

EARLY STAGE/ EXPANSION FINANCING TO SMALL INNOVATIVE ENTERPRISES IN RUSSIA

Ivan M. Bortnik, FASIE

TOPICS TO BE CONSIDERED

- The Government's financial and economical policy during transition stage of economy
- Situation with demand for innovation
- Situation with Russian science and scientists
- IPR protection
- What FASIE does

STEPS BY THE GOVERNMENT

- **Direct interventions:**
 - FASIE was chartered as fund for early stage financing of Small Innovative Enterprises (1994), 45 M€
 - VIF was chartered as a venture fund of funds (2000),
 - Support of infrastructure development – 35 ITC, 200 of TT offices (2000-2006),
 - Innovative Mega Projects started (2003), 100 M€
 - Federal (50%)-regional (25%)-private (25%) investment funds for SIE started to be chartered (2005), 200 M€
 - 4 Free economic zones for innovative activity (2005)
 - Russian Venture Company chartered (2006), 440 M€
 - 1,0 B€ for “Innovative Universities” (2006)
 - 100 M€ for business incubators, “compensations” and guarantee schemes for SMEs (2006)
 - National nanotechnology corporation chartered (2007), 1,0 B€

STEPS BY THE GOVERNMENT

- Fiscal instruments:
 - profit tax exemption for corporations' R&D funds as 1.5% of their turnover, (1992)
 - expenses of Federal R&D foundations are profit and VAT tax exempted (1994)
 - profit tax exemption for corporations' R&D expenses (2007)
 - expenses for IPR protection are tax-free (2007)

DEMAND FOR INNOVATION

- Large corporations just started to look for 10-15 years old technologies however when it comes to new either machinery or technologies they buy them from abroad
- Emerging sector of knowledge-based SMEs is too small to create large demand
 - FDI and R&D centres of large international corporations in Russia started to play important role

SCIENCE AND SCIENTISTS

- There is still large scientific reservoir (personnel and results) as potential source for innovation
- Soviet scientist were not used to “sell” their skills and knowledge to industry for joint projects. They were “involved” into them through planned system
- Soviet scientists’ mentality does not fit mentality of venture investors and business-angels
- Educational level is still high

IPR PROTECTION

- IPR legislation (Patent law, commercial secrets etc.) are harmonised with international standards (mostly)
- Enforcement of IPR legislation is still well behind of it's level



Foundation for Assistance to Small Innovative Enterprises

www.fasie.ru

MISSION

to develop and to implement the tools of
The State assistance to commercialization
of new knowledge into products and
services by small companies:
early stage financing

| | |
|---------------------------------|--|
| •Chartered by | - The government of Russia, 03.02.1994 |
| •Financed through | - 1,5% of federal budget for R&D (40,0 M€ for 2007) |
| •Form of assistance | - The state contract for R&D |
| •Policy and control by | - The observing council |
| •Operation by | - Directorate |
| •Expertise | - Independent experts |
| •Decision by | - Jury |
| •Regional policy through | - Regional delegates |

Tools to assist



| | | |
|--------------------------------|-------------------------|--|
| Spin off | ← START , | 3 year project, 30.000 US\$ for Phase I, 150.000 – for Phase II, 50/50 cofinancing |
| Licensing from Universities | ← TEMP , | 3 year project, up to 500.000 US\$, 30/70 cofinancing |
| Knowledge Transfer Partnership | ← PUSC , | 1 - 2 year project, up to 500.000 US\$, 30/70 cofinancing |
| Self development | ← Compensation schemes, | credits, leasing |

START financing



1 year - up to 30 US k\$ per one project,
stay in University

2 – 3 years: matching money, business
plan, IPR is protected, move to Enterprise

2 year - up to 60 US k\$

3 year – up to 90 US k\$

START's results (2004-2007)



- ✓ 7400 applications
- ✓ 1750 projects (100 well developed companies is an ultimate goal)
- ✓ 1500 new SIEs, more then 5000 new jobs of high qualification
- ✓ 1300 IPRs are involved into Program
- ✓ 149 SIE are on the second year, 30 are on the third year
- ✓ 15 US M\$ are invested
- ✓ 50 SIE started to sale

UMNIK (SMART) Program



- ✓ nominee should not be more than 28 years old
- ✓ idea should be his (her) own
- ✓ good science behind idea is important criteria
- ✓ “entrepreneurships” of nominee is important
- ✓ Commercialization is within 5 – 7 years
- ✓ No need to organize enterprise for first two years

PUSC Program

- Partnership of Universities and Small Companies
- Joint Program with Rosnauka
- To assist rather matured Enterprises when they need “package” - new technology and highly trained personnel for it’s commercialization
- Rosnauka finances University for training
- FASIE assists technology commercialization by SIE

TEMP Program

- TEchnology to Small Enterprise
- To assist licensing of IPR from Universities and research Institutes of RAS
- Controlled by royalty paid to scientists
- FASIE assists R&D by SIE
- SIE invests heavily into machinery, marketing etc.

Some FASIE's results (13 years)

| | |
|---|-------------------------|
| Applications | - more than 15000 |
| Contracts | - more than 4000 |
| Average turnover per SIE | - US\$ 500 thousands |
| Average growth | - 20% per year |
| Number of commercialized patents | - more than 1500 |
| Number of issued patents | - more than 1000 |
| Companies with turnover | |
| more than US\$ 1mln | - about 100 |
| more than US\$ 5 mln | - dozens |
| more than US\$ 30 mln | - 3 |

| | ITC | TECHNO PARCS | CENTRES FOR TT | NAUKO GRADS |
|----------------------|------------|-------------------------|---------------------------|------------------------|
| CENTRALREGION | 26 | 10 | 21 | 6 |
| NORTH-WEST | 12 | 6 | 11 | - |
| SOUTH | 5 | 7 | 7 | - |
| VOLGA REGION | 6 | 13 | 11 | - |
| URAL | 2 | 1 | 3 | - |
| SIBIRIA | 8 | 4 | 9 | 1 |
| FAR EAST | 2 | 3 | 4 | - |
| IN SUMMARY | 61 | 44 | 66 | 7 |

Технологическая деревня МИЭТ -

современная инфраструктура для развития инновационной деятельности



1. Современные учебно-научно-производственные площади
2. Сеть центров коллективного пользования новейшими технологиями электроники и микроэлектроники
3. Высококвалифицированные молодые кадры из университетской среды
4. Благоприятный инвестиционный климат

Направления деятельности Технологической деревни

Трансфер и
коммерциализация
технологий

Предоставление офисных,
научно-лабораторных
и производственных
площадей

Координация
инновационной
деятельности

Полный комплекс
консалтинговых
услуг в сфере
поддержки
научно-исследовательского
предпринимательства

Проектно-
технологические
услуги по полному
циклу создания
изделий электроники
и микроэлектроники



Contacts

Tel: +7 (495) 231-19-01

Fax: +7 (495) 231-19-02

Email: info@fasie.net

Web: www.fasie.ru