STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 CRIS Number: 2003/005-026.10.02

1.2 Title:
Development of Tallinn Technology Park: further development of a business incubator.

1.2 Sector: Economic and Social Cohesion

1.3. Location: Estonia, Tallinn

2. Objectives
2.1 Overall Objectives:
Innovation and enterprise development through supporting knowledge-based start-up entrepreneurship in Tallinn region.

2.2 Project Purpose:
2nd renovation phase\(^1\) of the TTP business incubator completed.

2.3 Accession Partnership and NPAA priority: N/A


The current project corresponds to the measure number 8 of “Research and Technological development and Innovation” (RTD&I)\(^2\), Ch 3.2.4 (ERDF), in SPD in the Single Programming Document (SPD)\(^2\) under the priority of “Competitiveness of Enterprises”. The overriding objective of the RTD&I measure is to improve the competitiveness of enterprises by:
- Increasing the technology development, utilisation and innovation capacities in existing businesses;
- Stimulating the creation and growth of new technology-based businesses.

The objectives of the measure will be supported through four main types of actions:
- Strengthening the knowledge base
- Financing RTD and innovation
- Developing knowledge and skills about innovation
- Strengthening the innovation system

The sub-measure, which is targeted at strengthening of innovation support structures and institutions, foresees support to the development of technology parks and incubators.

The respective part of Single Programming Document is fully in compliance with the Estonian R&D Strategy document “Knowledge-Based Estonia”\(^3\), which was approved by the Parliament in December 2001. R&D strategy defines the broad policy lines and public support framework

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\(^1\) The 1\(^{st}\) phase of the TTP business incubator, financed by the Tallinn City, is completed (see p.3.1.5). The 2\(^{nd}\) phase (see p.3.1.6) will be conducted as a sequel to the 1\(^{st}\) one, according to the TTP business plan (see Annex 5).

\(^2\) SPD was approved by the Government of Estonia on March 18, 2003.

\(^3\) Full document (Estonian R&D Strategy “Knowledge-based Estonia” for 2002-2006) in English is added as a background paper to the project materials.
for R&D and innovation until 2006. According to that, the aim of the strategy is to ensure the renewal of competitive knowledge base and facilitate the development and utilization of advanced technologies for increasing the competitiveness of economy.

2.5 Cross Border Impact: N/A

3. Description

3.1. Background and justification

3.1.1. The Estonian R&D and Innovation Policy

The R&D strategy defines the broad policy lines and public support framework for R&D and innovation until 2006. The aim of the R&D strategy is to ensure the renewal of knowledge base and to facilitate the development and utilisation of new technologies for increasing the competitiveness of enterprises and thus turning Estonia into knowledge based economy.

Three key technology areas – information technology, material technology and biotechnology – are highlighted in the R&D strategy, as a focus for further activities. These have been given high priority, considering their impact on the development of the economy through both the renewal of traditional industries/public sector services and the creation of new technology based companies.

The R&D strategy points out the need to improve the national innovation system incl. the development of full-scale science/technology parks both in Tartu and Tallinn. The implementation of the R&D strategy through action plans has to ensure that at the end of the strategy period, the Estonian R&D intensity will be comparable with the EU average. The objective is to increase total R&D expenditures to the level of 1.5% of GDP by the year 2006, while the proposition of public and private efforts should also be comparable with the EU average. In the long term the objective is to reach the EU targets defined by the Lisbon Summit (GERD 3% from GDP).

The R&D strategy has envisaged EU pre-accession (Phare) - and Structural Funds as opportunity to support the efforts at national level and catalyse the process towards achievement of strategic objectives of both Estonia and the EU.

The policy has been set up by the Estonian Parliament at the end of 2001 by approving the abovementioned R&D Strategy “Knowledge-based Estonia”. The strategy states that future Estonia is a knowledge-based society where new knowledge, the application of knowledge and skills, as well as the development of human capital, constitute the economic and labour force competitiveness and an enhanced quality of life. Therefore the strategic objectives are the following:

- upgrading the knowledge pool;
- increasing the competitiveness of enterprises.

Ministry of Economic Affairs and Communications together with Estonian Technology Agency (ESTAG) under the Foundation Enterprise Estonia have developed and launched several horizontal measures to support the innovative performance of Estonian enterprises, to encourage their R&D investments, and to boost science-enterprise co-operation. Nevertheless, it is also extremely important to support the future development of existing, theme-specific competence concentrations – “local clusters”, which have good development/growth potential.

According to the Single Programming Document 2003-2006, the whole territory of Estonia is eligible for EU support under objective 1. Moreover, as university education and R&D in Estonia is concentrated mainly to Tallinn and Tartu, it should be mentioned that real science-
industry knowledge transfer systems can and should be developed in these areas. It is also defined in the R&D Strategy “Knowledge-based Estonia” that in order to create a favourable environment for the creation and development of innovative enterprises and the technological renewal of existing enterprises, a science/technology park with a full set of services should be developed in both, Tallinn and Tartu.

Large part of Estonian enterprises and more than third of the total population are concentrated to Northern-Estonia, in Tallinn area. The continuous development of this region has a significant effect to overall economy of the country. Therefore, the promotion and support of value adding activities, including R&D, are increasingly important for the enterprises located in this region.

In order to link science and industry, to create a favourable environment for the creation and development of innovative enterprises and the technological renewal of existing enterprises, the science and technology parks should be built and developed together with innovation and incubator centres. Based on excellent initial conditions and in-depth analysis, the place and the focus of Tallinn Technology Park (including an incubation centre) has been identified, an incubation centre created (almost 100% of its 1st part is occupied today), its activities clearly regulated (see Annex 8) and the park itself founded. The recent Incubator study\(^4\) (page 9) says that there is a clear place for a Silicon Valley type of third generation technology incubation centre in Tallinn for ICT (surrounded the Cybernetics Ltd, which is a part of Tallinn Technology Park Development Foundation close to Tallinn Technical University). It was said by Mr. Ilpo Santala, President of Innopoli Oy, Otaniemi Technology Park in Finland (see independent opinion added as a background material), that Estonia is moving rapidly towards knowledge-based economy and the creation and successful launching of Tallinn Technology Park is a necessary step on this route. In his opinion, the TTP concept represents highest international standards and the business plan is feasible.

