

Federal Ministry for Economic Affairs and Energy

Directive on the funding of business start-ups (EXIST Business Start-Up Grant) in conjunction with the programme “University-Based Business Start-Ups” - Amended Version -

19th of September 2016

1 Objectives of the Grant and Legal Basis for Funding

1.1 Objectives of the Grant

The EXIST Business Start-Up Grant is aimed at supporting individuals at universities and research institutions who are starting up businesses. The support is intended to help them in the phase prior to and at the beginning of their innovative start-ups, especially in preparing a feasible business plan and in developing marketable products and innovative services.

The intention is to generate technology and knowledge-based start-ups out of projects at universities and/or research institutions.

The EXIST Business Start-Up Grant provides support to innovative and sustainable business start-ups with high market relevance and performance dynamic. The start-up idea must have originated in the setting of a university or research institution, and the expertise and knowledge acquired there and any research and development work carried out there must be put to use in the start-up.

EXIST Business Start-Up Grant also has the following intermediate objectives:

- qualifying students, university graduates, and scientists to work as self-employed entrepreneurs and to establish their own business undertakings;
- preparing the start-up project for follow-up financing via business angels and other forms of early-stage financing.

1.2 Legal Basis

The Federal Ministry for Economic Affairs and Energy awards grants out of “Einzelplan 09” of the German Federal Budget and out of funds of the European Social Fund (ESF) according to the provisions of this Directive and the General Administration Regulations (VV) to Sections 23 and 44 of the [German] Federal Budgetary Regulation (BHO). An applicant has no legal right to be awarded a grant. The awarding authority (Number 7.1) makes its decision at its due discretion. The awarding of the grant is conditioned on the availability of Federal Budget funds and ESF funds.

ESF co-financing is made on the basis of the Operational Programme of the German Federal Government for the European Social Fund for the programming period 2014 - 2020 (CCI: 2014DE05SFOP002), and Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 (General Structural Fund Regulation), and Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 (ESF Regulation).

Every legal instrument or implementing provision associated with structural funds funding and enacted or to be enacted in association with it supplements the legal basis (e.g. Commission Implementing Regulation (EU) No 215/2014 of 7 March 2014).

The funding provided pursuant to this Directive falls within investment priority (a) (iii): It is funding in support of “self-employment, entrepreneurship, and business creation” pursuant to Article 3(1) (a) (iii) of Regulation (EU) No 1304/2013.

2 Subject-Matter of the Funding

Funding here is provided for the ripening of business ideas into business plans, the development of marketable products and services, and the preparatory steps specific to business start-ups—as long as this does not involve practicing one of the traditional liberal professions, such as that of a physician, designer, lawyer, tax consultant, architect, pharmacist, construction and planning engineer, artist, business consultant, etc.

The funding is aimed at sophisticated, innovative start-up projects from universities and research institutions in Germany. What is not eligible for funding is the modifying of existing products and services with no significant unique positions.

Included are business start-ups by university graduates, scientific and former scientific employees of universities and research institutions, provided that their university degrees or their last permanent [subject to compulsory German social insurance] employment relationships with a university or research institution do not date back more than five years. One start-up member may have a degree that is older than five years or have a qualified professional trade. Students may take part in the start-up project, but they must have completed at least one half of their study programme at the time the application is made. Start-up teams in which the majority of their members are students at the beginning of the project will only be funded in exceptional cases and will be assessed on a case-by-case basis.

The individuals starting up the business should be the carriers of relevant know-how and should have played a major role in developing the idea.

The start-up idea—being the foundation of the business—must embody several of the following points:

- the technical product-innovation or process-innovation is intended for implementation in an individual's own business undertaking (including fabrication/development, marketing/sales);
- the novel and innovative service is expected to have high value to customers and distinct unique selling propositions on the market;
- the product or service introduces a technological or organizational transformation and clearly sets itself apart from the current state of the art and from competitive solutions available on the market;
- the product or service addresses a clearly defined customer problem;
- the enterprise has a scalable business model.

The start-up idea must exhibit sustainable potential for commercial success.

3 Grant Recipients

Universities and research institutions in Germany are eligible to apply.

