BAF

Business Angels Funding

Understanding the Nature and Impact
of Business Angels Funding

A study funded by the European Commission.

Understanding the Nature and Impact of the business angels in Funding Research and Innovation

Final Report

European Commission

Directorate General for Communications Networks, Content & Technology

Directorate F- Digital and single markets. Unit F. 3 - Start-ups and innovation

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Legal notice

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1. Acknowledgements

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Advisory Board

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- Colin Manson, University of Glasgow
- Jean-Noel Duvy, EBAN Advisor
- Philippe Gluntz, BAE Vice-chair
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2. ABBREVIATIONS

EC	European Commission
EU	European Union
EBAN	European Business Angels Network
BAE	Business Angels Europe
VC	Venture Capital
EIS	Enterprise Investment Scheme
ICT	Information and Communication Technologies
MS	Member States
R&I	Research and Innovation
R&D	Research and Development
SME	Small and medium size enterprise
ERDF	European Regional Development Fund
EAFRD	European Agricultural Fund for Rural Development
ESF	European Social funds
BA	Business Angels
BAN	Business Angels Network
HNWIs	High-net-worth individuals

3. Executive Summary

The investment of business angels in Research and Innovation (R&I) is a crucial complement to supporting start-up companies through national incentives to invest. It represents the most significant source of early stage equity investment in young and R&I firms, and angels invest throughout Europe. However, little is known about business angels and their investment behaviour throughout European venture capital markets. This report presents the outcome of a study aimed at filling this gap. Business Angels and their impact on firms were characterized through a survey of European business angels as well as interviews with business angels and business angel-backed firms. Moreover, extensive field research was done on the national context business angels operate in as well as policy measures aimed at supporting business angels. In what follows below, a short overview of the main findings is presented.

The study confirmed that business angels play an important role in funding innovative enterprise with 93% of their most recent investments being in firms engaging in process or product innovation; they have substantial shares in firms developing marketing, organizational, or business model innovations. Business angels are high-net-worth individuals (HNWIs) who make direct investments with their own money, either with others or on their own, in unquoted businesses with which they have no family connection. Typically, business angels target early stage companies with their investment; these companies are usually in the tech-sector, located within one hour's journey of the investors' residence, not yet generating revenue, employing one to five people and valued at between 100,000 euros and 1 million euros at the time of first investment. Business angels normally invest in the form of equity finance in the hope of achieving a significant financial return when they sell their interest in the business. Typically, they will also take an active involvement in their investee businesses.

Business angels have long been recognized as an important source of finance for entrepreneurial businesses, particularly in the start-up and early growth stages when the financial support required is too small to be economic for VC fund investment. Business angels share a primary motivation to give back to society by sharing knowledge, skills, contacts and capital with young entrepreneurs. In terms of national approaches to business angel activities, whilst financial support and incentives are important, policies should also foster an environment in which successful individuals are encouraged to share their resources and skills. In this sense, awareness, networking and education are, arguably, as important as financial support instruments for increasing participation in business angel investment.

Given the significance of business angels as sources of funding for entrepreneurial businesses, it is important that their investment activity is documented and that changes in the market are tracked. However, achieving this is extremely problematic. Investing in unquoted businesses is a private activity, the market is largely unorganised, it lacks a single access point, and there are no directories of business angels. So, to all intents and purposes, the number of business angels cannot be measured comprehensively, nor can their investment activity; equally, investment trends cannot be accurately tracked. However, networks play a key role in the general investment approach adopted by business angels. Both formally organized business angel networks as well as informal networks, based on existing contacts, are important sources for new deals and co-investments. The nature of these networks differs, however, across European geographic regions.

In regions where formal networks are more important, investors tend to have more of their portfolio co-invested rather than investing alone, invest smaller amounts and spend less time on business angel related activities. Often, they are also less fully involved in their portfolio companies. Furthermore, the role of lead investors tends to be more concentrated, indicating a greater number of passive investors within more formal networks. In the context of this kind of arrangement, lead investors tend to provide the greater share of non-financial support, meaning that businesses can attract financial investment only (without a mentoring element) from certain business angels.

On the other hand, in regions where formal networks are less significant and personal networks play a larger role, investors engage in more stand-alone investments. They tend to invest larger amounts in each deal and spend more time on business angel related activities. They are also more likely to be fully involved in their portfolio companies.

In general, throughout Europe, 25% of business angels plan to co-invest more with other business angels in the coming years. In contrast, co-investment with public funds and other types of investors is expected to decrease in importance in the coming years.

Thus, this final report has established an outline for examining investment by business angels with a focus on the visible market for which comprehensive data could be collected, allowing this segment of the market to be measured accurately. Most business angels, however, operate in a rather informal way, are not publicly visible and their activities remain unknown. In such cases, the actual investments made by angel investors might be notably higher.

Notably, business angels in most European regions adhere to the classic profile as highly educated, experienced men, who have built their wealth either while managing large firms or while steering their own ventures. In contrast, business angels in Central and Eastern Europe tend towards a different profile. They are generally younger and the share of women amongst them is higher. Whilst, on average, they have invested less capital in ventures than business angels in the rest of Europe, they are the most optimistic regarding their own expectations from future investments. According to the survey conducted for this study, 73% expect to increase their share of capital currently invested in business angel funding by at least five percentage points in the long term. Overall, 48% plan larger investment deals in the period 2017-2020 compared to 2014-2016, and 30% believe that they will increase their number of investments. All these figures suggest significant growth in the business angel market in this region. In other European regions, the share of business angels expecting a significant increase in their investment is lower, although the majority of business angels in all regions foresee higher future investment. Half of the European business angels considered in this study believe that the size and number of deals they will make in the next three years will remain similar to those in the last three years. This continued passion of business angels to invest also depends on relevant national policies. There are several support schemes available to business angels within Europe, mostly used by investors in France, UK and Ireland, where tax incentives are significant.

Business angels were asked, for this study, to give their opinions of national frameworks for doing business and, whilst some were happy with the situation in their own country, the large majority expressed dissatisfaction and had recommendations to make about how to improve national policy on business angel investment. More attractive fiscal conditions were recommended as a way to recognise the contribution of business angels. Many of the business angels demanded the development (or establishment in certain countries where no special conditions exist for investors) of a set of tax incentives, mainly relating to no/less capital gains, front-end relief and loss relief. Additionally, the establishment or development of co-investment schemes is widely solicited by business angels. Such schemes only exist in a few countries in Europe such as in Bulgaria, Scotland and France, where the status of business angels is more settled, and they allow for a greater quality and quantity of investments. The lack of recognition of business angels as professionals seems to hinder investments, limiting their visibility among entrepreneurs and the public in general and their credibility in the ecosystem. Another consequence of the absence of legal status for business angels in many countries is that they can´t benefit from tax incentives, clearly limiting their investments. Many business angels expressed a certain frustration on this issue, given that they consider their activities to be of great value in terms of invigorating the economy, encouraging innovation and dynamism and intervening in start-ups in a way that no other actor does. Thus, some of the study's participants suggested formal accreditation of business angels as a profession, which would include specific training (on new ventures, exits, legal aspects, etc.); additionally, such a development would involve communication and promotion of their specific role within the business community (investment at a very early stage, mentoring, high-risk investment, smaller amounts than institutional funds) in order to increase visibility and trust.

In spite of the wish for official recognition expressed by certain interviewees, it was also observed during this study that many business angels have a particular attachment to the freedom of decision-making which the role currently allows and that they consider this to be part of their identity in the business context. Business angels tend to be fond of their independence and don´t want to lose it by having to comply with standardized patterns. They don´t want to be subjected to inflexible rules, but want to be able to "follow their guts" when making an investment.

In addition to generating knowledge about business angel activities in funding R&I, this report also delivers a quantitative and qualitative assessment of the business angel market. The assessment goes beyond existing data on business angel networks and organizations to cover the informal, less visible and also less documented activities of private business angel investors. The final report also presents a set of best practices for support measures and innovative schemes for business angel investment. This study provides an opportunity for certain countries to learn, in a range of different ways, from others which are more experienced in business angel activities. The best practice recommendations focus on the needs identified in terms of better understanding the nature and impact of business angel funding in R&I and increasing awareness of business angel activities and available policies and programmes in some countries or regions. This is all with a view to positively impacting on industry, SME financing and regional development. Finally, policy recommendations and conclusions are included in the last chapter as the most important part of the whole study. The present report does not yet provide answers to every question regarding the business angel market, but it is certainly an important starting point for better understanding the role of business angels in R&I in Europe and within the world of entrepreneurship and start-ups. It is also important in terms of increasing awareness of and better supporting the organization of business angels.

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4. RATIONALE FOR THE STUDY AND APPLIED METHODOLOGY

The current study aims to provide an overall picture of the business angel market in Europe, with a particular focus on evaluating the impact of business angels and their potential contribution to reinforcing Research and Innovation (R&I). In order to achieve this objective, the study methodology followed a four-step process:

- **Definition and development of the key research instruments** - survey and interview format and guidelines, agreements with national authorities on producing the special statistical analysis based on the statistical data available at the Member State level;
- **Establishment of a comprehensive information base** – application of appropriate data collection methods and instruments;
- **Analysis of the database and presentation of the results**;
- **Presentation of the study findings** - including conclusions and recommendations.

Following this methodology, the consortium compiled a survey and arranged a set of interviews with business angels across Europe. The survey was conducted during the last semester of 2016 and generated 592 usable answers. There was, however, a great deal of national variation in terms of the number of responses per country, as shown in the figure below:

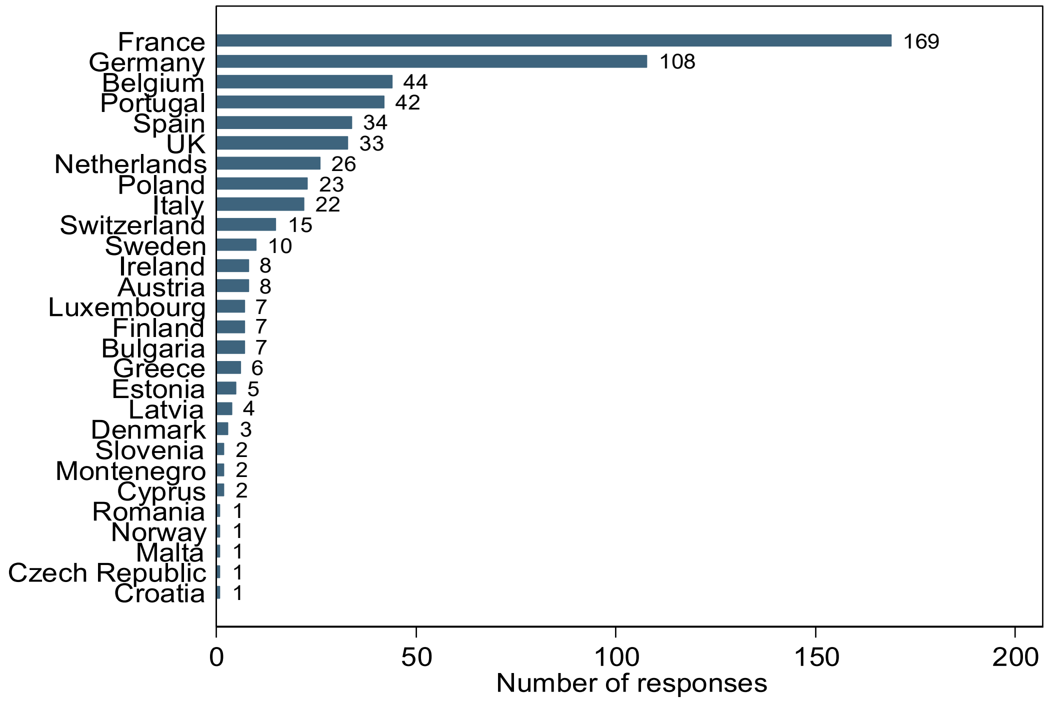

Figure 1: Number of survey responses by country of residence

Given the low number of responses from most countries, respondents have been aggregated into groups of reasonable size for statistical analysis (Table 1). The grouping was chosen both in terms of geographical balance and in order to achieve sufficient sample sizes.

Short Name	Long name	Members	Responses
AT+DE	Austria and Germany	Germany, Austria	116
UK+IE	United Kingdom and Ireland	Ireland, United Kingdom	41
Benelux	Benelux	Belgium, Luxembourg, Netherlands	77

C.E.E.	Central and Eastern Europe	Bulgaria, Croatia, Czechia, Cyprus, Estonia, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Slovenia, Slovakia	48
CH	Switzerland	Switzerland	15
FR	France	France	169
N.E	Northern Europe	Denmark, Finland, Norway, Sweden	21
S.E.	Southern Europe	Greece, Italy, Malta, Portugal, Spain	105

Note: Hungary, Lithuania and Slovakia did not produce responses. For these countries, it needs to be assumed that the results in surrounding countries are representative for the local situation.

Table 1: Country groups – survey

Following the survey, 92 interviews with business angels and 18 interviews with entrepreneurs were conducted in order to complement the survey and glean additional qualitative information. Interviews were conducted by and with the support of EBAN, BAE, INOVA+, ZEW and UEA. A detailed analysis of the replies given by all the respondents (survey and interviews attached in Annex I) allowed some significant tendencies in business angel investment behavior and concerns in Europe to be identified: the profiles of business angels; sectors and time horizons for investment; reasons for making a new investment; factors which hinder investments; expected returns; exit strategies; financial and non-financial contributions to investees.

Overall, the findings show consistency with other existing reports already published,[1] which leads to the conclusion that the responses presented can be considered valid and exploitable. Despite the need to establish quantitative criteria to be able to highlight tendencies in the behaviors of business angels and the comments of entrepreneurs, it was relevant to include a qualitative evaluation. In this sense, this report includes the considerations, concerns and comments of the interviewees where they are relevant and adequate.

[1] See: « The European business angels Market », Jenny Tooth, 2014, and « business angels, co-investment funds and policy portfolios », Swedish Agency for Growth Policy Analysis, 2013.

The study covers EU Member States and countries associated with Horizon 2020. While focussing specifically on business angel markets, it also takes into account other players in the VC investment sector such as entrepreneurs, researchers in the field and policy makers. The close cooperation fostered throughout the study with business angel organizations at national and European level, such as the European Business Angels Network (EBAN) and Business Angels Europe (BAE) allowed the study to go beyond our existing understanding, producing high quality and concrete information directly from the members of business angel networks.

"Innovativeness is important since it helps the opportunity to stand out".

5. Catalogue of best practices of support measures and innovative schemes for Business Angels' investments.

The present "Catalogue of Best Practices" focuses on the needs identified in the tender for better understanding of nature and impact of business angel in funding Research and Innovation (R&I). Based on an in-depth analysis of relevant best practices, fourteen best practices from different EU member states have been selected due to their scope relevant for this study. All these best practices have support features to enhance the impact of business angel funding.

Therefore, the best practices have been selected on the basis of their effectiveness in addressing the issue and achieving the goals. Most of the best practices stated below are government initiatives in providing support to business and private investors as grants, funds and subsidies as well as co- investment funds. Given that, local and regional dimensions are very important in business angel activities and co-investment opportunities within ESIF (mainly European Regional Development fund-ERDF) through financial instruments have also played an important role in SME financing and promoting business angel investments. Business angels provide both financing and managerial experience, which increase the likelihood of start-up enterprises surviving and growing. Fostering business angel investment in start-ups has shown significant leverage effect for governments and economies.

VC tends to attract the bulk of the attention from policy makers but the primary source of external seed and early stage equity financing in many countries is angel financing. In some countries, policies have been an effective tool to encourage business angels. These include supply-side measures such as tax incentives and the creation of co-investment funds. Developing the right incentives, the right mechanisms and the right capabilities of both investors and entrepreneurs is a key issue. This attracts the private sector and provides the incentive for private investors to invest in start-ups. That is why support from government to business angel networks is an essential element.

All the best practices mentioned below have high potential of replication. However, situation in every country vary so it does not guarantee the same success in other country but going deeper into the deployment method of the practice can help in producing an effective initiative in other country. Some available example shows replication of one practice in the other country i.e. COMPETE IN2-BA of Portugal was inspired by TechoPartner program of Netherlands and both these initiatives are successful in their respective countries. Whereas, Enterprise Investment scheme (EIS) in UK has been labelled many times as best practice and is operational for the last thirty years. A similar scheme was also adopted by Netherlands but was not a success. Whereas initiative by Germany, INVEST program which provides subsidy for VC is also inspired by Enterprise investment scheme (EIS) and the program is a big success and in the beginning of 2017, more favourable funding conditions were adopted to attract more investment.

There are few things in common in all best practices mentioned below that can be taken into account apart from their geographical scope and level of support, these schemes have proven to be flexible in implementation, less bureaucratic and close to their target group. Such elements can play as catalyst in success of support measures.

Thus, increasing awareness about business angel activities and/or about available policies and programmes in some countries or regions, best practices, can positively impact industry, SME financing and regional development. This shows that member states and regions need to create the right conditions to provide with an environment conducive to private investors.

Following the selection criteria, best practices on co-investment funds to support angel investment and development of angel communities are selected for the following countries,

- Bulgaria
- Germany
- France
- Ireland
- Italy
- Lithuania
- Netherlands
- Portugal
- Scotland
- United Kingdom

Cross border initiatives

- Seed4Start - France, Belgium, Luxemburg, Germany
- European Angel Funds

Eleven start-up accelerator – Bulgaria

Context

Bulgaria has joined the EU in 2007 and currently the country operates under Currency Board Arrangements, which provides some specifics on the operation of the economy, the monitory policy instruments are very limited in scope as the Bulgarian lev is pegged to the euros and the central bank cannot extend credits to the commercial banks and or the government, except for very specific exceptions. Therefore, Bulgarian economy is very dependent on foreign investments and was seriously affected by the economic crisis. In June 2014, the failure of one of the biggest Bulgarian banks [2] strained the financial stability, at least temporarily. High liquidity and support schemes prevented wide-spread banking crisis. According to the Global Entrepreneurship Monitor 2016, [3] the most critical constraint to entrepreneurship further development in the country is the lack of government support aimed at making entrepreneurship a national priority. Moreover, access to finance is also a common obstacle, as it is directly related to the low financial literacy of the early entrepreneurs. In such circumstances, the Eleven start-up Accelerators is a unique initiative that started as a testing ground and learning platform for the best start-up oriented minds in the region known as Emerging Europe or New Europe as well as raised 12 million euros funding through the JEREMIE program of the European Investment Fund (EIF), leveraging a great competitiveness initiative in EU policy, and the Bulgarian government's rallying to ensure such programs can be realized in Bulgaria.

Key facts

- Fund/ Initiative Name: Eleven Start-up Accelerator
- Total funds committed by EU: 12 million euros
- Type of funds: co-investment Fund, equity
- Period of Investment: 2012 - 2015
- Geographic scope: Bulgaria, regional
- EU programme: ERDF support under JEREMIE programme
- Organisations involved: Eleven Start-up Accelerator

[2] http://www.forbes.com/sites/francescoppola/2014/08/18/the-bulgarian-banking-disaster/#30d462839ae6
[3] http://www.gemconsortium.org/country-profile/139

Description

Eleven was set up in 2012 with an investment capacity of 12 million euros provided by the Entrepreneurship Acceleration and Seed Financing Instrument under Bulgaria's JEREMIE Holding Fund. This holding fund is 15% co-funded by the State budget. The remaining 85% is funded by the European Regional Development Fund (ERDF). Although Eleven was originally funded exclusively with public funds (European and member state), the success of the programme and its engagement with business angels has resulted in Eleven being able to leverage an additional 55% from private investment.

Deployment method

Eleven manages a 12 million euros acceleration & seed fund with a view to making around 200 investments in innovative young businesses. Investments into individual portfolio companies are typically in the range of 25,000 – 200,000 euros per investee for 10-15% investment stakes (investment conditions were adapted in different calls for start-ups). The team is built around prominent professionals with substantial experience in the VC and private equity sectors in Bulgaria. Eleven has attracted Google as a technological partner, and Springboard, the London-based mentorship-led accelerator, as a strategic partner for its programme, amongst other key partnerships.

Although the accelerator fund is exclusively composed of public funds, angel investment is in the "deep core" of the accelerator's operating model. With the entrepreneurs developing their businesses from the shared office space, eleven focuses on bringing in investors to the network and coaching the funded entrepreneurs.

Business angels are the main target or the target is wider?

Since it is funding program, business angels have also contributed in success of this program by making investments. Initially the main target was investments in early stage and pre-product start-ups, but gradually they started supporting more advanced projects, looking for support and access to their network, besides the funding. Eleven support mature companies that have already built a product and looking for the partners and resources to grow. They provide access to a tightly knit community of mentors, partners, and investors to help projects reach the next level. Eleven also organizes speed dating sessions to match right investor with the right entrepreneur. Eleven has a network of almost 500 alumni and mentors, coupled with partnerships with GAN (Global Accelerator network) and EBAN (European Business Angel network).

Results of the fund

By June 2014, 4.5 million euros had already been invested by Eleven's fund, an amount which was complemented by an additional 2.5 million euros invested by business angels. This leveraging of 55% is a clear and expected output of funds designed to be managed closely by the angel investment community. Investment continues until December 2015. Bulgarian Eleven start-ups accelerator was also selected as one of the top 10 seed accelerators in Europe for 2015, according to the European Accelerator Report 2015[4].

Contact point

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http://www.11.me/

http://superfounders.com/2016/03/10/eleven-2-0-bulgarian-venture-fund-eleven-introduces-a-brand-new-investment-strategy/

[4] http://superfounders.com/2016/06/16/bulgarian-eleven-ranks-3-in-the-european-accelerator-report-2015/

INVEST – Germany

Context

Since the 1990's, Germany has developed a strong and diverse business angel market, consisting of a varied landscape of regional business angels networks as well as individual, informal angel investors. As a national federation, Business Angels Netzwerk Deutschland e.V. (BAND), founded in 1998, serves as the representative of the whole business angel scene. Nowadays, business angels in Germany are widely recognised as the most important early stage investors. This is particularly the case in the seed phase, where angels invest more capital than private VC firms. On top of that, more and more angels begin to invest in follow-on rounds. Today, angel investing in Germany can be considered a lively market segment along the financing chain of innovative, high-potential start-ups. According to a 2014 study by ZEW, around 7,500 business angels are active in Germany. Observing the market, this number has probably risen significantly during the last three years, although no official data is available. Given the structure of Germany's economic landscape with a lot of successful SMEs and Hidden Champions, the potential for more angel capital certainly is in place and still needs to be tapped.

Besides that, Germany has a history and a variety of instruments and funds for public venture capital, with the High-Tech-Gründerfonds (a PPP) and several regional seed funds providing public money to innovative start-ups. Even if many of these funds actively incorporate business angels as lead or co-investors, a specific policy instrument to foster business angel investments remained a desideratum quite some time. With the establishment of the INVEST grant, which was accompanied by BAND in 2013 (details below) as well as the European Angels Fund (explained below) the business angels scene not only received recognition by policy-makers, but also concrete instruments to facilitate angel investments were introduced.

General observation about the scheme

Generally speaking, the programme has been well received by the German business angel scene since its introduction in 2013. A first evaluation of the grant in 2016 came to the conclusion that 97% of business angels, who took part in the INVEST programme, would not hesitate to use it again. Still, the year 2017 brought major improvements to INVEST, which have been met with acclaim by the angel investment scene. So far, the numbers back this impression up: from January 2017 to September 2017 the competent authority Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA) has registered an increase of 70%, considering applications by investors compared to the year before. The sum of approved grants rose by 67% in the same period of time.

The INVEST subsidy is a prime example that incentives for angel investing do not have to rely on tax schemes. With INVEST, the German government went a different way by granting subsidies, both for purchase of shares as well as in the case of an exit. The subsidy for exits is designed to eliminate capital gains tax in most cases. In contrast to tax schemes, one advantage of the INVEST subsidy lies in its swift handling. The angel investor receives his or her grant right away as opposed to at the end of the tax year.

Key facts

- Fund/ Initiative Name: INVEST – Zuschuss für Wagniskapital
- Type of funds: Subsidy for business angel capital
- Period of Investment: Started in May 2013, greatly improved in 2017
- Geographic scope: Germany/EEA
- EU programme: None
- Organisations involved: Federal Ministry of Economics and Energy (BMWi), Federal Office for Economic Affairs and Export Control (BAFA)

Description

INVEST aims at mobilizing private persons to invest venture capital into innovative start-ups by providing both a purchase grant and an exit grant. With this funding program, the Federal Ministry of Economics and Energy (BMWi) supports private investors with a tax-free subsidy and also helps improve the access to angel capital for young innovative companies. The INVEST – grant for business angel capital provides angel investors with a purchase grant of 20% of their investment into innovative companies, if the following standards are met:

- Investment between 10,000 euros and 500,000 euros

- Maximum grant per year per investor of 100,000 euros
- Maximum investment of 3 million euros per company per year
- Lock-up period of three years

To reduce or eliminate the capital gains tax for private persons, an exit grant has been introduced, providing 25% of the profit of a sale of shares, which were previously supported by the INVEST Purchase Grant. The INVEST grant has different types of impact. First, it is designed to attract virgin angels and motivate them to invest money into innovative companies. INVEST not only helps them to reduce the risk of their investment, it also has a low burden for first-time investors with the minimum investment being 10,000 euros. Secondly, INVEST provides the opportunity for start-ups to achieve a higher investment sum, since the investor might choose to put the grant or part of it on top of his initial investment. A 2016 evaluation of the program found out that 88% of investors used the grant to raise their investment sum, proving concerns of a possible deadweight effect wrong.

Furthermore, INVEST helps start-ups in attracting angel investors and convincing them to become involved. Moreover, due to the great success of the INVEST program, the BMWi has continued the program and made it more attractive as of January 1, 2017. Various recommendations from the evaluation were taken up and the subsidy guideline was adapted accordingly.

Deployment method

As part of the application for INVEST, the companies are certified that they fulfil all the prerequisites for the eligible participation of investors. With this certificate and information on INVEST, the companies can then approach potential investors. Eligible companies can apply at the website of the Business Angels Netzwerk Deutschland eV (BAND), to be visible to potential investors. Prerequisite for inclusion in the BAND directory is a valid eligibility certificate of the Federal Office for Economic Affairs and Export Control (BAFA). In addition, the BAFA entrusted with the implementation of the program, provides the companies with an eligibility logo with which they can point to their INVEST eligibility on their website or marketing materials.

For the private investors (business angels), wishing to invest capital into innovative start-ups, INVEST reduces the risk of a share of the capital. The investor acquires the share of the business more favourably, but they remain with him completely. If the company fails, it does not have to repay the acquisition grant. If the investor sells his shares after a minimum retention period of three years, the tax due on the sale profit is reimbursed as a lump sum with the Exitzuschuss (25 percent of the profit).

Results of the grant

Since May 2013, INVEST has already mobilized more than 210 million euros in start-up capital for innovative start-ups for business angels or investors. Until the end of 2016, the BAFA granted almost 2,800 investment grants to investors in a total of over 42 million euros. The program was evaluated in 2016 and on this basis, has now been substantially improved and expanded (e.g. doubling the eligible investment sums, introduction of the Exitzuschuss). The aim is to provide sustained support to the venture capital market in Germany by private investors.

Business angels are the main target, or the target is wider?

The recipients of the grant are business angels or active private investors meeting the following standards:

- Natural person with permanent residence in the EEA or a GmbH or UG (limited company) with up to six shareholders
- Investment needs to be made on one’s own account
- No credit financing
- No prior shareholder of the investee company
- Not associated with the company

The other target group of the grant are obviously innovative start-ups. For them to be eligible for INVEST, they must meet these standards:

- Not older than 7 years
- SME in the definition of EU: less than 50 employees, maximum revenue or gross assets of 10 million euros
- Not to be listed on the stock exchange
- Head office within the EEA, at least one branch in Germany
- Carry on an innovative trade as defined by a list of the Federal Office of Statistics

    - or prove to be innovative through a patent of central importance to the business (max. 15 years old), the receipt of public funding for research and innovation up to two years prior or an independent assessment
- Not to be dominated by another company

Contact point

INVEST - Subsidy for venture capital

Federal Office for Economic Affairs and Export Control Unit 411 - INVEST Venture capital

Link or other useful documents

Description on BAND's website (English):

https://www.business-angels.de/en/investitionszuschuss-wagniskapital-2/

Short version of the 2016 evaluation by ZEW:

http://ftp.zew.de/pub/zew-docs/gutachten/EvaluationINVEST2016en.pdf

Guidelines of INVEST (German):

http://www.business-angels.de/wp-content/uploads/2013/07/BAnz-AT-23.12.2016-B1-INVEST-Richtlinie2017.pdf

Aqui-Invest – France

Context

France is forging a new entrepreneurship culture for more than a decade. According to a recent statistic, more than 50% of young people in France between the ages of 18 and 24 want to start their own business.[5] Historically, students from universities and "grandes écoles"' were more interested in working for large companies or public administration, but this mind-set seems to be changing.

In Paris alone, there are currently 5 000 start-ups, when in 2011 there were only around 1000, and it seems to be growing at a rate of 1 000 new companies each year and cities such as Toulouse, Lille, Nantes, Lyon, Grenoble, Bordeaux, Nice and Montpellier entrepreneurship activity is spreading rapidly. It could in part be due to the fact that the concepts of risk and fear of failure have changed. Despite this obvious progress, in part thanks to the French government, there are still some challenges that the country and its entrepreneurship community need to overcome. Among which we should mention the burden caused by high taxes, affecting important investors even though the French governments have introduced already several tax incentives on Research and development (R&D) and for R&D intensives start-ups. The other main obstacle faced by entrepreneur is substantial territorial differences.

Although, France stands out in its support for innovation, but public support can put entrepreneurs at risk of having to spend more time looking for funding than focusing on their start-ups. There are currently about 1000 funding schemes, 900 of which are too limited in amount to have a real impact.[6] Moreover, receiving funding is a very slow process. Entrepreneurs in need of immediate resources may not receive the money for several months.

Key facts

- Fund/ Initiative Name: Aqui-Invest
- Total funds committed: 6 million euros by Regional Council of Aquitaine
- Type of funds: direct and minority co-investments in equity
- Period of Investment: since 2010
- Geographic scope: Region Aquitaine (France)

[5] http://ec.europa.eu/eurostat/statisticsexplained/index.php/Statistics_on_young_people_neither_in_employment_nor_in_education_or_training
[6] https://www.partechshaker.com/public-funding-for-start-ups/

- Target sector(s): small and medium size companies in creation or development stages, located in region Aquitaine and preferably with innovative activity (technology, economic model, value chain, value proposition)
- EU programme: ERDF (FEDER)
- Organisations involved: ConseilRégionald'Aquitaine

Description

AQUI-INVEST was created in 2010 by the Regional Council of Aquitaine in order to back the creation of innovative companies and to overcome the equity gap. The aim of AQUI-INVEST is to take minority shareholdings in SME located in region Aquitaine, in creation or development stages, and preferably with innovative activity (technology, economic model, value chain, value proposition) in privileged partnerships with VC and business angels' organisations. AQUI-INVEST enables to attract specialized funds and business angels on the touchy early stage of creation and development of innovative companies: this fund co-invests with national and regional VC funds previously approved.

This fund promotes five main benefits:

- Increasing the equity available for innovative companies of Aquitaine
- Gathering the whole VC community and fostering the commitment of national funds in the Region Aquitaine
- Allowing the funds to share risks and costs
- Benefiting of a significant leverage effect
- Encouraging the skills and knowledge transfer of projects leaders

Aqui-Invest is administered by the structure AquitiGestion, which is located in Pessac, near Bordeaux. It also manages others economic development tools (ACI, Aquitaine Amorçage, Technostart). The team of AquitiGestion is composed of 6 experienced and committed persons.

Deployment method

Unlike a conventional VC fund or a business angel, Aqui-Invest does not source the deal flow on its own but it forms contractual partnerships with other national and regional funds, business angels and crowdfunding platforms. Aqui-Invest may be requested by the previously approved funds to invest within the pari-passu rule (same rules and conditions when entering and exiting than the soliciting fund, only one agent to represent Aqui-Invest and the co-investor). Investments of Aqui-Invest into companies are typically in the range of 50,000 euros – 300,000 euros per investment. All the projects are submitted by the co-investor to the independent committee of AQUI-INVEST, which takes the final investment decisions.

***Business angels are the main target, or the target is wider*?**

The fund does not invest in turnarounds and only co-invests along with private equity firms, business angels and other funds approved in advance. It seeks to invest in industry services, industry, information technology, information and communication technology, biotechnology, trade, and sustainable development sectors. The fund targets investments in France. It usually invests up to 0.30 million euros in its portfolio companies in the form of shares or convertible bonds. It typically acquires a minority stake in its portfolio companies. The fund strategy is to invest over an unlimited period of time.

Results of the fund

- Total funds invested to date: 5.091 k euros
- Number of companies supported: 25
  - 6 in ICT industry
  - 8 in traditional industry (metallurgy, laser technologies, electronics)
  - 4 in pharmaceuticals, chemistry
  - 4 in trading
  - 3 in other activities
- Average annual investment: 1,2 million euros
- Leverage effect on equity coming from other funds: 5,25
- 15 partnerships with co-investors

Contact point

Bernard Estienne – Director of AquitiGestion

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Angel source co-investment scheme

General observation about the scheme

It is the first instance of public co-investment fund (90% public LPs) co-investing, only whenever its investment committee decides so, on a deal by deal basis, pari-passu with accredited syndicates of business angels whose members are themselves, members of the best business angels network of France. This leads to a guarantee of quality of the deal flow, as well as quantity since the accredited networks are those who are deemed professional ones and whose members are investing more than a defined amount (2 million euros per year in the first fund at the beginning). This scheme is also an incentive for business angel networks to strive for accreditation, by growing the investments of their members and professionalizing their processes. Experience shows that the deal flow has grown regularly year after year with the increase of business angel networks accreditations, and better co-operation between angels and fund managers. Sixteen first rounds investments have been made for an initial amount of 8 million euros. Second rounds are in preparation, as well as the launch beginning of 2018 of an Angel Source II Fund.

This best practice is to be recommended as a Policy recommendation, since it is based on network syndicates (as opposed to EAF, based on individual so-called super angels), which are the most developed way for many countries , especially the " emerging countries for Angel Investing" to grow angel investing and angel community . It is the best way to develop cooperation, learning experience and complementary approach between angels and the professional venture fund community, for the good of the start-ups.

Key facts

- Fund Names: Angel Source 1, Angel Source 2
- Total Fund Volume: 20 million euros for Angel Source 1
- 16 early stage companies in France
- 10 million euros invested as of mid-2017
- Period of investment: from 2012 for the Fund 1. Fund 2 will start investing early 2018
- Geographic Scope: France
- Target Sector: Seed Stage investment in technology start-ups: digital, medtech, microelectronics, cleantech

Description

In 2012, France Angels, the Federation of business angel networks joined forces with iSource, a leading early stage venture firm, to create Angel Source, the first nationwide co-investment vehicle for business angel investments in France. BPIfrance supported the creation of fund as its main Limited Partner. Angel Source aimed at funding the most promising technological start-ups sourced by business angel networks at seed stage.

Angel Source doubles the investment capacity of business angels on the best companies at initial and follow-on rounds. The Fund co-invest pari-passu with business angels which creates a strong and future-proof alignment of interests. Business angels provide an increased proximity support to the portfolio companies in the early stages of their development. Angel Source co-invests with accredited business angels networks which have been selected by the iSource, France Angels and BPIfrance for their experience, the quality of their processes and most importantly their investment capacity. As of mid-2017, 18 networks among the 80+ members of France Angels have been accredited for co-investments. Non-accredited networks often co-invest in the syndications while Angel Source together with the accredited network(s) act as lead investors on these investment rounds. These accredited networks account for about 20 million euros equity investment per annum in start-ups and 1700 business angels spread throughout the country. This represents about half of France business Angels and investment capacity.

These accredited networks have access to a massive deal flow thanks to their regional capillarity. Since they have on average 100 members, they are able to permeate most or all sources of deal flow in their regions. Members of business angels networks can be found on board or selection committees of incubators, accelerators, technology clusters (Pôles de Compétitivité), SATTs (Technology transfer companies), start-up studios, etc.

As a result of their early involvement in the creation of start-ups they are able to build a strong rapport with founders. Many business angel networks put a strong emphasis on the "bonification" phase where business angels volunteer to spend time with founders to build or improve their business plan. The mutual trust that ensues makes business angels an obvious investment partner when founders start seeking funding.

After an initial ramp-up of the accreditation process, Angel Source's business angels partners now represent a deal flow of around 4000 projects per year (out of 8500 for all of France Angels networks), which is second to none in terms of number and quality of projects. This provides Angel Source with a broad and very efficient process to get early access to high quality deals and focus on the most promising ones.

Contrary to individual business angels or ad hoc syndicates, business angels belonging to Networks work and invest together within a consistent structure and with well-defined processes and governance. This makes the cooperation with a professional venture firm such as iSource more robust and future-proof as it does not rely on single individuals who may change their investment strategy or personal priorities as time goes by or as a result of life events. This co-investment scheme has created a unique equity offering for founders. It combines the best of both worlds: 1) more proximity, availability, industry knowledge and entrepreneurial expertise of business angels and 2) more investment capacity and 3) better investment practices.

Angel Source and business angel networks act together as catalysts to build strong syndications for promising technological start-ups that often include other professional investors. iSource partners and the angel partners who have been designated by their network to look after the investment on behalf of their members work as to team at every step of the process: analysis of deals, term sheet, due diligence, investment process and reporting. This team work is highly beneficial as it allows best practices to permeate across them.

An Investment Committee comprised of representatives of France Angels, BPIfrance as well as entrepreneurs and investment experts, provide guidance to iSource in the overall investment strategy and individual investments by the Fund. The impact of the Fund has exceeded the initial goals and expectations, the founding parties had at the inception of the Fund with;

- Larger investment rounds at seed stage for start-ups
- More investments of business angels in true early stage, pre-revenue "deeptech" start-ups
- Improved investment practices by accredited business angels networks
- Increased regional proximity and ability to attract high quality deal flow from technology clusters
- Better integration of business angels in the financing value chain
- Increased professionalization of business angels investing within or alongside the accredited networks

Based on the success of the first fund, iSource and France Angel are preparing its successor, Angel Source II, which will start investing in early 2018.

Contact Point:

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Ingenium Funds – Italy

Context

Since the Ingenium fund is partially financed by public funds and regional authorities, it is considered as a strategic instrument by the regional, provincial or national policies. With regard to the application of the Ingenium fund into the regions, it is partially financed by ERDF funds and regulated by the corresponding Regional Operational Program, following its strategies and objectives. For example, regarding Emilia Romagna Ingenium, the fund is used to define strategic objectives by the Regional Operative Programme, in particular strategic objective II.1.3 – "support and promote the use of financial engineering instrument for SMEs". It is important to underline that the Ingenium fund supports SMEs of those sectors considered strategic for the development of regional economies. This means strengthening the role of the already active districts, reinforcing the presence of informal clusters.

Key facts

- Fund/ Initiative Name: Ingenium Fund
- Total funds committed (1st scheme): 10 million euros;
  - by EU: 7,0 million euros
  - by business angels: 3,0 million euros (or more, as co-investment)
- Total funds committed (2nd scheme): 14 million euros;
  - by EU: 5 million euros
  - by business angels: 5 million euros (or more, as co-investment)
- Type of funds: Equity, acquisition of new issues of the target
- Period of Investment: from 2006 to 2013 (1st scheme) and from 2014 to 2019 (2nd scheme)
- Geographic scope: territory of Emilia Romagna Region
- Target sector(s): small and medium size companies located in convergence regions of Emilia Romagna (1st scheme), SMEs located in the whole region (2nd scheme) preferably in highly innovative industries
- EU programme: ERDF support
- Organisations involved Emilia Romagna Region as management authority and Zernike Meta Ventures Spa as private independent management company.

Description

The first edition of the Ingenium Fund was launched in 2006 with a two-fold aim: on one side to foster the growth of innovative companies in high tech industries and on the other side, to attract private investor in the region, closing the existing gap with other advanced regions in Italy such as Lombardy in terms of VC investments. Second scheme was launched after the conclusion of the investment period of the first Fund to support not only start-ups in innovative companies but also manufacturing companies already established and operating in more traditional industries. In both cases the Emilia Romagna Region directly selected a Management Company through an open tender for proposals.

Deployment method

Following the provisions of the Regulation then in force - (EC) 364/2004 of 25 February 2004 and thereafter Commission Regulation (EC) n. 800/2008 concerning the implementation of the Commission communication on state aid and risk capital and the community guidelines on state aid to promote risk capital investments in small and medium-sized enterprises, as well as the implementation of the Community framework for state aid for research and development and innovation – Emilia Romagna Region lunched a call for tenders to select a fund Management Company for a public-private co-investment fund.

Under the 1st and 2nd scheme investment period was equal to five years followed by additional five years and an additional two years of grace period, if necessary, to give sufficient time to target companies to growth and execute a successful exit. As the tender selected a private independent and professional management company, remuneration was aligned to market standards, with a management fee during the life of the fund and a performance fee equal to a carried interest of 20% on the capital gains obtained by the fund.

Business angels are the main target, or the target is wider?

META's active management of Ingenium Emilia Romagna I and II has led to the higher level of involvement of business angels clubs, business incubators and accelerators, and corporate ventures in the region, contributing to the creation of a sound and sustainable entrepreneurship ecosystem in Emilia Romagna.The Management Company is responsible to identify one or more business angels ready to invest under the pari-passu rule (same rules and conditions when entering and exiting) with a public contribution equal to 70% of the total investment under the 1st scheme and 50% under the 2nd scheme. Moreover, according to this scheme, Zernike Meta Ventures was also selected and appointed to identify promising projects to invest in, monitoring and managing the exit process of target companies.

Results of the fund

- Total funds invested to date
    - 10 million euros (1st scheme)
    - 8 million euros (2nd scheme)
- Number of companies supported
    - 7 companies (1st scheme), as the fund was mainly addressing follow-on rounds with business angels syndicate investments;
    - 10 companies (2nd scheme). Additional 2 are under negotiation at the moment of writing. 7 investments were realized in innovative companies operating in biotech, ICT and clean tech industries with the 1st scheme and additional 10 were performed by the 2nd scheme (still running);
- At least 3 business angels were involved in each deal, with a record of 20+ in a single one;
- The Management Company had been able to close strong relationship with national angel clubs such as IAG – Italian Angels for Growth and other local private investors, stimulating local ecosystem and rising awareness and confidence on the instrument;
- Other VC funds invested jointly or in second rounds in target companies invested by Ingenium Funds.

