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# Attracting and Supporting International Start-Ups and Innovative Entrepreneurs in Germany

Study by the German National Contact Point for the European Migration Network (EMN)

Working Paper 88

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in cooperation with: Ralf Sanger / Kareem Bayo



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# The European Migration Network

The European Migration Network (EMN) was launched by the European Commission in 2003 due to an initiative of the European Council in order to satisfy the need of a regular exchange of reliable information in the field of migration and asylum at the European level. Since 2008, Council Decision 2008/381/EC forms the permanent legal basis of the EMN and National Contact Points have been established in the EU Member States (with the exception of Denmark, which has observer status) plus Norway.

The EMN's role is to meet the information needs of European Union institutions, Member States' authorities and institutions as well as the wider public by providing up-to-date, objective, reliable and comparable information on migration and asylum, with a view to supporting policymaking in these areas. The National Contact Point for Germany is located at the Federal Office for Migration and Refugees in Nuremberg. Its main task is to implement the annual work programme of the EMN. This includes the drafting of the annual policy report "Migration, Integration, Asylum" and of up to four topic specific studies, as well as answering Ad-Hoc Queries launched by other National Contact Points or the European Commission. The German National Contact Point also carries out visibility activities and networking in several forums, e.g. through the organisation of conferences or the participation in conferences in Germany and abroad. Furthermore, the National Contact Points in each country set up national networks consisting of organisations, institutions and individuals working in the field of migration and asylum.

In general, the National Contact Points do not conduct primary research but collect, analyse and present existing data. Exceptions might occur when existing data and information are not sufficient. EMN studies are elaborated in accordance with uniform specifications valid for all EU Member States plus Norway in order to achieve comparable EU-wide results. Furthermore, the EMN has produced a Glossary, which ensures the application of comparable terms and definitions in all national reports and is available on the national and international EMN websites.

Upon completion of national reports, the European Commission drafts a synthesis report with the support of a service provider. This report summarises the most significant results of the individual national reports. In addition, topic-based policy briefs, so-called EMN Informs, are produced in order to present and compare selected topics in a concise manner. The EMN Bulletin, which is published quarterly, informs about current developments in the EU and the Member States. With the work programme of 2014, the Return Expert Group (REG) was created to address issues around voluntary return, reintegration and forced return.

All EMN publications are available on the website of the European Commission Directorate-General for Migration and Home Affairs. The national studies of the German National Contact Point as well as the synthesis reports, Informs and the Glossary are also available on the national website: [www.emn-germany.de](http://www.emn-germany.de).



# Summary

The number of start-ups in Germany has risen substantially in recent years. 2019 witnessed 70,000 start-ups in Germany, as compared to 54,000 three years previously. This trend – against the backdrop of an overall decline in the founder's ratio – is attributable in part to the marked increase in the scope of public support facilities and a dynamically developing private-sector support and funding scene for start-ups in general. As no statistics are kept on start-up entrepreneurs' countries of origin and the official visa statistics relating to entry into Germany for the purpose of self-employment do not allow any distinction between start-ups and taking up other forms of self-employment, it is not possible to put a Figure on the number of people who have entered Germany for the purpose of establishing a start-up.

## Sectors and ecosystems

The most important sectors for start-ups in Germany are IT and software development, with industrial technology and hardware development, e-commerce and online marketplaces also playing a leading role. In terms of the number of start-ups and investments in start-ups, Berlin has been the most important 'start-up ecosystem' in Germany for many years now. Berlin also ranks among the top 10 'start-up ecosystems' demonstrating highly dynamic growth worldwide. Other key start-up hubs are Brandenburg, the Rhine-Ruhr metropolitan region in North Rhine-Westphalia, Frankfurt, Munich, Stuttgart/Karlsruhe and Hamburg. The Federal Government supports the development of start-up hubs by way of the 'Digital Hub Initiative', for example, which promotes twelve regions and 16 cities as digital ecosystems.

## General support for start-ups in Germany

Since the millennium, all government coalitions at federal level have set their sights on promoting start-ups and the establishment of innovative companies in Germany. The public support instruments have been stepped up substantially at federal level and also diversified with regard to the different start-up stages, in particular for the seed stage, the early stage and the growth stage, while international comparisons in relevant studies show room for further development in the field of public support programmes in Germany for the later stage. Support programmes are also increas-

ingly being tailored to specific target groups, including female start-up entrepreneurs, young start-up entrepreneurs, start-ups as spin-offs from higher education institutions and start-ups by migrants who are already resident in Germany and by Germans with a migrant background.

All newly elected Land governments of recent years have also included the promotion of start-ups, innovation, digitalisation and technology in their coalition agreements or developed corresponding strategic projects. While the instruments applied by the Länder generally address issues in the given regional context and are aimed at attracting start-ups and retaining them in the respective Länder, the federal instruments focus on providing generally more favourable underlying structural conditions for start-ups in Germany. This applies to start-up financing and counselling measures and equally to promoting the economic internationalisation of Germany as a start-up country.

As the general start-up support instruments are largely also available to non-European start-ups, they are also described in this study. In practice, indirect obstacles to these instruments are sometimes encountered, however, making it difficult for start-ups from third countries to access support particularly in the seed stage.

## Measures to attract non-European start-ups

Measures designed explicitly to attract non-European start-ups by way of specific support programmes have played only a minor role in the public support infrastructure in Germany to date. While there are individual support instruments at federal and Land level which are aimed directly or indirectly at attracting start-up entrepreneurs from third countries, these are generally restricted to a small number of partner countries or specific start-up hubs in the world (such as the GISEP and GINSEP federal programmes with Israel and India respectively). A common business development instrument to interest non-European entrepreneurs in Germany as a place to set up business is general locational marketing.

Target group-specific start-up grants and international start-up competitions are additional instruments which have been established in some Länder. There

are also isolated examples of multi-lingual information and advisory services on the general conditions applying to entry into Germany and establishing a start-up here.

Government agencies often do not provide these support measures alone, but rather in conjunction with other stakeholders from the private sector, higher education institutions, representatives of the regional business community and corresponding associations. Scientific establishments and universities play an important role in promoting innovative start-ups from non-EU countries through science-based spin-offs and technological research and applications. Stakeholders from the university sector are often well versed in the field of transnational partnerships by virtue of their contact with international students and researchers from third countries. At the same time, universities sometimes lack an adequate understanding of the legal provisions pertaining to residence in Germany, and training and cooperation with other relevant stakeholders, such as the foreigners authorities, could be stepped up here.

## Challenges

Although the start-up scene in Germany has developed dynamically in recent years, various challenges are identifiable when it comes to attracting non-European start-ups to Germany and retaining them here. These include

- obstacles relating to the law on residence, such as the requirements pertaining to eligibility for a visa or a residence permit for the purpose of self-employment and the corresponding administrative processes, which are commonly considered to be convoluted, or the lack of knowledge that self-employment is also possible with a large number of other residence titles,
- the commonly encountered long waiting periods involved in applying for a visa and the lack of a dependable basis for planning purposes as, in contrast to numerous other EU Member States, there is no statutory maximum processing period,
- the lack of a systematic multi-lingual set-up for information platforms and advisory structures for start-ups from third countries,
- a growing lack of transparency in the now diverse regional and nationwide start-up scene, which even proves confusing for designated advisory establishments and can thus become problematic specifically for start-up entrepreneurs from third countries, because they are required to specify the place in which they intend to establish their busi-

ness prior to actually entering the country, at the time of filing their visa applications,

- the lack of standardised terminology for start-ups, rendering it difficult to measure the efficiency of corresponding support instruments and
- complications of establishing or to expanding start-ups across national borders within Europe, as this may entail new approval processes.

In this context, the private business sector, the science sector and those with practical experience of providing advisory services bring forth various proposals on how to counter the given challenges and make it easier for start-ups from third countries to establish business operations in Germany, which the various stakeholders consider to be a desirable outcome for the German economy. Measures under discussion include the development of centralised contact and advice centres which are capable of explaining the overall support infrastructure at federal and Land level on a multi-lingual basis, the expansion of bi- and multi-lateral start-up exchange programmes and the introduction of a specific start-up visa and start-up residence permit. Such residence titles already exist in 13 EU Member States and numerous third countries, and are seen as a means of establishing increased transparency and appealing more directly to specific target groups.

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# 1 Introduction

Start-ups and their founders are commonly seen as a driving force for innovations in various spheres of society and the economy. In this role, they also help to smooth the way into the digital age. Start-ups are young companies, which have been on the market for less than five or less than ten years, according to varying definitions. They are often involved in designing or developing technological or digitisation-related products and services, and are focused on achieving high sales growth. The start-up scene enjoys a largely positive reputation. According to recent surveys, in Germany start-ups are associated in particular with characteristics such as performance-mindedness and drive, role model status and social aspects such as a conviction that start-ups “aim to help others with their ideas or products.” One third of people also associate start-ups with attributes such as a determination to “get rich quick” and see them as exploiting employees or regard them as “technology-centred nerds”, however (Bitkom Research 2019).

Recent years have witnessed a continual and dynamic rise in the number of start-ups in Germany - contrary to the general trend for the foundation of new businesses in Germany. Business establishment activity, which includes other self-employed activities and business foundations, has been in decline in Germany over recent years. However, this is attributable not so much to the underlying conditions pertaining to the establishment of new businesses and rather – prior to the corona pandemic, at least – to the generally positive development of the labour market in Germany, which encourages people to pursue dependent employment rather than taking up self-employment (Metzger 2019: 1). The increasingly ageing population also plays a role in this connection (Leicht et al. 2017: 1; KfW 2016a). In contrast, the effects of this demographic trend on start-ups is limited. The number of start-ups has risen continually in recent years, from 54,000 in Germany in 2016 to 70,000 in 2018 (KfW 2020a: 3; Chapter 2.3). One probable reason for the dynamic development of Germany’s start-up scene is the substantial upgrading of promotion structures by the Federal and Land governments, along with an overall enhancement of Germany’s standing as an attractive place to do business, which goes hand in hand with a strong growth in the presence of international private-sector players in the field of start-up financing.

This study focuses on measures to attract start-up founders from outside of Europe to Germany and to support their business start-ups here. It begins by outlining the general requirements and conditions pertaining to establishing a start-up in Germany (Chapter 2) and considers the general instruments which are available from the Federal Government and the Länder to support and fund start-ups (Chapter 2.4 and 2.5, with a detailed overview in Annexes 1-4). While the general support structures are commonly not aimed specifically at attracting entrepreneurs from third countries, they are nevertheless generally also available to third-country nationals. They are thus documented as a relevant part of the support infrastructure, notwithstanding the fact that non-European start-ups may encounter obstacles to accessing these general support structures. Legal provisions for non-European start-up entrepreneurs under visa and residence law are then presented (Chapter 3). The study also focuses specifically on support instruments at federal (Chapter 4.1) and Land level (Chapter 4.2) which are aimed directly or indirectly at attracting third-country nations to establish start-ups in Germany. A number of challenges are described in this connection (Chapter 4.3).

Beyond this, the study concentrates primarily on presenting public support instruments for start-ups and support instruments in the seed stage and the early stage. Examples of support instruments in the growth stage are also described, additionally touching on support instruments in the later stage.

The information presented in this study is based in part on written requests submitted to the economics ministries of the Länder in 2019 for information on measures in the respective Länder to attract non-European start-ups (cf. list in Annex 5). In addition to the received responses, complementary research was carried out by reference to publicly accessible documents and websites relating to the respective programmes and measures. The study also draws on the results of numerous studies by research institutions and start-up and business organisations on the start-up scene in Germany. The statistical information was derived from various monitoring reports of recent years, in particular the ‘Gründungsmonitor’ of the KfW development bank, the ‘Deutscher Startup Monitor’, the ‘Female Founders Monitor’ and the ‘Green Startup Monitor’.

## 2 Contextual overview of the business environment to start up a business in Germany

Since the turn of the millennium, all Federal Governments have regarded the promotion of start-ups and the foundation of innovative businesses in general as a key factor in developing Germany as a place to do business. All the parliaments of the past 20 years have pursued a similar narrative, focusing on the need for a start-up drive, less red tape for a culture conducive to start-ups and increased investment in innovative business start-ups.

In their coalition pact of **2002**, the SPD and Bündnis 90/Die Grünen agreed on a “start-up initiative”, “improved funding for start-ups” and a drive to “promote business founding” and to “cut unnecessary red tape” (SPD/Bündnis 90/Die Grünen 2002: 14). In their coalition pact of **2005**, the CDU/CSU and SPD resolved to “facilitate and expedite” corporate founding on a lasting basis, to establish “one-stop points of contact” and to remove “legal barriers to found new businesses” as part of a “founding offensive” (CDU/CSU/SPD 2005: 16). In the following parliament, the CDU/CSU and FDP resolved in their coalition pact of **2009** that “Germany [...] must once again become a country which is friendly to entrepreneurs” and that innovate companies should be relieved of the “strain imposed by unnecessary red tape” (CDU/CSU/FDP 2009: 25). In **2013**, the coalition pact agreed by the Federal Government comprising CDU/CSU and SPD again sought to “generate a new entrepreneurial spirit in Germany” and to reduce the red tape pertaining to the relevant application procedures (CDU/CSU/SPD 2013: 98).

In the current legislative period, the grand coalition of CDU/CSU and SPD resolved in their coalition pact of **2018** to “promote an entrepreneurial culture in Germany” and to remove “obstacles to the start-up process”, so as to enable businesses to be established “quickly and along unbureaucratic lines” (CDU/CSU/SPD 2018: 42). In the same year, the Federal Ministry for Economic Affairs and Energy (BMWi) launched the ‘Go’ founding offensive together with the Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände - BDA), the Federation of German Industry (Bundes-

verband der Deutschen Industrie - BDI), the Association of German Chambers of Industry and Commerce (Deutscher Industrie- und Handelskammertag - DIHK) and the German Confederation of Skilled Crafts (Zentralverband des Deutschen Handwerks - ZDH). This founding offensive aims to “strengthen corporate culture in Germany – in the form of new business foundation or successions – and to encourage more people to venture into self-employment” (BMWi et al. 2018: 1). The institutions participating in the campaign agreed, among other things, on

- raising the “social and political standing” of foundations,
- fostering “business acumen and an entrepreneurial mindset” at an earlier juncture,
- making business successions easier, in order to facilitate the increasing numbers of generation changes at companies,
- reducing bureaucratic obstacles,
- more attractive tax conditions for companies and the mobilisation of private equity capital,
- the promotion of foundations by women and
- facilitating foundations for people with a migrant background, who are described as representing an “increasingly important group in the entrepreneur scene and role models for integration (BMWi et al. 2018: 1ff.; chapter 4).

The promotion of start-ups has gradually evolved over the past decades, becoming more subtly differentiated as support tools were created for individual phases of the start-up process and for certain regions, sectors or target groups. A European approach has also successively emerged, for example through the call for uniform definitions and standards to be drawn up at European level with the aim of establishing an “entrepreneurial culture in Europe” (see CDU/CSU/SPD 2018: 35f, 42f, 59, 61ff., 87, 89, 111, 121). Numerous promotion schemes are now realised with co-financing from EU funds (cf. Chapters 2.4 and 2.5 and details in Annexes 1-4).

In addition to the ‘Go’ foundation offensive initiated by the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of Education, Science, Research and Technology (BMBF) launched the ‘future clusters initiative’ in August 2019 (BMBF 2019a). This initiative aims to promote the objectives “to strengthen the transfer of ideas, knowledge and technology” as set out in the Federal Government’s High-Tech Strategy 2025<sup>1</sup>. To this end, companies, the science sector and other stakeholders are to be linked up in “innovation networks” and “the latest technologies, scientific methods and tools are to be introduced into applications as quickly as possible.” Start-ups and small and medium-sized enterprises (SMEs) are an important target group here (BMBF 2019a). In the first round of the competition, 16 future clusters were selected (BMBF 2020a).

The increasingly fine-tuned support infrastructure is also reflected in Germany’s development as a start-up economy. A study commissioned by the Federal Ministry for Economic Affairs and Energy concludes, for example, that the „growing interaction, which has been observable for a number of years now, within a promotion system involving public-sector promotion schemes and private and public venture capital on the one hand and a very dynamically evolving support system comprising efficient incubation and acceleration structures, co-working spaces, maker labs<sup>2</sup> and technology and new business centres on the other [...] is now bearing fruit. The German start-up ecosystem is becoming ever potent and consequently more successful” (Zinke et al. 2018: 20). Domestic and foreign investments have also increased in Germany’s start-up economy in recent years, for example (Kollmann et al. 2019: 60, 63f.; Metzger 2019: 10f.; Zinke et al. 2018; Hebing/Ebert/Schildhauer 2017: 7).

The mood among start-ups in Germany has recently deteriorated, however. In a poll conducted by Germany’s digital association (Bundesverbandes Informationswirtschaft, Telekommunikation und neue Medien e. V. - Bitkom) in 2019, 11 % of the 321 surveyed IT and internet start-ups stated that their own start-up situation and the start-up situation in general had “strongly deteriorated” or “got worse” in the past two years. In previous years, five or six percent of start-ups had expressed such a sentiment (Bitkom 2019).

In their study, Zinke et al. (2018) also conclude that, on the one hand, the start-up structures in Germany are developing along highly dynamic lines, with a diverse scope of support structures in place. Start-ups are satisfied with the available support measures and an increasing process of internationalisation is to be observed with a positive effect on the support infrastructure (Zinke et al. 2018: 156ff., 173). At the same time, they note that the increasing diversification of the support infrastructure is accompanied by a growing lack of transparency as to the overall range of measures on offer” for start-ups. The study observes that this calls for better comparability of the quality and effectiveness of the respective measures and their providers (Zinke et al. 2018: 167ff.).

The following sub-chapters provide an introduction to the requirements pertaining to a business start-up in Germany, describe the general course of development for start-ups and the establishment of new businesses in Germany in recent years and present the general start-up promotion schemes of the Federal Government and the Länder, which are largely also open to non-European entrepreneurs wishing to establish as start-up in Germany.

## 2.1 Definitions

**Accelerator:** An accelerator “helps start-ups to achieve a dynamic course of development in a certain period (normally three to six months) through coaching” (Ernst & Young 2017: 94). The aim is “to improve the existing business models of the participating start-ups, to hone their products and services, to realise initial projects with customers, to get the teams on course for growth and thus to increase the likelihood of external financing. There is a strong emphasis here on acquiring customers and investors [...]. They work in parallel on creating or enhancing their product and adapting their business model (Zinke et al. 2018: 69).

1 “The High-Tech Strategy 2025 (HTS 2025) represents the overarching strategic foundation for the Federal Government’s research and innovation policy. [...] Twelve missions of HTS 2025 serve as linking components forming an umbrella over current initiatives by the Federal Government. The missions cover the topics of health, good quality of life and work, mobility, AI and an open innovation culture. In addition, several missions specifically home in on environmental and sustainability challenges facing current and future generations” (Deutscher Bundestag 2019b: 4).

2 ‘Maker lab’, or alternatively ‘maker space’ or ‘fab lab’, is a term for a “(generally) open workshop which allows private individuals access to modern production facilities and production processes. Prototypes and one-off items can be produced in this way, for example. So-called repair cafés are sometimes integrated, allowing defective items to be repaired. The equipment generally comprises 3D printers, CNC milling machines, laser cutters and a host of other tools to enable the machining of a broad spectrum of materials” (Makerspace Hamburg 2020).

**Corporate venture capital (CVC):** Corporate venture capital “refers to equity which companies from outside the financial sector invest in spin-off projects of their own or in outside start-ups (Deutsche Startups 2020a). See also ‘Venture capital’.

**Freelancer (freelance work):** The term ‘freelancer’ refers to a person ‘whose field of work is not subject to the Trade Regulation Code and has a scientific, artistic, literary, teaching or educational background. Freelance work is defined in Section 18 of the German Income Tax Act [Einkommenssteuergesetz - EStG] and Section 1 of the Partnership Companies Act [Partnerschaftsgesellschaftsgesetz - PartGG]” (Gründerszene 2020a).

**Incubator:** An ‘incubator’ offers entrepreneurs services in the seed stage of the start-up process. At this stage, start-ups “often have no team and only a rough business idea. An incubator serves to turn participants into successful start-up entrepreneurs by means of the necessary coaching. The coaching programme thus focuses on developing a business idea and a prototype, building a team and evolving a business model. Founding of the start-up often only takes place in the course of the programme or following its completion. If the suspected potential proves to be lacking, start-up teams can rethink their business idea at an early juncture and adapt it with due regard to the findings emerging from the programme” (Zinke et al. 2018: 59).

**Mezzanine loan or mezzanine financing:** The term ‘mezzanine loan’ or ‘mezzanine financing’ “is derived from the Italian word ‘mezzo’, denoting ‘half’. ‘Mezzanine’ serves as a collective term for loans whose legal and economical configurations represent a mix of equity and outside capital” (Gründerszene.de 2020b).

**Seed stage:** The seed stage denotes the first “phase in a company’s life-cycle,” which “begins with the first work carried out by the founder in connection with the future company. As such, the starting point is not definable by any specific event. When an initial marketable product or service is available and the (initial) business planning for its commercial exploitation is complete, this is regarded as marking the end of the seed stage. Such a product generally takes the form of a functioning prototype” (Deutsche Startups 2020b).

**Start-up:** No formal definition of the term ‘start-up’ or ‘innovative start-ups’ exists in the German context. The Federal Ministry of Education, Science, Re-

search and Technology uses the following definition in a notice announcing a guideline for a start-up promotion measure: “Start-ups [...] are young companies which have been on the market for less than five years, possess innovative technologies or business models and show or aspire to significant growth in their workforces and turnover” (BMBF 2019b). A similar definition is employed by the European Startup Network (European Startup Network 2020). In contrast, in its annually published ‘Deutscher Startup Monitor’ the German start-up association ‘Bundesverband Deutsche Startups e. V.’ applies a broader definition with regard to the age of companies, considering companies that are less than 10 years old to be start-ups (Kollmann et al. 2019: 22; cf. Section 4.3 on the challenge posed by the lack of a standard definition).

**Start-up hub:** see Start-up ecosystem

**Start-up ecosystem or start-up hub:** A start-up ecosystem or start-up hub is “considered to be a geographically and politically demarcated space. It encompasses diverse factors which influence the environments of the companies contained therein and which are instrumental to the development of companies. Such factors include people and financial institutions promoting the start-up, training and advisory options, underlying legal and cultural conditions” (Hebing/Ebert/Schildhauer 2017: 22).

**Venture capital:** A defining feature of this form of financing is that the investors “undertake to provide the company with long-term financing (as a general rule for a period of three to seven years) in the form of liable equity funding, without the provision of any security by the company to be financed. In contrast to typical financing by banks, which is commonly not available to entrepreneurs in the early phase of the company on account of the lack of furnishable security, the financed company is under no obligation to repay the investment or pay interest on it. Rather, the investor obtains their return when they sell off their stake in the company (so-called exit) or – in the case of a strategic investor – when they adopt the (entire) company into their group of companies. This means that the investor ultimately shares the opportunities and risks pertaining to development of the company with the company’s founders. Investors generally acquire stakes of between 15 % and 35 % in the company when undertaking an initial participation in the course of the first round of financing” (Startplatz 2020a).

**Venture debt:** This constitutes “outside capital which is repayable and subject to interest based on an individual risk assessment. This enables companies to finance measures to consolidate and boost their growth without having to use their available equity or to take on new shareholders, thus avoiding diluting the shareholder structure” (BMW 2019a).

**Risk capital:** cf. ‘Venture capital’.

## 2.2 Conditions and requirements pertaining to the establishment of a start-up

The legal conditions applicable to business start-ups in Germany depend on the chosen legal form for the start-up. The requirements pertaining to the forms of enterprise and selected legal forms differ according to their minimum capital, the number of founders, the rights of co-determination, the disclosure requirements towards authorities or other economic participants, the requirement for articles of association and the form of such articles or the provisions on profit and loss sharing. There are no criteria relating to a specific level of innovation or a concrete growth forecast. The relevant general conditions applicable in each instance are stipulated by the German Commercial Code (HGB) and the German Civil Code (BGB).

### 2.2.1 Forms of enterprises

Founders choose between various forms of enterprises. A distinction is made between individually owned firms, partnerships and joint-stock companies, and these categories subsequently break down into further legal forms, as the following overview shows.

#### *Individually owned firms*

- **Individually owned firm** (German: ‘**Einzelunternehmen**’ - not subject to any special legal provisions)
- **Registered merchant** (German: ‘eingetragene Kauffrau’ or ‘eingetragener Kaufmann’ - **e. K.**) pursuant to Section 1 subs. 1 of the German Commercial Code (HGB)

#### *Partnerships*

- Company constituted under civil law (German: ‘Gesellschaft bürgerlichen Rechts’ - **GbR**) pursuant to Section 705 of the German Civil Code
- Limited partnership (German: ‘Kommanditgesellschaft’ - **KG**) pursuant to Section 161 of the German Commercial Code
- General partnership (German: ‘Offene Handelsgesellschaft’ - **OHG**) pursuant to Section 105 of the German Commercial Code
- Limited liability company & limited partnership (German: **GmbH & Co. KG**) pursuant to Section 17 subs. 1 of the German Commercial Code
- Partnership company (German: ‘Partnerschaftsgesellschaft’ - **PartG**) pursuant to Section 1 subs. 1 of the Act on Partnership Companies of Members of Independent Professions (PartGG)<sup>3</sup>

#### *Joint-stock companies*

- Limited liability company (German: ‘Gesellschaft mit beschränkter Haftung’ - **GmbH**) pursuant to Section 13 subs. 3 of the Limited Liability Companies Act (GmbHG)<sup>4</sup>
- Limited liability entrepreneurial company (German: ‘Unternehmergesellschaft haftungsbeschränkt’ - **UG**) pursuant to Section 1 in conj. with Section 5a subs. 1 of the Limited Liability Companies Act
- Non-profit limited liability company (German: ‘gemeinnützige GmbH’ - **gGmbH**)
- Stock corporation (German: ‘Aktiengesellschaft’ - **AG**) pursuant to Section 1 of the Stock Corporation Act (AktG)
- **Ltd.** (Limited - Private company limited by shares)
- Registered cooperative society (German: ‘eingetragene Genossenschaft’ - **eG**) pursuant to Section 17 subs. 2 of the German Cooperative Societies Act (Genossenschaftsgesetz - GenG)<sup>5</sup>

Table 1 shows the respective advantages, disadvantages and special aspects of the individual legal forms for business start-ups in Germany.

3 Full German title: ‘Gesetz über Partnerschaftsgesellschaften Angehöriger Freier Berufe’ (Partnerschaftsgesellschaftsgesetz – PartGG).

4 Full German title: ‘Gesetz betreffend die Gesellschaften mit beschränkter Haftung’ (GmbHG).

5 Full German title: ‘Gesetz betreffend die Erwerbs- und Wirtschaftsgenossenschaften’ (Genossenschaftsgesetz – GenG).



Table 1: Simplified presentation of the advantages and disadvantages of selected forms of enterprises

Legal form	Target group	Advantages	Disadvantages	Special aspects
<b>Individually owned firm (Einzelunternehmen)</b>	<ul style="list-style-type: none"> <li>In particular for non-traders, small traders, craftspeople, service providers</li> </ul>	<ul style="list-style-type: none"> <li>No minimum capital required</li> <li>No cash contribution required</li> <li>Only one founder required</li> <li>Minimal scope of formalities: simple business registration</li> <li>The founder makes decisions on their own</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited liability means that the founder is liable to the full extent of their business assets and private assets</li> </ul>	
<b>Registered merchant (e. K.)</b> pursuant to Section 1 subs. 1 of the German Commercial Code	<ul style="list-style-type: none"> <li>In particular for business people</li> </ul>	<ul style="list-style-type: none"> <li>No minimum capital required</li> <li>No cash contribution required</li> <li>Only one founder required</li> <li>Minimal scope of formalities: simple business registration &amp; entry in trade register</li> <li>The founder makes decisions on their own</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited liability means that the founder is liable to the full extent of their business assets and private assets</li> </ul>	<ul style="list-style-type: none"> <li>Authorised signatories can be appointed</li> </ul>
<b>Company constituted under civil law (Gbr)</b> pursuant to Section 705 of the German Civil Code	<ul style="list-style-type: none"> <li>In particular for non-traders, small traders, professionals &amp; consortiums</li> </ul>	<ul style="list-style-type: none"> <li>No minimum capital required</li> <li>No cash contribution required</li> <li>Minimal scope of formalities: simple business registration</li> </ul>	<ul style="list-style-type: none"> <li>Requires at least two founders</li> <li>Unlimited joint liability means that the company &amp; its partners are liable with their business assets and private assets</li> </ul>	<ul style="list-style-type: none"> <li>Joint management by all partners</li> <li>Alternative arrangements possible by way of articles of association</li> </ul>
<b>Limited partnership (KG)</b> pursuant to Section 161 of the German Commercial Code	<ul style="list-style-type: none"> <li>In particular for business people</li> </ul>	<ul style="list-style-type: none"> <li>No minimum capital required</li> <li>No cash contribution required</li> <li>Simpler integration of additional launch capital while remaining broadly independent</li> <li>Minimal scope of formalities: simple business registration &amp; entry in trade register</li> </ul>	<ul style="list-style-type: none"> <li>Requires at least two founders</li> <li>General partners are personally, fully liable</li> <li>Limited partners' capital contributions are necessary (these contributions also determine the level of the respective partners' liability)</li> </ul>	<ul style="list-style-type: none"> <li>Authorised signatories can be appointed</li> </ul>
<b>General partnership (OHG)</b> pursuant to Section 105 of the German Commercial Code	<ul style="list-style-type: none"> <li>For business people only (not for small traders)</li> </ul>	<ul style="list-style-type: none"> <li>No minimum capital required</li> <li>No cash contribution required</li> <li>Individual management &amp; individual power of representation for each partner</li> <li>Minimal scope of formalities: simple business registration &amp; application for entry in trade register</li> </ul>	<ul style="list-style-type: none"> <li>Requires at least two founders</li> <li>Unlimited joint liability means that the company &amp; its partners are liable with their business assets and additionally with their private assets</li> </ul>	<ul style="list-style-type: none"> <li>Authorised signatories can be appointed</li> </ul>
<b>Limited liability company &amp; limited partnership (GmbH &amp; Co. KG)</b> pursuant to Section 17 subs. 1 of the German Commercial Code		<ul style="list-style-type: none"> <li>No liability on part of founder</li> <li>Flexibility of a partnership</li> <li>Tax benefits</li> </ul>		



Legal form	Target group	Advantages	Disadvantages	Special aspects
<b>Partnership company (PartG)</b> pursuant to Section 1 subs. 1 of the German Act on Partnership Companies (PartGG)	<ul style="list-style-type: none"> <li>For members of the liberal professions only (where permissible under law relating to professions)</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with partners while retaining responsibility for the company</li> </ul>	<ul style="list-style-type: none"> <li>Company liable with company assets, partners liable with private assets in case of tort</li> </ul>	
<b>Limited liability company (GmbH)</b> pursuant to Section 13 subs. 3 of the Limited Liability Companies Act (GmbHG)		<ul style="list-style-type: none"> <li>Only one founder required</li> <li>Only limited extent of liability with private assets; liability focused in particular on company assets</li> </ul>	<ul style="list-style-type: none"> <li>Minimum capital stock of € 25,000 required</li> <li>Minimum contribution on foundation: € 12,500</li> <li>Personal liability of manager possible, but limited to capital contribution</li> <li>Extensive formalities involved (e.g. articles of association &amp; notarisation)</li> <li>High formation costs</li> </ul>	<ul style="list-style-type: none"> <li>Manager to be appointed, possibly also supervisory board and shareholders' meeting to be convened</li> <li>Authorised signatories can be appointed</li> </ul>
<b>Limited liability entrepreneurial company (UG)</b> pursuant to Section 1 in conj. with Section 5a subs. 1 of the Limited Liability Companies Act (GmbHG)		<ul style="list-style-type: none"> <li>Only one founder required</li> <li>Liability limited to company assets</li> <li>Minimum capital stock of € 1</li> </ul>	<ul style="list-style-type: none"> <li>Personal liability of manager possible, but limited to capital contribution</li> <li>Extensive formalities involved (e.g. articles of association &amp; notarisation)</li> </ul>	<ul style="list-style-type: none"> <li>Manager to be appointed, possibly also supervisory board and shareholders' meeting to be convened</li> <li>Authorised signatories can be appointed</li> </ul>
<b>Stock corporation (AG)</b> pursuant to Section 1 of the Stock Corporation Act (AktG)		<ul style="list-style-type: none"> <li>Only one founder required</li> <li>Liability limited to company assets</li> </ul>	<ul style="list-style-type: none"> <li>Minimum capital stock of € 50,000 required</li> <li>Management board may be personally liable</li> <li>Extensive formalities involved (e.g. articles of association &amp; notarisation)</li> <li>High formation costs</li> </ul>	<ul style="list-style-type: none"> <li>Management board and supervisory board to be appointed, shareholders' meeting to be convened</li> <li>Authorised signatories can be appointed</li> </ul>
<b>Ltd.</b>		<ul style="list-style-type: none"> <li>Foundation within 24 hours possible in some instances in the United Kingdom (UK)</li> <li>Liability with private assets in exceptional cases only</li> <li>Changes to the articles of association, management and participating interests possible via simple written or online notification</li> <li>Minimum capital stock of 1 pound sterling</li> </ul>	<ul style="list-style-type: none"> <li>Address in the UK</li> <li>Annual financial statement required in UK, plus tax return in Germany</li> <li>Legal actions may be brought against the company not only in Germany, but also in the UK</li> <li>Despite swift registration of company in the UK, formal requirements nevertheless apply in Germany (translations)</li> </ul>	<ul style="list-style-type: none"> <li>Uncertainty due to Brexit</li> </ul>
<b>Registered cooperative society (eG)</b> pursuant to Section 17 subs. 2 of the German Cooperative Societies Act (GenG)		<ul style="list-style-type: none"> <li>Members and founders establish joint and solidary business operation</li> </ul>	<ul style="list-style-type: none"> <li>Minimum of three founders required</li> <li>Liability to the amount of the subscribed capital</li> </ul>	<ul style="list-style-type: none"> <li>Firm commitment to corporate objectives through explicit incorporation into articles of association</li> </ul>

Source: Own presentation with reference to BMWi 2020a; BMWi 2017; Gründerlexikon 2020a

## 2.2.2 Conditions relating to formation according to form of enterprise

As different conditions apply to foundation according to the chosen legal form for a company, it is not possible to outline a standard ideal process. Instead, examples relating to the most common forms of enterprise are presented below.

