

Thessaloniki Innovation Zone: work in progress

*For the 2nd International Conference on
Entrepreneurship, Innovation & Regional Development
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Alexander Innovation Zone, SA*

Development Tools/Structures of a Region

- Incubators
- Science Parks
- Regional Networks
- Thematic city/cluster (IT-city, Energy-city, Bio-city)
- **Innovation Zone (super-structure may include thematic clusters)**

Innovation Zone is:

- A geographically defined area, with specific geographic borders leading to the formation of an island of land with entry and exit points
- This land can also become unique and privileged area through the institution of a special legislative framework applicable only to the Zone area

Thessaloniki Innovation Zone is:

- A unique mega-project in South Eastern Europe supported by EU structural funds
- A governmental initiative with aim to create a critical mass of innovative high tech enterprises in the metropolitan Thessaloniki area

Thessaloniki Innovation Zone

Potential “clients”

Potential “clients” of the Zone:

- Foreign SME companies: R/D and/or high tech-manufacturing branch
- Domestic SME companies: R/D and/or high tech-manufacturing branch
- R/D department/unit of Multinational Corporations
- Start-ups/Spin offs
- Investors

THESSALONIKI INNOVATION ZONE (THIZ)

- **Vision / Mission**
- Managing organization (Alex. Innov. Zone, SA)
- Strategy Plan / Business plan
- Spatial Plan
- Incentives for the enterprises within the Zone
- Installation Permit / Criteria of acceptance for enterprises to enter the Zone
- Infrastructure Plan
- Soft Actions Development Plan

Vision / Mission

We envision Thessaloniki Innovation Zone

As a little “Switzerland” in the entire S.E. Europe

A leader in the development of innovative entrepreneurship based on

- exploitation of new knowledge and
- commercialization of breakthrough research.

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Managing Organization

of the Thessaloniki Innovation Zone

Alexander Innovation Zone, S.A. (AIZ,S.A.)

is the organization responsible for the entire plan, administration and realization of the Thessaloniki Innovation Zone.

AIZ, S.A. in close collaboration with the supervising **Ministries (Economy and Finance, Development and Macedonia & Thrace)** is currently working towards achieving the short and long term objectives of the Thessaloniki Innovation Zone.

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Strategy Plan Study by the external Consortium: *Euroconsultants S.A., Planet S.A., Logotech, S.A.*

A **Strategy Plan Study** conducted by the above external consultant Consortium has been delivered to A.I.Z.,S.A. According to the above study 6 pillars of development are proposed:

- Build basic infrastructure in the periphery and internally to the Zone nucleus area
- Specialize in major Thematic areas such as: Energy, IT, AgroBio, Materials
- Establish Incentives to attract foreign and local investment in the Zone
- Work towards developing culture of innovative entrepreneurship locally
- Develop infrastructure for financial engineering
- Enhance interaction between Enterprises and Universities/Research institutes

Strategy Plan in Progress

- **CEO is currently working on selecting priority actions** from those proposed in the consultant's study, applicable to today's reality, with goal to compile a concrete and focused strategy plan for the Zone.
- **The Board of Directors will** thoroughly discuss the proposed strategy plan, approve in its entirety and then forward it to the Ministries for the final approval (issuance of Joint Ministries Decision)

