

## Services

# Startup Factory 2023

## DETAILS

**COUNTRY:** Hungary

**REGION:** CEE

**TITLE:** Startup Factory 2023

**PERIOD:** ongoing

**LINK:** <https://nkfi.gov.hu/palyazoknak/nkfi-alap/startup-factory-2023-113-startup/palyazati-felhivas>

## GOALS, RECIPIENTS, BENEFICIARIES

HU has a large potential and would be well positioned to lead the CEE in deep-tech innovation. This needs patient but ambitious funding. This kind of investment is too rare in CEE, so the adaptation of Unicorn valley model is very important, like the complex accelerator tender, named Startup Factory program, to change that, as a special (Israeli styled) form of Accelerator complied with international standard, which is an appropriate instrument to prepare for the higher requirements for the highly growing Startup Hubs in developed, dense, mature innovation ecosystems within a particular fields of research and technological development which a range of Hungarian innovator SME-s, as potential unicorns. This restarting program also support the mentoring and investments on the investor parts helping the startups. Its budget amounts 5,75 billion HUF. This type of accelerator should be specialised, focusing their professional and business activities on prioritized fields, like IT Deep-Tech, energy technology and Industry 4.0.

The strategic objectives of the "Startup Factory 2023" programme, based on past experience and the needs of key players in the startup ecosystem, are the following priorities for support:

1. To continue the co-funded investment activities of the successful technology incubators in the Startup Factory programme, allowing the accumulated incubation knowledge and experience not to be lost, but to be used in the long term.
2. Strengthen investment in new incubators with sectoral specialisation (e.g. life sciences/medical technology; artificial intelligence technologies, deep-tech; environmental technologies), taking into account the characteristics of longer and more costly incubation.
3. To further develop the co-funded investment activities of incubation companies that have achieved success outside the publicly funded programme.

4. Encouraging the activities of state-owned incubators in the defence/dual-use focus area, due to the nature of the activity.

The general operational objectives of the programme will continue to be defined by the following objectives set out in previous calls.

1. strengthening incubators based on best international practices, to implement the following programme elements.
2. the development of fast-growing businesses from project ideas based on RDI results, which (i) strengthen their export market positions by exploiting research results in the market, (ii) significantly increase knowledge-intensive employment, and (iii) accumulate business and product development knowledge, thereby strengthening the competitive, innovative SME sector and contributing to the long-term growth of the Hungarian economy.
3. Leveraging the knowledge of incubation-experienced actors to create regional start-up hubs that provide opportunities for innovative ideas to emerge and be implemented.

Developing and strengthening the ecosystem that enables start-ups to develop, supporting early-stage start-ups (i) to support the initial incubation phase - from the idea phase, through validation, prototyping and development to the launch of an innovative product or service, and (ii) to help them develop a sustainable business model and achieve investment readiness.

- The incubator programme supports businesses which are interested in developing early-stage start-up companies based on innovative technologies through investment and extensive transfer of technical and business knowledge, bringing the start-ups' products based on new technologies to market and obtaining the necessary additional financing.
- Who are the target organizations that benefit from the support scheme: Business, Non-profit organisation.
- Eligible beneficiaries: Enterprise (non-research).

Description of eligible activities: firstly, the eligible activities on their own, as the subcontracted support activities for start-ups, Services Provided: Incubators employ a cohort-based model, where multiple startups go through the program simultaneously. This fosters a dynamic environment that is both competitive and collaborative, encouraging learning and professional network building. Startups benefit from: hands-on mentorship, training sessions and workshops led by experienced entrepreneurs, industry experts, and investors. The program culminates in a "Demo Day," where startups pitch their businesses to a select group of investors and industry stakeholders.

Secondly the activities not eligible on their own, as the fund management activity

- **Funding and Equity:** Participation in the selected incubator program typically comes with seed investment in exchange for equity ownership in the startup. This equity stake, usually ranging from 25% to 50%, is intended to provide financial support throughout the acceleration/incubation period and beyond.
- **Admission and Duration:** Admission to accelerator programs is highly competitive. Programs meticulously select only a handful of startups from a large pool of applicants, prioritizing those with a well-defined product or service and demonstrably high growth potential.
- **Fund management activity:** the business, legal and financial activities carried out by the incubator in relation to the disbursement of the grant from the NRD Fund under the Call.

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One of the hardest elements of the market failure to overcome is the avoidance of higher-risk, higher-return projects. Market failures require public intervention and increased use of innovative financial instruments.

The amendment of Act XXXIV of 2004 on Small and Medium-Sized Enterprises and Support for their Development, effective from 1 September 2023, will provide a positive change for Hungarian start-ups, as start-ups will be able to raise capital from their investors more easily and quickly in the form of convertible notes.