The applicants have to be integrated in a start-up support network (start-up network) that meets the following requirements:

- wide and interconnected range of support and coaching services for start-ups to which the applicant institution may resort;
- participation of several active and experienced partners from regionally located start-up supporters;
- central point of contact for the start-up individuals;
- assurance of the continuing existence of the start-up network;
- experience in supporting start-ups from the scientific sector;

All EU law applicable at any given time to government aid provided for research, development, and innovation must be observed.

4 Grant Requirements

The prerequisite for the funding is an assurance that the individuals' start-up project is being supported throughout by a start-up network or a start-up consultant (coach) with experience in supporting start-ups from the scientific sector. The supporting start-up network undertakes at least two presentations with the founders on the status of business-plan preparation and to provide corrective input during the funding period.

The applicant institution has to appoint a university professor or research team leader as a mentor and must supply the start-up individuals with the necessary resources (laboratory, workshops, rooms, computing centres, and other infrastructure) free of charge and administer the funding resources.

The start-up network has to appoint a qualified start-up consultant (coach) in collaboration with founders and demonstrate the coach's methodology, profile, and references in the start-up management.

At the beginning of the grant period, the founders, start-up consultants and the mentor have to prepare a coaching/management plan that documents the transformation of the work plan into a business plan and the preparation of the formation of the business undertaking. The following milestones are mandatory:

- The submission of the coaching/management plan no later than one month after the funding period begins. The plan should state the business-related qualifications needed by the start-up individuals, the services required of the coach in terms of time requirements, and any other planned qualification measures in relation to the start-up.
- The presentation of the interim status of the business plan and the status of development to the start-up network after five months, particularly with descriptions of the business model, market, customer value, unique selling propositions, competitors, and financing.
- The mailing of the final business plan after ten months to the project management with the start-up network's or the coach's assessment.

A simultaneous combination with another grant, employment relationship, or funding programme for financing the basic living expenses of the start-up individual is not permitted.

Paid supplemental employment for more than five hours per week is not permitted.

The formation of a corporation (*Kapitalgesellschaft*) and the commencement of business activities during the funding period are permitted, but they must not yet have occurred at the time the project begins and must be kept strictly separate from the funded project and the funded individuals at the university. Product developments commissioned by third parties are not permitted and are excluded from funding.

5 Type, Extent, and Amount of Grant

The grant is awarded as project funding in the form of non-reimbursable aid and percentage financing.

The funding covers a period of up to one year.

The assessment is based on project-related expenditures that are eligible for funding. These may be funded up to 100 per cent.

According to No. 2.1., the grants are provided to cover the personnel costs of a maximum of three specific individuals. The amount of the grant to the specific individuals depends on how advanced they are in their study programmes:

Students who have completed at least half of their studies: € 1,000 per month

Technical employees: € 2,000 per month

University graduates with at least one university degree: € 2,500 per month

Start-up individuals with doctorate degrees: € 3,000 per month

For dependent children of the start-up individual, € 150 per child per month is paid as a child's bonus.

All of the grants to specific individuals include all social security costs. The start-up individuals are responsible for making their own social security contributions.

Material costs (including licences, software, similar fees, and other project-related expenditures for consulting services and investments) up to a total of € 10,000 for single start-ups and up to € 30,000 for team start-ups (up to three persons) may be recognized as eligible for funding. For business coaching, business qualification measures, and for start-up consulting, up to € 5,000 may be granted additionally and must not be used for other purposes.

Consulting related of up to € 10,000 of the project expenses that meet the criteria of No. 2.2 and No. 3 and that have been covered by the entrepreneurial network may be granted under position 0842. In order to document consulting activities a summarized record of proof should be included.

6 Miscellaneous Grant Provisions

The General Ancillary Provisions for Grants for Project Funding (ANBest-P) and the Special Ancillary Provisions for Expenditure-Based Grants for Project Funding (BNBest-BMBF98) are integral components of grant approvals (*Zuwendungsbescheid*) on expenditure bases.

The authorization, disbursement, and accounting, the verification and review of use, any required setting aside of a grant approval, and the claim for repayment of a grant are governed by Sections 23 and 44 BHO, the General Administrative Regulations enacted on the basis of these, and Sections 48 to 49a of the Administrative Proceedings Act (VwVfG), unless the contrary is permitted by this Funding Directive.

When being funded, the grant recipient undertakes to observe equality between men and women and non-discrimination and sustainable development as cross-cutting objectives of the ESF (Articles 7 and 8 of Regulation (EU) No 1303/2013).