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Spatial plan

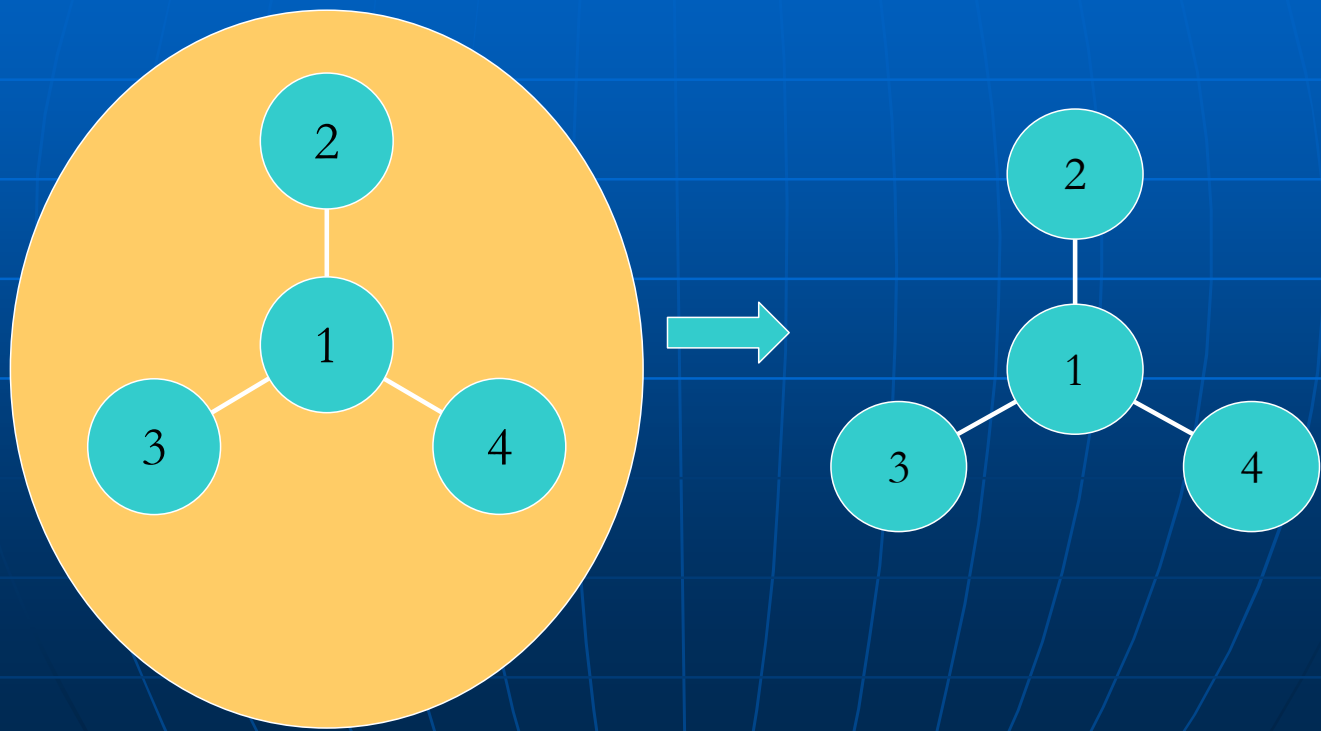
The Board of Directors has spent considerable time addressing issues such as:

- Appropriate **size** of the Zone
- Exact **location** of the Zone
- **Spatial model** of the Zone: one intact land or consisted of different interrupted pieces of land (nucleuses)

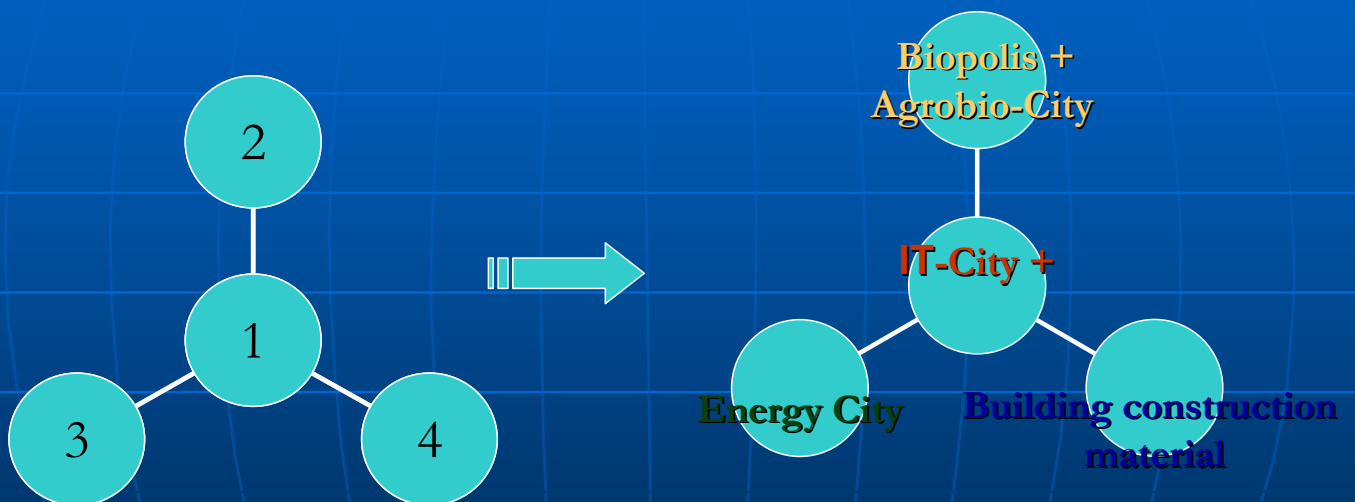
The Board has decided for the following **spatial model**