### Individually owned firm (Einzelunternehmen)

The individually owned firm is by far the most commonly chosen form of enterprise in Germany. The measures required to establish an individually owned firm depend on whether the person concerned is a freelancer, a small trader or a registered merchant.

Establishing an individually owned firm as a freelancer<sup>6</sup>:

- Registration of freelance work no later than four weeks after taking up business activity,
- Application for tax ID number on basis of received registration form,
- If the firm has employees, a business establishment number is to be obtained from the Federal Employment Agency. Employees must additionally be registered with the health insurance fund,
- Depending on the type of profession concerned:
  - Registration with the relevant professional association (e.g. for dispensing chemists, architects or medical practitioners),
  - Insurance through the artists' social insurance scheme,
  - Registration with the relevant occupational insurance association.

Establishing an individually owned firm as a small trader<sup>7</sup>:

- Registration with the trade registration office,
- Application for tax ID number on basis of received registration form,
- If the firm has employees, a business establishment number is to be obtained from the Federal Employment Agency. Employees must additionally be registered with the health insurance fund,
- Membership of the competent chamber of industry and commerce for the sector of industry concerned,
- Registration with the relevant occupational insurance association.

Establishing an individually owned firm as a registered merchant<sup>8</sup>:

- Certification of the founder's application by a notary, who files the application with the district court,
- Entry of the commercial company in the trade register,
- Registration of the line of business concerned,
- Registration with the tax office,
- Registration with the chamber of industry and commerce (IHK) or the chamber of crafts (HWK),
- If the firm has employees, a business establishment number is to be obtained from the Federal Employment Agency. Employees must additionally be registered with the health insurance fund.

### Joint-stock companies (Kapitalgesellschaften)

The limited liability company is one of the most common forms of joint-stock companies. As in most cases the limited liability entrepreneurial company is chosen as a preliminary form for subsequent transformation into a joint-stock company, the steps involved in the foundation of both forms of enterprise are identical, apart from a small number of exceptions.

### Typical procedure for founding a limited liability company

- Opening of a company account,
- At least 50 per cent of the limited liability company's capital stock (at least 25,000 euros) to be paid into the company account by the shareholders (ahead of the appointment with the notary),

<sup>6</sup> cf. definition of 'freelancer' in Chapter 2.1.

<sup>7</sup> There is no legal definition of the term 'small business'. However, in accordance with Section 1 subs. 2 of the German commercial code it is to be assumed that a company which does not require a commercially organised business set-up does not constitute a commercial enterprise. Such companies are exempted from the obligation to keep accounts and to draw up a balance sheet, and a simple tax return is sufficient. The tax authorities and the Value Added Tax Act ('Umsatzsteuergesetz' - UStG) define companies as small businesses when they do not exceed an annual turnover of 22,000 euros plus the applicable tax in their year of foundation (Section 19 subs. 1 of the Value Added Tax Act). This annual turnover threshold has applied since 1 January 2020. Prior to this, it stood at 17,500 euros. The annual turnover threshold for the years following the company's foundation remains unchanged at 50,000 euros (Gründerlexikon 2020b).

<sup>8</sup> A merchant is a person who carries on a commercial business. A commercial business is any commercial enterprise except where, by reasons of its nature or size, the enterprise does not require a commercially organised business set-up (Section 1 of the Civil Code).

- Articles of association to be drawn up. A sample document for limited liability companies is available from the Federal Ministry of Justice for this purpose,
- An appointment is to be made with a notary, at which the articles of association will be read out to the shareholders and they will be informed as to their legal obligations,
- Articles of association to be signed and notarised,
- The notary submits the limited liability company's articles of incorporation to the trade register,
- Commencement of business operations, provided that at least one shareholder possesses a business licence. No business licence is required for professional occupations,
- An opening balance sheet is to be drawn up,
- The competent district court provides due notification as soon as the limited liability company has been entered in the trade register,
- The questionnaire sent to the company by the tax office is to be completed and returned,
- Contributory registration with the occupational insurance association or the local chamber of industry and commerce or, in the case of craftspeople, with the chamber of handicrafts, as membership of an occupational insurance association or the relevant chamber is generally mandatory.

### 2.2.3 Duration of the formation process

According to the World Bank, the process of registering the formation of a company in Germany took eight days on average in 2019. This Figure includes the number of calendar days required to formally put a company into operation. The average time required to form

a company in Germany has fallen sharply since the World Bank began monitoring the average duration in 2003. From 45 days in 2003, the Figure dropped by half to 22 days in 2005, followed by a gradual decline down to eight days in 2016, remaining constant at this level until 2019, when the most recent data were collected (Figure 1; Weltbank 2020a).

Worldwide, the average stood at just under 20 days in 2019, and at 12 days in the EU. The EU Member States which showed a shorter average time required to form a company in 2019 included:

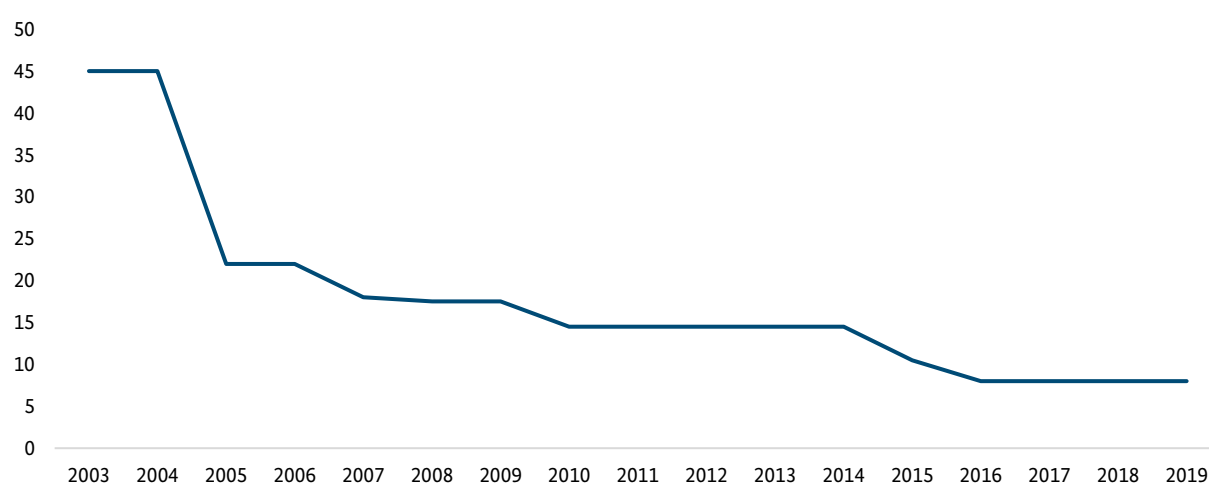
- Portugal, at seven days,
- Latvia and Lithuania, at six days,
- Belgium and the United Kingdom, at five days, and
- Denmark, Estonia, France and the Netherlands, at four days (Weltbank 2020b).

### 2.2.4 Costs of registering a company

The costs of registering a company differ substantially according to the chosen form of enterprise and vary slightly according to Land. The costs of registering the formation of a company cover entry in the trade register and notaries' fees. The level of these costs is regulated by the Act on Court and Notaries' Fees ('Gerichts- und Notarkostengesetz' - GNotKG)<sup>9</sup>, which stipulates a minimum sum of 60 euros for entry in the trade register (GNotKG, Annex 1, Part 2, Section 2, no. 5) and also specifies minimum and maximum fees

<sup>9</sup> Full title in German: Gesetz über Kosten der freiwilligen Gerichtsbarkeit für Gerichte und Notare (Gerichts- und Notarkostengesetz - GNotKG).

Figure 1: Average time required to form a company in Germany (in days; 2003-2019)



Source: World Bank (IC.REG.DURS) 2019

for the individual services to be performed by the notary. The following example based on the fees charged by the Rhineland chamber of notaries illustrates the charges which actually apply in practice (Table 2):

Apart from the registration costs, additional costs generally arise for drawing up contracts. According to the private-sector online platform startups.de, the following price ranges are to be factored in for the different contracts in Germany:

- “Employment contract: € 200 - 600
- General terms and conditions of business: € 250 - 750
- Subsidiary agreement to articles of association (shareholder commitment contract) € 750 - 1,600
- Shareholder agreement/deed of partnership: € 700 - 1,500
- Trademark protection: € 200 - 800” (Startups.de 2020a).

**Table 2: Fees for the initial registration/foundation of a company as illustrated by the example of the Rhineland chamber of notaries (2019)**

	Entry in trade register at office of registrar of companies	Certification of documents, electronic entry in trade register and, where appropriate (for limited liability company (GmbH) and limited liability entrepreneurial company (UG)) formation deed drawn up by notary	
	Costs (in €)	Collective costs (in €)	Total (net, in €)
<b>Registered merchant (e. K.)</b>	<b>70.00</b>	<b>100.00</b>	<b>170.0</b>
<b>General partnership (OHG)</b>			
... with 2 partners	100.00	124.00	224.00
... with 3 partners	100.00	153.60	253.60
... with 4 partners	140.00	175.20	315.20
... with 5 partners	180.00	196.80	376.80
<b>Limited partnership (KG) with two partners, including one limited partner, and a capital contribution of € 5,000</b>	<b>100.00</b>	<b>108.00</b>	<b>208.00</b>
<b>Limited liability company (GmbH)</b>			
... at least two shareholders and capital stock of € 25,000	150.00	580.00	730.00
... at least two shareholders and capital stock of € 50,000	150.00	679.50	829.50
<b>Limited liability entrepreneurial company (UG)</b>			
... with one shareholder and capital stock of € 10,00	150.00	105.00	255.00
... with 2 shareholders and capital stock of € 10.00	150.00	165.00	315.00
... with 2 shareholders and capital stock of € 10.00	150.00	165.00	315.00

Source: Rheinische Notarkammer 2019a: 1ff and Rheinische Notarkammer 2019b: 1-4 (as at: 1 July 2019)

## 2.3 Number of start-ups, founding ratio, start-up ecosystems and sectors in Germany

According to the ‘KfW Start-up Report 2019’ (KfW 2020a: 3), there were 70,000 innovative and/or growth-oriented start-ups in Germany in 2018, representing a rise of 17 % in comparison to the previous year (2017: 60,000; cf. Figure 2).

The share of women involved in start-ups between 2016 and 2018 stood at 19 % (KfW 2020a: 1).

“Men establish start-ups more frequently in the commercial field and on a full-time basis, have co-founders or employees in 1.7 times more cases, are growth-oriented in a good twice as many instances, carry out technological research and development work in three times as many instances and launch their operations with a market innovation nationwide at least in almost twice as many instances. As all these characteristics are less common among start-ups by women, the share of start-ups by women is markedly smaller in relation to the total number of new businesses established. On average over the past three years, men showed the start-up characteristics<sup>10</sup> in around nine out of every 100 new businesses established, as opposed

<sup>10</sup> The “start-up characteristics” as defined by the KfW include “the active businesses of entrepreneurs who established the business no longer than five years ago, who are engaged full-time in their business (that is, not as freelancers), who have a start-up team or employees and who are innovation- or growth-oriented. In this context, ‘innovation-oriented’ refers to the pursuit of research and development in order to develop a technological innovation to market maturity, or at least to offer a nationwide innovation on the German market” (KfW 2020a: 2).

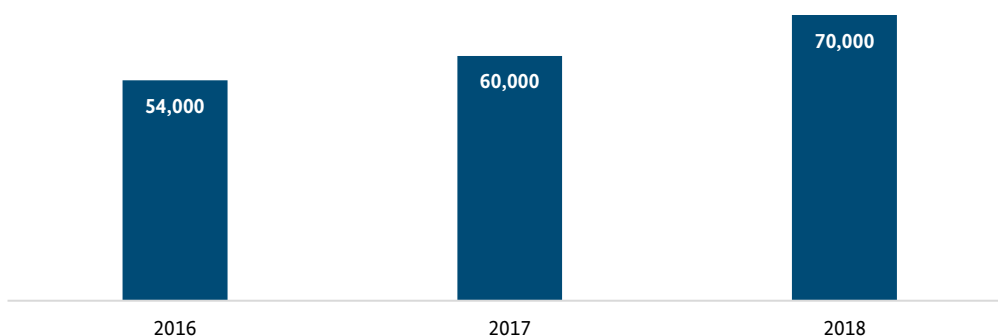
to only around three out of every 100 for women” (KfW 2020a: 2).

It is not possible to differentiate the data according to founders’ countries of origin and whether the founders came to Germany from abroad in order to establish the start-up, as no specific records are kept of people entering Germany in order to establish a start-up in Germany. Such persons come under the category of self-employment pursuant to Section 21 of the Residence Act and cover all forms of self-employed work (including wholesale and retail, import/export, brokerage, catering, artists, journalists, engineers, interpreters, farming, forestry and self-employed sales representatives) (cf. Figure 3; IHK Berlin 2018: 8; Vollmer 2015: 17).

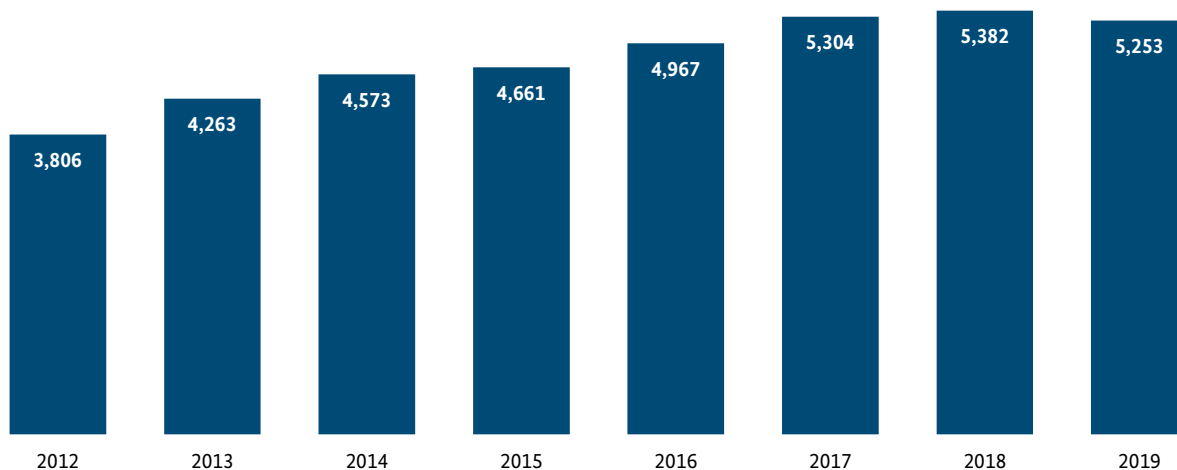
The number of residence permits issued for the purpose of self-employment and freelancing rose continually from 3,086 in 2012 to peak at 5,382 in 2018 (cf. Figure 3). 2019 witnessed a slight drop, to 5,253 residence permits issued. Due to the lack of differentiation, the number of such residence permits issued does not provide any reliable indication as to the number of third-country nationals entering Germany for the purpose of establishing a start-up.

In addition, the competent foreigners authority may allow third-country nationals who are already resident in Germany for a different purpose and with a different residence status to take up self-employment or establish a start-up while retaining their current residence titles (Section 21 subs. 6 of the Residence Act). In many cases, third-country nationals who already hold a residence title for a purpose other than self-employment in Germany are allowed by law to pursue self-employment, including the establishment of start-ups, without any restrictions (Section 4a subs. 1 first sentence of the Residence Act). Depending on the given residence title, a distinction is to be made here as to

**Figure 2: Number of start-ups in Germany (2016-2018)**



Source: Own presentation; based on: KfW 2020a: 1

**Figure 3: Number of residence permits issued for the purpose of self-employment and freelancing (2012-2019)**

Source: Central Register of Foreigners

whether access to the labour market is unrestricted, subject to permission from the foreigners authority, permitted subject to certain conditions, permitted in specific areas of work only (e.g. teaching at a higher education institution) or not permitted (IQ Netzwerk Niedersachsen 2020). No specific statistical records are kept of such self-employed activities which are pursued with a residence status other than a residence permit for the purpose of self-employment and they are not included in the above statistics.

### 2.3.1 Founding ratio and share of innovative and digital start-ups

Despite the overall increase in the number of start-ups and a growing diversification of measures to promote start-ups in recent years, the general founding ratio in Germany has been steadily declining in recent years. This ratio represents the “founders (12-month concept) aged between 18 and 64 as a share of the total population in this age group (KfW 2019a: 3), and stood at 1.06 % in 2018, in contrast to 1.82 % in 2010 and 2.76 % in 2002 (Metzger 2019: 1). This is attributed to the preference for dependent employment in generally positive times on the German labour market (Metzger 2019: 1), the ageing population (KfW 2016a) and “cultural factors, such as a low appetite for risk and the lack of a pronounced entrepreneurial mentality or general acceptance of entrepreneurship (Zinke et al. 2018: 27 in accordance with Sternberg et al. 2015). In addition, a “lack of staffing, technical, infrastructural and financial capacities and deficiencies among the available personnel” often plays a key role as an obsta-

cle to the establishment and growth of young companies”, which discourages people from founding a business in Germany (Zinke et al. 2018: 27).

In recent years, the category of innovative and digital foundations<sup>11</sup> which is of particular relevance to this study accounted for a share of all business foundations in Germany of 30 % (2016), 40 % (2017) and 33 % (2018) (Metzger 2019: 3f.). The share of foundations involving market innovations as a percentage of all business foundations has also fallen in recent years. In 2013 this share stood at 22 % of all new business foundations, falling to 14 % in 2018 (cf. Figure 4).

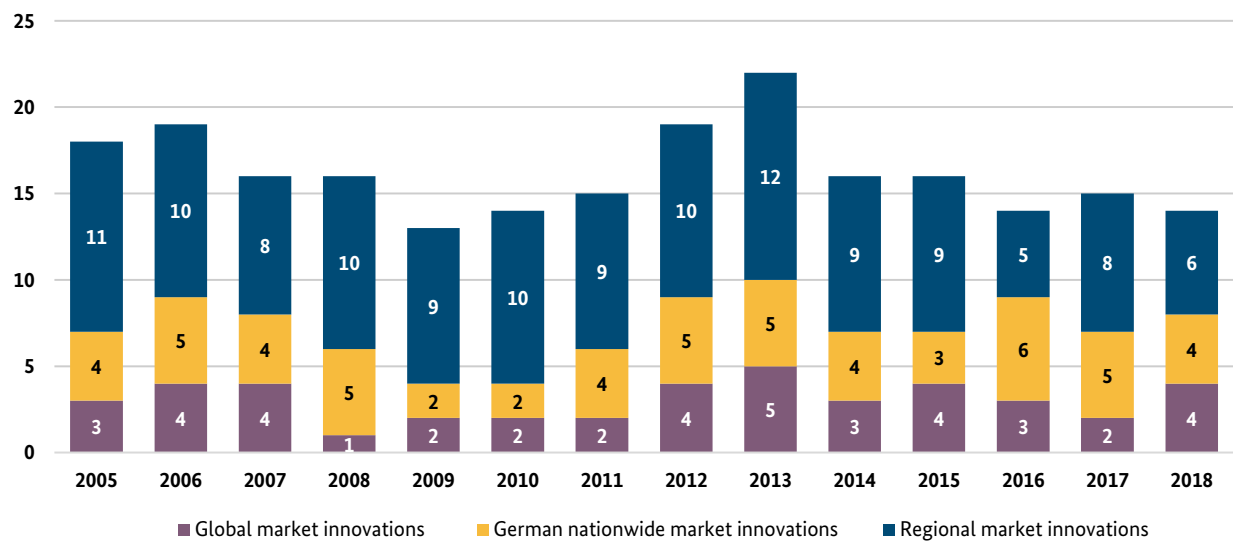
### 2.3.2 Start-up ecosystems

For many years now, Berlin has been the most important start-up ecosystem in Germany by far. The German capital boasts the highest number of business start-ups per 10,000 head of the employable population (Metzger 2019: 5), ranks among the top 10 start-up ecosystems worldwide and has displayed the highest growth potential of all start-up ecosystems worldwide in recent years (EY 2020: 10; Hebing/Ebert/Schildhauer 2017: 25). In terms of investment volume, Berlin was also the biggest start-up hub in Germany in 2019, when 63 of the top 100 start-ups with the high-

11 The ‘KfW-Gründungsmonitor’ distinguishes between “innovative”, “digital” and “internet-based”, attributing a special change-making effect to innovative and digital start-ups in particular. Consequently, the shares of start-ups which are explicitly designated ‘innovative’ and digital start-ups are added together here (see Metzger 2019: 3).



Figure 4: Foundations involving market innovations (in percent; 2005-2018)



Source: KfW-Gründungsmonitor; own presentation, based on Metzger 2019: 4

est financing volumes in Germany were located in the capital (EY 2020: 28).

Recent surveys show that the federal state of Brandenburg, which surrounds Berlin in its entirety, is also experiencing a sharp rise in the number of start-ups, rising to 3rd place among the 16 Länder in the start-up rankings presented in the KfW-Gründungsmonitor 2019. It is assumed that the Land, which entirely surrounds Berlin, is a beneficiary of the special dynamism in Berlin (Metzger 2019: 5). The Rhine-Ruhr metropolitan region in North Rhine-Westphalia, Frankfurt, Munich, Stuttgart/Karlsruhe and Hamburg are also leading ecosystems in Germany. In contrast to Berlin, however, these start-up ecosystems are generally focused on individual or specific sectors (Kollmann et al. 2019: 26f.; Ernst & Young 2017: 16). North Rhine-Westphalia has evolved into the leading start-up ecosystem in terms of the number of so-called green start-ups, for example. According to the 'Green Startup Monitor 2020', one fifth of Germany's total of some 6,000 green start-ups were located here in 2018 and 2019, ahead of Berlin, Baden-Württemberg, Bavaria and Lower Saxony. In relation to population density, however, Berlin is also "Germany's green start-up hub" (Olteanu/Fichter 2020: 22).

Numerous indicators are of significance to the development of successful start-up ecosystems, including the underlying fiscal, regulatory and economic conditions. The latter include the available labour force (age and training/educational structure of the local population), as well as infrastructure, financial incentives, promotion schemes and the regional business

culture (density of other start-ups and companies). In this connection, the marketing of the respective regional economies is acquiring growing importance and is increasingly attracting responses at both federal and Land level. A case in point is the 'Digital Hub Initiative'<sup>12</sup> launched in 2017 - a federal initiative of the Federal Ministry for Economic Affairs and Energy which promotes twelve regions and 16 cities as digital ecosystems, each with one or more key focuses:

12 The 'Digital Hub Initiative' website can be found here: <https://www.de-hub.de/en/> (2.3.2020).

- **Berlin:** Internet of Things (IoT)<sup>13</sup> & fintech (financial technology)
- **Dortmund:** Logistics
- **Dresden/Leipzig:** Smart systems & smart infrastructure
- **Frankfurt/Darmstadt:** Fintech & cyber security
- **Hamburg:** Logistics
- **Karlsruhe:** Artificial intelligence
- **Cologne:** Insurtech (insurance technology)
  
- **Mannheim/Ludwigshafen:** Digital chemistry & digital health
- **Munich:** Mobility & insurtech
- **Nuremberg/Erlangen:** Digital health
- **Potsdam:** Mediatech
- **Stuttgart:** Future industries

Most start-up ecosystems are operated and marketed at local and regional level. Here, closer links are possible between the entrepreneurs and the key players in the local economy. In addition, the structural configuration of the ecosystems generally enables available support measures to be targeted more specifically at the needs which are particularly prevalent among younger start-ups. All the Länder now include start-

13 “The term ‘Internet of Things’ serves to describe the increasing connectivity between “intelligent” objects, via which they communicate both among themselves and externally with the internet. Various objects, everyday items or machines are equipped with processors and embedded sensors, enabling them to communicate with one another via the IP network” (Gründerszene 2020d).

ups in their economic development measures, though with varying degrees of intensity, as is examined in greater detail in Chapters 2.5 and 4.2.

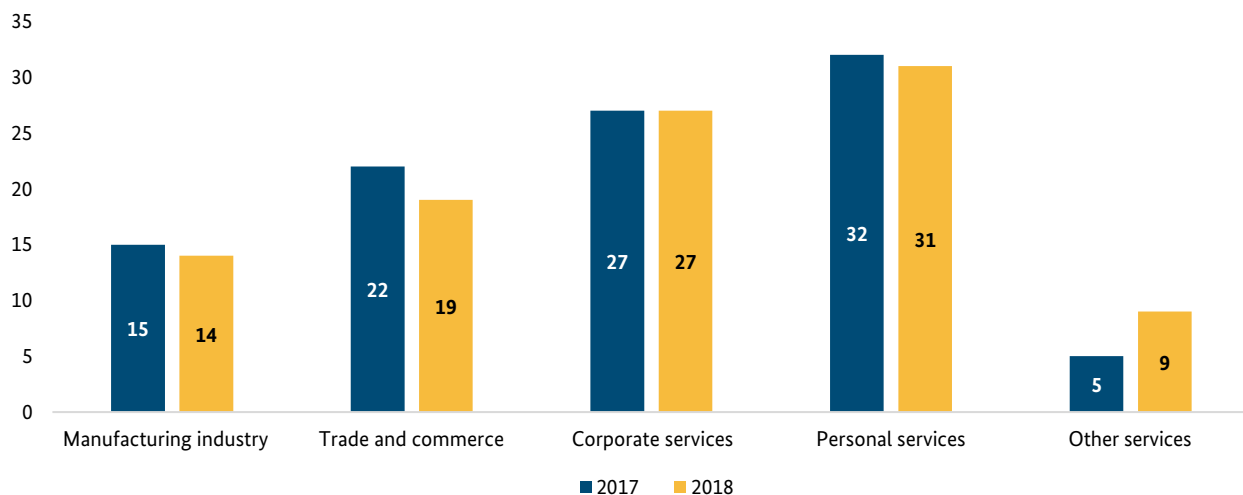
### 2.3.3 Establishment of new businesses by sector

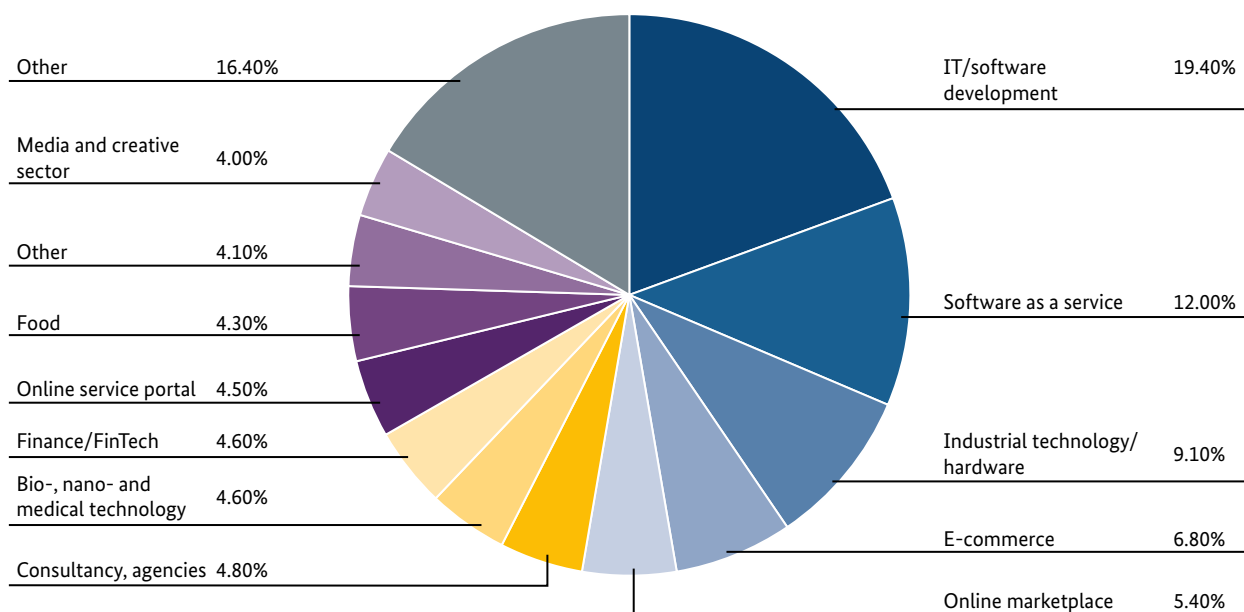
The establishment of new businesses as a whole (not specifically start-ups) in Germany is dominated by the service sector, which accounted for almost two thirds of all newly established businesses in 2017 and 2018 (Figure 5).

The sectoral breakdown of start-ups in 2017 showed that five sectors made up more than 50 % of all start-ups: IT/software development 19.4 %, software as a service 12.0 %, industrial technology/hardware 9.1 %, e-commerce 6.8 % and online marketplace 5.4 % (Zinke et al. 2018: 28; Figure 6).

So-called green start-ups, which are characterised by the fact that “their products, technologies and/or services make a contribution to the ecological objectives of a green economy” (Olteanu/Fichter 2020: 13) are acquiring increasing importance. According to the ‘Green Startup Monitor 2020’, some 21 % of all German start-ups can describe themselves as “green” “because their products and services make a concrete contribution towards protecting the environment and the climate” (Olteanu/Fichter 2020: 7, 21). The share of female entrepreneurs here is 22 % higher than among non-green start-ups (Olteanu/Fichter 2020: 7). The leading sectors for green start-ups in 2018 and

Figure 5: Sectoral breakdown of newly established businesses (in per cent; 2017-2018)



**Figure 6: Breakdown of start-ups by sector (in per cent; 2017)**

Source: Own presentation; based on Zinke et al. 2018: 28

2019 were agribusiness and agriculture, energy and electricity and the textile industry (Olteanu/Fichter 2020: 24).

## 2.4 General Federal Government programmes to support start-ups

A diverse spectrum of programmes to support start-ups applies at both federal and Land level. According to a study by the Ernst & Young accountancy firm, 56 government-operated promotion institutions (run by the Federal Government, the Länder and other stakeholders) were involved in promoting the start-up scene in Germany in 2019, along with 65 national corporate ventures<sup>14</sup>, 64 national incubators and accelerators, 211 national investors and almost 400 international financial stakeholders (investors) (EY 2020: 40ff.).

While the instruments applied by the Länder generally address issues in the given regional context, the federal instruments are aimed at providing generally more favourable underlying structural conditions for start-ups. This applies to start-up financing and counselling measures and equally to promoting the economic

internationalisation of Germany as a start-up country. The general public support instruments offered by the Federal Government are documented in the Annexes to this study, with Annex 1 presenting the most important federal promotion measures for the foundation phase, Annex 2 covering the measures for the growth phase and Annex 3 focusing specifically on measures for female entrepreneurs. The Federal Ministry for Economic Affairs and Energy provides a broader overview of the support instruments available from the Federal Government for financing business foundations and growth.<sup>15</sup>

The support instruments include start-up loans to varying amounts and subject to varying conditions for German and foreign start-ups, people setting up in business, freelancers and business successors. Prominent programmes here are the ERP Start-up loan - StartGeld, the 'ERP Start-up loan - Universal',

<sup>15</sup> Overview of Federal Government support instruments for financing business foundations and growth (as per: March 2020): [https://www.bmwi.de/Redaktion/DE/Downloads/U/ueberblick-zu-foerderinstrumenten-zur-gruendungs-und-wachstumsfinanzierung.pdf?\\_\\_blob=publicationFile&v=17](https://www.bmwi.de/Redaktion/DE/Downloads/U/ueberblick-zu-foerderinstrumenten-zur-gruendungs-und-wachstumsfinanzierung.pdf?__blob=publicationFile&v=17) (4.5.2020). The Federal Ministry for Economic Affairs and Energy's business start-up portal lists support instruments by category: a) The Federal Government's most important support programmes for entrepreneurs and SMEs; b) Guarantees; c) Support for individuals seeking to start up in business as a way out of unemployment; d) Support programmes for technology- and knowledge-based start-ups and companies and e) Green start-ups/environmental protection at companies: <https://www.existenzgruender.de/DE/Gruendung-vorbereiten/Finanzierung/Foerderprogramme/inhalt.html> (4.5.2020).

<sup>14</sup> cf. definition of 'Corporate venture capital' in Chapter 2.1.

‘ERP Capital for Start-ups’, the ‘ERP Digitisation and Innovation Loan’ and ‘ERP Mezzanine for Innovation’ (cf. Annex 1). Individual support instruments have been available for more than 20 years now, a case in point being ‘EXIST – University-Based Business Start-Ups’, which focuses on spin-offs from higher education institutions and non-university research establishments and breaks down into various support programme lines (cf. Annexes 1 and 2). Key stakeholders in connection with the federal support programmes are the Federal Ministry for Economic Affairs and Energy as the body with overall responsibility and the KfW development bank as implementing institution.

In addition, various start-up funds and venture capital programmes have been established over the past two decades, in some instances with a total volume in the region of several hundred million euros. Examples here include the ‘High-Tech Start-up Fund’, the ‘Micro-mezzanine fund for Germany’ the ‘ERP/EIF Fund of Funds’ (participating in venture capital funds), the ‘coparion’ co-investment fund and ‘Venture Tech Growth Financing’. These funds invest in particular in innovative start-ups and new businesses in the various launch phases (cf. Annexes 1 and 2).

The Federal Ministry for Economic Affairs and Energy and numerous other stakeholders in the business community have also identified women as a specific target group for start-up promotion measures as a means of raising the percentage of women setting up new businesses in Germany (cf. BMWi 2020i; BMWi/bga 2020a; Bundesverband Deutsche Startups 2019a: 52; BMWi et al. 2018: 3; BMWi 2018b: 1; BMWi 2018c: 7).

Numerous federal support instruments additionally receive European Union funding, in particular from the European Social Fund (ESF), the European Regional Development Fund (ERDF), the European Investment Fund (EIF) and the European Fund for Strategic Investments (EFSI) (cf. Annexes 1-3).

For the most part, the general support structures in Germany are not aimed specifically at third-country nationals. They are nevertheless available in principle to non-European start-ups wishing to set up business in Germany. Certain restrictions may apply with regard to access for third-country nationals on account of visa and residence issues, however (cf. Chapter 3.2 and 4.3). Third-country nationals who are able to enter Germany without a visa<sup>16</sup>, and who are planning to es-

tablish a start-up together with German or European partners, or who are already resident in Germany and are planning a spin-off after completing their studies at a German higher education institution, for example, are fully or partially exempt from such restrictions, however. The specific support instruments to attract international start-ups to Germany are to be found in Chapter 4, broken down according to Federal Government and Land measures.