Contact point

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Link or other useful documents

http://www.meta-group.com/who-for/Pages/Other-investors.aspx

http://www.meta-group.com/Investment/Pages/about-investment.aspx

Enterprise Ireland –Ireland

Context

Ireland was one of the EU Member States most severely affected by the recent economic crisis. The Irish Government requested the financial assistance and agreed a Programme for Financial Support from the European Union (EU) and International Monetary Fund (IMF) on 28 November 2011. The overall value of the Ireland's EU-IMF Programme amounted 85 billion euros. The funding was provided on the basis of strict conditionality and compliance in implementing measures aimed at stabilising the public finances and addressing financial sector weaknesses defined in the Programme Documents. Following Ireland's remarkable achievements in meeting the Programme's key objectives, the country successfully exited the EU-IMF Programme on 15 December 2013. In this regard, Ireland fully participated in the European Semester for the first time in 2014. The set of the Country-Specific Recommendations (CSRs) addressed to Ireland largely reflects the continuity of EU-IMF Programme completion, taking into consideration remaining challenges facing Ireland. The attention is drawn on the overall macroeconomic perspective as well as structural and social issues. Also, the policies and initiatives established at the national level. Hence, Ireland has set a good ground for a sustainable recovery and needs to further advance reforms to boost growth and jobs by continued progress in number of its initiatives. Enterprise Ireland is an Irish state economic development agency focused on helping Irish-owned business deliver new export sales. The aim of Enterprise Ireland is to accelerate the development of Irish enterprises capable of achieving strong positions in global markets resulting in increased national and regional prosperity and purchasing power.

General observation about the scheme

Enterprise Ireland's Innovative (HPSU) Fund allows Enterprise Ireland to offer equity investment to HPSU clients, on a co-funded basis. High growth potential start-ups (HPSUs) are companies that, in the view of Enterprise Ireland, can develop innovative technologies, products and services for sale on world markets. The investment goes towards the achievement of an overall business plan, rather than funding towards discrete elements of a business plan, such as Research and development (R&D) or employment creation. The funding of a business plan in this way is similar to a VC approach. HPSUs that receive investment from the Innovative HPSU Fund are developing and commercialising new or substantially improved technologies, products, processes or service offerings when compared to state-of-the-art in industry players in the European and global marketplace. By their very nature the companies carry a risk of technological or industrial failure and Enterprise Ireland shares the risk with the company and its investors. Halo Business Angel Network (HBAN) has reported that angel investment in Ireland year-on-year has increased by 25% in 2016 and they predict further growth in 2017. HBAN estimate that in recent times, over 85% of the angel investments made by the HBAN network are in parallel with Enterprise Irelands Innovative HPSU Fund. The co-investment helps leverage the 'Smart Money', increase the chance of company success and in turn has significantly helped the local angel/VC/private investor community to develop and grow.

Key facts

- Fund/ Initiative Name: (1) High Potential Start-Ups (HPSUs) and Established SME Fund and (2) Seed and Venture Capital Scheme
- Total funds committed: 348 million euros, to 41 local Seed and Venture Capital (VC) funds resulting in a pool of capital of approximately 1.2 billion euros for investment in innovative high growth companies (2007 - 2012) and 175 million euros for (2013-2018).
- Total Investments: Enterprise Ireland invests in 70 HPSUs a year and has an existing Investment Portfolio of 1300 companies
- Periods of Investment: 1994- 2006, 2007 - 2012 and 2013 – 2018
- Geographic scope: Ireland
- Target sector(s): HPSUs, Established SME's and Growth Capital for Innovative companies
- EU programme: Horizon 2020 (amongst others)
- Organisations involved: Irish Government, Enterprise Ireland, European Commission

Description

Enterprise Ireland is the enterprise development agency in Ireland responsible for assisting Irish-owned and controlled enterprises. They work with High Potential start-up companies to confirm the viability of their business ideas and also co-invest with the companies and other private investors to finance and implement their start-up and development plans.

Enterprise Ireland is the largest seed capital investor in Ireland and one of the leading development agencies in the world. They invest directly in start-up companies and they are also limited partners in many of the Irish-based seed and VC funds. Enterprise Ireland invests in over 70 High Potential Start-Up (HPSU) companies each year and manages a portfolio of over 1300 investments in client companies.

A HPSU is defined as a start-up venture that is introducing a new or innovative product or service to international markets; involved in manufacturing or internationally traded services, capable of creating 10 jobs in Ireland and realising exports of 1 million euro within 3 to 4 years of starting up and led by an experienced management team with headquarters and in Ireland and less than six years old.

They are innovative companies founded by experienced industry professionals across a range of sectors including:

- Life sciences, medical devices and pharmaceuticals
- Clean technology and green energy
- Enterprise software and services
- Telecoms, internet, media and entertainment
- Financial services
- Food and innovative consumer products

Deployment method

Enterprise Ireland has a wide range of instruments to leverage private investment, be it from individuals, business angels, seed funds, or be it from venture capital. The two schemes that they use to co-invest the funds are:

1) The HPSU and Established SME's Fund

2) The Seed and Venture Capital Fund.

With these two funds, Enterprise Ireland always co-invests as compared to some of their other programmes, such as the Business Partner Programme where they directly fund university spinouts and researchers with grants.

1) The HPSU and Established SME Fund

Enterprise Ireland established the Innovative HPSU and Established SME Fund to support the start-up and development costs of High Potential Start-Up companies. The Innovative HPSU and Established SME Fund allow Enterprise Ireland to offer equity investment to HPSU clients, on a co-funded basis. This investment goes towards the achievement of an overall business plan, rather than funding towards discrete elements of a business plan, such as R&D or employment creation. The funding of a business plan in this way is similar to a VC approach.

HPSUs that receive investment from the Innovative HPSU Fund are developing and commercialising new or substantially improved technologies, products, processes or service offerings when compared to state-of-the-art in industry players in the European and global marketplace. By their very nature the companies carry a risk of technological or industrial failure and Enterprise Ireland shares the risk with the company and its investors.

Enterprise Ireland undertakes extensive technical, commercial, financial and market due diligence for each project before an investment decision is made. Investors interested in co-investing with Enterprise Ireland can access a portfolio of screened investment opportunities in both technology and services sectors. In larger investment rounds where syndicated investments are involved, Enterprise Ireland introduces investors to other private and institutional investors[7].

2) The Seed and Venture Capital Fund.

Over the past 19 years, successive Governments through Enterprise Ireland have committed approximately 348 million euros to 41 local seed and VC funds. This commitment has resulted in a pool of capital of approximately 1.2 billion euros for investment in innovative high growth

[7] For more details please refer to: http://www.enterprise-ireland.com/en/funding-supports/Company/HPSU-Funding/ and http://www.enterprise-ireland.com/en/funding-supports/Company/Esetablish-SME-Funding/

companies. For the period 2013- 2018 Government, through Enterprise Ireland, has made 175 million euro available as part of the Seed & Venture Capital Scheme to stimulate job creation and support the funding requirements of young innovative Irish companies. In the first phase of the scheme, 100 million euros is being invested to establish up to 5 non-seed Funds in the wider technology and life sciences sectors. The overall vision of Seed & Venture Capital Scheme (2013-2018) is to increase the availability of risk capital for SMEs to support economic growth through the continued development of the seed and VC sector in Ireland to achieve a more robust, commercially viable and sustainable sector.

To realise this vision, the objectives are to encourage and leverage private sector investments into sectors (and stages of development) that find it difficult to secure appropriate growth funding; Leverage domestic and international private sector/institutional capital into VC investment in Ireland; Support the growth strategies of Enterprise Ireland's sectors with capital and expertise; Maximise the additionality that any commitment will bring to the overall sector in terms of additional capital and expertise in company development; and seek innovative funding solutions that reflect current international best practice[8].

Business angels are the main target, or the target is wider?

Enterprise Irelands press on the involvement of private investment sector in every stage of the investment from deal flow sourcing, due diligence, mentoring, operations, growth and exit. Enterprise Ireland is exemplary in involving the private sector and actively seeking business angels, seed funds and venture capitalists as their partners.

Results of the fund

Total funds invested: 348 million euros, to 41 local seed and VC funds resulting in a pool of capital of approximately 1.2 billion euros for investment in innovative high growth companies (2007 - 2012) which has generated an average of 3000 new jobs a year directly and ca. 13 times indirect jobs (2013 data). In total, 1300 companies were supported.

[8] For more details please refer to: http://www.enterprise-ireland.com/en/invest-in-emerging-companies/seed-and-venture-capital-scheme/svc-guidelines-for-expressions-of-interest.pdf

Contact point

Enterprise Ireland Web Site: http://www.enterprise-ireland.com/en

Growth Capital Department: growthcapital@enterprise-ireland.com

Links to useful documents

https://web.archive.org/web/20140108124729/http://www.irishstatutebook.ie/1998/en/act/pub/0034/

Mesinvest Lithuania- Versloangelufondas I

Context

A number of Lithuanian companies operating in various industries such as high tech, services, manufacturing, energy and other have already attracted funding from local venture capital and private equity funds. In addition to providing capital for already established businesses, funds also have backed many young companies such as Brolis Semiconductors[9]. All those companies have attracted investments partially financed by EU structural funds. Starting from 2010 those, State and private, funds were allocated among sixty different companies. Local investment funds usually are proactive investors, they not only provide financing but very often get involved in strategic or even operational decisions. Jūratė Aželionytė, European Investment Fund (EIF) representative in Lithuania, especially emphasizes non-monetary benefits that an investee company gets with institutional ownership. For instance, the company gets an access to fund managers' business knowledge, experience and vast network of contacts. This opens doors for new ideas, business insights, talent pool and of course capital required for growth. Presence of EU structural funds support in Lithuania gave tremendous push to the development of the institutional funding ecosystem for privately held SMEs in 2007-2013. Before the introduction of JEREMIE initiative, the local market was dominated by large foreign funds, mostly interested in buy-out deals. For young companies and quickly growing SMEs the only source of funding was banks that were reluctant to lend to such companies. Moreover, the supply of funding in a form of equity investments was extremely limited.

General observation about the scheme

This scheme has invested more than 16 million euro along with 58 Business Angels in Lithuania. There are some Angels from USA, Italy, Russia, but they are minority. The fund has been investing in both traditional industries as well as highly innovative like, laser industry, microbiology, clean energy projects. The Fund has made 9 exits and planning to have more in 2018.

[9] http://brolis-semicon.com/

The fund manager has been very active creating business angel infrastructure, cooperating with the Government of Lithuania and Lithuanian Venture Capital Association to develop favourable tax schemes and legal environment for Angel and syndicate investments. The fund manager has initiated and managing Business Angel Club, where over 100 Business Angels are registered. The key issue is the support for business angel community to maintain activity. Here they would expect financing on EU level, since business angel investments are becoming very important for early stage investments.

Key facts

- Fund/ Initiative Name: VersloAngeluFondas; Business Angel Fund I, founded by the EIF, Government of Lithuania under the JEREMIE programme (financed by the ERDF 2007-2013).
- Total funds committed: €16.445 million
    - by EU: 8.0 million euros
    - Fund partners 0.425 million euros
    - by business angels: 8.42 million euros (or more, as co-investment)
- Type of fund: Equity, acquisition of the new issue of the target.
- Period of Investment: from 2008 to 2015
- Geographic scope: Lithuania
- Target sector(s): small and medium size companies with an annual turnover up to 4.3 million euros, sales oriented to export markets, with a strong and successful management team. The potential investment target has to have been active in the market for at least 1.5 – 2 years.
- EU programme: ERDF support, under the JEREMIE programme
- Organisations involved: Mesinvest, Strata

Description

In 2009, the EIF launched a tender to release funds from the JEREMIE programme in Lithuania. This measure had the purpose of re-launching investments in the country and therefore stimulating economic activity. The managing authorities, public authorities and the private sector were asked to reply with an offer to the tender from the EIF. Subsequently, the EIF had to select the best offer regarding the price and also the management capacity of each applicant. The EIF had to select the most suitable managing authority that offered the right balance between management skills and price.

Deployment method

Once the fund was created, the fund manager started developing a pipeline and a business angel network (BAN), which did not exist at the time. The business angel community is still under development. Fund partners take an active role in network development. The goal, the limits, and the rules of investment of the fund were determined before tender, but adapted to the market situation over time. This resulted in the following list of key success factors.

Summary of key success factors

- The fund was the first to be registered as a Private Equity (PE) Fund in Lithuania. Legislation in Lithuania still lags behind standards in Europe and the USA, but the situation is improving.
- The structure of the fund is such that it combines EU money with private individuals' money. This fund consequently represents a very unique experience from the private/public cooperation point of view.
- The Fund has made 27 investments, including 4 exits so far. The main target is small enterprises and minority stakes
- A major challenge is still to maintain corporate governance in SMEs. Most companies are in the mid and high innovation cycle; therefore, there are challenges in maintaining required standards in corporate governance. Lithuanian Company law is not adequate for high innovation companies. Bankruptcy/Insolvency Law is also below standard. In addition, Lithuanian Labour Law is very restrictive with regard to the creation of flexible labour places.
- The fund is managed by 3 Partners. There is a Supervisory Board with members from the European Investment Fund and high-profile individuals.
- The fund constantly attracts positive publicity, due to its proactive role as well as highly innovative approach. In essence, the fund is behind new investment principles, such as angel co-investment.

Results of the fund

- Total funds invested to date:
    - 6 million euros so far, ca. 15 million euros as joint investment with business angels.
- Number of companies supported:
    - The fund is not only investing, but is also looking for exits. The fund manager takes an active role in the company, usually sharing competences together with the business angels. In total, the fund invested in 26 companies, and proceeded to 4 exits, where 2 were successful, and 2 others were neither successful nor unsuccessful. The fund has now an average annual rate of return of 15% from successful exits.

Contact point

Arvydas Strumskis, Verslo Angelu Fondas I www.mesinvest.lt

TechnoPartner – The Netherlands

Context

The Dutch government became more aware in past decades that the percentage of fast growing companies in Netherlands is low compared to other countries; a number of initiatives were developed to give development and support for high-growth companies in high priority. Many of the new firms established in Netherlands are self-employed individuals who contribute with the same activities (mainly in construction and service sectors) that they were previously engaged in as employees. Additionally, they were weak in their ambition to innovate and lack a growth orientation and hence may need specific support and guidance to move away from self-employment towards fast growing entrepreneurship. In the period 2000-2003, for example, only 8 % of all companies were fast-growing companies, against 24% in USA and 19% in UK.[10] From an economic viewpoint, high growth companies are very important to a national economy. They create many jobs and are often highly innovative. A study by Deloitte (2004) showed that fast growing companies created one third of all jobs in the Dutch economy between 1997 and 2001. Therefore, to ensure better and more innovative start-up companies, a special programme was developed for so-called techno starters, that is, an interesting group of promising high-quality entrepreneurs putting their new ideas into innovative products.

Key facts

- Fund/ Initiative Name: TechnoPartner
- Total funds committed: 15 million euros
    - by EU: 15 million euros
- Type of funds: Guarantees
- Period of Investment: Figures from 2004 to 2011
- Geographic scope: The Netherlands
- EU programme: None
- Organisations involved: TechnoPartner, SenterNovem

[10] Science and technology based regional entrepreneurship
https://books.google.at/books?id=CA5AroNAcm0C&pg=PA222&lpg=PA222&dq=why+techno+partner+program+was+introduced+in+Netherlands&source=bl&ots=fDd9QZqGNo&sig=2nrZ2tvXcEfT3c5GE-qZjUWVGT8&hl=de&sa=X&ved=0ahUKEwiR89zPmPLVAhXDKVAKHTYxBRAQ6AEIWzAI#v=onepage&q=why%20techno%20partner%20program%20was%20introduced%20in%20Netherlands&f=false

Description

TechnoPartner is an integral programme that aims to improve the economic climate for technology-based start-ups (technostarters) by:

- Giving technostarters access to capital, knowledge, experience and equipment;
- Motivating knowledge institutes and investors to invest money and knowledge in pioneers;
- Providing a platform where technostarters can ask questions, explore ideas and make comments.

The overall structure of the SEED Capital-regaling model holds that three or more private shareholders form a management company together. These private shareholders could be VC-partners, business angels or corporate institutions. The private shareholders apply to the government for a matching facility in the fund set up by the management company. The government decides through a tender who should have the matching facility. TechnoPartner carries out 4 programmes:

- TechnoPartner Knowledge Exploitation Subsidy programme
- TechnoPartner Seed facility
- TechnoPartner Certificate
- TechnoPartner Business Angel Programme (BAP)

TechnoPartner Certificate: With this label technostarters can get a credit from a bank more easily as TechnoPartner provides a guarantee. The certificate decreases the risk for banks to finance technostarters, the Dutch Government guarantees the bank loan, and chances increase for technostarters to get financing. At the bank's request, TechnoPartner specialists can evaluate the technological merit of a loan application. They will provide a second opinion in which more attention is given to the technical expertise and the market outlook. If their evaluation is positive, the bank will receive a TechnoPartner certificate for the loan application. This declaration states that the government will guarantee 80% of the loan to a maximum of 100,000 euros or 67% of the loan to a maximum of 1 million euros.

Deployment method

The rationale of the TechnoPartner Certificate is that Technostarters experience difficulty in obtaining financing. Unfamiliarity with technology, the high risks involved and an insecure market outlook can all be reasons for why banks will not provide a loan. It is, however, important that good ideas are given a chance and that people are prepared to invest in them. For technostarters in particular, the SMEs credit guarantee scheme (BBMKB) has been broadened. The TechnoPartner Certificate will prove to banks that the specialists have faith in the new business. Moreover, the certificate forms a guarantee that a part of the loan will be paid back. TechnoPartner Certificates focus on banks with a guarantee scheme. The TechnoPartner Business Angel Programme (BAP) focuses on informal investors (business angels). TechnoPartner informs starting entrepreneurs and starting informal investors (virgin angels) about the possibilities of informal investment.

Business angels are the main target, or the target is wider?

The main aim of this program is technology based start-ups. With their program, TechnoPartner Business Angel Programme (BAP), it directly targets business angels for the investments. TechnoPartner informs starting entrepreneurs and starting informal investors (virgin angels) about the possibilities of informal investment. Within this framework, TechnoPartner uses information sessions on starting capital and a booklet, 'Starting Capital'. In addition to these operational action lines, the programme has an institutional pillar focused on improving the environment in which start- up operates, particularly in the universities.

Results of the fund

This structure has been widely used in the Netherlands. Some institutional VC's use it to fund their early stage investments. The first fund was set up in 2007 and there are now some forty SEED Capital funds in Holland. Twenty of those funds have passed their investment period. The structure is used in life-sciences and is open to funds in the creative sector but is primarily used in ICT, Nanotech, Fintech, cleantech and med-tech sectors. Three out of the forty funds are in the 50-50 range today. Some SEED funds have experienced negative returns on their investments. For the Technopartner programmes as a whole, the following performance indicator is used: Total turnover by technostarters (target2.65 billion euros in 2010 (1.33 billion euros in 2003) and total turnover by technostarters supported by TechnoPartner (target 450 million euros in 2010).

Contact point

http://www.technopartner.nl/

Compete IN2-BA – Portugal

Context

The difficulty of attaining capital has long hindered start-ups in Portugal, and according to the International Monetary Fund's February (2004) report, private sector lending remains constrained. At the moment, Portuguese banks face reduced business and an increased number of non-performing loans, leading to a depressed credit market. Moreover, Portugal lacks significant VC, further limiting funding opportunities for entrepreneurs. In this scenario, the Government timely realised that Private investors are of significance importance and initiatives to support private investors can bring more investment to the business growth.

General observation about the scheme

Before 2009, the Portuguese business angel community was not visible, and governments didn't consider angel investing as something that could create an impact. After the launch of Compete IN2-BA, business angels soon became the main source of external equity to entrepreneurs in Portugal. Many virgin angels at that time learnt with more experienced angels and became nowadays professional business angels.

Key facts

- Fund/ Initiative Name: Compete IN2-BA
- Total funds committed (1st scheme): 42 million euros;
    - by EU: 27,3 million euro
    - by business angels: 14,7 million euro (or more, as co-investment)
- Total funds committed (2nd scheme): 15 million euro;
    - by EU: 10 million euros
    - by business angels: 5 million euros (or more, as co-investment)
- Type of funds: Equity
- Period of Investment: from 2009 to 2015 (1st scheme) and from 2014 to 2015 (2nd scheme)
- Geographic scope: convergence regions in Portugal (North, Center and Alentejo)

* Target sector: small and medium size companies located in convergence regions of Portugal in predetermined sectors, created in the last 3 years (5 years for the 2nd edition)
* EU programme: ERDF support, Compete Operational Programme
* Organisations involved: Portuguese Secretary of State for Industry and Innovation, IAPMEI, PME Investimentos, FNABA and APBA.

Description

The financial instrument was launched in December 2010 within the scope of the Compete Operational Programme to increase the competitiveness of the Portuguese economy. The scheme was inspired by the successful Dutch TechnoPartner programme given particular attention by the Portuguese Business Angel Federation (FNABA) and the national authorities. The objectives of the programme were two-fold: On the one hand, Compete would improve the competitiveness of the economy by fostering private funding into the targeted SMEs. On the other hand, and considering the early development stage of the angel investment community, the programme would provide an incentive for private investors to assume their activity as business angels.

Deployment method

Under this scheme, at least 3 business angels must create a new special purpose vehicle (SPV) for risk investment. The business angels must bring to this new SPV 35% of the necessary funds, while Compete (managed by Portuguese Authorities) makes a 10 years (maximum) loan of 65% of the necessary funds. The repayment ratio between business angels and Compete, occurs in 3 different phases:

* Phase A – Until business angels receive the return on their investment
* Phase B – Until COMPETE receives its loan back
* Phase C – After COMPETE and business angels have received the return on their investment

The repayment ratio in each phase are (business angel/Compete): 80-20%, 50-50% and 80-20%, and is based on the following reasons:

- The overall risk-return ratio must be attractive enough to convince private investors to invest in early stage companies.
- In any case, the risk-return ratio is improved in the downside of the fund. This is why an 80-20% ratio was chosen.
- The 50%-50% ratio in the second phase is based on the objective that, although in principle the loan should be repaid to COMPETE, it should remain attractive for the private investors to generate income during this phase.
- The 80-20% ratio in the third phase encourages the fund management to try to reach the attractive third phase. In practice, however, the third phase will not always be attained.

Summary of key success factors

- Risk-return balance is one of the most favourable for angel investment worldwide
- 49 business angel investment vehicles were created during the 1st scheme. This represents a community of over 250 active business angels, many having joined multiple investment vehicles. For the 2nd scheme, vehicles created for the 1st investment scheme did not go through a pre-application process.
- This initiative proved to be critical in the identification of business angels across the country and consolidated their commitment to make investments in the subsequent years following the creation of the investment vehicle.
- Close cooperation with business angel associations across the country was essential to foster the promotion of the initiative.

Results of the fund

- Total funds invested to date
  - 21 million euro (1st scheme)
  - 7 million euro (2nd scheme)
- Number of companies supported
  - 112 companies (1st scheme)
  - 18 companies (2nd scheme)

Contact point

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Scottish co-investment funds (SCF) – Scotland

Context

The finance available for businesses in Scotland focused on SME finance, but does not generally distinguish between start-up and growth finance. In the early 2000s, there was a withdrawal of VC investors from the Scotland market following the dot-com crash, liquidity constraints faced by business angel syndicates and reports of good companies failing to raise capital.[11] More recent research in 2008, however, indicated that the early stage and risk capital market for growth companies in Scotland showed some buoyancy, especially for later stage and larger deals[12]. The range of financing options provided by the market means that many SMEs are able to access the finance that they require. However, evidence suggests that there are gaps in the market for both SME debt and equity finance, which results in some SMEs being unable to secure the finance they need. Being unable to access appropriate finance can limit SME cash flows and hamper business growth prospects[13]. As the market for SME finance is constantly evolving the precise scale and nature of these gaps changes over time.

At any particular point in time, the funding gaps reflect two broad factors. Firstly, there are long-standing structural gaps some of which can affect certain types of firms. For example, start-ups, early stage high-growth companies and technology-intensive firms have generally found it more difficult to secure finance. Secondly, cyclical gaps in lending affect a range of SMEs and reflect changes in economic conditions and regulatory requirements. Moreover, the market for early stage equity finance is characterised by long standing structural features that limit the availability of equity finance for early stage higher risk growth companies. Cyclical patterns exacerbate these market failures with recessions generally leading to a tougher environment for raising funds and lengthened investment cycles reducing the re-cycling of funds into new ventures.

[11] Richard T Harrison. Public Policy and Regional Risk Capital Markets. A Case Analysis of the Scottish Co-investment Fund. 2009
[12] Scottish Enterprise. The Risk Capital Market in Scotland. 2008
[13] Department for Business, Innovation, and Skills (January 2012), SME Access to External Finance. BIS EconomicsPaper16. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32263/12-539-sme-access-external-finance.pdf

Key facts

- Fund/ Initiative Name: Scottish Co-Investment Fund (SCF)
- Total funds committed: 85.68 million euros
    - by EU: 42.68 million euros
    - by business angels: up to 21.5 million euros
    - VCs: up to 21.5 million euros
- Type of fund: co-investment fund in equity
- Period of Investment: 2003 - 2010
- Geographic scope: Scotland, regional
- Target sector(s): all (restriction apply)
- EU programme: ERDF support
- Organisations involved: SCF, business angel syndicates and VC fund managers from the private sector.

Description

Partly financed by the European Regional Development Fund (ERDF), the Scottish Co-Investment Fund is an equity investment fund of 80 million euros.

Deployment method

Unlike a standard VC fund or a business angel, the SCF does not find and negotiate investment deals on its own; instead it forms contractual partnerships with active VC fund managers, business angels and business angel syndicates from the private sector (the SCF partner). Importantly, only SCF partners can access this fund. The SCF partner finds the opportunity, negotiates the terms of the deal and offers to invest its own equity cash. If the opportunity needs more money than the SCF partner can provide, it can call on the SCF to co-invest alongside on equal terms. The SCF partner determines how much the SCF can invest in any new deal; however, the SCF cannot invest more than the SCF Partner.

The investment power of SCF can go up to 1.1 million euros per company. An investment can be done by tranches or rounds, and the final deal cannot surpass 2.2 million euros. During these investment processes, a single entity cannot own more than 29.9% of the company's voting rights. In addition, public money cannot exceed 50% of the total risk capital funding.

The conditions of this co-investment fund are meant to limit the risks related to the investments. SCF funds and partners' funds are not placed in a Limited Partner Agreement. The agreed funding is legally guaranteed by SCF and funds are only drawn down once an investment has been legally concluded and subject to meeting all of the criteria. Partners are paid a flat fee of 2.5% of the SCF funds invested and are awarded partnership status with SCF for three years (with funds drawn down over that time period, reviewed every 6 months and with an annual partner review). The principal behind this process is to make SCF operate at minimum cost to the public finances on a fully commercial basis and therefore with no subordination of the public funds.

Summary of key success factors

Based on the findings of the 2007 evaluation, a number of recommendations were made. The main recommendations of specific relevance to the fund were the following:

- The maximum level of investment by the fund in any one company should be raised to 1.17million euros;
- Consideration should be given to allocating a proportion of the fund, or each partner's allocation, to early stage companies;
- The role of the Portfolio Team and its objectives should be clearly communicated to all partners and investees;
- Work needs to be done to identify the main areas of investment readiness failure and the support that needs to be given to overcome these risks;
- The fund should work with partners to identify potential deals that would benefit from investment readiness support and then ensure that this is provided;
- Greater efforts should be made to support the fund's investments with other Scottish Enterprise products and services;
- The fund's investment successes should be publicised generally, particularly with regard to potential partners.

Results of the fund

Since its creation, there has been a growing demand for this investment fund. The investment level for the Scottish Investment Fund increased significantly between 2007 and 2009, from around 8.24 million euros in 2007/2008 to more than 16.49 million euros in 2008/2009. Income growth from the Scottish Enterprise fund's portfolio was overall still significant, despite the context of economic downturn. However, it resulted in supporting a majority of follow-up investments and new deals remained residual. The latest complete data available on the Scottish Co-Investment Fund is for the period 2009/2010. In 2009/2010, it invested 14.48 million euros in 63 deals.

The 2007 evaluation of the fund stated that it was attaining its objectives. It was held in high regard by all parties – partners, investees, non-partner intermediaries and non-partner investors – and the model being used was widely praised. The fund was also having a positive impact upon the performance of the investee SMEs and upon the wider Scottish economy. Turnover, gross value added (GVA) and employment had grown and were generally forecasted to grow further as the companies developed. The main concern was a fear that the private sector leadership (a key strength) might become less significant as factors such as Portfolio Management become more significant. It was therefore suggested that the Fund needed to retain its private sector leadership.

Contact point

Bob Lawrie, Investment Business Manager

http://www.scottish-enterprise.com/knowledge-hub/articles/case-study/attract-investment/scottish-loan-fund

United Kingdom- Introduction to Angel Investing

Context

In a European context, the UK business angel market is seen as one of the most mature and extensively researched market. In UK, angels remain the main source of early stage investment. A large amount of angel money continues to be invested in digital and internet businesses. Businesses in London and the South East attract the largest proportion of capital available to this community and angels continue to be attracted to seed and early stage deals. Government support is visible through schemes such as Enterprise investment scheme (EIS) and Seed enterprise investment scheme (SEIS) as well as UK Business Angels Association (UKBAA), the national trade association for angel and early-stage investment, representing over 160 members organisations and around 18,000 investors. Many efforts have been made to make angel investment visible but there is still a big community of business angels who wish to stay invisible. Even if they are visible, there is no formal education or diploma that they have to show to prove their eligibility to be angel investors. If they have money and experience they can invest in new businesses but investing in start-up and early stage investment is beyond just having good understanding of business. It also requires knowledge of supporting new businesses and plan successful exits. Any professional course for business angels can give them guidance to use their money wisely and gain the knowledge they need to succeed. This is especially true for inexperienced investors and virgin angels.

Key facts

- Initiative Name: Introduction to Angel Investing – an education programme for new or inexperienced investors- A new nationally validated certificate of Angel Investing
- Leading organization or managing authority: UKBAA
- Target and beneficiaries: The target is potential BAs and inexperienced BAs across the whole UK
- Geographic scope: For Inexperienced or virgin angels interested to invest in UK
- Time of implementation: Launched in summer 2017
- Certification: Certificated training is accredited by SFEDI, the government-recognised, not-for-profit standards-setting body for both Business Enterprise and Business Support and regulated by Ofqual the national standards body for quality education.

Deployment method

A 6-module e-learning course (each module about 40 minutes), accessible on line geared towards providing people with the knowledge they need to become an angel investor, outlining everything from how to decide whether to invest in a business to how to make sense of tax relief and legal considerations; and how to support the business through to growth and exits. The aim is to equip people with the skills they need to understand the benefits and the risks of angel investing and to go forth into the marketplace with the knowledge they need to succeed. The modules each contain both graphics and video footage of experienced angel investors speaking about their experience and giving tips and advice. All participants completing the course and successfully completing the knowledge tests at the end of each module will gain a Certificate in Angel Investing.

Summary of key success factors

- Enhanced knowledge in the early-stage investment marketplace and increased awareness about angel investing as an activity. Although estimation on how many will be benefited with this course is hard to gauge as the business angel marketplace is notoriously hard to quantify, let alone the marketplace of potential business angels, UKAA plan to pitch this at, for example, up-and-coming staff (approaching C-level) in major law firms, accountancy firms, FMCG & advertising firms, etc. – essentially groups of people that may have the spare financial capacity to be able to engage in angel investing
- Money invested in this initiative is around 28,000 euros

Result of the initiative

There is expected or effective return of investment– A fee will be charged for the course with discounts for members of UKBAA and for organisations using a significant number of courses. So UKBAA hopes to recover its costs over time. However, for the angel investors who do the course, will results in increased professionalism and skills for the angel investors leading to more informed and successful investments and fewer failures across their portfolio. Whilst for entrepreneurs they will gain the opportunity to have more professional and knowledgeable angels backing their business and supporting to grow.

Contact point
info@ukbaa.org.uk

Link or other useful documents
https://www.ukbaa.org.uk/services-for-investors/be-an-angel/angel-training/

Enterprise Investment Scheme (EIS)

General observation about the scheme

This British tax incentive scheme is the most developed one and the most diverse and complete in Europe. It has proved to attract a huge number of investors (90% of Angels) and of young companies with significant tax relief as well as capital gain relief and tax relief from investment losses. Each business angel may be attracted and incentivized to invest in early stage in spite of the important risk it entails, by one or the other relieves, which are not capped at a very low level as in many other countries it depends on the situation. EIS is evaluated on a regular basis by the office of statistics of HMRC. HMRC Key Statistics issued in April 2017 have the following facts:

Enterprise Investment Scheme

- Since EIS was launched in 1993-94, over 26,000 individual companies have received investment through the scheme, and over 17 billion euros of funds have been raised.
- Data for 2015-16 shows that 3,285 companies raised a total of over 1 billion euros of funds under the EIS scheme. Revised data for 2014-15 show that 3,330 companies raised around 2 billion of funds.
- Data for 2015-16 shows that the 1,500 companies raising funds for the first time under the scheme raised a total of 890 million euros down on the amount raised by 1,710 companies claiming for the first time in 2014-15 (1.2 billion euros).

Seed Enterprise Investment Scheme

- In 2015-16, 2,225 companies received investment through the Seed Enterprise Investment Scheme (SEIS) and 192 million euros of funds were raised. This compares with 2,340 companies raising a total of 201 million euros under SEIS in 2014-15.
- Of those companies raising funds in 2015-16, 1,680 were companies raising funds under SEIS for the first time, representing 163 million euros in investment.

Advance Assurance Requests (AAR)

- Since 2006 -07, there have been a total of 23,200 AAR applications received for EIS and of these, 19,455 (84%) have so far been approved.
- Since 2012 -13, 13,645 AAR applications have been received for SEIS. In 2015-16 there were 3,115 applications and, of these, 2,645 (85%) have been approved.

Description

Introduced in 1994, the Enterprise Investment Scheme is one of the three tax based venture capital schemes (Enterprise Investment Scheme, Venture Capital Trusts and Seed Enterprise Investment Scheme). It is designed to help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new full-risk ordinary shares in those companies. The seed Enterprise investment scheme (SEIS) was introduced in 2012 to complement EIS and is intended to recognise the particular difficulties which very early stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by EIS.

Deployment method

1.Income Tax Relief

There is no minimum investment through EIS in any one company in any one tax year. Tax relief of 30% can be claimed on investments (up to 1 million euro in one tax year) giving a maximum tax reduction in any one year of 3 million euros provided one has sufficient Income Tax liability to cover it. EIS allowances are allocated individually; therefore, a married couple could invest up to 2 million euros each tax year and be eligible for Income tax relief. The shares must be held for at least three years from the date of issue or the tax relief will be withdrawn. People connected with the company are not eligible for Income Tax Relief on their shares.

2. Capital Gains Tax exemption (CGT)

Any gain is CGT free if the shares are held for at least three years and the income tax relief was claimed on them. Shares can be held for much longer and therefore potentially enable the investor to be accrue their CGT exemption over a long period of time which can be a great attraction.

3. Loss relief

If shares are disposed of at a loss, the investor can elect that the amount of the loss, less income tax relief given, can be set against income of the year in which they were disposed or, on income of the previous year instead of being set of against any capital gains.

4. Capital Gains Tax deferral relief

Payment of CGT can be deferred when the gain is invested in shares of an EIS qualifying company. The gain can be made from the disposal of any kind of asset, but the Investment must be made one year before or three years after the gain arose - connection to company does not matter. Unconnected investors are eligible for relief from both Income tax and CGT referral relief.

Summary of the key factors

Government has sought to provide tax incentives for angel investment in higher-risk small companies through the Enterprise Investment Scheme (EIS). Notably, in 2012, the Government increased the level of EIS relief from 20% to 30% and introduced the new Seed Enterprise Investment Scheme (SEIS), for individual investors in small, early stage companies. A study carried out by UK Business Angels Association (UKBAA) in 2015 "Nation of Angels - The unsung heroes of Britain's economy" shows that 90% of the angel investors have invested either through the EIS or the SEIS. Almost 80% of the total investments in angels' investment portfolios were made under these schemes with over half (55%) investing in EIS and a quarter (24%) investing in SEIS. By way of comparison, evidence from 2008 shows that 57% of investments made use of the EIS scheme, while evidence from 2013 indicates that SEIS was used in only 12% of angel deals. The increased awareness and use of these schemes in recent years might suggest a changing attitude to risk and it has been the existence and extension of these schemes that have encouraged angels to keep investing in turbulent economic conditions[14].

Contact point

Email: info@eisa.org.uk

[14] http://www.ukbaa.org.uk/wp-content/uploads/2015/09/ERC_Nation_of_Angels_Full_Report.pdf

Seed4Start – France, Belgium, Luxembourg, Germany

Key facts

- Fund/ Initiative Name: Seed4Start - Cross Border Venture Capital Forum
- Total funds committed: 1.6 million euros
  - by EU: 0,8 million euros
  - by business angels: 0.8 (or more).
- Type of fund: Support action. No direct investment.
- Period of initiative: from 01-08-2011 to 30-06-2015
- Geographic scope: Regions of France, Belgium, Germany and Luxembourg
- Target sector(s): entrepreneurs and small innovative businesses with high growth perspectives
- EU programme: INTERREG IV-A 2007-2013/ Greater Region
- Organisations involved: Business Initiative Luxembourg ASBL, CCI O2 Bilan, ADER Investissements, BeAngels, LBAN and LuxInnovation.

Description

Seed4Start is a cross border platform in the "Greater Region" composed of Lorraine (F), Wallonie (B), Luxembourg (L), Sarre and Rhénanie-Palatinat (D). The initiative aims at providing training, coaching and follow-up support to entrepreneurs and small businesses which demonstrate a need for private investment, namely by angel investors. On the other hand, the initiative identifies and invites investors from the region and beyond to review the most promising business proposals. In addition to the above-mentioned organisers, Seed4Start can count on an extended pool of partners such as PwC, Kurt Salomon, Gust, Ville de Luxembourg, Fedil, Chambre de Commerce de Luxembourg and CCI Meurtheet Moselle.

Deployment method

Seed4Start follows an annual programme which provides training and coaching for entrepreneurs, with the objective of improving their projects and communication skills towards investors. The annual programme culminates in pitching sessions, where early stage investors such as business angels and venture capitalists meet these entrepreneurs.

Deployment of angel investors' funds is not defined by the programme itself. It is rather a positive externality as long as this specific programme attracts business angels. Preliminary results of the first year of operations indicate the selection of 40 start-ups which presented to 60 investors.

Summary of key success factors

- The involvement of angel related organisations such as the Luxembourg Business Angels Network and Belgian Angels is critical in engaging angel investors in the programme.
- A similar initiative is in place, also funded through INTERREG IV for the French-Belgium border (France-Wallonie-Vlaanderen)

Results of the fund

- Total funds invested to date
  - Participating start-ups attracted 7 million euros from private investors.
- Number of companies supported
  - A total of 18 start-ups have received private investment

Contact point

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The European Angel Funds (EAF)

General observation about the scheme

The European angel funds (EAF) has a unique set-up, which is adapted to the investment style and needs of business angels. It provides significant financial support while granting a maximum degree of freedom to each business angel. Business angels can also benefit from the European Investment Fund's solid expertise and widespread network with one of Europe's most experienced VC investors. At the same time, administration processes are designed to be as lean as possible so that business angels can fully focus on their investment activity. A standardised tool allows for a simple and efficient reporting. Instead of granting co-investments on a deal-by-deal basis, the EAF enters long-term contractual relationships with business angels. Co-investment framework agreements (CFAs) are established, through which the EAF grants upfront a predefined amount of equity to each business angel. For ease and speed, CFAs are generally standardised. Nonetheless, they leave sufficient room for adaptions to the specific requirements of individual business angels – such as timeframe, sector focus, and number of planned investments. Investment decisions are taken by business angels and their investments are matched by the EAF on a pari-passu basis, i.e. by the same amount. The total available volumes under individual CFAs typically range between 250,000 euros and 5 million euros. The EAF does not pay a management fee to business angels but shares investment-related costs on a pro-rata basis.

Key facts

- Fund/ Initiative Name: European Angels Fund (EAF)
- Total Fund Volume: 320 million euro in 2017.
- Total funds committed: 177.2 million euros
- 274 early to growth stage tech companies
- 37 million euro drawn capital
- Period of Investment: from 2012 (starting with Germany)
- Geographic scope: Germany, Spain, Austria, Ireland, the Netherlands, Denmark and Finland; pan-European coverage targeted in 2018
- Target sector(s): Innovative SMEs
- Type of programme: funding from EIF, matched with funding from national public funding partners.
- Organisations involved:

- Informal network partners: BMWi and LfA (DE).
- Funding partners of the national EAF programs, partially actively involved in the deal sourcing as sub-adviser to the EIF: AWS (AU), Axis, ICO and Neotec (ES), DVI resp. DMEA (NL), Enterprise Ireland (IE), Vaekstfonden (DK), Tekes Venture Capital (FI)

Description

The European Angels Fund (EAF) is an initiative advised by the EIF which provides equity to business angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. The EAF works hand in hand with business angels and helps them to increase their investment capacity by co-investing into innovative companies in the seed, early or growth stage. The activity of the EAF is adapted to the business angels' investment style by granting the highest degree of freedom in terms of decision-making and management of investments.

In 2012, the European Investment Fund (EIF) created the European Angel Fund (EAF) first in Germany and then in Austria, Spain. Subsequently, the EAF expanded to Ireland, the Netherlands, Denmark and very recently (in 2017) to Finland. In the beginning of 2017 the European Investment Fund (EIF) and Tekes Venture Capital Ltd have launched the Finnish compartment of European Angels Fund (EAF Finland), which will support business angels' financing activities to early stage companies through co-investments. The EAF concept is to identify individual business angels who have a successful track record in investing in entrepreneurial and innovative companies and have exited these companies with a multiple return on their involvement.

