

# Supporting innovative entrepreneurship in the SPECA sub-region through business incubators and tools to promote the growth of innovative enterprises

18 November

SPECA Economic Forum

Session IV INNOVATIVE MECHANISMS

AND INSTRUMENTS FOR

FINANCING INVESTMENT FOR

SUSTAINABLE DEVELOPMENT



**UNECE**



# Business incubators (BI) as a tool to foster innovation and support sustainable development and post-pandemic recovery in the SPECA sub-region



- ✓ Experimentation with new ideas to create value and solve problems more systematically is essential for SD and in the context of resilient, inclusive and circular recovery after COVID.
- ✓ Systematic experimentation requires effective national innovation system, incl. innovation support infrastructure
- ✓ BIs as critical part of this infrastructure are a powerful tool to catalyze innovative entrepreneurship
  - provide incentives, support, connections, and an enabling environment for experimentation
  - In transition, where potential for the catch-up is very high, are of increased importance but often limited in effectiveness due to wider structural issues in the economy (establishment of a well-functioning market economy)

# SPECA countries have increasingly put efforts in strengthening the innovation support infrastructure



- ✓ Variety of enterprise and innovation support institutions (BIs, FabLabs, accelerators, innovation centres, technology parks, etc.) in place across the SPECA sub-region
- ✓ Introduction of innovation support instruments used in advanced economies such as innovation vouchers, credit guarantees for innovative small and medium-sized enterprises (SMEs) and support for industrial clusters

Available tools to support innovation activity in the SPECA countries

Policy instruments	Afghanistan	Azerbaijan	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Grants for innovative start-ups		• <sup>a</sup>	•	•	• <sup>b</sup>	•	•
Innovation vouchers			• <sup>c</sup>				
Coaching programmes for innovative start-ups		•	•	•			
Competitions for innovative start-ups		•	•	•	•	•	•
Incubation and acceleration programmes for innovative start-ups	•	•	•	•	•	•	•
Entrepreneurship support programmes	•	•	•	•	•	•	•
Credit guarantees for innovative SMEs							•
Equity investment in innovative SMEs (venture financing)			•			•	•
Grants for full cycle STI projects (from R&D to market)					•		•
Support to industrial clusters	•	•			•		
STI grants from international donors (World Bank, Asian Development Bank, etc.)	•		•	•	•	•	•

Source: UNECE, *Business Incubators for sustainable development of the SPECA sub-region, 2021*

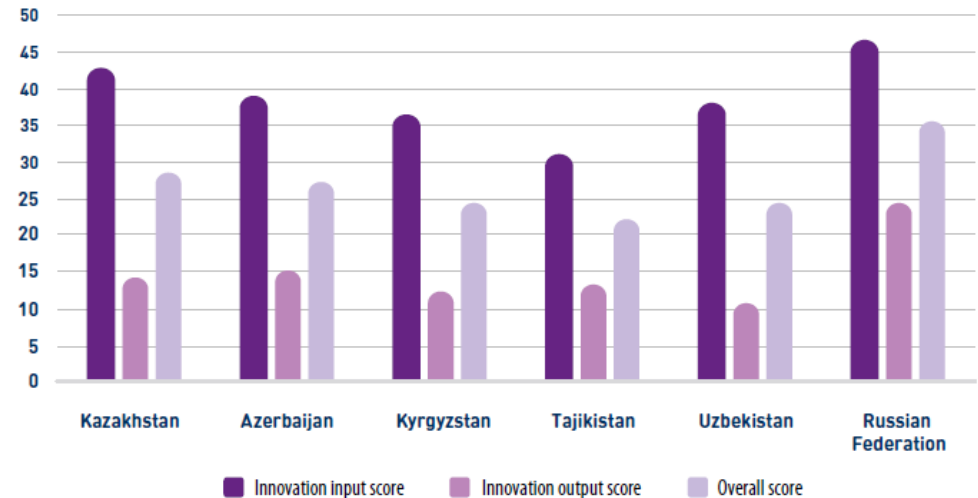
# But these efforts are yet to translate into systematic and broad experimentation driving SD across the SPECA subregion



UNECE

- ✓ Infrastructure is yet to play a systematic, catalytic role in enabling and supporting broad experimentation and **developing the private sector absorptive capacities** that underpin it.
- ✓ Broader **structural reforms** are critical (e.g. protection of property right, regulatory frameworks for investment, entrepreneurship, governance) to support transformation and to enable BIs to effectively perform their role

