



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

17TH SEPTEMBER 2020
VESA SALMINEN, CEO @ 4FRONT



4FRONT in brief

- Helsinki-based private consulting company, founded in 2015. Currently 9 experts.
- 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 Scalars 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 Scalars

Context in Finland

(and in Nordics to some extent)

- Nordics regarded as one of most attractive “startup hotspots” (Supercell, Spotify, etc.)
 - Rapid development / “stratup 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

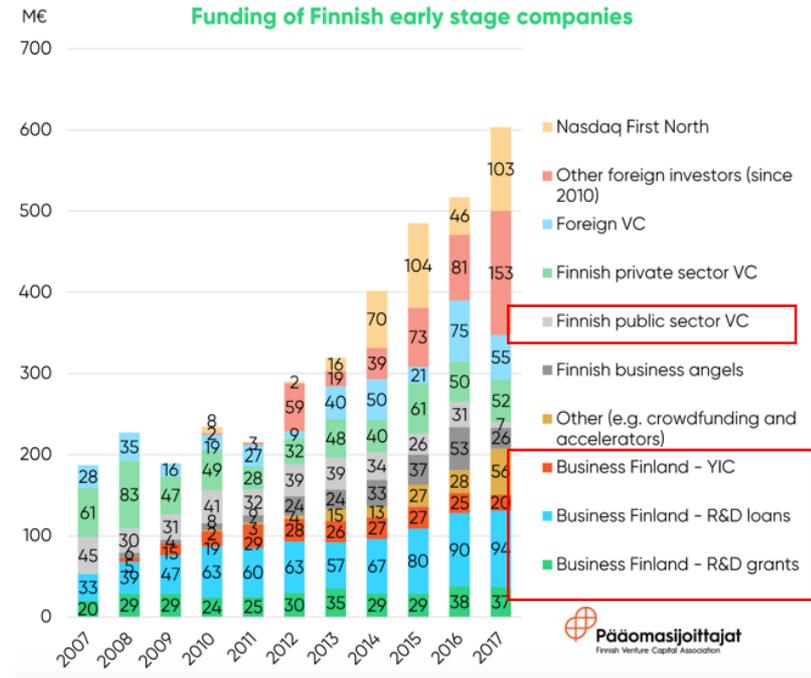
Policy trends (in Finland):

- 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

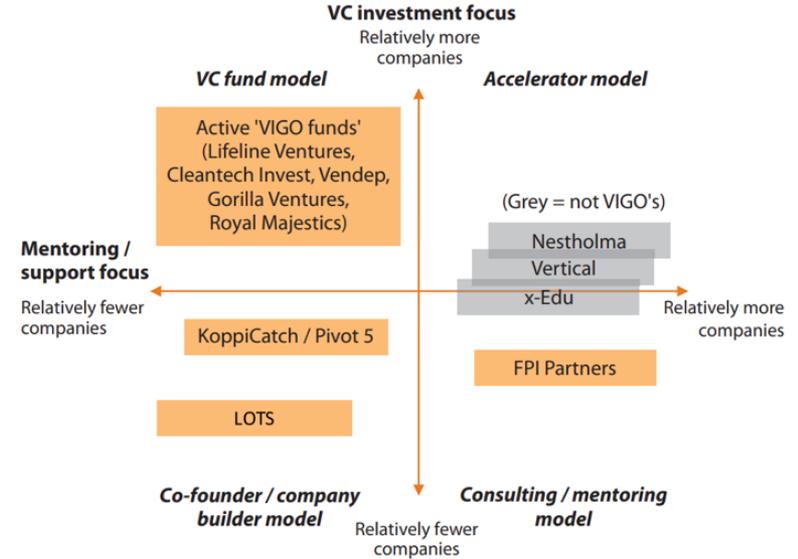




VIGO accelerators (& BF VC)



- 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):
 - 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)

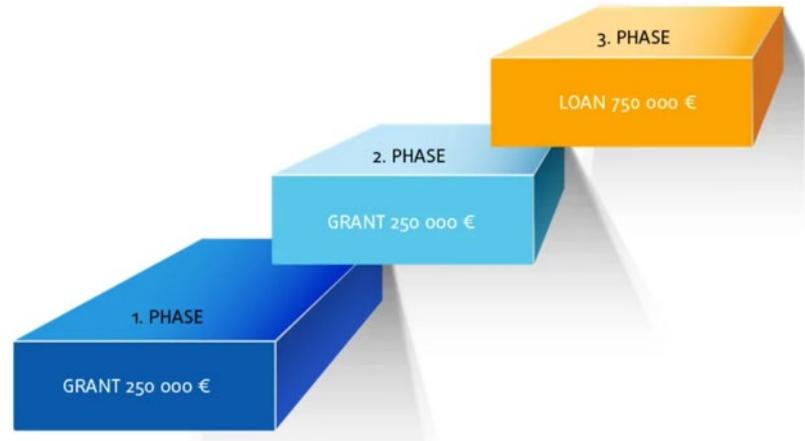


4FRONT (2018) Startups, Accelerators and Role of Tekes.
https://www.businessfinland.fi/globalassets/julkaisut/startups_accelerators_and_role_of_tekes1_2008.pdf

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](https://www.4front.fi/en/startups-accelerators-and-role-of-tekes).

FUNDING LEVELS



The maximum amount of Business Finland funding amounts to €1.25 million, of which a maximum of €500,000 may be funded as a grant, and €750,000 as a loan. Business Finland funds 75% of the eligible project costs.

<https://www.businessfinland.fi/en/for-finnish-customers/services/funding/young-innovative-company-funding/>

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)

4FRONT

THANK YOU!

VESA SALMINEN
vesa.salminen@4front.fi