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### ❖ International Highlights



#### **Future Match at CeBIT<sup>2010</sup> has been very impressive**

There has been a truly infectious sense of enthusiasm in Hannover over the start of this year's event on March 2<sup>nd</sup>. This marked the beginning of a substantial reduction in investment backlog. Numerous companies reported up to 30 percent more business leads at their stands than last year.

Hannover, Germany, 2-6.03.2010

Visitors came to CeBIT with specific ICT projects in mind, and had clearly done their homework before arriving in Hannover. Projects initiated at the event represented a total investment volume of over ten billion Euros. CeBIT 2010 has turned aspirations of growth into concrete business orders. The industry has weathered the crisis and is now back in business.

This year 4,157 companies from 68 countries exhibited at CeBIT. Among the participants was prof. Mariajn Gusev, academic entrepreneur, whose company [Innovation Ltd](#) is a tenant at the [YES](#)

[incubator](#), member of ECABit from Macedonia. Bulgarian ARC Fund organized the mission of four Bulgarian companies – [Bianor Services](#), [Orak Engineering](#) (who won ARC Fund's prizes for innovative enterprise in Bulgaria on March 1), [Musala](#) and [Security and Guard Agency Sigma](#). Companies from Belarus, Romania, Russia, Serbia, Turkey and Ukraine participated among others. If your incubator has ICT tenants you might consider organizing a mission for them for the Future Match at CeBIT<sup>2011</sup>.

Since 1999, the brokerage event [Future Match](#) at CeBIT Future Park has enabled exhibitors and visitors to find partners for technological cooperation, e.g. product development, R&D, joint ventures, manufacturing, marketing and/or licensing agreements. Companies, universities and research institutes in the ICT sector would again be invited to use this opportunity to establish new cross-border contacts at the Future Match 2011. Should there be enough interested countries and incubators ECABit might be institutionally represented next year in Hannover.

## ❖ News from members

### **Partnering for the growth of mobile software development SMEs:**

Timișoara Software Business Incubator is partnering with the Athens, Greece based IniCubator in promoting the [MOBIP project](#) in the Romanian mobile software development SMEs sector.

Timisoara, Romania, 12.01.2010



MOBIP is a [Europe Innova](#) project that aims to support the competitiveness of high growth businesses in the mobile services sector and to strengthen their opportunities for growth and market access, in Europe and globally. The project will provide mobile services businesses across Europe opportunities to build up their business contacts and develop new international business opportunities, and increase their access to sources of finance and new international markets.

#### **What opportunities does MOBIP provide to SMEs?**

- Be identified as “the mobile services company to watch”.
- Get advice and support with investment readiness to increase access to suitable sources of finance and investment both nationally and cross-border, including Business Angel and VC funds; also including public funding such as grants for R&D and innovation actions.
- Access to major international investment events offering opportunities to pitch their business to investors from across Europe including investors with specific interests in mobile services.
- Access to corporate partners in the mobile sector offering opportunities for investment and new partnership opportunities.
- Access to new international markets.
- Access to opportunities to interact with key global players, role models and

speakers on top industry trends and developments in mobile services.

The project is implemented over a 3 years period by a consortium of organizations from Greece, UK, Spain, Belgium and Netherlands, coordinated by Atlantis Consulting S.A. of Greece.

Timișoara Software Business Incubator has a 4 years record of good cooperation with IniCubator within the EOS/EON & SENSI networks.

### **Bridging the Gap - Report on Investment Readiness of MSMEs:**

**YES Foundation Macedonia issues report on the investment readiness of MSMEs in South-East Europe**

Skopje, Former Yugoslav Republic of Macedonia, 22.01.2010

The YES Foundation Skopje has issued a final report on the project 'Investment readiness of the MSME sector in South-East Europe', which was conducted in cooperation with Dutch Foundation [SPARK](#) and supported by the [SENSI](#) and ECabit networks. ECabit members might remember discussing the investment readiness issue at AIECA 2008 in Tambov, where Ljupco Despotovski took the lead to run this project. Yet, Southeast European countries, incubators and tenants were more interested than the others. Thus the study reflects much more the SEE than ECA perspective. The report is based on the results of an Investment Readiness Survey conducted in 2009 and further research on start-up's investment related needs in Macedonia, Serbia, Montenegro, Bosnia, Kosovo, Romania, Armenia and Bulgaria.