The SPECA countries' and comparator country performance, Global Innovation Index, 2020



Source: UNECE, *Business Incubators for sustainable development of the SPECA sub-region, 2021*

Note: Data for Afghanistan and Turkmenistan not available

BIs in SPECA countries are often confronted with challenges in business environment and weaknesses in innovation systems, but also

- *A lack of understanding of the nature of innovative ventures, skills and the capacities of BI staff to support these types of ventures*
- *Gaps in human capital and skills development, entrepreneurial mindset and innovation culture*
- *Sustainability issues related to unrealistic financial models of BIs, a lack of market intelligence, unstable or insufficient financial support*

# A set of guiding principles on establishing and running a successful business incubator could help fostering innovation for SD in SPECA

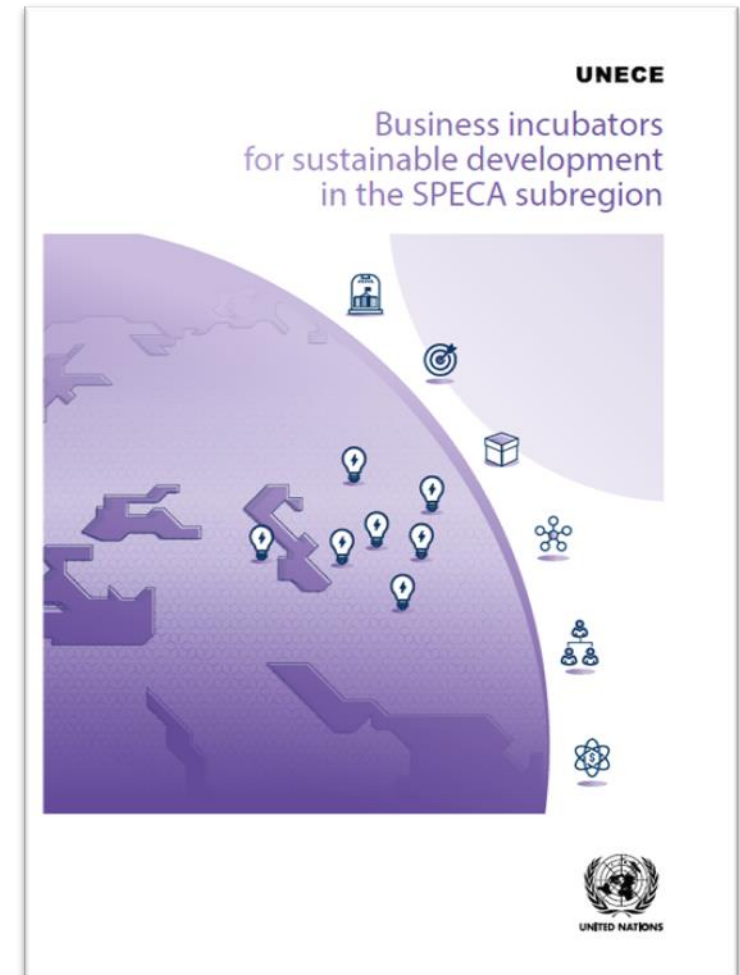


UNECE



## UNECE Handbook “Business Incubators for Sustainable Development in the SPECA sub-region”

- ✓ **provides guidance** on key steps and considerations to set up, run, and evaluate business incubation programmes
- ✓ **recommendations and tools target** national and local governments, universities, as well as those developing and running business incubators (BIs) and similar institutions (e.g. pre-incubators, accelerators, entrepreneurship support centres)
- ✓ **step-by-step guidance on business incubator creation** (e.g. stages of feasibility study, setting the goals and developing a package of client services; financial model and sustainability aspects; organizational structure; attracting residents; monitoring the activities of the BI)
- ✓ Experience from Russian Federation and Kazakhstan in Bis (MGIMO, Strogino TP, MOST)