Overall, EIF is manager / adviser of the program all across Europe and all national initiatives are co-funded by NPIs/national programs. In Austria and Denmark, such NPIs are, in the role of a sub-advisor, also involved in the sourcing and due diligence of deals. In some Member States, EIF has selected an external consultant (through tender process), while in the remaining countries, EIF takes the lead but builds, of course, on trusted partners, networks, etc. on an informal basis.

Thus, in Germany the EIF/EAF Partner is BMWi (ERP Sondervermögen) and LfA Förderbank BayernBusiness Angels Netzwerk Deutschland (BAND), in Austria it is Austria Wirtschaftsservice

GmbH (aws) (aws Business Angel Fonds), and in Spain it is the Instituto de Crédito Oficial (ICO) and Neotec (Fondo Isabel la Catolica).

Deployment method

Instead of granting co-investments on a deal-by-deal basis, the European Angels Fund enters long-term contractual relationships with business angels. Co-investment framework agreements (CFAs) are established through which the EAF grants a predefined amount of equity for co-investments upfront to each business angel for future investments. For ease and speed, these CFAs are generally standardised while leaving room for adaptation to specific requirements of individual business angels. Such elements include for example timeframe, sector focus, number of investments, etc. All investment decisions are taken by the business angels and their investments are matched on a pari-passu basis, i.e. by the same amount by the European Angels Fund. The volumes available in total under an individual CFA range between 250,000 euros and 5 million euros. The European Angels fund does not pay a fee to the business angel but shares investment-related costs on a pro-rata basis. At the same time, administration processes are designed to be as lean as possible so that business angels can fully focus on their investment activity. A standardised reporting tool will allow for simple and efficient reporting.

Summary of key success factors:

The key element that is considered to lead to success for this fund is the choice of the lead angel investor who can show a pattern of success within his track record.

Results of the fund

- Business Angels supported: 65
- Total funds invested: 37 million euros so far
- Number of companies supported: 274 companies so far

Contact point

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6. Policy Recommendations

One of the most important results of this study is the policy recommendations collected throughout, from both surveys and interviews. These policy recommendations have come from different actors, stakeholders and researchers directly or indirectly linked to the business angel sector. Overall, the main message behind these policy recommendations is that government and public authority intervention to support angel investing can have a very positive impact, as is clearly shown in the best practices presented in the previous chapter. However, the different types of intervention introduced to date have had varied take-up rates, and each country and business angel market focussed on different support depending on several variables.

In general, the policy recommendations elaborated on and presented in the following section can be applied to all the EU MS. The rationale for government intervention to support business angels is that there are inefficiencies in the operation of the market which create barriers to business angel investment activity. This limits the potential economic impact of their investments and the hands-on support available for entrepreneurial activity. An international review of policies to stimulate the business angel market identifies five main approaches to increase the supply of angel investment and one initiative to increase investment opportunities[15].

At the same time it is important to highlight that some countries are more advanced in terms of the implementation of certain policy recommendations than others; in this sense, this study hopes to provide an opportunity for some countries to learn from others which are more experienced, by elaborating on the types of intervention that have the highest and lowest levels of take-up, identifying the links between the design and the take-up of incentives and identifying the types of intervention that should be considered but have not yet been implemented.

[15] OECD. (2011). financing high-growth firms: The role of angel investors. Retrieved from OECD Publishing. Available at: http://dx.doi.org/10.1787/9789264118782-en

Regulation of business angel activity, recognition of their status and certification

Some countries (United Kingdom, United States of America) request certification of business angels by a national public authority (which can include self-certification) as HNWIs accepting in advance the risks related to angel investing. Many other countries do not require certification, and most business angels would not welcome a Europe-wide certification system, since business angels invest their own money in sometimes very risky businesses which they select themselves, rather than following the generally accepted regulation of VC activity which relates to investing other parties' money. In addition to this, certification country by country, would make it even more difficult for business angels to invest cross-border, which, as has already been mentioned, hinders internationalization within Europe of European start-ups. However, the fact that business angels do not have an official status, or recognition, is problematic and was highlighted by many business angels who argue for official recognition of the profession Business Angel within their country, and for the use of accreditation, including "well-structured training courses" and the creation of a benchmark for angels' practices.

> *"In that way, some types of benefits could be implemented for accredited BAs. It would make a big difference if there was the possibility of deducting losses in investments from salary income".*

At the same time, it is the perception of business angels that governments should invest in educating the public on the role of business angels, because the entrepreneurial ecosystem needs to better understand the different sources of financing and the criteria associated with angel investing. Recognition of the profession of Business Angel should be accompanied by an increase in public awareness of the value of business angels through government support for and promotion of their activities among potential entrepreneurs interested in angels´ investments; this should be accompanied by dissemination of information on their specific characteristics (e.g. limited amount of funding at a very early stage, mentoring, business knowhow). One business angel indicated that it would be useful "to establish a specific information campaign, which should aim to increase the role of business angels in the funding framework". The lack of recognition of business angel activities is sometimes related to trust issues and credibility amongst entrepreneurs. Additionally, "start-ups don´t know about business angels, and prefer to orient their financial demands to more established funds, like institutional ones". "Angels need to be promoted and not seen as 'bad' agents in the ecosystem".

It is also the case that professional certification of individual business angels or a specific group or network, delivered by a professional organization, itself selected by the federation of business angels in each country, might be useful and may help a start-up to find the best suited investor and mentor to fit their needs. This initiative, which already exists in Austria and is beginning in Germany and in the United Kingdom, should be recommended by the EU.

"Something meaningful for humanity", says one business angel asked about his investments' goal

Promoting the use of common terminology

Business angels are important for early stage and start-up funding. They have capital to invest, knowhow and experience. There is no strict requirement in terms of a diploma or certification to be a business angel. However, some countries are offering such courses on the basis that investing in a new business requires knowledge in terms of how to guide it to success and exit successfully. Such courses are still generally optional, and most business angels are experienced enough to undertake business investment using their existing knowledge. In order to bridge the gap, in terms of terminology, it would be very useful to introduce a directory of common terminology for entrepreneurs that could be used to familiarise them with the investment landscape before looking out for capital. It would also assist business angels if entrepreneurs were more aware of the mechanisms and details of business angel funding. Apart from

"Without our BA, the company wouldn´t exist today".

improving knowledge, such a directory would save time and ensure that entrepreneurs were better prepared before reaching out to business angels for funds. As a result, it is likely that deals would be made more professionally.

Monitoring business angel markets and the performance of business-angel backed companies

Contrary to the situation in the formal venture capital market, knowledge remains limited about business angels, and other forms of private investment, in Europe at the regional, country and EU level. Importantly, we lack reliable estimates about the number of business angels in Europe and their (annual) investment. In addition, we lack representative data on their non-financial contribution to generations of young firms, and the impact Business Angels have on firm growth. This knowledge severely limits assessments of the effectiveness and efficiency of the public support of Business Angels. Likewise, it is important to monitor the performance of angel-backed companies in order to assess the effectiveness of angel investors and the impact of the hands-on contributions of business angels in the value creation process and profitability of investee companies; this would shed light, longer term, on the true contribution of angels to the value creation path of start-ups.

Most existing data about the impact of business angels, including that gathered in the present report, rely on business angel networks for the identification of business angels. The shortcomings are obvious: (1) not much is known about business angels which are not members of formal networks, and (2) the results strictly mirror – especially with regard to value added – the views of business angels which might significantly deviate from the perspective of entrepreneurs (about the contribution of business angels to day-to-day or strategic management, etc.).

Another way to approach this question is to survey firms on their funding sources, and how they interact with them. This allows for assessment of the firm’s perspective, for inclusion of different funding sources, and to assess in detail what these contribute when and for whom. Below an approach is outlined, which is a generalization of several studies performed by ZEW on behalf of the German Ministry of Economics, Energy and Technology. This approach can be extended to other European member states, depending on nationally available data sources.

The starting point of the exercise is the set of portfolio enterprises drawn from the business register or similar data bases in the private domain (in the German case this is Creditreform's full database about companies in Germany). This data contains identifiers of companies (name, contact data including phone numbers, id, legal form, sales, employment, age, owner, CEOs name, industry code etc.). Based on this data, a tailored stratification of a sample is straightforward. A meaningful sample might include firms less than 10 years of age, from manufacturing and selected service sectors, with limited liability, and with less than 50 employees. In addition, the sample might be limited to firms with at least one shareholder which is not part of the top management team and owns less than 25% of total shares. (Such shareholders might be termed private investors in case they do not belong the family of the main shareholders). One might also include indirect ownership of private persons via a specific investment vehicle. Employing these rules results in about 20.000 companies in Germany which received an investment during the 10-year period 2001 to 2011.

The second step is a short phone survey of a stratified sample (stratified by company age and industry) asking whether the firms received some finance from natural persons (or their investment vehicle) including equity investment, silent ownership, and long-term loans. In addition, the survey asks for the non-financial contribution of the investors (knowledge, business links, contribution to strategy formation, etc.) and how the entrepreneur rates the intensity of support by private investors. Companies are considered as Business Angel's portfolio firms when they state that they received valuable add-ons beyond financial means. They are then asked about the size of the investment, the number of Business Angels involved, etc. Questions on the (successful and unsuccessful) matching process of entrepreneurs and Business Angels can be added easily. Firm which state that there are no Business Angels involved are only asked whether they take Business Angel funding in consideration. Thus, the stratified sample is endogenously separated in Business Angel portfolio firms, which receive a longer survey, and firms which are not part of a Business Angel portfolio, which only get a small set of questions. One reason to do so is to keep the costs of the survey at a minimum but to enable the extension for the Business Angel portfolio firms, including details about the matching as well as the investment process, the link between the portfolio firm and its Business Angel, or the quality of contribution of Business Angels. As the parameters for the stratification are known by the research team, it is straightforward to extrapolate the results to the population of firms. In addition, this data allows for the estimation of the number of Business Angels in the member state, based on the number of portfolio firms and additional available data about the nature of Business Angel investment, such as the number of firms in which a typical Business Angels invests or how frequently they invest.

Shortly summarized, this approach can improve understanding of the importance of business angels funding throughout EU MS, provide evidence of their nonfinancial contributions to firms and allow for better evaluation of their impact on firm growth. Moreover, it would allow for a systematic assessment of business angels' embeddedness in the financial ecosystem, and can contribute to further embedding future research on business angels in studies on the broader financial ecosystem for young firms.

Public incentives to foster angel investing

Over time, most European governments have been developing many types of incentive designed to foster early stage investments in innovative, high potential start-ups. These measures generally take the form of tax incentives, and therefore, apply only to tax payers within the relevant country. Only Germany has designed an "Invest" grant system, as discussed in the section on best practices, which is applicable to any investor in German SMEs. This approach should be recommended by the EC to all its Member States.

At the same time, it is important to highlight that incentives generally relate only to investments in a start-up business which has its headquarters or, at least, a significant permanent establishment in the relevant country. France is the only country which treats investments made in start-ups Europe-wide in the same way. These incentives may take the following form, or a combination of these forms:

"Together with the investees, it is very important to have an idea about what a potential exit should look like, for instance who are the potential buyers and when it would reach a sellable point".

- **Income Tax relief** (and/or wealth tax relief in countries like France where this kind of tax still exists)
- **Capital Gains Tax (CGT)** exemption or reduction
- **Loss relief**
- **Capital Gains Tax deferral**

Although very few impact studies are available at this time**,** it is widely recognized by the angel community that income tax relief, or wealth tax relief, which is applicable at the time of investment, is the most powerful instrument for developing investment in early stage start-ups, since it mitigates the risk of this kind of investment immediately, by sharing it, in a sense, with the fiscal authorities. Business angels and stakeholder interviewed in the context of the study recommended, though, that this Income Tax relief system is designed with a tax deduction rate of a minimum of 30%, and a significant cap (100,000 to 200,000 euros per year), since experience shows that business angels tend to decrease their levels of investment above the cap, since no more risk sharing exists at this point.

A loss relief system is considered to be a second-best system, although it is of complex design. Such a system has existed for decades in the United States of America, where any loss incurred throughout a start-up's life, may be deductible from the income tax paid by the investor provided the start-up has taken the legal form of an LLC or partnership since its inception. In the United States of America, as soon as a start-up becomes profitable, in most cases, it converts itself into a standard C-Corp. Some authors consider this to be the most powerful incentive system since the Small Business Investment Company (SBIC) law of the 1980s. The United Kingdom EIS includes a loss relief system, but only allows a deduction of a loss when investors are disposing of their shares, which makes it a less powerful tool.

Capital Gains Tax exemption or reduction are of significant importance for some "super business angels", who are investing significant amounts of money for the long term, or in their own industry. It generally requires investors to hold shares for a minimum number of years, which limits the flexibility of portfolio management. It can complement income tax relief, as it does in the United Kingdom EIS, but, as a stand-alone system, it seems unlikely that it would generate a significant amount of investment by a large number of business angels.

A Capital Gains Tax deferral system can be a substitute for total tax exemption, inducing investors to reinvest the profits from the sale of their shares, without paying CGT. This approach, which exists in the United Kingdom and France, is focussed on creating a set of "professional" angels, who are prepared to re-invest the total amount of profit made on a regular basis.

At the same time, the establishment of co-investment schemes, "both in number and size" would allow business angels to reduce risk and contribute to increasing the total investment sum. These suggestions mainly concern countries in which the start-up ecosystem is still in its infancy, as well as developing ones, such as Bulgaria, Croatia, Hungary, Poland, Portugal, Romania, Turkey and Ukraine. Nevertheless, we also observe that many suggestions for improvements in the business angel landscape came from the Nordic countries: Netherlands, Denmark, Finland and Norway.

"Angels should be incentivized with tax incentives rather than punished (with taxes) as happens today"

Business angels, independent of their country of origin, seem to consider that the specific nature of their investment (at a very early stage and in high-risk enterprises) ought to be taken into account and reflected in fiscal incentives and investing mechanisms. They believe that their specific role in innovation start-ups must be supported, namely through tax incentives. Additionally, they argue that the same fiscal incentives should apply to them as apply to institutional investors, and that they should not be considered "lambda individuals".

[Croatia]

"Legislation in Croatia is quite rigid. Making any change in a company such as changing ownership is complicated, slow and expensive (for the start-up). It is almost impossible to do vesting or convertible loans."

[IRELAND]

"There are not enough incentives from the Irish government to leverage private investments by angels in emerging companies. There are insufficient tax benefits, or benefits that are too complex and not attractive. In high-tech businesses, 80-90% of the investments go toward job creation, but 35-40% of that goes to government tax; thus, beneficiaries of private investments are primarily tax authorities". "The Irish government should significantly reduce capital gains tax and work to mitigate the risks of investing in start-ups."

[FRANCE]

"The limit of 5% share has to be suspended. We also need tax relief if reinvesting in another start-up".

"The maximum amount of investment which can benefit from incentives has to be raised. The engagement of five-year conservation has to be reduced."

[GERMANY]

"German government has to eliminate non-essential rules, for example that the INVEST program support can only be obtained for firms within seven years after foundation (as there can exist a disconnection between the administrative date of creation and the effective operational date)."

"The program restricts in which legal forms we are allowed to invest, excluding corporation; this is totally unnecessary." "Follow-up investment, in further rounds, is not well-supported. Supporting follow-up funding is equally important as supporting the initial investment decision." "Government should reduce notary costs for small exits gains (fixed at 15,000 euros)."

[Lithuania]

"My business angel group is talking with government to set up tax relief, especially loss relief for BAs. I would also like Lithuania to have smaller funds."

[MALTA]

"Malta needs a national agenda on innovation, so business angels can invest long term. The government should take measures to promote foreign investments because it´s very difficult to invest in Malta."

[SPAIN]

"The amount that can be used in tax incentives is considerably smaller than in other countries (United Kingdom for ex.), just EUR 10,000,00; it should increase."

[Switzerland]

"Swiss government could help creating more and easier access to finance for firms struggling to grow. It would put less pressure on business angels."

[UNITED KINGDOM]

"The government should increase the upper limit in terms of invested amounts, and make it easier for foreigner investors to invest in United Kingdom."

"United Kingdom government should provide free advice to entrepreneurs to prepare their venture to the disinvestment stage."

[UKRAINE]

"A comprehensive reform of the entire Ukrainian legal framework is needed, as well as the harmonization of the ecosystem with the most performing in Europe. We have a real problem with this field in the country: we have no legal recognition, so investors invest abroad."

"Ukraine doesn´t recognize start-ups investments inside the country, so Ukrainian investors invest from foreign accounts and abroad. In this condition, it is impossible to assess the reality of the situation of the ecosystem and the value of business angels´ investments."

Promoting new co-investment schemes in the EU with business angels and business angel syndicates to stimulate and leverage their investments

The launch of co-investment funds with business angels has proven to be an efficient way to attract "new money" in many countries as well as expertise from the market, helping to fund thousands of innovative companies. Business angels bring capital, knowledge, experience and a network to start-ups and help them to scale-up, while they represent the main source of seed and early stage investment in Europe. Co-investment schemes with business angels represent added value for public authorities in comparison to grants because their leverage effect is higher. Co-investment schemes also represent added value for angels, because they lower the risk and allow investments of greater value to be made. Thus, they represent a win-win situation for business angels, managing public authorities and the angel-backed companies.

Usually two scenarios result from the creation of business angel co-investment funds:

- Public-private co-investment funds help build early stage investment communities and thus create a virtuous cycle. Private and public entities no longer invest alone. The investment risk is diluted for both sides and, additionally, the perceived political risks are reduced.

- By combining multiple parties into common funding vehicles, more money is gathered for the ecosystem and more investments can be made. Costs are also decreased as mentoring, networking and the knowledge of business angels are immediately shared with more people. Management fees are also lower compared to VC funds.

Public/private co-investment funds are also of significant importance in making it possible to finance whenever VC industry is not mature enough, and business angels cannot match the high level of investments required at these stages alone.

Hence, co-investment schemes are very important. It may be beneficial to consider a slight change in how they operate, however. One example would be to look at the Scottish Co-Investment Scheme (SCF) which is mentioned in the section on best practices; it operates on a passive model rather than investors making their own investment decisions. Unlike a standard VC fund or a business angel, the SCF does not find and negotiate investment deals on its own, instead it forms contractual partnerships with active VC fund managers, business angels and business angel syndicates from the private sector (the SCF partner). The SCF partner finds the opportunity, negotiates the terms of the deal and offers to invest its own equity cash. If the opportunity needs more money than the SCF partner can provide, it can call on the SCF to co-invest alongside on equal terms. Co-investment schemes enable angel groups to participate in larger investments and provide investee businesses with a longer funding runway. They also help to overcome the scale-up funding gap (1million-5million euros) that has emerged because of the lack of VC funding.

Requesting that a more significant share of cohesion funds be allotted to business angels for cross-border investments in cohesion countries

European policy is working towards strengthening economic, social and territorial cohesion with the aim of reducing disparities between the levels of development in various regions. These objectives are supported through the European Regional Development Fund (ERDF), the European Agricultural Fund for Rural Development (EAFRD), the European Social Fund (ESF), the European Investment Bank and other instruments. For the period 2014-2020, cohesion policy funds have been harmonized and coordinated with other European funds under the umbrella of European Structural and Investment Funds (ESIF). The rules aim to establish a clear link between ESIF and the Europe 2020 Strategy, improving the coordination of ESIF interventions, ensuring consistent implementation and making access to the funds as straightforward as possible for those who may benefit from them[16]. Cross-border investment funds have an important role to play in achieving the Capital Markets Union. If funds can do

[16] See Article 174 of the Treaty on the Functioning of the European Union (TFEU)

> *"My contacts with the start-ups are informal and based on trust"*

business more easily across borders, they can grow and become more efficient, allocate capital efficiently across the EU, and compete within national markets to deliver better value and greater innovation for consumers. Therefore, one way to strengthen European angel markets could be to allocate more cohesion funds to cross-border investment. For complementary information on the ESIF, see: http://ec.europa.eu/contracts_grants/funds_en.htm.

Creating a trustful environment for business angels

Business angels have become a major source of informal investments and entrepreneurs are always looking for private investors for capital; they believe that this capital and mentoring by business angels can kick start their business or help it to grow. In the same way, business angels need similar affirmation and a trustful environment in which they can have control over their investments. Trust plays a major role in the analysis of the informal venture capital market. In an entrepreneurial context, trust has been identified as a major factor in the development of corporations. An analysis conducted on trust and investment decisions highlighted that 93% of investment proposals received by business angels are rejected. On average proposals were given 11 to 25 minutes of time by business angels[17]. Informal investors make decisions in the here and now, primarily based on preconceptions and inferences. Informal investors do not systematically seek out additional information to assist them in coming to a decision at this stage and their preconceptions are more likely to be negative than positive early on. Investors' perceptions of market-related factors may play a particular role in this process. It is also important that investment professionals with credentials from respected industry organizations are employed who can act in an ethical manner and maintain a good communication flow with business angels. The role of a coordinator in an informal investment decision, therefore, would require the development of trust in two sets of actors:

[17] Harrison, R. T., Dibben, M. R., and Mason, C. M. (1997). The role of trust in the informal investor's investment decision: An exploratory analysis. *Entrepreneurship Theory and Practice*, 21, 63-82.

1. Trust in the promoters of the investment
2. Trust in the source of information (with the realisation that the latter will itself influence the former)

Investors also need to see some sort of support in terms of control over their investment as they feel particularly vulnerable during times of financial crisis or market turmoil. Though markets are always uncertain, investors do not want to be caught off guard by unforeseen developments, and having more information would mitigate this concern to some degree. Investors simply want better information today, and transparency and consistent communication are more important than ever in the client relationship.

Monitoring mechanism of start-ups deal flow

Governments should be supporting the creation of significant quality deal flow for start-ups, through appropriate policies and, at the same to monitoring them. This type of monitoring mechanism could provide important information and feedback about the businesses survivals in their first years of their life and also increase market transparency and trust for the investors, making them enough safe and attractive for business angels to support them at an early stage. Whilst there are programs of public incubators and of investor readiness[18] training, mentoring and monitoring in some countries, they have not been developed in many EU countries, in particular in those just starting innovation support policies. It does not make any sense to develop incentives for business angel investments if there is not a good enough and reliable information about the deal flow to invest in the country, especially given that business angels tend to invest first in their neighbourhood, where they know the start-ups market and feel to be in a trustful environment.

> *"I prefer to invest at later stages since typically at this stage ventures need money to grow and not to develop products."*

[18] That one is in a strong position to present one's business to different investors and meet their requirements. One may have a particular project to put forward or may feel that the business is ready for rapid growth and is seeking external growth.

Professionalization of the business angel network

Governments should recognise the need to professionalize networks, angel groups and syndicates that provide business angels with deal flow and enable entrepreneurs to put investment proposals to angels. These organizations improve information flow between angels and entrepreneurs and enhance market efficiency. Government support to assist business angels to cover operating costs, especially those in less mature markets, would enable a more professional environment while, at the same time, supporting the activities of start-ups. It is important to recognize the need of business angels for assistance with operating costs in order to recruit specialized professionals and obtain the required resources for such costs.

“Growth capability and the ability to leverage investment are important factors when considering investment opportunities, but the most important is a team made up of smart and passionate people”.

7. ANNEX I

Comprehensive picture of the Business Angel's market: characteristics and trends of the evolving role of business angels (BA) in funding innovative firms

Characteristics of business angels

The survey and the interviews confirm that business angels are typically experienced persons. The average age of respondents to the survey is 55 years and 89% of respondents are men. This pattern holds throughout all regions surveyed, except for Central and Eastern Europe where business angels seem to have a different profile. They are on average younger around 43 years of age, and a much larger share of business angels around 29% are females. The share of female business angels is also higher than the European average in Northern Europe and Switzerland (respectively 23% and 17% of respondents indicate to be women)[19]. The samples of respondents to the survey carried out are highly experienced business angels and reported to have been investing as a business angel for 7.5 years on average. However, the average level of experience differs significantly across regions (Figure 2), especially business angels in the United Kingdom and Ireland seem to be more experienced than the European average, whereas those from Central and Eastern Europe tend to be comparatively new to business angel investment.

[19] These numbers should be interpreted with care, as they are based on small samples of respondents (Northern Europe: 13, Switzerland: 12)

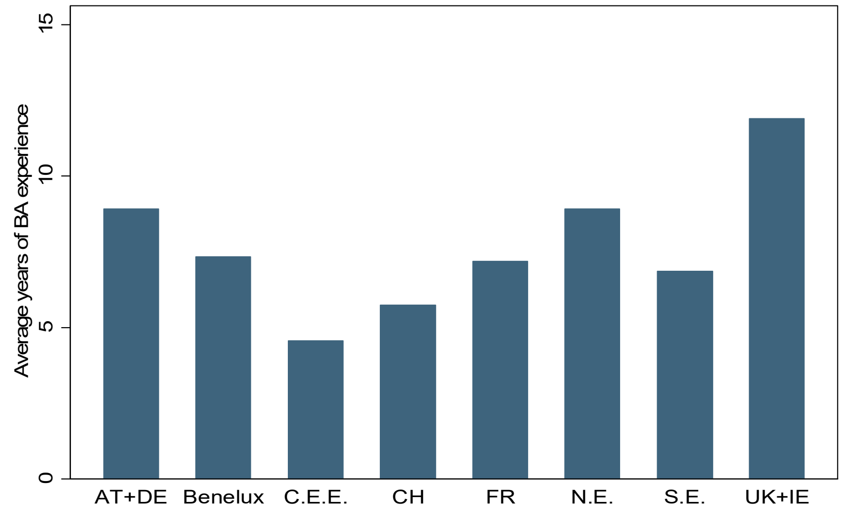


Figure 2: Average years of Business Angel experience -Survey

The data collected in the survey shows that business angels are highly educated with 98% of respondents have at least a Bachelor’s degree (or equivalent). More than half (51%) possesses a Master’s degree, and 17% have a doctoral degree. Just a small proportion of the sample (13%) holds a professional degree. Educational differences can be found in the angel population across EU members. For example, the share of Business angels with doctoral degrees is markedly higher in Austria and Germany as well as in France (25% in both regions, compared to 9% in the rest of Europe) whereas Business angels are more likely to have a professional degree in the United Kingdom and Ireland (36% compared to 11% for rest of the Europe). Business angels from Central and Eastern Europe are overwhelmingly likely to hold a master’s degree (77%, rest of Europe 49%).

Professional experience

The vast majority of Business angels who responded to the survey have experience in senior management (87% of respondents)[20]. The majority of respondents (54%) reported to have been employed in the senior management of a large firm. This is also true for owning a business at some point in their careers with 58% of respondents answering this question affirmatively. Almost 40% of the surveyed angels indicated to have been a (co-)founder of a

[20] Respondents could indicate having experience in several types of positions.

new enterprise. Only small minorities of business angels report having experience outside of the business sector, for instance in professional positions (9%), government organisations (8%), or NGOs (8%).

Motivations

Most survey respondents indicate that they became a business angel in order to contribute to society and the economy. The statement "I became a business angel because I want to support firms with my knowledge" was the most selected by survey participants (average of 5.6 on a 7-point scale)[21]. Financial motives were rated lower and personal motives were rated as least important[22]. Hence, even though financial motives play an important role in the decision to become a business angel, the need or the perceived opportunity to contribute one's skills or other assets are critical. These patterns hold over all surveyed European regions and are supported in early angel literature[23].

Wealth

Business angels indicated in the survey that they were most likely to have accumulated their capital mainly through salary (38%), the sale of their business (26%), and investment income (19%)[24]. Survey participants also reported that, on average, business angel investments represents 10% of their wealth[25]. In terms of the amount of euros invested, participants reported a median of 231,000 euros invested as a business angel. The responses of total amount invested vary widely: the bottom 5% of respondents invested 22,000 euros or less, compared to 3 million euros or more for the top 5%. Figure 3 below shows that the amount invested also differs strongly across European regions. Business angels in the Benelux and Germany and Austria reported to have invested markedly more than the European median

[21] Other reasons for becoming a business angel related to contributing to society or the economy were supporting firms with skills (average: 5.5 on a 7-point scale), networks (5.2), or money (4.7), to contribute back to society (4.7), or to support the local economy (4.2).
[22] Financial motives include the possibility of significant financial return (average of 4.5 on a 7-point scale), to diversify investments (4.3) and to create a job for one self (2.7). Personal motives include to stay involved with business (4.5), to have fun with one's money (3.4), to keep active in retirement (3.2), and becoming a Business Angel to fill time (2.4).
[23] Wetzel, W. E. Jr. (1983). "Angels and informal risk capital". Sloan Management Review, 24(4), 23-34. Stedler, H., and Peters, H. H. (2003). "Business angels in Germany: an empirical study". Venture Capital: An international journal of entrepreneurial finance, 5(3), 269-276.
[24] The remaining 18% includes inheritance (7%), exercising stock options (3%), and other (7%).
[25] Based on numeric inputs by respondents in various currencies. Inputs were converted to Euro and were checked manually for outliers and faulty inputs by comparing inputs to answers to size-related questions. Furthermore, the 1% highest and values are omitted from the data presented, as well as reported portfolio smaller than 10,000 EUR.

(500,000 euros), while those in France (136,000 euros) and Central and Eastern Europe (69,000 euros) showed smaller investments. Similar differences in EU members can also be found when evaluating the proportion of total wealth allocated to angel investments. German and Austrian business angels show the highest proportion with 27% as shows in Figure 4 below, well above the European average of 18%. A similar trend can be found in the United Kingdom and Ireland (21%), Benelux is (23%) and Central and Eastern European (22%)[26].

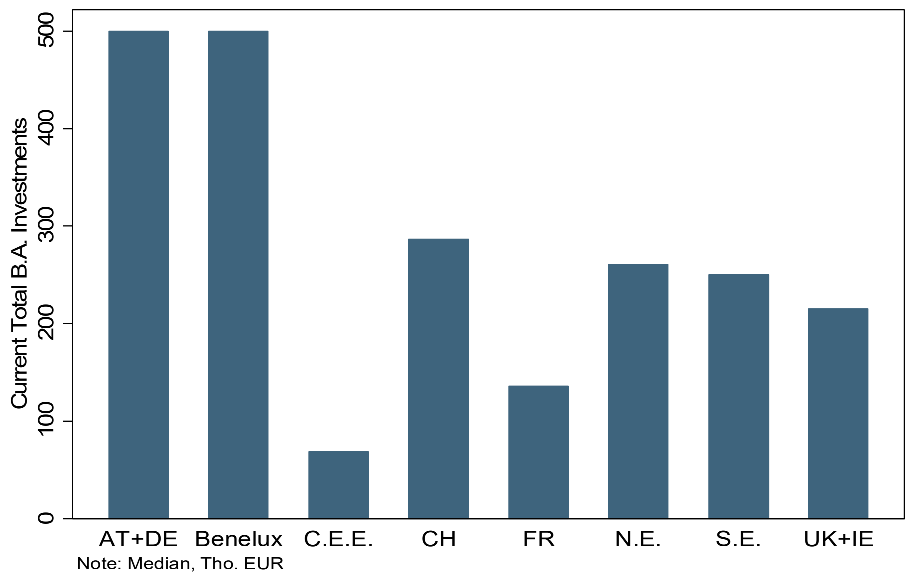


Figure 3: Median current investment

Business angels were also asked about the share of wealth they have currently invested through business angel investment and the share of wealth that they would foresee investing in the future. The majority of business angels (60%) reported a foreseen share of wealth at least five percentage points higher than the share they currently invest. Only 13% indicated that they aim to reduce more than 5 percentage points of their future investment. Merely 14% expect their investment to stay within 5 percentage points of their current investment.

[26] For enhanced comparability, only responses that also provided nominal investment are considered here.

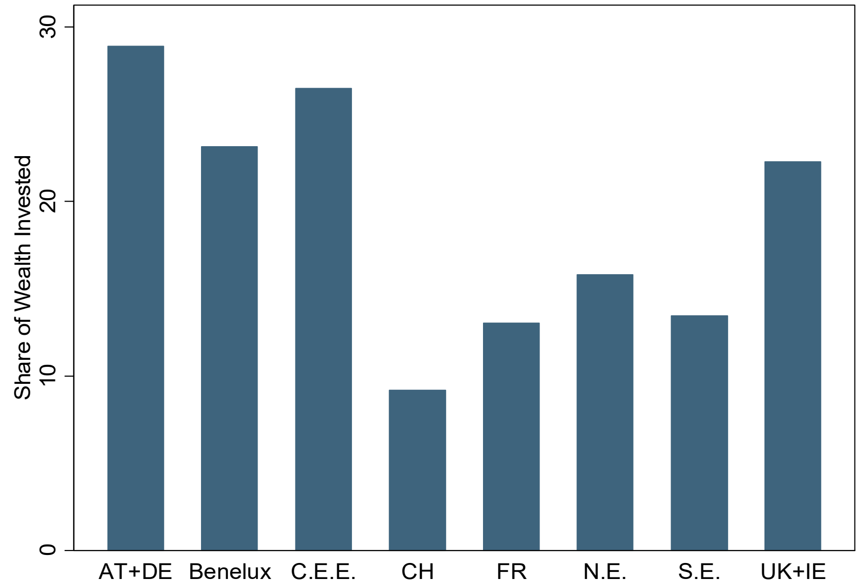


Figure 4: Average share of wealth invested

Business angels in Central and Eastern Europe are the most optimistic in the study sample (Figure 5). The vast majority of participants (73%) from C.E.E. believe to allocate more of their wealth to business angel investment in the future. The second most optimistic angels were from the UK and Ireland with 68% of respondents with similar expectations. Business angels from Switzerland (44%) seem to be hinting at higher opportunities for growth in investment stemming from the current population of business angels.

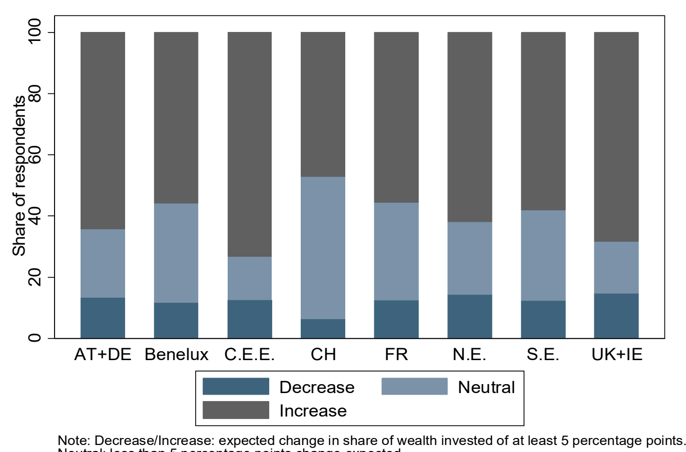


Figure 5: Current versus expected share of wealth invested through Business Angel investment

Business angels' Investment behaviour

The survey had some questions about business angels investment behaviour in a general sense, and whilst referring to the business angel's most recent investment. Whereas the former includes questions related to co-investment behaviour and engagement with firms and use of public support mechanisms, the latter questions cover the character of the venture the business angel has invested in, the timing of the investment, and the use of public support mechanisms.

The survey indicated that business angels predominantly invest locally. 58% of the respondents indicated that their most recent investment was in a firm located within one hour of travel from their residence. Approximately a third (35%) invested most recently in their country, but farther than one-hour travelling time[27]. A minority (8%) made an international investment. This view of business angel investment is fairly consistent throughout Europe, with some differences in certain regions (Figure 6). Investment seems to be more locally oriented in Northern Europe, whereas in Switzerland, Southern Europe, Austria and Germany, and the Benelux, more investment occurs nationally and internationally.

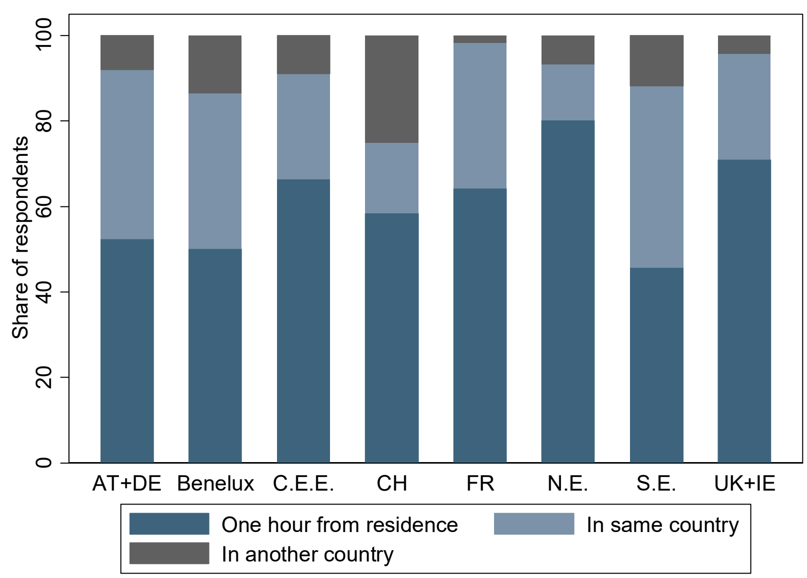
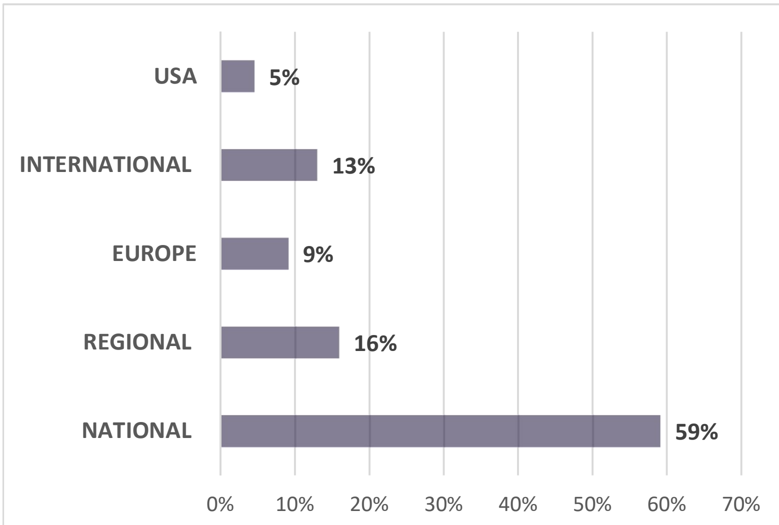


Figure 6: Location of most recent investment – survey

[27] This is much in line with previous research. Riding, A. L., and Short, D. M. (1988). "On the estimation of the investment potential of informal investors: A capture/recapture approach". Journal of Small Business and Entrepreneurship, 5(5), 26-40 noticed that 36% of their sample had no geographic constraint, Freear, J., Sohl, J. E., and Wetzel, W. E. Jr. (1994). In "Angels and non-angels: are there differences?" Journal of Business Venturing, 9(2), 109-123. Suggested this value was slightly lower (24%) while Gaston, R. J. (1989). "Finding private venture capital for your firm": A complete guide: John Wiley and Sons Inc, showed an even inferior percentage (7%).

The interviews showed similar results, where 59% of the interviewees indicated to invest in their country of residence. Regional, European and International investments follow with a quite equal range with 16%, 9% and 13% respectively. Only four interviewees declared that they have invested in the US.



[28]

Figure 7: Geographical coverage of business angels´ investments - interviews

Investments are mostly made nationally, which is consistent not only with the survey, but also with earlier angel research that has found that business angel invest in opportunities where they are able to be geographically close[29]. However, this is not the only factor supporting this investment behaviour, 34% of the interviewees point out that they would invest out of their country if legal and fiscal legislations allowed it with more facilities. This tendency must be linked with those interviewed business angels highlighting the necessity to harmonize the European legal framework and facilitate cross-border investments. Having a more harmonized legal framework would reduce investment uncertainty surrounding different legal systems and could stimulate cross-border investment. The same applies to tax incentive schemes which – if based on multilateral agreements – could yield additional stimuli.

[28] The total is more than 100% because some business angels invest in more than one category.

[29] For example, Gaston, R. J. (1989). "Finding private venture capital for your firm": A complete guide: John Wiley and Sons Inc. Gaston notices that 41% of the angel investments were made within 10 miles, 72% within a radius of 50 miles and 82% within a range of 150 miles.

Deal sourcing and co-investment

Regarding the origination of the deal flow, the survey showed that business angel networks play an important role in deal sourcing (Figure 8), with 60% of respondents indicating it as the source for their most recent investment opportunity. Almost similar in importance are existing contacts, which 40% of respondents have indicated as a deal source[30]. Existing contacts might (speculatively) include previous employees or colleagues, former business contacts such as suppliers or customers and others.

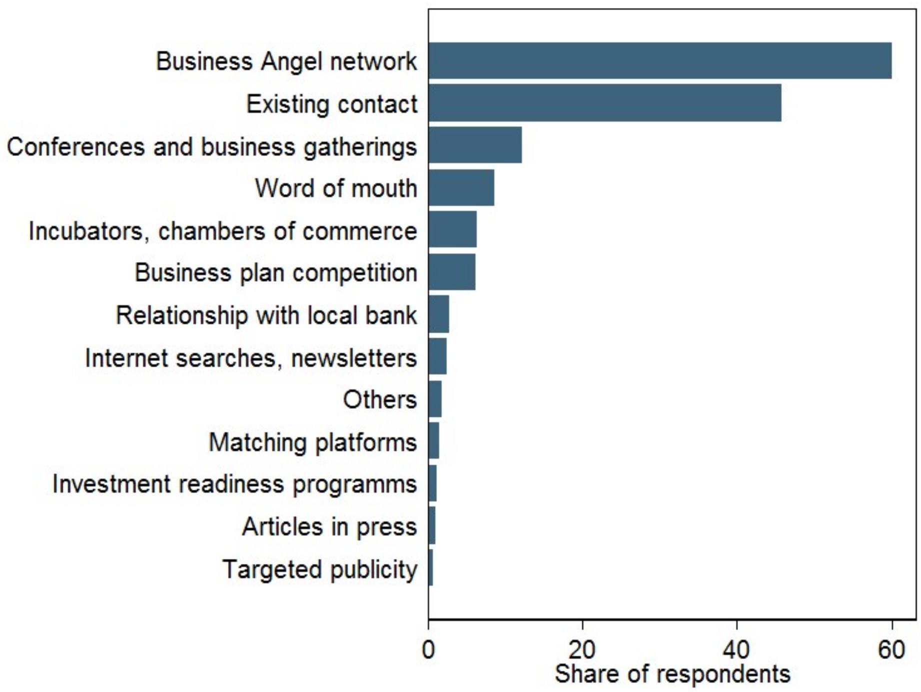


Figure 8: Deal source of most recent investment

Despite the overall importance that business angel networks play in deal sourcing, there are geographic differences in the dominant form of engagement (Figure 9). In Austria and Germany as well as in Southern Europe, existing contacts are a more important source for deals than business angel networks. In Northern Europe, both are comparable in importance. In France, however, only 24% of respondents made use of existing contacts to find their latest investment, compared to 87% who indicated that this occurred through a business angel

[30] This can be found in the angel literature. Brettel, M. (2003). "Business angels in Germany: a research note". Venture Capital: An International Journal of Entrepreneurial Finance, 5(3), 251-268. Lahti, T (2014). "The value-added contribution of advisers in the process of acquiring venture capital". International Small Business Journal 32(3): 307–326.

network. Incubators and chambers of commerce, conferences and business gatherings seem to be more important sources of deals for business angels in Central and Eastern Europe.