The report [BRIDGING THE GAP - Access to Risk Finance for Early-Stage SMEs in Southeast Europe](#) discusses the current

situation with risk capital in the region, tries to identify the major reasons and necessities for such funding, and attempts to offer recommendations for promoting access to risk finance for SMEs in the region. In doing so, frequent references and comparisons are made to the situation in the European Union (EU) as a desired final destination of all the countries in the SEE region.

## **Belarus Hi-Tech Park**

### **HTP Tenant ScienceSoft Opens Office in Finland**

25.01.2010

HTP tenant company [ScienceSoft Inc.](#) opened a subsidiary in Finland to better meet the needs of its customers in the Nordic countries and to expand its presence in the region.

On January 25, 2010 ScienceSoft Inc. (Belarus) inaugurated its foreign subsidiary in Helsinki, Finland.

ScienceSoft Finland Oy is a limited liability company established to implement ScienceSoft's business development strategy in the Nordic market. The Finnish office will be engaged in market research, sales, and support of the customer base in Finland and other Nordic countries. Even closer proximity, geographically, culturally and language-wise, will take the cooperation with existing and future customers onto the next level.

Almost a decade of ScienceSoft presence in the Nordic countries yielded several dozens of realized projects and ongoing relationships in the region, including Tieto, the largest Nordic IT consultancy. The decision to set up a legal entity in Finland was prompted by the company's interest in providing higher added value to customers and further expansion of the customer base. The decision has been also underpinned by positive forecasts for the IT sector growth in this region. The Scandinavian IT market is projected to

grow at a CAGR of 2% during the next 5 years, as suggested by IDC research. As macroeconomic indicators rebound and pent-up demand is released, organizations will increase their IT spending in the quest for efficiency improvement and cost savings.

"The opening of an office in Finland is a logical step in ScienceSoft's commitment to meet customers' needs and to increase our presence in the region. This will bring us closer to our clients and will enable us to provide them with even superior service", said Nikolay Kurayev, CEO of ScienceSoft in Belarus.

## **Scientific and Technological Park "Metolit"**

### **New project will develop regional business incubators network**

March 2010



March, the [Scientific and Technological Park "Metolit"](#) announced the launching of the project "InterCountry Business Incubators Network" (IBI Net) supported by Baltic Sea Region Programme 2007-2013 under its Priority 1 – "Fostering of innovations across the BSR". The main objective of the project is promoting the cooperation of the business incubators in the Baltic Sea region to develop entrepreneurship, foster innovation and technology transfer through establishment and strengthening of the transnational business incubators' network in the Baltic Sea Region. The duration of the IBI Net Project is 30 months, starting in December 2009 and ending in June 2012. The expected main results are development of an effective InterCountry Business Incubators Network, support for a system of transparent information exchange, dissemination and

implementation of good practices in business-incubation in the region.

“Metolit” is the technopark of the Belarusion National Technical University “Polytechnic”, which hosts in its structure also the [Inter-university center for marketing of scientific-research works](#) (ICMSRW), an ECABit member, while both are partners with the [infoDev Incubator Support Center](#) (iDISC). The participation of “Metolit” in the IBI Net project, will strength its expertise in promotion and support of business incubation and will benefit both the technopark and its partners institution. ECABit members that are interested in establishing partnerships with Belarusian or regional counterparts or would like to connect their tenants with business companies and to mobilize institutional support fro business development in the region, could contact both Metolit or ICMSRW

The project is co-financed by BSR Programme 2007-2013, European Regional development Fund (507800 EUR), European Neighborhood and Partnership Instrument 2007-2013 (100450 EUR), Norwegian partners' (68800 EUR) and has a total budget of 677 050 EUR.

Among project partners are Riga Planning Region (Latvia) – Leader Partner, Riga Technical University (Latvia), Turun seudon yrittyspalvelukeskus Potkuri (Finland), Stiftelsen Teknikdalen (Sweden), Technologiezentrum Fördergesellschaft mbH Vorpommern (Germany), Podinspektor ds.Europeskiej Wspolpracy Terytorialnej (Poland), State Enterprise „Scientific and Technological Park Metolit at the BNTU „Polytechnic”, (Belarus), Innovation Centre Hedmark (Norway), Leningrad region Business Support Centre (Russia) as a associated partner.

More information about the project could be found at the “Metolit” web-page in both [Russian](#) and [English](#) language.