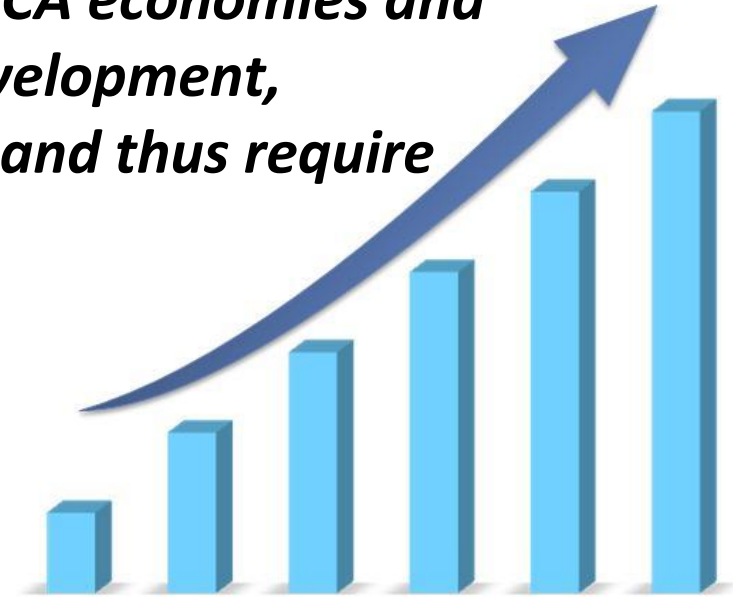
*Implemented under the UNDA project  
“Strengthening Innovation Policies for the  
SPECA countries in support of the 2030  
Agenda for Sustainable Development”*



UNECE



*To catalyze structural transformation of SPECA economies and accelerate progress towards sustainable development, innovative firms have to reach certain scale and thus require support when growing.*



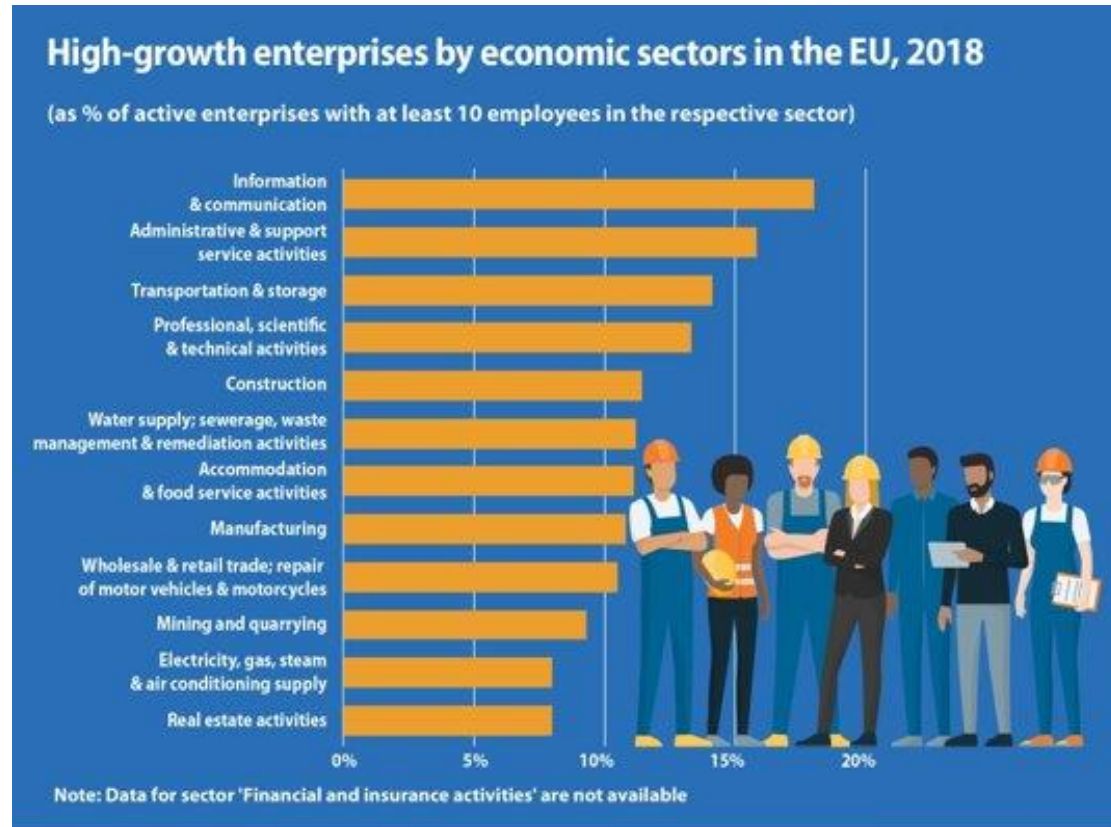
A small group of **innovative, high-growth enterprises (IHGEs)**, representing 2 to 6 per cent of the business population, plays a disproportionately large role in innovation, structural change, and sustainable development more broadly.