Pursuant to Sections 91 and 100 BHO, the Bundesrechnungshof is entitled to audit. Additional auditors are the European Commission including the European Anti-Fraud Office (OLAF), the European Court of Auditors, the certifying authorities

of the German Federal Government, the audit authorities of the German Federal Government, and the ESF administration authorities of the Germany Federal Government, as grants are financed by ESF funds.

Documentary proof (especially the application, funding approvals, verifications of use, original receipts, final reports) must be kept in safe keeping by the grant recipient for auditing purposes as originals or as certified copies for at least five years (commencing with 31 December of the year in which the last verification of use was submitted), unless a longer period of safe keeping is prescribed by tax law, national law, or other EU law.

The grant recipient also agrees, in accordance with Annex XII to Article 115 of Regulation (EU) No 1303/2013, to the publication of the following information in a list of projects: Name of the recipient, postal code and country, name of the project, begin and end of the funding, and the amount of funding with the co-financing percentage and the intervention category.

According to Annex XII to Article 115 of Regulation (EU) No 1303/2013, the ESF information and communication obligations must be complied with by all project participants. With the making of the application, the applicant undertakes to comply with the requirements of the information and communication obligations and to draw attention to the fact that the project is being funded by the ESF.

7 Procedures

7.1 Involvement of Project Management and Documentation Requirements

The Federal Ministry for Economic Affairs and Energy has commissioned

Forschungszentrum Jülich GmbH
Project Management Jülich (PMJ)
Berlin Office
Zimmerstraße 26 - 27
10969 Berlin

(hereinafter referred to as the Project Management)

to manage the funding activities.

The Project Management must provide further information when requested and must help with the application procedures. Email: ptj-existgruenderstipendium@fz-juelich.de.

Funding application forms, directives, instruction leaflets, and ancillary provisions are available from the website <http://www.exist.de> and <https://foerderportal.bund.de> ("Formularschrank").

The complete documentation must be submitted in electronic form via the portal easy-Online (<https://foerderportal.bund.de>) and in paper form (one original) to the Project Management agency Jülich.

7.2 Application, Selection and Decision Procedures

The funding procedure is single-staged. Formal funding applications must be made to the Project Management in written and in electronic form by post. Applications may be made at any time.

A commencement of the project period is possible within three months after complete receipt of all original application documents.

The application must contain the following documents:

1. Signed "AZA" form from easy-Online.
2. Schedule 1: Personal information about the founders.
3. Schedule 2: Credible description of the idea.
4. Schedule 3: Commitment letter from the founders.
5. Schedule 4: Declaration from the mentor.
6. Schedule 5: Declaration from the university or research institution.
7. Schedule 6: Declaration from the start-up network.
8. Schedule 7: Declaration of acknowledgement of subsidy-relevant facts.
9. Schedule 8: University or research institution's declaration of acknowledgement of subsidy-relevant facts.

The applications received are assessed, if necessary using external experts, pursuant to the form and content requirements of this Directive.

On the basis of the assessment, a funding decision is made after a conclusive review of the application.

All project-related documentary proof, especially receipts of costs, must be kept in safe keeping for at least twelve years after the project has ended, unless a longer period of safe keeping is prescribed by law.

8 Subsidy-Relevant Facts

The subsidy-relevant facts within the meaning of Section 264 of the [German] Criminal Code (StGB) in conjunction with Section 2 of the [German] Subsidy Act (SubvG) are defined in the grant documents.

9 Evaluation

For assessing the effectiveness of the funding programme, an accompanying evaluation is part of the programme. This requires that the institutions commissioned with this are provided with the necessary information during and after the period of the funding programme. The universities, research institutions, and undertakings that are funded are therefore obligated to work together with the offices commissioned with the evaluation of the programme, to supply the necessary information, to collect the necessary data, and to provide this promptly. The information is being used exclusively for the evaluation and treated confidentially.

10 Coming into Force

This Funding Directive comes into force with the publication of it in the Bundesanzeiger and remains in force up to and including 31 December 2022. It replaces the former Funding Directive for EXIST Business Start-Up Grant of the 27th of November 2014 (BAnz ATp. 09.12.2014 B2). Funding applications may be made up to and including 31st of December 2020.

Berlin, the 19th of September 2016

Federal Ministry
for Economic Affairs and Energy

At the direction of
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