Spatial model of THIZ

Zone = nucleus 1+2+3+4



Dynamic evolution of Zone's nucleuses to thematic cities /clusters



THIZ evolution to sector-specific nucleuses is consistent with:

- Thematic cities/clusters a world wide trend
- Lead Market Initiative (LMI) by EC to help bring innovative products to emerging markets in which EU has the potential to become a world leader: already 2M people employed, 120bn in sales: e-health, protective textiles, sustainable construction, recycling, bio-based products, and renewable energies



1. Τεχνόπολη Θεσ/κης
2. ΤΠΘ – ΕΚΕΤΑ
3. ΕΘΙΑΓΕ
4. Υπ.ΕθνΑμ- ΣΕΔΕΣ
5. Αγρόκτημα ΑΠΘ
6. US Farm School
7. ΙΚΑ
8. Δ.Θέρμης
9. Δ.Θερμαϊκού – Δ.Μίκρας

Spatial Study

by external consultants

A Study by external consultants is about to begin with 5 distinct work packages:

- Mapping of Thessaloniki Region and definition of limits for TH.I.Z.
- Bordering of nucleus
- Interventions for the construction and the improvement of Infrastructure
- Environmental Evaluation, Preliminary Geologic Study
- Geographic Information System (GIS) for the Zone.

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Draft Law: Installation Incentives for enterprises entering the Zone

By Alexander Innovation Zone, S.A.

In collaboration with

Ministry of Development/Competitiveness Program

And

Ministry of Macedonia-Thrace

*Installation Incentives Law is currently under evaluation by
DG Competition/EC, Bruxelles*

Installation Incentives Categories for enterprises entering the Zone

- State subsidy for innovative enterprises
- Special scheme for “business development firms”
- Exemptions from duties and taxes for the enterprises established within the Zone
- Special taxation system for employees in THIZ and support to the enterprises to hire senior researchers/ commercialization experts

State Subsidy for innovative enterprises

<u>Innovative Enterprise Categories</u>	<u>Max % State Subsidy</u>
	■ <i>per the total cost of investment plan, OR</i> ■ <i>per the leasing cost of equipment</i>
Knowledge-intensive – Spin-offs	Up to 70%
Small and Micro Enterprises	Up to 50%
Medium-Sized Enterprises	Up to 40%
Large Enterprises and R/D Depts of multinational corporations	Up to 30%

Also:

- *Employment subsidy*
- *Loan rate subsidy*
- *100% tax deduction for the total cost of the investment plan*

Installation Incentives Categories for enterprises entering the Zone

- State subsidy and tax reductions for enterprises
- Special scheme for “business development firms”
- Exemptions from duties and taxes for the enterprises established within the Zone
- Special taxation system for employees in THIZ and support to the enterprises to hire senior researchers/ commercialization experts

Special Scheme for “business development firms”

- Enterprises in the Zone shall be **subsidised for services** offered by “business development firms” (**IP, licensing, market research, partner for co-development**)
- **50% subsidy of the service cost** amounting to a total of €200,000 and for a period of 3 years from the establishment and operation of the enterprise in the Zone.

