



## Trend Chart on Innovation in Europe

DE 12

### General presentation of the measure/scheme/action/regulation

#### Country

Germany

#### Geographical coverage, national or regional (state region)

(National)

#### Title of the measure

BTU - Venture Capital for technology-oriented SMEs

#### Information Source/Reference

[www.tbgbonn.de](http://www.tbgbonn.de)

#### Overview (nature, main goals)

The BTU-Programme addresses a perceived shortage in private venture capital for technology-based start-ups and small, fast-growing technology-oriented firms. BTU, administered by the public tbg-bank, offers two types of public support, depending on the market needs: - Co-Investor Model: tbg invests in young technology-based firms provide that another, usually private, investor makes available funds at least matching those of tbg. - Refinancing Model: The KfW-bank provides low-interest loans to refinance venture capital providers who pass on this funding as venture capital to young technology-based firms. For pre-seed financing, a separate scheme (DE\_66) was introduced in 2001.

#### Action Plan objective addressed by measure

II.5. Financing  
III.2. Strengthening Company Research  
III.3. Start-up of technology-based companies

#### Administering agency

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#### Name of the manager(s) responsible for the implementation of this measure with address, fax, phone

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### Description of Scheme

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## General Information

### Reference to legal basis (e.g. act, public document, ...)

Directive on the BTU Programme conditions of the tbg, January 2000

### Does the measure receive central funding or regional funding?

Central

### Start date

1995

### Expected date of completion

2002

### Previous measure (name, date, links with the current measure)

TOU (1983-1988)BJTU (1989-1994)

### Reasons for launching/modifying the new measure

The previous measures to BTU were initiated in the 1980s to push the less developed German VC-activities. The high degree of uncertainty in economic prospects of such firm due to uncertain technological developments and volatile market demand contributes to potential under-investment by the private venture capital market in such start-ups and small firms. This may hamper their innovation activities, especially in new or small technology-based firms.

### Have any of the main features of the measure/scheme/action/regulation changed during its implementation

Because of the great success of the BTU-programme and a further expanded (private) VC-market in Germany, the conditions of the BTU-programme were restricted. The BTU budget was increased in 1999. In 2001, the tbg launched a new programme for investment in very early stages of technology-based start-ups, called "BTU - Early Stage" (DE\_66). It provides pre-seed and seed-financing of up to 150,000 Euro without demanding a co-investor. The programme was last modified in its conditions by January 1, 2000.

### What is the predominant role of the government?

Funding source.

## Target Group

### Who are the target groups of the measure?

SMEs/Industrial SMEs

Other

## Organisation and Implementation

### Organisation and Structure

The programme is managed by the tbg-branch of the Deutsche Ausgleichsbank (DtA) concerning the co-investor-model and by the Kreditanstalt für Wiederaufbau (KfW) concerning the refinancing model. The BTU programme aims at spreading the risks amongst the venture capital providers and assistance banks in order to mobilise a high volume of venture capital for young technology-based firms and start-ups. At the same time the burden on public financing is kept small. The level of support is adjusted regularly according to market developments. With a comparably small amount of public funds firms can be effectively supported by going on to be listed on the stock exchange. Within the innovation support strategy of the Federal Ministry for Economics and Technology, the BTU programme focuses on (indirect) financial support for R&D and the introduction of new products and services into the market.

### What are the criteria for eligibility?

For refinancing: max. size of SME: 499 employees and ≤ 50 mill. turnover per year  
For co-investor: max. size of SME: 49 employees and ≤ 7 mill. turnover per year  
Firms receiving Venture Capital may not be older than 5 years.

### What is the mode of delivery of the measure?

Refinancing-Model: Venture Capital investment of max. Euro ca. 2 mill., loan for refinancing max. Euro ca. 1.5 mill.  
Co-Investor-Model: Venture Capital investment of max. Euro ca. 3 mill. with a maximum of Euro ca. 1.5 mill. by the tbg (and the remaining amount by a lead investor).

### Financing : Overall budget allocated to the measure

not available yet

### Financing : expenditure per year

Amount of VC made available by BTU: 1997: 234 mill. Euro 1998: 404 mill. Euro 2000: 1,100 mill. Euro 1999: ca. 650 mill. Euro

### Financing : other budgetary sources (additional financing)

East German firms may apply for the FUTOUR-programme (DE\_20). Additional funding for the BTU-programme is available from the DtA-Technology Venture Capital Programme (DE\_11). For seed and pre-seed VC, a new programme, "BTU - Early Stage" (DE\_66) started in 2001.

## Results

## Result Measurement

### What are the main indicators for the measurement of the results ?

Amount of private VC made available by BTU.

### Where an evaluation has taken place, what were the main results achieved?

Evaluation study: Lessat et al.: "Beteiligungskapital und technologieorientierte Unternehmensgründungen", 1999 ([www.gabler-online.de](http://www.gabler-online.de)); Centre for European Economic Research (ZEW), Mannheim; Fraunhofer Institute for systemtechnic (FhG/ISI), Karlsruhe. The Federal Ministry of Economic and Technology reports a significant effect the BTU programme on the labor market. On average, a company aided by BTU create appr. 20 new jobs over the first four years.

### If no official evaluation has been undertaken, have there been any indicators of success?

Since the launching of the programme in 1995, the volume of venture capital mobilised BTU and other public venture capital measures (FUTOUR, ERP Innovation Programme has risen from around Euro 90 mill. to Euro 750 mill. in 1999. In 2000, a further increase Euro 1 bill. is expected. By the end of 1999, venture capital of more than Euro 1.6 bill. (both from public and private sources) had been made available to more than 1,500 SME firms and start-ups. It is estimated that roughly 75 per cent of all cases of venture capital involvement in the early phase of high-tech firms in Germany are BTU-financed. There are some success stories of firms from the internet, biotechnology and telecom sectors which have been supported by BTU and experienced fast growth, such as MobilCom, MorphoSys and Intershop Communications. So far, a total of 24 firms supported by BTU have already gone public, reaching a current market value of Euro 30 bill.

## Observations

### Which mechanisms seem to function well in the measure?

Both the co-investor model and the refinancing model seem to function well.

### Which mechanisms seem to be less successful in the measure?

There is now a quite well developed VC market in Germany, thus public promotion of VC could be reduced and financing of technology-based SMEs can be left to the private market.

### Are there any other measures planned or in operation as a follow up to this measure? Direction of the planned measures? Objectives? Target groups?

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