3.1.2. Technology parks

According to the definition approved by the International Association of Science Parks IASP\(^5\), a technology park is an organisation managed by specialized professionals whose main aim is to increase the wealth of its community by promoting the culture of innovation and competitiveness of its associated businesses and knowledge-based institutions. To reach these goals a technology park

- stimulates and manages the flow of knowledge and technology amongst universities, R&D institutions, companies, and markets;
- facilitates creation and growth of innovation-based companies through incubation and spin-off processes;
- provides other value-added services as well as high quality space and facilities.

Numerous technology parks created world-wide have proved themselves as effective tools to promote the values and processes listed in this definition. In the vast majority of successful cases, the initiative, launch and initial development stages of technology parks have been strongly supported by the relevant (national, regional, academic, etc.) public authorities.

In Estonia this experience has been acknowledged, learned and the development of technology parks foreseen by both the Single Programming Document and the national R&D Strategy “Knowledge-Based Estonia” (see p.2.4).

3.1.3. Tallinn Technology Park – background.


\(^5\) Over 260 members from 58 countries, see www.iasp.ws
In 2001, the Ministry of Economic Affairs and Communications, Ministry of Education, Foundation Enterprise Estonia, Tallinn City and Tallinn Technical University (TTU) initiated the launch project of Tallinn Technology Park (TTP) at a 9.8 ha land site in the TTU campus area. This initiative has been based on common general goals of these public actors:

- to increase the international competitiveness of knowledge-based enterprises, which will increase competitiveness of Estonian economy as a whole;
- to create new jobs which demand advanced qualifications and skills;
- to strengthen the university-industry links and utilisation of the R&D potential.

Branch-wise these goals are concentrated to the rapidly developing areas with the highest R&D potential: ICT, microelectronics, materials technology, biochemistry and biotechnology.

The other set of pillars for the TTP initiative is connected with the promising initial conditions in the area:

- immediate vicinity of TTU with its 9,500 students and 600 lecturers/researchers;
- already existing premises (ca 40,000 sq.m of roofed space, various quality level);
- over 100 companies already located in the territory, many of them dealing with ICT and electronics;
- several R&D bodies located in and around this territory: Institutes of Cybernetics, Chemistry, Chemical Physics and Biophysics, Energy Research, plus some subunits of TTU.

3.1.4. Tallinn Technology Park – concept.

During the TTP launch project a detailed business plan together with extensive market research was prepared by highly rated specialists. According to this document, the mission of the TTP is to reduce the risks of innovative business development by offering different value-added services and high-level physical infrastructure.

The following will be available over the coming years in TTP:

- entrepreneurial environment with an internationally attractive infrastructure that supports commercialisation of new technologies, know-how and of R&D results, as well as cooperation and clustering of knowledge-based firms;
- wide variety of value-added services for the knowledge-based businesses of Tallinn, Estonia and from abroad;
- an incubator for growth-oriented start-up and small innovative enterprises that receive R&D and business development support, and qualified employees on the spot, primarily from TTU.

In addition to the above-listed general goals, a set of more specific and short term objectives, as well as the choice of primary target groups of TTP activities have been agreed between the founders of the TTP: Republic of Estonia, Tallinn City and TTU.

The inventory of the buildings and infrastructure designated by the founders to TTP and of other resources, the real estate market analysis, and detailed TTP market research (160 potential client companies were interviewed, see Annex 6) enabled to summarize the following main success factors for TTP.

- In Tallinn there is no integral area concentrating innovative enterprises and offering them space/services needed. The location of TTP in vicinity of TTU and other research institutions is also the best possible choice in Estonia for finding employees of good quality.
- In the TTP area there already exist 70-80 suitably profiled tenant enterprises.

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6 See the Business Plan (Annex 5) where the details of the following conceptual statements can be found.
• The value of the property concerned (incl. the land) is at least 6 MEUR, giving sufficient material basis for TTP. At the same time, the existing buildings and the infrastructure need at least partial renovation.
• The development of the TTP Incubator has already started (see p. 3.1.5 below).
• The TTP founding parties from the Estonian public sector have expressed clear support and uniform understanding to the venture.
• The TTU Innovation Centre Foundation (established in 1998 with the participation of the same public founders) has already developed an initial set of value-adding “soft” services for TTP tenants.
• The most important selection criteria for TTP tenant companies are: knowledge-based nature, preferably the developers of high-tech products/services for international markets;
• orientation to rapid growth and creation of numerous jobs thereof;
• concordance with the profile of TTU and other R&D bodies of Tallinn/Estonia (additional advantage: compatibility with the existing TTP business community);
• quality and transparency of business plans, good reputation, cooperativeness, openness and understanding the goals of TTP and its methods;
• readiness and capability to add value to the profile and image of TTP as a whole.

The range of services provided by (or via) TTP will be along the following lines.
• Tenant services related to physical infrastructure: renting, maintenance and managing of rooms and equipment; communication and IT-related services; office and conferencing services; catering, recreation and sporting possibilities.
• Incubation services: business project analysis and testing of entrepreneurial skills; entrepreneurial training; development of market/feasibility studies and business plans; specialised training programs; individual counselling (legal, financial, etc); mentoring; finding start-up financial and technological support.
• Business development services: counselling/training in advanced issues (e.g. internationalisation); finding/training qualified employees; managing suitable sub-contracting; ensuring the availability of the TTU equipment and expertise, testing and measuring services, etc.; technology transfer brokerage; finding financial sources, incl. venture capital and credit.
• Marketing and cooperation networking: information on various contact events, services and providers of these; promotion of TTP companies, issuing publications, Internet homepages and databases, etc.; public relations, prestigious image; finding business and cooperation partners; organising various forums and contact events, as well as participation in these; inclusion into existing permanent international communication and marketing networks.

The other important aspects covered by the TTP business plan (see Annex 5) are: SWOT, risks, initial steps, renovation and construction of buildings, financial analysis. The organisational form of TTP is a Foundation – a non-profit entity under private law - founded by Republic of Estonia, Tallinn City and TTU (see pp. 3.1.5, 4.2).