So, the incubator can meet the private equity investment commitment using this scheme. It is important to note, however, that a loan that can be converted into equity can only be accepted as a commitment if an acquisition of shares is made.

### **Duration of the project**

These programs have a fixed duration, during which startups undergo a rigorous process of refinement. The focus is on rapidly scaling their business models, accelerating product development, and optimizing market strategies. The goal is to fast-track a startup's path to market entry and secure investment readiness. The fixed-term nature of these programs, lasting minimum 2 years just a few months, demands that startups achieve significant milestones within a compressed timeframe. The duration of the incubator during the implementation of the project is a minimum of 24 months and a maximum of 30 months, for Specialisation Incubator New Incubator-V a minimum of 36 months and a maximum of 42 months. The incubator is required to disburse the full amount of the sub-grant no later than 6 months before the physical completion of the project.

It means that the incubators should invest at least 80% of their total project budget for these selected areas. It can be expected that 4-5 projects could start with support of 600-900 M HUF in this category.

The aid is funded by the National Research, Development and Innovation Fund (Innovation Fund) Innovation Fund)

#### **Total available budget for the call for proposals:**

HUF 5.75 billion. The funding is considered to be a grant (non-repayable).

- Old incubator: minimum HUF 300 million, maximum HUF 450 million
- Specialisation incubator: minimum HUF 600 million, maximum HUF 900 million
- New incubator: minimum HUF 150 million, maximum HUF 250 million
- New Incubator-V (defence): minimum HUF 450 million, maximum HUF 500 million.

The project must have a co-financing, the aid intensity varies depending on the title.

#### **Programme performance indicators:**

Volume of additional external investment in start-ups, start-up revenue, number and volume of exits.

Note that these indicators have been several times (2x-5x) higher than other public startup (e.g. venture capital) programmes for previously launched programmes. At the same time, an important result of the programme is pipeline generation for angel investors and VCs, e.g. HiVentures.

## **ELIGIBLE PROJECTS / EXPENSES**

The aim of the Call for Proposals launched by the Ministry of Culture and Innovation from the National Research, Development and Innovation Fund (hereinafter referred to as the NRD Fund) is to provide opportunities for existing technology incubators to continue their activities and to provide an entry point for additional incubators into the funding model, based on the principles of previous calls. The programme, based on a public-private co-investment concept, was an adaptation of the pioneering Israeli programme and the Finnish and Singaporean programmes based on it, and an optimisation of the call on the basis of periodic evaluations and feedback.

The incubator programme is aimed at companies interested in developing early-stage start-ups based on innovative technologies through investment and extensive transfer of technical and business knowledge, bringing the start-ups' products based on new technologies to market and obtaining the necessary additional funding.

The categories of technology incubator to be supported are defined as follows:

- Existing incubators: The incubators awarded funding under the previous Startup Factory (2020-1.1.4-STARTUP) programme and the incubators that have been awarded grants under GINOP-2.1.5-15 and ÖKO\_16 (national incubator supporting programs), which have not submitted a grant application under the Startup Factory (2020-1.1.4-STARTUP) Call for Proposals and have been incubating since then.
- "New incubator": incubator businesses that have successfully incubated in recent years, or new businesses that rely on the expertise of incubator professionals and have not previously received public support for incubator activities.
- "Specialised incubator": Incubator with a sectoral specialisation as defined in the 'Old incubator' or 'New incubator' category (e.g. life science, IT deep tech, environmental technologies). At least 80% of the incubator's investment value must be in the sectoral specialisation of the submitted application.
- "New incubator for Defense": An incubator with majority direct or indirect public ownership, whose investments are focused on the defence or dual-use area

**Further definition:**

Technology incubator: A company that carries out or will carry out investment and incubation activities for start-up companies whose main activity is considered innovative according to the definition in the current Oslo Manual.

## SUPPORT

Subcontracted support activities for start-up as they are eligible on their own, the activities not eligible on their own, as the fund management activity

**Fund management activities, as they are not eligible on their own:**

The aid is non-repayable aid. The business, legal and financial activities carried out by the incubator in relation to the disbursement of the grant from the NRDIFund under the Call.

## PROCEDURE

This Call for Proposals is published by the National Research, Development, and Innovation Office (hereinafter referred to as the NRDIFund Office) as the Managing Authority of the NRDIFund.

Only grant applications that pass the eligibility check will be assessed by the Incubation Evaluation Panel (hereinafter referred to as the "IEP") based on points 1 to 4 of the table below. Composition of the IEP: composed of members of the three Focal Area Innovation Boards plus 2 internationally recognised foreign experts with a professional background in early-stage start-ups (8 in total).