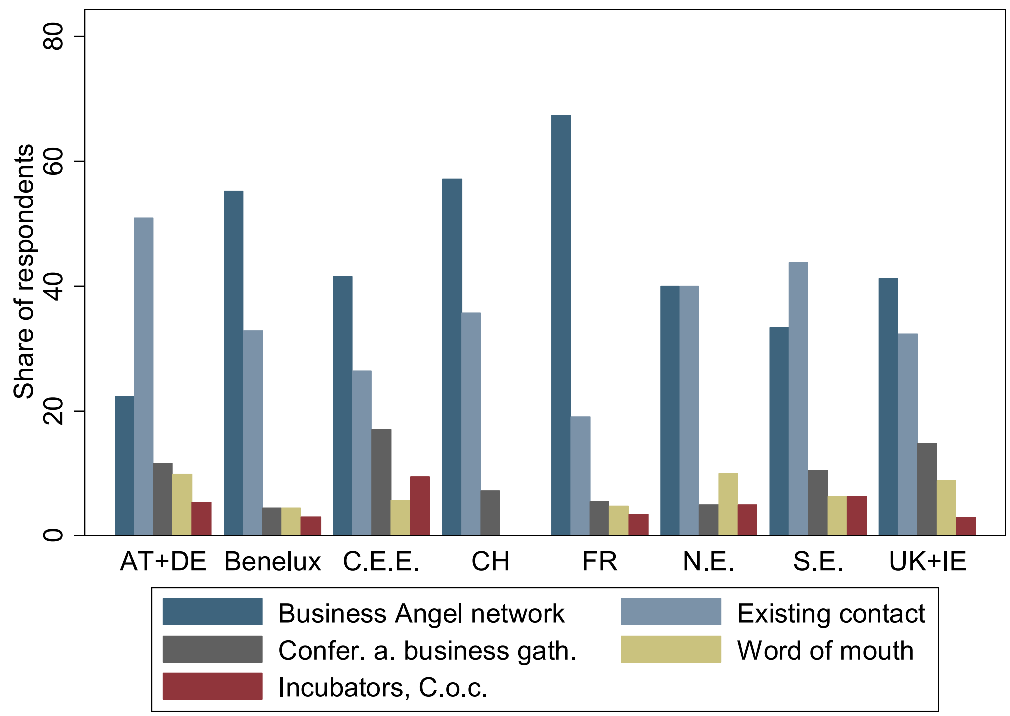


Figure 9: Deal source of most recent investment by region

Concerning the typical investment approach to business angel investing, the majority of respondents typically invests as part of a group. Only around one sixth follow a solitary investment approach, and about a third have no particular investment approach in this regard. There are pronounced regional differences in co-investment behaviour (Figure 10). Especially France shows a higher share of business angels who usually invest in group (82%), which by contrast only reaches 35% in Germany and Austria.

Two thirds of those who usually invest with others, do it mostly through business angel groups, as opposed to co-investing with friends or associates. In Austria and Germany, the Benelux and Central and Eastern Europe, the share of syndicating investors who do so rather informally, with friends and business associates, reaches almost 50%.

Figure 11 shows the importance for various kinds of partners for business angel co-investment. Other angels from the investor's own group are by far the most important co-investment partner, followed by business angels from other groups. Slightly less important are early stage and VC funds, as well as public firms. Among the bottom tier are family offices, institutional investors, crowdfunding platforms, and public funds of public banks. These trends are comparable across European geographic regions.

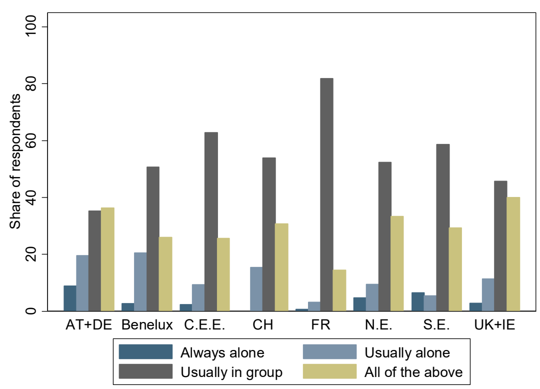


Figure 10: Typical approach to Business Angel investing: group affiliation

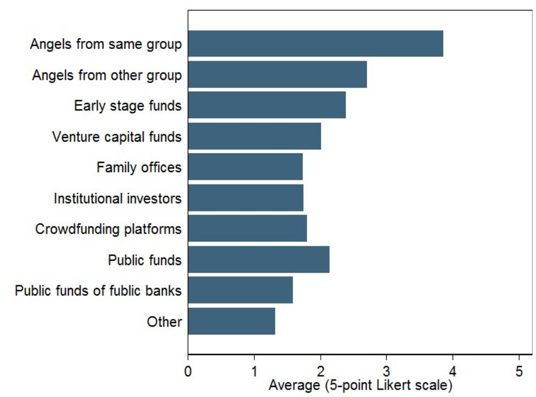


Figure 11: Frequency of co-investment by type of partner

Stage of investment

Regarding the stage of investment, pre-seed[31] and seed stages largely come first as shown in figure 12 below. The findings of the interviews indicate that 30 % of business angels invest in start-ups, which is also notable. Later stages come last with only 8%, this is much in line with previous research that has highlighted business angels as seed and early stage investors[32].

[31] It is noteworthy that a definition of "pre-seed" and "seed" has not given during the interview, so the answers have been let free of interpretation by the interviewees.

[32] Some examples: Mason, C. M., and Harrison, R. T. (2000). "The size of the informal venture capital market in the United Kingdom". Small Business Economics, 15(2), 137-148.Mason and Rogers, 1997. Sohl, J. E. (2003). "The US angel and venture capital market: Recent trends and developments. The Journal of Private Equity, 6(2), 7-17. Van Osnabrugge, M., and Robinson, R. J. (2000). "Angel investing: matching startup funds with startup companies: the guide for entrepreneurs, individual investors, and venture capitalists". San Francisco, CA: Jossey-Bass Inc Pub. Wiltbank, R. E., (2009). NESTA, "Siding with the Angels: Business Angel investing-promising outcomes and effective strategies".

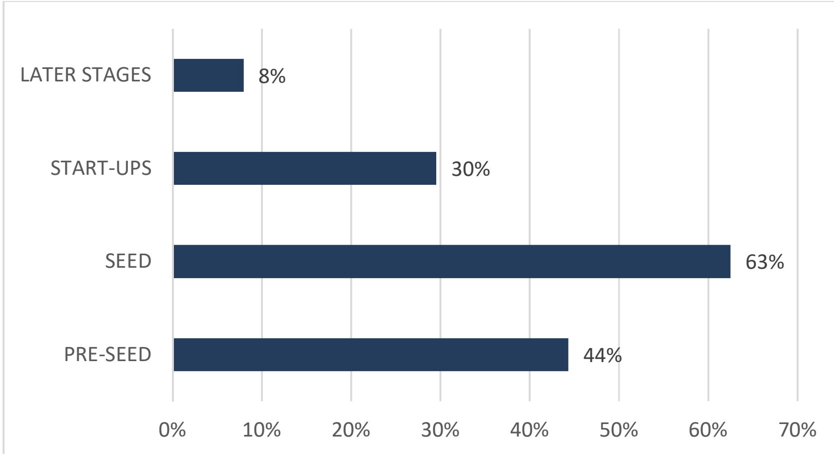


Figure 12: Stage of investment - interviews

Three main factors can explain this tendency:

- Tax incentives: In certain countries, tax incentives encourage, or restrict, very early stages´ investments for Business angels. For example, SEIS (Seed Enterprise Investment Scheme) in UK offers attractive conditions in companies which have been trading for less than two years and don´t generate more than 170,000 euros.
- Risk/reward ratio: investing at these stages is riskier but also allows the business angels to invest lower amounts. As pointed out, they can benefit from a lower valuation and higher returns. "Equity percentage is more favorable. Investing at these stages is riskier but the benefits are higher as well".
- Value-added roles: as mentioned above, some of the business angels have a real philosophy regarding their activity and a strong willingness to be mentors. They invest in companies they believe in and are willing to provide support as much as possible to the entrepreneurs´ team, in order to get them to success. For these business angels, investing at pre-seed and seed stages also means being present when the company needs more support. Others also stress out that it is exciting to see a project starting from the beginning, grow and become successful as part of their adventure. For many of the interviewees, the possibility to effectively coach the entrepreneur is one of the criteria to invest. Interviewees from Italy and Poland stated: "I invest at pre-seed and seed stages because I am able to learn more about angel investing than at later stages".

Investment characteristics

Sector

Figure 13 shows the sector in which the most recent investment of business angels responding to the survey took place. ICT and tech is by far the most common sector of investment, with 36% of investment taking place in this sector. Among ICT investments, software services (including SaaS and cloud-based software), E-commerce, and mobile applications take the largest shares of investment[33]. Concerning non-ICT services, health care and biotechnology are the most common sectors of investment at respectively 10% and 9% of most recent investments. This is followed by engineering (7%), and general business services (6%). The remaining sectors account for less than 5% of investments each.

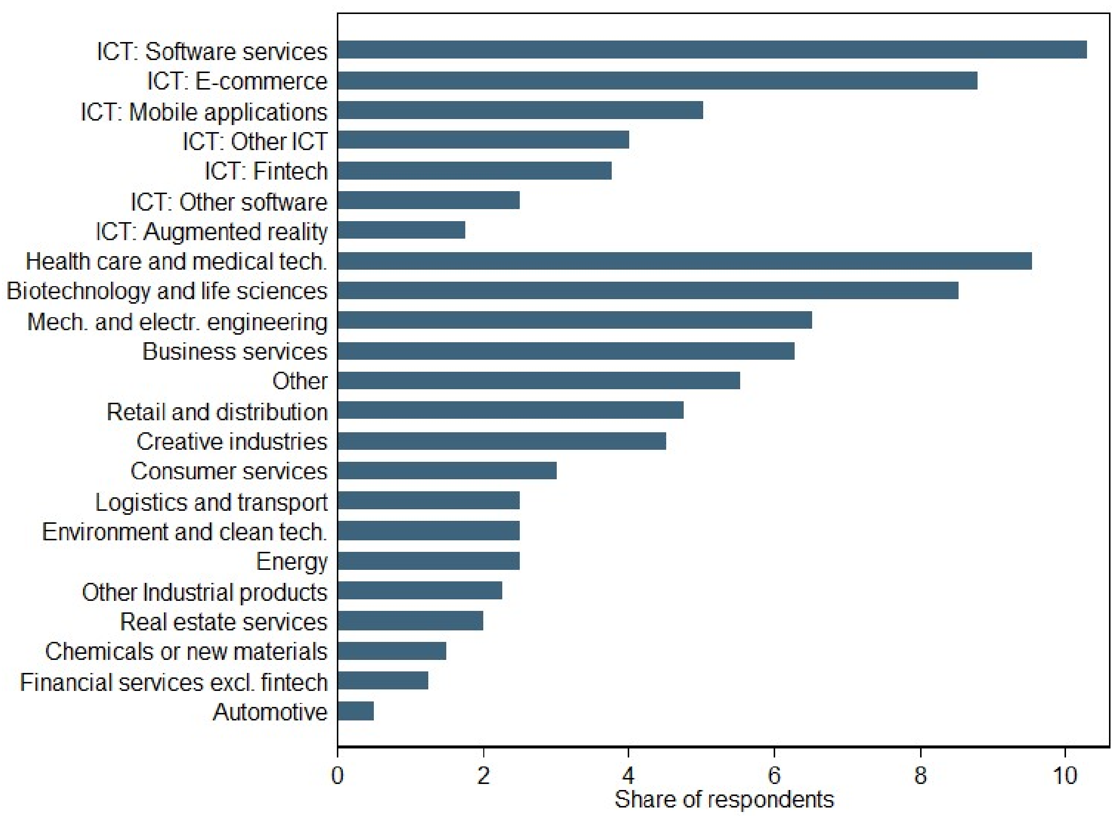


Figure 13: Sector of most recent investment

[33] Some care needs to be taken in interpreting these results, as many sectors overlap to a certain extent. For instance, all categories of ICT can be considered to be ICT services. Likewise, for instance fintech can be described as ICT service or financial service.

The distribution of sectors beyond ICT varies across regions, but health care or life sciences are highly ranked in each region (Table 2). In Austria and Germany, health care and medical technology as well as mechanical and electrical engineering are highly ranked. In the Benelux, retail and distribution and business services round out the top 3. Biotechnology and life sciences as well as financial services make the top 5. In Central and Eastern Europe, health care is the second ranked sector of investment (which takes 19% of total investment in the region).

After that, investment is spread over logistics and transport services, creative industries, and the energy sector. The UK and Ireland are highly engaged in mechanical and electrical engineering, environment and clean energy, and retail and distribution. In France, biotechnology and life sciences as well as health care and medical technology, and mechanical and electrical engineering play an important role. Switzerland follows a similar distribution. Lastly, business angel investment in Southern Europe is focused in creative industries, biotechnology and life sciences, business services, and retail and distribution.

However, a significant number of business angel do not have a preferred sector for their investments. In the interviews, business angels with this attitude pointed out that they look at the idea or the opportunity more than the sector. Having a diversified portfolio is part of a business strategy and they want to invest in various sectors. Some also speak about "social impact" and the desire to invest in businesses that make a difference on the society.

Rank	AT+DE		Benelux	
1	ICT	32%	ICT	38%
2	Health care and medical technology	14%	Retail and distribution	10%
3	Business services	10%	Business services	8%
4	Mechanical and electr. Engineering	7%	Biotechnology and life sciences	6%
5	Other	6%	Financial services excluding fintech	6%
Total		69%		68%
Rank	C.E.E.		CH	
1	ICT	42%	ICT	27%
2	Health care and medical technology	19%	Mechanical and electr. Engineering	18%
3	Logistics and transport	6%	Biotechnology and life sciences	18%
4	Creative industries	6%	Other	9%
5	Energy	3%	Health care and medical technology	9%
Total		76%		81%
Rank	FR		N.E.[34]	
1	ICT	30%	ICT	47%
2	Biotechnology and life sciences	15%	Consumer services	14%
3	Health care and medical technology	10%		
4	Mechanical and electr. Engineering	9%		
5	Other	6%		
Total		70%		61%
Rank	S.E.		UK+IE	
1	ICT	44%	ICT	38%
2	Creative industries	8%	Mechanical and electr. engineering	17%
3	Biotechnology and life sciences	7%	Environment and clean technology	9%
4	Business services	7%	Retail and distribution	9%
5	Retail and distribution	7%	Other	9%
Total		73%		82%

Table 2: Top 5 Sectors By Region

Business angels' size of investment

The median investment is around 30.000 euros in most recent investment made by business angels[35]. However, investment amounts are unevenly distributed, only around one tenth investments were above 200.000 euros, and the top 2 percent of investments are in the range of 1 million euros. Figure 14 displays the median size of most recent investment across regions[36]. In Austria and Germany, and to a lesser extend in the Benelux and Southern Europe, the median investment is above the European median at respectively 70.000 euros and 50.000 euros. France is distinctly under the European median at approximately 20.000 euros. It should be noted that the indicated investment volumes refer to the investment made by the respondent investor, and those investors in countries with smaller median investment tend to co-invest more (Figure 15). Therefore, the differences in reported individual investment amounts by business angels do not necessarily reflect lower investment volumes flowing to firms.

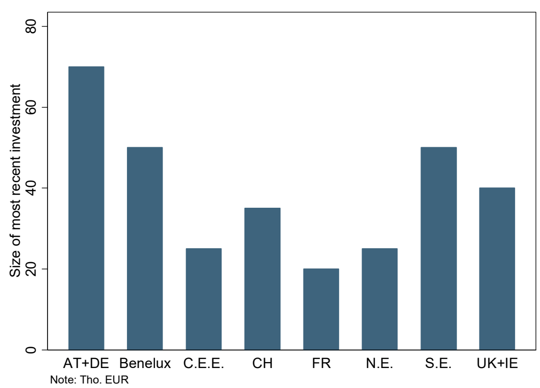


Figure 14: Median size of most recent investment

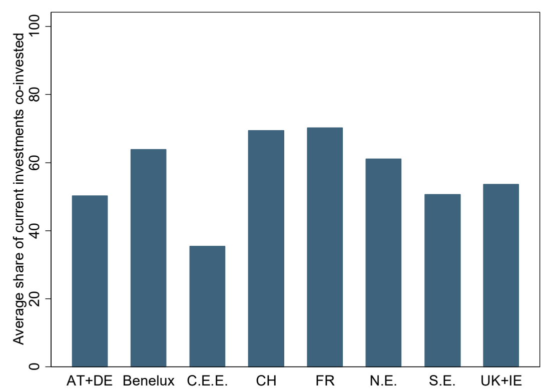


Figure 15: Average share of current investments co-invested

The majority of the interviewees reported to invest for a period of between 5 and 10 years. This is consistent with recent exit studies that highlight comparatively long investment time horizons[37]. This is why researchers have recognised business angels as patient capital.

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[35] These numbers were based on numeric inputs by respondents in various currencies. Inputs were converted to Euro and were checked manually for outliers and faulty inputs by comparing inputs to answers to size-related questions. The median is reported to lower potential bias due to outliers. The average is significantly higher, at 83.000 EUR.

[36] Median investment sizes follow the same pattern but are lower due to the skewed distribution.

[37] (Mason, C. M., and Botelho, T. (2016). "The role of the exit in the investment decision of business angel gatekeepers". International Small Business Journal, vol. 34, 2: pp. 157-175. Wiltbank, R. E., (2009). "Siding with the Angels: Business Angel investing-promising outcomes and

It is interesting to note that the answers during the interviews reflect a certain profile of business angels. For example, some invest for a short period and base their investments on an "amount/benefit" criterion, looking at the growth potential and the more profitable exit they will be able to benefit. "Big opportunity" and "make money" are the expressions regularly used by the interviewees. Most of the time, for these profiles, there won´t invest if they are not sure of the profit they can make in a relative short period of time (five years).

It was also noted that there exists a certain correlation between investment experience and the expected holding time, less experienced investors expect shorter holding periods while more experienced investors anticipate longer holding periods. Crossing this data with interviewees' comments on exit experiences, it can be concluded that exiting from an investment presents some challenges, especially legal procedures that less experienced investors do not necessarily fully perceive when they start an investment. Holding periods might be larger for investors whose investment motives are primarily non-financial, such as curiosity or philanthropy. Some interviewees who ranked non-financial investment motives high, said they do not have a pre-defined exit strategy and holding periods might in some cases exceed 10 years.

In many cases, interviewees have indicated that holding periods for investments are not predetermined. Rather than being placed on an exact plan of action, i.e. a proper strategy, exit decisions are driven by opportunity. The goal is to develop more, new and interesting businesses ideas and to establish firms, and less to achieve growth per se, with a quick exit.

effective strategies". NESTA. Mason, C. M., Harrison, R. T., and Botelho, T. (2015). "Business Angel Exits: Strategies and Processes." International Research Handbook on Entrepreneurial Finance. Hussain, J. G. and Scott,J. M. (Eds). Edward Elgar.

Non-financial support activities and sustainability

Business angels often provide non-financial support by actively engaging in the ventures. These non-financial support activities often comprise general advice, advice specifically relating to the development and marketing of innovations, advice given in a formal position on the firm's board or advisory council, provision of financial and non-financial contacts, as well as providing more general knowledge about the market.

In order to gather more information concerning the non-financial support, 18 entrepreneurs were interviewed from 13 European countries who benefitted from business angels' investments. The answers provided by the entrepreneurs allowed to confront the investors´ comments, and to see where they overlap, and on which issues they have different perspectives.

One interviewee, whose company was struggling in its beginning due to lack of money, said that without the investment of their business angels, the company would have died before getting off the ground. Not all the entrepreneurs agreed to talk about numbers, but they mention an average of 100.000 Euros investment coming from their business angel, mostly at pre-seed (33%) and seed (78%) stages[38].

It is interesting to highlight that 39% of the entrepreneurs pointed out that at very early stages, business angels and VCs are the only two options to get capital and state to have chosen a business angel as investor rather than a VC because VCs invest a considerable amount of money within the start-up/expansion phase and expect consistent returns. On the other hand, business angels allow entrepreneurs more "management freedom", and although their investments are smaller, they are perceived as more valuable.

Regarding the number of jobs created, among the 6 answers, the companies had between 2 and 15 employees, with an average of 7. The concerned companies are young and yet at their first phase of development. Whereas the business angels interviewed mentioned higher numbers, reaching 250 employees.

[38] The total sums more than 100%, because the investments coming from business angels have sometimes been received at more than one only stage.

In terms of the role played by the business angels in the companies they invest in, the most common is to take a position as board or advisory members (34% of the business angels declared that they are board/advisory members in the company they invest). More than official positions, the added-value of a business angel is about the kind of support they can provide to the companies in non-financial terms, and the frequency of interaction. This topic is central for the large majority of the interviewees, both business angel and entrepreneurs. From their point of view, this is what distinguishes a business angel as an earlier stage investor[39].

Interviewed business angels mostly declared (53%) to provide informal advice to their entrepreneurs. By informal advice, they meant business strategy, corporate governance, suggestion of potential customers / buyers / users, suggestion of other investors / business management / development, marketing, help with administrative and legal issues. Following this tendency, many business angels highlighted that they invest in the sectors they have some work experience, in order to be able to provide market knowledge, management and marketing experience to the companies. Some Business angels also share their network and provide contacts to the companies they invest in. Entrepreneurs also insist on that business angels can open doors and create other opportunity with their contacts and network and stress the centrality of this dimension. At the same time, entrepreneur lauded the strategic advice and business expertise provided by business angels, emphasizing that they could really learn from the experience of their angel(s). They used words like "improve skills" and "gain financial expertise" to explain how their business angel helped them in that sense.

Many of the interviewees used the words "mentoring", managerial "coaching", sometimes presenting themselves as "business mentor(s)". They point out the importance of this dimension in their work as business angels. The relationship they have with the team is importance to start with investment. Entrepreneurs have the same opinion on this topic with 39% use the word mentor and/or coach to describe their business angels.

Additionally, some business angels provide other types of support such as co-working spaces, hiring people, even fundraising and "whatever is necessary". Entrepreneurs also mentioned office facilities. In some cases, business angels can act as salespersons in the companies they invested, using their networks to boost the launch of the products / services.

[39] Similar views have been acknowledged in the angel literature. Politis, D. (2008). "Business angels and value added: what do we know and where do we go?" Venture Capital, 10(2), 127-147.

In majority, both business angels and entrepreneurs highlighted in interviews that the frequency of interaction changes over time, either becoming less frequent as time goes on or changing over the lifetime of the company or after the scaling up phase, the interaction is lower. One pointed out that the first 100 days are more intense.

In fewer cases, interaction doesn´t change, it can also depend on the firm needs or contractual agreements. Some entrepreneurs declared that the frequency of their contacts with their business angel didn´t change, but the topics they discuss did change over time, following the evolution and the needs of the company.

One business angel noted that not all companies need as much interaction and some interaction could be quite passive, but it is clearly not the general tendency. Another business angel noted that one thing that definitely changed was the way the entrepreneurs received his advice, they were very interested in the beginning of the relation, "less after some years". The survey indicated that the majority (55%) of business angels indicated that they are involved in some firms in which they invested, but not in all[40]. Still, the share of business angels that report being involved in all of their investee firms is larger than the share that indicates to never be actively involved (35% versus 10%)[41]. Figure 16 below shows differences in the degree of involvement across European regions. The share of fully involved business angels is largest in Austria and Germany, where 58% of business angels indicated to be fully involved.

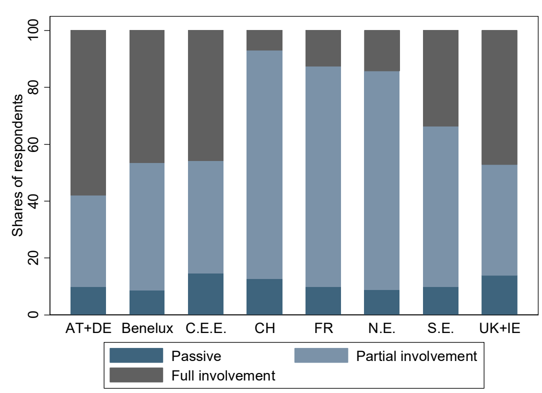

Figure 16: Involvement in Investee Firms

[40] The question differentiated between a passive investment approach without active involvement in investee companies, a partial engagement where the Angel is involved in some of her investee companies, and full engagement where the Angel is active in all the companies in which she is involved. Co-investors might still be actively involved in cases where the Angel indicates no active involvement.

[41] While the latter group might not be considered to be business angels according to all definitions, they might be active in business angel organizations and take part in investment decisions by Business Angel groups as financial backers.

Full involvement is also high in the UK and Ireland, the Benelux and Central and Eastern Europe. It is especially low in Switzerland and France, where the vast majority (80% and 77% respectively) reports to be partially involved in their businesses. This is in line with observations made before that business angel investment in these regions involves more co-investors per investment.

Business angels acting as lead investors within a consortium will be more frequently in touch with the company (weekly / monthly) compared to the other investors, who will only exchange on a quarterly basis. Personal interaction (meetings or phone calls) seems to be preferred over written reports. This can be linked to the finding above, that business angels have a preference to invest locally. Being geographically close, facilitates interaction for both business angels and entrepreneurs. Sometimes, at earliest stages of the creation of the company, entrepreneurs are hosted in the business angel offices.

Time spent on business angel activities

Business angels on average spend as much time on searching and evaluation new investment opportunities as on engaging with their current investments by supporting their investee firms and coordinating with co-investors (each accounting for 43% of time spent). How much time business angels invest however strongly correlates with the size of the angels' investment portfolio as shown in Figure 17 below. Business angels with one firm in their portfolio report spending 39 hours per month on their business angel activities, this increases to 58 hours per month for those with 6 to 10 firms in their portfolio, and up to 79 hours for business angels with more than 10 firms.

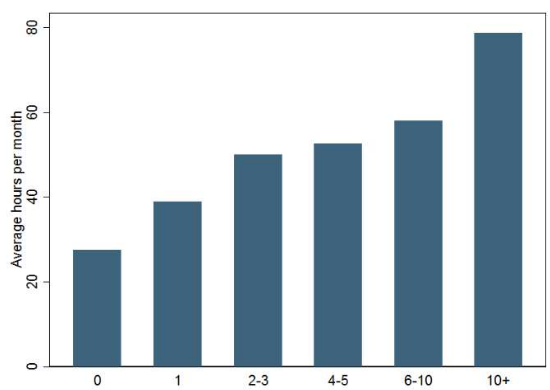

Figure 17: Time spent on B.A. activities by number of firms in investment portfolio

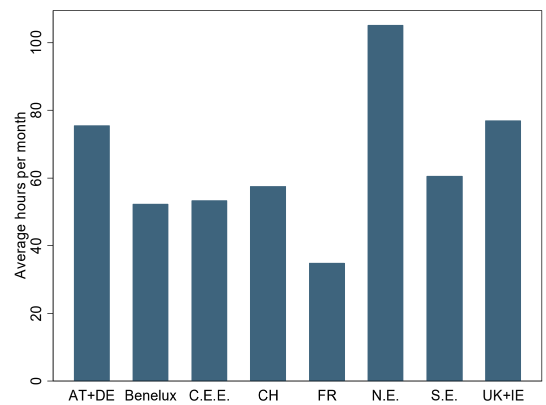

Figure 18: Time spent on B.A. activities per month

Business angels in Austria and Germany, the UK and Ireland and Northern Europe spend more time on their activities than the European average of 56 hours (Figure 18), up to 60 hours are spent in Southern Europe, 75 hours in Austria and Germany, and over 100 in Northern Europe. Only in France business angels spend less time on their activities, with 35 hours on average. One possible reason for the rather low amount of hours spent on business angel related activities in France is the relatively high share of co-investment, as non-financial support activities are provided most often by the lead investor. In France, the share of investors usually investing as lead is markedly lower than the European average (8% vs. 23% respectively). From there, it seems likely that in France a rather large share of business angels provides mostly financial support through syndicates, while a more concentrated group of business angels gets actively involved in companies.

Capacity to re-invest

Business angels are mostly keen to participate to 2/3 rounds of investments, with an average of 100.000 euros, if they think that the potential of the company is worth it. In certain countries, like Germany, the interviewees pointed out that the tax incentives do not cover follow-up funding, which can hinder the development of the companies.[42] Several business angels mentioned average durations from 6 months to 3 years between the rounds they are willing to re-invest. For example, in France, Business angels are not allowed to sell before 5 years and they do not benefit from tax incentives to re-invest.

[42] In the German context, these comments referred mainly to the INVEST program. This restriction has been revoked by the INVEST 2.0 program.

Support schemes

The majority (61%) of business angels report to have made use of at least one measure of public support for their most recent investment. However, there are strong differences between European regions (Figure 19). Most business angels make use of public support in France (87%), the UK and Ireland (80%) and Southern Europe (57%). A lower share of business angels received public support in the Benelux (53%), Austria and Germany (43%), and Central and Eastern Europe (32%).

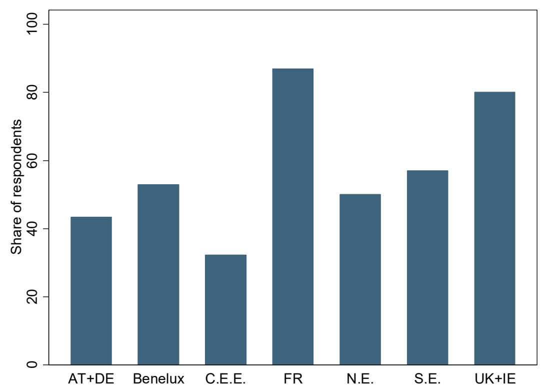

Figure 19: Share of Business angels making use of public support in most recent investment

Most business angels (59%) reported to use tax incentives among available public support schemes. 35% made use of grants or subsidies, and 38% reported co-investing with public funds. Figure 20 below shows differences among support schemes along geographical regions. In France, a larger share of business angels (79%) utilized tax incentives. Tax incentives are also important for the UK and Ireland, where 54% of respondents used the same. Grants and subsidies, generally reaching a lower share of business angels than tax subsidies, are mostly used in Austria and Germany as well as in Central and Eastern Europe. In the Benelux as well as in Southern Europe, co-investment with public funds is the most common support mechanism.

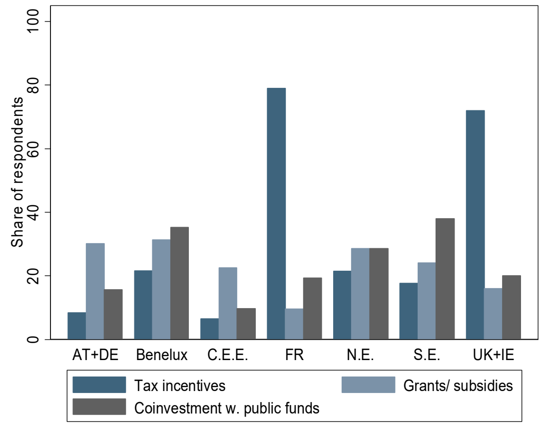

Figure 20: Support for Business Angel investment[43]

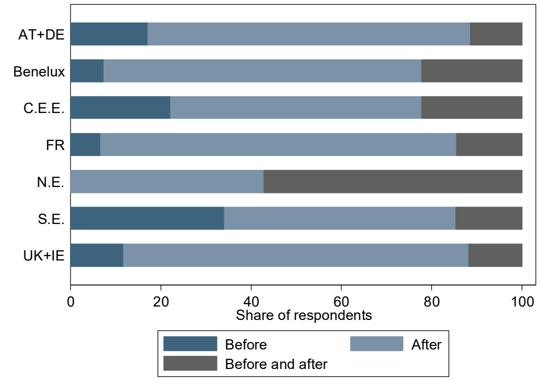

Figure 21: Timing of public investment support

The majority (69%) of business angels received the public support only after they made the investment. 14% received support before making the investment, and 16% received before and after. Figure 21 above shows the timing of investment across geographical regions. The proportion of business angels who received support before making their investment is markedly higher in Austria and Germany (17%), Central and Eastern Europe (22%) and Southern Europe (34%), which all rely to a lesser extent on tax incentives to support business angels.

[43] Switzerland: Omitted due to small sample size.

Expected evolution of investment strategy

The number of investments made by surveyed business angels can be expected to remain constant in 2017 to 2019 compared to 2014-2016. While 24% expect to invest less often, 50% expect a similar level of investment, and 26% expect to invest more often than they have done in the last three years. 19% expects to increase the size of their investments in the next three years, compared to 68% expecting a similar investment size, and 13% expecting to make smaller investment. Optimism about the future seems to be strongest in Central Eastern and Europe as shown in Figure 22 and 23 below, where 48% expect to engage in larger investment deals, and 30% believe to invest more often. Moreover, 42% of Southern European business angels expect to invest more often in the coming three years, and 39% of those in the UK and Ireland, and 28% of Northern European business angels expect to make larger deals. When it comes to co-investment behavior, there seems to be a tendency towards more co-investment with other business angels. Only 6% of respondents plan to invest less with other business angels, while 25% plan to increase this type of co-investment activity. Investors in Central and Eastern Europe are especially optimistic in this regard, where nearly half plan to increase co-investment activity with other business angels. At the same time, business angels in Europe expect to co-invest less with VCs and public funds. They also appear skeptical regarding co-investment with crowd funding platforms, but do expect some more co-investment with other kinds of investors.

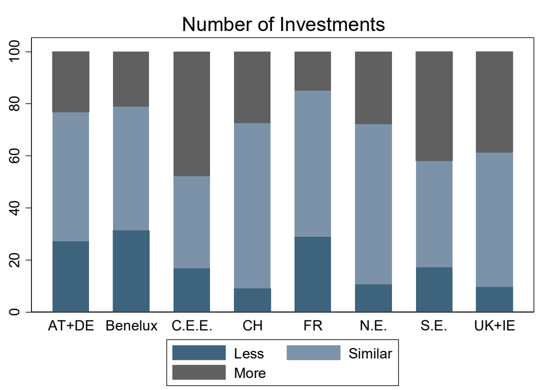

Figure 22: Expected evolution of investment: Number of investments

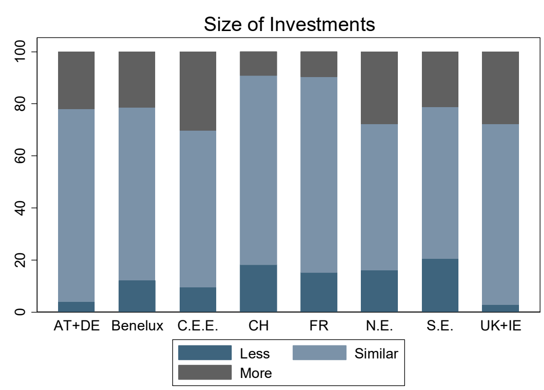

Figure 23: expected evolution of investment: size of investments

Factors for starting an investment

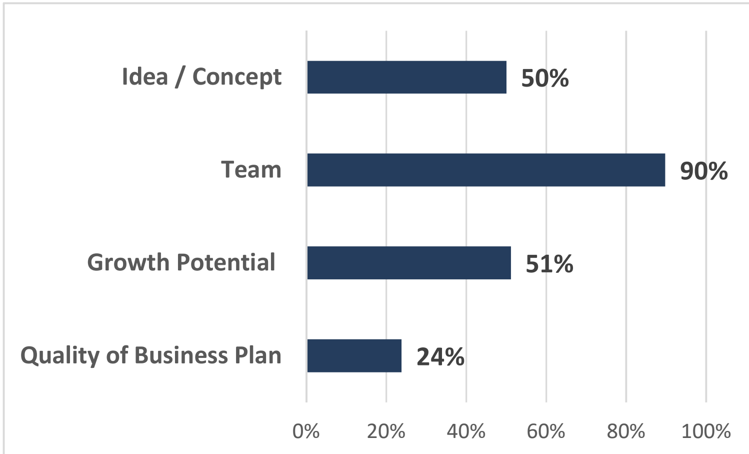

Figure 22: Decisive factors to start an investment – interviews

The team

The interviews indicated that the most common reason for starting an investment is factors related in some way or another to the team[44]. For 90% of participants, this is the most important decision-making criterion. The team is "very important, and must be reliable", must be "entrepreneurial and coachable". The team "should demonstrate stability and long-term commitment to the project", it "needs to have passion for the project". Many angels note that "personal chemistry with the entrepreneurs" and "relationship with the entrepreneur" is extremely important. Founders have to be "bright and inspiring".

Some of the views of business angels regarding team are as follow: "My philosophy is that an excellent entrepreneur will be able to carry out a good project, contrary to an excellent project carried out by an entrepreneur below the average". Angels shared that they look at the team before they look at the business or venture: "the first thing that attracts me is the idea, but even if it is brilliant, I won´t invest without the right team".

The centrality of the team can be crossed with the wish expressed by many business angels to invest in companies where they can "have an active role, be mentor(s)", as developed above. Another central dimension is the "trust" between the Business angels and the team, as said by one of the business angels "I need to trust the entrepreneur and get to know the people

[44] To be intended as the entrepreneur(s) founding the company.

behind the start-up", "to invest, I need trust and chemistry with the start-up. I have declined investments in good deals due to a lack of chemistry"[45].

The market growth potential and the scalability

When speaking about this condition, the business angels look at the market, the customers and their needs. It has to be big enough to be reached by the product / service proposed by the founders. One interviewee even declared that the time to market of a product should be below six months, and that business models need to be scalable as a condition to invest. Previous research also noticed the importance of the market size and growth potential[46].

The idea / the concept

To start an investment, business angels highlight that they look at the idea, the concept presented by the entrepreneurs. Half of participants emphasized the importance of this alignment between opportunity and investor, this is what academics and practitioners refer to as "investment fit". They must like it, understand it, and most of all, as mentioned very often, "believe in it". The investors have their own evaluation criteria, very diverse and sometimes personal, such as social, purely economic, regarding the sector or the stage of investment, but what gathers them at the time to start collaboration is the conviction of investing in a good idea.

The quality of business plan

Approximately a quarter of participants (24%) noticed that it is also important for the investors to see a solid business plan, not only to be able to take their decision based on objective criteria, but also to have proof that the entrepreneurs have an overall idea of their business, that they do not only focus on one aspect (development of the product, first stage, etc.). As

[45] This is also noticed in previous angel studies. Harrison, R. T., Dibben, M. R., and Mason, C. M. (1997). "The role of trust in the informal investor's investment decision: An exploratory analysis". Entrepreneurship Theory and Practice, 21, 63-82.; Sudek, R. (2006). "Angel investment criteria". Journal of Small Business Strategy Vol, 17(2), 89-103; Van Osnabrugge, M. (1998b). "The financing of entrepreneurial firms in the UK". Unpublished doctoral dissertation, University of Oxford. Manigart, S., Korsgaard, M. A., Folger, R., Sapienza, H., and Baeyens, K. (2002). "The impact of trust on private equity contracts". Vlerick Leuven Gent Management School Working Paper Series, 2002. 2002; Kelly, P., and Hay, M. (2003). "Business angel contracts: the influence of context". Venture Capital, 5(4), 287-312.

[46] Haines Jr, G. H., Madill, J. J., and Riding, A. L. (2003). Informal investment in Canada: financing small business growth. Journal of Small Business and Entrepreneurship, 16(3-4), 13-40.

mentioned by one of the business angels "I am reluctant to invest if the conception of the business plan is immature or the team is amateur and cocky. Being an amateur is okay if there is a willingness or demonstrated capacity to learn". Business angels need to evidence that the entrepreneurs have clear objectives, a business model, a timeline to develop their activity, etc. This is supported by a recent review of the literature that noticed that "business plan is not viewed as a key criterion, but as a necessary requirement since the document is only exactingly reviewed after the initial screening"[47]. Besides, when they think that the idea is great, and the team has the required qualities to run the business, the quality of the business plan can become secondary, and they can decide to invest without a solid business plan. Very often, business angel will help the entrepreneurs to work on it in order to improve some aspects left behind by the founders.

Other notable factors

The following other decision factors for investments were mentioned by business angels:

- Protected intellectual property and patents;
- International market potential at short term;
- The exit potential and the terms of investment (valuation);
- An ethical dimension of the company;
- A social responsibility, as well as a social impact;
- Operational metrics, such as user traction, churn, retention rate, market fit;
- A gender positive discrimination;
- Disruptive market or product;
- Other funds already raised by the entrepreneurs;
- More than one person in the founder´s team.

