

KfW: extending support for start-ups and small SMEs through global loans to promotional institutions of the federal states

- **Second pillar of the German Federal Government's start-up aid has been extended to 30 December 2021**
- **State aid ceiling extended to EUR 1.8 million per company**
- **Goal: continued support for start-ups and small SMEs via tailored financing**

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For promotional institutions of the federal states, global loans with a liability waiver continue to be available from KfW Group to finance start-ups and small SMEs (Pillar II). To cover additional financing needs, KfW will be providing further funds on behalf of the Federal Government up to 30 December 2021. The ceiling for minor state aid grants has also been increased to EUR 1.8 million per company (previously EUR 800,000), thereby giving start-ups and small SMEs more flexibility.

The goal of Pillar II is to support start-ups and small SMEs that need financing but do not have access to venture capital fund financing from Pillar I by providing them with mezzanine or equity financing and by preventing any financial gaps. The global loans, which come with a liability waiver, enable the promotional institutions of the federal states to refinance promotion instruments tailored to the needs of the individual federal states. Comprehensive financing options therefore remain available in all federal states. The specific promotional structure varies from state to state. Financing through open or silent participations is possible, for example. Pillar II of the package of measures has been a proven instrument since June 2020 to support start-ups and small SMEs without venture capital funds within their investor bases. Extending Pillar II will further help to counter the impact of the coronavirus pandemic this year.

The Corona Matching Facility (Pillar I), which KfW Capital and the European Investment Fund extended to VC funds to finance start-ups, expired as planned on 30 June 2021. Pillar I of the Federal Government's start-up aid noticeably stabilised the venture capital market during the crisis. After the first quarter of 2020, sentiment had slipped to record lows, but the VC market recovered quickly, also thanks to the aid and other measures; so by the end of 2020 VC investments in Germany had already returned to the previous year's level.

You can find further information and an overview of the promotional institutions of the federal states here:

www.kfw.de/corona-startup