## 2.5 General support programmes at Land level for start-ups

Investigations conducted in the course of this study and the responses from the Länder to written inquiries reveal that support for innovative start-ups was a key focus of economic policy in all Länder in 2019 (cf. Annex 5). The importance of this issue is also illustrated by the fact that support for the establishment of new businesses in the innovation-driven sector has been incorporated into coalition agreements of the Land governments in recent years and strategies to support start-ups, innovation, digitisation and technology have been evolved in numerous Länder, thereby helping to shape the overall economic policy of the respective Länder. In this context, associated areas of policy, such as support measures in the fields of the SME sector, education and science policy, environmental policy and infrastructure policy, are increasingly being geared towards the dynamic entrepreneurship which is to be observed in the field of start-ups, innovation, digitisation and technology.<sup>17</sup>

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without obtaining a visa beforehand – including for the purpose of taking up employment or pursuing self-employment (Section 41 subs. 1 1st and 2nd sentence of the Ordinance Governing Residence). They are required to file an application for the relevant residence title directly with the competent foreigners authority after entering the country, however (cf. Chapter 3.2). Nationals of Iceland, Liechtenstein, Norway and Switzerland (EFTA states) also enjoy freedom of movement.

<sup>17</sup> cf. recent declarations of intent across party lines regarding the support of start-ups and innovation in the individual Länder, e.g. the coalition agreements in Thuringia between Die Linke/SPD/Bündnis 90/Die Grünen 2020: 24f., 27, 49f.; in Brandenburg between SPD/CDU/Bündnis 90/Die Grünen 2019: 14, 34, 59ff., 70; in Hesse between CDU/Bündnis 90/Die Grünen 2018: 9, 133, 141f., 144, 175, 179; in Lower Saxony between SPD/CDU 2017: 26, 89ff.; in North Rhine-Westphalia between CDU/FDP 2017: 25, 27, 31f., 96; in Berlin between SPD/Die Linke/Bündnis 90/Die Grünen 2016: 9, 50, 54ff., 90; in Baden-Württemberg between Bündnis 90/Die Grünen/CDU 2016: 15f., 18f., 40f., 84.

<sup>16</sup> Nationals of Australia, Israel, Japan, Canada, New Zealand, the Republic of Korea and the USA are permitted to enter Germany

The importance attached to the start-up segment is highlighted above all by the manner in which the respective Länder or specific regions market themselves as attractive locations for innovative start-ups. In addition, a diverse spectrum of nationwide and international campaigns, central information platforms and portals show an increasing focus on efforts to attract start-ups (cf. the following chapters). Responsibility for the contents of such campaigns and platforms is clearly assigned to the economics ministries of the respective Länder and there are always specific contacts on hand to interface with other relevant stakeholders, e.g. in the science or investment fields (written responses from the economics ministries of the Länder).

A further overlapping objective of the Länder which highlights the political importance of supporting innovative start-ups is to have pioneering products and services develop and evolve in their respective territories. It is hoped that this will deliver growth and have positive effects on the employment structure (written responses from the economics ministries of the Länder).

Four focuses are particularly apparent in the strategies of the Länder with regard to support for innovative start-ups:

1. Digital-based start-ups,
2. promotion of technology,
3. start-ups in the science sector,
4. ongoing development of financing options in different early stages.

These focuses appear as a common theme in the support programmes of the respective Länder, which indicate a multi-dimensional interventional approach. These key objectives are realised, for example,

- by removing constraints on potential entrepreneurs, e.g. through instruments to provide capital and target group-specific support,
- by focusing on business ideas involving high levels of research and innovation, e.g. through support programmes closely linked to universities and an emphasis on technology-oriented start-ups, and
- by restructuring and broadening the start-up sector and the approach to encouraging start-ups, e.g. through adapted accelerator programmes and denser networking of the start-up ecosystem.

Further support measures include the removal of bureaucratic obstacles (Annex 4.5), target group-spe-

cific support (Annex 6), the networking of public- and private-sector stakeholders of relevance to start-ups (Annex 4.7), counselling, coaching, start-up centres and co-working spaces (Annex 4.8) and start-up competitions, conferences and prototype weeks (Annex 4.9).

Programmes illustrating the practical implementation of the stated strategies are presented in Annex 4 according to support focuses. The presented information is based on the written responses received from the economics ministries of the Länder in connection with this study (as per June 2019) and additional research.

# 3 Admission conditions for start-ups and innovative entrepreneurs from third countries

Since the introduction of the Immigration Act in 2005, start-up entrepreneurs from third countries<sup>18</sup> have generally required a visa in order to enter Germany, on the basis of which they are required to apply for a residence permit for the purpose of self-employment pursuant to Section 21 of the Residence Act. The provisions on entry into Germany for the purpose of self-employment apply not only to start-ups, but to all forms of self-employment.<sup>19</sup>

18 Nationals of the EU Member States are not subject to the provisions of Section 21 of the Residence Act, as they enjoy freedom of establishment pursuant to Section 49 of the Treaty on the Functioning of the European Union (TFEU). EU community law takes precedence here. Nationals of Norway, Iceland, Liechtenstein and Switzerland are also entitled to pursue self-employment without having to meet the requirements of Section 21 of the Residence Act. Nationals of Turkey also enjoy preferential treatment (Article 41 of the additional protocol to the association agreement between the EU and Turkey).

19 These also include one-person businesses and team set-ups, for example covering commercial activities (including wholesale and retail, import/export, brokerage, catering), freelancers (including artists, journalists, engineers and interpreters), so-

In other European countries, a trend towards entry and residence conditions tailored specifically to start-ups is emerging. 13 EU Member States have introduced special start-up visas and start-up residence permits to facilitate the entry of non-European entrepreneurs. Eight of these countries undertook the corresponding measures in 2017 and 2018 (cf. Figure 7). ‘Start-up visas’ exist in Estonia, France, Italy, Portugal, Spain and the United Kingdom, while start-up residence permits are available in Estonia, Finland, France, Latvia, Lithuania, the Netherlands, Austria, Portugal, Spain and Cyprus (KOM/EMN 2019: 15).

Numerous third countries have also introduced corresponding specific entry conditions for start-ups or have reformed their existing start-up visas and residence permits in recent years (Table 3):

called primary production businesses in agriculture and forestry and self-employed sales representatives (cf. IHK Berlin 2018: 8; Vollmer 2015: 17).

**Figure 7: Timeline of the introduction of special entry conditions in connection with start-ups for EU Member States and the United Kingdom**



**Table 3: Introduction or reform of specific**

Year	Third country
2010	Chile
2013	Brazil
	Canada
	Singapore
	South Korea
2014	New Zealand
2015	Taiwan
2016	Australia
2017	Israel
	New Zealand
	Singapore
	United States of America
2018	Australia
	Canada
	China
	Thailand
2019	Japan
	Philippines

Quelle: Patuzzi 2019: 5

Through the start-up visas and residence permits, these states seek to reduce red tape, to appeal specifically to potential start-up entrepreneurs abroad, to facilitate entry through greater transparency and in some instances faster processes, and thus to enhance their attractiveness as a place to do business. The introduction of start-up visa in Germany is also occasionally discussed, with individual studies expecting the introduction of such start-up visas to provide an additional incentive for non-European start-ups (EY/DB 2017: 91). This is also in line with the experience of some EU states that have introduced such start-up visas and have subsequently recorded an increase in the number of start-ups from third countries (KOM/EMN 2019: 24).

The following chapters present the general legal conditions pertaining to entry into Germany for the purposes of self-employment and then describe the steps involved in applying for a corresponding visa and residence permit, including the documents to be submitted, and outline the options for extending the residence permit for start-up entrepreneurs. Finally, the conditions that apply in the event of insolvency or a crisis situation for a start-up are described, together with the corresponding legal consequences with regard to residence.

### 3.1 General conditions of entry and residence (Section 21 of the Residence Act)

Section 21 of the Residence Act (entry for the purpose of self-employment) was introduced as part of the Immigration Act upon entry into force of the Residence Act with effect from 1 January 2005. In accordance with Section 21 subs. 1 nos. 1-3 of the Residence Act, third-country nationals may be granted a residence permit for the purpose of self-employment when the following three conditions are met:

1. an economic interest or a regional need applies,
2. the activity is expected to have positive effects on the economy and
3. personal capital or a loan undertaking is available to realise the business idea.

Assessment of the individual case focuses in particular on the viability of the underlying business idea, the foreigner's entrepreneurial experience, the level of capital investment, the effects on the employment and training situation and the contribution to innovation and research. The competent bodies for the planned business location, the competent trade and industry authorities, the representative bodies for public-sector occupational groups and the competent authorities regulating admission to the occupation concerned are to be involved in examining the application (Section 21 subs. 1 1st and 2nd sentence of the Residence Act).

An economic interest "applies in particular, but not exclusively, when the intended activity promises to have the effects for which the legal norm has been established, that is, the creation or maintenance of jobs, boosting the innovative strength of the German economy, etc. The same applies when future-viable, high-tech and/or particularly environment-friendly products are to be manufactured" (Stiegeler 2016: § 21 AufenthG margin no. 11).

According to the General Administrative Regulations on the Residence Act (Allgemeinen Verwaltungsvorschriften zum Aufenthaltsgesetz (AVwV)), a regional need applies, for example, "where an analysis of the structure of trade and industry in the area directly surrounding the planned location has revealed an under-supply of certain goods or services. Aspects of supply policy or other local government considerations may also influence the decision in this context" (21.1.3 of the General Administrative Regulations on the Residence Act).



Until the end of August 2007, the Residence Act further stipulated that foreigners pursuing self-employment were generally required to invest at least 1 million euros in Germany and create ten jobs, in order to obtain a residence permit pursuant to Section 21 of the Residence Act. With effect from 28 August 2007, the ‘Act to Implement Residence- and Asylum-Related Directives of the European Union’ (‘Gesetz zur Umsetzung aufenthalts- und asylrechtlicher Richtlinien der Europäischen Union’) lowered these requirements to a minimum investment level of 500,000 euros and the creation of at least five jobs. Upon the Labour Migration Control Act<sup>20</sup> entering into force on 1 January 2009, the minimum investment level was further reduced to 250,000 euros. Following the introduction of the ‘Act to Implement the EU Directive on Highly Qualified Persons’ (Directive 2009/50/EC<sup>21</sup>), this precondition was subsequently annulled, resulting in a substantial further lowering of the applicable requirements, notwithstanding reports that the old reference levels remain in use in certain regions (cf. Chapter 4.3.1).

Studies had shown that ultimately only a small fraction of people who had received a residence permit for the purpose of self-employment met these requirements, despite the standard conditions regarding minimum investment and job creation. In a study conducted by the Research Centre at the Federal Office for Migration and Refugees in 2012, for example, over half of respondents stated that they did not fulfil the standard conditions, while over 29 % provided no information or did not know and only just under 20 % of respondents stated that they did meet the conditions (Block/Klingert 2012: 52ff.). This means that, in practice, the conditions did not normally require to be met (Block/Klingert 2012: 53).

The legislature reacted to the discretion which was already broadly exercised in practice by the foreigners authorities and other bodies and the departures from the standard conditions by gradually lowering the requirements (Breidenbach 2008: 183) and eventually removing them altogether. In addition to the stated other conditions, “it may suffice, for example, that an individual entrepreneur who initially has only a low level of turnover offers the prospect of higher turnover and the creation of jobs in the future, by virtue of a

particularly innovative business idea (Sußmann/Nusser 2020: § 21 AufenthG margin no. 14). Financing of the self-employment must nevertheless still be ensured “through personal capital or solid loan undertakings. Own and borrowed capital must be available in good time, to the required amount and for the intended purpose. It is sufficient if the positive effects occur in the foreseeable future. The financial basis must be in place from the beginning, however” (Sußmann/Nusser 2020: § 21 AufenthG margin no. 15).

The conditions pertaining to Section 21 subs. 1 of the Residence Act may be waived for self-employed freelance activities (Section 21 subs. 5 of the Residence Act).

### **Adequate old-age provision for self-employed persons aged over 45**

Third-country nationals who are over 45 years of age must also furnish proof of adequate provision for old age as a precondition for issuance of a residence permit for the purpose of self-employment (Section 21 subs. 3 of the Residence Act). In this respect the foreigners authority reaches a predictive decision, according due consideration to all types of assets belonging to the person concerned, their pension rights accrued abroad and/or in Germany, the business capital and/or the amount invested (21.3 of the General Administrative Regulations on the Residence Act). In the case of Berlin, this means in concrete terms that the person concerned “must dispose of a monthly pension of 1,280.06 euros (for at least 12 years) or capital assets totalling 187,682 euros”, with exceptions to this rule applying for certain countries of origin<sup>22</sup> (Landesamt für Einwanderung Berlin 2020a; as per March 2020).

The above-stated conditions may be waived in the case of nationals of the Dominican Republic, Indonesia, Iran, Japan, the Philippines, Sri Lanka, Turkey or the United States of America (Section 21 subs. 2 of the Residence Act in conj. with 21.2.1 of the General Administrative Regulations on the Residence Act). The exemptions for the latter are based on special international treaties (in particular treaties of amity, trade agreements and treaties governing settlement and residence).

20 Full German title: ‘Gesetz zur arbeitsmarktdäquaten Steuerung der Zuwanderung Hochqualifizierter und zur Änderung weiterer aufenthaltsrechtlicher Regelungen (Arbeitsmigrationssteuerungsgesetz)’ of 20 December 2008.

21 Council Directive 2009/50/EC of 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment.

22 “The requirement for proof of provision for old age is waived for the following nationalities: Dominican Republic, Indonesia, Japan, Philippines, Sri Lanka, Turkey and the United States of America. Proof of adequate provision for old age is always required for a permanent settlement permit, however - irrespective of age and nationality” (Landesamt für Einwanderung Berlin 2020a).

### Residence for the purpose of self-employment for academics with a German degree

Third-country nationals who have successfully completed their studies at a state or state-recognised higher education institution or a comparable educational establishment in the federal territory or who hold a residence permit as scientists (Section 18c or Section 19c of the Residence Act) may be issued with a residence permit for the purpose of self-employment (Section 21 subs. 2a of the Residence Act). Individual conditions pursuant to Section 21 subs. 1 of the Residence Act may also be waived in this connection.

It must be apparent that a link applies between the intended self-employment and the knowledge acquired in the course of the undertaken higher education or the work as a researcher or scientist, however (Section 21 subs. 2a 2nd sentence of the Residence Act):

“As such, a teacher who has graduated from a technical college can establish a children’s day care centre or a biochemist can found a high-tech company. An intention to apply soft skills or multilingualism in a line of business which is otherwise unrelated to the person’s qualifications, thereby establishing competitive advantages, e.g. in an import/export company, is not sufficient, however (Sußmann/Nusser 2020: § 21 AufenthG margin no. 26).

In order to establish the connection between the self-employment and/or business start-up and the completed studies or undertaken research work, in Berlin, for example, proof of graduation from a state-recognised higher education institution or a comparable educational establishment in the federal territory is required and, as an alternative to a company profile, “a statement from the previous employer (e.g. research establishment) on the connection between the work as a researcher/scientist and the business idea” (Landesamt für Einwanderung Berlin 2020a).

### Self-employment for persons already resident in Germany with a different residence title

In many cases, third-country nationals who already hold a residence title for a purpose other than self-employment in Germany are allowed by law to pursue self-employment without any restrictions (Section 4a subs. 1 1st sentence of the Residence Act), for example in the case of a settlement permit pursuant to Section 9 of the Residence Act, an EU long-term residence permit (Sections 9a-c of the Residence Act), in the case of persons who are recognised as being entitled to

asylum (Section 25 subs. 1 of the Residence Act), persons who are recognised refugees (Section 25 subs. 1 alternative 1 of the Residence Act), beneficiaries of subsidiary protection (Section 25 subs. 2 alternative 2 of the Residence Act), in the case of a residence permit which is subject to a national ban on deportation (Section 25 subs. 3 of the Residence Act) and in the case of various residence permits for the purpose of family reunification.

In contrast, where the residence title is subject by law to restrictions on gainful employment, permission from the foreigners authority is required for self-employment (Section 4a subs. 1 3rd sentence in conj. with Section 21 subs. 6 of the Residence Act). The requirement for permission applies, for example, in the case of a residence permit for study purposes pursuant to Section 16b of the Residence Act, the EU Blue Card pursuant to Section 18b subs. 2 of the Residence Act or a residence permit for the purpose of qualified employment as a skilled worker with vocational or academic training pursuant to Sections 18a and 18b of the Residence Act (IQ Netzwerk Niedersachsen 2020).

## 3.2 Stages of the process to obtain a residence permit

Third-country nationals undergo a process comprising several stages for the purpose of obtaining a residence permit for self-employment in order to establish a start-up pursuant to Section 21 of the Residence Act.

### 3.2.1 Prior to entry: Filing of a visa application at a diplomatic mission

As in all cases of a long-term stay, most<sup>23</sup> third-country nationals must also obtain a national visa from the relevant foreign mission (German embassy or consulate) for the purpose of self-employment, prior to entering Germany. The conditions pertaining to issuance of a national visa vary according to the purpose of the

<sup>23</sup> Nationals of Australia, Israel, Japan, Canada, New Zealand, the Republic of Korea and the USA are permitted to enter Germany without obtaining a visa beforehand – including for the purpose of taking up employment or pursuing self-employment (Section 41 subs. 1 1st and 2nd sentence of the Ordinance Governing Residence). They are required to file an application for the relevant residence title directly with the competent foreigners authority after entering the country, however. Nationals of Iceland, Liechtenstein, Norway and Switzerland (EFTA states) also enjoy freedom of movement.

longer-term stay and, in the case of a start-up, the type of self-employed work concerned (Section 21 of the Residence Act).

The German diplomatic missions provide visa applications in multiple languages, listing which documents are to be attached to the application. The following two examples from the German diplomatic missions in the People's Republic of China and the Russian Federation illustrate how the documents to be furnished vary slightly according to country of origin (Infobox 2 and 3). The lists are publicly accessible on the websites of the respective diplomatic missions. It should be noted that the lists cover all forms of commercial and/or freelance self-employment. Consequently, some of the stated documents do not need to be presented by start-up entrepreneurs, regardless of whether the websites of the diplomatic missions indicate this. For example, no trade register entry can be presented for a start-up, which is to be founded in Germany, as is required according to the lists, as such an entry in the trade register is only possible after entering Germany. The Land department of immigration in Berlin also points out in its procedural instructions that in these cases "the requirement to present a business registration is to be waived, both in the visa process and with regard to the issuance of a residence permit. Where the necessary documents cannot be presented in such cases, the individuals concerned [...] are to be informed that their application will be rejected if they fail to present the documents here within a period of 3 months" (Landesamt für Einwanderung Berlin 2020c: 218). The documents which do not require to be furnished for start-ups that are to be established in Germany are indicated in [light blue](#) in the lists.

In order to verify whether the conditions are met, the diplomatic mission involves the foreigners authority at the planned place of residence in Germany (Section 31 subs. 1 no. 2a of the Ordinance Governing Residence). In turn, the foreigners authority generally involves other stakeholders (Chapter 3.2.2).

The national visa is generally limited to a period of residence of up to 90 days, during which time for stays in excess of 90 days an application for issuance of the corresponding residence permit must be filed with the competent foreigners authority at the place of residence (Chapter 3.2.2).

## Processing time

There is no statutory maximum processing time for visa applications. With regard to visa applications filed by skilled workers from abroad, the Federal Government's information portal [www.make-it-in-germany.de](http://www.make-it-in-germany.de) states that the processing of visa applications generally takes two to four months (Die Bundesregierung 2020b). Processing applications may take substantially longer, however, according to the third country from which the applicant originates and in which region they wish to take up residence. Varying processing times may result from the relevant foreigners authority's experience in evaluating a business and financial plan, for example, as well as inquiries regarding aspects of the business and financial plan which may not be readily comprehensible, follow-up questions concerning formal qualifications or incomplete documentation submitted by applicants.

**Info box 1: Applications for visas at the diplomatic missions of the Federal Republic of Germany in the People's Republic of China for the purpose of taking up gainful self-employment in Germany (as per March 2020)**

**Required documents:**

1. Passport signed in your own hand with 2 copies of the page showing your photograph. The period of validity of the passport should exceed that of the visa by at least three months
2. Two application forms fully completed in German and English and signed in your own hand. Please use our digital application form for a long-term visa, which you can complete online: <https://videx-national.diplo.de>
3. Three recent identical biometric passport photographs with a white background
4. For non-Chinese applicants: valid residence title for China
5. Proof of health insurance in Germany, valid from the date of entry for at least 180 days
6. Complete curriculum vitae in German
7. Proof of qualifications: e.g. school-leaving certificate, degree, employers' references, additional qualification certificates, proof of knowledge of foreign languages with German translation
8. Notarial deed confirming establishment of the company\*
9. Notarial articles of incorporation\*
10. Current extract from the trade register\*
11. Managing director's contract\*
12. List of shareholders
13. Business plan in German, i.e. a structured and detailed description of the business idea, with the following information:
  - a) Corporate concept
  - b) Business purpose
  - c) Company data (incl. legal form, location)
  - d) Description of personal qualifications
  - e) Analysis of the market and competition
  - f) Marketing strategy
  - g) Outline of future prospects
  - h) Projected balance sheet
  - i) Projected profit and loss statement
  - j) Liquidity forecast
  - k) Additional information on the expected number of jobs and/or trainee positions to be created
  - l) Where possible: Explanation of how the planned business will have a positive influence on the fields of innovation and research
14. For persons aged over 45: additional proof of provision for old age (e.g. pension insurance fund, life assurance)
15. Visa fee, payable in RMB: EUR 75.00

\*The items shown against a light blue background are specified as such by the diplomatic mission. Where a company is only to be established in Germany after the applicant has come to Germany, these documents cannot be furnished in the foreign country, however. In some instances, these documents can only be provided after a residence permit has been issued in Germany.

Source: Vertretungen der Bundesrepublik Deutschland in der Volksrepublik China 2020

## **Info box 2: Applications for visas at the diplomatic missions of the Federal Republic of Germany in the Russian Federation for the purpose of taking up gainful self-employment and freelance employment in Germany (as per April 2020)**

### **“You require the following documents for your application:**

1. Two applications for a national visa, completed in German and signed in your own hand, including the declaration pursuant to Sections 53 and 54 of the Residence Act <https://videx-national.diplo.de/>;
2. Three recent biometric passport photographs, no more than six months old, against a white background, size 45x35 millimetres;
  - please stick one photograph on each of the application forms (ignoring the note to the contrary on the forms) and bring the third photograph with you.
3. International passport with two copies of the data page;
  - the foreign passport must be signed and must have at least three blank pages remaining.
4. Internal passport with two copies of the data page and two copies of all pages containing entries. For non-Russian nationals: Residence title for Russia with two copies;
5. Complete personal data sheet stating full addresses and contact details – with two copies. If you do not draw up this data sheet in German, a German translation is to be attached.
6. Where applicable: Proof of knowledge of foreign languages, e.g. language certificate or certificate from a language school, with two copies;
7. For applicants aged over 45: Proof of adequate provision for old age, e.g. independent means, pension rights accrued abroad and / or in your home country, business capital, etc., with two copies in each instance;
8. Adequate health insurance with two copies. Health insurance is deemed adequate when appropriate health insurance, preferably so-called incoming insurance, is taken out prior to entering Germany. Travel health insurance policies may exclude insurance cover when a long-term stay is planned. It is also sufficient to present proof of health insurance when the visa is issued.

### **Self-employed persons are additionally required to furnish the following documents:**

1. Original or certified copy of notarial formation deed with two copies\*
2. Original or certified copy of notarial articles of association with two copies\*
3. Certified copy of list of shareholders with two copies\*
4. Where applicable: Original or certified copy of managing director’s contract with two copies\*
5. Current excerpt from the trade register with two copies\*
6. Structured and detailed description of the business idea with two copies, comprising
  - company profile,
  - business plan,
  - business concept,
  - capital requirements plan,
  - description of personal qualifications,
  - analysis of the market and competition,
  - marketing strategy,
  - earnings forecast; profit and loss statement; liquidity forecast,
  - outline of future prospects,



- additional information of the expected number of jobs and/or trainee positions to be created,
  - Where possible: Explanation of how the planned business will have a positive influence on the fields of innovation and research.
7. Further items of proof and certification as appropriate

#### **Freelancers are additionally required to furnish the following documents:**

1. Structured and detailed description of your planned venture, substantiated by meaningful proofs and confirmations, with two copies,
2. Financing plan or proof of personal capital or a loan undertaking to realise the business idea, with two copies,
3. Your occupational qualifications, with two copies, for example
  - proof of vocational qualification,
  - proof of relevant professional experience and further training,
  - your highest school-leaving or further education qualification,
4. further items of proof and certification as appropriate.

#### **Important information**

- For certain fields of freelance work, e.g. as an architect, it may be necessary to obtain a licence to practice the profession concerned. Information on whether a licence is required for your planned work is available on the website [www.erkennung-in-deutschland.de](http://www.erkennung-in-deutschland.de).
- Additional documents which are not stated here may be requested in individual cases when filing an application or in the course of the visa process.
- All documents which are not in German are to be submitted with a translation into German. Translations carried out by a translator in the Russian Federation require notarial certification. No notarial certification is necessary for translations carried out by a sworn translator in Germany.
- Internal and foreign passports and the health insurance policy do not require to be translated.
- Registry office and court documents must be apostilled as a general principle. This requirement does not apply to German documents and is also generally waived for documents from other EU countries. Please ensure that the apostille is applied to the original document (and not the copies). Apostilles must be translated.
- All originals and translations are to be submitted in duplicate. The copies specified on the fact sheet do not require notarial certification.
- Ensure that you submit the complete scope of application documents! Incomplete applications may result in rejection of the visa application”.

\*The items shown against a light blue background are specified as such by the diplomatic mission. Where a company is only to be established in Germany after the applicant has come to Germany, these documents cannot be furnished in the foreign country, however. In some instances, these documents can only be provided after a residence permit has been issued in Germany.

Source: Vertretungen der Bundesrepublik Deutschland in der Russischen Föderation 2020



### 3.2.2 After entry: Filing of application for a residence permit with the foreigners authority

The application for a residence permit pursuant to Section 21 of the Residence Act for the purpose of self-employment is to be filed within the period of validity of the visa (generally 90 days) with the competent foreigners authority in Germany at the place in which the entrepreneur takes up residence. The granted residence period of up to 90 days enables start-up entrepreneurs to attend to the necessary formalities for issuance of the residence permit. The documentation to be submitted to the foreigners authority in this connection varies according to whether a commercial or a freelance start-up is concerned.

#### Residence for the purpose of self-employment to establish a commercial start-up

To enable an expert assessment of business plans, the competent foreigners authorities generally request an expert opinion from the competent chambers of industry and commerce. For different occupational profiles, the chambers of architects, chambers of handicrafts, the health authorities, the Land medical associations or other professional organisation may be contacted, for example. In order to determine the prevailing requirements in a regional economy or in towns and communities, the chambers may in turn consult the competent representatives of the local authorities.

The documents to be submitted are largely identical to those submitted when applying for a visa for the purpose of self-employment in Germany, and these documents (e.g. financial and business plan) do not generally require to be drawn up anew, provided that no changes have occurred to the planning. The taking-up of residence in the area for which the respective foreigners authority is responsible additionally requires to be documented, for example (e.g. tenancy agreement). As any further requirements may vary according to foreigners authority and regional conditions, applicants need to ask the competent foreigners authority what documents are to be submitted. At regional level, sectors can be identified in advance for which it is assumed that the conditions pertaining to issuance of a visa and/or a residence permit for the purpose of self-employment are clearly not met (Section 21 subs. 1 1st sentence nos. 1 and 2 of the Residence Act).<sup>24</sup>

<sup>24</sup> In Berlin, for example, these are determined by the foreigners authority in consultation with the senate department responsible for business, “on account of the high number of already ex-

Nationals of Australia, Israel, Japan, Canada, New Zealand, the Republic of Korea and the USA, who are permitted to enter Germany without obtaining a visa beforehand – including for the purpose of taking up employment or pursuing self-employment (Section 41 subs. 1 1st and 2nd sentence of the Ordinance Governing Residence) are required immediately to submit all the necessary documents when applying for a residence permit for the purpose of self-employment (cf. the list of documents to be submitted when applying for a residence permit for the purpose of self-employment in Berlin, for example; Landesamt für Einwanderung Berlin 2020a).

Aside from the formal conditions, the involved chambers generally have broad discretionary scope when it comes to assessing business plans. For example, the intention to establish a company for a specific market segment may be approved even if this market is already covered by other companies, if the new business is expected to “intensify competition” (IHK Berlin 2017: 10). While the chambers’ expert opinions provide the foreigners authorities with guidance in reaching a decision on the issuance of residence permits, they are not binding and do not represent the sole decision-making criterion (see above).

#### Residence for the purpose of self-employment to establish a freelance start-up

As described in Chapter 2, numerous general support programmes from the Federal Government and the Länder are available to both commercial and freelance business start-ups. For the purposes of this study, freelance start-ups (innovative start-ups) may concern scientific and technical occupations, such as engineer, chemist or architect, as well as occupations of an artistic nature, such as web designer (BMW<sub>i</sub> 2017c). Engineering work may also relate to computing and information technology, an example occupation here being computer engineering, where professionals develop hardware and software, meaning that freelance start-ups may ensue here in the IT field. The issue as to whether the establishment of a new business constitutes a commercial or freelance start-up is ultimately determined by the tax office (BMW<sub>i</sub> 2017d). “This decision is no simple matter for the fiscal authority, as

istent businesses in Berlin when new enterprises are intended to be established” and published in the ‘Procedural instructions on residence in Berlin’ (Landesamt für Einwanderung 2020c: 218). As per March 2020, it was assumed that the following sectors failed to meet the conditions: motor vehicle trading, import and export (including used cars), trading in car components, motor vehicle repair businesses and car care services, trading in scrap and trading in precious metals (Landesamt für Einwanderung 2020c: 218).



many occupations possess both commercial and professional attributes. As a general rule of thumb, where the emphasis is on intellectual, creative work, the fiscal authority generally considers this to constitute a freelance occupation” (BMW 2019f: 2).

The documents to be furnished when applying for a residence permit for the purpose of self-employment thus differ in some respects from those to be furnished for a commercial start-up. Here again, the following example provides an outline on the basis of the requirements specified by the Land department of immigration in Berlin for applications for a residence permit for the purpose of freelance self-employment pursuant to Section 21 of the Residence Act (cf. Info box 3). The distinction between a commercial and a freelance start-up and opting for one or the other are of significance because they affect both the scope of documents to be furnished when applying for a residence permit for the purpose of self-employment (in the case of third-country nationals) and the other for-

malities relating to the start-up process per se (irrespective of nationality, see Chapter 3.3.3).

### Recognition of occupational qualifications for freelance activities

An important difference in comparison to commercial start-ups is the requirement to furnish proof of qualification for the activity concerned which applies to freelance start-ups. This necessitates a recognition process for the respective qualifications. The application for recognition can be filed from abroad. The hotline ‘Working and Living in Germany’<sup>25</sup> offers advice on

25 The hotline ‘Working and Living in Germany’ is available Mondays to Fridays from 8 p.m. to 4 p.m. (CET) on +49 (0)301815-1111. “The hotline is jointly run as part of the Federal Government’s demographic strategy by the Federal Office for Migration and Refugees and the Federal Employment Agency within an interministerial cooperative set-up spanning the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of the Interior, the Federal Ministry of Education, Science, Research and Technology and the Federal Employment Agency” (Die Bundesregierung 2020c).

#### Info box 3: Documents required when applying for a residence permit for the purposes of a freelance start-up pursuant to Section 21 subs. 5 of the Residence Act, by reference to the Land department of immigration in Berlin

- **Valid passport**
- **1 current biometric photograph**
- **Form ‘Application for issuance of a residence title’**
- **Financing plan**
- **Earnings forecast**
- **Fee contracts**
- **Curriculum vitae** (Career history, proof of qualifications, certificates, references/sponsors)
- **Licence to practice your profession** (for professions which require such a licence)
- **Health insurance**
  - Proof of a secure livelihood must also include sufficient health insurance. People with statutory health insurance are sufficiently insured. Those with private health insurance must consider the type and extent of their health insurance.
- **Lease or proof of home ownership**
- **Accommodation costs**
  - Proof of the monthly rental costs (current account statement) or costs of the inhabited property.
- **Adequate provision for old age** (for persons aged over 45)
 

Proof of adequate provision for old age can be provided as follows:

  - Offer for insurance by way of a private pension scheme or life assurance policy
  - Own assets
  - Acquired pension rights or
  - business assets
- **Proof of main residence in Berlin**
  - Certificate of registration at main place of residence or
  - lease and confirmation of occupancy from the landlord

Source: List based on: Landesamt für Einwanderung Berlin 2020b (as per March 2020).

the telephone also for prospective entrepreneurs from abroad and refers the individuals concerned to the relevant recognition bodies in Germany. The hotline staff subsequently refer individuals interested in coming to Germany to the 'Service Center for Professional Recognition' ('Zentrale Servicestelle Berufsankennung' (ZSBA)), which was established in connection with the Skilled Labour Immigration Act and began its work on 17 February 2020 (BMBF 2020).

### 3.2.3 Registration of commercial and freelance start-ups

Once the relevant residence permit has been issued, the commercially operated setup must be registered with the trade registration office and the professionally operated setup must be registered with the tax office.<sup>26</sup>

#### Registration of a commercial business start-up

Registering a commercial business does not constitute an application for permission but rather an act of formal notification. Consequently, no distinction is made between Germany, EU citizens and third-country nationals, provided that all the other conditions are met.

After submitting the form, the applicants receive the business licence and a corresponding entry in the local business register, on the basis of which the appropriate notifications are made to the tax office, to the district court or the competent registrar of companies, to the chambers of industry and commerce, to the health insurance fund, to the Federal Employment Agency where appropriate and to the relevant occupational insurance association. Further and current detailed information on business registrations is available on the Federal Ministry for Economic Affairs and Energy's business start-up portal at: [www.existenzgruender.de/EN/](http://www.existenzgruender.de/EN/).