[47] Botelho, T. (2017). Angel diversity: studying the decision-making criteria. Doctoral dissertation, University of Glasgow. Available at: http://theses.gla.ac.uk/8083/1/2017BotelhoPhD.pdf pp. 88

Innovativeness and Research & Development dimensions

This dimension is seen as essential, playing a central role in investment decisions for 59% of the interviewees. It is important to highlight that Innovativeness must be intended in a large-scale sense, "innovation in the product or service itself, but also in term of processes and markets", as pointed out by many interviewees. Among these, 27% of the interviewees state that Innovativeness is the most important factor to start an investment. Some of the views on business angels on innovation are as follows: "with regard to the latter (innovative idea), innovative potential should not be intended just as disruptive power, but also as the ability of the idea to adapt to new market circumstances". "The innovative potential is an essential feature which orients my investment decisions (I prefer to have an "unbalanced" investment portfolio which entails a high percentage of risk but at the same time potentially high rewards). "Nevertheless, the team takes precedence over the idea, excellently executed while less innovative ideas can turn out as more successful businesses than the best idea which has a weaker team behind it". Business angels mostly pointed out innovativeness as a generic term. Innovativeness and R&D dimension are particularly important for business angels who invest in the new technologies sectors as a whole, e.g.: Med/HealthTech, FinTech, Biotech, AdTech. Practically all business angels who participated in the survey made their last investment in a firm which delivered, or planned to deliver, a product innovation, a process innovation, or both. As such, the data underscore that business angels are important contributors to the ecosystem of innovative firms. Product innovation seems to be the most important, 85% of respondents indicated this form of innovation, compared to 61% indicating process innovation. 53% of respondents indicated both options, with broadly comparable patterns of response throughout Europe. Other forms of innovation, notably marketing innovation (42%) and business model innovation (46%) are of comparable importance as process innovation. Organizational innovation is of lesser importance with only 23% investing in ventures with this kind of innovation (23%). Another angle to consider is business angel's contribution to innovative firms and how important academic spinoffs are for their investment activities. A sizeable 10% of surveyed business angels confirm that their most recent investment was in an academic spinoff. This share was especially high in Switzerland (33%)[48] and Central and Eastern Europe (20%).

[48] Note that this number of based on only a small sample of Swiss business angels who answered this question (12).

Factors hindering an investment

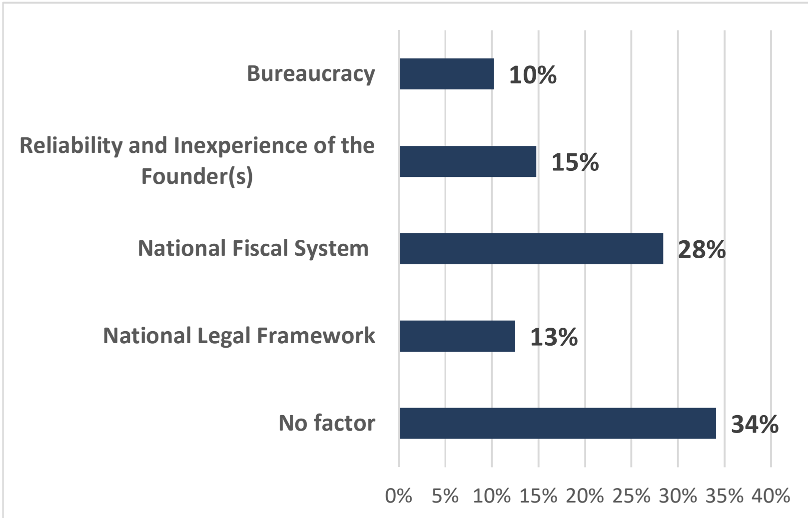

Figure 23: Factors hindering the decision to invest

More than one third of participants (34%) declared that no particular factor hinders their work as business angels, e.g. no specific barrier stops them to invest. The national fiscal system is stated as the principal barrier to business angels' investments (28%). Investors from Italy, Luxembourg, Poland, Netherlands, Croatia, Bulgaria, Ukraine, Denmark and Finland particularly complain about the high level of taxations in their country. A few participants (15%) declared that they do not invest if they do not trust the founding team, or think they don´t have the required skills / background / capacity to lead the proposed business. One interviewee mentioned that he rejected a good business opportunity once, because of the team. "Reasons to reject an investment opportunity are: the inability of the CEO to sell and promote his product, the low level of the team and poor knowledge of the team about the market or needs of target audience". For 13%, the national legal framework[49] represents a barrier to invest. This factor can also be linked to the 10% who complain about the excessive bureaucracy they have to face when starting an investment. The lack of recognition / accreditation of business angel as an official profession was also pointed out by 3 interviewees, as expressed by them, because of this issue, entrepreneurs do not necessarily trust business angels and will prefer receiving investments by other sources, such as VC.

[49] Intended as the legislations framing the business angels´ type of investment.

Exit strategies and return on Investment

Return to investment is analysed on the one hand through business angels self-assessed long-term rate of return on their investments and on the other hand through the exits they have experienced in the last three years.

Rate of Return

The average European business angel expects a cash-on-cash return of 30% on their investment. However, as shown in Figure 26,[50] return expectations differ substantially across Europe. The expectations of the average business angel in Austria and Germany and Central and Eastern Europe are significantly higher than the European average of 30%, at 41% each.

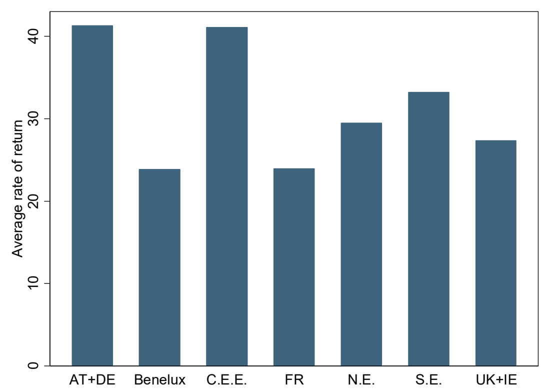

Figure 24: Average Long-Term Cash-on-Cash Rate of Return Expectations

[50] Switzerland: Omitted due to small sample size.

Exits

The average business angels reported at least one exit the last three years[51]. However, half of investors reported only one or two exits, and only the top ten percent reported 8 or more exits. The number of exits also differs substantially between regions, ranging from 2 exits at the median in the Benelux to 4 in the UK and Ireland (Figure 27 below)[52].

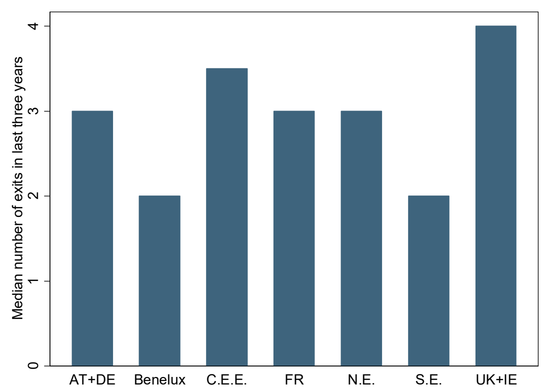

Figure 25: Median number of exits in last three years by region[53]

In terms of typical return, 51% of the exits reported by business angels were positive. 35% had a negative return, and 14% were considered to be neutral. The share of positive investments is smallest in France (Figure 28, 41%), where half of reported exits yielded a negative return (50%). On the other side, business angels in Central and Eastern Europe reported the highest share of positive exits at 64%. Only 13% of exits in this region are negative.

[51] Respondents were asked to indicate how many exits they experienced in the last three years, grouped by whether they were positive, negative, or neutral in terms of return, and whether they were executed through an initial public offering (IPO), a takeover, a buyout (by managers, co-investors, or financial co-investors), or in another way. Some care needs to be exercised in the interpretation of these numbers. We conservatively condition on reporting at least one exit to minimize bias, as the survey does not distinguish nonresponse and zero response. Negative exists might be underreported, as the listed reasons only include positive exists. Further, the survey truncated answers at 10 exits for each item, thereby possibly forming a downward bias on the number of exits. As such, these numbers should be considered to be indicative.

[52] We report the median number of exists to reduce bias due to the small sample size (n= 264)

[53] Switzerland: Omitted due to small sample size

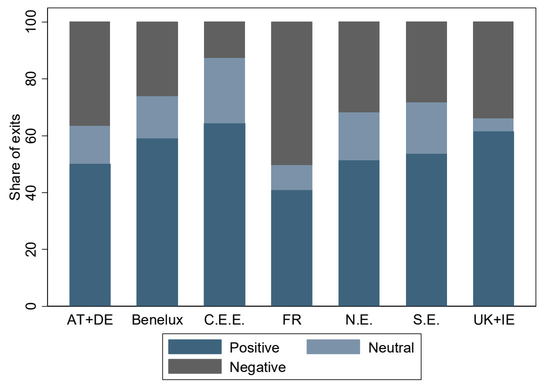

Figure 26: Return on exit[54]

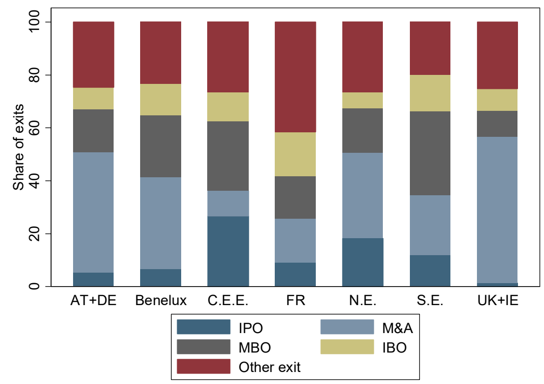

Figure 27: Exit mechanism

The source of the exit is approximately equally distributed across takeovers by other firms (M&A, 31%), buyouts by managers (IBO) or co-investors (MBO), 31% with 38% of buyouts through financial co-investors) and other forms of exit (28%)[55]. 10% of exits occur through initial public offerings (IPOs). Business angels in the UK and Ireland, and in Austria and Germany are more likely to exit their firms through takeovers as shown in Figure 29 above: 56% and 45%), whereas buyouts by management or non-financial co-investors are more common in Central and Eastern Europe and in Southern Europe (respectively 27% and 31%). Exits through IPOs are much more likely in Central and Eastern Europe than in the rest of Europe (27%).

[54] Switzerland: Omitted due to small sample size

[55] Most of the other forms of exit indicated by respondents refer to insolvency and bankruptcy.

8. Annex II

Country Fiches

As the first part of country fiche comprises of statistical data, the main derived indicators are expressed as ratios of total active enterprises or enterprises born in the reference period. Presented data refer to the business economy. Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU28) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa.

Business demography produces information such as birth rates, death rates, survival rates, and their employment shares. These main derived indicators are expressed as ratios of total active enterprises or enterprises born in the reference period. Presented data refer to the business economy, (excluding activities of holding companies – K64.2) according to NACE Rev. 2. A birth amounts to the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-off or restructuring of a set of enterprises. It does not include entries into a sub-population resulting only from a change of activity. A birth occurs when an enterprise starts from scratch and starts activity. An enterprise creation can be considered an enterprise birth if new production factors, in particular new jobs, are created. If a dormant unit is reactivated within two years, this event is not considered a birth.

The draft of each country fiche was sent to BAE and EBAN to be further circulated among their business angel networks and business angel experts, the list below provides validated country fiches of EU member states and few Horizon 2020 associated countries.

- Austria
- Belgium
- Bulgaria
- Croatia

- Cyprus
- Czech Republic
- Slovak Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Luxembourg
- Lithuania
- Netherlands
- Poland
- Portugal
- Romania
- Slovenia
- Sweden
- Spain
- Switzerland
- Turkey
- United Kingdom
- Ukraine

Austria

General presentation of the country[56]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	8.506.889	18.102.951	GDP per capita in PPS EU	130	100
Unemployment rate	5,60	10,47	GDP growth rate (average 2012-2014)	0,35	0,80
Entrepreneurial Activity		EU-28 average	**Entrepreneurial Activity**		EU-28 average
Enterprise birth rate (2013)	7,38	9,91	Enterprise death rate (2012)	7,29	9,61
Entrepreneurial Intention (2014)	8,15	9,43	Enterprise survival rate (2013)	73,87	64,57
Financial situation	2014		**R&D indicators**	2013	
Venture and growth capital	107.7		Total patents	1 370.2	
Outstanding business loans	136 606		Personnel in R&D	46 411.8	
No of SMEs Bankruptcies	5423		Gross domestic expenditure on R&D – Business Enterprise	4 523.654	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-0.66		Gross domestic expenditure on R&D – Government	376.538	
Interest rate SMEs	2.27				
Interest rate larger firms	1.74				

Average Costs Required for Starting a Business: 2000 euros

Minimum Capital Required for Starting a Business: 10,000 euros

Cooperate Tax Rates: 25%

[56] Date of collection: 13/12/2016
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/austria/paying-taxes

Short overview

In general, Austria has weathered well the global economic and financial crisis and this crisis did not lead to a significant increase in the unemployment rate (Much lower level than the EU-28 average. However, recent data from May 2016 shows a slight increase in the Austrian unemployment rate up to 6%). Nevertheless, the country's economy has been on a rather flat growth path since 2012(As reflected in a GDP growth rate 2012-2014 lower than the EU-28 average, although positive). A light investment activity has been one important reason for this performance. However, the GDP per capita in PPS is higher than the EU-28 average. According to "Spring 2016 Economic Forecast" by the European Commission,[57] the economic growth is expected to accelerate in 2016 and 2017 despite slow international demand and deteriorating business and consumer sentiment.

The enterprise birth rate is 3 points lower than the EU-28 average, showing that Austrian entrepreneurs might be facing more obstacles when launching a new business. This negative data is balanced by the positive performance concerning the enterprise death rate (lower than the EU-28 average) and the enterprise survival rate (higher than the EU-28 average). It displays that, once the Austrian businesses are launched, they are better safeguarded by a favourable and stable national economy. Despite these encouraging indicators, the entrepreneurial intention is however at a lower level and below the EU-28 average.

Polices and Regulations supporting business angel Investments

Austria is economically stable and strong country. There are many networks, investment capitals, equity funding and crowd funding platforms available. Funding and support is available at every stage of company and for all ages. There are many funding schemes and support available to youth right after they finish their higher education or during the studies for their innovative ideas. Along with business angel network and equity investment, many organizations provide platforms to initiate business with basic facilities. Austria has well established and transparent ecosystem. Many families also work as business angels and provide basic facilities, support and funding to start a business. Many high tech companies have provided funding support to promote digital business.

There are various tax incentives (e.g. R&D allowances and premium, education allowance and premium, tax allowance for invested earnings) granted to investors in Austria. The Corporate Income Tax Act (Körperschaftssteuergesetz – KStG) provides for a special fund vehicle named Mittelstandsfinanzierungsgesellschaft (MFG), or mid-sized business financing company. It introduces a tax favoured regime for small and medium size enterprises. During the first five years after its foundation, an MFG is completely freed from corporate taxes and therefore also from taxation of capital gains[58].

Moreover, Austria has taken steps in 2013 to improve start-up conditions through a reform of the limited liability company. It reduced the needed start-up capital and related costs for notaries and lawyers and dropped the requirement for announcement in paper form. The reform has led to a boost in the rate of limited liability company start-ups, but has also had some adverse effects, as established companies merely changed legal form to reduce their equity base and save on taxes. An amendment that tackles these adverse effects entered into

[57] https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts_en
[58] https://www.jusline.at/Koerperschaftsteuergesetz_(KStG).html

force in March 2014. It leaves the improved start-up conditions for this legal form unchanged for the first ten business years, including a reduced minimum corporate tax.

There are some opportunities for cross border corporations, non-resident corporations are taxed only on their income from Austrian sources. The taxation on non-resident corporations may be reduced under a double taxation treaty between Austria and another state or country. Furthermore, Austria offers foreign investors a broad spectrum of investment incentives, grants and subsidies, for example, to assist small and medium-sized enterprises, support research and development and the launching of company start-ups, as well as investment and technological promotion measures. The type of funding ranges from cash grants and interest subsidies to loan guarantees. This extraordinarily extensive portfolio of incentives enables companies to take advantage of incentive programmes tailored to their individual requirements

Relevant policies and public help in support of business angel investment

Overall the business angels market is strong and visible. i2 Business Angels Austria[59] acts as national federation and nationwide think tank and market place for Angel Investors and Seed funds. It is correct to say that business angel market is strong but in terms of growing, it is not easy to determine at which pace the market is growing because for a business, financial support is the main requirement and in Austria there are several options to get funds for start-ups. Business angel investment is one source of funding but it is not difficult to get financial support from other sources. According to European Start-up Monitor – Country Report Austria 2015[60] "In order to start businesses, almost all founders invested their own money (89.9%). The second most important source of funding is public grants. Nearly half of the start-ups (48.6%) received money from a federal or state agency. Family and friends are the third major source of money (24.8%), followed by bootstrapping (24.8%) and business angels (23.9%). Venture Capital (10.1%), bank loans (11%) and crowd funding are currently less common sources of funding". Talking about Business angels, The European Angels Fund (EAF) is an initiative advised by the EIF which provides equity to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments.

The initiative has initially been launched in Germany in 2012, meanwhile expanded to Spain and Austria and is about to be rolled-out in other European countries and/or regions. European Angels Fund S.C.A. SICAR - aws Business Angel Fonds Austria (EAF Austria)[61] is 32.5 million euros initiative funded by EIF and Austria Wirtschaftsservice GmbH (aws) – the Austrian federal development agency financing companies based in the country on behalf of both the Austrian Federal Ministry of Economy and the Federal Ministry of Finance[62]. EAF Austria has been established in December 2013 as one of the first compartments under the regulated European Angels Fund umbrella structure focusing on investment activity in Austria. EAF Austria aims at providing equity to business angels and other non-institutional investors to finance innovative companies in the form of co-investments. The initiative has initially been launched in March 2013 and it is advised by EIF in cooperation with aws as a sub-advisor[63]. The aws Business Angel Fonds is to promote public private investment partnerships in order to address risk-aversion of venture capital, e.g. by creating national co-investment funds between public

[59] http://www.business-angels.at
[60] https://www.wu.ac.at/fileadmin/wu/d/cc/gruenden/Fotos/ESM_Report_finalV2.pdf
[61] http://www.businessangelfonds.at
[62] http://www.aws.at/
[63] http://www.eif.org/what_we_do/equity/eaf/Austria.htm

entities and private investors on a national level been established[64]. A public Seed Financing Scheme is available for financing of innovative start-ups of up to 800.000 euros per start-up.

The Alternativfinanzierungsgesetz (Alternative Financing Act) which came into force on August 2015 covers alternative finance such as shares, equity shares, bonds, shares in cooperative, participation rights, silent partnerships and subordinated loans. In terms of crowdfunding it covers both securities and lending-based crowdfunding. Below 100,000 euros, there is no duty to inform. For an offer of shares or bonds equal or more than 250,000 euros, a simplified prospectus and over 5 million euros, a capital markets prospectus is required. One individual investor can invest up to 5,000 euros per project within a period of 12 months or in case of a monthly income higher than 2500 euros, can invest a double of his income or 10% of his assets.

[64] https://www.awsg.at/Content.Node/files/sonstige/Compendium-Co-Investment-Funds-2014-v1.pdf

Belgium

General presentation of the country[65]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	11,203,992	18,102,951	GDP per capita in PPS EU	119	100
Unemployment rate %	8.50	10.47	GDP growth rate (average 2012-2014)	1.30	0.08
Entrepreneurial Activity		EU-28 average	**Entrepreneurial Activity**		EU-28 average
Enterprise birth rate (2013)	3.59	10.8	Enterprise death rate (2012)	2.40	9.61
Entrepreneurial Intention (2014)	10.55	11.5	Enterprise survival rate (2013)	82.38	64.57
Financial situation			**R&D indicators**		
Outstanding business loans	161,881		Total patents filed under PCT in Applicant country	1106,6	
Venture and growth capital	323408		Personnel in R&D	15,823	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-8.55		Business Enterprise R&D expenditure (BERD) By economic activity (total	7,032.52	
No of Bankruptcies	10736		GOVERD as % of total public expenditures on R&D	2,807.71	
Interest rate SMEs	2.09%				
Interest rate larger firms	1.77%				

Average Costs Required for Starting a Business: 1810 euros

Minimum Capital Required for Starting a Business: 6,200 euros

Corporate Income Tax: 33%

[65] Date of collection: 13/3/2017
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/austria/paying-taxes

Short overview

Even though the impact of the 2008 economic crisis had a relatively low impact in the country, Belgium has not yet reached the pre-crisis growth rates. Nevertheless, the overall economic performance of the country is better than the EU 28 average when it comes to GDP growth rate with 0.5 percentage point higher and an unemployment rate of almost 2 percentage point lower.

Belgium has a relatively low enterprise birth rate and a low enterprise death rate in comparison to the EU-28 average. The enterprise survival rate is quite higher than the EU-28 average with almost 20 pp higher. However, the data on birth rate contradicts partly our analysis that Belgium has a welcoming environment for start-ups and SMEs where it is relatively easy to start a company. According to the World Bank "Doing Business" 2016 survey, Belgium is ranked at the 43rd place and it is considered a good environment for starting and conducting a business, with the strong presence of international consultancies, a very open economy and many international institutions.

Belgium is an economically stable and strong country that has put innovation and entrepreneurship as the main goal for its economic development, having all political entities adopt measures to support this objective. Additionally, there are many networks, investment capital, equity funding and crowd funding platforms available. Along with business angel network and equity investment, many organizations provide platforms to initiate business with facilities and incubation activities. Nevertheless, the complex political ecosystem does not facilitate the transfer of competences and knowledge.

Policies and Regulations supporting business angel investment

The Belgian economy has been recovering at a slow pace. Having long realised the potential of supporting the investment in R&D and in innovation the country has put in place several policy measures, both at federal and regional level, to give SMEs easier access to credit and foster private investment. These include microcredit, spin-off funding, access to equity, VC and business angels, specific investments in creative industries and tax deductions in support of the ecosystems (e.g. funds for start-ups and for seed development). It should be noted that there is not taxation of capital gains in Belgium.

At federal level, Belgium has adopted the "Digital Belgium" action plan, which outlines the digital long-term vision and ambitions with the target to put "Belgium more firmly on the digital map" and for "Belgium to get into the digital top three of the European Digital Economy and Society Index, for 1,000 new start-ups to take root in the country and for the digital revolution to deliver 50,000 new jobs in a variety of sectors"[66]. The main outcomes of this programme concerns the tax shelter for start-ups, a tax discount for individuals for up to 100.000 euros a year for a tax deduction of 45% when investing in micro-enterprises or 30% when investing in SMEs[67].

At regional level, the three Belgian regions have each adopted specific programmes. As part of the "Digital Wallonia" programme, the region created WING, a public investment fund for pre-seed or seed investments for the initial investment with a capacity to follow-up with further financing for companies in the ICT sector.

[66] http://www.digitalbelgium.be/en

[67] http://www.eban.org/wp-content/uploads/2014/09/12.-Compendium-fiscal-incentives-2012.pdf

Additionally, Wallonia created in 2011, "Pôles de compétitivités" to ensure better connections between enterprises of 5 selected sectors within Wallonia. For Flanders, the main programme is Invest in Flanders, which provides tax breaks for R&D Investments or for exempting employment in R&D staff. As for the Brussels Region, the strategy for innovation and research (Innovative Brussels) puts together strategy, funds and support structure. It has 5 objectives: 1) use smart specialisation to drive development of the economy and employment; 2) create a favourable environment for innovative companies; 3) increase the attractiveness of Brussels as the European hub for knowledge; 4) increase Brussels' participation in European projects; 5) strengthen the governance of innovation.

Initiatives for business angel and alternative financing

The business angels market in Belgium emerged in the 90's with 7 business angel networks that assured a complete coverage of the Belgian area[68]. Nowadays the business angel market in Belgium is a dynamic, visible and organized in two networks, BAN Vlaanderen and Be Angels covering the whole country that count more than 400 business angels)[69]. In 2015, both networks gathered 400 business angels, investing in 42 companies 8 million euros. Risk-Capital investments are also strongly encouraged since mid-2015 by tax incentives (tax shelter for start-ups) and a strong start-up ecosystem is growing in Belgium[70]. Moreover, for business angel investing through a co-investment or angel fund a specific favourable tax regime is applicable, PRICAF's (specific fund subject to investment conditions). The income of a PRICAF's is generally not subject to tax. The ARK Angels Fund and the AAAF, both co-investment funds operated by BAN Vlaanderen (non-profit organization in the Flanders region of Belgium created in 2004)[71] are private PRICAF's which also fall under the PRICAF regime.

Initiatives to stimulate innovation and entrepreneurship developed by the regional governments had a positive impact on VC investments. A study, conducted by Ernst & Young and venture capital research firm Dow Jones Venture One, puts Belgium in 4th place in Europe for venture capitalist investment[72]. To promote VC in Belgium and to improve its image the Belgian Venture Capital & Private Equity Association (BVA), a professional association whose objective is to organise the networking of VC and PE, was founded.

Overall, the business angel market in the country is strong and visible but it is not difficult to get financial support from other sources. In general, Belgian crowdfunding market is experiencing a positive evolution and growth. The regulation for crowdfunding is coordinated via the FSMA (Financial Services and Markets Authority) and for financial crowdfunding below 100,000 euros funding amount there is no prospectus obligation or limits on amount per investor; between 100,000 euros-300,000 euros funding amount there is exemption from the prospectus obligation, but with limit of 1000 euros per investor per company and above 300,000 euros funding amount prospectus regulation applies[73]. Banks are also taking an active role in the domain of crowdfunding.

However, they have taken a different position, for example, KBC has launched its proprietary platform for crowdfunding and BNP has a dual approach. They are partner to an equity crowdfunding platform and have launched a reward platform based on their own brand. Similarly, the Government has taken an active role in launching, operating and financing crowdfunding platforms. For examples, Boekensteun was launched by the Flemish government to facilitate crowdfunding for books and Growdfunding is a platform launched by the Brussels

[68] http://www.businessangelseurope.com/News/Documents/BAE_Book_final.pdf
[69] http://www.beangels.eu/files/uploads/2013/09/Be-Angels-brochure-2000-2015-_comb_NWI-13-12-2016.pdf
[70] http://www.beangels.eu/files/uploads/2013/09/Be-Angels-brochure-2000-2015-_comb_NWI-13-12-2016.pdf
[71] http://www.eban.org/wp-content/uploads/2015/12/Co-Investment-Funds-2015-17-12-2015_FINALV51.pdf
[72] https://www.flandersinvestmentandtrade.com/invest/en/news/belgium-ranked-4th-in-europe-venture-capital
[73] http://www.crowdfundinghub.eu/current-state-of-crowdfunding-in-belgium/

government to support crowdfunding for non-profits in the Brussels region. Crowdfunding Gent is a platform launched by the city of Ghent to encourage mostly non-profit projects in the region of Ghent[74].

To conclude, the most active sectors in the Belgian VC and private equity scene are the digital business, manufacturing, retail and life sciences/healthcare sectors. It is expected that this trend will continue in 2017. FinTech continues to gain momentum in Belgium, with FinTech-specific accelerators being set up. It is expected that the FinTech sector to further grow in 2017, especially with the presence of business angels with a professional background in the FinTech sector looking for investment opportunities[75]. In 2016, the Belgian government also improved the so-called 'start-up tax shelter' for equity investments made by natural persons in start-up businesses. The purpose of the tax shelter is to support Belgian start-up businesses that are facing a funding gap: if a natural person (either Belgian or foreign tax resident) makes a qualifying equity investment in a start-up business, they are entitled to a personal income tax credit of up to 30,000 euros (rising to 45,000 euros if certain conditions are met). Before February 2017, the equity investment had to be made directly into the business. But from February 2017, because of the law organizing the recognition and supervision of crowdfunding adopted on 18 December 2016 (official gazette: 20 December 2016), the realization of such equity qualifying investments will also be possible via a crowdfunding platform or a starter fund/private starter pricaf[76].

[74] http://www.crowdfundinghub.eu/current-state-of-crowdfunding-in-belgium/
[75] http://www.osborneclarke.com/insights/private-equity-and-venture-capital-in-belgium/
[76] http://www.osborneclarke.com/insights/private-equity-and-venture-capital-in-belgium/

Bulgaria

General presentation of the country [77]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	7,245,677	18,102,951	GDP per capita in PPS EU	47	100
Unemployment rate %	11.4	10.47	GDP growth rate (average 2012-2014)	1.4	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	11.9	9.91	Enterprise death rate (2012)	12.0	9.61
Entrepreneurial Intention	9.7	9.43	Enterprise survival rate (2013)	67.1	64.57
Financial situation	2014	EU-28 average	**R&D indicators**	2014	EU-28 average
Outstanding business loans	/		Total patents filed under PCT In applicant's country of residence	/	
Venture and growth capital	/		Personnel in R&D	/	
No of Bankruptcies	/		Business Enterprise R&D expenditure (BERD) By economic activity (total)	223.416	
Bankruptcies, SMEs (%, Year-on-year growth rate)	/		GOVERD as % of total public expenditures on R&D	113.94	
Interest rate SMEs	/				
Interest rate larger firms	/				

Average Costs Required for Starting a Business : 2 BGN (~ 3,9 euros)

Minimum Capital Required for Starting a Business : 232,5 BGN (~ 118 euros)

Corporate Income Tax : 10 %

[77] Data Collected on 17/02/2017
http://ec.europa.eu/eurostat and http://www.doingbusiness.org/data/exploreeconomies/bulgaria

Short overview

The Bulgarian economy is very dependent on foreign investments and was seriously affected by the economic crisis. In June 2014, the failure of one of the biggest Bulgarian banks [78] strained the financial stability, at least temporarily. High liquidity and support schemes prevented wide-spread banking crisis. The GDP growth rate, higher than the average EU-28, has been experiencing recent positive trend and has been improving since 2013 due to an increase in the domestic demand. The economic recovery has lowered the unemployment rate from 13% in 2013 to above 11% in 2014 (and around 7% in 2016).

In terms of entrepreneurial activity, the enterprise birth and death rates, as well as the enterprise survival rate, are all higher than the EU-average. However, according to the Global Entrepreneurship Monitor 2016, [79] the most critical constraint to entrepreneurship further development in the country is the lack of government support aimed at making entrepreneurship a national priority. Moreover, access to finance is also a common obstacle, as it is directly related to the low financial literacy of the early entrepreneurs. Due to the limited possibilities for funding in Bulgaria part of the entrepreneurs are looking and applying for funding across Europe. This lead to leakage of good talents and projects abroad. In the last couple of year local start-up organizations, incubators, pre-accelerators, accelerators and programs were created which contributed to the rise in the number of start-ups through the years.

Policies and Regulations supporting Business Angels investment

As the other main sources of funding, Bulgarian business angel market is steadily acquiring importance in the last few years. This development should be contextualised in the recent growth of the Bulgarian start-up sector, which experienced a concrete development over the last two decades. Nowadays, Bulgaria is considered to be one of the most advanced start-up hub in Europe in the field of IT[80]. This goal has been achieved thanks to the commitment of many engineers and software specialists, who established their own IT business in the 90s, during the transition from a planned to a market economy. Thanks to the adoption of a healthy spirit of collaboration and the focus on the global market, Bulgarian specialists could create several “success stories” (e.g. Datex, Fadata, Telerik, Chaos Group), which set the basis for the current start-up sector development (with low cost of living and presence of high-quality IT talent as the most relevant features).

The local start-up ecosystem, which attracts and stimulates private investments, entails also specific events (e.g. DigitalK and WEBIT in Sofia) which aim at gathering together potentially successful entrepreneurs, experienced investors and speakers from the local and global scene. It is important to mention that Bulgaria benefits from one of the lowest corporate income tax in Europe (10 %), which can be fully deducted by companies that carry out manufacturing activities in municipalities with high unemployment.

At the same time, well-structured policies for young entrepreneurs have been implemented by the national government (e.g. vocational traineeships for 12-18 years old students, funding programmes for students who want to translate their business idea into a reality and an additional measure to promote more actively the “Erasmus for Young Entrepreneurs” programme). Bulgarian policies seem also to be aligned with EU directives and provision on pan-European start-up Visa and flexibility in human resources management for small companies[81].

[78] http://www.forbes.com/sites/francescoppola/2014/08/18/the-bulgarian-banking-disaster/#30d462839ae6
[79] http://www.gemconsortium.org/country-profile/139
[80] http://www.start-updorf.de/bulgaria-the-start-up-hidden-champion-of-europe/
[81] http://www.europeandigitalforum.eu/start-up-manifest-policy-tracker/country/BG

Policies and regulation supporting start-up development and business angels investments also foresee tangible incentives provided to VCs (e.g. 0% corporate tax in 138 municipalities with unemployment rate higher than the average level; 0% capital gains tax - income from transactions on capital market; social security burden reduced) and measures under the Employment Promotion Law including grants for unemployed persons as a lump sum to partially finance expenditures for start-ups' establishment. In addition, accelerated tax depreciation of machinery, production equipment and apparatuses is provided if part of the initial investment or acquired in connection with an investment made to increase energy efficiency.

On the 9th of May 2016, a public discussion on a Draft Act of Innovations was initiated by the Bulgarian Ministry Council. The legislative act aims to boost competitiveness and innovative potential and thus create a knowledge-driven sustainable economy. Nonetheless, the draft has not yet been proposed for adoption by the Bulgarian Parliament.

Initiatives for business angels and alternative financing

Surprisingly, no direct incentives of any kind are foreseen for business angels, which for this reason are acting more and more often jointly with VCs (or relying exclusively on personal financial resources). The only available mentioning of "angels" in the legal framework in Bulgaria can be found in the SME ACT. In essence, the invested companies will be considered autonomous (non-affiliated) if business angel investments (considered to be carried out by "legal entities or individuals in non-listed companies") are within the limit of 1.250.000. The status of an SME provides on its own major benefits, especially in relation to and access to government and international finance, including EU funds. Currently the Bulgarian Association of Business Angels (BABA) working on a proposal for tax incentives for BAs in Bulgaria. The proposal will be submitted to the Ministry of Economy and Ministry of Finance in June 2017.

It is important to state that Bulgaria business angels, apart from a less consistent minority which is currently investing abroad, still seem to be lacking in mentorship skills, while disposing of significant financial resources. Essentially, Bulgarian business angels seem to be not adequately experienced in the field, due to the recent expansion of business angel market itself. In addition, they seem to have the tendency to act alone, without pooling into groups or associations. The only form of close cooperation between Angel Investors and entrepreneurs is ensured by the Bulgarian Association of Business Angels, an online platform "which is intended to help connect those that have ideas, a sense of entrepreneurial skills and lack financing with private investors that are interested in doing business in Bulgaria or other South East European countries".

Currently BABA start a lot of initiatives to attract, train and catalyse investments from business angels. In 2016 (first year of operations of BABA) was made 4 investments by business angels (most of them invested for the first time). In 2017 the expectation is to make more than 10 investments in Bulgarian start-ups through BABA. BABA is an NGO which are structured by individuals/business angels striking to build the business angels community in Bulgaria and to establish business angels' networks in the big cities across Bulgaria. On the other hand, other sources of funding for start-ups appears to be well structured and widespread. Among them, pre-seed and seed stage venture funds Eleven and LAUNCHub are the most striking examples. The two funds were appointed in 2012 by the European Investment Fund (EIF) as the managing authorities for the Entrepreneurship Acceleration and Seed Financing Instrument with 21 million euros (9 million in ICT focused fund and 12 million euros in innovative young businesses) under the JEREMIE Holding Fund. Together, they have invested in about 200 start-ups and are now considered to be the leading funds in the entire Southern Europe region. Other relevant VC funds are: Neveq Capital Partners (Seed and Series-A VC partially supported by JEREMIE initiative), Black Peak Capital (co-investment fund) and Empower Capital (growth-stage VC fund, also empowered by EIF).

Croatia

Short overview

Croatia became a member of the EU in July 2013 in the midst of a six-year long recession. Joining the EU and consequently being able to absorb EU investment funds helped the economy to recover. Nowadays, the Croatian economy is in good shape, though the unemployment rate remains relatively high at 16.3% (2015)[82].

The start-up ecosystem in the country is young and thriving. At the same time, there is little access to capital. That is why a lot of great start-ups and winners of many global start-up competitions have to go an extra mile to find investment. For years now, Zagreb has grabbed the attention from a lot of start-up people worldwide. It's located in the heart of Europe, yet living here is cheaper than in other major start-up cities like London or Berlin. Although there have been some steps forward, the structural conditions are discouraging, such as the bureaucracy for creating businesses (long and expensive procedure).

There is no particular reason why entrepreneurial culture is not very strong yet. Activities of business angels in Croatia started developing relatively late, having emerged as a new kind of informal financial investors in the Croatian economic and financial market. There are few business angel networks, strong and active one, constantly improving business angel ecosystem in Croatia. Among them CRANE is a non-profit association which brings together private investors interested in investing in innovative companies in their early stages of development. The association was founded in 2008 as a joint initiative of partner institutions Agency for Export and Investment Promotion, Poteza Ventures, Croatian Private Equity and Venture Capital Association, Association for promoting software and online entrepreneurship "Initium" and successful entrepreneurs. Up until 2015, members of Crane have invested over 20 million Kuna in Croatian companies[83]. Although the major part of economy relies on tourism and industrial sector of export. This can divert attention to the fact that potential of youth and businesses with innovative ideas is not explored yet. The county has a variety of tax exemptions, reliefs and incentives but only a few general fiscal incentive measures, regulated by the Investment Promotion Act, can also be applied for direct business angel investment. These are: 1) incentive measures to investment projects covering the manufacturing sector, technology centres, and strategic business support services; 2) custom incentives, for creating new jobs or for education in relation with the investment; 3) state grants for R&D projects with a corporate income tax deduction up to 100%[84]. Another obstacle in creating an entrepreneurial culture could be the constant change of laws and rules which is devastating for business. Other reason is lack of tax benefits for investing in start-ups - investors still don't receive any relief on their Investment in EUR in start-ups".

On positive note, the Croatian Government has most recently launched a new initiative to support development of private equity and venture capital markets in Croatia. The Croatian Government, as public investor, will invest alongside private investors in private equity and VC funds and thus significantly strengthen risk capital financing for innovative small and medium enterprises (SMEs) and start-ups in Croatia[85]. Other

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[82] https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/croatia/economic-forecast-croatia_en
[83] http://www.crane.hr/en/home/#
[84] http://www.eban.org/wp-content/uploads/2015/12/Compendium_FISCAL_2015-17-12-2015FinalV71.pdf
[85] http://documents.worldbank.org/curated/en/548961468178185260/Croatia-Innovation-and-Entrepreneurship-Venture-Capital-Project

sources of funding such as, crowdfunding is currently a big challenge in Croatia. Crowdlending is strict regulated by the law on capital markets making the whole procedure complicated and expensive. However slow progresses are being made, the number of campaigns backed, started or successfully produced and funded by Croatians has increased over the last years[86].

In the past few years, there is a growth in foreign accelerators investments in Croatian start-ups. Venture capital funds and business angels have invested a total of EUR 30 million, and the biggest part of it, 22.15 million euros came from the USA, and 7.79 million euros from Europe. In 15 start-ups, 5.67 million euros was invested in 2012, 2.48 million euros in 2013, while in 2014, and rapid growth was recorded to 21.81 million euros[87].

Although start-ups in Croatia have become more important, the investments are still small. According to the conducted research, the value of business angels' investments in the international economy is much greater than other venture capital investments[88]. There are also new incentives given through the strategic plan of the Croatian government for the sector of entrepreneurship and crafts 2015-2017, which are provided within the new regulatory framework: (1) approval of tax incentives for business start-up companies (including the promotion of employment of highly qualified personnel); and (2) granting tax relief to investors in start-up companies, which would encourage the development of risk capital markets and business angels (Strategic Plan of the Ministry of Entrepreneurship and Crafts 2015-2017). Business angels need certain information and initial assistance to find new interesting investment projects. They also need assistance in the legal implementation of projects and in their connection to ensure a proper and coordinated operation. In order to achieve such a connection, the most suitable form is to join a National business angel network or organization such as CRANE.

[86] http://www.crowdfundinghub.eu/the-current-state-of-crowdfunding-in-europe/
[87] http://www.davidpublisher.com/Public/uploads/Contribute/57440d170927b.pdf
[88] http://www.davidpublisher.com/Public/uploads/Contribute/57440d170927b.pdf

Cyprus

Short overview

Cyprus, one of the smallest EU member states, exceeded international expectations by turning its economy around in just 3 years following a devastating financial crisis and has been ranked as one of the fastest growing EU economies.

Cyprus became the fifth EU member state to request a financial assistance package from Troika (European Commission + European Central Bank + International Monetary Fund). Restructuring the economy and restoration of credibility in Cyprus' banks has been a top priority for the country, through implementation of tough austerity measures to restructure and diversify its economy, the country's economic recovery has been faster than many first projected. Although there is still work to be done (e.g. reduce high levels of non-performing loans and lower public debt) before Cyprus can declare that it has put the crisis fully behind it, foreign investors are showing interest in the country[89].

The start-up ecosystem in the country is dynamic, supportive and actively engaged in policy advocacy for start-up policies in the country and Europe. The local start-up scene is complemented by the local government's commitment in doing their best to aid the ecosystem, having ratified and currently implementing the National Policy Statement on Entrepreneurship. Start-up Cyprus is the entity that culminates the Cyprus ecosystem's efforts to realize the pledge made by the Cyprus start-up community. Cyprus probably has the most competitive start-up and investment incentives in Europe, offering an attractive and transparent tax regime (compliant with EU, OECD and international laws and regulations), one of the lowest corporate income tax rates in the EU, no withholding taxes, attractive IP regime with an exemption from taxation of 80% of the gross income and personal tax exemptions for new residents and non-domiciles. In addition, individual business angels investing in innovative start-ups or funds investing in innovative start-ups registered in Cyprus can benefit from one of the highest tax relief discipline in the European Union.

One cannot expect to see a positively surprising list of business angel networks in Cyprus due to its geographical limitations as well as population. Cyban, the Cyprus Business Angels Network was founded in 2013 and is the only angel investment network in the country. Cyban's main objective is to connect the most innovative and fast-growing companies in the country to smart equity finance and promoting the business angels ecosystem in the country. The first co-working space in Nicosia, Capital Impact, was also an initiative of Cyban. Cyban's current 40+ investors organize events to promote entrepreneurial culture and they have already invested a total amount of about 4 million euros in a number of start-ups. Since January 2017, a change in the income tax law provides incentives for direct business angel investment, allowing up to 50% of the individual investor's taxable income to be tax deductible.

