Exclusive selection criteria, high threshold for selection (incl. prior VC investments)
  - Tailored together with participating companies
  - Access to finance not in the focus (not proposed by the participants)
  - Operated by private actors (PPP)
  - National agencies (+ entrepreneurs and other experts) in Advisory Board

- Evaluation of the pilot phase in 2019 (4FRONT & The Evidence Network)
  - Findings very positive, company feedback excellent

- Some recommendations:
  - Mind the ‘market gap’ – the programme should ensure that the programme supports and stimulates the development of the broader ‘support ecosystem’.
  - Maintain the high quality of services and mentoring, exclusively tailored for the scale-ups.
  - Further develop the peer learning elements of the programme

- See also: Benchmarking / review of scaleup support programmes (The Evidence Network)
THANK YOU!

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