#### Registration of a freelance business start-up

Compared to a commercial business, the registration process for freelancers involves less bureaucratic steps. An informal written registration with the tax office suffices, stating the contact details and providing a description of the planned activity. The tax office then forwards a tax registration form, on which further details are entered regarding the planned activity, envisaged turnover and profit. On the basis of this in-

formation, the tax office assesses whether the activity concerned constitutes a commercial or liberal occupation and assigns a tax ID. A firm decision on whether a commercial or professional occupation is involved often does not take place until the first fiscal audit (BMWi 2019f: 6).

Freelancers are required to pay turnover tax and income tax, but no trade tax.<sup>27</sup> In addition, freelancers are required to undertake single-entry bookkeeping (as opposed to double-entry bookkeeping). Entry in the trade register is only necessary when a legal form is chosen for which such entry is compulsory (such as a limited liability company or a limited liability entrepreneurial company, see Chapter 21) (cf. BMWi 2019f: 6; BMWi 2020n). Further and current detailed information on registering a freelance activity is available on the Federal Ministry for Economic Affairs and Energy's business start-up portal at: [www.existenzgruender.de/EN/](http://www.existenzgruender.de/EN/).

## 3.3 Renewal of the residence permit and issuance of a permanent residence permit

In the case of commercial start-ups, the validity of the residence permit is limited to a maximum of three years. The foreigners authority can issue a permanent settlement permit directly after these three years, provided that the planned activity has been successfully realised and the livelihood of the person concerned and any dependents whom the person concerned is required to support as members of their family is secured by adequate income. In addition, there must be no reasons relating to public safety or order which rule out the granting of such a permit (Section 21 subs. 4 2nd sentence of the Residence Act in conj. with Section 9 subs. 2 1st sentence no. 4 of the Residence Act). Freelancers starting up in business can, as a rule, be issued with a permanent settlement permit after holding a residence permit for at least five years (9.2.1.1 and 21.6 of the General Administrative Regulations on the Residence Act).

<sup>27</sup> An exception applies in the form of the provision for small businesses, under which no turnover tax requires to be paid when total turnover did not exceed 22,000 euros in the previous calendar year and a level of 50,000 euros is not expected to be exceeded in the current year.

<sup>26</sup> This Chapter is based on Vollmer 2015: 44f.

In order to assess whether the self-employment has been successfully realised, the foreigners authority may involve the relevant expert bodies, the trade and industry authorities, the representative bodies for public-sector occupational groups and the competent authorities regulating admission to the occupation concerned, such as the chambers of industry and commerce, chambers of architects, health authorities or Land medical associations (21.4 of the General Administrative Regulations on the Residence Act in conj. with Section 21 subs. 1 4th sentence of the Residence Act). The stated stakeholders must not necessarily be involved, however; in individual cases, the success of the self-employed activity may be assessed on the basis of the submitted documents. A further important factor by which success can be measured is the number of new jobs created and profits realised (21.4 of the General Administrative Regulations on the Residence Act).

## 3.4 Insolvency, crises, changes to business plans and their effects on the residence status

### 3.4.1 Insolvency and claiming of social benefits

In the event of insolvency in the first three years (commercial start-ups) or the first five years (freelance start-ups), as a result of which the livelihood of the person concerned is no longer secure, the residence title is revoked. The viability of the business idea and a secure livelihood for the entrepreneur and their family were preconditions for issuance of the residence permit for the purpose of self-employment. Where the person concerned already possesses a permanent settlement permit, they are allowed to take up new gainful employment. If the person concerned has claimed social benefits in the period prior to extension of the residence permit or issuance of a settlement permit, extension of the residence title may be refused (cf. Vollmer 2015: 36).

### 3.4.2 Financial crisis

Should a financial crisis threaten the livelihood of the person concerned and their family during the initial

years up to the time of applying for a settlement permit and thus require the person concerned to additionally take up dependent employment, an application for an additional residence permit must be filed with the foreigners authority. Section 21 of the Residence Act permits self-employment, but not dependent employment. The foreigners authority decides at its own discretion whether an additional residence permit is to be issued for the purpose of gainful employment (dependent employment). A different situation may apply where additional employment is taken up in the form of a 'mini-job', which may be approved in consultation with the foreigners authority without requiring an additional residence permit or a change of residence title.

### 3.4.3 Amendment of the business plan

The business and financial plans are of central importance when applying for a visa and a residence permit pursuant to Section 21 of the Residence Act, as these document the viability of the planned start-up to the involved authorities. With regard to an extension to the residence permit or a switch to a permanent settlement permit, the business plan no longer represents the central decision-making criterion, however. Here, the focus is rather on the successful realisation of self-employment, and a secure livelihood for the person concerned and their family as the crucial basis for decisions as to whether the residence permit should be maintained or a switch to a settlement permit should take place. The success of the self-employed activity can be documented by the number of jobs created or verifiable profits realised (21.4 of the General Administrative Regulations on the Residence Act). The livelihood must be secured by adequate income, whereby for self-employed people "greater fluctuations in income are conceivable than for employees. A predictive decision on future income is to be made on the basis of the average income to date and the assumption that the business activity to date will be continued" (21.4 of the General Administrative Regulations on the Residence Act). For this reason, departures from the business plan are permissible without requiring notification of the foreigners authority or any other bodies, provided that the success of the business is not jeopardised. Entrepreneurs are obliged to notify the trade registration office of any changes to the structure of the business, however.<sup>28</sup> Notification must be provided, for example, if a branch is opened, the business is relocated or the range of products or services

<sup>28</sup> This passage is based on the observations in Vollmer 2015: 46.

is changed, should such developments mean that the business no longer has anything in common with the purpose of the business as specified when registering the company. Notification must also be provided of any change of owner, any changes to the shareholder structure and the cessation of business. These obligations apply equally to Germans, other EU or EEA nationals and third-country nationals.

## 4 Measures to attract start-up entrepreneurs from third-countries to Germany

Studies comparing practices in different countries to attract and support start-ups note that while Germany, or individual regional start-up ecosystems in Germany (particularly Berlin), has gained in attractiveness as a whole and become highly dynamic in some areas, other countries put substantially greater effort in to attracting start-ups from abroad. Furthermore, some of these countries are at an advantage and/or are at an advantage in this respect on account of their established international start-up ecosystems and support practices, which in some instances have been in place for many years. In addition to Silicon Valley in the USA, substantial and successful support structures to attract international start-ups and start-up investors also exist in other countries and regions. In a study conducted on behalf of the Federal Ministry for Economic Affairs and Energy in 2018 on the subject of trends regarding support measures for start-ups, Zinke et al. (2018: 143) note, for example, that Israel has been pursuing measures to attract foreign start-up investors and start-ups to the country since the 1990s. The study also observes that China has expanded its support measures considerably in order to attract foreign entrepreneurs (Zinke et al. 2018: 145). A comparison at European level shows that some other Member States pursue support for non-European start-ups more actively and purposefully than Germany (KOM/EMN 2019: 5ff.; 16ff.).

According to the findings of a study conducted on behalf of the Federal Ministry for Economic Affairs and Energy (Leicht et al. 2017: 1), the immigration of entrepreneurs and attracting non-European start-ups harbour the potential to stimulate the stagnant founding scene in Germany, also in view of the fact that “there is much to suggest that this entrepreneurial potential is not currently being exploited sufficiently.” Furthermore, studies and expert opinions repeatedly recommend that efforts to attract and support businesses in Germany should be targeted more specifically at international start-ups (cf. Zinke et al. 2018: 173f.). There are also calls for an improvement to the general conditions for foreign providers of venture capital (Böhm et al. 2019: 108), for more intensive market-

ing of Germany as a base for start-ups (Hebing/Ebert/Schildhauer 2017: 36f.) and for a segment-specific “vision” for Germany as a “founding nation” (Böhm et al. 2019: 103).

While the general support instruments in Germany are for the most part also available to non-European entrepreneurs for the purposes of establishing start-ups, third-country nationals who are currently still outside of the country are not explicitly addressed as a rule. Specific programmes and instruments to attract and support non-European start-ups are rare. In addition, they are either tied to individual cooperation regions and countries or they take the form of general internationalisation strategies, which are aimed primarily at preparing start-ups from Germany for the international market and offer advisory and support structures for start-ups from third countries in this context (Chapter 4.1 and 4.2). However, “in view of the international competition for promising start-ups, it would be worthwhile not only to pave the way for German start-ups to become established abroad, as various services are already doing – in particular the ‘German Accelerator’ run by the Federal Ministry for Economic Affairs and Energy for Silicon Valley, New York, Boston and Singapore – but also to interest international start-ups in Germany as a business base. In addition to the existing initiatives which are already pursuing this aim, incubators and accelerators also provide means of encouraging foreign start-ups to take this step and support them along the way” (Zinke et al. 2018: 173f.; cf. Chapter 4.3.4).

It is not possible to state the number of start-ups established by third-country nationals in Germany, as the official statistics do not distinguish between start-ups and other self-employed activities (cf. Chapter 3). While more than 5,000 residence permits for the purpose of self-employment were issued annually between 2017 and 2019, for example, the number of third-country nationals entering the country in order to establish a start-up cannot be determined on the basis of this figure. It is only possible to discern the positive trend whereby the immigration channel has

become markedly more attractive to third-country nationals for the purpose of self-employment since 2012 (cf. Chapter 2.3 and Figure 3).

On the other hand, there is documentary evidence that substantially more international investors in the start-up field have come to Germany over the past few years, and that Germany – and Berlin in particular – are experiencing dynamic growth as start-up ecosystems, as Zinke et al. (2018) note in their study:

“One of the strongest trends is the internationalisation of market players. Large, highly active players in particular, such as Google, Microsoft or Tech-Code, are undergoing a highly dynamic process of internationalisation or are inherently international in character. This has pertinent effects for the market players’ target and native ecosystems alike: Gaps in supply in the target ecosystems are closed and more competition is generated, the international exchange has positive effects on the exchange of knowledge, the presence of international players boosts the internationalisation opportunities for domestic start-ups, while conversely an internationally active player may arouse interest in its native ecosystem among start-ups from the international ecosystems and attract them to its native system. In addition, the entry of a well-known international player into an ecosystem also raises the profile of the ecosystem concerned and attracts interest in the system, e.g. among investors” (Zinke et al. 2018: 173).

While the existing support instruments to attract and retain international start-ups do not indicate a priority strategy in this field in Germany, there are individual programmes at national level and numerous individual measures at Land level which are aimed explicitly or indirectly at non-European entrepreneurs to encourage start-ups in Germany and/or the respective Länder.

## 4.1 Measures to attract and support start-ups at federal level

In the ‘Go’ founding offensive launched by the Federal Ministry for Economic Affairs and Energy in 2018, three points in the 10-point plan for more business foundations in Germany are directly or indirectly linked to attracting and supporting non-European en-

trepreneurs in efforts to establish start-ups in Germany (points 7, 8 and 9). Among the measures specified under point 7 - ‘Closer links between start-ups and SMEs’ -, for example, it is stated that the Digital Hub Initiative aims to strengthen “networks comprising companies, start-ups and investors” and to raise their international profile, in order to attract young entrepreneurs, investors and skilled workers to Germany (BMW 2018c: 11; cf. Chapter 2.3.2 regarding the ‘Digital Hub Initiative’).

While point 8 ‘Promotion of international cooperation between start-ups’ focuses primarily on measures to help German start-ups expand into global growth markets, an area in which they have been relatively reticent to date, it also includes measures to attract international start-ups to Germany and provide them with support. To this end, international links between business formation networks in the higher education sector and start-ups is to be strengthened, as pilot projects have reportedly shown that higher education institutions can attract entrepreneurs from abroad, and this is to be further reinforced with the aid of the EXIST programme (Annex 1) (BMW 2018c: 12). In addition, ‘start-up exchange programmes’ are to be used to support the “structured and sustained networking of the respective start-up ecosystems and the fostering of contacts between the German small and medium-sized business sector and German start-ups on the one hand and Israeli and Indian start-ups on the other, in order to create economic benefits, jobs and growth for both countries” (BMW 2018c: 12; Chapter 4.1.1 the programmes GISEP and GINSEP).

Point 9 - ‘Strengthening the entrepreneurial skills of migrants’ - begins by stating that “people with a migrant background [...] are now responsible for roughly one in every five business foundations in Germany”, with the trend continuing upward (BMW 2018c: 13). It is intended to expand the scope of information and networking services and mentoring programmes such as the ‘Start-Up Your Future’ initiative in the Berlin-Brandenburg area, in which experienced entrepreneurs helped refugees set themselves up in business in a pilot project which ran until March 2020 (BMW 2018c: 13). As the ‘Start-Up Your Future’ pilot project finished at the end of March 2020 and was not extended, the planned development of structures has failed to come about so far in this respect.



#### 4.1.1 German-Indian Startup Exchange Program - 'GINSEP'

The 'German-Indian Start-up Exchange Program' (GINSEP) was initiated by the Federal Ministry for Economic Affairs and Energy in Germany in 2017 and launched in India at the beginning of 2018. The programme, which is funded by the Federal Ministry for Economic Affairs and Energy and carried out by the Bundesverband Deutsche Start-ups association, serves as a coordinating body for German and Indian start-ups wishing to establish a start-up in each other's countries or to expand their existing start-ups. To this end, information on the respective start-up ecosystems is provided online<sup>29</sup> and in a print version, with additional experts on the respective countries and local circumstances invited to workshops for this purpose. "In this way, German and Indian start-ups are to be informed about the legislation and the commercial opportunities in each other's countries" (BMW 2019g: 30f.). The programme pursues five key focuses:

1. Capacity building,
2. expert networks (accessible via a web-based map, for example),
3. B2B networking facilities<sup>30</sup> (incl. study trips, workshops, events and pitch formats),
4. providing information (Bundesverband Deutsche Startups 2019b: 2) and
5. promoting pilot projects (GINSEP/BMW 2020).

A 'Go-To-Market Guide' has also been developed for the purposes of GINSEP, offering start-ups key information on the other country's start-up ecosystem (Bundesverband Deutsche Startups 2019c).

#### 4.1.2 German Israeli Startup Exchange Program - GISEP

Similarly to GINSEP, GISEP is also a programme funded by the Federal Ministry for Economic Affairs and Energy and implemented by the Bundesverband Deutsche Startups e. V. association, with a focus on "structured networking" of the start-up ecosystems in Israel and Germany (Bundesverband Deutsche Startups 2017a). GISEP also offers information and contact

details regarding the respective start-up ecosystems via an internet platform<sup>31</sup>, stages events and networking meetings (GISEP 2020) and has also developed a 'Go-To-Market Guide' for both countries (Bundesverband Deutsche Startups 2019d).

#### 4.1.3 Other Federal Government measures

The Federal Government's portal for skilled workers from abroad, 'Make it in Germany'<sup>32</sup>, also provides information for prospective start-up entrepreneurs from third countries who are interested in setting themselves up in business in Germany. The entire portal is available in German, English, French and Spanish, with concise information additionally available in eleven other languages (cf. Chapter 4.3.2). According to the Federal Ministry for Economic Affairs and Energy, the aim of the portal is to help ensure that prospective start-up entrepreneurs "are not hindered by complex and long administrative procedures in their efforts to establish businesses. Consequently, the entire immigration process must be made less bureaucratic and more transparent, for example by expanding the scope of e-government solutions" (written response from the Federal Ministry for Economic Affairs and Energy). Together with business representatives at Federal Government and Land level, the Federal Ministry for Economic Affairs and Energy is also committed to improving the scope of language courses for self-employed people (written response from the Federal Ministry for Economic Affairs and Energy).

The Federal Ministry of Labour and Social Affairs has been helping people with migrant backgrounds to set themselves up in business since 2005 under the IQ support scheme ('Integration through Qualification'), also actively advising and informing people who are interested in migrating to Germany – on topics including self-employment and start-ups. A study group for this field was also established back in 2005, since when it has evolved into the present-day 'Competence Center for Migrant Entrepreneurship of the Network IQ' (German: 'IQ Fachstelle Migrantenökonomie'). The 'Competence Center for Migrant Entrepreneurship of the Network IQ' has set up the online portal offering information in Germany in 14 languages<sup>33</sup>.

29 GINSEP website: [www.ginsep.co](http://www.ginsep.co) (7.5.2020).

30 B2B stands for 'business-to-business', which denotes "business relations between at least two enterprises". In "German [...] the term relates to the relationship between two business partners and [...] excludes direct contact with the end customer, in contrast to B2C" (Gründerszene 2020c).

31 GISEP website: <https://gisep.co/> (6.5.2020).

32 Website of the 'Make it in Germany' platform: <https://www.make-it-in-germany.com/en/> (6.5.2020).

33 The Network IQ website [www.wir-gruenden-in-deutschland.de](http://www.wir-gruenden-in-deutschland.de) is available in German, Arabic, Bosnian, Chinese, English, French, Pashto, Polish, Russian, Spanish, Tigrinya, Turkish, Ukrainian and Vietnamese.



A special aspect of this platform is that it offers information on rights of residence for nine different target groups in conjunction with the requirements pertaining to starting up a business in Germany, examples being non-European skilled workers, students and graduates. The platform additionally offers specific tools for prospective entrepreneurs, such as a 'Business Plan Workbook', which provides a step-by-step guide to drawing up a business plan, such as is essential when applying for a visa or a residence permit for the purpose of establishing a start-up/for the purpose of self-employment (IQ Fachstelle Migrantenökonomie 2018b).

The portal for female entrepreneurs<sup>34</sup> which is run by the Federal Ministry for Economic Affairs and Energy provides information and support services for prospective female entrepreneurs and businesswomen and is the nationwide information platform of the 'National Agency for Women Start-ups Activities and Services' (German: 'gründerinnenagentur' (Annex 3). It is available in six languages - German, English, French, Italian, Russian and Turkish - and thus has the potential to reach women from third countries who are interested in starting up a business, in addition to their counterparts in Germany's neighbouring countries in Europe.

In the interests of reducing bureaucracy and facilitating international start-ups in Germany, the Federal Ministry for Economic Affairs and Energy sees a need for "effective and user-friendly one-stop shops for entrepreneurs," in view of which it aims "to push ahead with the planned portal network, the Online Access Act and the EU Single Digital Gateway Regulation" (BMW i et al. 2018: 2).

## 4.2 Measures to attract and support start-ups at Land level

With regard to the internationalisation of the start-up sector and efforts to attract and support international start-ups, to date many Länder have focused primarily on supporting the expansion of business activities by German start-ups abroad, and rarely vice-versa. This is achieved first and foremost through cooperation with internationally known start-up regions. Measures in this field are additionally realised by means of regu-

lar visits by delegations to foreign markets for qualified start-ups and corresponding fact-finding trips (cf. below). According to the economics ministries of the Federal Länder surveyed in mid-2019, at Land level not all Länder offer specific support programmes for non-European entrepreneurs intending to establish start-ups in Germany (situation as per June 2019). In response to written inquiries submitted for the purposes of this study, various representatives of the Land economics ministries explicitly pointed out that there are no relevant programmes in place to attract and support non-European entrepreneurs seeking to establish start-ups in Germany (five Länder). With regard to the Länder which do offer support tools, as in the case of Federal Government measures, too, the fact that it is practically impossible to gauge the success of individual measures to attract international start-ups represents a challenge. Virtually no figures or reports are available regarding how many international start-ups have decided on account of certain support instruments or a combination of the same to establish their business in Germany or to expand into Germany. Consequently, it is not possible to assess the efficiency of the measures documented below.

A common business development instrument to interest non-European entrepreneurs in Germany as a place to set up in business is general locational marketing. This involves highlighting the given openness to an interest in international start-ups and companies establishing operations in the given location, primarily by way of an online presence. In some Länder, this level is augmented by active marketing of the respective region at international business fairs and events. This includes staging events focusing on specific topics or sectors at start-up-related conferences and fairs abroad. A rather more unconventional measure aimed specifically at attracting international start-ups involves operating branch offices of the Land business development agencies in selected countries and cities (particularly in international start-up hubs such as Silicon Valley, Israel and Asian countries). This presence in the field makes it possible to establish direct relations with potential innovative start-ups and investors in the start-up scene and to interest them in the local or regional market in Germany. At the same time, these branch offices also serve as a source of information, advice and networking for German start-ups seeking to open up the market in the relevant regions in the third countries or to enter into international partnerships.

A further identified measure involves the implementation of special hub, accelerator and exchange programmes. These are rarely aimed exclusively at inter-

<sup>34</sup> Website of the portal for female entrepreneurs: [www.existenzgruenderinnen.de/EN/](http://www.existenzgruenderinnen.de/EN/) (6.5.2020).

national start-ups from third countries, however. The programmes designed specifically to attract entrepreneurs from third countries are commonly bi- or multinational in character, with a focus on exchange between German start-ups and their counterparts from the given partner country or countries. The formats of such programmes range from events spanning several days to longer-term structures (see examples below).

Additional instruments which are applied in a number of Länder include target group-specific start-up grants and international start-up competitions, providing information for non-European prospective start-up entrepreneurs and so-called ‘soft landing’ programmes which offer advice and support to start-ups entering the German or regional market.

Government agencies at Land level often do not provide these support measures alone, but rather in conjunction with other stakeholders from the private sector, higher education institutions, representatives of the regional business community and corresponding associations. Private-sector stakeholders are involved in various ways in efforts to attract innovative start-ups from third countries. First and foremost, they are involved as mentors and investors in bilateral accelerator programmes in order to provide entrepreneurs with the necessary sector-specific know-how and financing. Another format involves business development facilities set up (in some instances) on a public/private-sector basis, which provide direct interfaces with the local economy. While such public/private-sector partnerships to promote start-ups represent common practice, they are rarely configured explicitly for third-country nationals (Chapter 2).

Scientific establishments and universities play an important role in promoting innovative start-ups from non-EU countries primarily in the context of science-based spin-offs and through technological research and applications. Stakeholders from the university sector are often well versed in the field of transnational partnerships by virtue of their contact with international students and researchers from third countries. With regard to the practical integration of international students and researchers as start-up entrepreneurs on the German market, however, a number of economics ministries and the ‘Competence Center for Migrant Entrepreneurship of the Network IQ’, which is specialised in advising prospective start-up entrepreneurs from abroad<sup>35</sup> note that at many higher educa-

tion institutions there is a lack of concrete know-how combining a knowledge of the relevant aspects of residence law with an understanding of how innovative business ideas might be implemented (cf. IQ Fachstelle Migrantenökonomie 2018c: 8f.).

Local and regional stakeholders contribute in particular by stepping up measures to promote the location to their respective areas of start-ups in the context of the policies to promote innovation and business at Federal Government and Land level. While the majority of regions in Germany have already broadened their scope of activities to include the target group of start-ups in general (by establishing links with the local SME sector, for example), to date only a small number of regions have also developed strategies or concrete programmes to attract start-ups from third countries.

#### 4.2.1 Support measures in Baden-Württemberg

- The Land government’s campaign ‘Start-up BW International’ aims, among other things, “to strengthen [Baden-Württemberg’s; author’s note] standing as a start-up Land at national and international level” (Start-up bw 2020f). The campaign is being conducted in close cooperation with Baden-Württemberg’s competence centre for the internationalisation of business, science and research (bw-i)<sup>36</sup>. Locational marketing is additionally pursued with the aim of “attracting innovative foreign businesses to Baden-Württemberg;” to which end “bw-i approaches potential foreign investors also from outside the EU (above all the USA, Japan, Taiwan, India) who could generally be of interest to Baden-Württemberg in terms of their field of technology and degree of maturity” (written response from the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing).
- Beyond this, there are “contacts with partner regions [...] on a decentralised level through accelerators, e.g. cooperation with Israel, India, USA” (written response from the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing). In 2019, for example, 365 international companies established business operations in Baden-Württemberg (2018: 363), Switzerland topping the

35 The ‘Competence Center for Migrant Entrepreneurship of the Network IQ’ forms part of the ‘Integration through Qualification (IQ)’ network which is funded by the Federal Ministry of Labour

and Social Affairs and the European Social Fund and which has been pursuing efforts to improve opportunities on the labour market for people with a migrant background since 2005.

36 Website of the Land of Baden-Württemberg’s bw-i competence centre: <https://www.bw-i.de/en/start-page.html> (7.5.2020).

countries of origin with 111 new business establishments in Baden-Württemberg, followed by two third countries in second and third place, in the guise of the USA (38 businesses locating to BW) and China (22) (bw-I 2020).

#### 4.2.2 Support measures in Bavaria

- The programme ‘Ois Easy’ start-up package is aimed specifically at attracting start-ups from abroad, which are no more than five years old, providing support and assistance for such companies seeking to enter the market in Bavaria (Invest in Bavaria 2020). The programme is run by ‘Invest in Bavaria’, which is an agency dedicated to attracting business settlements to Bavaria operated by the Bavarian Ministry of Economic Affairs, Regional Development and Energy and Bayern International GmbH (StMWi Bayern 2020a). The ‘Ois Easy’ start-up package comprises coaching services from programme partner ‘BayStartUP<sup>37</sup>, free co-working facilities for three months, information on financing options and networks, support in dealings with the authorities and in visa matters and access to the 19 digital new business centres and 40 general and technology-oriented new business centres throughout Bavaria (Invest in Bavaria 2020; StMWi 2020b).

#### 4.2.3 Support measures in Berlin

- Berlin is promoted as a place to set up in business via the website ‘Reason Why Berlin’<sup>38</sup>, which explicitly portrays Berlin as a ‘start-up city’ and ‘brain city’ and provides concrete step-by-step information on available ways of immigrating to Berlin, how a start-up can be established in Berlin and what means of support are available.
- ‘Start Alliance Berlin’<sup>39</sup> is an international city partnership programme focusing on start-ups as one of three target groups, along with major companies and cities themselves. At the beginning of 2020, ten cities were linked up in the programme: Berlin, Dubai, London, New York, Paris, Peking, Shanghai, Tel Aviv, Warsaw and Vienna. “The Start Alliance Berlin partnership setup provides start-ups with

access to a programme that enables swift expansion between every location in the network” (Berlin Partner 2020). Each year, two- to four-week group programmes are held in each of the partner cities for start-ups from the participating cities – including Berlin –, covering free office premises, access to start-up events and advisory services. In addition, start-ups can obtain individual advice on the given location, market and network in each instance.

- The ‘StartUp AsiaBerlin’ platform (SUAB)<sup>40</sup> is a partnership organisation with Bangalore, Beijing, Delhi, Hong Kong, Jakarta, Manila, Shenzhen and Singapore which has been set up by Berlin’s Senate Department for Economics, Energy and Public Enterprises and the Berlin NGO ‘enpact e.V.’ with the aim of “facilitating access to the respective markets for start-ups and establishing a lasting multilateral network spanning the respective start-up ecosystems” (Berliner Senatsverwaltung für Wirtschaft, Energie und Betriebe 2018). To this end, annual trips by delegations to the partner cities and to ‘Asia-Pacific Week’ in Berlin are organised (cf. Annex 4.6 to the ‘Female Entrepreneurship’ programme within SUAB).
- The ‘Business Immigration Service’ (BIS)<sup>41</sup> has been set up to provide support in residence-related issues and to promote the “swift and straightforward” issuance of residence titles for entrepreneurs, start-up founders, self-employed persons and qualified skilled workers (written response from SenWEB Berlin). In this connection, the Berlin chamber of industry and commerce offers an online ‘Visa Check’<sup>42</sup> which guides third-country nationals through a questionnaire in English and provides assistance in distinguishing between a self-employed commercial activity and freelancing, in drawing up an initial assessment of individual support requirements and with regard to the documents to be submitted in applying for a visa.
- ‘Welcome.Berlin’ app<sup>43</sup> with dedicated sections for entrepreneurs according to countries of origin, offering information on residence-related issues and conditions as well as a sectoral breakdown of information on setting up in business.
- The ‘Female Entrepreneurship in Berlin and India’ project<sup>44</sup> organises mutual trips by delegations,

37 Website of BayStartUP, an initiative funded as part of the Bavarian Ministry of Economic Affairs’ ‘Gründerland Bayern’ initiative: <https://www.baystartup.de/> (7.5.2020).

38 ‘Reason Why Berlin’ website: <https://reason-why.berlin/> (4.5.2020).

39 ‘Start Alliance Berlin’ website: <http://www.startalliance.net/> (4.5.2020).

40 ‘StartUp AsiaBerlin’ website: <https://startup-asiaberlin.com/> (4.5.2020).

41 Website of the Berlin ‘Business Immigration Service’: <https://www.businesslocationcenter.de/bis/> (4.5.2020).

42 ‘Visa Check’ website of the Berlin chamber of industry and commerce: [www.ihk-berlin.de/visacheck](http://www.ihk-berlin.de/visacheck) (6.5.2020).

43 Website of the ‘Welcome.Berlin’ app: <https://app.welcome.berlin/> (4.5.2020).

44 Website of the ‘Female Entrepreneurship in Berlin and India’

network meetings and training measures for female entrepreneurs in Berlin and India.

#### 4.2.4 Support measures in Brandenburg

- The start-up advisory and coaching project ‘Beratung und Business-Coaching für innovative Gründungen im Land Brandenburg (Innovationen brauchen Mut 2018 bis 2021)’ (cf. Annex 4.8) also addresses migrants who are interested in setting up in business, offering coaching and advisory services in English and other languages on “intercultural issues and overcoming bureaucratic obstacles” and funding options (WFBB 2020a).

#### 4.2.5 Joint support measures in Bremen, Hamburg and Schleswig-Holstein

- The ‘Northern Germany Innovation Office’ (NGIO) is a joint project of the north-western Länder of Schleswig-Holstein, Hamburg and Bremen, the city of Kiel and a number of north German business enterprises. It serves as a “bridge for innovation-oriented businesses between northern Germany and Silicon Valley” in the USA (NGIO 2020a). Digitisation is a key focus. The NGIO is run by ‘Wirtschaftsförderung und Technologietransfer Schleswig-Holstein GmbH’. In addition to supporting north German businesses in dealings with Silicon Valley, a further focus of the joint project is on supra-regional location marketing for the region of northern Germany, in order to interest US companies and start-ups in the region through its branch office in Silicon Valley (NGIO 2020b). In addition to personal marketing, NGIO also publishes brochures on the economic and start-up ecosystems of the respective participating Länder.

#### 4.2.6 Support measures in Bremen

- Via the ‘Bremen invest’ programme of the business promotion enterprise ‘Wirtschaftsförderung Bremen GmbH’ (WFB), the Hanseatic City of Bremen operates three agencies in China, Turkey and Vietnam which pursue locational marketing for Bremen, focusing in particular on the “aerospace, maritime, logistics, automotive and wind power / renewable energies” sectors (WFB 2020). Bremen Invest provides information on Bremen’s economy

and setting up in business, arranges office, storage and production premises, offers assistance in dealings with authorities and provides access to networks (WFB 2020).

- The ‘welcoming service’ for foreign skilled workers as part of Bremen’s corporate service offering provides advice at local level in various languages, also for foreign entrepreneurs, prospective start-up founders and skilled workers (bremen.online 2020).
- cf. also ‘Northern Germany Innovation Office’ (NGIO) above.

#### 4.2.7 Support measures in Hamburg

- The ‘Startup-Unit’ was set up as part of the business development agency ‘Hamburg Invest Wirtschaftsförderungsgesellschaft mbH’ (Hamburg Invest) in 2018 for the purposes of national and international locational marketing. The ‘Startup-Unit’ additionally offers special start-up services, in particular for start-up entrepreneurs from third countries. These services apply to start-ups which are already established in Germany, as well as start-ups located elsewhere in the EU and outside of the EU. In concrete terms, the services range “from locational advice through a commercial property service to overseeing investor and development projects.” A so-called ‘Welcome Package’ is also available, providing an initial workplace free of charge, provided that specified criteria are met (written response from the Hamburg Ministry for Economics, Transport and Innovation). In addition, a ‘Coworking Map’<sup>45</sup> has been placed online, offering “start-ups and their teams an interactive overview of all co-working spaces in the city and information on working options and prices for entrepreneurs and their teams” (Hamburg Invest 2020).
- The ‘Future Hamburg Award’<sup>46</sup> was launched in 2019. The competition is open to start-ups worldwide with a digital and industry-related business model (e.g. from the fields of aviation, logistics, e-commerce, fintech, media). The Future Hamburg Award includes “bespoke business coaching, a press and media package worth over 10,000 euros and up to six months of co-working free of charge at the ‘Betahaus’ and the ‘Beehive’” (written response from the Hamburg Ministry for Economics, Transport and Innovation).

project: <https://startup-asiaberlin.com/women-founders/> (4.5.2020).

45 Website of the ‘Coworking Map’: <https://isi.hdb-hamburg.de/> (6.5.2020).

46 Website of the ‘Future Hamburg Award’: <https://future.hamburg/award/> (6.5.2020).

- cf. also ‘Northern Germany Innovation Office’ (NGIO) above.

#### 4.2.8 Support measures in Hesse

- In February 2018 the Hessian economics ministry teamed up with the ‘Frankfurter TechQuartier’ and representatives of the business and science communities to draw up a master plan for the start-up region of Frankfurt Rhine-Main (Frankfurter Tech-Quartier/Hessisches Ministerium für Wirtschaft, Energie, Verkehr und Landesentwicklung 2018). This initiative pursues the aim of “developing the region within the space of five years into the leading fintech hub in continental Europe and an internationally recognised technology region” (Hessisches Ministerium für Wirtschaft, Energie, Verkehr und Landesentwicklung 2018: 5). To this end, the master plan proposes 20 measures<sup>47</sup> to raise the number of start-ups in Frankfurt to 1,000 by 2022, corresponding to a more than three-fold increase in comparison to 2017 (Frankfurter TechQuartier/Hessisches Ministerium für Wirtschaft, Energie, Verkehr und Landesentwicklung 2018: 14).
- “Locational marketing involves the application of specific instruments to attract and support start-ups from third countries. In this context, Hessen Trade & Invest GmbH (HTAI) assumes the important task of representing the economic region within Germany and approaching investors for the business location worldwide“ (written response from the Hessian Ministry of Economics, Energy, Transport and Housing).