3.1.5. Tallinn Technology Park – recent activities.
Based on the business plan, the high-level Steering Committee (representatives from national bodies, Tallinn City and TTU) has decided to establish the TTP Development Foundation (DF), which will represent the public interests, collect the real estate from founding parties and organise the management and development of TTP. In July 2002 the Committee ratified the founding documents of the TTPDF and presented them to the founders (state, City and TTU) for approval. In parallel, the legal procedures to transfer the real estate properties and other assets from the founders to TTPDF were started. The founding process of the TTPDF has been finished in March 2003, the founding documents are attached to the present Fiche (Annex 7).
During 2002 the **TTP Business Incubator** has been launched as a joint project of Tallinn City and TTU Innovation Centre. In accordance with the TTP business plan, the 1st phase of the Incubator premises (350 sq.m, building at Mäealuse Street 4B) has been renovated and furnished with equipped workplaces, the necessary regulatory and monitoring documents elaborated and endorsed by the Tallinn Municipality (see Annex 8).

In July-August 2002 and January-February 2003 the first two selection and pre-incubation training/consulting cycles were carried out. As a result of all these works, the Incubator was officially opened in September 2002, by now it is almost fully occupied by 9 tenant companies (plus 3 “ex-territorial” incubation projects which are not physically located in the premises as tenants but have been qualified for all “soft” incubation services). The Incubator is by now operated by the TTU Innovation Centre who offers and/or mediates to the tenants full set of “soft” incubation services:

- initial SWOT-analysis and testing the business skills, initial business training;
- assistance in compiling market and feasibility studies, and business plans, assistance in founding a company;
- specialised training and advisory services, especially concerning IT and using Internet;
- legal, managerial and financial counseling;
- finding technological support, assistance in preparing prototypes, etc.
- assistance in finding start-up capital, compilation of support applications, communicating with financial institutions;
- other business development services, e.g. internationalisation support, search for personnel, technology transfer, etc.
- marketing services and cooperation networks.

Also, the City of Tallinn has established a standardised financial assistance tool for the start-up business projects.

The **financial contributions to the project** so far:
Tallinn City: renovation (112 000 EUR) and operational support (28 000 EUR so far, ca 35 000 EUR more in 2003) of the 1st phase of the TTP business incubator

3.1.6. Tallinn Technology Park Incubator – the current Phare project.

The purpose of the current project is to carry out the 2nd development (renovation, furnishing and equipping) phase of the TTP Business Incubator, as the very first realisation stage of the whole TTP business plan.

Implementation of the **2nd development phase of the TTP Business Incubator** is, in accordance with the TTP business plan, a natural sequel to the 1st phase highlighted above (p.3.1.5). The 2nd phase includes renovation, equipping and furnishing one floor (680 sq.m) in the Akadeemia Rd. 19 building physically connected to the present Incubator premises. Completion of this phase will increase the capacity of the Incubator to 30-35 tenant companies from 9 in the current incubator.

Thus an important step towards the synergetic and self-sustainable (at least in the sense of operating costs) incubation system for knowledge-based businesses within TTP Incubator will be taken. It should also be noted that the increased number of incubation companies will help to

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7 This Centre (a foundation) has since 1998 developed an extensive set of value-adding soft services (together with the necessary international and domestic networks) for knowledge-based enterprises.
extend the existing service packages, as well as to decrease the price of these for the Incubator tenants.

The incubator has clearly formulated entry and exit criteria, which can be found together with other relevant incubation roles from the Annex 8 of the current fiche. According to the principles fixed in the business plan and in municipal regulatory acts, the following Incubator’s selection rules are applied, in addition to the general TTP criteria (p.3.1.4. above):

- Tenants are selected via competition, and through primary business training and consulting (pre-incubation) aimed at developing a business plan.
- No preferences or benefits are provided based on technological fields, the target is not set at incubating only the top level high-tech projects.
- The business project should involve new knowledge-based or technological element, it exceeds the general local level and is oriented to growth.
- Incubator applicant must be registered in Tallinn less than 2 years ago, have less than 10 employees and cannot be a subsidiary of another legal person.
- The Incubator’s tenants are selected for incubation period of 2 + 1 years.

The confidence in the raising demand of the incubation services among the knowledge-based business projects in Tallinn, and thus in the need for the planned extension of the TTP incubator is based on the experience gained by the TTU Innovation Centre during

- the two spin-off training and mentoring cycles carried out in 1999-2001 for start-up entrepreneurs with academic background (25 participants overall),
- launching and operating the 1st phase of TTP Business Incubator (p.3.1.5).

In addition to that:

- the TTU R&D Department is, within the ongoing SPINNO Programme (see p.3.2) currently revealing new prospective spin-off projects;
- the TTU Innovation Centre is starting in 2003 a special project to stimulate the students’ entrepreneurship with the aim to reveal new promising start-up businesses;
- The Tallinn Municipality has ordered a special study of the potential incubation clients all over the city, to be completed in May 2003.

The latter study, as well as the market research carried out during the TTP business plan preparation, enable to identify the relative demands from prospective tenants with respect to the various “soft” incubation services. This knowledge will allow to set priorities and gradually modify/complement the list of incubation services already offered (see the list in p.3.1.5) According to the market research (Annex 6) carried out for the TTP business plan, the respondents (chosen from potential tenants of the whole TTP, not just of Incubator) attributed high importance to the services (cf. the list of TTP services presented in p.3.1.4) connected with high-quality infrastructure (53% of the respondents), good business development support services (46%), access to cooperation networks (46%), tight connections with TTU (42%) and, especially, possibilities to find highly qualified labour force (58%).

As a general remark it should be added that, according to the world experience, both technology parks and (especially) business incubators are, by nature, the instruments that are expected to create their own markets rather than to enter or use the existing ones.

It should also be emphasized that an approach similar to the present project – significant initial public investment to launch a science/technology park activities and to ensure the further sustainable development of the park – has been successfully used in many cases, both in Europe and elsewhere.

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8 When analysing the TTP business plan, President of the international Science Park and Innovation Centre Expert Group (Berlin, Germany), Heinz Fiedler, concluded in February 2002: “Leaving such a project exclusively to the private sector most likely would mean to endanger realization of the aims of the public partners. The project will
3.1.7. Tallinn Technology Park Incubator – the further steps.

In parallel to the implementation of the present project, the main activities will be directed towards marketing of the extended Incubator with the consequent search and pre-incubation of new tenants.

The main target groups for these activities will be
- entrepreneurial academicians from TTU and other R&D institutions in Tallinn;
- spin-off companies from TTU and other R&D institutions;
- employees of existing companies with their knowledge-based business projects;
- entrepreneurial people whose business idea will need technological elaboration and support.