# What are the innovative high-growth enterprises (IHGEs)?



UNECE

- ✓ IHGEs are firms that meet three criteria:
  - ✓ have at least **10 employees** in the beginning of their growth,
  - ✓ have average annualized growth in number of employees and/or turnover **greater than 10%** per annum over a three-year period,
  - ✓ carry out **innovation activities in a broad sense**, i.e. introducing new or significantly improved products, services, marketing and organizational methods to the local market or industry.
- ✓ They are not necessarily start-ups, nor present only in high-tech sector, as often are in child/elderly care, construction, retail and catering, etc. (e.g. Lithuania's first 'Unicorn' – Vinted).



# IHGEs could play crucial role in post-pandemic recovery and achieving SD in SPECA sub-region if provided needed support



UNECE

- ✓ often called **transformational entrepreneurs** (significant jobs and value creation)
- ✓ **try out and scale up new ideas** - accelerate the post-COVID recovery and progress towards reaching the SDGs
- ✓ **need targeted support** - different from the rest of the SMEs; standard SME policies ineffective)
- ✓ portfolio approach to supporting IHGEs
- ✓ **UNECE to support IHGEs in SPECA** through a dedicated project based on the experience in the EESC region (handbook and trainings)

## Pro-growth business environment

- Regulatory framework for innovation and growth
- Taxation - incentivizing R&D and innovation and investors
- Demand side measures - government as a first mover.

## Tailored services for IHGEs

- High-growth programmes - client management approach
- Developing business ecosystems and peer-to-peer networks
- Access to innovation services and infrastructure

## Finance adapted to each growth stage

- Grant and loan instruments
- Crowdfunding, business angel investors & accelerators
- Venture capital: co-investment and fund of funds models.

## Reinforcing firms' internal capabilities to grow

- Leadership skills
- Availability of employees with technical and creative skills
- Talent attraction and retention

## Internationalization & business networks that support scaling

- Advice on market trends and entry
- International networks - structuring diaspora links.



## Available for download



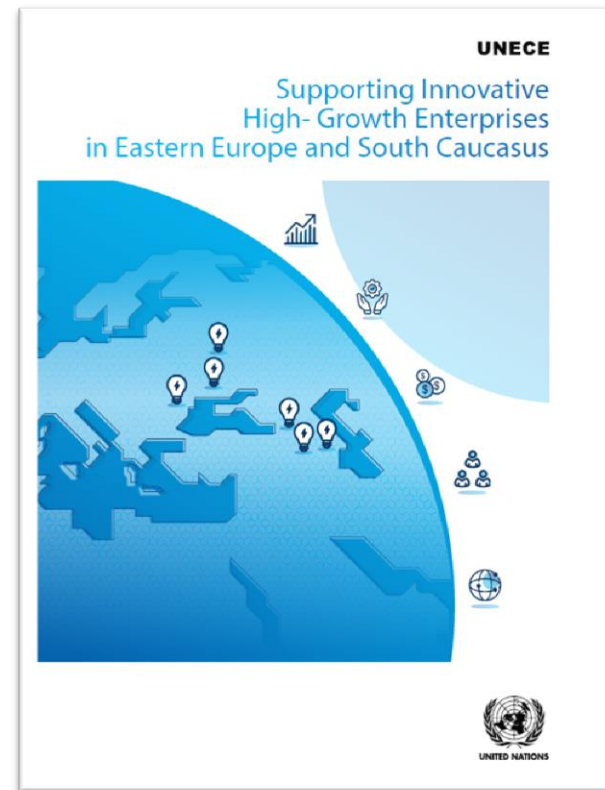
**UNECE Handbook “Business Incubators for Sustainable Development in the SPECA sub-region” , 2021**

**UNECE Handbook “Supporting Innovative High-Growth Enterprises in Easter Europe and the Caucasus”, 2021**



[English](#)

[Russian](#)



[English](#)



UNECE



**Thank you!**

*Lyudmyla Tautiyeva*

*Consultant, UNECE*

[lyudmyla.tautiyeva@un.org](mailto:lyudmyla.tautiyeva@un.org)