#### 4.2.9 Support measures in Mecklenburg-Vorpommern

- For the purposes of the ‘MBMV Mikromezzanin’ financing programme, small and medium-sized enterprises run by people with a migrant background are considered especially eligible for financial support (target groups of the European Social Fund

<sup>47</sup> The 20 measures in the master plan for the start-up region of Frankfurt Rhine-Main cover the four areas of a) Mobilising talent (incl. chairs of entrepreneurship and corresponding Master’s degrees, international exchange programmes, mentoring, b) Facilitating cooperation between business enterprises, the science sector, the public sector and banks (incl. international start-up and investors’ conference, creation of networks), c) Access to financial capital (incl. regional funds with focus on early-stage investments, investor marketing, flagship accelerator) and d) Locational marketing for Frankfurt (incl. establishment of branches of international tech companies, Welcome Package) (Hessisches Ministerium für Wirtschaft, Energie, Verkehr und Landesentwicklung 2018: 21ff.).

- ESF) (cf. Chapter 4.4 and 4.6; Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH 2020a).

- According to information from the Ministry for Economic Affairs, Labour and Health of Mecklenburg-Vorpommern (as per June 2019), there were no specific support schemes beyond this which were aimed explicitly at attracting or supporting start-ups from third countries. Similarly to most Federal Government programmes, however, the general support measures from this Land are also available to third-country nationals (Annexes 1-4; written response from the Ministry for Economic Affairs, Labour and Health of Mecklenburg-Vorpommern).

#### 4.2.10 Support measures in Lower Saxony

- The so-called ‘business settlement’ team of the Ministry for Economic Affairs, Labour, Transport and Digitalisation offers third-country nationals advice on regulations applying to entry into Germany and on establishing businesses in Germany and Lower Saxony (written response from Lower Saxony Ministry for Economic Affairs).
- According to information from the Lower Saxony Ministry for Economic Affairs, Labour, Transport and Digitalisation (as per June 2019), there were no specific support schemes aimed explicitly at attracting or supporting start-ups from third countries. Similarly to most Federal Government programmes, however, the general support measures from this Land are also available to third-country nationals (Annexes 1-4; written response from the Lower Saxony Ministry for Economic Affairs).

#### 4.2.11 Support measures in North Rhine-Westphalia

- The land business development agency, ‘NRW Invest’, encourages direct investment and the establishment of start-ups in North Rhine-Westphalia through subsidiaries in Japan and the USA and an international network of agencies in China, the United Kingdom, India, Israel, Korea, Poland, Russia and Turkey (NRW.Invest 2020a). Personal contacts provide advice on tax and legal aspects and on the structure of the economy and sectoral clusters in the Land (NRW.Invest 2016: 24ff.). With regional focuses on ‘central eastern Europe, Russia, Turkey, the Middle East, Africa’, ‘Asia, Australia, South America’, ‘western Europe, North America’ and a ‘Servicecenter Greater China’, the advisors



offer assistance on issues relating to planned investments, North Rhine-Westphalia as a business location and locating to NRW (NRW.Invest 2020b).

- In addition, “individual business development establishments in North Rhine-Westphalia (e.g. Business Metropole Ruhr, It’s OWL, the cities of Cologne, Düsseldorf, Solingen) are actively involved in attracting non-European start-ups” (written response from MWIDE NRW).
- The ‘Expat Service Desk ME & DUS’<sup>48</sup> run by the Land capital of Düsseldorf, the Mettmann district authorities and the Düsseldorf chamber of industry and commerce provides advice and support to international entrepreneurs and their international employees, for example, in connection with official formalities, issues relating to the law on foreigners, vocational qualifications and career matters, as well as childcare aspects, schooling and daily life in Germany and the region (Expat Service Desk ME & DUS 2020).

#### 4.2.12 Support measures in Rhineland-Palatinate

- Migrants and start-ups from third countries which are interested in setting up in business in Germany are supported with free advice from the ‘Competence Center for Migrant Entrepreneurship of the Network IQ’<sup>49</sup> in Mainz and entrepreneurial agencies at higher education institutions (written response from the Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viticulture).
- According to information from the Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viticulture (as per June 2019), beyond this there are no specific measures aimed explicitly at attracting and supporting start-ups from third countries (written response from the Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viticulture).

48 Website of the ‘Expat Service Desk ME & DUS’: <https://www.expatservicedesk.de/en.html> (6.5.2020).

49 ‘Network IQ’ website: <https://www.netzwerk-iq.de/foerderprogramm-iq/fachstellen/fachstelle-migrantenoekonomie> (6.5.2020).

#### 4.2.13 Support measures in the Saarland

- As the coordinating body for the start-up campaign network ‘Saarland Offensive für Gründung’ (SOG)<sup>50</sup>, the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic has been organising “regular information events on starting up in business especially for the target group of migrants” since 2012. These events generally take place once a year. The aim is to provide migrants who are interested in setting up in business with special support with their business ideas, according due consideration to their specific needs (e.g. cultural, language, legal or social obstacles), and to specifically encourage this category of people to take up self-employment (written response from the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic).
- Since May 2017, the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic has been funding a project to promote business start-ups by migrants in the Saarland entitled ‘Migrantinnen und Migranten gründen im Saarland’ (MIGRIS) with the support of the European Regional Development Fund (ERDF). “The funding for MIGRIS centres on the establishment of a full-time post providing a point of contact for migrants interested in starting up in business, the so-called ‘MIGRIS mentor’. This mentor supports migrants interested in starting up in business according to their individual needs and additionally forges contacts with appropriate partners in the ‘SOG’ start-up campaign network (written response from the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic).
- According to information from the Ministry for Economic Affairs, Labour, Energy and Traffic (as per June 2019), there were no specific support schemes beyond this which were aimed explicitly at attracting or supporting start-ups from third countries. Similarly to most Federal Government programmes, however, the general support measures from this Land are also available to third-country nationals (Annexes 1-4; written response from the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic).

#### 4.2.14 Support measures in Saxony

- According to information from the Saxony State Ministry of Economic Affairs, Labour and Transport

50 Website of the ‘SOG’ initiative: <https://gruenden.saarland.de/> (6.5.2020).

(as per June 2019), there were no specific support schemes to attracting or support start-ups from third countries. Similarly to most Federal Government programmes, however, the general support measures from this Land are also available to third-country nationals (Annexes 1-4; written response from the Saxony State Ministry of Economic Affairs, Labour and Transport).

#### 4.2.15 Support measures in Saxony-Anhalt

- The business development agency of Saxony-Anhalt, 'Investitions- und Marketinggesellschaft mbH' (IMG) pursues locational marketing and offers an investors' service. IMG sees itself here as a 'one-stop agency', providing individual support in matters such as finding a suitable location, financing aspects and official formalities (IMG 2018: 2).

#### 4.2.16 Support measures in Schleswig-Holstein

- cf. 'Northern Germany Innovation Office' (NGIO) above.
- According to information from the Schleswig-Holstein Ministry of Economic Affairs, Transport, Labour, Technology and Tourism (as per June 2019), there were no specific support schemes aimed at attracting or supporting start-ups from third countries. Similarly to most Federal Government programmes, however, the general support measures from this Land are also available to third-country nationals (Annexes 1-4; written response from the Schleswig-Holstein Ministry of Economic Affairs, Transport, Labour, Technology and Tourism).

#### 4.2.17 Support measures in Thuringia

- The 'ThEx Enterprise' programme offers entrepreneurs from EU and third countries special courses and workshops, such as 'German for entrepreneurs', 'The business world in Germany' 'Practical office organisation at my company and accounting in everyday business in Germany' or 'Understanding and making yourself understood – How to set up a business in Germany' (ThEx Enterprise Thüringen 2020).
- In addition, 'Investor Days Thüringen'<sup>51</sup> provides a "tool for attracting/supporting start-ups from non-EU countries. This is an initiative of the 'STIFT'

foundation for technology, innovation and research in Thuringia and 'beteiligungsmanagement thüringen GmbH' (bm|t) aimed at "forging links between innovative start-ups and growth businesses on the one hand and prospective collaborators or business partners, investors and business angels on the other. Start-ups from non-EU countries, such as India, Israel and the USA, have also been involved since 2017" (written response from the Thuringian Ministry for Economic Affairs, Science and Digital Society).

## 4.3 Challenges encountered in efforts to attract and support start-ups

Numerous challenges which may arise in the course of efforts to attract start-ups from third countries and the establishment of start-ups by third country nationals in Germany are presented below.

### 4.3.1 Obstacles relating to residence law

As described in Chapter 3, business start-ups by third-country nationals who are still resident abroad and are considering setting up in business in Germany generally entail applying for a visa and a residence permit for the purpose of self-employment, which in turn requires a range of documents to be submitted. There is criticism from some quarters that the in-depth expertise needed to carry out an economic assessment of a planned start-up is lacking in some instances (foreigners authorities), while an inadequate understanding of the specific relevant aspects of residence law is indicated in other instances (start-up advice centres and networks) (written responses from the North Rhine-Westphalian Ministry of Economic Affairs, Innovation, Digitalisation and Energy and the Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viticulture, among others). The Thuringian Ministry for Economic Affairs, Science and Digital Society additionally points out that there are "substantial obstacles to obtaining work visas as well as tourist visas in some instances, despite corresponding invitations already having been extended by organisers (written response from the Thuringian Ministry for Economic Affairs, Science and Digital Society).

Experience at start-up and entrepreneurial advice centres in Germany further shows that outdated bench-

51 Website of 'Investor Days Thüringen': <https://investordays-thueringen.de/> (6.5.2020).



marks continue to be applied in practice in some instances with regard to the minimum investment volume and the number of jobs to be created as criteria for the issuance of visas and residence permits to start-up entrepreneurs, although these requirements were abolished in 2012 (IQ Competence Centre on Migrant Entrepreneurship). It is suspected that this could be attributable in part to the fact that the General Administrative Regulation to the Residence Act was last revised in 2009, while the minimum investment volume and the required number of jobs to be created were abolished in 2012 (cf. Chapter 3).

The long waiting times, which sometimes apply to the process of appraising, granting or rejecting applications for visas for the purpose of self-employment in Germany are also seen as a challenge, as was further confirmed by advisory platforms such as the ‘Working and Living in Germany’ hotline in the course of drawing up this study (cf. Chapter 3.2.1). In contrast to many other EU Member States, there is no statutory maximum period for the processing of applications by the German diplomatic missions or foreigners authorities, chambers and other parties involved in deciding on whether visas can be issued to allow entry into Germany. In numerous other EU Member States the statutory processing period for a start-up visa or a corresponding residence permit is between 10 and 30 days (Estonia, Latvia, Lithuania, Italy, Portugal, Spain, United Kingdom and Cyprus), eight weeks (Austria) or 90 days (Netherlands) (KOM/EMN 2019: 22f.).

In addition, start-up entrepreneurs from third countries which are subject to a visa obligation are often unable to access support during the seed stage, as they are already required to submit their business and financial plan at the time of applying for the visa for the purpose of establishing a start-up. This is confirmed by both IQ Competence Centre on Migrant Entrepreneurship and the ‘Working and Living in Germany’ hotline. Consequently, these seed stage support instruments are generally only available to prospective start-up entrepreneurs from third countries who are already resident in Germany (in the case of foreigners planning a start-up after completing their studies at a German higher education institution, for example) or to third-country nationals who are able to enter Germany without requiring a visa or who possess a Schengen visa or who are establishing a start-up together with German or European partners.

Ultimately, the overviews of documents to be furnished in the visa process and when applying for a residence permit in Germany, which can be viewed on the websites of German diplomatic missions and some

foreigners authorities, can also pose a challenge or at least prove confusing, as is confirmed by relevant parties in the field of advisory practice (‘Working and Living in Germany’ hotline; IQ Competence Centre on Migrant Entrepreneurship). A requirement to attach an excerpt from the trade register or a business registration is often cited, for example (cf. Chapter 3.1), which is not possible for third-country nationals who are not intending to establish their start-up until they have come to Germany. There is no reference to the fact that this requirement is waived for start-ups and that the relevant entrepreneurs can submit this documentation after entering Germany and after receiving their residence permit. While this fact is pointed out in the procedural instructions of the Land department of immigration in Berlin (cf. Chapter 3.1 and Landesamt für Einwanderung Berlin 2020c: 218), these instructions are only available in German and are generally only known to experts. The English-language online ‘Visa Check’ published by the Berlin chamber of industry and commerce does not cite the stated documents as being required when applying for a visa, while other platforms provide only vague information as to what documentation is to be furnished and refer to the details provided by the foreigners authorities and the German diplomatic missions in the respective countries of origin (cf. Chapter 4.2.3). This is detrimental to consistent communication of the relevant requirements, with inconsistent information being propagated by different stakeholders.

The numerous advice centres for start-ups in Germany can compile relevant information and provide support and advice to non-European start-up entrepreneurs in the course of the application and visa process. Bundled information for international start-up entrepreneurs seeking for a straightforward overview of the requirements, which apply before and after entering Germany and on the start-up process in Germany may be found on the internet platform of the Federal government [make-it-in-germany.com/en/](https://www.make-it-in-germany.com/en/). Information is also provided by many other agencies for start-up founders in varying degrees of detail and topicality, which overall leads to an information transfer that is not always free of contradictions. Occasionally the introduction of start-up visas in Germany is also discussed (EY/DB 2017: 91).

### 4.3.2 Language barriers

Many Länder publish the Land-specific information relating to support instruments for start-ups on their websites in German only. While there are also in-

stances of the information being presented in English, other languages appear only very rarely. A similar picture applies with regard to the public advice centres for prospective start-up entrepreneurs from third countries: rarely are any other languages used here apart from German and English (and any instances of any other languages frequently depend on the advisors' individual language skills). Multi-lingual advisory services are only rarely inherent to institutional set-ups (cf. Chapter 4.3.3 regarding good practice). The individual support programmes generally require applications and the necessary documents to be submitted in German or as translations into German.

At federal level, overviews of key information relating to the establishment of start-ups in Germany are to be found in English, French, Italian, Russian and Turkish on the platforms [existenzgruender.de](http://existenzgruender.de) and [existenzgruenderinnen.de](http://existenzgruenderinnen.de). The platform [make-it-in-germany.de](http://make-it-in-germany.de) is available in German, English, French and Spanish, with limited content additionally available in eleven other languages<sup>52</sup>. The platform [wir-gruenden-in-deutschland.de](http://wir-gruenden-in-deutschland.de), which is funded by the Federal Ministry of Labour and Social Affairs and operated by 'IQ Competence Centre on Migrant Entrepreneurship', provides information on setting up in business and residence law in 14 languages<sup>53</sup>. The start-up platform [gruenderplattform.de](http://gruenderplattform.de) is available in German only, however.

Against the backdrop of an increasingly diversified and specialised spectrum of support and promotion schemes in which many support instruments have their own websites and information materials, an overarching multilingual approach is evidently lacking. This means that entrepreneurs who do not speak German have only restricted access to information on the scope of support structures available in Germany. This makes them all the more dependent on multilingual, well-trained advisory set-ups and reliant on the general information platforms pursuing a multilingual approach and being kept up to date.

### 4.3.3 Bureaucratic obstacles

Bureaucratic requirements can pose challenges to third-country nationals at various levels in the course of setting up and establishing themselves in business. Apart from bureaucratic obstacles arising from aspects of residence law and the challenge of meeting the formal requirements solely in the German language (see above), a further challenge may arise, for example, when banks require entrepreneurs from third countries who wish to open a business account to present a residence permit. In order to apply for a residence permit as an entrepreneur, a commercial enterprise must already be registered, for which purpose a business account is mandatory, however (written response from the North Rhine-Westphalian Ministry of Economic Affairs, Innovation, Digitalisation and Energy).

The challenge of bureaucratic obstacles is not specific to start-ups from third countries, however. Rather, regulatory and bureaucratic obstacles also represent a key challenge for start-ups which have already been established in Germany, with corresponding calls for the political decision-makers to dismantle these impediments, as the 'Deutscher Startup Monitor' noted in 2019. 66.4 % of surveyed start-ups cited this as an issue which they were looking to politicians to resolve, while 42.4 % sought support in raising capital and 38.2 % wished for greater support for businesses in their efforts to protect the environment and ensure the sustainable development of society (Kollmann et al. 2019: 56). It is nevertheless to be assumed that bureaucratic obstacles which the majority of start-ups based in Germany consider challenging may be all the more so for third-country nationals.

To reduce bureaucratic obstacles, in implementing the Online Access Act the Federal and Land governments have established a 'Start-up' digitisation lab aimed at "developing simple-to-use digital solutions for administrative procedures with the involvement of users and experts"; reducing bureaucracy and making it possible to establish new businesses online in the future (Deutscher Bundestag 2019e: 3).

### 4.3.4 Financial setting

This study largely focuses on public support instruments for start-ups in the seed stage and early stage, also considering examples of support in the growth stage, but only touching on support instruments in the later stage. Recent studies show that Germany only of-

52 The additional languages are Albanian, Arabic, Bosnian, Indonesian, Italian, Korean, Portuguese, Russian, Serbian, Turkish, Vietnamese.

53 The Network IQ website [wir-gruenden-in-deutschland.de](http://wir-gruenden-in-deutschland.de) is available in German, Arabic, Bosnian, Chinese, English, French, Pashto, Polish, Russian, Spanish, Tigrinya, Turkish, Ukrainian and Vietnamese.

fers a small number of support instruments in the later stage compared with other countries, however. Increasingly, this gap is being filled by foreign investors, whose share in all later-stage investments in Germany has risen substantially in recent years. While in 2015, 39 % of venture capital to finance start-ups in the later stage came from national investors, by 2019 this figure had dropped to 25 % (Senatsverwaltung für Wirtschaft, Energie und Betriebe Berlin 2020: 14). Venture capital financing by international investors rose over the same period from 28 % to 30 %, investment by US and Canadian investors increased from 22 % to 27 %, the share contributed by Asian investors grew from 1 % to 8 % and investments from other countries rose from 9 % to 10 % (Senatsverwaltung für Wirtschaft, Energie und Betriebe Berlin 2020: 14).

On the matter of encouraging non-European entrepreneurs to establish start-ups in Germany, the authors of the study on ‘Trends in the German support systems for start-ups – incubators, accelerators and others’, which was commissioned by the Federal Ministry for Economic Affairs and Energy, propose that the Federal Ministry for Economic Affairs and Energy should develop an accelerator programme, for example, “in order to address start-ups which have already been in existence for a short while and may also have acquired some initial experience and success in the marketplace” and to aim such measures at more target countries, beyond the bilateral programmes with India and Israel, which apply to date (GINSEP and GISEP, cf. Chapter 4.1.1 and 4.1.2). Particular candidates here would be “high-growth [...] regions in east (China, South Korea) and south-east Asia (Singapore, Malaysia, Indonesia)” as well as “countries in the Middle East, northern Africa and locations in Brazil”. The corresponding programmes should address “German objectives in the field of economic and innovation policy”, in particular the High-Tech Strategy (Zinke et al. 2018: 174f.).

#### 4.3.5 Lack of transparency with regard to the diverse spectrum of federal and Land support programmes

While the growing number and diversification of support programmes from the Federal and Land governments and private-sector stakeholders is seen as a fundamentally positive development for the start-up ecosystem in Germany, this trend is nevertheless accompanied by “an increasing lack of transparency regarding the overall scope of support available to start-ups. Marked variations in quality are also becoming

apparent” (Zinke et al. 2018: 156). The lack of clearly focused information relating specifically to the respective programmes is making it increasingly difficult for the advice centres at federal, Land and regional level to maintain a clear overview of all the instruments on offer and thus to recommend appropriate support programmes. This, in turn, also poses a challenge to start-up entrepreneurs, especially from third countries.

#### 4.3.6 Regional locational factors and entrepreneurial culture

The conditions applying to third-country start-up entrepreneurs differ to varying degrees in the respective regions of Germany with regard to the level of awareness, the international infrastructure and other locational factors, although Berlin is seen as representing an exception here (cf. Chapter 2.3.2). This assessment is shared by individual Land ministries, which identify a lack of “international visibility” as posing a challenge for their respective regions. Certain Länder thus face the challenge that their as yet less well-known start-up ecosystems are “more difficult to explain” to international start-up entrepreneurs “than Berlin or Munich,” which have already made a name for themselves in the globalised start-up scene (written response from the North Rhine-Westphalian Ministry of Economic Affairs, Innovation, Digitalisation and Energy). Saxony-Anhalt notes, for example, that “improved locational marketing for this target group and visibility for Saxony-Anhalt as a ‘start-up Land’ are necessary” (written response from the Saxony-Anhalt Ministry of Economic Affairs, Science and Digitalisation).

The international competition from start-up hubs and their appeal to international start-ups is seen as rendering it difficult to interest third-country nationals in certain regions of Germany:

“In our experience, the strong focus of the international start-up community on the USA on account of the start-up ecosystem, which is in place there and the availability of private equity constitutes a key challenge in efforts to attract innovative start-ups from third countries” (written response from the Hessian State Ministry of Economics, Energy, Transport and Regional Development).

The response from Hamburg’s senator for economic affairs, labour and ports indicates that, in addition to the measures introduced by Hamburg, there is also a need for the Federal Government to “promote the respective new business centres in Germany in an ad-

equate manner, particularly as not only the regional start-up hotspots in Germany but also entire countries are competing for start-ups and investors at international level (written response from Hamburg's senator for economic affairs, labour and ports).

In certain instances, a lack of "openness, particularly among small and medium-sized enterprises, towards cooperation with young businesses/start-ups from third countries" is seen as representing an "intercultural challenge and a problematic aspect of corporate culture" (written response from the North Rhine-Westphalian Ministry of Economic Affairs, Innovation, Digitalisation and Energy).

Ultimately, the question also arises as to whether the regional and sectoral diversification of start-up hubs in Germany – in the context of the 'Digital Hub Initiative' sponsored by the Federal Ministry for Economic Affairs and Energy, for example (Chapter 2.3.1 and 4.1) – is advantageous to boosting the appeal and visibility of Germany as a business location for foreign start-ups, as Zinke et al. (2018) consider in their study in comparison to France, whose start-up systems are largely centralised around Paris: "In contrast to France, there are numerous attractive locations for start-ups, each with their own respective sectoral strengths. As such, setting up distributed hubs makes sense in Germany. The coming years will show how successful the German approach proves to be" (Zinke et al. 2018: 138).

Stepping up cooperation with German higher education institutions abroad and so-called transnational education could provide a low-threshold approach to disseminating information for prospective start-up entrepreneurs from third countries. By way of example, the scope of support programmes aimed at spin-offs from higher education institutions (cf. Annexes 1 and 4.3) could be broadened to cover the binational higher education institutions, faculties and institutes which are already commonly specialised in technical courses of study, and cooperation could be pursued with the relevant stakeholders, such as the German Academic Exchange Service (Deutscher Akademischer Austauschdienst - DAAD) (Hoffmeyer-Zlotnik/Grote 2019: 69). The same applies to the branches of German higher education institutions abroad (Hoffmeyer-Zlotnik/Grote 2019: 69f.). Along the same lines, it is also worth considering whether programmes implemented in Germany to promote an entrepreneurial spirit at schools could similarly be expanded to include German schools abroad.

#### 4.3.7 EU-wide heterogeneity of requirements pertaining to the establishment of a start-up

The European Union plays an important role in financing numerous start-up promotion instruments through various EU funds, including

- the European Social Fund (ESF),
- the European Regional Development Fund (ERDF),
- the European Investment Fund (EIF) or
- the European Fund for Strategic Investments (EFSI).

A different picture applies to the conditions relating to entry and the establishment of businesses for start-up entrepreneurs in the respective EU Member States, which are not harmonised (cf. Chapter 3 regarding start-up visas and specific start-up residence permits). This can entail obstacles in particular for non-European start-up entrepreneurs who have established a start-up in another EU Member State and wish to expand their existing start-ups into another EU Member State or to establish a new start-up in another Member State. In such cases, entrepreneurs may be required to go through a new process involving different requirements. Should bureaucratic requirements prevent the expansion or establishment of start-ups in another EU Member State, this would be disadvantageous both to the respective Member State and to the EU as a potential global start-up location. In this context, there have been numerous debates at EU level on harmonising entry requirements for international start-ups (KOM/EMN 2019: 9), though without any concrete results to date. The reasons are seen in the different economic interests of the EU Member States, which also sometimes see themselves as competitors in the attraction of international start-ups (cf. Patuzzi 2019: 27f.).

#### 4.3.8 Lack of a uniform definition of start-ups

The lack of a uniform definition of start-ups in Germany and the EU represents a further challenge to designing and comparing promotion instruments in practice, to scientific analysis of the start-up scene in Germany and to distinguishing start-ups from the foundation of other forms of new businesses, traditional company formations and small and medium-sized enterprises on both a political and an economic level.

The differences in the way start-ups are defined relate, among other things, to their age (e.g. five or ten years; cf. Chapter 2.1), the necessary degree of innovation and digitisation and the expected growth potential. Not least of all, this has a bearing on the lack of statistics on start-ups in Germany, because they cannot be distinguished from other forms of new business and traditional company formations in the official statistics (cf. Hebing/Ebert/Schildhauser 2017: 9f.).

Combined with the challenge that no distinction between start-up entrepreneurs and other self-employed people is possible with regard to visas and the residence permit for the purpose of self-employment in Germany, this makes it difficult to analyse trends and measure the success of support instruments in attracting and retaining international start-ups.

## 5 Conclusion

According to the KfW Start-up-Report 2019, Germany's start-up scene has been pursuing a dynamic course of development for some years now and currently numbers 70,000 innovative and/or growth-oriented start-ups (cf. Chapter 2.3). The positive development of the German economy and the labour market (prior to the corona pandemic, at least) offers good conditions for establishing start-ups, while conversely curbing people's willingness to set up in business in Germany. As establishing start-ups involves risks, employees tend to prefer dependent employment in times of economic stability. This opens up potential for and a need to actively encourage non-European entrepreneurs to establish start-ups in Germany.

As this study shows, however, efforts to encourage and support start-ups by third-country nationals are still in their infancy. Existing measures centre on a small number of individual bi- or multilateral hub, accelerator and exchange programmes and international competitions. They hereby establish patchy advisory services for prospective start-up entrepreneurs from third countries on the conditions pertaining to entry into Germany, setting up in business and receiving support, and nationwide and regional locational marketing in third countries (for example through branch offices of the Land business development agencies in individual third countries, participating in international business and start-up fairs and corresponding online content). A number of studies and stakeholders see the limited scope of support, which remains available to attract non-European start-ups to Germany, as putting Germany at a disadvantage in comparison to other countries and start-up ecosystems worldwide which place a greater emphasis on attracting international start-ups. At the same time, the question arises as to what benefits more extensive start-up advisory services, international start-up competitions and locational marketing have when establishing start-ups from third countries involves new challenges with regard to the duration of the visa application process or access to support in the seed stage. A more holistic consideration of the interlocking processes and challenges relating to the establishment of a start-up in Germany, which are described in this study, would be appropriate in order to avoid creating new obstacles to promising individual initiatives aimed at attracting entrepreneurs. In this context, it should also be considered whether a clear legal definition of start-ups might not strengthen the approach,

attraction and support of non-European start-ups. With regard to the European and international trend towards the introduction of specific start-up visas, it could also be examined whether a more specific residence law focus on start-ups, such as the introduction of start-up visas or a residence permit for the purpose of founding a start-up, could develop additional attractiveness, as some states report (Patuzzi 2019: 27f.; KOM/EMN 2019: 24).

A different picture applies with regard to the general start-up support structures in Germany, which have undergone considerable expansion and differentiation at federal and Land level in recent years. In 2019, alongside almost 60 public support institutions at federal and Land level, more than 60 national corporate ventures, a similar number of national incubators and accelerators and more than 200 national investors were active on the German start-up scene. Almost 400 international financial stakeholders were additionally involved in the start-up sector in 2019 (EY 2020: 40ff.). The publicly supported instruments cover the seed stage, the early stage and the growth stage. They also extend to the later stage, although this area is described in studies as being in need of further development. The support structures relate in part to specific sectors (with a focus on digitisation, technology or spin-offs from the science sector, for example), to specific target groups (female entrepreneurs or people setting up in business as a way out of unemployment, for example), or are aimed at supporting networking, dismantling bureaucratic obstacles, creating appropriate start-up infrastructures (new business centres, co-working spaces, etc.) or offering advice and coaching on specific stages of the start-up process.

In principle, these support structures are generally also available to entrepreneurs from third countries who establish start-ups in Germany or in the Land offering the programmes concerned. While this may give rise to the impression of an extensive and diversified support infrastructure for third-country nationals as well, the programmes on offer prove difficult to access for such entrepreneurs in practice with regard to the availability of certain support structures, particularly in the seed stage.

The highly differentiated and regionalised general support infrastructure makes it challenging to communi-

cate the diverse support structures to third-country nationals who are currently still abroad and who are interested in establishing a start-up in Germany (Effective communication could be ensured here, for example, by providing multi-lingual information throughout). Multi-lingual contact and advice centres with a general understanding of the overall support infrastructure at federal and Land level and possibly with central online platforms to present the relevant information would also appear expedient.

Room for improvement and expansion is also seen in the area of bi- and multi-lateral exchange and recruitment programmes, which can be developed on the basis of the existing programmes with the aim of internationalising both German start-ups and the start-up sector in Germany. This could be a promising strategy particular in the face of a generally declining or stagnant start-up ratio in Germany.

With regard to numerous other EU and third countries which have introduced specific start-up visas and/or start-up residence permits in recent years, from the German perspective it should be examined to what extent this measure actually facilitates international start-ups, reduces red tape, simplifies the communication of information on entry conditions and provides the respective countries with locational advantages when it comes to attracting and retaining international start-ups.



# Annex 1: Federal Government support instruments in the foundation stage

The Federal Government provides a number of instruments to support start-ups in the foundation stage.

## ERP Start-up Loan – Start-Up Money (German: ERP-Gründerkredit Startgeld)

The ‘ERP Start-up Loan-Start-Up Money’ is offered by the Federal Ministry for Economic Affairs and Energy from the Federal Government’s ERP Special Fund<sup>54</sup> and is made possible by additional guarantees from the European Investment Fund (EIF) as part of the European Union’s COSME programme<sup>55</sup> and the European Fund for Strategic Investments (EFSI) (BMW 2020c; KfW 2015a). 238 million euros were pledged by way of this support instrument in 2017 (Deutscher Bundestag 2019c: 11). The KfW development bank is the implementing institution.

Interest-subsidised loans of up to 100,000 euros are available to domestic and foreign start-ups, people setting up in business, freelancers, business successors, young businesses and small businesses with less than 50 employees and annual turnover or an annual balance-sheet total of no more than 10 million euros. Support is provided for establishing a business, taking over a business, acquiring a stake in a business as a managing director and for running a business for up to five years or to consolidate a business. The business must not be more than five years old. No equity is required and the KfW assumes 80 % of the credit risk with the companies’ banks, “which makes it considerably easier for entrepreneurs to access reduced-interest loans” (KfW 2015a). The redemption period for the loan varies between five and 10 years, according to the chosen number of redemption-free initial years. The

54 ‘ERP’ stands for ‘European Recovery Program’, a special fund of the Federal Government originating from an agreement between the Federal Republic of Germany and the USA which entered into force in 1950 and which is deployed to promote trade and industry (BMW 2020b; Rambøll Management Consulting 2011: 6).

55 ‘COSME programme’ stands for the EU’s ‘Competitiveness of Enterprises and Small and Medium-sized Enterprises Programme’, which is aimed at promoting the competitiveness of companies and small and medium-sized enterprises. The programme, with a budget of 2.3 billion euros, is to run from 2014 until 2020 (KOM 2020a).

longer the redemption period, the higher the interest rate (KfW 2020b).

Support is available for investments (including purchases, real estate, construction costs, company vehicles, patent costs, software), operating resources (including personnel costs, rents, marketing and consultancy costs), stocks of materials and supplies and the purchase of a company or a share in a business, with no equity required (KfW 2020c). Where a business is established by several entrepreneurs, each of these persons can apply individually for support (KfW 2020c).

## ERP Start-up Loan – Universal (German: ERP-Gründerkredit Universell)

The ‘ERP Start-up Loan – Universal’ is offered by the Federal Ministry for Economic Affairs and Energy from the Federal Government’s ERP Special Fund. Financing to a total volume of 3.438 million euros (blanket loans and individual loans) was pledged by way of this support instrument in 2017 (Deutscher Bundestag 2019c: 11). The KfW development bank is the implementing institution (KfW 2020d).

As per the beginning of 2020<sup>56</sup>, domestic and foreign start-ups, people setting up in business, freelancers, business successors and companies which had been operating in trade and industry for up to five years and are headquartered in Germany or abroad were eligible for reduced-interest loans of up to 25 million euros, provided that they took the form of an SME<sup>57</sup>

56 In the light of the Covid-19 pandemic, the scope of the ‘ERP Start-up Loan – Universal’ was broadened at the end of April 2020. As these changes took place after completing the manuscript of this study and (temporary and Covid-19-related) modifications have also been or are also being implemented in some of the other described support instruments, it was no longer possible to undertake a systematic update of the relevant information. The websites and additional sources cited for the respective support instruments generally specify any revisions to the conditions pertaining to the support measures in connection with the Covid-19 pandemic, however, as indicated on the KfW fact sheet on special measures in the field of Corona assistance (German title: ‘Ergänzende Angaben Sondermaßnahme Corona-Hilfe’ (KfW 2020e).

57 SMEs in accordance with the European Union definition as enterprises with less than 250 employees and an annual turnover of no more than 50 million euros or an annual balance-sheet

or a larger middle-tier company with a consolidated turnover of no more than 500 million euros (BMW 2020d). The KfW assumes up to 90 % of the credit risk for SMEs and up to 80 % for larger companies (BMW 2020d). In contrast to the ‘ERP Start-up Loan Start-Up Money’, the interest here is risk-dependent: “The better the credit rating and the greater the value of the furnished collateral, the lower the interest rate” (BMW 2020c). Support including the assumption of risks is available for businesses which have been on the market for less than five years; support without the assumption of risks is available to businesses irrespective of their age (KfW 2020d). The redemption period for the loan varies between five and 20 years, depending on the chosen number of redemption-free initial years, the purpose for which the loan is granted and whether a loan is chosen with or without the assumption of risks (KfW 2020d).

Support is available for establishing companies, company takeovers and consolidating a company. Funding is provided for “all investments which require the medium- and long-term provision of funds and which promise sustained economic success, operating resources including stocks of goods and the acquisition of assets from other companies, including takeovers and participating interests” (KfW 2020f: 2).

### **ERP capital for Start-ups (German: ERP-Kapital für Gründung)**

‘ERP capital for Start-ups’ is offered by the Federal Ministry for Economic Affairs and Energy from the ERP Special Fund. Loans to a total volume of some 111 million euros were approved in 2017 (Deutscher Bundestag 2019c: 11). The KfW development bank is the implementing institution (KfW 2020g).