Other interest groups of Incubator activities who can be and are used as “marketing agents” are:
- public sector institutions whose purpose is to promote business and improve employment situation and for whom the Incubator is one of the tools for completing their aims;
- TTU, other R&D institutions and large technology enterprises, who are interested in directing the results of their R&D into the business through the spin-off of starting business;
- potential investors – both public and private, who are interested in lowering the risks of development for projects/companies financed by them.
- companies willing to provide supportive services for the customers of the Incubator.

The main sources of information about the prospective tenants will be (see also p.3.1.6):
- the ongoing SPINNO Programme by the TTU R&D Department (see p.3.2);
- the existing personal network of contacts of TTU Innovation Centre Foundation staff,
- special student entrepreneurship project launched by TTU Innovation Centre in 2003;
- the special study ordered by Tallinn Municipality.

The main marketing tools and channels will be:
- Incubator’s Internet homepage www.tinc.ee
- open incubation competitions (announcements mostly in daily and weekly newspapers);
- communication networks of business organizations, consultants and other service providers;
- directed seminars and other contact events (incl. open doors’ days in the Incubator);
- direct mailing and individual sales.

All listed channels are already set up and in operation

After completion of the present project, the main tasks foreseen by the TTP business plan for the years 2005-2007 are as follows.

The 3rd phase of development – renovation and equipment of the remaining one-and-a-half floors of the building Akadeemia Rd.19 – will bring the Incubator to its planned final size (ca 1,900 sq.m, 65-70 tenant companies), which is estimated to be close to ensure self-sustainability of the Incubator with respect to the everyday operating costs. The approximate investment need for this phase will be 400,000 EUR that should will be raised predominantly from the public sector (national and municipal budgets, the TTP founders have indicated their interest to contribute), the contribution from the self-earnings of TTP is also possible.

3.2. Linked activities:

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<tr>
<th>Subject</th>
<th>Program</th>
<th>Budget (EUR)</th>
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<tr>
<td>Phare 2001 ESC:</td>
<td>Sub-project: assessment and adoption of</td>
<td>4 140 000</td>
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develop towards a commercial real estate development not taking the interests of the university, other research facilities, the city or other public sector partners into account.”
“Structures and Instruments for Implementation of Business Support Measures.”

R&D and innovation support measures in the MoEAC and Estonian Technology Agency due to the EU SF requirements.

Other technology incubators.
The TTP incubator will practically have no competitors in Tallinn in the foreseeable future, since the possible future business incubators (that are now in the planning stage by Municipality) will be of non-technological profile.
The only other technology-based business incubator in Estonia is in Tartu Science Park (has also applied for support under Phare 2003). Competition with Tartu Science Park Incubator will not be significant, because the target market segments are different
• geographically – The Tartu SP incubator will concentrate on Tartu and South-East Estonia;
• sectorally – the profiles of the two technology incubators are largely determined by the R&D-strengths of the two universities which are significantly different in this respect.
The possible competition for public financing should be eased by the fact that the model of two technology incubators is actually programmed into Estonia, as there are two universities/R&D clusters towering above others. Moreover this “two-centres” approach is clearly fixed in the R&D Strategy “Knowledge-based Estonia” (see p.3.1.1)
It should also be mentioned that the long-term international experience shows a clear prevailing of co-operation over competition in the business incubation field.

Linked activities undertaken by other parties:
Ministry of Economic Affairs and Communications together with Estonian Technology Agency (ESTAG) under the Foundation Enterprise Estonia have developed and launched several horizontal measures to support the innovative performance of Estonian enterprises, to encourage their R&D investments, and to boost science-enterprise co-operation.

• SPINNO programme. Programme launched by the Estonian Technology Agency aims at stimulating the commercialisation of R&D results through the development favourable environment for the entrepreneurship at the universities/R&D institutions. Elaboration of strategic approach for the technology transfer at the universities/R&D institutions and development of respective regulatory bases, networks and soft services are eligible activities for the co-financing under the SPINNO programme.
• R&D support scheme. Administered by Estonian Technology Agency, the scheme provides funding to market oriented R&D projects of companies and/or universities/R&D institutions in the form of grants and/or soft loans.
• Competence Centres (CC) Programme. New initiative, which supports the establishment of competence centres in the concrete technological fields, based on science-industry common mid-term research plan(s). The programme will be launched by the Estonian Technology Agency at the end of the year 2002. The programme is also included into SPD and foreseen as a subject for the EU Structural Funds co-financing. It is realistic that one of the centres (focused on some specific field of ICT) will be created in the area of Tallinn Technology Park.
• InnoAwareness Programme. The aim of the programme is to raise overall innovation awareness in the society, mainly focused on enterprises and potential entrepreneurs. Another line of the programme is to raise the more specific competences of enterprises in the area of innovation and technology management, etc.
• Estonian Innovation Relay Centre (ESTIRC) [European Union R&D Fifth Framework Programme]. The project is aimed at increasing the innovation potential of Estonian enterprises and research institutions and its application for improving the competitiveness of Estonia and the European Union. ESTIRC is a part of the pan-European network of Innovation Relay Centres created with the financial support of the European Commission
in the framework of the “Innovation and SMEs” programme of the 5th FP. This network consists of 68 centres, where approximately 250 organisations in total are involved. In Estonia the project consortium consists of Archimedes Foundation (co-ordinator in 2000-2002), Tartu Science Park Foundation (co-ordinator in 2002-2004), Estonian Technology Agency and Tallinn Technical University Innovation Centre Foundation.

3.3 Results
2nd phase of the Incubator in operation, rental and incubation agreements for 3/4 of net area concluded. (Activity 3.4)

3.4 Activities
Contract: Renovation of Incubator facilities 2nd phase (total area 680 sq.m.) (January 2004-May 2004; Total cost: 320 000 EUR, Phare contribution is 240 000 EUR and national joint co-financing 80 000 EUR)

Contract with one main contractor for the design and build renovation (including general renovation works and maintenance of the territory, development of utilities and installation of the air-conditioning equipment), of rooms with 50 workplaces installed with basic office furniture and PC-s (one per office), all shared areas (lobbies, hallways), as well as installing common technological systems (security, voice and data communications).

Construction works (including ventilation): 270 000 EUR
Equipment: PCs + Intranet for 20 incubation companies (1500 EUR each): 30 000 EUR
Furniture for 40 workplaces of incubants (500 EUR each): 20 000 EUR

3.5 Lessons learned
From the viewpoint of overall project administration: Concrete measures to improve the coordination of the EU funds: Foreign Funding Division has been established in the Economic Development department in the Ministry of Economic Affairs and Communications. Phare Unit has been created in Enterprise Estonia (EE) accordingly.