Supported projects of the 2023 call.

Project ID	Consortium leader	Project title	Grant (HUF)	Total cost (HUF)	Location
2023-1.1.3-STARTUP-2023-00023	Lunar Program Zártkörűen Működő Részvénytársaság	Lunar Program - Startup Factory Inkubációs Program	246 500 000	302 750 000	1139 Budapest, Hajdú utca 27. Fsz 7. ajtó
2023-1.1.3-STARTUP-2023-00031	White Unicorn Befektetési és Tanácsadó Korlátolt Felelősségű Társaság	Whiteunicorn Inkubátorház indítása - Induló start up finanszírozás, matchmaking és szakmai	250 000 000	306 818 182	1115 Budapest, Keveháza utca 1-3.

		inkubáció, főként health care és IT innovatív orientációval.			
2023-1.1.3-STARTUP-2023-00028	Nesprit Ventures Zártkörűen Működő Részvénytársaság	Nesprit Ventures inkubációs programja	249 999 200	306 817 200	1011 Budapest, Szerémi sor 8. Fsz 3. ajtó
2023-1.1.3-STARTUP-2023-00007	Virgo Ventures Technológiai Inkubátor Korlátolt Felelősségű Társaság	Virgo Ventures Startup Factory Program II. 2024 - 2026	450 000 000	552 272 725	1011 Budapest, Corvin tér 10.
2023-1.1.3-STARTUP-2023-00015	Első Közép Európai Hardver Akcelerátor Korlátolt Felelősségű Társaság	Innovációs ökoszisztéma kialakítása az Első Közép-Európai Hardver Akcelerátor Kft. projekt megvalósítása keretében	450 000 000	552 500 000	7150 Bonyhád, 1356/10.
2023-1.1.3-STARTUP-2023-00034	STRT Invest Korlátolt Felelősségű Társaság	STRT-Innovációs inkubátor	450 000 000	552 500 000	1015 Budapest, Toldy Ferenc utca 80.
2023-1.1.3-STARTUP-2023-00002	BNL Start Partners Korlátolt Felelősségű Társaság	BNL Start inkubátor program kezdő ötletgazdák és haladó innovatív vállalkozók részére	450 000 000	552 272 727	3515 Miskolc, Egyetemváros C/2 ép. Földszint 1.
2023-1.1.3-STARTUP-2023-00003	OXO Labs Üzletviteli és Tanácsadó Korlátolt Felelősségű Társaság	Oxo Labs Startup Factory	450 000 000	552 275 000	1027 Budapest, Ganz utca 12-14.
2023-1.1.3-STARTUP-2023-00010	Startup Campus Inkubator Zártkörűen Működő Részvénytársaság	Startup Campus - Ötlettől a nemzetközi piacig! 2.0	450 000 000	557 250 000	4028 Debrecen, Simonffy utca 4-6. I. em.

2023-1.1.3-STARTUP-2023-00018	GUKA Energetikai Zártkörűen Működő Részvénytársaság	Startup Factory program az informatikai és zöld innovációk szolgálatában	899 902 000	1 106 000 000	5600 Békéscsaba, Kinizsi utca 4-6.
2023-1.1.3-STARTUP-2023-00016	Creative Accelerator Korlátolt Felelősségű Társaság	Specializált élettudományi fókuszú inkubátori program	899 902 000	1 146 130 000	6723 Szeged, Felső Tisza part 31-34 G. ép 9. em.

Project ID	Consortium leader	Project title	Grant (HUF)	Total cost (HUF)	Location
2023-1.1.3-STARTUP-2023-00001	Védelmi Innovációs Kutatóintézet Nonprofit Zártkörűen Működő Részvénytársaság	VIRTUS - védelmi innovációs venture studio	500 000	613 750 000	1016 Budapest, Lisznyai utca 38.

## Status / Results:

The latest, third Call for Proposals was announced in 2023, along with incubators announced to be supported in early 2024. The aim of the call is to provide opportunities for existing technology incubators to continue their activities and to provide an entry point for additional incubators into the funding model, based on the principles of previous calls. Results expected to be visible for the ecosystem in 3-4 years, as well as the new Call for Proposals can be expected in the same time period. Leveraging the expertise, networks, and funding opportunities offered by these programs can significantly increase a startup's chances of achieving long-term success.

## Remarks:

In accordance with the activities undertaken for the project, the direct beneficiary shall report on a list of strict and thorough indicators according about the period of implementation.



## CONTACTS

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