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“ We must recognize these scale ups as an important new voice. The new technologies they bring are key to solving current challenges.”

ELINE VAN BEEST
Chair Tech Champions

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THE COMPETITIVE POSITION OF THE NETHERLANDS IS UNDER THREAT

The global balance of power is increasingly determined by technology and who controls it. Despite the Netherlands' rich history of technological innovation and entrepreneurship, we currently lack the necessary vision to create a business climate for deep tech scale ups to thrive. Compared to the US, Dutch deep tech scale ups are growing four times slower and have a ten times lower success rate to become a long-term stable player¹, indicating a pressing need for improved support and infrastructure to regain competitiveness.

The Netherlands needs to develop a vision that integrates both tech and business climate. So that technology companies can carry the Dutch economy into the future and our children can continue to enjoy our current welfare.

THE NATIONAL TECHNOLOGY STRATEGY (NTS) IS THE RIGHT FIRST STEP

Recognizing the urgency, the Dutch Ministry of Economic Affairs and Climate launched the National Technology Strategy (NTS) in early 2024. The NTS identifies ten key technologies where the Netherlands can be competitive and drive future economic growth: optics and integrated photonics, quantum, green chemical production processes, biotechnology focused on molecules and cells, imaging technology, (opto)mechatronics, artificial intelligence (AI) and data, energy materials, semiconductors, and cybersecurity.

SCALE UPS ARE CRITICAL FOR THE SUCCESS OF THE NTS

The success of the NTS and the future of the Dutch economy is strongly dependent on the development and growth of deep tech scale ups, as many of these industries are still developing and fast changing. Scale ups can rapidly industrialize these emerging technologies and drive real impact in solving societal challenges and drive national earning power. But to do so, they require a unique ecosystem tailored to their needs, which is currently lacking.

To ensure that scale ups can drive progress in the NTS, we need three major ingredients:

- **Consistent Long-Term Policy**
- **Speed**
- **Joint Risk**

Each of these elements is crucial for creating an environment where deep tech scale ups can thrive and enable them to drive the Netherlands' technological and economic leadership.



TECH CHAMPIONS CAN HELP

We are immersed in scale-up life on a daily basis and can share what is needed, what works best and where barriers need to be removed. From our own experience and from what we know from the large community of rapidly growing scale ups, we offer our help to realize this vision.

01 CONSISTENT LONG-TERM POLICY

Scale ups have a long growth journey that requires consistent policy.

The government must commit to long-term, structural policies and financing over the next 10 to 20 years. Consistent support will build a rich and stable ecosystem, foster trust and enable universities to invest in NTS, talent to emerge, clusters to grow, and finance to flow into the sector. A stable policy environment will attract more local and foreign investment and ensure that the Netherlands remains at the forefront of technological innovation.

Consistent policy also requires making choices to pursue those areas where the Netherlands can excel and sticking to these choices for the long run. NTS provides a strong starting point where these choices are made, by matching our strengths with the future needs of a rapidly changing society. Moreover, technologies often take time to fully develop; frequently changing focus results in abandoning promising, impactful innovations before they come to fruition.

To achieve this, it is imperative to embed the NTS in the implementation of the Dutch industrial policy and anchor the vision into a practical agenda. In setting this agenda, scale ups should have a structural seat at the table when developing industry policy to make sure that their perspective and needs are included. In an effort to not only keep what we have, but make the path for new entrants amongst our 'top sectors' as smooth as possible. Specifically, we need policy around knowledge, talent and industry clusters in which scale ups can also thrive.

1.1 NTS KNOWLEDGE DEVELOPMENT

The Netherlands has one of the lowest percentages of technical students in Europe. To increase that number, the government must ensure that universities focus on NTS technologies, provide education in English, and stimulate spin-offs. This will facilitate the transfer of NTS technologies from academia to industry, generating both the knowledge and talent needed for scale ups. By aligning educational institutions with the NTS, we can create a pipeline of skilled professionals and innovative spin-offs that drive technological progress.

Support initiatives to enhance education and research:

- Welcome international talent and ensure the continued offering of education in English for the NTS technologies.
- Enhance education and research in critical NTS areas by providing facilities and scholarships.

Provide special 'collaboration carve-outs' between knowledge institutes and NTS scale ups:

- Stimulate collaboration that enables NTS scale ups to access university facilities, knowledge institute facilities and resources.

Promote founder-friendly spin-out and accelerator programs:

- Support entrepreneurs in transforming academic research into successful ventures, including favorable IP valorization terms, following standard deal term principles.
(<https://www.science-to-impact.nl/en/highlights/dealterms>)



1.2 NTS TALENT POOL

To attract and retain the best talent, the government needs to maintain and enhance policies such as the 30% ruling, improve taxation of employee participation plans, and modernize pension schemes and labor law tailored for scale ups. These measures will help build a robust talent pool necessary for scale ups to grow.

Maintain the 30% expat ruling for the long-term:

- This policy helps to attract and retain highly skilled international talent in an extremely competitive global workplace. Inconsistent policy on this ruling increases uncertainties and drives away potential talent.

Improve employee participation plans:

- Enable tech entrepreneurs to offer employee stock option plans against favorable tax rates in line with international standards to compete with corporate remuneration packages.
- Stimulate risk taking, by allowing employees to accumulate stock and only pay taxes when shares are monetized, via a capital gains tax.