From the viewpoint of management of the current Technology Incubator:

• When launching an incubator in the surroundings that have no previous knowledge and experience about such an instrument, one should take into account an inevitably quite long period of raising the awareness among potential tenants/clients. The active and personal marketing measures (individual contacts, promotional seminars on sites, etc.) are much more effective than untargeted announcements.

• The pre-incubation cycle must be tailored as individually as possible, with the share of individual consulting hours vs. class-hours as high as the budget allows.

• The admission criteria could be a bit more flexible, e.g. the period of real activities of a start-up company could be taken into account instead of the age from formal registration of the company.

• At least during the first incubation months by far the most important service is the “family doctor” role of the Incubator management: careful listening of the tenants, diagnosis of their real problems, offering initial contacts and solutions. Lack of knowledge about market and marketing techniques is certainly the weakest point of almost all start-ups.

9 For the indicators see Annex 1 – Logical Framework Matrix; for summarized project description, see Annex 4 – Overall description of the project.
10 For the indicators see Annex 1 – Logical Framework Matrix; for summarized project description, see Annex 4 – Overall description of the project.
The used level of pre-equipment offered by the Incubator – one quite modest office-PC per company + basic furniture for each workplace – is fully sufficient. The well-equipped kitchen lounge is very important as a lace for social communications.

It is good to use, from the very beginning, the premises (meeting rooms) of the Incubator for various seminars, infodays, trainings, etc. with the outside participation. This approach also serves as an effective additional marketing tool for the Incubator.

4. Institutional Framework

4.1 Implementation

CFCU as an Implementing Agency (IA) is responsible for contracting with the beneficiary and for the payments of the project. Ministry of Economic Affairs and Communications delegates the task of management of the project to the Enterprise Estonia (EE), who acts as the Technical Implementation Unit of the project. Division of tasks between CFCU, MoEAC and EE is regulated in a special co-operation agreement\textsuperscript{11}. The Ministry of Economic Affairs and Communications ensures the capacity of the EE to carry out these functions and acts as support structure for PO.

4.2 Beneficiaries

The beneficiary of the project is Tallinn Technology Park Development Foundation (TTPDF), established in March 2003.
The founders of TTPDF are: the Ministry of Economic Affairs and Communications, Tallinn City and Tallinn Technical University. The Statute and other founding documents of TTPDF are enclosed to the current Fiche (Annex 7).
The TTPDF represents the public interests, collects and maintains the real estate designated by founding parties, and organises the management and development of TTP in strict accordance with the mission, goals and concept, as prescribed by the founders (see pp.3.1.1-3.1.3 above).

According to the Estonian Foundation Law (see Annex 9), a foundation is a not-for-profit legal entity under private law, established by its founders in order to achieve commonly desirable goal(s). It is governed by the General Board, the members of which are nominated by the founders, and managed by the Executive Board, nominated by the General Board. For the sake of achieving its statutory goals, and if approved by the General Board, a foundation is eligible to sell or lease property, form or join profit-making business entities, etc. A foundation can earn profit which, however, can not be distributed to the founders (stakeholders) but must be re-invested into the activities that are directed towards achieving its statutory goals. It is also important to notice that a foundation can not be joined (and thus taken over) by anyone after its founding.

4.3 Owners of the assets

Owner of the assets after the end of project will be the TTP Development Foundation.

5. Detailed Budget (EUR)

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<tr>
<th></th>
<th>Phare Support</th>
<th>Total Phare ((=I+IB))</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
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<td>IB</td>
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\textsuperscript{11} Annex X – Co-operation agreement between CFCU, MoEAC and EE
Renovation of Incubator phase 2: Works contract (design and build) | 240 000 | 240 000 | 80 000 | 320 000

Renovation of Incubator 2nd phase (works contract), total sum 320 000 EUR

Total sum is allocated as joint co-financing to the incubation area as follows:
Phare contribution 75% = 240 000 EUR
National co-financing 25% = 80 000 EUR

The amounts of joint co-financing indicated in the table correspond to cash co-financing. All national co-financing parties have submitted written commitments to confirm their readiness to contribute.

The co-financing of expenses will be monitored by the beneficiary and the NAO. For the earmarked co-finance, a clear and verifiable set of costs will be provided. The beneficiary will define which budget lines are the source for co-finance. Flow and stock data on co-financing will be submitted quarterly for Steering Committee and to the Sector Monitoring Working Group. The national co-financing budget line for this project is under art. 223.04.1 Enterprise Estonia in the state budget.

The beneficiary together with the NAO commits to sound financial management and financial control over their financial contribution.

The founders of the beneficiary: the State, City of Tallinn and Tallinn Technical University will provide 25 % of joint co-financing to the project in total of 80 000 EUR from their budgets in 2004.

<table>
<thead>
<tr>
<th>National co-financing (EUR):</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State budget</td>
<td>45,500</td>
</tr>
<tr>
<td>City of Tallinn</td>
<td>20,700</td>
</tr>
<tr>
<td>Tallinn Technical University</td>
<td>13,800</td>
</tr>
<tr>
<td><strong>Total national co-financing</strong></td>
<td><strong>80,000</strong></td>
</tr>
</tbody>
</table>

All national co-financing will be canalised through a common bank-account.
Any additional costs necessary for the realisation of the objectives of the project will be covered from national resources or private sources.

6. Implementation Arrangements

6.1 Implementing Agency
The Implementing Agency is the CFCU in the Ministry of Finance. It will be responsible for preparing of tender documentation, tendering, contracting and payments. According to implementation contract between Ministry of Finance, Ministry of Economic Affairs and Communications and Enterprise Estonia, the advisory and supervisory services are the responsibility of Enterprise Estonia.

Tasks:
- Approval of tender documentation submitted by EE;
- Appointment of Contracting Authority Representative/Employer and Project Manager/Engineer for the works contracts;
- Approval of composition of tender evaluation committee and evaluation report;
- Contracting works;
- Requests of Phare funds;
• Payments to contractor;
• Approval of reports.

