

DIFASS GOOD PRACTICE FACT SHEET NO 17, Sardinia 19th – 20th June 2013
WORKSHOP THEME: MIXED GRANT/NON GRANT SCHEMES

PROGRAMME: PROTOTRON FUND

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1. SUMMARY OF GOOD PRACTICE

▪ Overview & Aims

The overall aim of **Prototron** is to **fill the gap** experienced by entrepreneurs and start-ups in sourcing the **funds needed to develop first, working prototype products** to prove their business concepts.

Operated by the Tallinn Science Park, the **Prototron Foundation** aims:

- To help talented young entrepreneurs access and break into the global market
- To support new innovative products and technologies that contribute to the development of the Estonian economy
- To raise the profile of Estonia's image as a start-up country with great potential.

Emphasising the benefits arising from the promotional opportunities, the scheme raises investment funds from commercial banks, private companies or institutions, which are then used to help start-ups and entrepreneurs, develop their first prototypes. These funds are then awarded as Grants.

- ✓ Normally in a stalemate situation, unable to access finance until they can prove their business concept, start-ups benefit from gaining access to finance needed to develop a prototype.
- ✓ The Tehnopol benefit from helping start-ups realise their prototype ideas and the PR opportunities involved.
- ✓ Investor Sponsors gain benefit from the PR/media opportunities arising from their support and the projects.

▪ Key Resources

- Programme Partners

Lead Partner – Tallinn Science Park Tehnopol

Sponsors/Investors include Swedbank and Tallinn University of Technology – providing the 'know how', expertise and/or prototype funds.

Funding: Funding Body & SME Contribution

Completely financed by private funds and set up in 2012 the scheme has raised €120K in its first year and an additional €180K in 2013.

Successful SMEs can obtain 100% of their prototyping costs, (subject to a review of their proposal) with no minimum or maximum limits set for grants.

- **Eligibility Criteria**

Start-ups, entrepreneurs and SMEs developing their prototype in Estonia. Aimed at the Incubators existing areas of expertise; Green-Tech, ICT, Electronics and Mechatronics, grants are aimed at first prototypes for products with opportunities for internationalisation. (Although offered favourable terms, start-ups don't have to be located at the Science Park to benefit from the funds).

- **Terms and Conditions**

Investment is made in the form of a grant with no terms and conditions aside from the presentation of the prototype by the date agreed.

2. IMPLEMENTATION

- **Key Steps – How it Works.**

Management and day to day operational activities involved in the scheme are resourced by the Marketing team with no direct costs charged to the scheme.

- i. Entrepreneurs and SMEs submit an online application describing:

- The problem they solve and the solution they have
- The competition and their competitive advantage
- The technology involved in the prototype and relevant IP
- Business model; a sound business proposition and researched business plan
- Market and 'Go-to-market' strategy
- Budget and project plan for production of the prototype

- ii. First sift of applications undertaken by a pool of experts.

- iii. The ten best projects are invited to present their idea to the Prototron committee.

- iv. The committee selects which projects to finance.

- v. Successful applicants are awarded grants covering the full cost of prototype development and benefit from the normal ongoing support available from the Incubator.

Unsuccessful applicants are offered advice and where appropriate, can re-apply.

Use of private funds has enabled a very simple process. The Expert Panel meet every three months to discuss ideas reaching the panel stage. Neither the sponsor/investors nor the Science Park take any financial benefit i.e. equity or profit from the businesses involved.

Submitted ideas are firstly pre-evaluated by 15 business experts of Tallinn Science Park Tehnopol, Swedbank and Tallinn University of Technology. The final decision is made by Prototron Expert Panel combining representatives from Prototron founders and business leaders or investors from Estonia's ICT, telecommunication and mechatronics companies.

▪ **Key Stats - To Date**

Starting in 2012 with 3 rounds taking place to date, results are as follows:

KEY MEASURE	TOTAL
Number of Applications Submitted	300
Number of Applications Accepted	7
Funding Allocated to successful SMEs to date	€65,000
New Enterprises Started	5
Jobs Created	10

3. KEY LEARNING POINTS & OPPORTUNITIES

The prototype fund is growing and the quality of the applications improving. 'The quality of ideas is really good and really well figured out'. The promotion opportunities for the incubator have enabled them to build a stronger community for start-ups.

– **What worked well**

– The scheme is based on a grant with **no equity stake whatsoever**. The investor's payback comes from 'free' marketing and publicity arising from the scheme and the individual business projects. The funders i.e. banks were persuaded to invest money from their already existing marketing budget on the basis that they would see a better return, and 'so far they are happy'.

– Many new project teams with good product ideas with potential have been encouraged to come 'out of their workshops'. The Foundation has boosted creativity, encouraging a good source of innovative ideas.

– Set up with the minimum of bureaucracy with no limitations on type of applicant, timescales involved and the size of project.

– Financed by private funds. Prototype funds are paid in advance.

– Easy application process and no limitations for successful applicants on how they spend their money

– **Challenges/Weaknesses**

The control over prototype production i.e. using money on agreed activities needs improving.

▪ **Transferability**

– Opportunities: The possibility of extending the scheme to neighbouring markets where Swedbank is active. Other regions can implement the same scheme with other private partners.

– Threats: Sourcing private investors/sponsors. Maintaining the momentum, how to keep raising the money

FURTHER INFORMATION:

You Tube: <http://www.youtube.com/watch?v=2yVKbBhi8oo>

Tallinn Science Park Tehnopol: <http://www.tehnopol.ee/en>