Overview of funding instruments for seed, follow-on and growth financing

(Current as of: March 2024)

New businesses are drivers of structural change. They realise innovative new ideas, make a key contribution to the digital and green transitions, create jobs and thus safeguard the foundations for future prosperity in Germany and Europe. Businesses rely on reliable financing tailored to their needs as they go through the seed, growth and internationalisation stages.

This goes both for traditional small and medium-sized enterprises (SMEs) and for young, innovative businesses with growth ambitions characterised by an innovative business model, an innovative product, or an innovative service. These innovative startups also have scaling potential, in other words the potential for fast and strong growth. Their financing needs are different from those of traditional SMEs: innovative startups often find it hard to gain access to classic loan and debt financing as they are usually unable to provide the collateral required by banks. For these businesses, equity financing is an important alternative option. This is why the Federal Ministry for Economic Affairs and Climate Action provides not only the usual grants and guarantees, but also dedicated financing instruments – to substitute the collateral asked for by banks – which suit the needs of innovative, technology-driven startups.

The financing toolbox covers all development stages of a business, from pre-seed all the way to the capital-intensive growth stage. It targets new entrepreneurs, innovative startups and businesses and, on the investor side, business angels, venture capital and venture debt funds. The various programmes are being financed from the ERP Special Fund, the equity fund for forward-looking technologies (Future Fund) and the funds earmarked in the federal budget for the Federal Ministry for Economic Affairs and Climate Action, with some programmes receiving co-financing from additional public and private-sector investors. The funding for the individual programme takes the form of grants, advisory services, reduced interest rates and, in the area of equity financing, co-financing from private-sector investors.

The following sections give a brief summary of the various funding instruments provided by the Federal Ministry for Economic Affairs and Climate Action. Apart from the programmes listed here, there are many other funding and financing programmes which are provided separately, for example by the German *Länder* and the European Union. A good overview of all funding programmes can be found in the Federal funding database (which covers federal funding, *Länder* funding and EU funding):
Link: [Funding database]

Instruments for medium-sized and large enterprises

Target group: Entrepreneurs

during the seed stage

ERP Startup Loan - StartGeld

The ERP Startup Loan - StartGeld provides new entrepreneurs, freelancers and small businesses, which have entered the market less than five years ago, with low-interest financing for projects in Germany which require up to €125,000 in total debt financing. The programme is open for natural persons who plan to set up or strengthen a freelance or commercial business including a for-profit social enterprise in Germany. Small commercial enterprises including small for-profit social enterprises can also apply.

The main bank used by the company receives an 80% release from liability, which facilitates access to loans. For more information, contact your bank.
Link: [ERP Start-up Loan - StartGeld]

Target group: Small and medium-sized enterprises (SMEs) in the seed or later development stage

German Microfinance Fund (REACT-EU) – My micro loan

Under the German Microfinance Fund, the Federal Ministry of Labour and Social Affairs – in cooperation with the Federal Ministry for Economic Affairs and Climate Action – offers low-threshold loans of up to €25,000 for small and medium-sized enterprises on a nationwide basis. The funding offered is open to small and medium-sized enterprises from all sectors. It is aimed in particular at economically viable enterprises that do not have access to bank loans. This often includes small and micro-enterprises, young enterprises as well as enterprises led by women or persons with a migrant background. Improved access to debt capital is to strengthen the competitiveness of the enterprises receiving funding and is to contribute to securing training places and jobs in these enterprises. For more information, contact your bank.
Link: [German Microfinance Fund]

Micro-Mezzanine Fund

The Micro-Mezzanine Fund was launched in 2013 and provides dormant equity of up to €50,000 for small companies and startups and of up to €150,000 for companies within the special target group. The fund's special target group are companies that provide training, are operated by women or persons with a migrant background, or were founded by persons who were formerly unemployed. Social enterprises operating commercially are also eligible to apply for financing at the terms of the special target group, as are companies with a focus on the environment. For more information, contact the SME venture capital company of the German *Land* in which the company is based.

ERP Promotional Loan for SMEs

The programme gives small and medium-sized enterprises within the meaning of the European Commission's definition [annual turnover of up to €50,000,000, no more than 249 employees and a balance sheet total of up to €43,000,000], sole proprietorships and freelancers access to low-interest financing for setting up and handing over a business or for realising projects in Germany and abroad. Funding is also available for persons running their business as a sideline and for for-profit social enterprises. The lowest interest rates are available for projects being unteraken in German areas eligible for regional funding and for young companies that have been active on the market for less than five years. The maximum loan amount is €25,000,000 per project. Depending on the purpose of the financing, terms of up to 20 years can be agreed. For the banks and savings banks passing the funding on to recipients, KfW offers an option where it takes over 50% of the loan-related risk (release from liability). This is to improve the willingness of banks and savings banks to issue loans. For more information, contact your bank.
Link: [ERP Promotional Loan for SMEs]

Default guarantees by the guarantee banks

These guarantees serve as a substitute in the seed stage for the collateral used to secure bank loans in the case of an absence or insufficiency of usual banking collateral. The guarantee covers up to 80% of a loan, making it possible to finance investments or equipment. The maximum amount for such guarantees is €2,000,000. For more information, contact the guarantee bank of the German *Land* in which the company is based.