**PAO:** Mr. Renaldo Mändmets  
**Title:** Deputy Secretary General  
**Institution:** Ministry of Finance  
**Address:** Suur-Ameerika 1; Tallinn 15006, Estonia  
**Phone:** +372 6113545  
**Fax:** +3726966810  
**E-mail:** renaldo.mandmets@fin.ee  
**Title:** Procurement Specialist - Mari Mandel-Madise  
**Institution:** Ministry of Finance  
**Address:** Suur-Ameerika 1; Tallinn 15006, Estonia  
**Phone:** +372 6113405  
**Fax:** +3726113041  
**E-mail:** mari.mandel@fin.ee

### 6.1.1 The Ministry of Economic Affairs and Communications / Programme Officer (PO)

The Ministry of Economic Affairs and Communications is responsible for technical implementation, monitoring and steering of the project, maintaining regular contacts with PAO/CFCU and providing technical support for Steering Committee. The Ministry is directly responsible for achieving the project purpose and contributing to the achievement of overall objectives.

The MoEAC has set up the **Steering Committee (SC)** with PO as a chairman. The Committee is an inter-institutional body that composed of the representatives of ECD, Ministry of Finance, Ministry of Economic Affairs and Communications, representative of Tallinn Technical University, representative of the City of Tallinn, Enterprise Estonia and social partners. The Steering Committee reviews, comments on and approves the reports and work plans of the project, discuss and authorise changes in project implementation plan and resource allocation. The Steering Committee will receive regular information on the activities undertaken and contracts implemented under national co-financing.

The link between the MoEAC and the EE is ensured through the Economic Development Department of the MoEAC, which works directly under the guidance of PO. The PO is responsible for monitoring the progress and planning of projects by EE and is accountable to the PAO and ECD.

Twice a year the Ministry of Economic Affairs and Communications (MoEAC) submits the Report of ESC Programme under the MoEAC to the Ministry of Finance. Monitoring Reports on MoEAC Phare projects will be discussed in Internal Market/Transportation Monitoring Sub-Committee. On yearly basis the overall monitoring report it is presented to the Joint Monitoring Committee.

**Tasks:**
- Providing national co-financing;
- Monitoring results and impact;
- Proposing corrective actions.

**PO:** Mr. Raul Malmstein  
**Title:** Deputy Secretary General of Economic Development  
**Institution:** Ministry of Economic Affairs and Communications  
**Address:** Harju 11, Tallinn 15072, Estonia  
**Phone:** +3726256370
6.1.2 Technical Implementation Unit (Enterprise Estonia)

According to the contract between MoEAC, MoF and Enterprise Estonia, the Technical Implementation Unit of the project is Enterprise Estonia (EE). Enterprise Estonia was founded by the Government in 2000, it consists of seven agencies: Regional Development Agency, Tourist Board, Technology Agency, Export Agency, Investment Agency, Ida-Viru Agency in Jõhvi and South-Estonian Agency in Tartu. Altogether there are above 110 employees, the number is constantly increasing.

In March 2002 a Phare Unit was established in EE with the objective to provide technical support to MoEAC in implementing the Economic and Social Cohesion (ESC) projects.

Tasks:

- Providing technical assistance to the project beneficiary
- Preparation of tender documentation
- Preparation of the standard formats and calendar for reporting of contractors;
- Submitting the composition of the tender Evaluation Committee to the PAO for approval;
- Organising the tender Evaluation Committee meetings;
- Examination of the Evaluation Reports and submitting to the PAO for approval;
- Follow up of the progress and planning of project;
- Conducting the general control of the implementation of the project, approval of project reports;
- Submitting request of payments of beneficiary to PAO for approval;
- Regular reporting to PO and Steering Committee.

The overall responsible person of the project: Mrs. Kerstin Liiva

Title: Head of Phare Unit
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
E-mail: kerstin.liiva@eas.ee

Project manager responsible on a daily basis of the implementation of the project:
6.1.3 Beneficiaries
The beneficiary of the project is Tallinn Technology Park Development Foundation.

Financial control of the Foundation:
The rules for financial control of all foundations in Estonia, including Tallinn Technology Park Development Foundation must have a yearly external audit of all its accounts. The audit report together with financial and activity report is presented to the Supervisory Board of the Foundation, which is nominated by the founders of the Foundation. Thus, adequate financial control and transparency are ensured by an external auditor and Supervisory Board, acting independently of each other.

The project manager is: Mr. Olav Anton
Title: Member of the Management Board
Institution: Tallinn Technology Park Development Foundation
Address: Akadeemia 19, Tallinn 12618, Estonia
Phone: +372 6838 000
Fax: +372 6838 001
E-mail: olav@tinc.ee

Beneficiary is responsible for daily supervision of the works contract (the main task of Project Manager Mr Olav Anton). Detailed responsibilities of the beneficiary’s Project Manager will be stipulated in the works tender dossier and contract. Salary for Project Manager (for supervision of works) will be parallel contribution to the project from co-financing sources.

6.2. Extended Decentralised Implementation System (EDIS)
Under EDIS the functions and tasks of all relevant bodies involved remain similar to the DIS procedures described above. The primary difference will be in that the ex-ante control will not be carried out by the ECD but by the Foreign Financing Department of the Ministry of Finance. The division of tasks between CFCU and ECD (this division is not given in the current fiche, could be added!) may thereby by revised accordingly after CFCU has received the accreditation. All specific provisions for the implementation and control mechanisms will be ensured by the Ministry of Finance and elaborated by the summer of 2003.
The provisional EDIS time schedule is the following:
Phase 1: Gap assessment – already completed;
Phase 2: Preparations for EDIS based on the gap assessment – May-August 2003;
EDIS system will presumably begin in the beginning of 2004.

6.3 Twinning
No twinning arrangements are envisaged in the project.

6.4 Non-standard aspects
No no-standard aspects are foreseen.

6.5 Contracts
Works contract – Renovation of TTP Business Incubator’s 2nd phase (320 000 EUR)

7. Implementation Schedule
   7.1 Start of tendering/call for proposals
   Procurement for the renovation works with the design-build project. (November 2003)
   7.2 Start of project activity
   Renovation of the 2nd phase of the TTP Business Incubator (starts February 2004)
   7.3 Project Completion
   Completion and acceptance of the renovation of Business Incubator’s 2nd phase (May 2004)

8. Equal Opportunity
   - Equal opportunities for women, men and minorities will be ensured by the PO during the implementation of the project.
   - The Estonian laws and regulations concerning the equal opportunities for women, men and minorities will strictly be followed.
   - During the implementation the project there will be no discrimination on the grounds of race, sex, sexual orientation, mother tongue, religion, political opinion, national or social origin and birth. Equal opportunities for women, men and minorities will be ensured by the Steering Committee during the implementation of the project.
   - Equal opportunity for men and women to participate in the project will be measured by recording the experts and consultants employed.