Interest-subsidised loans for setting up or operating businesses are available up to a sum of 500,000 euros to domestic and foreign start-ups, people setting up in business, business successors or for stakes in businesses which have been on the market for up to three years. Self-funding of at least 10-15 % is required; a credit period of 15 years applies, with a fixed interest rate for ten years and seven redemption-free years – with the KfW assuming the full loan default risk. The purposes which are eligible for support correspond to those stated for the support instruments above – with the exception of operating resources (including personnel costs, rents, marketing measures and consultancy costs), which are not eligible (KfW 2020g).

### **ERP Digitisation and Innovation Loan (German: ERP-Digitalisierungs- und Innovationskredit)**

The ‘ERP Digitisation and Innovation Loan’ is offered by the Federal Ministry for Economic Affairs and Energy from the Federal Government’s ERP Special Fund and the federal budget. Assumption of the loan default risk is made possible by the European Union’s Horizon 2020 programme (umbrella programme for research and innovation) and the EFSI (cf. ‘ERP Start-up Loan – Start-Up Money’) (KfW 2020h: 8). ERP digitisation and innovation loans to a total volume of some 1.5 billion euros were approved in 2017 (Deutscher Bundestag 2019c: 13). The KfW development bank is the implementing institution (KfW 2020e).

This support instrument offers innovative enterprises, individual entrepreneurs and freelancers in Germany who are setting up in business reduced-interest loans of at least 25,000 euros and up to a maximum of 7.5 million euros in the case of innovative enterprises and a maximum of 25 million euros per innovation and digitisation project (KfW 2020h: 3). SMEs must have been on the market for at least two years; larger middle-tier companies are also eligible for support “if they are in majority private ownership and their annual consolidated turnover does not exceed 500 million euros” (BMW 2020e). Indemnification to the amount of 70 % of liabilities is optionally available for the loans (KfW 2020g: 1). The loan period and fixed interest period vary between five, seven and 10 years, with one or two redemption-free initial years. The interest rate “is geared to the prevailing capital market trend and is set on the day of approval of the loan”; it is further based on the borrower’s creditworthiness and “the value of the collateral furnished for the loan” (KfW 2020g: 4).

A key criterion for funding investments and operating resources is that the need for financing should be linked to a digitisation and innovation project. Innovative companies are defined, for example, as companies with “above-average corporate growth, high levels of investment in research and development or companies which have already received innovation funding” (KfW 2020i). Investment requirements connected with the “development of new products, processes and services which are new for the company” are also financed (KfW 2020g: 2). Digitisation projects include the networking of production systems for “tomorrow’s manufacturing” (Industry 4.0), digital platforms, apps and digital sales channels for establishing digital platform concepts and e-commerce applications (KfW 2020i).

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total of no more than 43 million euros.

## EXIST – University-Based Business Start-Ups

The support programme ‘EXIST - University-Based Business Start-Ups’<sup>58</sup> was launched by the Federal Ministry for Economic Affairs and Energy back in 1998 and received funding from the European Social Fund to the tune of 96 million euros in the period from 2014 to 2020. “The aim is to improve the conditions for start-ups at higher education institutions and non-university research establishments and to increase the number of innovative start-ups (BMW 2019b: 6). Various programmes have since been launched and completed under the EXIST scheme. Three EXIST support programme lines were still running at the beginning of 2020:

- ‘EXIST Business Start-up Grant’,
- ‘EXIST Transfer of Research’ and
- ‘EXIST Culture of Entrepreneurship’.

The key focuses of support under these sub-programmes and the attendant conditions are outlined below.

### EXIST Business Start-up Grant (German: EXIST-Gründerstipendium)

Since 2007, students forming part of a start-up team, graduates and scientists from higher education institutions and non-university research establishments have been eligible for funding under the ‘EXIST Business Start-up Grant’ scheme to support them in the early stage of realising their idea for a start-up. The start-up should take the form of a technology-oriented or knowledge-based project with significant unique selling points and good prospects of business success (BMW 2019: 6). The grant process is handled by Forschungszentrum Jülich GmbH.

The amount of the grant to cover personal living expenses depends on the level of qualification: entrepreneurs with doctorates receive 3,000 euros per month, university graduates 2,500 euros, team members with a recognised professional qualification 2,000 euros, students 1,000 euros (plus 150 euros child allowance per child). The grant is provided for a maximum of one year. In addition, 5,000 euros can be granted for coaching in connection with the start-up, as well as up to 10,000 euros for materials and equipment (for solo start-ups) and up to 30,000 for the same purpose for start-ups comprising a team of up to a maximum of three people (BMW 2019: 13). The relevant higher ed-

ucation institution must submit the grant application, provide the entrepreneur with a job for one year and appoint a mentor as a “professional supervisor” (BMW 2019: 13).

In 2017, 40.6 % of the funding was allocated to start-ups from the information and communication technology sector, 27 % to life sciences, 6.8 % to energy and the environment and 25.6 % to start-ups from other fields (Deutscher Bundestag 2019c: 6).

### EXIST Transfer of Research (German: EXIST-Forschungstransfer)

‘EXIST Transfer of Research’ has been supporting teams at higher education institutions and research establishments since 2007 “in preparing the ground for start-ups and pursuing particularly high-risk and extensive development work” (BMW 2016a: 1). The grant process is handled by Forschungszentrum Jülich GmbH.

Funding is targeted in particular at fields of technology “with relatively long development times, such as energy, environmental, bio- and optical technology, material, microsystems and medical technology and certain areas of information and communication technology” (BMW 2016a: 1). In comparison to the ‘EXIST Business Start-up Grant’, the funding is “substantially more extensive and longer-term, as further research work and/or near-market development steps are necessary before products, processes or services can be offered on the market” (Kulicke 2017: 1).

The funding breaks down into two phases: In funding phase I, which is of up to 18 months’ duration, the development work carried out by a start-up team of up to four members to prepare the ground for a start-up is generally funded up to a sum of 250,000 euros (to cover various items, including personnel costs, material and equipment). An advisory network advises the funded research teams, “which carry out development work to clarify fundamental issues pertaining to the implementation of scientific findings in technical products and processes, elaborate the business idea based on these products and processes into a business plan and prepare the planned establishment of a business in a purposeful manner” (BMW 2016a: 2). Funding phase II provides for funding up to a maximum of 180,000 euros as a non-repayable start-up grant, subject to proof of equity or venture capital being contributed at a ratio of 1:3. Funding is available for “further development work, measures relating to the commencement of business activities at a newly founded technology company and establishment of the re-

<sup>58</sup> EXIST website, with information on the sub-programmes: <https://www.exist.de/EN/> (6.5.2020).

quired conditions for external financing of a company” (BMW 2016a: 2f.).

### **‘EXIST Culture of Entrepreneurship’ (German: EXIST-Potentiale)**

The support programme ‘EXIST Culture of Entrepreneurship’ was launched in November 2018 (BMW 2018a). The process is handled by Forschungszentrum Jülich GmbH.

The programme is aimed at higher education institutions in Germany wishing to pursue the “sustained development and availability of measures to support start-ups” (BMW 2018a: 3). In this context, ‘EXIST Culture of Entrepreneurship’ helps higher education institutions

- “to establish themselves on a sustained basis as champions of entrepreneurship,
- to act as coordinators of regional start-up networks,
- to distinguish themselves as champions of entrepreneurship in the face of international competition” (BMW 2019: 10).

Up to 100,000 euros may be allocated to fund project-related costs in the three- to six-month concept development phase. Funding of up to 2 million euros is possible in the project phase, which may be of up to four years’ duration, with sums in excess of this also available in the case of joint projects (BMW 2018a: 3).

### **High-Tech Start-up Fund (HTGF) (German: High-Tech Gründerfonds)**

The ‘High-Tech Start-up Fund’ is a “seed-stage fund for highly innovative technology-oriented companies which have been in operation for no longer than three years” (BMW 2020f: 2). The HTGF programme comprises three closed-end funds:

- HTGF I (launched: 2005),
- HTGF II (launched: 2011) and
- HTGF III (launched: 2017).

Since the launch of the first fund, investments have been undertaken in almost 600 young high-tech start-ups, by virtue of which the fund claims to be the “most active seed investor in Europe” (HTGF 2020a).

The volumes of the HTGF funds are contributed by the Federal Ministry for Economic Affairs and Energy (ERP Special Fund), the KfW and private investors. The level of funding provided by HTGF I stood at 277 mil-

lion euros, while HTGF II made 304 million euros available and HTGF III 319.5 million euros. The fund volume of HTGF III comprises three shares of one-third each contributed by the Federal Ministry for Economic Affairs and Energy, the KfW and 33 private investors (HTGF 2020b; Deutscher Bundestag 2019d: 8).

The youngest of the three funds, HTGF III, acquires, holds, manages and sells interests “in young technology companies which are headquartered or have branches in Germany and harbour high growth potential, which have a research and development project at their core or which are pursuing a technology-based innovative business model in conjunction with a development project in their own name and on their own account. The company may allocate equity or quasi-equity capital to associate companies or provide outside capital in the form of shareholder loans with or without the right of conversion into equity. It is permitted to hold interests in enterprises managing the company’s own and borrowed investment assets” (BMF 2019a: 89). The fund additionally oversees and supports the management of start-ups (BMW 2020f: 2).

### **INVEST – Grant for Venture Capital (German: INVEST-Zuschuss für Wagniskapital)**

This support instrument has been available from the Federal Ministry for Economic Affairs and Energy since 2013 to support acquisitions by business angels to the amount of 20 per cent of their investment sum (ZEW/VDI/Creditreform 2016: 1ff.). Grants to a total volume of some 27.34 million euros were approved in 2017 (Deutscher Bundestag 2019c: 12). The scheme is operated by the Federal Office of Economics and Export Control (BAFA).

The acquisition grant for business angels is fully tax-refundable when the venture capital investment in start-ups amounts to at least 10,000 euros. “Since 2017, the exit allowance additionally means that profits from the investments are additionally refundable at a flat rate of 25 %.” Investors domiciled or headquartered in the EU may receive acquisition grants of up to 500,000 euros per calendar year (BAFA 2020a). In this way, the support programme supports “young, innovative companies seeking a lender to provide the required start-up capital. At the same time, the support programme encourages private investors – particularly business angels – to provide venture capital for such companies, or to step up the amount of venture capital they are prepared to invest” (BMW 2020g).

In 2017, the field of information and communication technology accounted for almost two thirds of INVEST grants (65.5 per cent of all grants provided), while energy and the environment made up a 4.4 per cent share and life science 3.6 per cent, with other areas accounting for the remaining 26.6 % (Deutscher Bundestag 2019c: 5).

### Micro-mezzanine fund for Germany (German: Mikromezzaninfonds Deutschland - MMF-Deutschland)

The ‘Micro-mezzanine fund for Germany’<sup>59</sup> was launched by the Federal Ministry for Economic Affairs and Energy using assets of the European Social Fund and the ERP Special Fund. The fund is managed by NBank, the investment and business development bank of Lower Saxony (BMWi 2019c: 3).

The micro-mezzanine fund<sup>60</sup> invests in particular in small and young companies “which train employees, which are founded by previously unemployed people or which are managed by women or people with a migrant background. These are among the target companies for this fund, along with commercially oriented social enterprises and environmental companies” (BMWi 2019c: 4). Funding is provided by way of a dormant holding acquired by the SME investment companies which are represented in all the Länder. Initial funding is limited to 75,000 euros; the maximum investment sum stands at 150,000 euros. Redemption takes place as of the seventh year, in three equal annual instalments (BMWi 2019c: 5).

### KMU-innovativ

The ‘KMU-innovativ’ funding initiative launched by the Federal Ministry of Education, Science, Research and Technology in 2007 supports small and medium-sized enterprises in applying for and obtaining approval for grants, with the aim of “facilitating cutting-edge research and pre-competitive development projects” (Die Bundesregierung 2020a). KMU-innovativ breaks down into various fields, each with their own funding guidelines:

- KMU-innovativ: Electronics and autonomous driving
- KMU-innovativ: Research into civil security

- KMU-innovativ: Information and communications technology
- KMU-innovativ: Materials research
- KMU-innovativ: Medical technology
- KMU-innovativ: Human-technology interaction
- KMU-innovativ: Photonics and quantum technologies
- KMU-innovativ: Production technology
- KMU-innovativ: Resource efficiency and climate protection

A so-called pilot service (“Lotsendienst”) has been set up in connection with this funding instrument which can be contacted via an advice hotline. SMEs can contact this pilot service on issues such as funding options and arrangements, the exploitation of research findings and preparations for international scientific and technological projects (BMBF 2018a).

Companies operating in business, trade and industry can receive funding to cover eligible project-related costs to the amount of up to 50 %, subject to a minimum equity share of 50 %, in the fields of pure research, industrial research, experimental research or feasibility studies. In the case of higher education institutions, research and science establishments and similar institutions which do not fall into the business category, up to 100 % funding is possible in individual cases, with due regard to the statutory provisions on the awarding of grants” (BMBF 2019c). Outlines of “high-risk industrial research and pre-competitive development projects which span various technologies and are application-oriented” can be submitted by two closing dates each year, together with corresponding applications for funding (cf. Richtlinie zur Förderung von Projekten zum Thema ‚KMU-innovativ: Ressourceneffizienz und Klimaschutz‘; BMBF 2019c). Decisions on eligible research projects and approval of the corresponding funding are reached within four months, with a simplified credit check (verification of the required equity) intended to facilitate the set-up phase for small companies in particular (BMBF 2020b).

### Other support measures

Other support instruments offered by the Federal Government in the foundation stage include

- the ‘German Accelerator’<sup>61</sup>, which supports internationalisation efforts by German start-ups in the USA, Singapore, India and other Asian regions,

59 Website of the Micro-mezzanine fund for Germany (in German): <https://www.mikromezzaninfonds-deutschland.de/start.html> (6.5.2020).

60 cf. definition of ‘mezzanine financing’ in Chapter 2.1.

61 ‘German Accelerator’ website: <https://www.germanaccelerator.com/about-us/> (6.5.2020).

- the 'German Micro-loan Fund, offering loans from 1,000 to 25,000 euros,
- 'default guarantees', with a maximum guarantee sum of 1.25 million euros (BMWf 2020f: 2f.), and
- the 'InnoProfile-Transfer' funding programme, financed by the Federal Ministry of Education, Science, Research and Technology from 2010 to 2020, in the course of which 140 million euros have been allocated to 21 endowed chairs at higher education institutions and research establishments, 23 market-oriented joint projects with SMEs and seven junior groups for follow-up research projects in east German Länder (BMBF 2020c; BMBF 2010).

The Federal Ministry for Economic Affairs and Energy provides a broader overview of the support instruments available in German and English from the Federal Government for financing business foundations and growth.<sup>62</sup>

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62 Overview of Federal Government support instruments for financing business foundations and growth in English (as per: August 2020): [https://www.bmwi.de/Redaktion/EN/Downloads/financing-start-ups-and-growth-overview-of-funding-instruments.pdf?\\_\\_blob=publicationFile&v=9](https://www.bmwi.de/Redaktion/EN/Downloads/financing-start-ups-and-growth-overview-of-funding-instruments.pdf?__blob=publicationFile&v=9) (4.5.2020). The Federal Ministry for Economic Affairs and Energy's business start-up portal lists support instruments by category: a) The Federal Government's most important support programmes for entrepreneurs and SMEs; b) Guarantees; c) Support for individuals seeking to start up in business as a way out of unemployment; d) Support programmes for technology- and knowledge-based start-ups and companies and e) Green start-ups/environmental protection at companies: <https://www.existenzgruender.de/DE/Gruendung-vorbereiten/Finanzierung/Foerderprogramme/inhalt.html> (4.5.2020).



# Annex 2: Federal Government support instruments in the growth stage

## ERP Digitisation and Innovation Loan

cf. Annex 1

## ERP Mezzanine Financing for Innovation (German: ERP-Mezzanine für Innovation)

'ERP Mezzanine Financing for Innovation' is offered by the Federal Ministry for Economic Affairs and Energy from the Federal Government's ERP Special Fund and the federal budget. 18 million euros were pledged under ERP mezzanine financing for innovation in 2017 (Deutscher Bundestag 2019c: 13). The KfW development bank is the implementing institution (KfW 2020h).

'ERP Mezzanine Financing for Innovation' provides private companies and freelancers which/who have been in business for at least two years with funding ranging from 25,000 euros to 5 million euros. One criterion relating to funding is that the total turnover should not exceed 500 million euros. Funding is allocated to projects "which stand apart from the state of the art in the EU" and which are new to the company concerned (KfW 2020l). Funding is possible for investment costs and operating costs, such as personnel, travel, IT costs and costs of materials, costs relating to research and development contracts, for further development and improvement, for test series and quality assurance measures (KfW 2020l). The financing consists of an integrated form of traditional and subordinated loans. A credit period of ten years generally applies, with the bank concerned setting the interest rates on the basis of the prevailing economic situation and the quality of the furnished collateral (KfW 2020l).

## ERP/EIF Fund of Funds (participating in venture capital funds) (German: ERP/EIF-Dachfonds)

Financed in equal half-shares from the EIF and the ERP Special Fund, this fund of funds invests in venture capital funds, which have a special focus on Germany (BMW 2020i). The investment volume stands at 2.7 billion euros. The fund of funds is managed by the IEF.

One focus of the fund of funds is on seed-stage funds with an emphasis on technology transfer "which have access to and cooperate with important public- and private-sector research centres and research establishments". The fund of funds also targets funds "which offer follow-up financing for technology companies in seed and growth stages (expansion, development)" (BMW 2020i).

Part of the funding volume is split up over various other funds, including

- the 'European Angels Fund' (270 million euros; as per 2020),
- the 'ERP/EIF/Länder-Mezzanin-Dachfonds' (600 million euros),
- the 'ERP/EIF Growth Facility' (500 million euros) (BMW 2020i).

As at 31 December 2017, one hundred per cent of the funding was allocated to projects from the field of information and communication technology (Deutscher Bundestag 2019c: 6).

## coparion GmbH & Co. KG

In March 2016 the Federal Ministry for Economic Affairs and Energy and the KfW launched the coparion co-investment fund (coparion GmbH & Co. KG), which is financed from assets of the ERP Special Fund, KfW Capital<sup>63</sup> and the European Investment Bank (BMW 2020j). In 2017, coparion invested around 7.8 million

63 On the basis of a decision by the Bundestag, the Federal Economic Affairs Ministry, the Federal Finance Ministry and the KfW have drafted an overall concept for an organisationally independent, growth-oriented venture capital company; it started operations as "KfW Capital" in October 2018. Up to 2020, KfW plans to successively double the annual amount of funding provided by KfW Capital to € 200 million. This initially takes place primarily via investments in venture capital funds, particularly as part of the ERP-VC Fund Investments programme, which has been in place since 2015 [...]. Also, KfW Capital is a partner in the High-tech Start-up Fund and coparion [...]. Further to this, KfW Capital aims to improve the quality of the venture capital funding. The aim is to develop a product structure in which the individual financing phases are dovetailed throughout the entire company lifecycle. In total, the expansion should result in funding commitments of around € 2 billion in the next ten years or so" (BMW 2020f: 4).



euros from the ERP Special Fund (Deutscher Bundestag 2019c: 13).

coparion holds assets totalling 225 million euros, making it one of the largest venture capital funds of this type in Germany (KfW 2020m). coparion invests in particular in start-ups and young technology companies (SMEs)<sup>64</sup> with innovative products or services and above-average growth potential” (coparion 2020a).

A prerequisite for investment is an equal level of investment by private domestic or foreign investors on the same economic terms (‘pari passu’) (coparion 2020a). The maximum investment sum stands at 10 million euros per company and is allocated for the development of substantially improved products, processes or services or their market launch, whereby these products, processes or services must differ substantially from the company’s products and services to date and promise above-average growth in turnover and/or the workforce (coparion 2019a: 3).

### Venture Tech Growth Financing

The Federal Government and the KfW launched the ‘Venture Tech Growth Financing’ programme as part of the ‘Tech Growth Fund’ initiative at the end of March 2019. This is a “new credit facility to provide external financing for young, technology-oriented growth companies” based on the ‘venture debt’<sup>65</sup> form of financing. The programme has been set up for a minimum period of five years and has been allocated assets for financing to the tune of 50 million euros annually (BMW 2019d).

A prerequisite for investment is an equal level of investment by private investors on the same economic terms (‘pari passu’). In addition, private providers of venture capital must already have a stake in the company. “The funds are provided directly to the company on market terms. In contrast to the new KfW credit scheme, the subsidiary KfW Capital focuses on equity investment in venture capital and venture debt funds” (KfW 2019b).

The new scheme has been set up to fill a gap in venture capital financing which was identified by the Federal Government. According to Jörg Kukies, state secretary at the Federal Ministry of Finance, while the Federal Government has “introduced numerous meas-

ures to help strengthen the venture capital market, adequate financing capital is still lacking in Germany, above all in the growth stage. This includes venture debt – a link between venture capital financing and classic bank financing which is growing in importance” (KfW 2019b).

### Central Innovation Programme for SMEs (German: Zentrales Innovationsprogramm Mittelstand - ZIM)

With a budget of 559 million euros in 2019, ZIM is a programme of the Federal Ministry for Economic Affairs and Energy under which companies and their associated research establishments are eligible for grants for “high-end research and development projects” in all fields of technology. Key funding criteria are “the innovative content of the projects and good prospects for commercial exploitation” (BMW 2020k).

Funding takes place in three forms:

- “ZIM individual projects - funding is available to R&D projects carried out by single companies using their own personnel.
- ZIM cooperation projects - funding is available for joint research and development projects conducted by two or more companies or cooperation with research establishments.
- ZIM innovation networks - funding is available for external network management of innovative networks comprising at least six SMEs which join forces to jointly develop an interdisciplinary technological innovation” (BMW 2020k).

In 2017, the ZIM programme enabled the launch of some 3,500 R&D projects in which innovative SMEs collaborated with research establishments (BMW 2019e: 5). Since the beginning of 2018, the programme has also been available to international cooperation networks under the pilot project ‘ZIM innovation networks international’.

### Other support measures

Other support instruments of the Federal Government for start-ups in the growth stage include ‘ERP Venture Capital Fund Financing’ and default guarantees (BMW 2020f: 4). See footnote 62 for an overview of the support instruments available from the Federal Government for financing business foundations and growth.

64 SMEs according to the EU definition, with a workforce of less than 250 and an annual turnover of no more than 50 million euros or a balance-sheet total of no more than 43 million euros.

65 cf. definition of ‘venture debt’, Chapter 2.1.

# Annex 3: Women as a specific target group

The gender breakdown of self-employed people in Germany shows an uneven split, with a far higher share of men (12 per cent) than women (7 per cent).

“In 2017, women accounted for 29 per cent of all full-time business start-ups (and 43 per cent of all part-time business start-ups). The incidence of women starting up businesses in the technology-oriented fields is particularly low: only around 14.6 per cent of entrepreneurs launching growth-oriented technology start-ups are female (according to the ‘Deutscher Startup Monitor 2017’)” (BMW i 2018b: 1).

This disparity prompted the Federal Ministry for Economic Affairs and Energy to emphasize the importance of women as entrepreneurs and to declare its aim of providing additional support for female entrepreneurs, both in the 10-point plan of the ‘Go’ founding offensive which was launched in 2018 and in the corresponding joint declaration by the Federal Ministry for Economic Affairs and Energy, the Confederation of German Employers’ Associations (BDA), the Federation of German Industry (BDI), the Association of German Chambers of Industry and Commerce (DIHK) and the German Confederation of Skilled Crafts (ZDH). Point 5 of the joint declaration states that the Federal Ministry for Economic Affairs and Energy and the business community are intent on “promoting a greater awareness of the opportunities available to female entrepreneurs and the challenges they may face, by way of specific information and advisory services, for example (BMW i et al. 2018: 3). Combining family responsibilities and full-time work represents one of the concrete challenges identified here, particularly for parents. As a concrete measure, efforts are to be pursued “to implement the right to all-day child care for children of primary school age, which has been agreed in the coalition agreement, as a further important step” (BMW i et al. 2018: 3). Point 4 of the 10-point plan for the ‘Go’ founding offensive includes four measures to support female entrepreneurs:

1. Further development of the nationwide initiative ‘FRAUEN unternehmen’,
2. An intensification of the networking activities carried out by the National Agency for Women

Start-Up Activities and Services (‘gründerinnenagentur’ - (bga)),

3. Use of the ‘Gründerplattform’ start-up platform<sup>66</sup> specifically to encourage women to set up in business,
4. Generally spotlighting the issue of ‘women in business’, for example through public events (BMW i 2018c: 7).

## The ‘FRAUEN unternehmen’ initiative

- The Federal Ministry for Economic Affairs and Energy launched the ‘FRAUEN unternehmen’<sup>67</sup> initiative in 2014. The aim of the initiative is ‘to encourage women to enter self-employment by way of role models and to interest girls in entrepreneurship’ (BMW i 2020l). Initially launched with 100 female entrepreneurs as role models, by 2020 around 200 role models were supporting the initiative nationwide. They offer advice for women interested in setting up in business and share their experiences of the opportunities and challenges relating to starting up in business with pupils, trainees, students and graduates at corresponding events (BMW i 2020l).

## The National Agency for Women Start-Up Activities and Services (German: ,bundesweite gründerinnenagentur’)

- Die ‘National Agency for Women Start-Up Activities and Services’ (bga) was established in 2014 and is funded by the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of Education, Science, Research and Technology, the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, the European Social Fund (ESF) and the Baden-Württemberg Land Ministry of Economic Affairs, Labour and Housing. The bga describes itself as “the only nationwide competence centre offering information, advisory services, facts and figures across all sectors on all stages of business foundations, start-ups, expansion and succession”

<sup>66</sup> Gründerplattform website: <https://gruenderplattform.de/> (6.5.2020).

<sup>67</sup> Website of the ‘Frauen unternehmen’ initiative: [www.frauen-unternehmen-initiative.de](http://www.frauen-unternehmen-initiative.de) (6.5.2020).

(BMWi/bga 2020a). In addition to advisory services (in the form of a hotline for female entrepreneurs<sup>68</sup>, for example), the agency offers educational services (including ‘e-Trainings’, an online learning programme for women with families who are interested in setting up in business; BMWi 2017b) and networking facilities (through various events and competitions and contact with 340 networks for female entrepreneurs and women setting up in business; cf. Annex 3). The website [www.existenzgruenderinnen.de](http://www.existenzgruenderinnen.de) serves as the bga’s central, nationwide, multi-lingual information and communication platform (cf. next point).

### ‘Existenzgründerinnen’ internet portal

- The Federal Ministry for Economic Affairs and Energy’s portal for female entrepreneurs<sup>69</sup> provides women interested in setting up in business and female entrepreneurs with information and support services and serves as the central, nationwide information platform of the National Agency for Women Start-Up Activities and Services’ (bga) (cf. above and see Chapter 4.1.3 regarding multi-lingual services).

### ‘SUN’ start-up network for female entrepreneurs

- The German start-up association ‘Bundesverband Deutsche Startups e.V.’ established the ‘SUN’ start-up network for female entrepreneurs in 2014. SUN “brings female entrepreneurs together by means of diverse types of events, providing them with an important means of sharing experiences, knowledge and contacts to their mutual benefit. SUN also provides links with prospective investors and key stakeholders from the political sphere and the business community. This helps to overcome obstacles which exist in the area of financing, for example, and make it difficult for many female entrepreneurs to exploit their potential to the full” (Bundesverband Deutsche Startups 2019a: 52).

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68 The ‘Gründerinnenhotline’ is available on weekdays on 030-340606560.

69 Website of the portal for female entrepreneurs: <https://www.existenzgruenderinnen.de/> (6.5.2020).

# Annex 4: Support instruments of the Länder

## Annex 4.1: Digital start-ups as a key focus of support measures (examples)

### Bavaria

- In 2016 the Bavarian state government launched the 'Zentrum Digitalisierung.Bayern' (ZD.B)<sup>70</sup>, which describes itself as a "platform for cooperation, research and business start-ups which is unique in Germany, supporting projects and cooperation throughout Bavaria between higher education institutions, non-university research establishments, established companies, associations, entrepreneurs setting up in business, ministries and public-sector institutions" (ZD.B 2020a). One of the platform's several key focuses is on start-ups and support for digital business models. To this end, ZD.B organises events and competitions to promote networking and initiates partnership projects and work groups, for example. It also provides support and funding for junior research groups, doctoral programmes, ten innovation laboratories, twelve platforms dedicated to specific topics and entrepreneurship training at 11 higher education institutions in Bavaria, in addition to which 20 new research professorships are to be established in 2020 (ZD.B 2020b).

### Mecklenburg-Vorpommern

- The 'DigiTrans' project<sup>71</sup> launched by the Mecklenburg-Vorpommern Ministry of Energy, Infrastructure and Digitalisation supports start-ups, SMEs and mid-tier companies with a focus on digital business models or such enterprises switching from analogue to digital processes and also provides funding in the fields of IT security and data protection to raise the level of digitalisation

<sup>70</sup> 'Zentrum Digitalisierung.Bayern' website: <https://zentrum-digitalisierung.bayern/> (4.5.2020).

<sup>71</sup> Website of the 'DigiTrans' project: <https://www.lfi-mv.de/foerderungen/digitrans/> (6.5.2020).

(Präambel Nr. 1 DigiTrans RL M-V<sup>72</sup>). The funding takes the form of a non-repayable grant to the amount of at least 8,000 to 20,000 euros or, where special levels of investment are involved, up to 100,000 euros (LFI-MV 2019a: 1).

- The Land of Mecklenburg-Vorpommern's 'MBMV innoSTARTup' fund, which draws on the European Regional Development Fund (ERDF), supports micro-enterprises, SMEs and business start-ups, explicitly funding the acquisition of interests in digital business models, in addition to which funding is also available for investment costs and operating resources (e.g. R&D development stage, production and testing of prototypes, product modifications up to readiness for production, development of marketing, sales and production set-up). The level of investment ranges from a minimum of 50,000 to a maximum of 500,000 euros over a maximum of 15 years in the case of dormant holdings, a maximum of 50,000 euros for open holdings and up to 750,000 euros for a combination of dormant and open holding (MBMV 2020a).

### North Rhine-Westphalia

- Six digital hubs (DWNRW-HUBs)<sup>73</sup> have been set up in Aachen, Bonn, Düsseldorf, Cologne, the Münsterland and the Ruhr area as regional platforms for the digital economy.
- The Digital Hub Logistics (Digital.HUB Logistics)<sup>74</sup> in Dortmund supports the digitisation of the logistics sector.
- The digital hub for insurance firms (InsurLab Germany)<sup>75</sup> in Cologne promotes innovation and digitisation in the insurance industry.

<sup>72</sup> Full German title of directive: Richtlinie zur Förderung von Unternehmensinvestitionen für Neugründungen und Anpassungen im Bereich Digitalisierung in Mecklenburg-Vorpommern (Richtlinie zur Förderung der digitalen Transformation – DigiTrans RL M-V) of 22 October 2018.

<sup>73</sup> Central website of the 'DWNRW-HUBs': <https://dwnrw-hubs.de/> (4.5.2020).

<sup>74</sup> Website of 'Digital.HUB Logistics': <https://digitalhublogistics.de/> (4.5.2020).

<sup>75</sup> Website of 'InsurLab Germany': <https://insurlab-germany.com/> (4.5.2020).

## Annex 4.2: Technology-oriented start-ups as a key focus of support measures (examples)

### Bavaria

- The Bavarian Ministry of Economic Affairs, Regional Development and Energy supports research & development and innovation in the area of general technologies through the ‘BayTP+’ technology funding programme plus<sup>76</sup>. Funding is provided for development projects and application projects (SMEs only), in the form of grants for development projects and loans for application projects. The funding ratio ranges between 25 % and 50 % for grants, while financing of up to 100 % is available in the case of loans (bayern innovativ 2020a).
- The Bavarian government’s ‘BayTOU’ programme<sup>77</sup> provides funding for business start-ups and young companies in the field of technology to support “the development of new products, processes and technical services and the development of a business concept” (bayern innovativ 2020b). Grants are available to fund research and development projects in the field of experimental development and innovation grants are available for SMEs which have been in existence for less than six years and which have a workforce of less than ten (BayMBI 2019a: 1f.). Funding is provided to cover up to 25 % of the eligible costs relating to development projects and grants of up to 150,000 euros are available for software companies. Concept development projects can be funded to cover up to 25 % of eligible costs and up to 26,000 euros can be provided to fund the drafting of an assessable, viable technological concept (this limit can be raised to as much as 52,000 euros when an extensive scope of work is involved) (BAYMBI 2019a: 3f.).

### Mecklenburg-Vorpommern

- With the support of the Land of Mecklenburg-Vorpommern, GENIUS Venture Capital GmbH invests in innovative, technology-oriented micro-enterprises and small companies in the seed, start-up and expansion stages via a venture capital fund which goes by the name of ‘Gründungshilfe für

technologieorientierte Unternehmen’. “Financing is available for expenditure spanning the entire spectrum from research and development to the market launch of innovative products, processes or technical services” (MWAG Mecklenburg-Vorpommern 2020). GENIUS offers funding up to a maximum of 1.5 million euros by providing equity through its ‘Venture Capital Fund MV’<sup>78</sup>. Alternatively, dormant holdings or convertible loans are possible (MWAG Mecklenburg-Vorpommern 2020).

### Saxony

- With the support of the European Social Fund, the ‘Technologiegründerstipendium’ provided by the central funding institution of the Free State of Saxony, ‘Sächsische Aufbaubank – Förderbank’ (SAB), supports students, graduates of universities and professional academies and practicing or former scientific staff based in Saxony who wish to establish an innovative business in the technology sector. Companies are deemed to be “innovative” in this context “where their business plan stipulates that R&D expenditure accounts for at least 15 % of their entire operating expenditure (SAB Sachsen 2020b: 1). Students receive a monthly grant of 1,000 euros, graduates receive 2,500 euros per month and entrepreneurs with a doctorate receive 3,000 euros per month for a maximum period of one year (SAB Sachsen 2020b: 3).

## Annex 4.3: Science-based start-ups as a key focus of support measures (examples)

### Baden-Württemberg

- Baden-Württemberg offers SMEs ‘innovation vouchers’ entitling them to “research and development services in connection with the planning, development and implementation of innovative projects” (startup bw 2020a).