In 2016 the government has initiated a series of discussions with interested parties in an effort to introduce alternative financing mechanisms/instruments such as: business angels, VC and crowdfunding platforms[90]. Cyprus' legal framework is all-encompassing and, at the same time, attractive enough to establish investment

[89] http://www.cyprusprofile.com/en/economy
[90] http://ec.europa.eu/DocsRoom/documents/22382/attachments/6/translations/en/renditions/native

funds, which can meet diverse investor requirements and can accommodate a number of investment objectives including: Private Equity, Venture Capital, Funds of Funds and others[91]. Crowdfunding market in Cyprus is still evolving and began to establish itself in 2016. Currently, there is only one crowdfunding platform in the country which involves campaigns supporting charitable causes or the promotion of innovative ideas. Cyprus does not have a specific national regulation in place applying to crowdfunding[92].

Overall, Cyprus has a strong business environment, a highly educated workforce and a favourable tax regime and is looking ahead, with measures to reform public spending, accelerate initiatives to boost investment and develop the investment fund sector.

[91] https://www.lawyer-monthly.com/2017/03/why-cyprus-is-the-country-to-invest-in/
[92] http://crowdfunding4innovation.eu/country-fiches/country-fiche-cyprus

Czech Republic and Slovak Republic

Short overview

Czech Republic and Slovakia emerged as two separate countries following the dissolution of Czechoslovakia on January 1st, 1993. Located in the centre of Europe, Czech Republic is now one of the most stable and prosperous countries in Central and Eastern Europe. Its economic performance has ensured its successful entry into the EU in 2004. Maintaining an open investment climate has been a key element of the Czech Republic's transition to a functioning market economy[93]. The country offers a relatively low-cost structure, a well-qualified labour force and lower wage costs. The Slovak Republic (Slovakia) is a landlocked country in Central Europe that joined the EU in 2004 and the euro zone in 2009. Since its separation from the Czech Republic, Slovakia embarked on an ambitious plan of deep structural reforms (to the taxation, healthcare, pension and social welfare systems) with a vision to become one of the best business locations in the EU[94]. However, recent increases in corporate taxes, as well as changes to the Labour Code, slow dispute resolution, and ongoing corruption potentially threaten the attractiveness of the Slovak market[95]. Today, Slovakia is widely seen as a success model for other EU countries for creating an investment and business-friendly environment[96].

The Czech Republic is a country with a strong industrial sector and in recent years the government has been making an effort to encourage businesses based on new technologies. Unfortunately, entrepreneurs and start-ups in this country still haven't got a strong network of investors and business angels to provide the necessary focus to government on developing framework for new start-ups. However, there are opportunities and active investors available like 3TS, Rockaway, Credo Ventures, Miton and StartupYard who are helping a number of start-ups. Furthermore, the growing entrepreneurial community has already begun to generate different annual events. The activity of business angels in Czech Republic, and consequently the business angel ecosystem, is mildly developing. Up till 2015, in Czech Republic there is no official and properly functional business angel network, but 2016 Keiretsu Forum has been launched.

Although there are dozens of individual investors who have experience in founding and running successful technology companies such as Ondrej Tomek, Karel Obluk, Tomas Cupr, Ondrej Fryc, Michal Illich, Jiri Hlavenka and more[97]. Many angels are less visible or prefer to invest via trusts. The best way to meet them is through introductions from people active in the community and places like Node5 which is a co-working space and organize events. There are some venture capital funds available and keeping in mind the great geographical location and beauty of the city Prague, many foreign investors are also active and have invested in many start-ups. But when it comes to Business angel's network and investment in innovative ideas or start-ups, the country has a long way to go and it has potential to create a decent ecosystem, as the costs of living are relatively cheap, there is a skilled market labour to hire at relatively low cost and investment incentives are available for introduction or expansion of production in the manufacturing industry, in technological centres and in strategic service centres as the Czech Republic is the hottest country in CEE for big IT corporations like

93 http://taxsummaries.pwc.com/ID/Czech-Republic-Overview#S1
94 https://assets.kpmg.com/content/dam/kpmg/pdf/2016/06/sk-investment-in-slovakia-2016.pdf
95 http://www.govin.org/wp-content/uploads/2017/04/EU-trade-and-invest.pdf
96 http://taxsummaries.pwc.com/ID/Slovak-Republic-Overview
97 http://magazine.startus.cc/prague-startup-city-guide/

IBM, Red Hat, Skype, SAP or DHL when looking for a new location where to establish development and/or shared services. Especially Prague, Brno and Ostrava. Some of the available investment incentives include 10-year corporate income tax relief (full or partial), job creation grants, and grants for re-training employees, property-related incentives, and tangible and intangible assets incentives. Furthermore, companies can claim corporate income tax allowance for research and development activities.[98].

As to Slovakia, the start-up ecosystem as consistently grown and strengthened. In recent years Slovakia has seen new organizations emerge and late government initiatives oriented towards start-ups and entrepreneurs. Bratislava is an especially great place for starting a business and creating a test market, as the government has accepted a start-up initiative, which includes numerous advantages (e.g. grants and start-up visa) both for Slovaks and foreigners that want to start their business in Slovakia[99]. Even so, the Slovak Start-up Ecosystem faces some challenges. With its population of around 5 million the Slovakian market is too small to be the final market for start-ups, but the location of the country makes it up to it, seeing that Slovakia is bordered by Poland, Czech Republic, Austria, Hungary, and Ukraine[100].There is greater potential in cross border investments and networks and for joint collaborations of two or more neighbouring countries. Such collaboration would be a wise way of exploring potential of business in these countries.

Many of the Slovak start-ups are still relying on bootstrapping and VC culture is not fully penetrated yet. In addition, one of the main challenges concerning setting up a business in Slovakia is the language, not all data and papers are available in English[101]. Business angels are at an initial stage. So far, there has been no support from the government for business angels. The Slovak government attempted to reduce the early-stage equity gap through a venture capital fund that was managed by the Slovak Business Agency. Additionally, two venture capital funds (Neulogy Ventures and Limerock) targeting early-stage investments were created with the help of EIF (European Investment Fund). Still, there is substantial potential to strengthen this facet of the business angel market. Interest in Slovakia for business angel investments is strongly increasing despite the general risk aversion of the population in Slovakia[102].

Other sources of funding, such as crowdfunding, are still gaining momentum in both countries. Crowdfunding in Czech Republic is not covered by any specific legal act, and while the market is growing, it still seems unlikely that specific crowdfunding regulations will soon be adapted. Banks have not made any significant steps yet towards becoming an active part in the crowdfunding industry, as they might not consider it as a real opportunity or threat[103]. Crowdfunding initiatives in Slovakia can be grouped under two types: platforms that seek support for philanthropic or non-commercial activities and those focused more on commercial projects (including technology innovations). Slovak public policies for innovation and/or support of start-ups could also target this issue and create better conditions for existing, or potentially new crowdfunding initiatives[104].

[98] http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[99] http://www.startupblink.com/blog/bratislava-startup-ecosystem/
[100] http://www.ceedtech.eu/blog/an-inside-look-at-the-slovakian-startup-ecosystem
[101] Idem
[102] https://rio.jrc.ec.europa.eu/sites/default/files/report/KI-AX-17-001-EN-N%20SK.pdf
[103] http://www.crowdfundinghub.eu/the-current-state-of-crowdfunding-in-europe/
[104] http://crowdfunding4innovation.eu/country-fiches/country-fiche-slovakia

Denmark

General presentation of the country [105]

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	5,617,345	18,102,951	GDP per capita in PPS EU	125	100
Unemployment rate	6.6	10.47	GDP growth rate (average 2012-2014)	0.3	0.08
Entrepreneurial Activity	2014	EU-28 average	Entrepreneurial Activity	2014	EU-28 average
Enterprise birth rate (2013)	10.3	9.91	Enterprise death rate (2012)	11.3	9.61
Entrepreneurial Intention	6.9	9.43	Enterprise survival rate (2013)	59.7	64.57
Financial situation	2014		R&D indicators	2014	
Outstanding business loans	/		Total patents filed under PCT in Applicant country	1,379	
Venture and growth capital	222 833		Personnel in R&D	58,745	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-21.8		Business Enterprise R&D expenditure (BERD) By economic activity (total	4,864.664	
No of Bankruptcies	1,328		GOVERD as % of total public expenditures on R&D	2,772.448	
Interest rate SMEs	3.8%				
Interest rate larger firms	1%				

Short overview

The data seem to provide a reassuring picture of the Danish economy. After the financial crisis of 2008, which triggered the bursting of a housing bubble, the economy contracted sharply; after 2010, the economic recovery has been rather unstable and weak, but it has generally been following positive trends. Although Denmark's GDP per capita in PPS is 25 % higher than the EU-28 average, the GDP growth rate is more than 50 % lower than the EU average, mainly due to the aftermath of the crisis that affected Danish economic performances in the 2012-2013 period. On the other hand, the data on entrepreneurial activity, which refer to the 2012-2014 period depict a non-reassuring scenario, seem to be misleading, considering the current entrepreneurial framework. Indeed, Denmark ranks 5th in the 2017 Global Entrepreneurship Index, [106] which measures the quality of entrepreneurial ecosystems worldwide. According to the study, Denmark stands out in different areas, among which "opportunities for start-ups", "technology absorption", "human capital" and "product innovation"

[105] Data Collected on 15/03/2017
http://ec.europa.eu/eurostat and http://www.doingbusiness.org/data/exploreeconomies/denmark
[106] https://thegedi.org/global-entrepreneurship-and-development-index/

are prominent. In essence, Denmark is considered to be one of the best entrepreneurial ecosystem in the world, thanks mainly to its simplified regulatory framework that encourages the creation of new businesses, a well-established education system and experienced and trusted start-up community[107].

Policies and Regulations supporting business angel investment

The Danish start-up sector has been experiencing a significant growth in the last years, with the Copenhagen community being nowadays one of the main tech start-ups hub in Europe.[108]Denmark has always relied on a solid and well-structured education system, which contributes to develop a generation of young brilliant minds willing to work in the start-up sector, and on highly simplified legal procedures to establish new businesses, which is encouraging for business angels to invest. Moreover, it is important to highlight that Danish government has been trying to open its market to potential foreign investors; in this regard, "Start-up Denmark", a start-up visa scheme for talented entrepreneurs who want to grow high-impact start-ups in Denmark, is playing a crucial role by allowing foreign entrepreneurs to benefit from a two-year renewable visa and tailored technical assistance.

The country offers also a fairly obstacles-free VC cross-border environment and has been attracting most of VC funds in the Nordic region to be registered as a Limited Partnership in Denmark (neither Danish nor foreign investors are taxed on the income, except of withholding tax).[109] These factors ensure the constant proliferation of competitive start-ups with high development potential, which indirectly allow Danish BAs to diversify their investment activities.

Initiatives for business angels and alternative financing

At European level, it is important to mention that Danish currently benefits from the European Angels Fund (EAF), an initiative advised by the European Investment Fund (EIF), formally launched in May 2017. This "provides equity to business angels and other non-institutional investors for the financing of innovative companies in the form of co-investments"[110]. The fund, which focuses on the development of innovative start-ups does not grant co-investments on a deal-by deal basis, but it establishes long-term co-investment framework agreements (CFAs) with business angels. In each investment activities, the sum invested by the business angel is matched by the EAF (usually between the range of 250,000 euros and 5 million euros), in order to double the total invested amount. Within this framework, the business angel still holds a large room for manoeuvre to carry out his investment activities according to his needs.

Another small initiative carried out at transnational level, which aims at enhancing the interaction between angel investors and entrepreneurs, is the Scandinavian Investment Network, an online platform[111] which provides access to both investment opportunities for business angels and funding opportunities for start-ups' founders. Other than that, no support measures for Business Angel friendly environment has been introduced at national level so far. Despite the high performances of the Danish business angel ecosystem, it is important to notice the great significance of the other sources of funding. State initiatives such as the Market Development Fund (Markedsmodningsfonden), the Innovation Incubator Scheme (Innovationsmiljøerne), the Green Transition Fund (Grøn Omstilllingsfond) and Danish Growth Capital, all contribute to supporting

[107] http://www.investindk.com/News-and-events/News/2016/Denmark-Among-the-Top-on-2017-Global-Entrepreneurship-Index
[108] https://www.theguardian.com/small-business-network/2016/mar/10/cool-copenhagen-start-up-community
[109] https://www.pkf.com/media/10028407/denmark-tax-guide-2016-17.pdf
[110] http://www.eif.org/what_we_do/equity/eaf/index.htm
[111] https://www.scandinavianinvestmentnetwork.com/

investment in entrepreneurs and SMEs in Denmark. A relevant role within the funding opportunities framework is also played by the Danish Growth Fund, which provides starting loans to start-ups when the latter experience difficulties in obtaining subsidies from banks or have not yet proven their business model. In addition to venture funds, accelerator programs and incubators, Denmark start-up ecosystem can benefit from the activities of Public Innovation Centres, institutions established by the Danish national government which act mainly like venture funds, but invest at an earlier stage (the average first investment round is typically around 4 to 5 million euros). In 2014 six centres across the country, which predominantly invested locally, were merged last year into four centres (Pre-Seed Innovation, CAPNOVA, Syddansk Teknologisk Innovation, Borean Innovation), which now invest more nationally.

Overall deal flow in Denmark has spiked dramatically since 2014. Figures from The Nordic Web shows that in 2014, 38 investments were made in the country's start-ups, worth 183 million euros, rising to 65 (worth 231 million euros) in 2015.In Quarter 1, 2016, the website has recorded 29 Danish investments totalling 77 million euro. The Nordic Web's editor Neil Murray reckons more than 90% of these investments took place in Copenhagen[112].

[112] https://www.indexventures.com/news-room/index-insight/copenhagen-rising

Finland

General presentation of the country [113]

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	5,451,270	18,102,951	GDP per capita in PPS EU	110	100
Unemployment rate %	8.7	10.47	GDP growth rate (average 2012-2014)	-0.8	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	6.1	9.91	Enterprise death rate (2012)	6.1	9.61
Entrepreneurial Intention	7.9	9.43	Enterprise survival rate (2013)	40.6	64.57
Financial situation	2014		**R&D indicators [114]**	2014	
Outstanding business loans	68,373		Total patents filed under PCT In applicant's country of residence	1645,0	
Venture and growth capital	165		Personnel in R&D	/	
No of Bankruptcies	/		Business Enterprise R&D expenditure (BERD) By economic activity (total)	4,409.5	
Bankruptcies, SMEs (%, Year-on-year growth rate)	1.1		GOVERD as % of total public expenditures on R&D	2,052.6	
Interest rate SMEs	2.71%				
Interest rate larger firms	2.03%				

Average Costs Required for Starting a Business: 380 euros

Minimum Capital Required for Starting a Business: 2.500 euros

Corporate Income Tax: 20 %

[113] Data Collected on 24/03 /2017

[114] Data collected on http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Short overview

Finland was affected by the global crisis and its economy needs structural changes. Since the start of the crisis in 2008 the Finnish economy did see its exports and investments fall and the long-awaited recovery is expected to be slow. The collapse of the Finnish economy was mainly driven by structural factors such as the contraction of the electronics and paper industry. The Finnish GDP per capita in PPS is higher than the EU-28 index but due to negative GDP growth this gap is expected to be reducing over time. Likewise, the unemployment rate, although not too high, has been steadily increasing during the last years. On the other hand, the data on the entrepreneurial activity (from 2012-2014) might be misleading to some extent, considering the current economic situation of Finland. According to them, the overall entrepreneurial activity in Finland is well below EU-28 average (except the data on enterprise death rate), while according to the Global Entrepreneurship Monitor (GEM) Finnish Report 2015, Finland is still a competitive and business friendly economy among the studied EU countries and in general has a well-developed support system for entrepreneurship (governmental policies, regulation and physical infrastructure).

Policies and Regulations supporting business angel investment

Finnish Business Angels Network (FiBAN), is the only business angel network in Finland and has almost 600 networks all over the country, Nowadays, Finnish business angels are able to operate in a highly competitive start-up ecosystem, which has been experiencing a significant boosting in the last few years, (with most of the start-ups operating in the field of IT and gaming industry)[115]. Finland indeed, has always been relying on strong ICT expertise, easy business environment and one of the best education system in the world [116] moreover, the collapse of Nokia and the decline of the paper industry have forced Finland to rethink its economy and move towards a more enterprising approach supported by a highly competitive global economy.

To this extent, Finnish Government has been contributing significantly in supporting the start-up environment, promoting young start-ups and encouraging universities in commercializing their research ideas. In addition, Finland had always relied on a low-level of bureaucracy, which ease and accelerate the process of start-ups development. A measure in support of start-ups and business angels' investment activities, which contributes to convey social inclusion processes and start-ups development practices, is a specific start-up grant to support unemployed entrepreneurs issued by the Ministry of Economic Affairs and Employment (Työ- ja Elinkeinoministeriö), which ensures a 12-months income during the time that getting the business up and running is estimated to take.

About business taxation, Finland can benefit from a corporate income tax in line with the EU average but lower than the rest of Scandinavian country (20 %), at the same time, no excess profit taxes or alternative minimum taxes exist. Moreover, according to the Strategic Programme of the Finnish Government (Finland 2025), further improvements of the fiscal framework concerning private investors' activities are planned. Business aid to national and foreign start-ups operating in Finland is also provided by the Centres of the Economic Development, Transport and the Environment (ELY Centres), whose 15 regional offices provide advisory, training and expert services and funding for investment and development projects. Specifically, the services offered by ELY Centres cover internationalisation of business operations, improvement of business efficiency

[115] http://nordic.businessinsider.com/finnish-start-up-scene-could-explode-2016-8/
[116] https://kliwo.com/2017/03/07/20-best-education-systems-world/

and management skills, development of technology and innovation, updating of staff skills and training of new employees.

Initiatives for business angel and alternative financing

Concerning specific incentives for Finnish business angels, it is important to mention the recent changes in the personal taxation system are beneficial for business angels too. Starting from the beginning of 2016 Finland has reformed to a direction that encourages high-risk investments by expanding the right to deduct transfer losses. A transfer loss means the loss an investor suffers if they sell a share they own for a lower price than what they originally acquired it for. For the investor to be able to benefit from the new deduction right, the share must be sold within two years from acquiring it.

Transfer losses are still deducted from transfer gains when calculating taxable capital income, however, making transfer gains is no longer a prerequisite for deducing transfer losses (also an investor whose gains don't cover their losses may receive the tax benefit)[117]. This provision replaced the former, through which the angel investor could subtract 50% of the amount of capital invested into an eligible target company from his or her capital income. The smallest individual investment for which the business angel could ask for the tax reductions was 10.000 euros, with the corresponding reduction then being 5.000€ (maximum single investment is 150,000 euros with a reduction of 75.000euros.

It is relevant to remark that the effective interaction among Finnish Angel Investors ensured the NordicBAN, which gathers angel investors from Finland, Norway, Sweden and Denmark (acting as a "network of networks") and the Business Angel Finland (BAF), an online platform which aims at connecting entrepreneurs and pool of business angles. An additional initiative contributing to this extent is "Slush Helsinki", one of the leading tech and start-up events in the world, where entrepreneurs, investors and high-tech executives can meet for two days of business and pleasure. Although Finnish business angels play a significant role within the funding opportunities framework, other sources of funding for start-ups hold high relevance within the investment landscape. Among them (incubators, accelerators, investment companies), government initiatives appear to be the one impacting the most on the start-ups growth.

Thanks to its specialised agencies such as Finnpartnership, Finpro, ELY-Keskus, Sitra, Vigo and Tekes, the government has been able to finance the 60 % percent of innovations in Finland. More specifically, Tekes, as the main operating agency, supports start-ups development through three different schemes[118].

- Initial stage, planning for global growth — a grant of 75 percent, maximum 50,000 euros
- Funding for research, development and pilot projects (loan, 50-70 % of the project)
- Funding for young innovative companies (most promising start-ups with a scalable business model, funding is up to 1.25 million euros)

The Finnish Business Angels Network (FiBAN) and Finnish Venture Capital Association (FVCA) have released their statistics on private investments and venture capital investments in Finnish companies in 2016. The statistics shows business angel invested 53 million euros for the month of 2016 where as it was 37million euros in 2015 and 33million euros in 2014. In total over 400 start-up received investments. This also includes investments from other sources such as venture capital investments (80 million euros), direct foreign investments (216 million euros) and

[117] https://www.invesdor.com/en/media/blog/457
[118] http://www.geektime.com/2015/06/01/welcome-to-finland-where-most-start-ups-get-government-funding-and-the-payoff-is-high/

other sources of finance including crowdfunding (34 million euros)[119]. Investments in Finnish early stage companies reached a new record high in 2016. Investments in Finnish early stage companies have grown 42 % in 2016. Records were also broken in business angel investments, crowdfunding and foreign direct investments. The doubling of foreign direct investments in a year speaks volumes of the quality of Finnish growth companies and start-up ecosystem. Additionally, Finnish venture capital expertise is in growing demand internationally as investments by Finnish venture capital firms to foreign companies tripled to 40 million euros[120].

[119] https://www.fiban.org/news/finnish-start-up-investments-2016
[120] https://www.fiban.org/news/finnish-start-up-investments-2016

France

General presentation of the country[121]

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	65,835,579	18,102,951	GDP per capita in PPS EU	107	100
Unemployment rate %	10.30	10.47	GDP growth rate (average 2012-2014)	0.37	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	9.50	9.91	Enterprise death rate (2012)	6.49	9.61
Entrepreneurial Intention	14.20	9.43	Enterprise survival rate (2013)	67.14	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	1,036.468		Total patents filed under PCT In applicant's country of residence	38339,3	
Venture and growth capital	3,234		Personnel in R&D	251 446 (2013)	
SMEs Bankruptcies (%, Year-on-year growth rate)	58.207		Business Enterprise R&D expenditure (BERD) By economic activity (total)	31,132.941	
No of Bankruptcies	-0.43		GOVERD as % of total public expenditures on R&D	16,046.895	
Interest rate SMEs	2.09				
Interest rate larger firms	1.32				

Average Costs Required for Starting a Business: 150 euros

Minimum Capital Required for Starting a Business: 1 euros

Corporate Income Tax : 33.33 %

[121] Data Collected on 23/03/2107
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/france/paying-taxes

Short overview

The GDP and employment related data depict a moderate situation of the French economy. Although the wealth per capita (GDP per capita in PPS) is 7% higher than the EU-28 average, the rhythm of GDP growth rate over the period 2012-2014 is moderate and lower than the average and has slowed down in 2014. However, the unemployment rate stands at 10%, slightly below the EU-28 average, a tendency confirmed by the recent data published in May 2016. The entrepreneurial activity in France shows a tendency for a favourable dynamism despite a lower performance on the enterprise birth rate. In fact, this lower performance is balanced by a good performance on the entrepreneurial intention (above the EU-28 average), a low enterprise death rate (around 6%) and an interesting enterprise survival rate (standing above the EU-28 average rate).

Policies and Regulations supporting business angel investment

France is not the first European country that comes to mind when it comes to investing in start-ups. The total number of Business Angels in France (visible and invisible market) estimated in 2016 is nearly 8000[122]. The main source of data on the Business Angel market in France is France Angels, the national federation of Business Angels networks.

However, a buoyant legislative movement around tech entrepreneurship started in France a few years ago is engaging a vibrant and energetic community of entrepreneurs, technology geeks and policymakers. Launched in 2013, La French Tech is aimed at fostering and supporting a collective movement around the start-up ecosystem. It is financed by the French Economy Ministry and supported at the highest political level. A diagnosis has already been made and political leaders understand it's a priority to make France a "start-up nation." Thus, the emphasis is now on legislative actions and implementation of a start-up–friendly environment. On 26 January 2016, the French National Assembly adopted a law "Towards the Digital Republic." Axelle Lemaire, minister of state for digital affairs, introduced the bill, the "Digital Republic bill"[123] which was the product of a large public consultation. It intends to tackle many of the uncertainties faced by start-ups and to simplify rules. The Avantage Madelin provides an income tax credit of 18% (and a maximum of 10.000 euros) for any investment in an SME provided the equity is kept for more than five years.

In 2007, the loi TEPA (Loi en faveur du travail, de l'emploi et du pouvoir d'achat) was adopted, providing a 75% tax break to tax-payers subjected to the wealth tax (ISF – Impôt sur la fortune) for any investment in SMEs, up to a maximum of 50,000 euros. This break was reduced to 50% in 2010. Since 2016, eligible SMIs are defined by reference to the EU Regulation 651/2014: the deduction is available only for investments into eligible SMEs that are the first investments of the relevant investor into such eligible SME or follow previous investments that already gave rise to the deduction. The relevant innovative SME may not receive more than 15 million euros from investors applying the deduction. The deduction regime will be in force for only 10 years.

The Ministry of Finance has also played a role in trying to help angel networks consolidate and federate under the France Angels umbrella, this has included financial support for the organisation. The ministry is also helping to set up a certification scheme and organizes projects to encourage individual business angels to set themselves up in networks. This is an effort to set up networks which are then encouraged to converge towards the national organization. The 2016 Finance Bill has created a new type of savings account called the "SME innovation savings

[122] Financing SMEs and Entrepreneurs 2016 An OECD Scoreboard: An OECD Scoreboard
[123] https://www.opengovpartnership.org/blog/laure-lucchesi/2016/01/28/digital-republic-bill-frances-first-open-bill

plan" (compte PME innovation, "CPI Savings Plan"), which is intended to encourage individuals (e.g., entrepreneurs, managers, and employees) to reinvest their capital gains derived from the sale of shares into new companies. In order to benefit from this new specific tax regime, the subscriber to the plan must either: hold a minimum participation of 25 % in the share capital of the company or perform for a minimum period of 24 months, certain managerial functions (depending on the legal form of the company) or an employee activity within the company and hold at least 1 % of the shares of the company.

Under the CPI Savings Plan, capital gains derived from the sale of shares will benefit from a personal income tax deferral provided they are reinvested through the CPI Savings Plan into either new innovative SMEs or investment funds that have a minimum of 80 percent of their assets invested in innovative SMEs. The capital gains must be reinvested within a period of 24 months from the date of sale. All capital gains and losses made within the CPI Savings Plan will be pooled and taxed when the proceeds of the sale are no longer reinvested into innovative SMEs. However, social security contributions at a global rate of 15.5 % continue to apply and will be immediately levied by the financial institution managing the CPI Savings Plan upon realization of the capital gains.

France offers a tax credit targeted to SME (crédit d'impôt Innovation) which is an extension of the general research credit. Under this credit, SMEs can benefit from a tax credit in respect of certain expenses related to prototypes or pilot trails of new products. Eligible expenses are capped at EUR 400 000 per year and the rate of the credit applied to the expenses is 20%. Any unused amount of the credit can be carried over for up to three years or refunded under certain conditions. In addition, France provides a credit for Young Innovative Enterprises (Jeunes Entreprises Innovantes) when their R&D expenditure reaches at least 15 % of the total costs. This scheme was recommended at the best practice by the European commission (European commission, 2014) due to its targeting towards innovation, immediate refund option and short response time[124].

Initiatives for business angel and alternative Financing

The French fiscal package of 2007 (Law of 21 August 2007 for Labour, Employment and Purchasing Power - loi en faveur du travail, de l'emploi et du pouvoir d'achat du 10 août 2007_TEPA) aims to:

- Increase the number of business angels in France
- Bring French fiscal law closer with best practices in Europe.

As a result of the 2007 French fiscal package (TEPA), the foregone tax revenues was 652 million euros in 2010 and 375 million euros in 2011[125]. Income and wealth taxes reduction schemes annually encourage dozens of thousands of individuals to invest in SMEs amounting to about 1.5 billion euros. Direct investments in start-ups are deductible from the ISF payable, up to 50% of their total amount and within a ceiling of 45000 euros.

In 2011 the government introduced some restrictions to certain investment vehicles used by Business angels, called Société d'investissement de business angels (SIBA). The restrictions (require the SIBA to employ at least 2 salaried people and have a maximum of 50 shareholders, which made this kind of structure not financially sustainable anymore.) and this caused the number of investments made by SIBAs to drop by 69% between 2011 and 2013 – although these restrictions have fortunately been lifted as of January 1, 2015. Still, this doesn't necessarily account for a lower number of angel investors in France alone. On a positive note, the law on economic growth, activity and equal opportunities (or 'Macron' law) was enacted on 6 August 2015[126] and includes an additional measure relating to business angel networks: the initial tax benefit is retained in the event

[124] OECD Tax Policy Studies Taxation of SMEs in OECD and G20 Countries
[125] http://qdd.oecd.org/DATA/STIPSurvey/FRA.C2-1+C2-2+G1..STIO_2014
[126] http://www.gouvernement.fr/en/law-on-economic-growth-and-activity

of a transfer. Whatever the reason for the sale, this advantage can be maintained if the capital is reinvested within 12 months in an eligible SME, a Fonds Commun de Placement dans l'Innovation (FCPI) or a Fonds d'Investissement de Proximité (FIP). It is now conditional on the retention of the securities for 5 years, or on the reinvestment in another company in case of a forced transfer.

Some funds have started to develop early-stage offerings to co-invest alongside business angels, among them Crowdfunding platforms are a new important part of the business angels' eco-system. Recognizing the importance of access to finance and of providing entrepreneurs and enterprises with alternative sources, the French government also launched an act to govern crowdfunding (Ordonnance n°2014-559 du 30 Mai 2014 sur le financement participatif)[127]. It opens the possibility for equity crowdfunding platforms to raise funds up to 1 million euros without the need for a prospectus, provided they have been registered with the AMF (the French financial markets regulator) and provide a minimum but limited information about the issuer. No need for any capital, no need for investors to be qualified or to invest a maximum amount of fund.

Over the years it became clear that increasing the number of business angels was not enough for start-up development. There was a need for additional funding to the Angel one, in particular for later rounds of financing, where VCs were less and less present. This objective of increasing the financial capability of business angels has been taken first by several Regions, which have been setting up Regional co-investment funds, investing pari-passu with Angels who would remain lead investors. 50%of the funding would come from Regional budgets, 50% being accrued by the European Regional Development Fund (ERDF). Now 7 Regional Funds are up and running, mostly focused on seed and early stage phases, one being more focused on later stage development. Size of these co-Investment funds may vary from 10 to 20 M€[128]. At the National level a new Co-investment Fund called Angel Source, has been set up in 2013 as a Pilot National Public co-investment fund. The 20 Million funding have been supplied 90% by the FNA (National Seed Fund of funds), and 10% by Private investors, mostly business angels. To summarize, the four initiatives of the French government which act as co investment opportunities for Business angel are:

- The new public SATTs created to help commercialize research mostly from regional public universities (17 Transfer of Technology Offices, TTOs, i.e. 600 million euros financed by the French budget)
- BpiFrance, the fusion between Oseo and CDC Enterprises which created the first public organization for investing in and developing companies. In 2014 alone, "la BPI," as it is known locally, invested 1.1 billion euros into some 5,500 innovative companies, both directly and through partners. This accounts for a 49% increase from the amount invested in 2013[129].
- FNA, the early stage investment fund managed by BPI France. This fund is endowed with 600 million euros and targets investments ranging between 5 and 30 million euros and
- The new crowdfunding platform, which the French government is currently assessing as a potential developmental investment opportunity

According to EBAN Statistics Compendium 2015, France has the fourth highest investment of the countries surveyed but considering the number of business angel networks in the country, the activity of each is rather low. The number of Business Angel networks in 2015 as members of EBAN were 78, whereas number of business angels were 4621. The total investment for the year of 2015 is 36.5 million euros which is 11% higher in comparison to 2014 with investment of 38 million euros. Although for the year 2013 the total business angel investment was 41.1 million euros which shows that the investment was decreased in 2014 but again was increased in 2015. According the same report average investment per Business angel for the year 2015 is 9,089 euros whereas average investment per business angel network is EUR 0.54 million euro[130].

[127] https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029008408&categorieLien=id
[128] Angels Without Borders: Trends and Policies Shaping Angel Investment Worldwide
[129] http://tech.eu/features/4487/french-investment-landscape/
[130] http://www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf

Germany

General presentation of the country[131]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	80.767.463	18,102,951	GDP per capita in PPS EU	124	100
Unemployment rate	5,00	10.47	GDP growth rate (average 2012-2014)	0,77	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	7,39	9.91	Enterprise death rate (2012)	8,47	9.61
Entrepreneurial Intention	5,93	9.43	Enterprise survival rate (2013)	62,31	64.57
Financial situation[132]			**R&D indicators**	2014	
Venture and growth capital			Total patents filed under PCT in Applicant country	16 986.2	
Outstanding business loans			Personnel in R&D	360 375	
Bankruptcies, SMEs (%, Year-on-year growth rate)			Business Enterprise R&D expenditure (BERD) By economic activity (total	56,996.5	
Interest rate SMEs			GOVERD as % of total public expenditures on R&D	27,457.64	
No of SMEs Bankruptcies					
Interest rate larger firms					

Average Costs Required for Starting a Business: 1000 euros

Minimum Capital Required for Starting a Business[133]: 12,500 euros

Corporate Tax Rates: 25% to 33%

[131] Data Collected on 20/12/2016
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/germany/paying-taxes
[132] Data not available on OECD stats
[133] min capital required to open a standardised company

Short overview

Germany has recovered from the economic crisis with steady performance in GDP per capita in PPS EU and GDP growth rate (2012-2014) matching the EU average for that period. Exports represent a high share of the GDP and have contributed to the quick recovery after the financial crisis. The strong manufacturing sector combined with a steady productivity growth, and boosted by a relative weakness of the Euro in foreign markets, has driven exports despite the slow growth of emerging markets. Nonetheless, the OECD survey from 2016 warns that weaker emerging markets might present a risk.

The unemployment rate has been steadily declining since 2005 (and in 2016 it reached 4%). In 2014, this rate was the lowest in the EU. Overall, Germany performs well on framework conditions for the period 2012-2013. However, the Entrepreneurial Culture indicator performs well below the EU average, and has dropped further from 0.09 in 2012 to 0.07 in 2013.

Policies and Regulations supporting business angels investment

Germany has a strong and diverse business angel market. Angel investors are recognised as the most important early stage investors, investing a good amount in seed stage than venture capital firms. On top of that, more and more angels begin to invest in follow-on rounds. Angel investing in Germany is to be considered as a professional market segment along the financing chain of innovative, high-potential start-ups[134].

Public support in relation for business angels includes a combination of some grants for capital gains for investments, the support for the development of networks, including the national association of business angel networks and the creation of public-private funds, co-investing in high-tech start-ups. The tax scheme in Germany in relation to business angels is based on the following elements: the top tax rate is 42% and, since 2007, 45% for singles with income of 250,000 euros and for 500,000 euros for married couples. There is also an additional solidarity surcharge that increases this to 44.3 and 47.8% respectively. Income coming from shares of corporations of which the shareholder holds more than 1%, as most Business Angels are liable for taxation. Since 2009, 60% of the capital gain is liable for taxation with a tax rate of 26.38%. If the amount held is less than 1%, any capital gain is tax free if the share has been purchased before 2009 and if it has been held for more than a year. If the business angel is acting through a corporation, 95% of the capital gain is not liable for the corporate income tax (Körperschaftssteuer). The remaining 5% share is liable at a tax rate of approximately 30%. The taxation of co-investments depends on the fund's legal form. If the fund is a non-incorporated firm the income tax rates apply. If the fund is a corporate enterprise (GmbH or AG), the capital gains tax rates apply. There is no wealth tax as in other countries and, as a result, no property-related tax shield investments from business angels.

The INVEST program for venture capital was started in May 2013 to mitigate these problems. The aim of this program is to support young innovative companies in financing their early stages by mobilising venture capital from business angels in Germany. The INVEST – grant for business angel capital provides angel investors with a purchase grant of 20% of their investment into innovative companies, if the following standards are met:

- Investment between 10,000 euros and 500,000 euros
- Maximum grant per year per investor of 100,000 euros
- Maximum investment of 3 million euros per company per year
- Lock-up period of three years

[134] http://www.business-angels.de/wp-content/uploads/2015/12/BAE-The-European-Business-Angel-Market.pdf

Moreover, on 16 September 2015, the Federal Government decided on a number of key issues regarding VC including expansion of Program INVEST. Last year in 2016 this program was expanded to INVES 2.0. This new program adds support for investors in case of exit to the amount of 25% of gains to offset gains tax, heightens the ceiling for support, allows for follow-up investment, and carries additional changes that remove limitations on the kind of investee firms that are eligible for the support. Also, the value of capital that can be received through the fund, which increased to 100,000 euros.

Initiatives for business angels and alternative financing

There is no other general fiscal incentive that can also be applied for direct business angel investment and business angel investment through a fund. However, business angels in Germany tend to co-invest with other business angels inside or outside their own network but also with other early stage or VC funds. The business angels' panel data confirm this preference and indicate that more and more business angels prefer to operate in syndicates (more than 50% of business angels stated this in 2011 compared to 14% in 2009)[135]. Therefore, government has taken many initiatives to provide public-private funding's. EAF Germany provides equity to business angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. EAF Germany was launched in March 2012 in close cooperation with the Business Angels Netzwerk Deutschland (BAND) as pilot project of the European Angels Fund through a virtual structure.

Another fund for high-tech start-ups is High-Tech Gründerfonds, a major programme for high-technology-oriented new businesses that implicitly targets high growth due to its underlying venture capital logic[136]. Moreover, the Federal Government offers the support loans. These are managed by the KfWBankengruppe and have to be applied via one's own bank. KfW business founder loan Start-up, money can be grated up to EUR 100,000 ("ERP-Gründerkredit - StartGeld") and KfW business founder loan Universal is up to 10 million euros ("ERP-Gründerkredit – Universell").

The recognition of crowdfunding by the German legislator is a very positive signal for the Crowdfunding industry in Germany. The fact that the interests and needs of Crowdfunding are explicitly considered in a law that aims to increase the protection of investors, means that Crowdfunding has reached the mainstream. On 28 July 2014, the first draft of the German Retail Investor's Protection Act (Kleinanlegerschutzgesetz) was published. It contains the first specific Crowdfunding regulation in Germany, even though, it's primarily aim concerns the protection of small private investors. The "Crowdfunding" exemption is set out in the Kleinanlegerschutzgesetz KASG - Small Investor Protection Act) that entered into force on 10 July 2015. The legislation applies to profit-participating loans (Partiarische Darlehen), subordinated loans (Nachrangdarlehen), or other investment products which grant the right to interest and repayment.

In 2015, German online alternative finance grew by 115%, from 140 million euros in 2014 to 249 million euros in 2015, ranking second amongst European countries in terms of total volume. If this acceleration continues, it may be possible that Germany could become the largest alternative finance market in Europe, excluding the UK, in the coming years[137]. According to a study run by ZEW in 2014, the number of Business Angels in Germany varies between 6,200 to 9,100, investing € 650m annually. European Angel funds (EAF) along with European Investment

[135] Evaluation of EU Member States' Business Angel Markets and Policies Final report 2012
[136] http://high-tech-gruenderfonds.de/en/#title
[137] https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf

funds (EIF) have co-invested with the total of 135million euros until 2014[138]. Whereas, VCs with investment activities in the German market have disclosed funds with a volume of almost 6.2 billion euros in 2016[139].

138 (The European confideration for Angel Investing) Take a pulse, www.businessangelseurope.com

139 http://start-up-initiative.ey.com/wp-content/uploads/2017/02/EY-Studie_Venture_Capital_and_Start_ups_in_Germany_2016.pdf

Greece

General presentation of the country [140]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	10,926,807	18,102,951	GDP per capita in PPS EU	70	100
Unemployment rate %	26.5	10.5	GDP growth rate (average 2012-2014)	3.3	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	5.2	9.9	Enterprise death rate (2012)	4.8	9.6
Entrepreneurial Intention	9.5	9.4	Enterprise survival rate (2013)	/	64.6
Financial situation	2014		**R&D indicators** [141]	2014	
Outstanding business loans	95,197		Total patents filed under PCT In applicant's country of residence	91,0	
Venture and growth capital	4,000		Personnel in R&D	6,832.04 (2013)	
No of Bankruptcies	330		Business Enterprise R&D expenditure (BERD) By economic activity (total)	504.37	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-15.82		GOVERD as % of total public expenditures on R&D	965.89	
Interest rate SMEs	5.44%				
Interest rate larger firms	4.75%				

Average Costs Required for Starting a Business :150 euros

Minimum Capital Required for Starting a Business : 1 euros

Corporate Income Tax: 26 %

[140] Data Collected on 24/03 /2017
[141] Data collected on http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Short overview

The average GDP growth rate 2012-2014 shows a negative progression over time (above -3%), but strongly affected by the huge slowdown in 2012 when the GDP growth rate was higher than -7%. This context is also confirmed by a dramatic unemployment rate indicating that more than one quarter of the active population was unemployed. Despite the recent reforms and efforts to overcome the crises, recent data on employment (published in April 2016) shows a slow tendency for improvement as the unemployment rate is slight above 23% (even so, very high if compared with the EU-28 average). On top of this, the GDP per capita in PPS is far distant from the EU-28 average index.

Considering the recent economic crisis in Greece, this performance might also be a consequence of a massive flow of persons in active age seeking for better opportunities abroad, as it can be seen by the negative performance on the indicator crude net migration. Regarding performance in the indicators of the ICT development index and Digital Economy and Society index, Greece performs poorly and above the EU-28 average performance in all the indicators, except in IDI skills, where it performs remarkable well. Low performance is especially observed in indicators such as IDI use, integration of digital technology and digital public services. The entrepreneurial intention indicator suggests a moderate context for entrepreneurial activity in Greece.

Policies and Regulations supporting business angel investment

When the first organization of business angels was created, it turned out that the Greek investors would like to invest alone, without being united in syndicates, to make the most of the investments. Currently the situation has changed. They have understood the benefit of unity between business angels. Although there are certain limitations even if there are people willing to invest. Investment in tech is risky as people are still not into digital culture although they are smartphone users. So one can test the market but this means it can make you or break you. Because nowadays investors are more interested in digital businesses and one may not find many IT corporations in Greece. So, there are limitation for entrepreneurs and investors. In such situation, there is need of more institutions and organizations that help to match the right entrepreneur with right investor and carry out feasibility reports for businesses that has potential to grow and promote ecosystem.