Modernize pension requirements and labor law:

- Allow application of labor laws to be more flexible to better suit the needs of scale ups, especially during the phase when there is negative cash flow and a need to adapt quickly.
- Allow scale ups additional time to enroll in mandatory pension funds until they reach a stable and sustainable level of operation.

1.3 NTS CLUSTERS

Stimulating specific NTS clusters will create ecosystems of knowledge, talent, and companies within particular areas. This targeted approach will attract investors who see the value of cluster synergies and the potential for significant returns in these concentrated technology sectors. By fostering clusters, we create environments where scale ups can collaborate, innovate, and grow more efficiently.

Stimulate existing clusters and develop new ones:

- Enhance established clusters, such as biotech in Leiden and semiconductors in Eindhoven.
- Foster new clusters like energy in Rotterdam.

Seek CEO captains of industry as NTS sponsors to team up and help NTS companies scale:

- Leverage experienced leaders to guide new companies within mature industries.

Create cluster coordination through public private collaboration

- Replicate the success formulas such as Brainport.
- Create coalitions with top sectors and NGF projects to jointly drive clustering around key enabling technologies and realize their economic impact.

“ I strongly believe in the value of novel technologies in solving some of our major societal challenges. Young and rapidly growing scale ups will play a critical role in realizing this vision.”

JOHAN FEENSTRA
SMART Photonics



02 SPEED

We need a ‘fast lane’ for governmental interactions and priority access to public infrastructure.

Scale ups need fast lanes for subsidies, permits, and access to public facilities. Implementing expedited processes for these critical elements will enable scale ups to capitalize on market opportunities and overcome their valley of death. Faster growth and funding opportunities will attract more investors, who will see quicker returns on their investments in NTS technologies.

SCALE UPS NEED TO GO FAST TO BE AGILE AND ADJUST RAPIDLY TO CHANGING CONDITIONS

Provide a ‘fast lane’ for subsidy applications and awards within three months:

- Expedite funding processes to help scale ups capitalize on market opportunities and accelerate growth.

Process governmental permit applications within three months:

- Implement a priority process for initiatives that support NTS.

Establish rapid access to public facilities within six months:

- Examples include priority electricity grid access for uninterrupted operations, lab, clean-room, and testing facilities.

03 JOINT RISK

SCALE UPS NEED LARGE INVESTMENTS AT A HIGH-RISK PROFILE TO COMPETE IN A GLOBAL ENVIRONMENT AND BECOME STABLE LEADERS

Deep tech scale ups are inherently capital intensive and require considerable high-risk funding before they can transition to standard corporate financing. To achieve success and fulfill Dutch ambitions, it is crucial that we significantly increase our financial commitments². Currently, investment capital made available in the Netherlands to support NTS technologies is insufficient to meet the funding needs of these promising ventures. A significant portion of this funding should be non-dilutive to attract private investments with a favorable risk/reward ratio.

Blended forms of finance, including combinations of equity, debt and grants are crucial for scale ups to become global leaders. The government should provide dedicated access to subsidies and facilitate soft loans for deep tech scale ups.

Additionally, government-backed guarantees can level the playing field between scale ups and established corporations, facilitating easier access to large contracts and investment opportunities for new entrants. The government can also stimulate NTS demand, for instance by being the first customer and/or drive adoption of innovative products by policy and public tenders. And finally, the government should encourage and support Dutch pension funds to invest in NTS scale ups.

Dedicated subsidy portal for NTS scale ups:

- Create a subsidy instrument focused on deep tech scale ups that cover both capital and operational cost.
- Create a clear funding portal for NTS technologies that guides companies towards applicable subsidies and funding opportunities.

Double down on blended financing options:

- Expand the availability of non-dilutive funding instruments such as soft loans and grants that unlock private investments.
- Provide guarantees that enable commercial bank loans for both capital and operational expenditure.
- Create tax incentives for early investors to encourage more risk capital.

Stimulate commercial offtake of NTS technologies:

- Include innovation scope in public tenders that require NTS technology implementation.
- Promote collaborations between corporates and scale ups in subsidy instruments.

Offer government-backed guarantees for scale ups to compete with corporates:

- Provide credibility and financial security needed for large contracts and investments.

Support Dutch pension funds to invest in NTS scale ups:

- Provide government backed guarantees that allow pension funds to make deep tech fund-to-fund investments.

TOGETHER, LET'S SHARE THE RISKS AND BUILD A THRIVING DUTCH ECONOMY FOR DECADES TO COME

Scale ups take on a lot of risks that only pay-out to society much later. We call on all stakeholders in the ecosystem —government, universities, companies, banks, and investors— to take the necessary risks to support NTS scale ups and express our willingness to actively contribute. By investing in these technologies, applying easier rules, and embracing risk, we can collectively build a prosperous future for the Netherlands. Together, we can create an environment where deep tech scale ups flourish, driving economic growth, technological advancement, and societal well-being for generations to come.

References

- 1: <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/building-a-world-class-dutch-start-up-ecosystem>
- 2: Deep tech scale ups often require around EUR 200 million in high-risk funding before corporate financing becomes viable. Assuming that each successful scale up needs an average of EUR 600 million, a minimum of EUR 6 billion is necessary to create one successful deep tech company in each of the ten NTS technologies.

KEY TECHNOLOGY CHAMPIONS:





**“ There is a role for us,
scale up entrepreneurs,
to envision an optimistic
future in the Netherlands,
and to lead in getting
shit done to get there.”**

CHRISTIAN ROOD
LeydenJar

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