### Bremen

- Established in 2002, the ‘BRIDGE’ higher education initiative<sup>79</sup> is jointly run by the University of

76 Website of ‘BayTP+’: <https://www.bayern-innovativ.de/ptb/seite/baytp> (6.5.2020).

77 Website of ‘BayTOU’: <https://www.bayern-innovativ.de/ptb/seite/baytou> (6.5.2020).

78 Website of GENIUS GmbH’s ‘Venture Capital Fund MV’ der GENIUS GmbH: <https://www.genius-vc.de/> (6.5.2020).

79 ‘BRIDGE’ website: <http://www.bridge-online.de/> (6.5.2020).

Bremen, Bremen City University of Applied Sciences, Bremerhaven University of Applied Sciences, the business development bank of the Land of Bremen - 'Bremer Aufbau-Bank' (BAB) - and Jacobs University Bremen. The initiative is aimed at students, alumni and members of the stated research institutions. It offers seminars and workshops on setting up in business, advisory services in the respective start-up stages (including the twelve-month 'STARTHAUS Coachingprogramm'<sup>80</sup> financed from the European Regional Development Fund (ERDF)).

## Mecklenburg-Vorpommern

- As part of the 'SPiNOFF incubation' project, the Mecklenburg-Vorpommern Ministry for Economic Affairs, Labour and Health has appointed the research association 'Forschungsverbund MV e. V.' "to support graduates and scientific staff of the higher education institutions and research establishments in Mecklenburg-Vorpommern in preparatory measures for innovative and technology-oriented start-ups". In cooperation with coaches from the business sector, advisors involved in the project provide support in "the further development of an idea for a product or service, the development of a prototype, the development of a business model and business plan, financing the pre-foundation stage through support programmes [...], financing the foundation stage through [...], special advice topics include approval and licensing procedures for DIN standards or medical products, patents and brands, company law and tax law, conducting negotiations, internet law, general terms and conditions, data protection, investment models, labour law, business law, contract law" (Gruender-MV.de 2020a).

## North Rhine-Westphalia

- The 'START-UP transfer.NRW'<sup>81</sup> programme provides support specifically for technology start-ups from North-Rhine Westphalian higher education institutions and non-university research establishments. Graduates and scientists receive support for a maximum of 18 months to the amount of up to 240,000 euros, and for a further six months to the tune of 80,000 euros in case of projects involving

particularly extensive and complex development work (covering items such as costs relating to personnel, equipment and materials, start-up coaching, outlay for patents) (MWIDE NRW 2019a: 7ff.).

- Establishment of six 'Excellence Start-up Centres' at the Universities of Aachen, Cologne, Bochum, Dortmund, Münster and Paderborn, which are to receive up to 150 million euros of funding in the period from 2020 to 2024. These centres are intended, among other things, "to increase the number of spin-offs from higher education institutions in NRW [...] by at least 50 per cent by 2024" (Die Landesregierung Nordrhein-Westfalen 2019a: 15).

## Rhineland-Palatinate

- The 'InnoStart' funding module "funds application-oriented R&D activities which are to be carried out by higher education institutions or research establishments owing to a lack of personnel resources or facilities at the companies concerned" (ISB 2017a: 2). The maximum grant is 25,000 euros; the non-repayable funding amounts to 50 % of eligible expenditure, limited to a maximum of 12,500 euros (ISB 2017a: 2).

## Saxony

- As part of the funding programme 'Gründerinitiativen – Unternehmensgründungen aus der Wissenschaft', the Land of Saxony supports innovative start-ups from Saxon higher education institutions and non-university research establishments through the Land business development bank 'Sächsische Aufbaubank – Förderbank' (SAB) and with assets from the European Social Fund (ESF). A key focus is on start-ups in the fields of science and engineering. Up to 65 % of eligible costs, and up to 90 % in the case of new, innovative modules, are funded over a period of three years in the form of a non-repayable grant. Measures eligible for funding include ideas competitions, business plan courses or ideation workshops, advice and support in connection with start-up projects, the development and implementation of qualification measures for self-employment, measures to motivate potential entrepreneurs and raise their awareness (SAB 2020a).

## Saxony-Anhalt

- The support instrument 'ego.-INKUBATOR' serves to support incubators at higher education institutions which are intended "to develop entrepreneurial thinking at higher education institutions, to

<sup>80</sup> 'STARTHAUS Coachingprogramm' website: <https://starthaus-bremen.de/> (6.5.2020).

<sup>81</sup> Website of the 'START-UP transfer.NRW' programme: <https://www.efre.nrw.de/wege-zur-foerderung/weitere-foerderprogramme/start-up-transfer nrw/> (6.5.2020).



pursue research into new solutions and to promote business start-ups by academics” (Ministerium für Wirtschaft, Wissenschaft und Digitalisierung Sachsen-Anhalt 2020a). In addition to costs of personnel and materials, funding up to a maximum of 700,000 euros is also available to cover costs relating to infrastructure measures for start-ups and the fitting out of entrepreneurs’ premises, workshops, laboratories, small pilot and testing plants and technical services (IB 2020a).

- The support instrument ‘ego.-GRÜNDUNGSTRANSFER’ serves to fund individual graduates or groups of up to three graduates from the Land of Saxony-Anhalt who are “planning to start up an innovative or technology- and knowledge-based business [...] and are in the pre-foundation stage” (Ministerium für Wirtschaft, Wissenschaft und Digitalisierung Sachsen-Anhalt 2020a). Funding of up to 75,000 euros per entrepreneur is available to cover costs of personnel and materials (IB 2020b).

### Saarland

- Financed by the European Regional Development Fund (ERDF), the ‘SQUASH’ qualification and advisory service for start-up entrepreneurs from higher education institutions in the Saarland forms part of the ‘PUSH.GR’ project to support start-ups from Saarland higher education institutions. The aims of ‘PUSH.GR’ are “to network the national support structures for start-up entrepreneurs, to establish a joint information and communication platform for start-up entrepreneurs and start-up advisors throughout the greater region and to develop joint actions, such as competitions” (written response from the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic).

## Annex 4.4: Financing (examples)

It is not possible to provide a detailed presentation of the financing instruments employed by the Länder to promote start-ups, taking into account the specific legal backgrounds, conditions pertaining to funding, the investment and exclusion criteria, detailed financing and repayment arrangements and the concrete processes involved. A detailed presentation of the complex guidelines which commonly apply to the individual instruments would stray beyond the scope of this study.

### Baden-Württemberg

There are a number of financing instruments for start-ups in Baden-Württemberg (cf. ifex 2017: 21ff.). In the public sector, these include the ‘Start-up BW Finance’ programme<sup>82</sup>. By way of example,

- with the ‘Start-up BW Accelerators’<sup>83</sup> the Baden-Württemberg economics ministry provides state funds and resources from the European Social Fund (ESF) and the European Regional Development Fund (ERDF) for accelerators in the Land which offer support for start-ups in the seed stage. The aim is “to promote start-ups with comprehensive support in the seed stage”.
- ‘Start-up BW Pre-Seed’ provides seed-stage financing for innovative start-ups ahead of market maturity. The Land has made 14 million euros available for this purpose in 2020 and 2021, while Baden-Württemberg’s public funding institution, ‘L-Bank’, attends to operational implementation (receipt and approval of applications, handling of the funding process). Funding from a minimum of 40,000 euros to a maximum of 160,000 euros (up to 320,000 euros in exceptional cases with a total financing sum of 400,000 euros) is provided for necessary investment costs. The Land generally contributes 80 % and a co-investor 20 % (maximum of 50 %) (Ministerium für Wirtschaft, Arbeit und Wohnungsbau/L-Bank 2020a: 1ff.),
- ‘MikroCrowd’<sup>84</sup> offers launch capital for business start-ups and companies which are no more than five years old, providing up to 10,000 euros in addition to crowdfunding. An advisor additionally provides project support in the fields of planning and marketing. The scheme is managed by L-Bank (Ministerium für Wirtschaft, Arbeit und Wohnungsbau/L-Bank 2020b: 1).
- ‘L-EA Venturepartner’ provides venture capital for young high-tech start-ups, with a focus on the IT, internet, Industry 4.0 and digitisation sectors. “L-Bank is the main investor, with the Land Baden-Württemberg additionally providing substantial funding. Together with the guarantee bank Bürgschaftsbank Baden-Württemberg, this establishes a basis for acquisitions which is attractive to private-sector risk-sharing partners” (L-Bank 2020a).

82 ‘Start-up BW Finance’ website: <https://www.startupbw.de/finanzierung-foerderung/finance/> (4.5.2020).

83 A list of the funded accelerators in the Land of Baden-Württemberg is to be found on the following website: <https://www.startupbw.de/news/meldungen/2020-mit-dem-eigenen-start-up-durchstarten-mit-den-start-up-bw-acceleratoren/> (6.5.2020).

84 ‘MikroCrowd’ website: <https://www.mikrocrowd.de/> (6.5.2020).



Numerous other support instruments can be viewed at the central start-up platform for Baden-Württemberg, [gruenden-bw.de](https://gruenden-bw.de)<sup>85</sup>.

## Bavaria

- The competition-based programme ‘Start?Zuschuss!’<sup>86</sup> run by the Bavarian Ministry of Economic Affairs, Regional Development and Energy offers grants for technology-oriented start-ups in the field of digitisation which have been in existence for no more than two years. Funding is provided to cover up to 50 % of eligible costs (rent, personnel, product launch, research and development), up to a maximum of 36,000 euros (StMWi Bayern 2016: 2ff.).
- Start-ups in the SME sector receive financing in the seed and start-up stage from the venture capital investor ‘Bayern Kapital’<sup>87</sup>, a subsidiary of the business development bank ‘LfA Förderbank Bayern’.
  - ‘Seedfonds Bayern’ offers funding of up to 750,000 euros in the form of a dormant holding for start-ups which are no older than one year and whose “know-how holders” own at least 50 % of the shares in the company concerned prior to financing. The founders must make a personal financial contribution corresponding to the amount of the capital stock of at least 25,000 euros (Bayern Kapital 2020a). Cooperation with public- and private-sector financing instruments is desired.
  - ‘Seedfonds Bayern extended’ provides equity capital “to bridge the gap between the seed stage and the start-up stage” (Bayern Kapital 2020b).
  - ‘Wachstumsfonds Bayern’, which disposes of assets to the tune of 100 million euros, cooperates with private investors to provide technology-oriented SMEs with growth capital after the seed stage and the initial start-up stage. The level of funding ranges between two and eight million euros, with private investors contributing an equivalent amount at least (‘pari passu’). Funding is provided for the (further) development of new products or processes, the expansion of sales and distribution organisa-

tions as part of internationalisation strategies, product diversification measures and acquisitions, for example (Bayern Kapital 2020c).

- ‘Bayern Kapital Innovationsfonds’ (BKI) cooperates with private investors to provide technology companies with equity capital for innovation projects up to a maximum of 2 million euros in the form of open and/or dormant holdings. Items eligible for funding include personnel costs, costs incurred in applying for and maintaining proprietary rights, costs of materials/outside services and costs of marketing and developing sales and distribution organisations (Bayern Kapital 2020d).
- ‘Bayern Kapital Innovationsfonds EFRE’ (BKE), which is financed by the European Regional Development Fund (ERDF), cooperates with private investors to fund innovative technology companies based outside of the greater Munich area. “Both partners - private investor and BKE - provide equity capital on the same terms (pari passu) to cover a company’s entire capital requirements. Required shares of private financing: 30 % of the total investment sum in the case of business angels, generally 50 % in the case of venture capital companies or similar“ (Bayern Kapital 2020e). The further requirements and terms of financing are otherwise similar to those of the BKI fund.

## Berlin

A large number of financing instruments are available for start-up entrepreneurs in Berlin. These are provided by ‘Investitionsbank Berlin’ (IBB), for example (IBB 2020a). The diverse financing instruments can be distinguished according to four financing models:

- the start-up phase (e.g. ‘Berlin Start’ or ‘GründungsBonus’),
- innovation financing (e.g. ‘Berlin innovativ’, ‘Berliner Startup Stipendium’, ‘ProFIT’ or ‘VC Fonds Technologie’),
- equity investment and crowd financing (e.g. ‘IBB MikroCrowd’) and
- financing of qualification measures, advisory services and networking (e.g. ‘Coaching BONUS’ and ‘Transfer BONUS’).

A list of the support instruments available in Berlin is to be found at the Land portal [gruenden-in-berlin.de](https://gruenden-in-berlin.de)<sup>88</sup>.

85 Overview of support programmes and financial assistance instruments for start-ups in Baden-Württemberg: [https://www.gruendung-bw.de/foerderung-finanzhilfen/datenbank-foerderprogramme-und-finanzhilfen/?tx\\_rtfoerderprogramme\\_foerderprogramm%5Baction%5D=list&tx\\_rtfoerderprogramme\\_foerderprogramm%5Bcontroller%5D=foerderprogramm&cHash=3b0fa2e0236baa6e587adc673ff350da](https://www.gruendung-bw.de/foerderung-finanzhilfen/datenbank-foerderprogramme-und-finanzhilfen/?tx_rtfoerderprogramme_foerderprogramm%5Baction%5D=list&tx_rtfoerderprogramme_foerderprogramm%5Bcontroller%5D=foerderprogramm&cHash=3b0fa2e0236baa6e587adc673ff350da) (6.5.2020).

86 ‘Start?Zuschuss!’ website: <https://www.gruenderland.bayern/finanzierung-foerderung/startzuschuss/> (4.5.2020).

87 ‘Bayern Kapital’ website: <https://bayernkapital.de/> (4.5.2020).

88 Overview of financing instruments to support business start-ups in Berlin: <https://www.gruenden-in-berlin.de/informationen/phase/konzeption/finanzierung-foerderung.html> (6.5.2020).

## Brandenburg

The government of Brandenburg supports business start-ups in the Land by way of support instruments from the ‘InvestitionsBank des Landes Brandenburg’ (ILB), for example. The instruments available from this bank include

- ‘Mikrokredit Brandenburg’<sup>89</sup>, offering microloans of 2,000 to 25,000 euros for founders of SMEs which have been in existence for no longer than ten years. The microloans are co-financed by the European Regional Development Fund (ERDF). No equity or collateral is required, and both materials (investments and initial supplies of materials and goods) and operating resources are eligible for funding. A credit period of five years applies (MWAE Brandenburg 2020a).
- ‘Brandenburg-Kredit Gründung’, which provides loans for commercial and freelance start-ups (no older than five years), SMEs and larger mid-tier companies, for example. A maximum investment level of 25 million euros per project applies (ILB 2020a: 1ff.).
- Other support instruments available from ILB include ‘Gründung innovativ’, ‘Frühphasenfinanzierung’, ‘Wachstumsfinanzierung’ and ‘ProFIT Brandenburg’<sup>90</sup>.

## Bremen

- Numerous financing programmes are available for start-ups in Bremen. These include microloans of up to 100,000 euros for small companies, combinations of crowdfunding and microloans, the ‘Bremen Gründerkredit’ facility and initial investment funds comprising dormant and open holdings for small and medium-sized enterprises (Starthaus 2020a).
- Financed by the European Regional Development Fund (ERDF), the ‘Beteiligungs- und Managementgesellschaft Bremen’ (BAB) offers innovative companies, which are no older than five years, investments of up to 800,000 euros or 1.2 million euro, if the investment takes place in an economically underdeveloped assisted area. Business start-ups which do not qualify as ‘innovative’ can be funded with half of the stated loan sums. The subordinated loan has a term of seven to ten years. Operating resources and investments are eligible for financing (BAB 2018a: 1).

89 ‘Mikrokredit Brandenburg’ website: <https://mikrokredit.brandenburg.de/> (6.5.2020).

90 Website presenting ILB support instruments for business start-ups: <https://www.ilb.de/de/existenzgruendung/> (6.5.2020).

## Hamburg

The Land of Hamburg offers three support programmes for business start-ups in different stages and sectors: ‘Inno-Founder’, ‘InnoRampUp’ and ‘Innovationsstarter Fonds’. Funding is provided through the ‘Hamburger Investitions- und Förderbank’ (IFB) and its subsidiary, ‘IFB Innovationsstarter’<sup>91</sup>, for example, drawing on assets of the European Regional Development Fund (ERDF).

- ‘Inno-Founder’ provides start-up entrepreneurs and start-up teams in all sectors with funding in the first year of their formation stage “by way of a flat-rate personal grant to finance individuals’ livelihoods and costs relating to the start-up project” (IFB Innovationsstarter 2020a). The focus is on digital innovations. A flat-rate monthly grant of 2,500 euros per person is provided for a period of up to 18 months. A maximum of three persons per start-up team are eligible, with maximum total funding of 75,000 euros per start-up (IFB Innovationsstarter 2020a).
- ‘InnoRampUp’ is a support programme focusing on technologically innovative start-ups from all sectors. Start-ups “which pursue the United Nations’ Sustainable Development Goals (impact start-ups)<sup>92</sup> [...] are expressly invited to apply for funding” (IFB Innovationsstarter 2020b). The small companies must not be more than two years old. Grants of up to 150,000 euros are available for start-ups; in exceptional cases, project costs can be funded up to 100 % (IFB Innovationsstarter 2020b).
- ‘Innovationsstarter Fonds’ invests in start-ups to the tune of up to 1 million euros, with a maximum of 0.6 million euros per financing round. The terms and forms of investment vary according to whether financing takes place in parallel with private-sector investment or not (IFB Innovationsstarter 2020c).

## Hesse

Hesse supports business start-ups via a number of financing instruments which are available from ‘Wirtschafts- und Infrastrukturbank Hessen’

91 ‘IFB Innovationsstarter’ website: <https://innovationsstarter.com/> (6.5.2020).

92 With regard to the ‘impact start-ups’ which are a particular target group for the ‘InnoRampUp’ programme, according to the press office of the Departmental Authority for Economic Affairs, Transport and Innovation the criteria relating to categorisation as such are based on the United Nations’ Sustainable Development Goals (Behörde für Wirtschaft, Verkehr und Innovation Hamburg 2020).

(WIBank)<sup>93</sup>, Investitionsbank Hessen, Beteiligungs-Managementgesellschaft mbH (BM H) and numerous other institutions:

- With ‘Innovationskredit Hessen’ the Land of Hesse, WIBank and the European Fund for Strategic Investments (EFSI) support innovative and/or fast-growing start-ups and SMEs which “have a positive effect on Hesse and/or are headquartered in Hesse” (WIBank 2020a). The loan amount ranges from a minimum of 100,000 to a maximum of 7.5 million euros, with a credit period of three to five years for loans to finance operating resources and a period of five, seven or ten years for loans to finance investments (WIBank 2019a: 2). The programme is made possible by the InnovFin SME guarantee facility under the European Union’s Horizon 2020 programme (umbrella programme for research and innovation). At least one of several innovation criteria<sup>94</sup> must be met in order to qualify for funding.
- Drawing on total assets of 110 million, ‘BM H’<sup>95</sup> supports start-ups and SMEs in the form of dormant and open holdings between 5,000 and 3 million euros.
- The Hessian Ministry of Digital Strategy and Development supports research and development projects of start-ups, SMEs and higher education institutions via the ‘Distr@l’ digital innovation and technology funding programme offered by WIBank. The focus is on digital technology and innovation projects, including feasibility studies, digital product or process innovations, knowledge and transfer projects and growth measures. The level of funding varies according to the focal area concerned between a maximum of 100,000 and a maximum of 1 million euros, with a loan period of 3 to 36 months, depending on the credit line.

93 An overview of the financing instruments available in Hesse is provided by the website of ‘Wirtschafts- und Infrastrukturbank Hessen’ (WIBank): <https://www.wibank.de/wibank/gruender-unternehmen> (6.5.2020).

94 The innovation criteria in accordance with the terms of the InnovFin guarantee facility include investments in production, processes and/or services, which are innovative in character and which entail a risk of technological, industrial or economic failure; proof of dynamic growth of the company, which must be no older than 12 years; past and ongoing expenditure on research, innovation and development; receipt of an innovation award; registration of a patent in the past two years, with the loan intended to enable exploitation of the patent (WIBank 2020b: 1f.). The InnovFin eligibility criteria are also to be found on the website of the European Investment Bank: <https://www.eib.org/de/products/blending/innovfin/eligibility/index.htm> (6.5.2020).

95 An overview of the funds offered by ‘BM H’ is to be found on the following website: <https://www.bmh-hessen.de/index.php/wir-fuer-sie/unsere-fonds> (6.5.2020).

## Mecklenburg-Vorpommern

- In Mecklenburg-Vorpommern, support is provided for micro-enterprises, small companies (including freelancers) and business start-ups in the form of dormant holdings via ‘Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH’ and the ‘MBMV Mikromezzanin’ programme, for example. The level of investment ranges between 10,000 and 50,000 euros (without ESF target-group characteristics) or up to 150,000 euros with ESF target-group characteristics. Funding is provided for investments in tangible fixed assets, replacement and expansion investments, building measures and operating resources (Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH 2020a).
- The ‘Gesellschaft für Struktur- und Arbeitsmarktentwicklung’ (GSA) awards a ‘start-up grant’ for start-ups from higher education institutions, research establishments, technology centres and companies and individuals with professional qualifications and at least three years of professional practice in the relevant field. The start-up grant is financed from assets of the European Social Fund (ESF). The start-up grant of 1,200 euros per month (1,400 euros for persons with a doctorate) is provided for up to 18 months. The start-ups must “focus on innovative products or services, in particular on the basis of scientific/technical findings” (GSA 2020).

## Lower Saxony

- In accordance with the defined common task to improve the regional economic structure in Lower Saxony, financing assistance is provided for SMEs and larger enterprises in economically underdeveloped regions, for example. Non-repayable investment grants of up to 4 million euros (with a maximum of 100,000 available per created permanent job) are offered for an implementation period of up to 36 months. Applicants are required to contribute at least 25 % towards the eligible costs from equity or borrowed capital. Funding is provided for acquisition and production costs, investments in setting up and expanding operations and product diversification measures, for example (NBank 2020a).
- Via the ‘MikroStarter’ fund, the Land of Lower Saxony provides loans for start-up entrepreneurs and SMEs which have been on the market for no longer than five years, using assets of the Euro-

pean Regional Development Fund (ERDF) and Land funds. The interest-bearing, repayable loan ranging from 5,000 to a maximum of 25,000 euros is granted for a credit period of two to five years. Expenditure relating to the establishment or expansion/growth of a company is eligible for financing, including investments, operating resources and costs of training and further training (NBank 2019a: 1ff.).

### North Rhine-Westphalia

- The Land-owned 'NRW.BANK' funds business start-ups in North Rhine-Westphalia by various means, including venture capital. Start-ups are supported in various stages of the start-up process via different funds, such as the 'NRW.BANK.Seed Fonds' or 'NRW.BANK.Venture Fonds', through investments in third-party venture capital funds and via joint-stock companies, such as 'NRW.StartUp-Kapital' (NRW.BANK 2017).
- The Ministry of Economic Affairs, Innovation, Digitalisation and Energy has been awarding the 'Gründerstipendium.NRW' grant<sup>96</sup>, which focuses on the pre-start-up and early start-up stage, since 2018. The grants of 1,000 euros per month are awarded for a maximum of twelve months. More than 1,000 such grants were awarded up to the end of 2019 (MWIDE NRW 2019b).
- "In specially designated regions of North Rhine-Westphalia with serious structural problems – the so-called C and D assisted areas – commercial enterprises, in particular small and medium-sized companies, including start-ups, can apply for grants for investment projects through NRW.BANK, in accordance with the conditions of the regional economic development programme for the Land of North Rhine-Westphalia ('RWP-gewerblich'). [...] The rates of funding vary according to the specific assisted area and the size of enterprise. As a general rule, investment projects of small companies, such as start-ups can receive funding to cover a maximum of 25 % of eligible investment costs. For companies in the start-up stage, the rate of funding can be increased by 5 percentage points to a maximum of 30 %. Existing and new jobs created by start-up entrepreneurs are additionally taken into consideration in assessing the level of funding" (written response from North Rhine-Westphalian Ministry of Economic Affairs, Innovation, Digitalisation and Energy).

### Rhineland-Palatinate

Various financing instruments for start-ups have been created in Rhineland-Palatinate. These are made available via the subsidiaries of the 'Investitions- und Strukturbank Rheinland-Pfalz' (ISB), for example. The financing instruments to support start-ups include:

- 'Innovationsfonds Rheinland-Pfalz II', via which small, unlisted technology companies, which have been on the market for no more than five years, can receive venture capital funding in the form of open and/or dormant holdings (ISB 2020a). The development and/or market launch of "an innovative or technology-oriented product/process or a service for which patent protection can be applied for are eligible for financing" (ISB 2020a). The maximum level of funding stands at 1 million euros and the credit period ranges between eight and ten years. The funding is co-financed by the Ministry of Economic Affairs, Transport, Agriculture and Viticulture and the European Regional Development Fund (ERDF).
- The 'InnoTop' programme, focusing on the funding of R&D in the field of industrial research and/or experimental development, co-financed from Land funds and the European Regional Development Fund (ERDF). Non-repayable grants are available up to a maximum of 52,500 euros for feasibility studies and up to 500,000 euros for R&D projects (ISB 2020b).

### Saarland

In the Saarland, funding for business start-ups is available, for example, via the investment schemes of the 'Saarländische Wagnisfinanzierungsgesellschaft' (SWG), various funding instruments of the 'Saarländische Investitionskreditbank' (SIKB) and the special loan programme 'Business Angels Gründerfonds', which is offered by the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic in cooperation with the 'Business Angels Netzwerk Saarland' (BANS) and Sparkasse Saarbrücken.

- The SWG provides equity capital in the range from 125,000 euros to 1 million euros for innovative and technology-oriented companies, for example, focusing primarily on financing development measures and the market launch of innovative products. This generally takes the form of dormant holdings. In isolated instances, financing may also take place in combination with an open minority holding. The participating interest is maintained for a maximum of ten years (SWG 2020a).

96 Website of 'Gründerstipendium.NRW': <https://www.gruenderstipendium.nrw/> (6.5.2020).

- The SIKB provides start-ups and businesses undergoing consolidation with loans of between 2,500 and 25,000 euros during their first three years in business via the launch capital programme ‘Startkapitalprogramm des Saarlandes’, for example. A credit period of ten years applies, beginning with two redemption-free years. Funding is additionally available to establish or consolidate a second start-up, particularly in the case of female entrepreneurs and also in other justified instances. Investments and operating costs constitute expenditure eligible for funding (SIKB 2019a: 1f.).
- ‘Business Angels Gründerfonds’ provides individuals and small enterprises (with up to ten employees) with loans of up to 25,000 euros for commercial or freelance start-ups in their first three years of existence. In isolated cases, funding of up to 50,000 euros is possible. The money can be deployed for investments and operating resources, provided that the project is overseen by ‘Business Angels Netzwerk Saarland’<sup>97</sup> (MWAEV Saarland n. d.: 1f.).

## Saxony

Numerous start-up financing instruments are available in Saxony, from providers including the ‘Sächsische Aufbaubank’ (SAB), for example. Programmes available from SAB include

- ‘InnoStartBonus’<sup>98</sup>, which offers start-up entrepreneurs grants of 1,000 euros per month for up to twelve months.
- ‘MEP-Darlehen’, which provides SMEs and members of the liberal professions with funding to help them implement “projects for marketing new or further developed products, services or processes based on innovations” in Saxony (SAB 2019a). The amount of the loan ranges from 20,000 to a maximum of 500,000 euros and items eligible for funding include personnel costs, modification measures, operating resources and investments in plant and equipment. A credit period of up to six years applies. The loans are provided from assets of the European Regional Development Fund (ERDF) (SAB 2019a).
- Microloans, start-up and growth financing and guarantees are also available.<sup>99</sup>

97 Website of Business Angels Netzwerk Saarland: <https://www.business-angels-saarland.de/> (6.5.2020).

98 Website of ‘InnoStartBonus’ from SAB: <https://www.sab.sachsen.de/f%C3%B6rderprogramme/sie-m%C3%B6chten-ein-unternehmen-gr%C3%BCnden-oder-in-ihr-unternehmen-investieren/innostartbonus.jsp> (6.5.2020).

99 A list of the different support instruments in Saxony is to be

## Saxony-Anhalt

Saxony-Anhalt offers various financing instruments to support start-ups:

- ‘Sachsen-Anhalt IMPULS’ is a loan programme offered by the ‘Investitionsbank Sachsen-Anhalt’ (IB) on behalf of the Land of Saxony-Anhalt which includes start-up loans for mid-tier enterprises and SMEs which are planning to set up in business or which, have been on the market for no longer than five years (including the liberal professions). The loan sum ranges from a minimum of 25,000 euros to a maximum of 1.5 million euros. Financing is available for operating costs, R&D costs, investments in real estate, building measures, machinery and the acquisition of interests in other companies. A credit period of up to 15 years applies (IB 2015: 1).
- ‘IGB Beteiligungsgesellschaft Sachsen-Anhalt’ (IGB) provides equity capital in the form of dormant holdings (up to 5 million euros for up to ten years), open pari passu holdings (up to 10 million euros on the same terms as apply to a private investor), grants for new business start-ups (up to 0.6 or 1.2 million euros for SMEs) and risk capital grants (up to 200,000 euros in a period of three fiscal years) (IGB 2020a).
- Initial assistance is provided for start-ups and business successions as part of the ‘Existenzgründungs-offensive ego’ initiative and the ‘ego.-START’ sub-programme. Funding is provided for coaching at a flat rate of 540 euros per day for a maximum of ten days, for feasibility and market launch studies at a fixed rate of 16,380 euros, and start-up grants of 2,000 euros per month are available for a maximum of 18 months (IB 2020c).
- ‘ego.-Konzept’ serves to fund projects which are based in the school or university sector, which support women setting up in business or which develop networks comprising sectoral clusters and scientific establishments. Funding of up to 800,000 euros is available for project-specific costs relating, among other things, to personnel, participants, the purchase of properties, rents and fit-outs (IB 2020d).

found at the following SAB website: <https://www.sab.sachsen.de/f%C3%B6rderprogramme/sie-m%C3%B6chten-ein-unternehmen-gr%C3%BCnden-oder-in-ihr-unternehmen-investieren/index.jsp#fsr-126659> (6.5.2020)



## Schleswig-Holstein

Schleswig-Holstein offers financial support instruments for start-ups in the Land via various institutions (business development bank, equity capital companies, business development agencies). In addition to the facilities stated below, these instruments also include microloans, investment funding for individual companies and various loan options.<sup>100</sup>

- The ‘IB.SH Innovationsdarlehen’ programme of ‘Investitionsbank Schleswig Holstein’ offer loans of between 100,000 and 3 million euros for innovative SMEs and mid-tier companies. The SMEs must be no older than 12 years and must have grown by an average of 20 % in the past three years. The credit period is generally three to five years for operating resources and five to ten years for investments (IB.SH 2020a). The loans are made possible by the InnovFin SME guarantee facility under the European Union’s Horizon 2020 programme and the European Fund for Strategic Investments (EFSI) (IB.SH 2020b: 3). The special feature of this facility is that companies are required to meet at least one of several innovation criteria<sup>101</sup> (IB.SH 2020b: 3f.).
- ‘Seed- und StartUp-Fonds Schleswig-Holstein II’ (SSF SH) provides equity capital in the form of open or dormant holdings in the seed stage and the early stage. In the seed stage, equity capital ranging from 50,000 to a maximum of 200,000 euros is provided “for spin-offs from higher education institutions, research establishments and companies pursuing research-, development- and science-based activities” (WTSH 2020a). Start-up financing is provided up to a maximum of 350,000 euros for “young, already founded companies offering innovative, technology-oriented products and services” (WTSH 2020b). The funding is repayable after ten years in the case of dormant holdings and after seven years in the case of open holdings (IB.SH 2020c). The fund with a total volume of 16 million euros was jointly launched by the Land of Schleswig-Holstein, ‘Investitions-

bank Schleswig-Holstein’ (IB.SH), ‘Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH’ (MBG), ‘Wirtschaftsförderung und Technologietransfer Schleswig-Holstein GmbH’ (WTSH) and with assets from the European Regional Development Fund (ERDF).

- In the period from 2016 to 2021, the ‘Gründungstipendium Schleswig-Holstein’ programme is to provide grants to prospective start-up entrepreneurs “who have developed a technology-oriented or business idea in the course of their studies, their research work or in other settings” (WTSH 2020c). Beneficiaries receive a non-repayable monthly grant of 1,750 euros (students: 800 euros) over a period of nine to twelve months. One-off funding is additionally available for lawyers’, notaries’ or court fees to the amount of 200 euros (per team), for tax consultancy to the amount of 200 euros (per person) and for costs relating to materials or investments up to the amount of 5,000 euros (WTSH 2020c).

## Thuringia

Various financing instruments are available for start-ups in the Land of Thuringia.<sup>102</sup> The Land-owned business development bank, Thüringer Aufbaubank (TAB), has launched two funds, for example, which are aimed specifically at financing the market launch phase of start-ups:

- ‘Thüringer Start-up-Fonds’ (TSF), for example, which is supported with assets from the European Regional Development Fund (ERDF), finances “young, knowledge- and technology-intensive Thuringian companies and start-ups in their first five years”. To this end, the TSF fund acquires open holdings up to a sum of 1.2 million euros per company. Private investors are welcome to share in the investment (Thüringer Aufbaubank 2020a). A credit term of five to a maximum of ten years applies. Provisions for later divestment are made at the beginning of the financing period, with buy-back of the shares in the company or sale to an industrial or financial investor as possible options (bm|t 2019: 3ff.).
- ‘Thüringer WachstumsBeteiligungsFonds’ (WBF), which is also supported with assets from the ERDF, funds “young knowledge- and technology-intensive small and medium-sized enterprises (SMEs)

100 An overview of the financing instruments for business start-ups in Schleswig-Holstein is provided by the website of Investitionsbank Schleswig-Holstein: <https://www.ib-sh.de/unser-angebot/fuer-unternehmen/neues-unternehmen-gruenden/#customergroup=2&topic=8&project=19> (6.5.2020).

101 The innovation criteria include specifications concerning dynamic corporate growth, research and development activities, expenditure on research and development, innovation projects, innovation funding, receipt of an innovation award, industrial property rights, market entry and venture capital, for example (cf. IB.SH 2020: 3f.). The InnovFin eligibility criteria are also to be found on the website of the European Investment Bank: <https://www.eib.org/de/products/blending/innovfin/eligibility/index.htm> (6.5.2020).