Counter-guarantees from the Federal Government and the Länder

These counter-guarantees serve to strengthen the equity base of SMEs. They support the SME venture capital companies operating in the individual *Länder*, which provide equity capital to SMEs – mainly in the form of mezzanine capital (dormant investment). In return, the SME venture capital companies receive guarantees from guarantee banks, which themselves are counter-guaranteed by a federal/*Länder*-level guarantee. The counter-guaranteed equity investments can be used to finance investments. The maximum amount for a counter-guaranteed investment is €1,500,000, which can be increased to €2,500,000 in exceptional cases. For more information, contact the guarantee bank of the German *Land* in which the company is based.

Target group: Small and medium-sized enterprises (SMEs) after the seed stage

ERP Innovation Financing

ERP Digitisation and Innovation Loan

The ERP Digitisation and Innovation Loan is provided to finance digitisation and innovation projects and investment and equipment for innovative companies. It enables innovative commercial enterprises, sole proprietorships and freelancers in Germany to access finance for projects in Germany at attractive interest rates. The programme is also open for for-profit social enterprises. The lowest interest rates are available for companies based in German areas that are structurally weak and eligible for regional funding based on the map of the Joint Federal-*Länder* Scheme 'Improving the Regional Economic Structure'. The loans granted amount to between at least €25,000 and €25,000,000 per innovation and digitisation project and to a maximum of €7,500,000 per project for innovative companies. For more information, contact your bank.
Link: [ERP Digitisation and Innovation Loan]

ERP Mezzanine for Innovation

This programme seeks to provide long-term and low-interest financing for market-related research and the development of new products, methods/processes and technical services, and for important advancement work on these products, methods/processes and technical services based in Germany. Funding goes to established commercial companies with an annual group turnover of up to €500,000,000 and to freelancers who have been active on the market for at least two years. The financing can be provided in the form of an integrated financing package consisting of a traditional loan (debt tranche) and a subordinate loan (subordinate tranche). Alternatively, the financing can be provided in the form of debt capital only (classic loan). For more information, contact your bank.
Link: [ERP Mezzanine for Innovation]

Target group: Large *Mittelstand* companies/ large companies in the seed or later development stage

ERP Promotional loan for large mid-sized companies

The ERP Promotional loan for large mid-sized companies allows larger *Mittelstand* businesses, sole proprietorships and freelancers to access low-interest financing for starting a business, business succession and projects in Germany and abroad.

Loans are issued at attractive interest rates for larger companies with an annual turnover of up to €500,000,000. The maximum loan amount is €25,000,000 per project. Depending on the purpose of the financing, terms of up to 20 years can be agreed. For the banks and savings banks passing the

funding on to recipients, KfW offers an option where it takes over 50% of the loan-related risk (release from liability). This is intended to improve the willingness of banks and savings banks to issue loans. For more information, contact your bank.

Link: [ERP Promotional loan for large mid-sized companies]

Syndicated financing for larger-scale investments focusing on digitisation and innovation: KfW Loan for Growth

The KfW Loan for Growth can be used by commercial enterprises to finance investments or equipment for larger innovation and digitisation projects. It can be used towards projects that serve to develop new or improved products, methods, processes and/or services. It can also be used to finance projects that help to considerably drive forward the digital transformation of a company. The programme targets commercial companies in Germany and abroad where the majority of the shares are in private ownership and whose group turnover amounts to up to two billion euros. KfW participates in the financing by investing the same amount of money at the same conditions (pari passu principle) at market terms. This means that for risk coverage, KfW will use the conditions agreed by the financing partners, provided that these are deemed normal market conditions following a creditworthiness and risk assessment conducted by KfW. The financing structures are tailored to the individual needs of the borrower. For more information, contact your bank.

Link: [KfW Loan for Growth]

Syndicated financing for larger-scale investments focusing on sustainability: KfW Syndicated Loan Sustainable Transformation

The KfW Syndicated Loan Sustainable Transformation provides commercial *Mittelstand* businesses and large companies, where the majority of the shares is in private ownership and whose group turnover amounts to (usually) up to five billion euros, with flexible financing for ambitious, sustainable and transformative measures, which are loosely based on the technical criteria of the EU taxonomy. The financing covers all investment and equipment-related expenditure, including ancillary costs, of

- projects that make an objectively verifiable positive contribution to at least one pre-defined environmental goal ('project variant') such as projects/measures driving forward decarbonisation, resource efficiency and the circular economy. The pre-defined technical criteria for assessing a project's eligibility are loosely based on the EU taxonomy.
- applicants who have aligned their business model with the environmental goals of financing and producing climate-friendly technologies and products (according to the EU taxonomy) or who will align their business model with these goals within the loan period and can provide adequate documentation or proof of this ('business model variant').