9. Environment
   Beneficiaries are responsible that planned investments will not cause any problems to environment.
   Environmental impact assessment as stipulated in Estonian legislation will be conducted by July 2003 and financed by the beneficiary.

10. Rates of return
    The internal rate of return (IRR) of the project is calculated on the basis of direct impact of the project, it does not measure the indirect socio-economic benefits accompanied with the project like:
    - increase of the number of new knowledge-based companies;
    - survival rate of new knowledge-based companies;
    - number of post-doctoral scientists working with their ideas as an entrepreneur

    For the calculation of IRR the revenues and costs related to the incubator project were segregated from the total cash flows of TT project. The IRR of the incubator investments, based on the cash flows calculated in the Business Plan and on the 20 years projection period, is estimated on the level of 4,8%. Considering the Phare support the return of investments will increase to the level of 27,4%. The relatively high level ROI gives freedom to the Foundation in selecting its clients, as well as financial capability to finance additional development activities in and around the incubator.
    It should be emphasised that, according to its Statutes and Business Plan, the TTP Development Foundation is obliged to re-invest any profit that it may create into the development of the technology park.

11. Investment criteria
   11.1 Catalytic effect:
Development of infrastructure in the TTP, as foreseen by the present Phare project, will increase the overall activity of technology-based businesses and R&D commercialisation and attract further financing both from public (national programmes, EU level programmes) and private sources.

11.2 Co-financing
The founders (City of Tallinn, the State and Tallinn Technical University) of the beneficiary will provide at least 25% of the project cost.

11.3 Additionality
Phare grants do not replace other financiers.
The involvement of additional contribution of founders (state, city and university) will be attached to the last, 3rd phase of the TTP Incubator development.

11.4 Project readiness and Size
- Tallinn Technology Park’s business plan is completed (see Annex 5).
- TTP Park Development Foundation is founded by March 2003.
- Completion of environmental impact assessment by July 2003, financed by TTPDF.
- Before starting the investment components all necessary technical studies and tender dossiers shall be completed by the beneficiaries.
- Total Phare investment to the project is 240000 EUR

11.5 Sustainability
- Based on calculations, the return of investments is clearly positive, so the investment will be sustainable after the completion of the project. Beneficiary assures the future maintenance and operating costs of the TTP. Moreover, as different indicators are showing that the Park as a whole will be sustainable, it automatically guarantees also the sustainability of the incubator.
- There are already approximately 100 companies, dealing mainly with ICT and microelectronics present on the territory of the TTP. Primarily as a result of studies and negotiations the private investors have shown interest to invest in the further development of TTP – it proves us the attractiveness of the Park environment already now.
- Founders of TTP Development Foundation have indicated that private investors and EU structural Funds may be involved in order to develop further the infrastructure and services of the TTP.
- Currently, City of Tallinn is covering some of the expenses of incubator tenants, which in the future will be covered by the revenues of Tallinn Technology Park Development Foundation, partly of fully through Incubator’s own earnings.
- The State is currently developing its incubator support policy. Part of the policy is focusing on sustainability of existing and further incubators.

11.6 Compliance with state aids provisions
State aid is regulated by Estonian Competition Law, which is harmonised and in compliance with European Union regulations.
All state aid provisions deriving from the Estonian Competition Law will strictly be followed during the implementation of the project.

12. Conditionality and sequencing

12.1 Conditionality
- Tallinn Technology Park Development Foundation (TTPDF) is founded in March 2003.
- Prior to starting the project activities Environmental Impact assessment of the project will be ensured by the beneficiary by July 2003.
- The investment will be fully consistent with the content of the draft SPD in its current version at the date of implementation of the project.
- The government (Ministry of Economic Affairs and Communications) guarantees the sustainability of the incubator. Maintenance and replacement costs for the building and equipment will be supported by public funds in the absence of other sources of financing. Contract 1 is conditional upon evidence of the availability of necessary public funds to cover the running costs of the building as well as necessary provisions for depreciation.

12.2 Sequencing

Preparatory work
- Recruiting a project manager in TTPDF by March 2003. Has already been fulfilled.
- Detailed planning of the territory, the corner of Akadeemia St and Raja St (June 2002 – May 2003).
- Additional market and feasibility studies 2nd phase of the incubator (November 2002 – May 2003).
- Marketing among and negotiations with potential tenants (July – December 2003);

Contracting process and renovation
- Tender dossiers prepared by the beneficiary by September 2003. Assistance is available for such a preparation through the 2002 Phare PPTMF project.
- Procurement with the design and build contract condition by January 2004
- Preparation of the contracts for renovation by January 2004
- Finishing of the renovation of the business incubator 2nd phase by May 2004

Annexes to Project Fiche

ANNEX 1 – Logical framework matrix
ANNEX 2 – Time implementation chart
ANNEX 3 – Contracting and disbursement schedule
ANNEX 4 – Overall description of the Project
ANNEX 5 – Tallinn Technology Park. Business Plan (Short version)
ANNEX 6 – Market research carried out for the Tallinn Technology Park project
ANNEX 7 – Founding Agreement and Statutes of the Tallinn Technology Park Development Foundation
ANNEX 8 – Tallinn Municipality Decrees and Regulations on Business Incubator
ANNEX 9 – Foundation Law of the Republic of Estonia
ANNEX 10 – Structure of Enterprise Estonia
ANNEX 11 – Problem tree of SPD
ANNEX 12 – Independent letter of recommendation
ANNEX 13 – Co-operation agreement between CFCU, MoEAC and EE?
<table>
<thead>
<tr>
<th>ANNEX 1</th>
<th>Program name and number: Phare ESC 2003/005-026.10.02</th>
<th>Date of drafting: 17.03.2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOG-FRAME PLANNING MATRIX FOR:</td>
<td>Contracting period expires: 30 November 2005</td>
<td>Disbursement period expires: 30 November 2006</td>
</tr>
<tr>
<td>Development of Tallinn Technology Park: further development of a business incubator.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total budget 320 000 EUR</td>
<td>Phare budget 280 000 EUR</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| Innovation and enterprise development through supporting knowledge-based start-up entrepreneurship in Tallinn region. | - Satisfaction of related and influenced actors, especially start-up enterprises (incl. spin-offs)  
- Increased reputation of the TTP  
- 3-fold increase of overall turnover of the TTP incubation companies by 2006  
- 4-fold increase of overall export volume of the TTP incubation companies by 2006.  
- 200 new jobs in tenant and alumni companies of TTP Incubator by 2008.  
- 100 incubation companies passed through TTP business incubator by 2008, survival rate at least 80%. | - Survey commissioned by project beneficiary and performed by independent expert  
- Annual Reports of the TTP Development Foundation  
- Regular Reports of Estonia issued by EC  
- Ex ante, interim and ex post evaluation by Estonian Ministries and EC Delegation  
- Regular reports of Estonian ministries to Phare Monitoring Committee |
The 2nd renovation phase of the TTP business incubator completed.