Installation Incentives Categories for enterprises entering the Zone

- State subsidy and tax reductions for enterprises
- Special scheme for “business development firms”
- **Tax deductions and exemptions from duties for the enterprises established within the Zone**
- Special taxation system for employees in THIZ and support to the enterprises to hire senior researchers/ commercialization experts

Tax deductions and exemptions from duties for the enterprises established in the Zone

- **Exemption from any tax, duty, levy, fee or any other charge, excepting VAT**. (Such legal acts include contracts for the transfer or leasing of property, establishment of a right in rem, establishment of a contractual obligation, and generally any legal acts effected by AIZ S.A. or the enterprises established in the THIZ)
- **All research expenses made by enterprises shall be 100% tax deductible**
- Innovative Enterprises operating in the Zone, benefit from **5 % lower tax rate** compared to the standing tax rate at each given time.

Installation Incentives Categories for enterprises entering the Innovation Zone

- State subsidy and tax reductions for enterprises
- Special scheme for “business development firms”
- Exemptions from duties and taxes for the enterprises established in the Zone
- Special taxation system for employees in the Zone and support to the enterprises to hire senior researchers/ commercialization experts

Special taxation system for employees working in the Zone

Focus on human capital:

The taxable income of the employees working in the Zone is **reduced by 20%**

Support to the enterprises to hire senior researchers/ commercialization experts

Enterprises that hire scientists and experts, whose work and/or research results shall be intended for commercial exploitation, shall receive a **50% subsidy for the payroll costs** of the said executives on the following terms:

- a. the contract concluded between the executive and enterprise established within the THIZ shall have a five-year term,*
- b. the payroll expense of this executive may amount to up to 0.5 million Euros for the entire five-year period.*

Incentives contribute to the transformation of the THIZ to a privileged area

The final success of the project as a whole also depends on the institutionalization of a specific legislative framework solely applicable to the Zone area. The given proposed legislative framework will apply beyond the developmental law and, in few instances, beyond the usual European standards. As a result the incentives, will transform the Zone to a privileged area of innovative activity something like a tiny “Switzerland”

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Installation Permit / Criteria for enterprises to enter the Zone

- According to the founding law of TH.I.Z.,SA, an **installation permit** for the enterprises to enter the Zone, is required
- In order to get an installation permit issued by A.I.Z, SA, an enterprise needs to fulfill the **criteria of acceptance**
- Purpose of the permit: To enable the creation of **critical mass of innovative enterprises** in the Zone

Installation permit Criteria of acceptance

4 main categories of criteria:

- Innovation /Technology/ Know How
- Strategic Plan and Business Plan
- Established Partnerships / Strategic alliances
- Human Capital/ Resources

Visit www.thessinnozone.gr for additional info about the evaluation criteria and procedure to obtain installation permit

Criteria of acceptance Categories & Sub-categories

Innovation//Techno- logy Know How	Strategic Plan and Business Plan	Partnerships / Strategic alliances	Human Capital/ Resources
1. Technology innovation as competitive advantage	1. Expression of business mission, vision, targets	1. Relations, agreements & strategic alliances	1. Research team/ ability to achieve research targets
2. Technology feasibility	2. Target market	2. Additional information	2. Management team/ ability to achieve commercial targets
3. No of products/no of new products-applications	3. Financial activity analysis / Viability achievement		3. Total employment positions
4. IP protection & know how developm.	4. Investment structure		
	5. Characterization as "knowledge intense" activity		
	6. Sensitivity analysis		

Company Case studies to evaluate AIZ,S.A. criteria of acceptance

AIZ.,S.A. criteria of acceptance are currently being used to evaluate company business plans seeking Venture Capital funding, in the occasion of the "3rd South Eastern Europe VC event" (www.vc-event.gr)

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Thessaloniki Innovation Zone infrastructure

Infrastructure necessary to develop a nucleus of the Thessaloniki Innovation Zone