## ❖ In Focus - High-Tech Incubators in China

China has founded more than 130 high-tech business incubators since opening its first in 1987, according to statistics from the Torch High-Technology Industry Development Center, under the [Ministry of Science and Technology \(MOST\)](#). The ventures are sprinkled among office buildings, universities, and established state-owned enterprises (SOEs). Most incubators provide companies with low-cost office space and strategic advice on issues such as management and financing, and most are government-owned. Some target rapidly growing industries such as biotechnology, microelectronics, software, and telecommunications and seek to attract Chinese students returning from overseas and international investors. But how effective are these institutions - can they be a tool to energize Chinese entrepreneurship with vitally needed managerial guidance, capital, and institutional support?

In contrast to the American model, in which some 25 percent of incubators are for-profit, most Chinese incubators, organized under MOST's umbrella Torch Program, are nonprofit. Only a handful of Chinese incubators are privately owned, though most incubated companies are in private hands. Indeed, Chinese incubators face the difficult task of assisting and guiding private entrepreneurs in a society that until two decades ago looked with great suspicion on those trying to build their own company.

### Characteristics

A typical Chinese incubator consists of one or several floors of a publicly owned office building. Incoming tenants are screened for their business plans, market potential, and fit with the incubator's industry

specialization, among other factors. According to interviews with Torch Program officials and incubator managers, acceptance rates range from 20 to 70 percent.

The primary attraction to many tenants is the low rent, which can be 50 percent or more below market rates. Rents for admitted companies usually rise over a three-to-four year period, to encourage companies to become self-sufficient and eventually graduate. Tenants receive other infrastructure discounts, such as subsidized telecommunication network access and use of community meeting rooms.

Other features found in incubators reflect a Western model: staff provide companies with advice on management practices and loan applications and give low-cost or free legal and accounting aid. Perhaps most important for the fledgling companies is potential, though limited, access to venture capital (VC) funding.

As of 2000, about 37 percent of China's 21,000 high-tech companies in development areas were housed in incubators. The average size of an incubated company - about 17 employees working in about 350 square meters of office space - has remained fairly stable over the past seven years. Total income for tenant companies has risen more than tenfold, and the average revenue per company has gone from about 1 million RMB (\$140,000) to 2.3 million RMB (nearly \$340,000). According to Chinese officials, however, few of these companies actually earn profits during the incubation phase, and only one-third or fewer of them graduate after the flexible and often non-contractually binding limit of three or four years. Others either terminate their business or linger on in the incubator. Claimed failure rates range from as low as

10 percent for electronics equipment manufacturers to as high as 90 percent for Internet or biotechnology-related startups.

The typical ownership structure of China's incubators gives rise to other problems. Government incubators often take little or no equity stake in the incubated companies and thus have little motivation to generate profits by helping their tenants succeed. Nevertheless, they do excel at providing mainly non-financial aid to small, high-tech enterprises that can find little other administrative support.

### **University incubators**

Many of China's major universities have used incubators to channel academic and scientific talent into the business world. Beijing's Qinghua University and Shanghai's Fudan University provide useful cases of such interaction.

Qinghua established its incubator, dubbed "[Science Park](#)," in July 2000. With nearly 40 companies as of late 2001, the innovation center is part of a larger university science park. Because of space limitations, the incubator was selective, accepting only 20 to 30 percent of applicant companies. Fudan University founded its Yangpu incubator, which now has some 150 companies, in an area bordering its Shanghai campus in 1997.

The university incubators' obvious advantages include ready sources of faculty and students. Professors in specialized fields, such as those in the university's business school faculty, regularly hold sessions for the tenant companies and lecture on accounting, tax rules, and management practices.

### **Returned overseas student incubators**

In Beijing, the [Haidian Pioneer Park's](#) returned student facility, founded in 1997,

houses 140 companies, most of which focus on information technology. Returned students average 30 to 40 years old, and most have a PhD and 6 to 12 months of overseas work experience. Up to 80 percent of returned students possess either foreign passports or foreign resident rights, mainly in the United States, Canada, or Australia.

Returned students are attracted primarily by the opportunity to found their own companies, a prospect many find difficult abroad. Language and lifestyle issues also attract students back to the PRC. The Pioneer Park offers free rent for 60 m<sup>2</sup> of office space during a company's first year and discounts on rent for the next two years; provides standard legal, loan, and managerial advice and assistance with photocopying, faxing, and other clerical work; and helps resolve housing and childcare-related issues.

The biggest barrier, even for returned students at the Haidian facility, is generating sufficient startup capital. Few of the companies, however, are able to attract overseas VC funding.