Greece, one of the cradles of European civilization, has a very dynamic start-up ecosystem that it's still blooming. The Greek start-up ecosystem scale up in late 2012 when the JEREMIE VC funds were established (program of the European Commission under the European Investment Fund). Entrepreneurs and companies active in previous years suddenly had available funds to finance their ventures. According to the Global Entrepreneurship and Development Institute (GEDI), Greece was one of the ten countries that made the greatest gains in the Global Entrepreneurship Index score from 2014 to 2015.[142]

The biggest Greek-origin start-ups are coming from and based in Athens. Located at the crossroads of three continents (Europe, Asia and Africa) the geographical position of Athens has helped develop a civilization of commerce and entrepreneurship. Due to the economic crisis, doing business in Athens has been made much more affordable than it used to be (office rent prices and wages have gone down and everyday life expenses are cheaper than the rest of Europe) and the recently imposed capital controls generated a very big interest in solutions around alternative currencies and alternative banking. Setting up a business in Athens gives access to the European Union single market of 500 million consumers, however operating a company in Greece still involves a lot of bureaucracy, high social security contributions and business taxes, and limited incentives and tax deductions[143].

Although the Athens ecosystem has grown exponentially in the last three years with big exits, funding rounds and with events and opportunities to connect with local start-up leaders and members of international start-up ecosystems, the absolute number of successful companies is still low. Greece has a tax framework that is complex

[142] https://www.technologyreview.com/s/537236/greeces-start-ups-on-the-rise/
[143] http://magazine.startus.cc/athens-is-where-future-is-all-about-start-ups/

and volatile, intricate bureaucracy, digital infrastructures which lag behind the EU average, lack of access to capital and no incentives for early-staged business taxes. On a positive note, the Greek Start-up Manifesto is an action plan addressed to policy makers which aims to improve the environment for start-up entrepreneurship in the country by removing the barriers to the growth of start-ups and create a more business-friendly environment. The manifesto identifies the major barriers faced by entrepreneurs in Greece today and proposes/suggests concrete actions to leverage Greece as a country of innovation. It is hard to find executives with repeated successes abroad that can lead international business development for start-ups based in Greece.

Initiatives for business angel and alternative financing

There is no initiative taken by the government that directly supports business angels. However, situation for those business angels investing through co-investment or angel funds is better. Typically, for angels investing through the special purpose government fund "AKES" there are some tax incentives. But in practice, no individual can invest to this "fund of funds" that is targeting VC co-investments[144].

Business angels can also benefit in certain type of investments from Investment Incentives Law 3908/2011. The law provides fiscal and tax incentives of various categories of investment expenditure on R&D and innovation programmes, if they are implemented in collaboration with higher education institutions from Greece or the EU.

In response to a gap in the Greek entrepreneurial ecosystem of providing sufficient funding and expertise to innovative start-ups in their early stages, the Hellenic Business Angels Network (HeBAN) was created. With the first initiative and activities undertaken in 2012, HeBAN was fully incorporated in 2015. The main objective of this non-profit is to create a national platform for bringing together the stakeholders of the Greek start-up ecosystem and help implement a sustainable Business Angels and early stage investors network in the country. While not being active in funding start-ups by itself, HeBAN aims to support with a wide array of activities, the formation and cooperation of local business angels groups, clubs and networks and motivate and support potential and active business angels and other related stakeholders in Greece to contribute to the creation of a functioning eco-system for early stage investment[145].

Accessing VC in Greece remains very difficult, there is an urgent need for improved access to risk capital including especially in the form of VC and business angel financing. Overall, access to finance remains one of the major issues for Greece, especially in light of the imposition of capital transfer restrictions in 2015[146]. And yet Athens has a growing number of venture funds seeking to jumpstart start-ups. Venture funds such as VentureFriends, Openfund, and Charamida have already provided millions to start-ups which include companies focusing on diverse verticals such as marketing, health, ecommerce, and cloud computing platforms. A new fund, Marathon VC, founded by a group of Greek entrepreneurs that returned to Athens after years in Silicon Valley, is also looking into providing seed-stage funding to tech entrepreneurs. There are fiscal incentives for VCs (management fees of VCs are exempted from VAT, capital gains tax is at 20% compared to the Greek corporate tax rate of 26%. Banks are at the moment undercapitalised and unable to make significant movements in the direction of VC[147].

The Greek crowdfunding scenery is still relatively new and consists of a small number of mostly donation based crowdfunding platforms with only two of them hosting equity-based crowdfunding projects. The majority of projects hosted on Greek platforms are usually of a social or artistic character with small financing targets. Projects with technological or entrepreneurial subjects in general, are scarce and often do not reach their financing targets. The National Bank of Greece, in strategic cooperation with organisations and foundations of international standing, supports a crowdfunding platform with the objective of enhancing projects that are needed by the Greek society. The act4Greece programme is a pioneering initiative for the promotion of social and developmental banking. For the first time in Greece an online platform has been created which enables the gathering of resources

[144] http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[145] http://www.heban.gr/about-us-3/
[146] http://ec.europa.eu/DocsRoom/documents/21188/attachments/15/translations/en/renditions/pdf
[147] https://rio.jrc.ec.europa.eu/en/library/rio-country-report-greece-2015

from the "crowd" which are then directed to specific projects undertaken by implementing bodies[148]. Although there is no specific national regulatory approach in place for crowdfunding.

In summary, the Greek business sector is recovering. The continuous increase in taxes, the reduced business revenues due to the crisis, the insufficient support provided from the banking sector (i.e. limited business loans) and the administrative bureaucracy makes it difficult to start a business but not impossible. At the same time, the Greek market has never been attractive to private venture and equity funds. The angel market in Greece is the 6th smallest in the EU with 2.1 million euros of investments in 2013. Since Greek is facing many issues and government is in need of money, in such circumstances government can gather money only through taxes, whereas companies and investor wish to have tax relief. In this scenario, grants and funds provided by the government should be appreciated and it will take long time before business angel's activities become visible enough for government to take some initiatives in their support. The total business angel investment for the year 2013 is 2.1 million euros and 1.8 million euros for 2014, which is 14% decrease from 2013 but investment in 2015 was increased by 50 % with total investment of 2.7 million euros[149].

148 http://crowdfunding4innovation.eu/country-fiches/country-fiche-greece
149 http://www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf

Hungary

General presentation of the country

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	9,877,365	18,102,951	GDP per capita in PPS EU	68	100
Unemployment rate %	7.7	10.47	GDP growth rate (average 2012-2014)	2.8	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	8.2	10.8	Enterprise death rate (2012)	16.6	9.61
Entrepreneurial Intention	9.7	11.5	Enterprise survival rate (2013)	55.3	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	7, 761, 067		Total patents filed under PCT in Applicant country	129,3	
Venture and growth capital	18 759		Personnel in R&D	6,191	
Bankruptcies, SMEs (%, Year-on-year growth rate)	71,32%		Business Enterprise R&D expenditure (BERD) By economic activity (total	1,021.993	
No of Bankruptcies	644		GOVERD as % of total public expenditures on R&D	389.186	
Interest rate SMEs	5.1%				
Interest rate larger firms	2.4%				

Average Costs Required for Starting a Business: HUF 155,000-315,000 (~ 500- 1000 euros)

Minimum Capital Required for Starting a Business: HUF 1,500,000 (~ 5000 euros)

Corporate Income Tax: 19%

Short overview

Hungary is on a balanced growth path, gradually reducing its macroeconomic imbalances. The GDP has surpassed its pre-crisis peak and the growth potential should pick up in 2017 as new projects are launched with the help of European funds. Nonetheless, the GDP per capita in PPS in 2014 being lower than the EU average, Hungary stills performs above the EU average in terms of GDP growth rate. Recent labour market initiatives have made Hungary's unemployment rate decreased from 10% in 2013 to 7.7% in 2014 and reaching 5.5% in April 2016 (2.8% below the EU average for 2014) and even though these factors will continue to drive down the unemployment rate they will also create new challenges for the Hungarian economy to solve[150]. Additionally, the entrepreneurial birth rate, entrepreneurial intention and enterprise survival rate are lower than the EU-28 average showing that the business environment still continues characterized by obstacles, such as sector-specific taxes, administrative costs and unpredictable regulation. In 2015/2016 Hungary decrease tax for small and medium-size businesses

[150] http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_hungary_en.pdf

and made enforcing contracts easier by introducing an electronic filing system (Reforms 2015/16)[151], the first steps towards giving an opportunity to lower the enterprise death rate (16.6 compared with EU-28 average10.4).

Policies and Regulations supporting business angel investment

Hungary has made a remarkable progress in building a market oriented and competitive economy fully integrated into the European Union (EU), moving closer to the core of the European market by restructuring is the productive sector towards activities more technologically advanced and by developing a start-up ecosystem that could create a more effective informal venture capital market.

In the Hungarian economy, start-ups have had a significant growth and a wide range of government policies supporting them,[152] such as "Start-up_13" which aims to support the development of young technology start-ups with high growth potential. Moreover the government expressed its support to the Hungarian start-up ecosystem in a document entitled "Budapest Runway 2.0.2.0. – A Start-up Credo" published in November 2013[153]. Concerning, tax administration Hungarian SME's have to spend on average almost 50% more time related to the payment of taxes than their EU peers. On the brighter side, start-up conditions are now in line with the rest of Europe, though so far there is no specific taxation regime available for business angel investments. Below are some regulations that support start-ups and encourage investments:

"The Small Enterprise Development Finance Company Ltd"[154] – Supports the development of SME's through equity investment. It targets firms that face difficulties in obtaining bank financing because of a lack of existing capital.

"Portfolio Guarantee"[155] – A guarantee program, which backs credit given to Hungarian SME's by credit institutions, primarily commercial banks based in Hungary.

"Start Equity Guarantee"[156] **–** Assists Hungarian SME's through the company's financial products in acquiring equity financing for development purposes and non-refundable European Union subsidies.

"Innovation Ecosystem"[157] – The measure aims to support the operation of business incubators for which only 20% of the support could be used while min. 80% of the support should be provided to incubate companies. It is foreseen that the measures help start-ups in developing products and services as well as their teams.

"Széchenyi Card"[158] **–** The program provides credit facilities at preferential rates to SMEs based in Hungary.

[151] http://www.doingbusiness.org/reports/global-reports/doing-business-2017
[152] http://www.eban.org/hungarian-business-angel-network
[153] http://nkfih.gov.hu/policy-and-strategy/national-strategies
[154] http://ec.europa.eu/DocsRoom/documents/5625/attachments/5/translations/en/renditions/native
[155] http://ec.europa.eu/DocsRoom/documents/5625/attachments/5/translations/en/renditions/native
[156] Idem
[157] Idem
[158] http://www.europeandigitalforum.eu/start-up-manifest-policy-tracker/dashboard/ES-32

Initiatives for business angel and alternative financing

In Hungary the business angel market is still underdeveloped, nevertheless as it evolves it makes it easier for starting a business and finding funding sources. According with the Hungary Angel Investors there are 18 business angels residing in Hungary and 2833 potential business angels interested in the country.[159] The first round of events regarding business angel was organized by INNOSTART National Innovation Centre and re-launched by the Start-up Underground in October 2012. The main objective of these events is to establish an environment, where business angels can meet and learn about potential investment opportunities or where start-ups could seek for early stage investment[160]. Moreover, Hungarian Business Angel Network (HUNBAN) the official association was incorporated in April 2017. Its aim is to welcome and unite all business angels who are interested in investment opportunities not only on a local, but a regional level as well. The network's mission is to integrate Hungary into the international circulation of business angels and truly represent both the companies and the investors' interests.

The Hungarian government adopted a corporation tax allowance scheme tailored for angel investors at the end of 2016. However, it will only be in effect from the third quarter of 2017. The initiative targets mostly 'virgin angels' (angels without years of experience). The scheme declares that 25% of the cost of shares can be reimbursed in a form of a tax allowance, and according to the adopted scheme, the taxpayer may reduce its pre-tax profit by a proportion of the cost of shares in the early stage venture adjusted to the tax rate. The discount rate can be up to 65,000 euros per taxable year. The allowance is only applicable if the angel invests through their company.

The Hungarian ecosystem almost doubled in size since 2015 year. Access to venture capital has improved over the last few, years, having changed from being below the EU average to slightly above[161]. Currently, there are 40 VC funds (28 fund managers) investing in seed and start-up/growth phase, on average 500-1 million euro per company. Other sources of venture capital are: Hiventures (formerly known as Corvinus) which started in 2016 and is committed to support the establishment of new companies, strengthen the entrepreneurial culture and protect the values of the entrepreneurial community;[162] and the government owned venture funds (Széchenyi). More details for a following Jeremie programme - joint venture where a maximum of 70% of the funds come from EU - are expected by the end of 2017. Financing of new innovative companies through venture/seed capital and newer initiatives such as crowdfunding, which is currently unregulated, remains marginal.

In conclusion, Hungary's accession to the EU has accelerated the adoption of a modern set of framework conditions in key areas, however there is still a considerable room for improvement. In the new programming period 2014-2020 for Hungary, the number one priority is to improve the competitiveness of SMEs by providing support in establishment and further development of business incubators, marketing and commercialization activities of micro enterprises and SMEs. At the same time, addressing a number of obstacles as for example, the insolvency procedures that still take more than one year to conclude and reducing the stigma of failure or create support programmes to help business avoid bankruptcy [163].

[159] https://angel.co/hungary/investors
[160] RIO Country Report 2015: Hungary https://rio.jrc.ec.europa.eu/sites/default/files/riowatch_country_report/RIO%20Country%20Report%202014_Hungary_0.pdf
[161] http://ec.europa.eu/DocsRoom/documents/6733/attachments/1/translations/en/renditions/native
[162] https://www.hiventures.hu/en/about-us/
[163] RIO Country Report 2015: Hungary https://rio.jrc.ec.europa.eu/en/file/9373/download?token=UZDyfedc

Italy

General presentation of the country[164]

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	60,447,910	18,102,951	GDP per capita in PPS EU	96	100
Unemployment rate	12.7	10.47	GDP growth rate (average 2012-2014)	-1.6	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	7.1	9.91	Enterprise death rate (2012)	8.1	9.61
Entrepreneurial Intention	11.4	9.43	Enterprise survival rate (2013)	64.3	64.57
Financial situation	2014	EU-28 average	**R&D indicators**	2014	EU-28 average
Outstanding business loans	976,206		Total patents filed under PCT In applicant's country of residence	2998,0	
Venture and growth capital	43		Personnel in R&D	246,422	
No of Bankruptcies	15,714		Business Enterprise R&D expenditure (BERD) By economic activity (total)	12,343.773	
Bankruptcies, SMEs (%, Year-on-year growth rate)	11.22		GOVERD as % of total public expenditures on R&D	9285438	
Interest rate SMEs	4.4%				
Interest rate larger firms	2.6%				

Average Costs Required for Starting a Business: 703 euros

Minimum Capital Required for Starting a Business: 1 euros

Corporate Income Tax: 24 %

[164] Data collected on 17/3/2107
http://ec.europa.eu/eurostat
http://www.doingbusiness.org/data/exploreeconomies/italy

Short overview

Generally speaking, the country is still experiencing the aftermaths of the economic crisis, in spite of the recent successful reforms undertaken in the labour market and education sectors. Structural weaknesses prevent Italian economy to achieve a high level of competitiveness, with sluggish productivity and inefficient allocation of resources being the most concerning stumbling blocks. At the same time, barriers to competition and the high administrative burden weigh on the business environment. Despite the data on GDP per capita in PPS only slightly below the EU-28 average, the GDP growth rate decreased by 2 % in the period 2012-2014. Even though the performance has improved over the years and in 2014 the GDP growth rate was of -0.4, Italy persists in not growing at a positive pace. Additionally, the unemployment rate was almost 13%, well above the EU-28 average in 2014, contributing to the negative performance of Italy (latest data available - April 2016 - confirm a negative tendency compared to the EU-28, with just a minor improvement in the unemployment rate). The data related to the entrepreneurial activity do not provide a precise picture of the current investment framework. The level of entrepreneurial intention and the level of enterprise survival rate are nearly in line with the EU average; although the enterprise birth rate is below the EU-28 average rate (the above-mentioned high administrative burden might constitute a reason), the data on enterprise death rate and entrepreneurial intention point out a positive trend, which might be furtherly enhanced with an effective improvement of BAs investment framework.

Policies and Regulations supporting business angel investment

Overall, the Italian policies and regulations directly supporting innovative start-ups and indirectly business angel investment activities appear to be well-structured, despite a relatively high corporate income tax (24%). The growing relevance that Italian start-ups are acquiring in the current industrial framework has pushed government and policy-makers to review and amend the current legislative framework and the new incentives. At the moment of writing, the most relevant incentives for innovative start-ups (included in the "Italian Start-up Act") are:

- Free & online articles of association (art.4,10 "Investment Compact")
- Deadline extension for loss coverage
- Tailored employment contracts (fixed-term contracts foreseen by the "Jobs Act")
- Flexible system of remuneration (e.g. based on the start-ups productivity or on previous agreements between the employer and the employee)
- Tailored internationalisation procedures (specific technical assistance provided by ICE Government Agency for start-ups expansion on foreign markets)
    - In addition, tailored policies for stat-ups have been implemented in order to ease their market expansion. The most significant are:
- Guarantee fund for SMEs (provide guarantees to start-ups in order to access to financial sources)
- Smart & start (preferential funding with no interests)
- Nuova Sabatini (facilitate access to credit for the purchase of new machinery, equipment and installations)

Among the measures that have more tangible impacts on business angels' activities, the most relevant concern a 30 % deduction on the personal income tax (IRPEF), for up to 1 million-euro investments and 30 % deduction on the corporate income tax (IRES), for up to 1.8 million-euro investments. In order to benefit from this tax relief, business angels have to hold their investments in the target start-ups for at least 3 years. These provisions have been recently implemented (2017 Budget Law, art.1,66) and have replaced the former provisions (19 % deduction on the personal income tax and 20 % deduction on the corporate income tax, with respective increases up to 25 % and 27 % for start-ups acting in energy or social fields).

Initiatives for business angel and alternative financing

No relevant specific initiatives for business angel are foreseen by the Italian legislative framework. Although, before mentioned fiscal incentives for start-up investors seem to represent a sufficient stimulus for local BAs, the underdevelopment of direct measures in support of BAs activities seems to be a stumbling block to the further improvement of the business angel ecosystem. It is important to notice that business angels have been officially recognised in February 2016[165] as "authorised" operators in equity crowdfunding on online portals. This recognition allows business angels to broaden their field of competence and partly benefit from a kind of "legal recognition"; in this respect, it is also important to mention that Italy has been the first country in Europe to adopt a comprehensive regulation concerning equity crowdfunding**.**

Other sources of funding for start-ups (mainly Venture Capitalists and incubators) have been recently experiencing positive trends but are still lacking competitiveness, if compared to the most relevant sources in Europe. The Italian Private Equity, Venture Capital and Private Debt Association (AIFI) has pointed out in its latest study on the topic that, on a total of 4,9 billion euros investments in private equity and private debt(first semester of 2016),only 35 million euros were invested in start-up growth processes (within the pre-seed and seed phases).In this regard, it is also important to notice that, according the latest study available on the topic (2016) by IBAN and Venture Capital Monitor, investments carried out jointly by business angels and VCs are increasing (+30 % compared to 2014) with the average sum of BA investments growing accordingly. The creation of synergies between institutional investors and business angels seems to be at the moment a feasible option in the short term to enhance the performances of the entire Italian business angel sector. With the purpose of promoting public private investment partnership and the development of the Italian VC market, the publicly-owned Italian Investment Fund invests (funds range between 5 and 20 million euros) in CIUs focusing on seed stage, technology transfer, late stage and low mid-caps. In addition, lately Invitalia, the national agency for investment promotion and enterprise development has launched 50 million euros worth Fund of Funds. Fondo Italiano D'Investimento: The Fondo Italiano d'Investimento SGR manages three closed-end investment funds for qualified investors, for a total amount exceeding 1.5 billion euros, one active in the private equity sector investing in companies with a turnover ranging from 10 to 250 million euros and in other funds and investment companies.

According to EBAN statistics compendium 2015, the total no of Business angel networks for the year 2015 is 13 and number of business angels 821. The total business angel investment for the year 2015 is 12.25 million euros which is a 5% increase from year 2014 with total investment of 11.7 million euros. The average investment per business angel for the year 2015 is 14,921 euros[166]. However, these figures represent the visible market and those business angles which either have direct relation with EBAN or those reporting through federation. According to another source, more in detail BeBeez[167] counted 86 deals as for new investments and capital increases for 2015 for a total amount of about 104 million euros (but this is a lower figure than what actually was invested in those deals as value for some of them was not disclosed)[168]. Moreover, some deals have not been communicated. These figures give insight into maturity of the market which shows that business angles have become an important segment of capital market industry.

165 http://www.consob.it/documents/46180/46181/reg_consob_2013_18592.pdf/54eae6e4-ca37-4c59-984c-cb5df90a8393
166 http://www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf
167 https://bebeez.it/en/2016/01/11/italian-venture-capital-business-angels-deals-2015/#
168 https://bebeez.it/en/2016/01/11/italian-venture-capital-business-angels-deals-2015/#

Ireland

General presentation of the country [169]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	4,605,501	18,102,951	GDP per capita in PPS EU	134	100
Unemployment rate	11.30	10.47	GDP growth rate (average 2012-2014)	3.30	0.08
Entrepreneurial Activity		EU-28 average	**Entrepreneurial Activity**		EU-28 average
Enterprise birth rate (2013)	6.76	9.91	Enterprise death rate (2012)	9.56	9.61
Entrepreneurial Intention (2014)	7.16	9.43	Enterprise survival rate (2013)	72.08	64.57
Financial situation	2014	EU-28 average	**R&D indicators** [170]	2014	
Outstanding business loans	31,792		Total patents filed under PCT In applicant's country of residence	443,2	
Venture and growth capital(2013)	284.9		Personnel in R&D	41,088	
No of Bankruptcies (2013)	2,561		Business Enterprise R&D expenditure (BERD) By economic activity (total)	2,106.8	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-100		GOVERD as % of total public expenditures on R&D	814.6	
Interest rate SMEs	4.78%				
Interest rate larger firms	2.98%				

Average Costs Required for Starting a Business: 170.28 euros

Minimum Capital Required for Starting a Business: 0 euros

Corporate Income Tax: 12,5 %

[169] Data collected on 29/03/2017
[170] Data collected on http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Short overview

Although the latest economic crisis led Ireland to the edge of bankruptcy, the country has recently been experiencing an impressive economic development: the average GDP growth rate (2012-2014) is over 3% and well above the EU-28 average, anchored in a strong performance over 2014 (above 5% growth). Even so, the unemployment rate at that time was high and above the EU-28 average rate. However, recent data published in May 2016 shows a strong regression of the unemployment rate, supporting the period of economic growth and stability (stands currently below 8%).

The performance on the entrepreneurship activity indicators shows a complex reality in Ireland. In detail, a low enterprise birth rate associated with a low entrepreneurial intention rate and an almost 10% enterprise death rate would immediately suggest for a not-favourable business dynamism. However, the enterprise survival rate is quite high and well above the EU-28 average suggesting that despite the low level of business dynamism, conditions for doing business might be sufficient.

Policies and Regulations supporting business angel investment

Irish start-up sector can be considered nowadays as one of the best performing ecosystems in Europe. The commitment of the Irish Government in pursuing a pro-business economic policy and implementing decade-long policies for foreign-owned business and the affordability of many operative costs (e.g. salaries, rents and professional fees) in respect of other EU markets can be surely considered as decisive factors for this recent development[171]. It is important to mention that the city of Dublin is hosting thousands of early and mid-stage innovating firms within the world of fintech, travel tech and edtech, which indirectly benefits from the presence of multinationals' European headquarters (e.g. Google, Facebook, eBay, Air Bnb, etc)[172].

The support provided by the government to start-ups, which on its own foster business angel investments is tangible and effective. It is important to premise that Ireland benefits from one of the lower corporation tax rate in Europe (12.5%), which can also be subject of tax relief as regards trading income and certain gains of new start-up companies in the first 3 years of trading. Additional measures are[173]:

- "Seed Capital Scheme": full time workers in their own company can claim back the paid income tax in the previous six years to invest equity into a company engaged in a qualifying trade
- "Back to Work Enterprise Allowance": it allows people signing on for over 12 months who would like to become self-employed to keep their social welfare payment for 2 years (Year 1: 100%, Year 2:75 %)
- "Revenue Job Assist": offers both employers and workers an incentive where people who have been 12 months on the live register (or disability allowance) are employed (the employer gets double write-off of the wages plus employers PRSI for three years / the worker gets an extra tax allowance – of 3,810 euros plus 1,270 euros for each child in year 1, and two-thirds of these allowances in year 2, one-third in year 3)
- "Employers Job (PRSI) Incentive Scheme": Employers do not have to pay the employers' portion of the PRSI contribution for certain employees for 18 months.

However, the most important policy in support of Irish business angel investments is the Employment Investment Incentive (EII), a tax relief incentive scheme which provides for tax relief of up to 40% in respect of investments made in certain corporate trades. The EII scheme allows an individual investor to obtain income tax relief on investments for shares in certain companies up to a maximum of 150,000 euros per annum in each tax year up to 2020. Initially relief is allowed on thirty fortieths (30/40) of the EII investment in the year the investment is made. Potentially, this can result in a tax saving for the investor of up to 30% of the investment.

[171] https://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Start-ups-from-Outside-I
[172] https://www.theguardian.com/media-network/2016/may/03/dublins-start-up-scene-aims-take-on-tech-giants reland/Why-Locate-in-Ireland-/Start-Up-friendly-environment.html
[173] http://www.start-ups.ie/partners/im-looking-grants-state-support/

Relief in respect of the further ten fortieths (10/40) of the EII investment will be available in the fourth year after the EII scheme investment was made providing that certain conditions (increase in the number of qualifying employees, increase in the wages paid by the company to qualifying employees by at least the wages of one qualifying employee or an increase in the companies' R & D spend) are met. Potentially, this can result in a further tax saving for the investor up to 10% of the investment.

Initiatives for business angel and alternative financing

The only specific governmental initiative for business angels' investment is the Halo Business Angel Network (HBAN), a joint initiative of Enterprise Ireland, and InterTradeIreland, which is aimed at developing regional networks and angel investor syndicates across the island of Ireland. HBAN is managed regionally by the Irish Business Innovation Centres; in Cork by CorkBIC, in Dublin by Dublin BIC, in Galway by West BIC & Waterford by SEBIC. Although no specific measures concerning tax incentives for business angels are foreseen in the Irish legal framework, the above-mentioned Employment Investment Incentive (EII) appears to be a sufficient provision. Despite the relevant role played by BAs, alternative financing is also of great significance, especially considering the massive presence of Seed Funds and Venture Capitalists, thanks to which the level of money available for start-ups (on a per capita basis) is high by international standards. In addition, 35 overseas VCs have invested in Irish start-ups, attracted by the quality of the start-ups and the advantages of the Irish business setup. [174]

However, government initiatives (in the form of grants and technical support) appears to be the most effective and well-structured measure. The most relevant, among others are[175]:

- "**MicroFinance Fund**": Loans of up to 25,000 euros are available for commercially viable proposals that do not meet the conventional risk criteria applied by commercial banks. Applicants will have to demonstrate that they have been refused credit by a commercial lending institution before their application is considered. The new fund will generate 90million euros in new lending to 5,500 micro enterprises which will support 7,700 new jobs.
- "**Credit Guarantee Scheme**": facilitates 450 million euros of additional bank lending over 3 years to viable micro, small and medium enterprises to help them obtain the working capital and investment that they need. The Government provides the lender with a 75% guarantee for which the borrower pays a 2% premium.
- "**High Potential Start-Up**": provides intense support, seed and venture capital to entrepreneurs and early stage companies that are considered to have an innovative product, service or technology, and have the potential to achieve exports sales and create employment. To qualify a company should be headquartered in Ireland, less than 6 years old and capable of creating 10 jobs in Ireland and realising 1 million euros in sales within three to four years of starting up.
- "**Competitive Start Fund**": is to accelerate the growth of start-up companies that have the capability to become High Potential Start-Up (HPSU) Companies
- **Feasibility/Innovation Grants**: available to micro-enterprises to assist with the cost of necessary pre-start up studies carried out for the purposes of assessing market interest and demand for a proposed new product or service.

Statistics compendium 2015 published by EBAN shows Total Business Angel Investment for the year 2013, 2014 and 2015. The total investment made in year 2013 is 13. 3 million euros, which was decreased by -5% in 2014 with total investment of 12.5 million euros. The investment was increased by 15% making it 14.4 million euros for 2015. However, these figures represent the visible market and those business angles which either have direct relation with EBAN or those reporting through federation. According to HBAN (Halo Business Angel Network), all-island group responsible for the promotion of business angel investment in Ireland, announces that business

[174] https://www.enterprise-ireland.com/en/Start-a-Business-in-Ireland/Start-ups-from-Outside-Ireland/Funding-and-Supports-for-Start-Ups-In-Ireland/
[175] http://www.start-ups.ie/partners/im-looking-grants-state-support/

angels invested 13.6 million euros in 50 Irish start-ups in year 2015, which is up 25% from 2014. This includes 1.5 million euros invested in eight deals completed by Halo Northern Ireland angels. HBAN's annual report for 2016 reveals that the investments leveraged a further 20.5 million euros from other public and private funds, bringing the total invested to 34.1 million euros[176]. The same network also predicts that business angels will invest 85 million euros in 264 high potential start-ups in the period running 2017 to year-end 2021[177].

[176] http://www.intertradeireland.com/newsevents/news/2017/hban-angels-invested-136m-in-50-irish-start-ups-in-2016.php

[177] https://www.businessworld.ie/financial-news/Record-year-for-Irish-angel-investment-in-2016-567982.html

Latvia, Estonia and Lithuania

Short overview

Lithuania became the first of the Soviet republics to declare its independence, but it was not until September of 1991 that this proclamation was recognised. Latvia and Estonia, both regained independence from the Soviet Union in that date [178]. Lithuania and Latvia subsequently restructured its economy for integration into Western European institutions, joining both NATO and the EU in the spring of 2004. Estonia is a member of the EU since 2004 and the euro zone since 2011. The three former Soviet Baltic republics were severely hit by the 2008-09 financial crisis, but Lithuania has rebounded and become one of the fastest growing economies in the EU, and Estonia has one of the higher per capita income levels in Central Europe and the Baltic region. On the other hand, Latvia economy has not returned to pre-crisis levels despite strong growth[179].

Lithuania is a very stable country both economically and politically. The regulatory environment is very convenient and ranked 17th in the world (out of 189 economies) for "Ease of Doing Business in 2014" according to doingbusiness.org, overtaking 8 countries since 2013, including Thailand's fast-growing economy. The start-up ecosystem is finally maturing in Lithuania, most people in Lithuania speak flawless English and the government offers a slew of tax incentives for start-up founders. According to an incentive for investment programs, a company may reduce its taxable profits by 50% for expenses incurred between 2009 and 2018. Moreover, incentives also are provided for micro companies and companies in seven free economic zones (after investing >/= 1,000,000 euros, 100% tax exemption for 6 years and 50% tax exemption for next 10 years) and expenses incurred by companies carrying out R&D projects can be deducted from taxable income three times.[180] From the human capital perspective, Lithuania's population is regarded as the most IT-advanced in the European Union. 96.7% of Lithuanian residents aged 16-24 have acquired IT skills at official educational institutions and devised a strategy to attract foreign start-ups[181].

Talking about Latvia, Latvian Development Financial Institution Altum (ALTUM) continues to implement state support programmes by funding the development of small and medium businesses, stimulating start-ups and supporting other areas of business activity with the purpose of raising the efficiency of the Latvian economy[182]. The aim of the joint pilot project of ALTUM and the association "Latvian Business Angel Network" ("LBAN") is to provide support to start-ups and enterprises with growth potential, thereby facilitating attraction of private investors for viable projects. The Latvian Parliament also approved the Innovative Start-up Law (11/2016). This law sets two tax regimes for innovative start-ups: a flat tax regime ensuring minimal social benefits, and a tax plan where all the social and personal taxes of highly qualified employees are covered by the state and the employees receive full social benefits.[183] In 2015, the Latvian start-up community platform "Labs of Latvia" was officially launched. The platform provides information from and about Latvian start-ups to the world. Its database includes more than 100 Latvian start-ups, investors and communities. Riga hosted #InnoWeek2015 – "First Innovative Enterprise Week," with a focus on access to finance for research, innovation and SMEs[184]. The conference brought

[178] http://www.eubusiness.com/europe/europe/lithuania
[179] http://www.eubusiness.com/europe/europe/latvia
[180] http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[181] http://magazine.startus.cc/latvia-plans-double-number-start-ups-2020/
[182] http://aecm.eu/lga-latvian-guarantee-agency/
[183] https://rio.jrc.ec.europa.eu/en/country-analysis/Latvia/country-report
[184] https://era.gv.at/object/event/1553

together EU policymakers and Baltic start-up scene representatives[185]. Despite these positive developments, the concept of 'business angels' is still relatively new in Latvia. More and more people start to understand what it means, but it is still too exotic for the general public. Despite that there are some networks of Business angel present and active as well. They regularly arrange seminars and events to grow their network as well as to aware public about opportunities to start a new business. Most of the investors do not want to be called angel investors or business angels because they argue that it simply feels misleadingly altruistic, while in reality all they do is give money and expect a return, like any other investor. The current VC market in Latvia is still underdeveloped. Currently, there are seven active VC funds in Latvia, of which six are co-financed by the ERDF (European Regional Development Funds) and private funding and only one is a fully private fund (ABLV). Recently, Latvia has become a co-investor in the Pan-Baltic venture capital fund the Baltic Innovation Fund, which is providing large-scale investments to Latvian, Estonian and Lithuanian companies that are willing to expand their businesses on an international level[186].

Estonia faces the same problem as other countries with small population. The market capacity is limited and thus limited buying power. A majority of the world-famous Start-ups (Skype, TransferWise, Fortumo, Pipedrive, GrabCAD, Vitalfields, Erply, Skeleton Technologies, Playtech etc) have offices in Tallinn which is capital of Estonia. The country is still young and has managed to transform itself from an unknown country with 1.3 million inhabitants into an IT technology development center of Europe. This place is ideal for investors interested in Tech Business, with a highly developed e-government and mobile communications and a business-friendly environment[187]. The country has made progress in promoting entrepreneurship and providing support to fast-growing innovative firms, and it has the potential to become a strong start-up hub. This small Baltic nation is home to around 400 start-ups, and the number is set to grow. Recently, the Estonian government launched Start-up Estonia. The aim is to boost the development of the Estonian start-up ecosystem with training activities to support the emergence and development of start-up companies and improve their accessibility for “smart money” and the galvanization of business angels in Estonia[188]. Access to public financial support is readily available, including loan financing, guarantees and credit lines provided by KredEx, and EU funds can be used for credit enhancement. As the VC market has been significantly developed, public direct investments into start-ups are not supported any more.

Crowdfunding, in Estonia, started in 2009 with a local P2P consumer lending platform called isePankur (now Bondora). Although the Estonian market is only 1.3 million people, it has the potential to grow by virtual Estonians, attracted by the e-residency program that was recently launched by the Estonian government. The currently valid regulation addresses only public offerings of securities in general and P2P consumer credit operations.[189] Lithuania has no donation or reward based platforms. Due to its unfavourable regulatory regime, Lithuania has no equity based or P2P lending based crowdfunding platforms, however a new law on Crowdfunding has been approved and entered into force from the 1st of December 2016[190]. In principle, Latvian law allows for the implementation of Crowdfunding projects. At the moment there are 3 platforms active in the country[191].

To sum up, business environment in Lithuania is friendly, and the recent changes (2014-2016) enabled entrepreneurs to start a business online and establish limited liability companies without minimum capital. However, some barriers remain, such as resolving insolvency. The key venture capital funds available for business in Lithuania are dependent on EU investments, but privately-owned funds are also emerging. In Latvia, some

[185] http://www.europeandigitalforum.eu/start-up-manifest-policy-tracker/country/LV
[186] https://rio.jrc.ec.europa.eu/en/country-analysis/Latvia/country-report
[187] http://magazine.startus.cc/business-friendly-and-innovation-oriented-city-of-tallinn/
[188] http://www.start-upestonia.ee/
[189] http://www.sbs.ox.ac.uk/sites/default/files/Entrepreneurship_Centre/Docs/OxEPR2/current-state-crowdfunding-europe-2016.pdf
[190] Idem
[191] http://crowdfunding4innovation.eu/country-fiches/country-fiche-latvia

promising initiatives in the start-up community were brought forward in 2016. More initiatives to support start-ups are planned for the near future, for instance a start-up visa to ease the process of attracting talent from outside. As for Estonia, the country has started to shift the way industry support works towards increased use of financial instruments. Estonia may be one of the smallest start-up environments in the world, but has the infrastructure, a newly introduced start-up visa programme and global mind-set that encourages the Estonian entrepreneurs (innovators who are not afraid of new things) to take risks. Estonia aims to be a country with a smart economy, therefore the state will focus in improving the availability of early stage financing, broaden the selection of financial instruments and foster the activities of business angels.

Luxembourg

General presentation of the country [192]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	549,680	18,102,951	GDP per capita in PPS EU	267	100
Unemployment rate %	7.1	10.5	GDP growth rate (average 2012-2014)	4.2	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	10	9.9	Enterprise death rate (2012)	7.3	9.6
Entrepreneurial Intention	11.9	9.4	Enterprise survival rate (2013)	78.1	64.6
Financial situation	2014		**R&D indicators** [193]	2014	
Outstanding business loans	/		Total patents filed under PCT In applicant's country of residence	399,8	
Venture and growth capital	/		Personnel in R&D	2,913.3 (2013)	
No of Bankruptcies	850		Business Enterprise R&D expenditure (BERD) By economic activity (total)	338.4	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-19%		GOVERD as % of total public expenditures on R&D	291.42	
Interest rate SMEs	/				
Interest rate larger firms	/				

Average Costs Required for Starting a Business: 12,500 euros

Minimum Capital Required for Starting a Business: 1100 euros or 0 euros (if one does a coaching activity and therefore no need for incorporation)

Corporate Income Tax: For income lower than 15,000 euros, the tax rate is 20%; once the income exceeds 15,000 euros, the totality of the income is taxed at 21%, plus a 7% contribution to the unemployment fund. A municipal business tax which ranges from 6% to 12% is also levied, according to the place in which the undertaking is located (i.e. 6.75% for the city of Luxembourg in 2014, which results in an aggregate tax rate of 29.22%[194].

[192] Data Collected on 24/03/2017
[193] Data collected from http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do
[194] http://www.eban.org/wp-content/uploads/2015/05/Compendium-fiscal-2014-v1.pdf

Short overview

In Luxemburg, the economic activity has gained strong momentum in recent years approaching the growth rates of the period before the crisis. In fact, the average GDP growth rate for the period 2012-2014 was remarkable and well above the EU-28 average (more than 4%), and the GDP per capita in PPS is one of the highest in Europe. In line with this performance, the country presents low unemployment rate (6%) although latest data shows a slight negative progression (above the 6% in May 2016). The data related to the Entrepreneurial activity show that country-based enterprises benefit from a favourable ecosystem for their establishment and growth; notably, the entrepreneurial survival rate of Luxembourger enterprises far higher than the EU-28 average, reaching more than 78% in 2014. For this performance it is not strange a low enterprise death rate and good rate of entrepreneurial intention among Luxembourgish population. However, the enterprise birth rate is below the EU-28 average.

Policies and Regulations supporting business angel investment

Located at the heart of Europe, Luxembourg has established a reputation as a favoured location for a wide range of international companies from a variety of sectors with diverse business models. In addition, Luxembourg is the leading investment fund centre in Europe and second only in the world behind the United States. Luxembourg provides companies with the capability to establish and adopt business, regulatory, and tax framework for added-value activities in Europe. Luxembourg's success can be attributed to innovative government policies aiming to enhance business and diversity of the country's economy. This approach has allowed Luxembourg to offer companies exceptional opportunities for doing business in Europe[195].

Luxembourg is a unique gateway to the European market, thanks to its central location (between Germany, France and Belgium) a start-up can very quickly become a national leader (relatively small country in terms of population and size of the territory, therefore good test market country) and easily expand to other major start-up hubs in Europe in order to get traction and grow.[196] In January 2015, the Luxembourg Government Council has adopted a law, the simplified private limited liability company (SARL-S). The SARL is aimed in particular at entrepreneurs who want to launch a business that requires no great investment or start-up capital. The administrative procedures are simplified, and the company can be founded with a minimum share capital of only 1euro[197].

However, to starting a business in Luxembourg one requires "business permit" which can be an administrative burden and/or a loss of time in some cases. Additionally, the Start-up capital of 12,500 euros to create a company is off-putting for many budding entrepreneurs. The situation will probably change in a near future, as many discussions are held within business and political circles to simplify the process of setting up a limited liability company[198]. Likewise, the labour laws in Luxembourg are focused toward big companies and lack the flexibility required for start-ups. Taxes are an issue as well. While Luxembourg has lower taxes, it does not have the lowest European taxes and the corporate and payroll taxes are higher than most countries in Europe. Combine these administrative barriers/burdens with limited venture capital funding, a high cost for employees, high cost of living and high cost of office accommodations and Luxembourg can indeed become a difficult environment for entrepreneurs.

[195] http://taxsummaries.pwc.com/ID/Luxembourg-Overview
[196] http://magazine.startus.cc/luxembourg-start-up-city-guide/
[197] http://www.guichet.public.lu/entreprises/en/creation-developpement/forme-juridique/societe-capitaux/sarl-s/index.html (The law came into force on January 16, 2017)
[198] http://magazine.startus.cc/luxembourg-start-up-city-guide/

Initiatives for business angels and alternative financing

The business angels market in Luxemburg is difficult to measure. All the factors mentioned above are self-explanatory why one cannot find many angel investors or business angels. The resurrection of the Luxembourg Business Angels Network (LBAN) has been a positive development. LBAN operates as a platform for introducing and matching private investors and initiators of entrepreneurial projects during the seed phase. It is partnered with the Chamber of Commerce, Luxinnovation, the Technoport business incubator and Silicon Luxembourg to work with start-ups and provide seed capital[199]. There is also intense lobbying from LBAN to further develop fiscal advantages for business angels.