- External Infrastructure
- Internal Infrastructure

Zone External Infrastructure

(Zone = nucleus 1+2+3+4)

External Infrastructure (Studies and constructions)

- road networks connecting the nucleus with the surrounding area
- architecture landscape
- traffic
- special signs for the Zone

Zone Internal Infrastructure

(Zone = nucleus 1+2+3+4)

Basic Infrastructure within a Zone nucleus (Studies and constructions)

- power and water supply
- sewage
- energy and natural resources
- Internal roads/skywalks
- Satellite high tech telecommunications
- AIZ, S.A. building

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Thessaloniki Innovation Zone **Soft Actions Development Plan**

Soft actions by AIZ, S.A. to **enhance the Commercial Exploitation Capability of the Zone enterprises**

- Business development including Patent Attorney services
- Financial Engineering activity: Seed Capital Fund for start-ups
- Technology Transfer support leading to Licensing out research
- Planning and activities leading to the creation of thematic clusters
- Creation of innovative entrepreneurship culture
- Branding
- Lobbying, Networking, Marketing activity

Networking Lobbying activity

SCIENCE | BUSINESS

The **Science|Business Network** is an independent news service, a strong media lobby, giving subscribers a leading edge **in deals, partnerships and business opportunities** in the world of science. It draws part of its strength from its unique community of interest, the [Science|Business Network](#):

Aristotle University of Thessaloniki – Chalmers University of Technology – ETH-Zurich – Imperial College London – Katholieke Universiteit Leuven – Karolinska Institutet – NTNU – ParisTech- Politecnico di Milano – TU Delft – University of Cambridge – University College London - University of Warwick – London Technology Network – London Biotechnology Network – **Alexander Innovation Zone, SA** – EBAN – ProTon Europe

Thessaloniki can benefit from AIZ,SA networking/lobbying activity

Richard Hudson, CEO & Editor, Science Business Ltd:

*“One of our corporate members , **an ICT multinational**, is seeking for university researchers who will be interested in **some contract research** over the next year or two in the fields of :*

- *application of ICT technologies to energy supply*
- *cost , benefits, impacts of the deployment of e-health systems.”*

R/D Investment by IBM

IBM multinational corporation to set up a computing research “collaboratory” in Dublin, **creating 40 jobs** at IBM and local universities (co-supported by Irish government)

An IBM collaboratory is a laboratory where **IBM researchers co-locate with a university, government or commercial partner to share skills and resources.** This allows IBM staff the opportunity to pursue research outside IBM’s labs and existing business units.

Open Innovation (I) GSK multinational corporation

- GSK is one of the industry leaders, with an estimated 7% of the world’s pharmaceutical market. *How does GSK stays ahead of the Game?*
- GSK has its own Open innovation Team, whose members function as liaisons between entrepreneurs, innovators, and the organization’s key decision-makers

Open Innovation (II)

General Electric's R/D Center in Munich

- one of the four Global research centers run by the giant multi-industry corporation
- GE's R/D center in Munich is a European hub for open Innovation,
- GE is open to innovation ideas from elsewhere (start-ups, SMEs, universities
- Translation of the innovation idea to a functioning prototype or showing feasibility of a concept pretty much relies on GE's in-house resources

Manufacturing Innovation Center in US Georgia

Manufacturing Innovation Center (MIC) in US Georgia, collaborates with private and public sector partners to provide direct assistance and leading-edge training in advanced manufacturing to:

- Small companies... to accelerate the evolution of existing companies as they seek to move to the next stage of enterprise development
- Start up's... to increase the prospect of ultimate commercial success

Manufacturing Innovation Center:

- offers development and technology transfer capabilities
- focuses on applied research, and applications;
- offers customized training using advanced manufacturing robotics

Ingredients of a successful innovation clusters/Innovation Zones

In this field of policy, **there is no one-size-fits-all.**

In Brussels a unique symposium gathering the latest thinking in this field from across the world (Academic experts, EC officials, industry top management, regional and technology policy experts) met for this purpose. Topics discussed were:

- What generic policy lessons can be drawn from one cluster to another
- Can “virtual” clusters be successful, as proposed for the European Institute of Technology

Massachusetts life science “Super Cluster”/Innovation Zone:

Pricewaterhousecooper report says Massachusetts life science successful “Super Cluster”:

- Drives research innovation as a result of the **co-existence** of: Trained workers, Financiers and entrepreneurs, Teaching hospitals, and Research universities,
- Contributes **\$8.8 billion/year** to Massachusetts economy
- A powerful driver of job growth **employing 77.247 people**
- Faces increasing competition for talent and funds from other states and countries.

Special Innovation Zones (SIZE) in Europe

EU through EIT is urged to designate a few existing clusters as special innovation zones. It would give them extra cash from that € 308 billion structural funding budget to:

- invest in infrastructure and cultural amenities that attract the world's top knowledge workers
- stimulate innovative research
- stimulate spin-out company formation.
- benefit from tap seed funding, supported by the EU and managed by investment professionals
- earn a new, low tax status reserved for innovative companies and access high quality support services

Finland unveils new innovation strategy

With arguably the best track record in R&D investment in Europe, Finland has not surprisingly sparked huge interest in its new innovation strategy.

Under the new Finnish innovation plan:

- Up to € 1 million of public money could be invested in a growth company through a new fund
- Tax incentives will be used for private investors in risky businesses
- Qualified people from abroad will be attracted with lower income rates than they would normally expect in the Nordic countries

Helsinki ranked Europe's no 1 city by entrepreneurs

Cleantech Energy

- Cleantech is a term used to describe knowledge-based products and services designed to maximise energy resource efficiency while minimising waste and pollution. The development and growth of the cleantech sector has undoubtedly been spurred by mounting awareness of global warming and the impact on the environment of burning fossil fuels.

Danish Government Strategy- to establish a “cleantech” cluster (I)

- Denmark's Minister of Economic and Business Affairs, has announced the establishment of a new cluster organisation, called the “Cleantech Alliance”, to help boost the exports of Danish “cleantech” companies. This is part of an **overall government strategy** to create economic growth and new jobs in this promising industrial sector where Denmark is seen to have significant competitive potential on the international stage
- The minister explained that the “Cleantech Alliance” can enable Danish “cleantech” companies, which are spread all over the country, to take a comprehensive approach and think in terms of **selling complete solutions rather than individual products** and components. For instance, he added "If there is a new building project in Asia, then Danish companies shouldn't be independently trying to sell single products, but sell complete concepts where the whole thing is thought through as a totality"

Danish Government Strategy- to establish a “cleantech” cluster (II)

- The amount of government funding that will be put into the initiative will be made public shortly when the government will present its finalised plans for its overall "green growth" strategy.
- Regarding job creation potential, Denmark's Minister for Climate and Energy, commented: "The number of jobs that can be created depends on demand from countries all over the world. And that in turn depends on the outcome of the climate conference [UN Climate Change Conference COP15 in Copenhagen December 2009], and how ambitious the targets are.

Expectations of foreign companies

A.I.Z., SA gathers letters from a wide range of enterprises and investors (**Potential clients of the Zone**) with a potential interest of installation in the Zone:

- One stop shop
- Existence of local qualified personnel
- Competitive Taxation
- Easy access to the markets of South-Eastern Europe and beyond
- 49 years lease of land
- State of the art infrastructure
- Advanced logistics centers

Why do we need the Thessaloniki Innovation Zone?

Greece Disincentives *(as defined by a US commercial service report)*

Legislative plethora



Lack of law implementation



Bureaucracy



Complicated Tax System



Several administrative entities and Organizations are being involved



Thessaloniki Innovation Zone Incentives

Fundamental law #3489 and incentives law

A.I.Z.,SA has been trusted the development of the Zone

One stop shop

Tax regulation in the incentives law (A.I.Z,SA Report)

A.I.Z,SA is the only responsible administrative entity for the whole project