Link: [KfW Syndicated Loan Sustainable Transformation]

Instruments for startups

Target group: Scientists in the (pre-)seed stage

EXIST Women

The EXIST Women programme supports women who are interested in setting up a business, particularly when developing their business mind-set and their business idea. The programme targets women who already have a specific business idea in mind and women seeking to develop a suitable business idea during the funding period. Higher education and research institutes provide support services, business advice and qualification measures for women entrepreneurs and help them connect to the startup ecosystem. The funding period (qualification) under the EXIST Women programme is one year. Women entrepreneurs receive a €2,000 grant for material expenses plus an optionial 3-month scholarship.
[Comment: The 2023 application period ended on 30 September 2023. A new funding round is currently being planned.]

EXIST

The EXIST Startup Grant is a broad-based programme that provides one-year grants to university graduates and academic assistants prior to or during the seed stage so they can implement their business plans (approx. 200 projects per year). The amount of the grant which is awarded to nominated individuals depends on how advanced they are in their programme of study: students: €1,000/month, technical assistants: €2,000/month, graduates: €2,500/month, persons holding a doctoral degree: €3,000/month. In addition to this, funding of up to €30,000 can be provided for material costs and up to €5,000 for coaching.

EXIST Research Transfer was created in early 2008 to support particularly challenging technical startup projects at higher education and research institutes (approx. 40 projects per year) by first supporting the product development at a scientific institution and then the seed stage of the company. In funding phase I, personnel costs for up to 4 positions can be funded, as well as material costs of up to €250,000; in funding phase II, a grant of up to €180,000 is provided.
Link: [EXIST Business startups]

Target group: Startups in the seed or later development stage

High-Tech Gründerfonds (HTGF)

The HTGF is an early-stage fund for highly innovative and technology-oriented companies whose operative business activities were started less than three years ago. In order to be considered for financing, a project must have spawned promising research findings, must be based on innovative technology, and the market situation for the product must be bright. In addition to providing capital, the fund also provides help and support for the management of young startups. An initial funding amount of up to €1,000,000 is provided, with a total of up to €4,000,000 usually being available per company. HTGF IV has a funding volume of around €500,000,000 for investments in innovative startups. Moreover, HTGF Opportunity can provide additional support to seed fund portfolio companies in later financing rounds (see Scale-ups target group).

Link: [HTGF]

Deep Tech & Climate Fund (DTCF)

The DTCF is a deep tech investment fund which, together with private-sector investors, invests in the long-term growth of companies that are creating forward-looking technologies. The fund targets innovative deep tech companies with longer development cycles and high financing needs. Investments are being made in important forward-looking fields such as *Industrie 4.0*, robotics, sensor technology, artificial intelligence, quantum technology, new energy and e-mobility. A key priority are investments in climate deep tech companies geared to achieving climate action goals through the efficient use of resources. Companies can receive financing of up to €30,000,000. The target companies of the fund usually already have a validated business model.

Link: [DTCF]

RegioInnoGrowth

RegioInnoGrowth is a joint programme by the Federal Government and the *Länder*, which provides equity capital and equity-style financing for startups and growth-oriented *Mittelstand* companies with an annual turnover of up to €75,000,000. Companies can receive up to €5,000,000 from the *Länder* promotional institutes in the *Land* in which they are based for financing innovative (digital, green and social) business models, for example in the form of mezzanine capital or subordinate loans.

Target group: Scale-ups during the growth stage

German Accelerator

The German Accelerator helps the most promising innovative German startups scale up and expand at international level. It has offices in the USA, South East Asia, India, East Asia and, since January 2023, South America (Argentina). Participants take part in programmes tailored to their needs and intensive workshops, engage with experienced experts and are given access to a global network of business partners and investors, enabling them to enter a steep learning curve and to achieve their goals more quickly.

The German Accelerator Academy helps startups get a headstart as they take their first steps towards internationalisation and build the necessary skills and basics for a successful, scalable business model early on. The Market Discovery Programme helps startups validate their business model in new potential target markets in Asia and South America. The Market Access Programme provides startups seeking to enter the US or Asian markets with access to international innovation centres, a curriculum and programme duration tailored to their needs and intensive one-on-one mentoring, providing support for their successful market entry and expansion. In addition, there is a sector-specific life sciences programme for all startups working in this field.