- Renovation of the 2nd phase of TTP business incubator completed and the workplaces equipped by May 2004.

The tenants of TTP Incubator will have all basic infrastructure services and will receive typical “soft” incubation services.

### Results

- 2nd phase of the Incubator in operation, rental and incubation agreements for 3/4 of net area concluded. (Activity 3.4)

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The 2nd renovation phase of the TTP business incubator completed.</td>
<td>Inspection of the new facilities, Project reports to EE, Regular project reports issued by EE and presented to SC, Monitoring reports issued by the MoEAC and presented to ESC Monitoring Sub-committee, Ex ante, interim and ex post evaluation by the MoEAC and EC Delegation in close cooperation with EE, Survey commissioned by project beneficiary and performed by independent expert</td>
<td>Coherent and professional governance and management of the project, and the whole TTP development. Stable macroeconomic development and favourable legal framework, Fruitful co-operation of central and regional administration, partnership principle effective throughout the project cycle, Growth in commercialisation potential of R&amp;D activities in Tallinn Technical University, Situation in real estate market</td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Cost (EUR)</td>
<td>Assumptions</td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Renovation of Incubator facilities 2nd phase (total area 680 sq.m.) (January 2004-May 2004; Total cost: 320 000 EUR)</td>
<td>Works contract</td>
<td>PHARE 240 000</td>
<td>National co-financing 80 000</td>
</tr>
</tbody>
</table>

**Preconditions**

- The feasibility study for the project ready by mid March 2003
- Tallinn Technology Park Development Foundation is founded in March 2003.
- Recruiting a project manager in TTPDF by March 2003.
- Environmental Impact assessment made prior to starting the project activities by July 2003.
- The investment will be fully consistent with the content of the draft SPD current version at the date of implementation of the project.
- Additional market studies for the project completed by March 2003;
- The government (Ministry of Economic Affairs and Communications) guarantees the sustainability of the incubator. Maintenance and replacement costs for the building and equipment will be supported by public funds in the absence of other sources of financing. Contract 1 is conditional upon evidence of the availability of necessary public funds to cover the running costs of the building as well as necessary provisions for depreciation.
ANNEX 2. TIME IMPLEMENTATION CHART

Project No: ES
Project Title: Development of Tallinn Technology Park: further development of a business incubator.

<table>
<thead>
<tr>
<th>Works contract</th>
<th>2003 Preparation period</th>
<th>2004 Project period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renovation of Incubator 2nd phase</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Works contract</th>
<th>2003 Preparation period</th>
<th>2004 Project period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renovation of Incubator 2nd phase</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 3. CONTRACTING AND DISBURSEMENT SCHEDULE (PHARE ONLY)

Project N°: ES

Project Title: Development of Tallinn Technology Park: further development of a business incubator.

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>TOTAL (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Total investment (EUR)</td>
<td>240 000</td>
<td>240 000</td>
</tr>
<tr>
<td>Works contract: Renovation of Incubator 2nd phase</td>
<td>240 000</td>
<td>240 000</td>
</tr>
</tbody>
</table>

CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>TOTAL (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Total investment (EUR)</td>
<td>120 000</td>
<td>240 000</td>
</tr>
<tr>
<td>Works contract 2 Renovation of Incubator 2nd phase</td>
<td>120 000</td>
<td>240 000</td>
</tr>
</tbody>
</table>
ANNEX 4– Overall description of the Project.

The objective of the present Project is to develop in Tallinn Technology Park (TTP) a relevant business incubation facilities that will support know-how and technology transfer as well as knowledge-based entrepreneurship. For this purpose, and in accordance with the TTP business plan:

2. Renovation and furnishing of the 2nd phase (one floor of the Akadeemia St.19 building, 680 m2) of the TTP business incubator will be conducted as a sequel to 1st phase completed in 2003. This area together with the supporting infrastructure is to be rented to start-up knowledge-based companies and equipped with necessary ICT networks and computerized workplaces, enabling to offer TTP incubation services (see the attached business plan). The renovated property will be owned, infrastructure and services managed by the TTP Development Foundation.

Preparations for the Project (June 2002 – January 2004) are financed by the TTP Development Foundation and its founders:
- Additional market and feasibility studies of the 2nd phase of the Business Incubator (November 2002 – May 2003);
- Marketing among potential tenants (July – December 2003);
- Negotiation and preparation of the Works contracts for renovation by January 2004

The Project itself (renovation works) is budgeted as follows:

<table>
<thead>
<tr>
<th>EUR:</th>
<th>Phare (=I+IB)</th>
<th>National co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renovation of Incubator phase 2: Works contract</td>
<td>240,000</td>
<td>80,000</td>
<td></td>
<td>320,000</td>
</tr>
</tbody>
</table>

Contracts will be for complete finishing of the buildings with “turnkey project” principle.

Results of the Project: high quality additional space for start-up knowledge-based enterprises (net area ca 520 m2); 500-550 new workplaces.

The beneficiary arranges renting the premises along with preparations and renovation of the premises. Relying on earlier experience, it is possible to rent out ¾ of the incubation premises upon completion of the renovation works.

The present Project is an initial step for the whole TTP development. During further implementation of the TTP business plan, additional premises will be built at need, and existing ones renovated, TTP Incubator and territory fully developed. Private investors and EU structural funds are planned to be involved in the future activities.

ANNEX 5 – Tallinn Technology Park. Business Plan (Short version)
ANNEX 6 – Market research carried out for the Tallinn Technology Park project

ANNEX 7 – Founding Agreement and Statutes of the Tallinn Technology Park Development Foundation

ANNEX 8 – Tallinn Municipality Decrees and Regulations on Business Incubator

ANNEX 9 – Foundation Law of the Republic of Estonia