102 An overview of the different financing instruments offered by Thüringer Aufbaubank and its subsidiary ‘beteiligungsmanagement thüringen gmbh’ (bm|t) is available on the following website: <https://mobil.aufbaubank.de/Themen/Beteiligungskapital-fuer-Startups-in-Thueringen#1> (6.5.2020).

in the growth stage following their establishment (bm|t 2015: 2). Funding is available for the further development of products and services or processes which serve “to consolidate and boost turnover, to make further inroads into existing markets and to open up new markets” (bm|t 2015: 2). The investment to a maximum sum of 4 million euros may take the form of a minority holding or a dormant holding. A credit period of up to ten years applies. In addition to the divestment options stated for the TSF fund, in the case of the WBF fund divestment of the shareholding when the company is floated on the stock exchange represents a further possible option (bm|t 2015: 2).

## Annex 4.5: Dismantling of bureaucratic obstacles (examples)

### Baden-Württemberg

- Baden-Württemberg offers start-up entrepreneurs “a low-threshold voucher system to enable optimum preparations for establishing their enterprise. By way of example, no special application requires to be filed in order to receive funding from the Baden-Württemberg economics ministry and the European Social Fund (ESF) to cover up to 80 % of the costs of expert advisory services” (startup bw 2020b).

### North Rhine-Westphalia

- On 25 September 2018, the Land government adopted ‘Entfesselungspaket III’ (‘Unleashing Package III’), to speed up approval processes and enable a fully electronic business registration process via the portal ‘Gewerbe-Service-Portal.NRW’<sup>103</sup>, among other things. “Further administrative services for the business community will be introduced when the e-government act ‘Wirtschaftsportalgesetz NRW’ enters into force in the autumn of 2020. According to the current planning, these services will cover notifications of freelance activity in the field of the liberal professions, notifications of the rendering of cross-border services and other licences required under commercial law, such as the licences for real estate brokers and

property developers” (Die Landesregierung Nordrhein-Westfalen 2020a).

## Annex 4.6: Target group-specific support (examples)

Special centres for female entrepreneurs are networked with the ‘National Agency for Women Start-Up Activities and Services’ (bga - Annex 3) in 13 Länder (cf. Info box 1). In the three other Länder (Bavaria, Saxony and Saarland) there are specific contacts for female entrepreneurs at the economics ministries, the general advisory institutions at or relevant regional and local associations and initiatives.<sup>104</sup>

There are instances of support measures for female entrepreneurs and other specific target groups which go beyond this scope in the Länder, such as the ‘Start-up entrepreneur’s grant’ (German: ‘Gründerzuschuss’)<sup>105</sup> for individuals seeking to start up in business as a way out of unemployment. Examples of such measures are outlined below.

### Baden-Württemberg

- The ‘Start-up BW Women’ project organised by the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing includes advisory services and information for female start-up entrepreneurs as well as various events focusing on female start-up entrepreneurs (such as the ‘Female Founders Days’ and measures relating to female students). A ‘Female Start-ups’ think tank and a female mentors’ network were additionally planned in 2020 (startup bw 2020c).
- The ‘Start-up BW Young Talents’ project, which is organised by the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing and is aimed specifically at school pupils, is intended to “develop an entrepreneurial spirit earlier in young people” (startup bw 2020d). Workshops and dialogue with role models from the start-up scene are

<sup>104</sup> The bga site: <https://www.gruenderinnenportal.de/> provides an overview of the advice and networking centres for female entrepreneurs, both for the three Länder without a centre integrated in the bga network and with regard to numerous other contact points for female entrepreneurs (6.5.2020).

<sup>105</sup> Further information on the ‘Gründerzuschuss’ is to be found on the website of the Federal Employment Agency: <https://www.arbeitsagentur.de/existenzgruendung-gruendungszuschuss> (6.5.2020).

<sup>103</sup> ‘Website of ‘Gewerbe-Service-Portal.NRW’: <https://gewerbe.nrw/> (6.5.2020).



**Info box 1: Centres for female entrepreneurs in the Länder**

<b>Baden-Württemberg</b>	<b>Gründerinnenzentrum gig7 Mannheim</b>
<b>Berlin</b>	<b>WeiberWirtschaft eG</b> <b>UCW - Unternehmerinnen Centm West</b>
<b>Brandenburg</b>	<b>Zentrum für Unternehmerinnen Brandenburg an der Havel</b>
<b>Bremen</b>	<b>Frauenstadthaus Bremen</b>
<b>Hamburg</b>	<b>Frau und Arbeit e. V.</b>
<b>Hesse</b>	<b>jumpp - Frauenbetriebe e. V.</b>
<b>Mecklenburg-Vorpommern</b>	<b>Existenzgründerinnenzentrum Frauen in die Wirtschaft e.V. Rostock</b>
<b>Lower Saxony</b>	<b>Unternehmerinnenzentrum Hannover</b> <b>UNSAhof e. V. Leiferde/Gifhorn</b>
<b>North Rhine-Westphalia</b>	<b>Lohberger Unternehmerinnen Zentrum innovativ e. V. (LUZI) Dinslaken</b> <b>GründerinnenZentrum Dortmund</b>
<b>Rhineland-Palatinate</b>	<b>GriPS Gründerinnenzentrum in Pirmasens</b>
<b>Saxony-Anhalt</b>	<b>BPC DIE UNTERNEHMERInnen AKADEMIE GmbH</b>
<b>Schleswig-Holstein</b>	<b>BELLA DONNA - Ein Haus von Frauen e. V. Bad Oldesloe</b>
<b>Thuringia</b>	<b>Büro Startklar – Thüringer Existenzgründerinnennetzwerk</b>

Source: BMWi 2020m; WeiberWirtschaft 2020a; SHE WORKS! 2020

organised to this end (startup bw 2020d). At federal level, ‘Junior Programmes’<sup>106</sup> organised by the Ministry for Economic Affairs and Energy focus on start-ups in schools.

**Berlin**

- cf. Chapter 4.2.3 regarding the ‘Female Entrepreneurship in Berlin and India’ project.

**Mecklenburg-Vorpommern**

- The ‘MBMV Mikromezzanin’ programme (cf. Annex 4.4) focuses in particular on financing “small and young enterprises; enterprises which take on trainees; individuals setting up in business as a way out of unemployment; companies managed by women or people from migrant backgrounds, commercially oriented social enterprises and environmental companies (ESF target-group characteristic)”. The stated categories of people represent key target groups<sup>107</sup> of the European Social Fund (ESF)

<sup>106</sup> ‘Junior Programmes’ website:  
<https://www.junior-programme.de/startseite> (6.5.2020).

<sup>107</sup> The key target groups for the ESF funding period 2014-2020 include: “disadvantaged young people, in particular such people without a school-leaving or vocational qualification, the long-term unemployed, women and people in gainful employment, in particular such with low qualifications or on low incomes, and

for the funding period 2014-2020, which co-finances ‘MBMV Mikromezzanin’ (Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH 2020b).

**Lower Saxony**

- The investment and business development bank of the Land of Lower Saxony, NBank, funds “application-oriented, low-threshold development projects” through the support programme ‘Low-threshold innovation support for SMEs and the handicraft sector’ (NBank 2020b). Under this programme, funding is provided to cover up to 35 % of eligible costs, up to a maximum funding volume of 100,000 euros (eligible costs include personnel, consulting fees, investment costs and costs of materials). The funding takes the form of a non-repayable grant (NBank 2019b: 2).

**Rhineland-Palatinate**

- Rhineland-Palatinate offers free start-up counselling and grants for start-up coaching relating to start-ups by women, for start-up entrepreneurs

people with migrant backgrounds, particular such who are in difficult circumstances (e.g. refugees)” (ESF 2020).

with a migrant background and for start-up entrepreneurs aged over 50 (MWVLW 2020a).

- There are also various networks in the Land for women who are interested in setting up in business, such as ‘DU – Die Unternehmerinnen’, ‘Mainzer Unternehmerinnen Treff (mut)’ or ‘Gründerinnen Stammtisch’ in Trier (MWVLW 2020b).

## Annex 4.7: Interface management and networking (examples)

### Baden-Württemberg

- The ‘Start-up BW Think Tank’ is an expert body which convenes twice annually. Its meetings are chaired by the Land minister of economic affairs, labour and housing. The think tank comprises “successful business founders, representatives of the private business sector, business organisations and networks, from the equity investment and debt financing scene and from start-up associations”. Its remit is to “critically appraise planned and existing measures of relevance to start-ups. It is also intended to generate fresh ideas to spur innovative approaches and support the ongoing development of the Land’s ‘Start-up BW’ initiative” (Baden-Württemberg.de 2020a)
- In the course of the ‘Start-up BW Partner’ project funded by the Baden-Württemberg Ministry of Economic Affairs, Labour and Housing, a network comprising many protagonists from the Land’s start-up scene has been established, together with an interactive map to help locate relevant protagonists in the region (startup bw 2020).

### Bremen

- With financing from the European Social Fund (ESF), ‘Starthaus’<sup>108</sup> serves as a central body for Bremen and Bremerhaven, offering start-up counselling, coaching, qualification measures and support relating to national and regional funding options for each start-up stage.

### Saarland

- The ‘Saarland Offensive für Gründer’ (SOG)<sup>109</sup> is a regional network of 25 government institutions, associations and organisations involved in promoting start-ups in the Land with the support of the European Regional Development Fund (ERDF). The SOG’s 25 partners include the Saarland Ministry for Economic Affairs, Labour, Energy and Traffic, the chamber of handicrafts, the chamber of industry and commerce, the Federal Employment Agency, business development banks, higher education institutions, associations and the chamber of tax consultants (SOG 2020a). In addition to general information on the start-up process as a whole and support and funding structures, SOG also arranges personal advisory services on setting up in business in the Saarland.

### Schleswig-Holstein

- Established in 2017, the ‘StartUp SH’ association is to receive funding to a total of 6.8 million euros from the Land of Schleswig-Holstein and the European Regional Development Fund (ERDF) up to 2021. The work of ‘StartUp SH’ is organised and overseen by the Ministry of Economic Affairs, Transport, Labour, Technology and Tourism.
- In 2019 the Ministry of Economic Affairs, Transport, Labour, Technology and Tourism entered into a partnership with US technology incubator ‘Plug and Play’, whose one-year trial period costs 300,000 euros. In addition to enabling start-ups from Schleswig-Holstein to locate to Silicon Valley for three months, the partnership also results in Schleswig-Holstein becoming “part of Plug and Play’s marketing strategy” and involves Plug and Play employees participating in start-up events in Schleswig-Holstein (including the ‘Waterkant Festival’<sup>110</sup> and the ‘StartUp-Camp’<sup>111</sup> in Flensburg) (MWVATT 2019a).

<sup>109</sup> Website of the ‘Saarland Offensive für Gründer’ (SOG): <https://gruenden.saarland.de/> (6.5.2020).

<sup>110</sup> The ‘Waterkant Festival’ is an international start-up festival in Schleswig-Holstein which has been held annually since 2016: <https://www.waterkant.sh/> (6.5.2020).

<sup>111</sup> The ‘StartUp-Camp’ in Schleswig-Holstein is a week-long event at which public- and private-sector national and international start-up protagonists come together and young start-ups receive coaching on their start-up ideas, their business plans and financing options: <https://startupcamp.sh/> (6.5.2020).

<sup>108</sup> Website of the ‘Starthaus’ central contact point for Bremen and Bremerhaven: <https://starthaus-bremen.de/> (6.5.2020).

## Annex 4.8: Advisory services, coaching, centres and co-working spaces (examples)

In all the Länder, start-up counselling establishments and start-up and/or technology centres which are operated with the involvement of the Land economics ministries are available to people interested in setting up in business. Individual examples of such advisory structures and centres are outlined below, together with further support structures.

### Bavaria

- The Bavarian Ministry of Economic Affairs, Regional Development and Energy supports a central point of contact for prospective start-up entrepreneurs in all sectors and start-up stages in Bavaria via the ‘Gründerland.Bayern’<sup>112</sup> platform. This platform provides information on the start-up process itself, available advisory services, financing and other support, points of contact and networks.
- The Bavarian Ministry of Economic Affairs, Regional Development and Energy additionally supports ‘BayStartUP GmbH’<sup>113</sup>, which discusses financing options and corresponding coaching with prospective start-up entrepreneurs according to the relevant start-up stage.

### Brandenburg

- The project ‘Beratung und Business-Coaching für innovative Gründungen im Land Brandenburg (Innovationen brauchen Mut 2018 bis 2021)’ represents the “central project to support innovative start-up projects in the Land of Brandenburg” (WFBB 2020). The project offers start-up entrepreneurs coaching and advisory services. These services come free of charge for entrepreneurs in the pre-foundation stage (cf. Annex 4.6 regarding services for migrants).
- Together with its business development agency ‘Wirtschaftsförderung Land Brandenburg GmbH’ (WFBB), the Land of Brandenburg has additionally launched the platform ‘gruendung.wfbb.de’<sup>114</sup>,

which offers prospective start-up entrepreneurs information on Brandenburg as a place in which to do business, together with coaching and advice on the start-up process (WFBB 2020). The platform is financed with funds from the European Social Fund (ESF). There are also numerous start-up services, start-up workshops and so-called regional “guidance centres” for prospective start-up entrepreneurs which offer advice for the respective locations in Potsdam (Land Brandenburg 2020a).

### Mecklenburg-Vorpommern

- The technology and new business centres in Mecklenburg-Vorpommern offer individual advisory services for start-up projects (including appraisal of ideas, marketing analysis, property rights issues, business and financial planning) through the project ‘TechnostartupMW’<sup>115</sup>.

### Lower Saxony

- The Land of Lower Saxony supports the establishment and funding of ‘start-up centres’ via the ‘startup.niedersachsen-Initiative’. “These centres support start-ups in the seed stage by providing specific coaching and premises free of charge, with a focus on sustainable start-ups” (written response from the Lower Saxony Ministry for Economic Affairs, Labour, Transport and Digitalisation). 2.3 million euros are to be provided for the establishment of ten such start-up centres in 2020 and 2021 (MW Niedersachsen 2020a). The start-up initiative also includes the start-up platform ‘startup.nds.de’<sup>116</sup>, offering information and networking facilities.
- A so-called ‘business establishment team’ of the Lower Saxony Ministry for Economic Affairs, Labour, Transport and Digitalisation additionally offers multi-lingual advisory services for prospective start-up entrepreneurs and companies which are interested in establishing operations in Lower Saxony (Invest in Niedersachsen 2020a). “In addition to general advice (on market data, tax and legal aspects, for example), the business establishment team also offers location scouting (industry-specific identification of prospective locations, arranging contacts and organising viewing), oversees investments (including the coordination of applications and other administrative matters, arranging contacts with banks) and integration into regional networks (including the arrangement of contacts

112 ‘Gründerland.Bayern’ website: <https://www.gruenderland.bayern/> (6.5.2020).

113 Subpage on financing options at ‘BayStartUP’: <https://www.baystartup.de/finanzierung-finden/finanzierungscoaching.html> (4.5.2020).

114 Website of the ‘gruenden.wfbb.de’ platform: <https://gruendung.wfbb.de/de> (6.5.2020).

115 ‘TechnostartupMW’ website: <https://www.technostartup.de/> (6.5.2020).

116 Website of ‘startup.niedersachsen-Initiative’: <https://startup.nds.de/> (6.5.2020).

with organisations, associations, suppliers and research establishments and invitations to meetings and sector-specific events)” (written response from Lower Saxony Ministry for Economic Affairs).

### North Rhine-Westphalia

- 75 start-up centres (‘Startercenter NRW’)<sup>117</sup> have been set up with financing from the Ministry of Economic Affairs, Innovation, Digitalisation and Energy and the European Regional Development Fund (ERDF). The centres are run in cooperation with the chamber of industry and commerce, the chamber of handicrafts and local business development institutions. The start-up centres’ services include counselling on the first steps in establishing a business, official formalities, available seminars, drawing up business plans and regional, national and private-sector financing facilities (Startercenter NRW n. d.a: 3f.).
- There are additionally various projects in regional start-up ecosystems within the Land, such as the ‘STARTPLATZ’ start-up incubator and accelerator<sup>118</sup>, with offices in Cologne and Düsseldorf. This private-sector initiative offers paying members access to the network, co-working premises, individual and team offices (Startplatz 2020b) as well as “advice and coaching, workshops & events and access to the large-scale network” (Startplatz 2020c; cf. Chapter 4.2.2 regarding the Startplatz initiative ‘#Startupnation to Mittelstand’ with Israeli high-tech start-ups).

### Rhineland-Palatinate

- Operated by the Ministry of Economic Affairs, Transport, Agriculture and Viticulture, the portal ‘gruenden.rlp.de’<sup>119</sup> offers information on the start-up scene and the support and financing facilities in the Land, as well as advice on the start-up process and networking possibilities (MWVLW Rheinland-Pfalz 2019).

### Thuringia

- The ‘ThEx innovativ’ contact point in Thuringia is specialised in innovative start-up and growth projects and provides support in the areas of “advice and coaching on the development of busi-

ness models, qualifications and financing issues. The comprehensive scope of services also includes workshops, the identification of cooperation partners and contacts in the relevant sectors, approaching investors and organisation of the annual event Investor Days Thuringia” (ThEx innovativ 2020; cf. also the workshops aimed specifically at international start-up entrepreneurs, Chapter 4.2).

## Annex 4.9: Competitions, conferences, prototype weeks (examples)

A wealth of regional and supraregional start-up competitions, start-up camps, conferences, prototype weeks and start-up barcamps are organised in Germany and the Länder. Over 150 start-up competitions were held in Germany in 2019. The start-up portal ‘Für-Gründer.de’ dedicated a special issue of its magazine<sup>120</sup> to these competitions (Für-Gründer.de/Frankfurt Business Media 2020: 50ff.). Other initiatives include the ‘StartGreen Award’<sup>121</sup>, which acknowledges innovative new business concepts, start-ups and companies “whose services and products contribute to climate protection and sustainability” (Olteanu/Fichter 2020: 27).

117 Website of the 75 NRW start-up centres: <https://www.startercenter.nrw/de/startercenter/startercenter-nrw> (6.5.2020).

118 ‘Startplatz’ website: <https://www.startplatz.de/> (6.5.2020).

119 Website of ‘gruenden.rlp.de’: <https://gruenden.rlp.de/de/startseite/> (6.5.2020).

120 List of the 157 start-ups taking place in Germany in 2020 which have been identified by the start-up portal ‘Für-Gründer.de’: [https://www.fuer-gruender.de/fileadmin/mediapool/Publikation/2020\\_Top\\_50\\_Start-ups\\_und\\_Gruenderwettbewerb.pdf](https://www.fuer-gruender.de/fileadmin/mediapool/Publikation/2020_Top_50_Start-ups_und_Gruenderwettbewerb.pdf) (6.5.2020).

121 ‘StartGreen Award’ website: <https://start-green.net/award/> (7.5.2020).

# Annex 5: List of surveyed Federal Government and Land ministries

## Responses from the Federal Government and Land ministries to written requests for information in connection with this study (Status of feedback June 2019)

- **Federal Government:** Federal Ministry for Economic Affairs and Energy
- **Baden-Württemberg:** Ministry of Economic Affairs, Labour and Housing
- **Bavaria:** Bavarian State Ministry of Economic Affairs, Regional Development and Energy
- **Brandenburg:** No response to our request for information
- **Berlin:** Senate Department for Economics, Energy and Public Enterprises
- **Bremen:** Senator for Economic Affairs, Labour and Ports
- **Hamburg:** Ministry for Economics, Transport and Innovation
- **Hesse:** Ministry of Economics, Energy, Transport and Housing
- **Mecklenburg-Vorpommern:** Ministry for Economic Affairs, Labour and Health
- **Lower Saxony:** Ministry for Economic Affairs, Labour, Transport and Digitalisation
- **North Rhine-Westphalia:** Ministry of Economic Affairs, Innovation, Digitalisation and Energy
- **Rhineland-Palatinate:** Ministry of Economic Affairs, Transport, Agriculture and Viticulture
- **Saarland:** Ministry for Economic Affairs, Labour, Energy and Traffic
- **Saxony:** Ministry of Economic Affairs, Labour and Transport
- **Saxony-Anhalt:** Saxony-Anhalt Ministry of Economic Affairs, Science and Digitalisation
- **Schleswig-Holstein:** Ministry of Economic Affairs, Transport, Labour, Technology and Tourism
- **Thuringia:** Ministry for Economic Affairs, Science and Digital Society

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# List of abbreviations

Abbreviation	German	English
AG	Aktiengesellschaft	Stock corporation
AktG	Aktiengesetz	Stock Corporation Act
AVwV-AufenthG	Allgemeine Verwaltungsvorschrift zum Aufenthaltsgesetz	General Administrative Regulations on the Residence Act
BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle	Federal Office of Economics and Export Control
BAMF	Bundesamt für Migration und Flüchtlinge	Federal Office for Migration and Refugees
BDA	Bundesvereinigung der Deutschen Arbeitgeberverbände	Confederation of German Employers' Associations
BDI	Bundesverband der Deutschen Industrie	Federation of German Industry
bga	Bundesweite Gründerinnenagentur	National Agency for Women Start-Up Activities and Services
BGB	Bürgerliches Gesetzbuch	German Civil Code
Bitkom	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.	Germany's digital association
BMBF	Bundesministerium für Bildung und Forschung	Federal Ministry of Education, Science, Research and Technology
BMF	Bundesministerium für Finanzen	Federal Ministry of Finance
bm t	beteiligungsmanagement thüringen GmbH	
BMWi	Bundesministerium für Wirtschaft und Technologie	Federal Ministry for Economic Affairs and Energy
BW	Baden-Württemberg	Baden-Württemberg
bw-i	Kompetenzzentrum Baden-Württemberg zur Internationalisierung von Wirtschaft und Wissenschaft	Baden-Württemberg's competence centre for the internationalisation of business, science and research
CDU	Christlich Demokratische Union	Christian Democratic Union
CET		Central European Time
cf.		compare
CNC		Computerized Numerical Control
COM		European Commission
conj.		conjunction
COSME		Competitiveness of Enterprises and Small and Medium-sized Enterprises Programm
Covid-19		Coronavirus Disease 2019
CSU	Christlich-Soziale Union	Christian Social Union
CVC		Corporate Venture Capital
DAAD	Deutscher Akademischer Austauschdienst	German Academic Exchange Service
DB	Deutsche Bank	Deutsche Bank

DIHK	Deutsche Industrie- und Handelskammer	German Chambers of Industry and Commerce
DU	Die Unternehmerinnen	
DUS	Düsseldorf	Düsseldorf
DWNRW	Initiative Digitale Wirtschaft Nordrhein-Westfalen	
E-Commerce	Elektronischer Handel	Electronic Commerce
EEA		European Economic Area
EFRE	Europäischer Fonds für regionale Entwicklung	European Regional Development Fund
EFSI		European Fund for Strategic Investments
EFTA-States		European Free Trade Association
eG	eingetragene Genossenschaft	Registered cooperative society
EG	Europäische Gemeinschaft	European Community
e.g.		for example
EIF		European Investment Fund
e. K.	eingetragene Kauffrau bzw. eingetragener Kaufmann	Registered merchant
EMN	Europäisches Migrationsnetzwerk	European Migration Network
ERDF		European Regional Development Fund
ERP		European Recovery Program
ESF		European Social Fund
EStG	Einkommenssteuergesetz	German Income Tax Act
Et al.		Et alii, et aliae oder et alia
Etc.		Et cetera
EU		European Union
EUR		Euro
e. V.	eingetragener Verein	Registered association
EY		Ernst & Young
f.		and the following page
FDP	Freie Demokratische Partei	Free Democratic Party
ff.	folgende	and the following pages
FinTech		Finance technology
FuE	Forschung und Entwicklung	Research and Development (R&D)
GbR	Gesellschaft bürgerlichen Rechts	Company constituted under civil law
GenG	Genossenschaftsgesetz	German Cooperative Societies Act
gGmbH	gemeinnützige GmbH	Non-profit limited liability company
GmbH	Gesellschaft mit beschränkter Haftung	Limited liability company
GmbHG	Gesetz betreffend die Gesellschaften mit beschränkter Haftung	Limited Liability Companies Act
GINSEP		German-Indian Start-up Exchange Program
GISEP		German Israeli Startup Exchange Program

GNotKG	Gerichts- und Notarkostengesetz	Act on Court and Notaries' Fees
GriPS	Gründerinnenzentrum in Pirmasens	
HGB	Handelsgesetzbuch	German Commercial Code
HTAI		Hessen Trade & Invest GmbH
HTGF	High-Tech Gründerfonds	High-Tech Start-up Fund
HTS 2025	Hightech-Strategie 2025	The High-Tech Strategy 2025
HWK	Handwerkskammer	Chamber of crafts
ID number		Identification number
Ifex	Initiative für Existenzgründungen und Unternehmensnachfolge	
IHK	Industrie- und Handelskammer	Chamber of industry and commerce
IMG	Investitions- und Marketinggesellschaft mbH	
Incl.	Inklusive	including
IoT		Internet of Things
IQ	Förderprogramm „Integration durch Qualifizierung“	Support programme „Integration through qualification“
It's OWL	Intelligente Technische Systeme OstWestfalenLippe	Intelligent Technical Systems OstWestfalenLippe
KfW	Kreditanstalt für Wiederaufbau	
KG	Kommanditgesellschaft	Limited partnership
KMU	Kleine und mittlere Unternehmen	Small and medium-sized enterprises (SMEs)
KOM	Europäische Kommission	European Commission (COM)
LFI-MV	Landesförderinstitut Mecklenburg-Vorpommern	
Ltd.		Limited
LUZI	Lohberger Unternehmerinnen Zentrum innovativ e. V.	
MBMV	Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	
ME	Mettmann	
MIGRIS	Migrantinnen und Migranten gründen im Saarland	
MMF-Deutschland	Mikromezzaninfonds Deutschland	Micro-mezzanine fund for Germany
Mut	Mainzer Unternehmerinnen Treff	
M-V	Mecklenburg-Vorpommern	Mecklenburg-Vorpommern
MWAE Brandenburg	Ministerium für Wirtschaft, Arbeit und Energie Land Brandenburg	Ministry of Economic Affairs, Labour and Energy of Brandenburg
MWAEV Saarland	Ministerium für Wirtschaft, Arbeit, Energie und Verkehr Saarland	Economic Affairs, Labour, Energy and Traffic of Saarland
MWAG	Ministerium für Wirtschaft, Arbeit und Gesundheit Mecklenburg Vorpommern	Ministry of Economic Affairs, Labour and Health of Mecklenburg-Vorpommern
MWIDE NRW	Ministerium für Wirtschaft, Innovation, Digitalisierung und Energie Nordrhein-Westfalen	Ministry of Economic Affairs, Innovation, Digitalisation and Energy of North Rhine-Westphalia
MW Niedersachsen	Ministerium für Wirtschaft, Arbeit, Verkehr und Digitalisierung Niedersachsen	Ministry for Economic Affairs, Labour, Transport and Digitalisation of Lower Saxony



MW Sachsen-Anhalt	Ministerium für Wirtschaft, Wissenschaft und Digitalisierung Sachsen-Anhalt	Ministry of Economy, Science and Digitalisation of Saxony-Anhalt
MWVATT	Ministerium für Wirtschaft, Verkehr, Arbeit, Technologie und Tourismus Schleswig-Holstein	Ministry of Economic Affairs, Transport, Employment, Technology and Tourism of Schleswig-Holstein
MWVLW Rheinland-Pfalz	Ministerium für Wirtschaft, Verkehr, Landwirtschaft und Weinbau Rheinland-Pfalz	Ministry for Economic Affairs, Traffic, Regional Planning and viticulture of Rhineland-Palatinate
NBank	Investitions- und Förderbank Niedersachsen	
n. d.		No date
NGIO		Northern Germany Innovation Center
no.		number
NRW	Nordrhein-Westfalen	North Rhine-Westphalia
OECD		Organisation for Economic Co-operation and Development
OHG	Offene Handelsgesellschaft	General partnership
PartG	Partnerschaftsgesellschaft	Partnership company
PartGG	Partnerschaftsgesellschaftsgesetz	Partnership Companies Act
R&D		Research and Development
SenWEB Berlin	Senatsverwaltung für Wirtschaft, Energie und Betriebe	Senate Department for Economics, Energy and Public Enterprises
SH	Schleswig-Holstein	Schleswig-Holstein
SIKB	Saarländische Investitionskreditbank	
SMEs		Small and medium-sized enterprises
SMWA Sachsen	Staatsministerium für Wirtschaft, Arbeit und Verkehr Sachsen	Ministry of Economic Affairs, Labour and Transport of Saxony
SOG	Saarland Offensive für Gründer	
SPD	Sozialdemokratische Partei Deutschlands	Social Democratic Party of Germany
STIFT	Stiftung für Technologie, Innovation und Forschung Thüringen	Foundation for Technology, Innovation and Research Thuringia
StMWi Bayern	Staatsministerium für Wirtschaft, Landesentwicklung und Energie	Bavarian Ministry of Economic Affairs, Regional Development and Energy
SUAB		StartUp AsiaBerlin
Subs		Subsection
SUN	Startup-Unternehmerinnen-Netzwerk	
SWG	Saarländische Wagnisfinanzierungsgesellschaft	
TMWWDG	Ministerium für Wirtschaft, Wissenschaft und Digitale Gesellschaft Thüringen	Thuringian Ministry for Economic Affairs, Science and Digital Society
UCW	Unternehmerinnen Centrum West	
UG	Unternehmergesellschaft haftungsbeschränkt	Limited liability entrepreneurial company
UK		United Kingdom
USA		United States of America
UStG	Umsatzsteuergesetz	Value Added Tax Act

VDI	Verein Deutscher Ingenieure	The Association of German Engineers
WAH Bremen	Der Senator für Wirtschaft, Arbeit und Häfen Bremen	Senator for Economic Affairs, Labour and Ports of Bremen
WFB	Wirtschaftsförderung Bremen GmbH	Business Development Bremen GmbH
WFBB	Wirtschaftsförderung Land Brandenburg	Business Development of Brandenburg
WTSH	Wirtschaftsförderung und Technologietransfer Schleswig- Holstein GmbH	Business Development and Technology Transfer Corporation of Schleswig- Holstein
ZD.B	Zentrum Digitalisierung.Bayern	Center Digitisation.Bavaria
ZDH	Zentralverband des Deutschen Handwerks	German Confederation of Skilled Crafts
ZEW	Leibniz-Zentrum für Europäische Wirtschaftsforschung	Leibniz Centre for European Economic Research
ZIM	Zentrales Innovationsprogramm Mittelstand	Central Innovation Programme for SMEs
ZSBA	Zentrale Servicestelle Berufsankennung	Service Center for Professional Recognition

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# Publications of the Research Centre of the Federal Office (Selection)

## Publications available in English

**04/2019** Social Contacts of Refugees.  
Author: Manuel Siegert (2019)

## Working Paper

**01/2019** Second wave of the IAB-BAMF-SOEP Survey. Language skills and employment rate of refugees improving with time.  
Authors: Herbert Brücker, Johannes Croisier, Yuliya Kosyakova, Hannes Kröger, Giuseppe Pietrantuono, Nina Rother and Jürgen Schupp (2019)

**WP 86** The role of migration authorities in handling third-country nationals who constitute a threat to public security in Germany. Study by the German National Contact Point for the European Migration Network (EMN).  
Author: Friederike Haberstroh (2020)

**WP 85** Attracting and retaining international students in Germany. Study by the German National Contact Point for the European Migration Network (EMN)  
Authors: Paula Hoffmeyer-Zlotnik and Janne Grote (2019)

**WP 84** Beneficiaries of protection travelling to their country of origin: Authorization, Policies and Revocation Procedure in Germany. Study by the German National Contact Point for the European Migration Network (EMN)  
Author: Janne Grote (2019)

**WP 83** Developments in Germany in the context of visa liberalisation. Study by the German National Contact Point for the European Migration Network (EMN).  
Author: Paula Hoffmeyer-Zlotnik (2019)

## Brief analyses

**02/2020** Religious affiliation, religious practice and social integration of refugees.  
Author: Manuel Siegert (2020)

**05/2019** Children and Adolescents after the Flight.  
Author: Cristina de Paiva Lareiro (2019)

## Annual Reports (latest)

**PB** Migration, Integration, Asylum. Political Developments in Germany 2018. Annual Policy Report by the German National Contact Point for the European Migration Network (EMN) (2019)

## Series of Reports on Migration & Integration

**WM** Migration Monitoring: Educational and Labour Migration to Germany.  
Annual Report 2019.  
Author: Johannes Graf

**FM** Freedom of Movement Monitoring: Migration of EU Nationals to Germany.  
Annual Report 2019.  
Author: Johannes Graf

**SoKo** Potential of Asylum Applicants: Analysis of "Social Component" Data relating to Applicants' Social Structure.  
Annual Report 2019.  
Author: Barbara Heß

## Further publications of the Research Centre - only available in German

Summaries in English are available on the BAMF website (see link below)

### Working Paper

- WP 87** Menschen mit Migrationshintergrund aus muslimisch geprägten Ländern in Deutschland. Analysen auf Basis des Mikrozensus 2018).  
Authors: Katrin Pfündel, Anja Stichs and Nadine Halle (2020)

### Research Reports

- FB 36** Integration von Geflüchteten in ländlichen Räumen.  
Authors: Tabea Rösch, Hanne Schneider, Johannes Weber and Susanne Worbs (2020)
- FB 35** Ausländische nicht-akademische Fachkräfte auf dem deutschen Arbeitsmarkt. Eine Bestandsaufnahme vor dem Inkrafttreten des Fachkräfteeinwanderungsgesetzes.  
Authors: Johannes Graf and Barbara Heß (2020)
- FB 34** Geförderte Rückkehr aus Deutschland: Motive und Reintegration. Eine Begleitstudie zum Bundesprogramm StarthilfePlus.  
Authors: Martin Schmitt, Maria Bitterwolf and Tatjana Baraulina (2019)
- FB 33** Zwischenbericht I zum Forschungsprojekt „Evaluation der Integrationskurse (EvIk)“. Erste Analysen und Erkenntnisse.  
Authors: Anna Tissot, Johannes Croisier, Giuseppe Pietrantuono, Andreea Baier, Lars Ninke, Nina Rother, Christian Babka von Gostomski (2019)

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- 05/2020** Entwicklungen in der Wohnsituation Geflüchteter.  
Author: Kerstin Tanis (2020)
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