Link: [German Accelerator]

Venture Tech Growth Financing (VTGF)

This programme by KfW offers loans to finance further growth for technologically innovative and fast-growing startups that have a resilient and promising business model but no access to classic bank loans. This includes post-IPO financing. Financing under the KfW's VTGF programme is always provided jointly together with a private lender. The funds are provided directly to the company at market conditions. Further information is available at:

Link: [KfW]

High-Tech Startup Fund Opportunity

HTGF Opportunity enables the HTGF to also financially support the fastest-growing portfolio companies of its seed funds in later financing rounds. For this purpose, the ERP Special Fund and the

Future Fund have a total of €660,000,000 at their disposal. The HTGF industrial investors can also participate as part of a legally separate side fund ("HTGF Opportunity Private"), where an amount of tens of millions of euros is expected. For the portfolio companies of the HTGF seed fund this means that over €1 billion is at their disposal at the financing round level, because HTGF Opportunity always has to also mobilise independent private capital. The maximum amount that can be taken from the HTGF Opportunity fund to invest in a company is usually €30,000,000, and up to €50,000,000 in exceptional cases.

Target group: Business angels

INVEST – Grant for Venture Capital

Under this programme, the Federal Ministry for Economic Affairs and Climate Action provides support for investments by private-sector investors in young and innovative companies. Business angels investing in innovative startups receive a purchasing grant worth 15% of the sum invested. In addition, natural persons can receive an exit grant if they sell their shares. The amount provided is equivalent to 25% of the capital gains from the sale and thus more or less covers the tax imposed on the profit from the sale. The shares must be held for a minimum of three years. Both grants are tax-free for the investors. The maximum purchasing grant per investor is €100,000. The maximum amount eligible for funding that can be invested in a single company per year is €3,000,000. The shares can be held by either a natural person or by a venture capital company (with the legal status of a GmbH or UG, but in that case there is no exit grant).
Link: [INVEST]

Target group: Venture capital funds and venture debt funds in the seed or later development stage

ERP/EIF Fund of Funds

The ERP/EIF Fund of Funds invests in European venture capital funds investing in young technology companies (mainly in Germany) during the seed or growth stage. The investments always involve other private-sector investors at the same commercial conditions.
Link: [ERP-EIF]

Emerging Manager Facility (EMF)

The EMF is part of the Future Fund and focuses on strengthening venture capital funds managed by women or diverse gender teams (emerging managers), which are just entering the market. The EMF target funds are aiming for a maximum volume of €50 million and are characterised by a diverse team at the level where investment decisions are being made.

The maximum amount invested by KfW Capital in the EMF is €12.49 million or 25% of the fund volume. Up until 2030, a total of €200 million in financing is available from the Future Fund. This money is invested by KfW Capital together with and at the same conditions as private-sector co-investors.
Link: [KfW Capital]

ERP Venture Capital Fund Investments

Under the ERP Venture Capital Fund Investments programme, KfW Capital invests up to €180,000,000 per year in venture capital and venture debt funds, which then invest in innovative, technology-oriented companies in the startup and growth stage. The risk of the investment is borne by the ERP Special Fund. Via this programme, KfW Capital invests up to €25,000,000 per fund and a maximum of 19.99% of the fund volume and always on the same terms (pari passu) as private-sector investors. In

combination with the ERP/Future Fund Growth Facility, KfW Capital can issue tickets of up to €75,000,000 to the funds.
Link: [KfW Capital]

Target group: Venture capital and venture debt funds during the growth stage

ERP/Future Fund Growth Facility

Under the ERP/Future Fund Growth Facility programme, KfW Capital invests up to €200,000,000 per year in venture capital and venture debt funds, which then invest in innovative, technology-oriented companies, particularly during the growth stage. The risk of the investment is borne by the ERP Special Fund. Via this programme, KfW Capital invests up to €50,000,000 million per fund and a maximum of 19.99% of the fund volume and always on the same terms (pari passu) as private-sector investors. In combination with the ERP Venture Capital Fund Investments programme, KfW Capital can issue tickets of up to €75,000,000 to the funds.
Link: [KfW Capital]

Wachstumsfonds Deutschland (WFD) (Growth Fund for Germany)

The WFD invests in European venture capital funds investing in technology-oriented fast-growing companies. The investors of the fund of funds include in particular large institutions such as family offices, foundations, insurance firms and pension funds.
Link*: [KfW Capital]*

GFF EIF Growth Facility

The GFF EIF Growth Facility invests in later-stage venture capital and venture debt funds that focus on the provision of finance for startups during the growth stage. Further information is available at:
Link: [GFF]

European Tech Champions Initiative

The European Tech Champions Initiative (ETCI) is a pan-European giga fund that invests in funds providing large-volume growth finance to scale-ups. Its aim is to fill a gap in the financing landscape and catch up with the large American and Chinese funds. Germany is contributing €1,000,000,000.
Link:[ETCI]