### **Technology transfer and foreign business support**

Some Chinese incubators mainly specialize in providing integrated services for overseas enterprises that intend to enter or are interested in the Chinese market, such as licensing, consulting and marketing etc.

[Coway International TechTrans Co., Ltd.](#) is the biggest professional company with years of experience in technology transfer in China. With its broad, global network and extensive recourses, Coway is specialized in promoting international science and technology cooperation, setting up ITT platforms, providing professional support and integrated solutions on ITT for Hi-Tech parks,

incubators, SMEs and local administration. Coway has been entrusted by Tsinghua University to commercialize Tsinghua University's scientific and technological achievements, to carry out technology commercialization and technology management of the [International Technology Transfer Center \(ITTC\) of Tsinghua University.](#)

Coway engages in a broad variety of activities and services, ranging from Consulting, Licensing, Technology Marketing and Commercialization to Engineering and Virtual Office Support.

If an enterprise is interested in entering the Chinese market and would like to sell its products and services, or even start a new company in China, Coway's Consulting Team delivers professional technology evaluation and appropriate business solutions for overseas SMEs.

ECAbit members might remember that Coway International (Mr. Liu Zhenping) participated at the AIECA 2007 conference in Yerevan, so if your tenants might be interested in extending their business with China you might contact Coway.

### **SOE Incubators**

Incubators focusing on, or even operating within, SOEs represent a novel way to tackle this most difficult institution in China's economy. Though SOE incubators are found in only about a dozen enterprises nationwide, they are based in key corporations such as Capital Iron and Steel Co. and Beijing Chemical Plant. Beijing's Biomedical Hi-Tech Incubator Co., Ltd. provides in-house laboratory equipment for scientists from SOE pharmaceutical companies as far away as Guangdong.

[The Beinei Group's](#) incubator has become a model of sorts for other SOE incubators. As of late 2001, it hosted some 15 companies that employed about 400 workers, and occupied nearly 10 percent of

Beinei's old internal combustion engine plant.

As production at Beinei fell in the late 1990s, plant space, equipment, and workers became available to new, private companies. Most of the incubated enterprises, such as those making medical equipment or automated road-toll collection machines, are well suited for the buildings formerly used by abandoned Beinei production lines. Of the 400 workers, about 200 are former Beinei employees.

For SOEs, then, incubators can solve several problems: they absorb excess labor, use dormant space, and, in the case of Beinei, potentially provide revenue to the host SOE, which can take an ownership stake in the incubator. Beinei Group owns about half of its resident incubator, and the incubator in turn has equity stakes in several enterprises. Unlike the traditional model, however, companies are not encouraged to graduate - rather, they are encouraged to stay and generate revenues for the for-profit incubator.

With nearly all of China's incubators and VC in public hands, risk aversion seems to be strong in just the area where innovation could flourish. Enterprises face increasingly crowded facilities with little managerial guidance and financial support.

The profit motive may yet become a strong incentive, not just for the tenant startups but also for the incubators themselves. With incubators like Jinghai, [CIIC](#),

Qinghua, and even Beinei taking greater financial stakes in their enterprises, successful incubators may eventually attract ever stronger management teams and help small companies grow more quickly. As long as the state takes a major role in operating and financing incubators, though, the enterprises will lack the full risk and reward benefits that private capital flows can offer.

## ❖ Messages from the coordinating office

### Membership fee:

According to the [ECAbit Constitution](#), adopted during the AIECA2009 conference, we kindly invite all network members to pay the annual network fee until July 1, 2010 as it was agreed by the General Assembly:

- Full membership: \$ 250
- Affiliate membership: \$ 50

For more information, please contact the coordinating office at: [ecabit@online.bg](mailto:ecabit@online.bg)

### Reminder to members

Upon monitoring the activities of members registered with [iDisc](#) and [ECAbit](#) websites, we stumbled across the fact, that there are numerous link to members' websites and e-mail addresses, which are still out of order. On account of this, we would like to kindly remind all members of the ECAbit network to periodically scan through their profiles with [idisc.net](#) and [ecabit.org](#) and if necessary correct such flaws.

Contact us! Share your news, opinion and vision for incubation development in Eastern Europe and Central Asia!

ECAbit newsletter editor:

Todor Yalamov  
ARC Fund  
www.arcfund.net  
5 Alexander Zhendov str.  
1113 Sofia, Bulgaria  
Fax: +359 2 973 3588

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