Angels, in Luxembourg, may invest collectively through various vehicles. A SOPARFI (Société de Participation Financière), a non-regulated and fully taxable company, is the most common vehicle. The SOPARFI benefits from the participation exemption regime and double tax treaties. Luxembourg has also introduced legislation, designed to meet the needs of the venture capital and private equity community: SICAR (Société Investissement en Capital-Risque), an investment company in risk capital which benefits from a tax exemption on income and capital gains deriving from investments in securities. In addition, as a major fund center, Luxembourg has created legislation allowing the offering of regulated fund products to all types of investors. Investment funds resident in Luxembourg are generally exempt from corporate income tax, municipal business tax and withholding tax on dividends.

An absence of VC has long been an issue in Luxembourg[200]. The European Private Equity and Venture Capital Association (EVCA) points out that "Luxembourg provides sophisticated investment fund structures for private equity and venture capital investment" and that "while corporate tax rates are not particularly low, Luxembourg investment fund vehicles benefit from extensive tax exemptions, which ensure an almost tax-neutral environment in Luxembourg at the level of, both the fund vehicle and its investors"[201]. The Venture Capital Investment Company is a vehicle promoting investment in companies for the purpose of development. As an incentive, a favourable tax regime applies to venture capital investment companies. A venture capital investment company incorporated as a company is subject to regular corporate income tax, but any gains or proceeds received that derive from investments in risk capital are tax exempt. Venture capital investment companies established as common limited partnerships/special limited partnerships are tax transparent and therefore not subject to tax in Luxembourg, except for the municipal business tax[202]. Crowdfunding has yet to arrive in Luxembourg. Neither the legislator nor the financial authority have given any indications as to how crowdfunding will be organized on the field or what laws and regulations will be applicable. There are no crowdfunding sites dedicated specifically to Luxembourg ventures[203].

To sum up, Luxembourg has the perfect environment to develop business: perfect location in the heart of Europe, a business-friendly government, a well-educated multilingual and multi-cultural work force. Although the government has taken a number of steps in recent years and introduced specific initiatives to encourage start-ups and self-employment, these seem neither sufficient nor comprehensive enough to actively encourage entrepreneurship as an alternative to employment in the public and private sectors[204].

[199] http://www.cc.lu/uploads/tx_userccpublications/guide-start-up-lxiv03.pdf
[200] https://rio.jrc.ec.europa.eu/en/country-analysis/Luxembourg/country-report
[201] https://www.investeurope.eu/uploadedFiles/fund_structures.pdf
[202] https://content.next.westlaw.com/2-525-7094?transitionType=Default&contextData=(sc.Default)&__lrTS=20170510150154172&firstPage=true&bhcp=1
[203] http://crowdfunding4innovation.eu/country-fiches/country-fiche-luxembourg
[204] http://ec.europa.eu/DocsRoom/documents/16344/attachments/21/translations/en/renditions/native

Netherlands

General presentation of the country[205]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	16,829,289	18,102,951	GDP per capita in PPS EU	131	100
Unemployment rate %	7.40	10.47	GDP growth rate (average 2012-2014)	0.25	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	10.07	9.91	Enterprise death rate (2012)	9.22	9.61
Entrepreneurial Intention	9.29	9.43	Enterprise survival rate (2013)	85.52	64.57
Financial situation	2014		**R&D indicators**	2013	
Outstanding business loans	330.3		Total patents filed under PCT In applicant's country of residence	4259,2	
Venture and growth capital	434		Personnel in R&D	77 398.7	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-20.67		Business Enterprise R&D expenditure (BERD) By economic activity (total)	7,433.425	
No of Bankruptcies	6 645		GOVERD as % of total public expenditures on R&D	5,834.434	
Interest rate SMEs	4.1%				
Interest rate larger firms	2.8%				

Average Costs Required for Starting a Business: EUR 1800

Minimum Capital Required for Starting a Business: EUR 0

Corporate Income Tax: 20-25%

[205] Date of collection: 16/2/2017
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/austria/paying-taxes

Short overview

The Netherlands strongly faced the effects of the global credit crisis which put constraint to exports market and the domestic demands due to the strong impact on the housing market. The Netherlands is one of the richest EU-28 countries for GDP per capita. Dutch GDP per capita is 31% higher than the EU-28 average, but the GDP growth rate is below the EU-28 average. In line with this, the unemployment rate in the Netherlands in 2014 was one third lower than the EU-28 average, rating above 7% (and in 2016 decreased to 6.3%). The crude rate of net migration is similar to the EU-28 average, but reflects the tendency for the country to attract foreign citizens due to the good economic development level of the country. The enterprise survival rate is higher than the EU-28 average. However, the enterprise birth rate (2013), enterprise death rate (2012), and the entrepreneurial intention (2014) are below the EU-28 average. In this scenario, the Dutch economy shows a tendency for a vibrant business dynamic, which is reflected by a high enterprise survival rate.

Policies and regulations supporting Business Angel investments

Business angels have been present in the Netherlands for some years and the Dutch Business Angel federation called Vereniging BAN Nederland was established in 2008. In past ten years the topic of informal investment has gained increasing attention in the Netherlands from a policy point of view. The Business Angels Network Nederland was set up to act as an overarching network for all business angels networks in The Netherlands. It appears that business angels are making a small but meaningful contribution to funding of investments where there is a gap left by reluctance of banks and venture capitalists to enter that segment.

However, business angels are also affected by the overall economic conditions and the quality of projects they can possibly participate in. Therefore, to stimulate the growth of enterprises a number of policies have been adopted, such as the SEED capital scheme, the innovation loan and Start-up Delta. In 2016, a number of stakeholders (including the Ministry of Economic Affairs) also launched the "NL Groeit" (The Netherlands Grows) initiative[206]. There are very few instruments specifically targeting medium and high growth enterprises, compared to a relatively large number of instruments that aim at improving the general framework conditions for entrepreneurship. In general, tax incentives for high investments like those operated by BAs are not available. However, the TechnoPartner Seed Facility stimulates and mobilises the Dutch early stage risk capital market by co-funding venture capital funds. These private funds finance high-tech start-up and small companies. Private parties, like business angels, can establish a venture fund and get their capital matched by government loans. The fund takes the investment decision (not the government/Ministry of Economic Affairs). Investment funds as defined in the Dutch Financial Supervision Act (Wet op het Financieel Toezicht) can request an exemption after meeting certain criteria. Except of the extemet status, the investment fund is not obliged to withhold dividend with regard to profit distributions to its shareholders. There is no real tax legislation policy for stimulating high risks early stage investing in the Netherlands.

It is also important to highlight that overall Netherlands provide a friendly environment to do and grow businesses. The Start-up Delta as mentioned above also initiated a proposal for a European start-up visa. Special envoy Neelie Kroes presented on behalf of the Dutch EU-Presidency a plan to create a European start-up visa in the informal Competitiveness Council on 27 January 2016[207]. The start-up visa targets non-European start-up founders and aims to cut red tape for crossing borders and covers the entire European single market in an effort to boost Europe's

[206] http://www.agroberichtenbuitenland.nl/spanje/wp-content/uploads/sites/30/2017/05/presentatie.pdf
[207] http://www.start-updelta.org/start-ups/13091

economies. The Ministers responsible for Research and Innovation welcomed the plan. The coming months the European Commission and the Member States will work on a legislative proposal.

Initiatives for business angel and alternative financing

European Angels Fund S.C.A. SICAR – EAF Netherlands ("EAF Netherlands") is a 45 million euros initiative funded by the Dutch Venture Initiative ("DVI"), a fund-of-funds initiative advised by EIF. EAF Netherlands has been established in September 2015 as compartment under the regulated European Angels Fund umbrella structure focusing on investment activity in The Netherlands. EAF Netherlands aims at providing equity to Business Angels and other non-institutional investors to finance innovative companies in the form of co-investments[208]. There is a direct support scheme for business angel networks in the Netherlands under which the Government pays a subsidy towards the costs of network meetings. It is understood that the total budget for this support is 250,000 euros per annum for the Netherlands as a whole, so the amount is relatively small. A tax credit scheme for business angel investments was terminated seven years ago as they were generally considered as not successful in attracting business angels. Apart from that the Technostarter and Creatieve Starter[209]funds within the SEED Capital Funds are considered as valuable initiatives for business angels are part of the Innovation Fund. With these funds investors are supported to up to 50% of the investment budget. The overall aim of this initiative is to increase the supply of seed capital funding, given the tendency of banks and venture capital funds to move away from this market segment. By helping business angels to group together it should also make larger investments possible (syndicates) and spread the risk of those investments. The programme is run through Agentschap NL.

The Netherlands has several financial instruments to promote public-private investments. In the early stage they have the seed capital regulation. Private investors provide half of the capital and the Ministry of Economic Affairs matches this investment. The private inverses then manage the funds. For the later stage, there is the Dutch Venture Initiative with The European Investment Fund (EIF)[210]. European investment funds works hand in hand with Business Angels and helps them to increase their investment capacity by co-investing into innovative companies in the seed, early or growth stage. The activity of EAF is adapted to the Business Angels' investment style by granting the highest degree of freedom in terms of decision making and management of investments. Moreover, equity crowdfunding, mezzanine instruments or convertible notes constructions are also an option. The Dutch regulatory framework, applicable to both debt-based crowdfunding and equity-based crowdfunding, was updated on the 1st April 2016[211]. Crowdfunding platforms in the Netherlands are expected to follow a set of best practices that encourage investors to invest appropriately by following best practices such as diversification. Netherlands is the 3rd country regarding online alternative finance by market volume in Europe, excluding the United Kingdom. The Netherlands is the market leader in both debt-based securities and peer to-peer business lending, whilst also performing relatively strongly in rewards-based crowdfunding and equity-based crowdfunding, where it is the third largest market for these models in Europe (excluding the UK). The total amount raised in 2015 was 111 million euros, up from 78 million euros in 2014 and 46 million euros in 2013. The growth rate increased from 42% in 2014 to a sizeable 70% in 2015[212].

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208 http://www.eif.org/what_we_do/equity/eaf/Netherlands.htm

209 Definitions: a "technostarter" is a legal person running a business or preparing to start a business based on new technical invention or new application of an existing technology (products, processes/ services – not advice); a "Creatieve Starter" is a legal person running a business or preparing to start a business based on a new creative invention or new application of an existing creative invention (products, processes/ services – not advice).

210 http://www.eif.org/what_we_do/resources/dvi/

211 http://www.crowdfundres.eu/wp-content/uploads/2016/06/CrowdFundRES-Crowdfunding-RES-Regulation-in-_EU.pdf

212 https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf

Jointly, Angel Academy (the Dutch Academy for private investors) and Dealroom published an initial 9-page overview of the Dutch angel investing landscape[213]. Ohad Gilad from Angel Academy handed over the report personally to the Dutch minister of economic affairs Henk Kamp, who also announced a new 10 million euros government scheme to support angel investing. European angel investing has increased sharply in the first quarter of 2017, Dealroom data shows, in a 9-page report published jointly with Angel Academy. Funding rounds with at least one angel participating reached a value of 700 million euros, compared with 180 million euros in the first quarter of 2016. The number of such rounds quadrupled during the same period. Growth was strongest in the UK, France, Spain, and Sweden[214]. According to the same report, business angel investing has failed to catch up, according to Dealroom data (although limited disclosure of angel-backed rounds maybe partly to blame here). Given the importance of business angels in supporting new ventures in their earliest stages of development, it is important that the Netherlands develops and nurtures angel investing, by creating a favourable climate.

[213] http://angelacademy.nl/report/
[214] https://blog.dealroom.co/9-page-report-dutch-angel-investing-landscape-partnership-angel-academy/

Poland

General presentation of the country

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	37,999,494	18,102,951	GDP per capita in PPS EU	68	100
Unemployment rate %	9.0	10.47	GDP growth rate (average 2012-2014)	2.1	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	12.4	10.8	Enterprise death rate (2012)	9.8	9.61
Entrepreneurial Intention	15.6	11.5	Enterprise survival rate (2013)	67.9	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	/		Total patents filed under PCT In applicant's country of residence	341,2	
Venture and growth capital	/		Personnel in R&D	7208	
Bankruptcies, SMEs (%, Year-on-year growth rate)	/		Business Enterprise R&D expenditure (BERD) By economic activity (total)	1,800.086	
No of Bankruptcies	/		GOVERD as % of total public expenditures on R&D	2,052.315	
Interest rate SMEs	/				
Interest rate larger firms	/				

Average Costs Required for Starting a Business: PLN 1,670 (~ 393 euros)

Minimum Capital Required for Starting a Business: PLN 5,000 (~ 1181 euros)

Corporate Income Tax:19%

Short overview

The Polish economy continues to experience a stable economic expansion. Remarkably resilient to the 2009 economic and financial crisis, Poland has continued to grow strongly and catch up with other OECD countries in terms of GDP per capita[215]. Driven by domestic demand, the average GDP growth rate is well above the EU average (2.1% compared to 0.08% for EU-28). Poland has a relatively high enterprise birth rate, entrepreneurial intention and survival rate in comparison to the EU-28 average. Despite the positive statistics some barriers have been identified when it comes to starting a business, for instance, lack loans for starting a business and fiscal incentives for business investments, fear of failure and administrative difficulties[216], all common challenges across most EU countries. The enterprise death rate is in line with the EU-28 average.

The government has announced a welcome focus on strengthening skills and the economy's capacity to innovate. Its development plan foresees policies to strengthen investment in productive capital, research and activities aimed at facilitating the pursuit of economic activities. At the end of 2014 a deregulation act was adopted introducing more than 40 measures intended to make running a business easier, including the abolishment of certain redundant bureaucratic obligations and facilitating measures for entrepreneurs. By 2016, the 20th anniversary of Poland's OECD membership, Poland had achieved levels of well-being and quality of life never experienced[217] before and a prosper business environment considered strong and attractive on a global scale[218].

Policies and Regulations supporting Business Angel investment

The Polish start-up ecosystem has recently experienced positive trends, despite being relatively distant from matching the performances of the most relevant start-up markets in the EU. Poland is indeed rich in tech innovation and tech talent and its economy is in reasonably good shape compared with other European countries[219]. The start-up community seems to be vivid and constantly expanding. More and more events are aimed at gathering together investors and start-uppers take place during the year and represent a unique opportunity for Angel Investors to look for potential investment opportunities (e.g. Internet Beta, Start-up Weekends, Social Media Convent, Social Media Day, Marketing Automation Congress, Aula, Reaktor, and Start-up Stage)[220].

Since 2016 a tax incentive to foster the innovation ecosystem in Poland enter in place, the research and development (R&D) expenses may reduce the taxable base. Moreover, the Government made available a depreciation write-off for start-ups and small taxpayers up to 50,000 euros (in some cases up to 100,000 euros) and established the Fund of Funds initiative, a fund with a budget of nearly 90,000,000 euros to support start-ups, the development of innovation and to stimulate equity investments into growth-focussed enterprises[221].

[215] https://www.oecd.org/eco/surveys/Poland-2016-overview.pdf
[216] https://www.oecd.org/cfe/leed/Rapid-policy-assessment%20Poland.pdf
[217] https://www.oecd.org/eco/surveys/Poland-2016-overview.pdf
[218] http://www.doingbusiness.org/rankings
[219] https://www.forbes.com/sites/alisoncoleman/2016/05/20/poland-on-track-to-becoming-a-major-european-tech-start-up-hub/#7a8c7be22085
[220] http://www.web.gov.pl/eng/ecosystem/675_4804_10-polish-start-up-and-tech-events-still-waiting-in-2015.html
[221] http://www.eif.europa.eu/what_we_do/resources/pgff/index.htm

Initiatives for business angel and alternative financing

The business angel market in Poland is still very young, having emerged in the 90's but only experiencing a period of strong development and increase in number of potential Business Angels from 2006, mainly because of the accession to the EU. Business angels in Poland are concentrated around business angel networks that were mostly financed by the Operational Programme (OP) Innovative Economy 3.3.1., being the biggest and most active BANs, the Lewiatan Business Angels, Silban, Gildia, PSAB and Amber[222].

There are some important issues related to the operation of the business angel market in Poland. The only visible fiscal incentive that can be applied for direct business angels investment are: an exemption from income tax for activities within a special economic zone (currently there are 14 special economic zones in Poland) and free help in completing the formalities related to the investment; an exemption from property tax and reduction of the taxable base by the amount allocated to the innovation fund for Research and Development Centers; and an exemption from property tax, provided by local councils[223]. The Polish Agency for Enterprise Development (PAED) implements support schemes for business angel networks and seed funds (mostly through ERDF and the national budget). In 2014, PAED launched the Co-investment Loan Fund. Companies that sign an investment agreement with a private investor (BA/VC) can apply for a loan. The loan can be between approximately 50,000 euros to 500,000 euros and cannot exceed the doubled investment of the private investor [224].

The VC market in Poland is relatively small however the outlook presents a promise for further growth. The VC market has been recovering since 2008, making Poland one of the most attractive locations for VC in Europe, ranking 25th out of 125 countries surveyed in the 2016 VC/PE Country Attractiveness Index[225]. Initiatives addressed directly at VC funds are the programme sponsored by the National Centre for Research and Development called "Bridge Alfa", designed to fund VC investment for the total amount of PLN 180,000,000 (~42460841.66 euros) and the ARP Venture Fund established in November 2014 to invest in companies working on modern solutions[226].

Overall, crowdfunding in Poland is legal, accessible for most people. In 2014, the law on public money gathering changed and charity and private online fundraising became more informal, thus getting more and more popular. As well, equity crowdfunding is possible but with quite low limits and when in non-prospectus way[227]. A legal change is expected in the fourth quarter of this year to encourage the growth of this trend in upcoming years[228].

According to Start-up Poland Report 2016, the updated number of start-ups in the Start-up Poland database amounted to 2,677 for the year 2016. 692 companies responded to the invitation to take part in the research survey, or 26% of start-ups. Exactly half of the Polish start-ups surveyed are financed from their own resources. The most popular sources of external capital are: subsidies from the European Union (24%), Venture Capital funds (22%) and business angels (17%). At the same time, the data show that almost 80% of the start-ups have used their own funds (including revenue from sales) for their venture.

When asked about current needs, the surveyed start-ups listed money (63% of responses), and every second one listed skilled workers[229]. These facts show that businesses still need financing and business angels can play a vital role. In the same report, answer to a multiple-choice question about external funding sources to be used in next 6

[222] http://business-angels.de/wp-content/uploads/2013/10/ba-rep_en.pdf
[223] http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[224] http://www.eban.org/wp-content/uploads/2015/12/Co-Investment-Funds-2015-17-12-2015_FINALV51.pdf
[225] http://blog.iese.edu/vcpeindex/
[226] https://www.obserwatorfinansowy.pl/tematyka/in-english/start-ups-from-the-eastern-countries-are-the-opportunity-for-polish-vc-funds/
[227] http://cgs.org.pl/en/polish-crowdfunding-landscape/
[228] https://www.statista.com/outlook/335/146/crowdfunding/poland
[229] http://start-uppoland.org/wp-content/uploads/2016/09/Start-up-Poland-Raport-2016-03-ENG.pdf

months by businesses had the following answers: 59% voted for Venture Capital, 56% for EU subsidies, 35% for business angels, 18% for Accelerators, 11% for Crowdfunding, 10% for none (loans) and 16% for Others. These figures shows the demand of financing from Business Angels. So, there is surely potential for business angels to invest more and be more active.

Portugal

General presentation of the country[230]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	10,348,648	18,102,951	GDP per capita in PPS EU	78	100
Unemployment rate	14.1	10.47	GDP growth rate (average 2012-2014)	-0.1	0.08
Entrepreneurial Activity		EU-28 average	**Entrepreneurial Activity**		EU-28 average
Enterprise birth rate (2013)	14.5	10.8	Enterprise death rate (2012)	18.2	9.61
Entrepreneurial Intention (2014)	15.8	11.5	Enterprise survival rate (2013)	49.7	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	86 876		Total patents filed under PCT In applicant's country of residence	143,1	
Venture and growth capital	47.1		Personnel in R&D	8,513	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-33,35%		Business Enterprise R&D expenditure (BERD) By economic activity (total)	1,035.966	
No of Bankruptcies	4 019		GOVERD as % of total public expenditures on R&D	1157.858	
Interest rate SMEs	5.97%				
Interest rate larger firms	4.37%				

Average Costs Required for Starting a Business: 360 euros or 220 euros

Minimum Capital Required for Starting a Business: 5 euros

Corporate Income Tax: 21%

[230] Date of collection: 13/12/2016
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/portugal/paying-taxes

Short overview

Since becoming a member of the then European Community in 1986, Portugal experienced a solid growth, nevertheless the GDP per capita in purchasing power (78%) remains under the EU average. The financial crisis left Portugal with a budget deficit, and in 2011 it became the third EU country to ask for emergency assistance, being that in 2014 after achieving some success in cutting its deficit and restoring growth the country exited the program.

Portugal's economy has gone through a gradual recovery, from a deep recession to almost 0% of the GDP growth rate between 2012 and 2014. Portugal also has one of the most uneven income distributions in Europe, both inequality and poverty have been rising since the crisis. Unemployment has been the main cause behind this inequality, remaining uncomfortably high compared with EU-28 average (respectively 14.1% and 10.5%). Additionally, the entrepreneurial birth rate and entrepreneurial intention are higher than the EU-28 average showing that the business environment in Portugal is developing a strong entrepreneurial culture, as well infrastructures and quality support. Regarding the Enterprise death rate in Portugal it still remains well above the EU-28 as far as the Enterprise survival rate remains lower than expected, despite the increase in the number of enterprises. There are different factors that might explain this phenomenon, possibly being one of them, the employment rate that it is still an issue in Portugal[231].

Portugal has only recently emerged from a dire economic situation, growing its economy being the main priority. Recent reforms, such as lowering corporate income taxes and introduction of simplified regimes for small business changed the enterprise environment making it more flexible, adjusted and enterprise friendly. Specific instruments in the form of financial incentives are also being promoted to foster innovation, research and development, internationalization and new business.

Policies and Regulations supporting business angel investment

Government initiatives to promote easier conditions for doing business, to foster enterprise growth, improve SME's access to finance and open additional channels of finance for start-up companies have been implemented over the past few years in Portugal. Programs such as PME Segura (credit insurance) and INOFIN (National Framework Programme of Financial Innovation), financial incentives and creation of an e-government system facilitating business creation (faster processes, less bureaucracy and lower fees) are few of the government initiatives among others.

The process to facilitate the relationship between start-ups and the Public Administration is also on the agenda of the Portuguese government, namely the simplification of company information, a prestart and the implementation of Fast-track Visas for the foreign employees of science and technology-based companies. Portuguese authorities have made remarkable progresses concerning administrative burdens on start-ups, through the "Zero Licensing" programme which abolishes licensing for some services and almost all industrial projects and with the creation of a "one in, one out" rule, with the goal of controlling the flow of new regulations. Access to finance was also on the agenda of the Portuguese government: a loan system with lower interest rates is available for supporting enterprises; a single entity was created to better promote and foster Venture Capital and develop tech-based entrepreneurship, a specific programme was established to make Portugal an attractive country for investment, creating skilled jobs and investing in R&D&I and entrepreneurship through the development of thematic clusters.

Regarding business registration there are no restrictions in Portugal as to foreign investment. Portuguese law is based on a principle of non-discrimination based on the investor's nationality. The rules that will apply to a foreign

[231] Differences in Net Growth of Enterprises Indicate Divergence of SME Performance Across Europe https://www.moodys.com/research/Moodys-Italian Spanish-and-Portuguese-SME-growth-will-lag-the--PR_347507

investor are the same that rule the national investment. Setting-up a branch in Portugal is also a simplified process because of the Simplex Program which created an "On the Spot Branch" regime enabling the instant creation at a single window of permanent representations in Portugal of commercial and civil.

Below are some regulations that support start-ups and encourage investments:

"Start-up Portugal"[232] – The Portuguese government launched the Portuguese Strategy for Entrepreneurship an ambitious program that aims to give structure to the ecosystem and provide tools that allow start-ups and entrepreneurs to create and evolve; Some incentives projects developed by Start-up Portugal will be explained within the Relevant policies and public help in support of BA Investment.

"IAPMEI"[233](Portuguese Agency for Competitiveness and Innovation) – Main mission is to facilitate and assist SMEs in their innovative and international growth strategies, increased productivity and competitiveness, strengthening of skills and capacity management and access to financial markets, alongside the promotion of entrepreneurship.

"SIMPLEX" (Programme for Administrative and Legislative Simplification followed by SIMPLIFICAR programme)[234]– It implements administrative simplification measures directed to businesses, allowing them to reduce compliance costs and, in general, the red tape costs they have to bear.

"Linha PME Crescimento 2015"[235] – It entered force on the 1st of April, with a budget of EUR 1,650,000 and it's a mechanism to ensure an easy access of enterprises to loans with lower interest rates and better conditions.

Initiatives for Business Angel and alternative financing

In recent years, Portugal has developed a significant number of world-class start-ups and programs that are key to this progress. The Web Summit taking place in Lisbon (2016 to 2018) is a proof that the city is increasingly well positioned on an international level. To enhance the investment in early stage companies, the Portuguese Government has developed a set of policies and incentives directed to Business Angels, Venture Capital funds and Start-ups. The Business Angels activity in Portugal started formally in 1999 but only had a sharp increase since 2010, the period in which a co-investment fund was launched by PME Investimentos (public organization) through European Union funds. Since 2010 until September 2014 Business Angels investment vehicles with PME Investimentos co-investment fund made 188 investments in 114 start-ups, totalizing 21,000,000 euros.

Portuguese Association of Business Angels (APBA) has its headquarters in Lisbon and was formally created in March 2006 with the mission of stimulating BAs and entrepreneurship activity, attracting a relevant number of BAs and supporting the development of regional and sector networks. APBA is a member of EBAN (European Business Angel Network) with which it shares experiences and best practices. APBA aims to perform a dual role as it operates both as the Federation of Business Angel Networks and as well as the Business Angel Network, but so far it has essentially played the role of BAN focusing on the financing of innovative start-ups of Greater Lisbon. The second national association, the Portuguese National Federation of Business Angels (FNABA), was formally created in February 2007 by a group of regional BANs, with the mission of representing the interests of regional networks established in Portugal. FNABA intends to be a coordinating body contributing to strengthening and encouraging business angel activity in Portugal. Both APBA and FNABA worked with government authorities and CMVM (Portuguese Securities Market Authority) in the preparation of a legal framework for business angels. Later, these

232 http://start-upportugal.com/
233 https://www.iapmei.pt/
234 https://www.simplex.gov.pt/programa
235 PME INVESTIMENTOS http://www.pmeinvestimentos.pt/linhas-de-credito/Linha-PME-Crescimento-2015/284/

two national associations worked with public administration to develop a tax incentive framework for business angels and to promote its public discussion. More recently, both organizations have been working with Portuguese authorities to construct and publicize the co-investment fund for business angels destined to enhance business angel activity. In Portugal, a set of 10 regional BANs covers the country. Although Portugal is not among the leading European countries in terms of number of networks .[236] . Services offered vary a great deal from one BAN to another. Some limit themselves to supporting activities carried out by FNABA whereas others can offer to a greater or lesser extent some of the following activities: (i) investment meetings/networking meetings, (ii) newsletters or information bulletins, (iii) database of contacts, (iv) online matching, (v) workshops, (vi) company presentation events, (vii) investment forums and fairs and (vii) training in investment readiness for SMEs.

Now in Portugal, business angels (certified by IAPMEI) can deduct from its income tax collection, an amount equal to 20% of the amount invested and up to 15% of the tax in an SME (or start-up) less than 3 years old. Another Tax incentive that further strengthened the benefits to BAs activity, was the special tax regime for venture capital investors, risk capital companies and risk capital funds. However, to benefit from this regime, these entities should be registered in the Portuguese Securities Market Commission (CMVM). This regime establishes a tax reduction of 50% for dividends and for sales of shares in companies / investments owned for over two years. It also establishes a deduction on taxation in the amount of the company tax of the last 5 years if the profits were invested in a growing business[237].

The public financing policies are focused on offering alternatives to bank loans, namely by promoting new methods of financing, such as equity crowdfunding, peer-to-peer lending and co-investment. Portugal Ventures' is the entity responsible for public venture capital investment, in strategic sectors for the national economy and in projects at a stage at which the risk is perceived to be too high for private investors and where there is currently a gap in the market. In conclusion, these are the most relevant incentives and regulations that support and encourage business angel investments:

"FINOVA" (Fundo de Apoio ao Financiamento à Inovação)[238] – Is an instrument for achieving the objectives set out in SAFPRI ("Sistema de Apoio ao Financiamento e Partilha de Risco"). FINOVA designed two innovative financial instruments, the "Financing Line to Informal Investors on Venture Capital" and the "Financing Line to Operations by business angels" with the objective of encouraging business angels to have a larger and more active role in supporting SMEs;

"The COMPETE Management Authority"[239] – Responsible for managing and executing the Operational Competitiveness Program - COMPETE - as part of the National Strategic Reference Framework. Through the SAFPRI, COMPETE offers small and medium-sized enterprises new, innovative forms of finance, including a co-investment fund for business angels;

"**Line of Financing for Special Purpose Vehicles Owned by Business Angels**"[240] – Program created by Compete, in association with FINOVA and several business angels associations;

"Line of Financing for Venture Capital Funds"[241] – The purpose of this Line is to provide support to financial instruments to capitalize business projects in start-up or expansion stages;

[236] Financing innovative start-ups in Portuguese context: what is the role of business angel networks? https://dspace.uevora.pt/rdpc/bitstream/10174/20600/1/Bilau%20%26%20Sarkar%20%282016%29.pdf
[237] 2015 Compendium of Fiscal Incentives: Tax Outlook in Europe - Business Angels Perspective http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[238] PME INVESTIMENTOS http://www.pmeinvestimentos.pt/en/funds-under-management/finova/presentation/
[239] http://www.pofc.qren.pt/compete/about-us
[240] http://www.ifd.pt/linhafinanciamento-ba-en/
[241] http://www.ifd.pt/linhafinanciamento-fcr-en/

“Portugal Ventures” – Portuguese public VC Firm focused on innovative, scientific and technology-based companies, as well as on export-oriented companies from the more traditional Portuguese Tourism and Industrial sectors. Invests in seed, early and growth stages usually for 4-7 years, with a minority stake in company’s equity. Portugal Ventures co-invests with business angels.

Romania

Short overview

Romania has been a member of the European Union (EU) since 2007. Romania economic growth recovered in 2013-15 driven by strong industrial exports and the fiscal deficit was reduced substantially. Nonetheless, progress on structural reforms has been uneven and the economy still is vulnerable to external shocks[242]. Emerging markets of digital consumers and innovators can be found in this country. Romanian companies like Bitdefender, Gameloft, King and others equipped with Romanian innovation engine had their debut and matured to what they are today. Bucharest, also known as "Little Paris" comes with very smart and multi-talented people who welcome investors and great entrepreneurs. Microsoft, the creator of the most widely used OS in the world through which most other great technologies and tools are built is not a stranger to Romanians, at Microsoft the number one speaking language is not English, it's Romanian. The country has great potential in tech business. The historical Universities in major cities produce talent pool every year. Young graduates are skilled in coding languages and technology. People are smart, educated, fluent English speakers and resourceful lateral thinkers. Bucharest, being the capital, is the place where all Romanians aspire to work and the supply of ambitious and multi-talented individuals never ceases to flow. On the other side, Cluj-Napoca is the 2nd largest city in Romania and is a preferred location for many of Europe's youngest, not only because of the overall decent cost of living but also good employment opportunities. Although small, the Cluj start-up ecosystem is a vibrant one, On the Eastern side Iasi city, is another important pole for education, innovation and start-ups.

But still entrepreneurial culture has not yet developed to the level it could grew, keeping in mind the constant supply of talented individuals, in many cases multi-talented, this translates into a reluctance to take risks and a lower ability to collaborate across teams. It might sound odd, but they would much rather work for a salary than for a stake in business. One of the reasons can be high level of corruption in the public sector. Projects may get stuck or stopped completely. Staggering level of bureaucracy requires running to different institutions, lots of paperwork, plans can get delayed a lot. High taxes and very few subventions or grants and lack of government support are other barrier. Therefore, one cannot produce a long list of business angel networks active in Romania but there are some visible angel investors. There is also a possibility of invisible market of business angels. According to Business Angels Europe (BAE), the business angel community in Romania is young and has been growing. Business angel networks such as Venture Connect, AngelConnect and TechAngels have developed based on the experience of already successful Romanian entrepreneurs who want to support the Romanian entrepreneurial ecosystem further. In November 2015, another business angel organization was set up by the name of "Business Angels Romania". Moreover, the European Commission DG Connect is financing a Launchpad pilot project to further develop the early stage investor community in Romania[243].

The general tax regime is applied for corporate angel investments. However, specific measures for tax reductions and fiscal incentives for individual investors (business angels) were implemented within the 'Responsive administration' policy area. The law from 2015 established separate incentives for encouraging individual business angels to invest in micro companies and small sized companies in Romania, if certain conditions are fulfilled. These incentives refers to: exemption from dividend tax for the first 3 years from the purchase of shares (up the

[242] http://www.eubusiness.com/europe/europe/romania
[243] https://rio.jrc.ec.europa.eu/sites/default/files/report/KI%20AX%2017%20002%20EN%20N%20Romania_Background.pdf

equivalent of invested amount) and exemption from tax on capital gain from the transfer of ownership rights after the 3 years mentioned.[244] Though, it is still unclear how the law will be applied and whether it will improve business angels funding in the country (as the incentive applies on returns on exits which happen many years after the investment and not up front as a tax deduction on the amount invested)[245].

There are different reports when it comes to count the number of venture capital funds in Romania. The RIO-2015 report counts seven venture capital firms, UEFISCDI has three VC investors on file and crunchbase lists three VC and three micro-VC firms[246]. Both the supply and the demand of VC are underdeveloped. According to a source from the RIO Country Report-2015, "there is a lack of awareness related to the milestones that a company has to fulfil once it becomes part of a VC portfolio" and that "rather than seeing more international funds scouting for deals in Romania, we observe more and more Romanian entrepreneurs raising early stage financing directly abroad, after they have relocated their business to Western Europe or North America"[247]. There are no reliable numbers available of the crowdfunding volume in Romania. Accordingly, with the Romanian Entrepreneurship Environment there are eight Romanian crowdfunding platforms[248]. Overall, crowdfunding in Romania is in the learning phase. The first platform for crowdfunding is only three years old, and only few dozen small projects were eventually financed and finalized. There is no specific in national regulation in place for this type of funding.

To sum up, further actions are needed to improve the demand and to bring ideas to the market. Public support is needed to support incubators to scale them up to accelerators not just acting as co-working spaces for start-ups but also providing equity, mentoring and coaching for start-ups[249].

[244] http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf
[245] http://ec.europa.eu/DocsRoom/documents/22382/attachments/29/translations/en/renditions/native
[246] https://rio.jrc.ec.europa.eu/sites/default/files/report/KI%20AX%2017%20002%20EN%20N%20Romania_Background.pdf
[247] https://rio.jrc.ec.europa.eu/en/country-analysis/Romania/country-report
[248] http://ree.uefiscdi.ro/funding-resources/
[249] http://businessangelseurope.com/News/Pagine/Building-capacity-of-Business-Angels-in-Romania.aspx

Slovenia

Short overview

This former Yugoslavian country is stepping away from old business models and corporation mind-set to boost their economic activity and strengthen the commercial ties with Western Europe and the Balkan States. Ljubljana, the capital and largest city, holds membership of important bodies such as IMF (International monetary funds), EU from May 2004 and OECD from June 2010. Moreover, it has a well-developed transport infrastructure both on dry land and through the sea port at Koper. As investment picks up as renewed EU structural funds strengthen infrastructure investments, the greatest threat to the economy, however, remains the financial sector and its high ratio of non-performing loans which has slowed the flow of credit to small businesses.[250] Despite struggling with high unemployment rate (16.7%), Slovenia is currently holding the 49th rank worldwide for starting a business[251]. Political and economic stability does play a positive role but the small domestic market (2 million people in Slovenia in total) could be challenging for testing the grounds, especially one has strict specifications or a group target.

In 2015 the Slovenian start-up ecosystem flourished, notwithstanding multiple legislative issues remain unaddressed, for example, tax issues, labour rules and regulations, too complex for small companies and unclear process for foreigners. Start-up companies have different sources of financing available, depending on the stage of development, business reach (regional or global) and the type of industry they are working in. One source of financing is the Slovene Enterprise Fund's tender P2 which provides a 74,000 euros subsidy to start-up companies with an innovative idea. Loans due to their nature are less suitable for start-up companies, having that in place the Slovene Enterprise Fund uses tenders to offer micro loans in the amount of up to € 25,000, meant to provide micro and small companies with easier access to financial resources for financing growth and development of the company, investments and current business.

Talking about business angel network or angel investor, the list is not very long. This is mainly due to lack of product developers. Income tax can be another hurdle because it has one of the highest personal income tax rates in Europe (from 16% and up to 50% for the highest pay echelons). Despite this, a group of successful Slovenian entrepreneurs who believe in the potential of the region started the Silicon Gardens Fund's[252]. The aim of this angel fund is to help start-up founders grow their teams, ideas and businesses at the very beginning of their journey and enable them to compete on an international stage. Moreover, business angel investing through a co-investment or angel fund investments in high-risk companies, established under special law, are exempted from tax. Additionally, investment funds, VCs, pension funds and pension insurance companies are taxed at 0% rate when certain conditions are fulfilled.

In 2013, the Slovenian public agency for the Promotion of Entrepreneurship, Innovation and Development officially included the Ustvarjalnik program in the national strategy for economic growth. Ustvarjalnik was born out of an entrepreneurship club at a school in Slovenia and is currently covering 1/3 of the school system in Slovenia. The

[250] http://www.oecd.org/economy/slovenia-economic-forecast-summary.htm
[251] http://www.doingbusiness.org/rankings
[252] http://www.silicongardens.si/ecosystem2014/

program brigs entrepreneurs into secondary schools to mentor students and teach them entrepreneurial principles, giving every student an opportunity to start their first business while still in high school[253].

For other sources of funding, such as crowdfunding, there is an overall positive trend in the area of central and eastern Europe. According to the CASI project policy brief for Slovenia, "changes of the current law and regulations are the first and probably the most important prerequisite for crowdfunding in Slovenia". Currently, no specific data about Slovenia is available, other than the first crowdfunding platforms started at the end of 2015 or beginning 2016 (Arifund and Conda)[254]. Slovenia has a lot to offer to entrepreneurs as its welcoming atmosphere is more than matched by its professional capabilities, from the promising talent pool to the already existing start-up community. There are few entry barriers to start a business and but there are also few private financing opportunities that may come in handy. According to EBAN Statistics Compendium 2015, there are 3 Business Angel Networks associated with EBAN. The total investment by BA for the year 2015 is 1.85 million euros which has been increased comparing it with 2014 with total investment of 1.58 million euros although no data is available for the year 2013[255].

[253] http://scale.ustvarjalnik.com/#ourwork
[254] http://crowdfunding4innovation.eu/country-fiches/country-fiche-slovenia
[255] http://www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf

Spain

General presentation of the country[256]

Demographic data	2016	EU-28 average	**GDP and employment**	2016	EU-28 average
Total population	46,445,828	18,224,443	GDP per capita in PPS EU	90 (2015)	100
Unemployment rate %	12.8	8	GDP growth rate	3.2	1.9
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	8.38	9.9	Enterprise death rate (2012)	9.79	9.6
Entrepreneurial Intention	7.09	9.4	Enterprise survival rate (2013)	61.25	64.6
Financial situation	2014		**R&D indicators**	201	
Outstanding business loans	/		Total patents filed under PCT In applicant's country of residence	1488,8 (2014)	
Venture and growth capital	1 473 (2013)		Personnel in R&D	88 635.127	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-32.21		Business Enterprise R&D expenditure (BERD) By economic activity (total)	6,920.014	
No of Bankruptcies	5 096		GOVERD as % of total public expenditures on R&D	6,224.301	
Interest rate SMEs	3.8%				
Interest rate larger firms	1.98%				

Average Costs Required for Starting a Business: 1200 euros

Minimum Capital Required for Starting a Business: 3000 euros

Corporate Income Tax: 25%

[256] Data collected on: 28/01/2017
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/austria/paying-taxes

Short overview

The average GDP growth rate of -1 reflects the string deceleration of Spanish economy in 2012 and 2013, as in 2014 some signs of economic recovery were already observed with a positive GDP growth rate in 2014. The slowdown in the Spanish economy is marked by a huge unemployment rate in 2014 (above 24%, however improvements are already seen as recent published data of May 2016 shows that the unemployment rate is lower than 20%, reflecting the impact of policy measures set in place to create jobs. Performance on entrepreneurial activity shows a low enterprise birth rate (in 2013) as a reflection of the economic crises that affected the country which is also a reflection of a low entrepreneurial intention of the Spanish population (around 7%). Despite the low enterprise death rate (below the EU-28 average rate), the enterprise survival rate is also low.

R&D investment has been adversely affected by the economic crisis. [257] This follows substantial growth over the last decade which nevertheless failed to foster the transition to a more knowledge-based economy. Spanish SMEs still face tougher financing conditions than SMEs in other euro area countries. Against a backdrop of significant deleveraging needs, access to finance remains a major concern for Spanish SMEs, although flows of new credit are gradually improving. The credit contraction is proving steeper for SMEs, given their higher dependency on bank lending. Spanish SMEs still face tougher financing conditions than those in other euro area countries. Interest rates remain high compared to other Member States, also owing to the weak macroeconomic situation and heightened corporate credit risk.

Although national authorities acknowledge the importance of fostering entrepreneurship and support SMEs with sound policies and measures that contribute to remove obstacles to SMEs growth, facilitate SMEs access to finance (including alternative financing schemes, such as crowdfunding) and stimulate business internationalization. Moreover, Spain is emphasizing support for small and medium-sized enterprises (SMEs) with a national program for innovative cluster networks to strengthen innovative business groups and competitiveness.

Policies and Regulations supporting BA investments

After United Kingdom, Spain can be considered a country with magnificent number of angel investors and business angel networks. Not just that Spain has many business angels but they are also very active and they have a big contribution in creating a successful entrepreneurial culture in Spain. No investor would hesitate to invest in Spain because of its favourable business environment and investment landscape which is improving day by day. Good weather, good food, nice beaches might be another reason that Spain attract a lot of attention of investors. There are many Business angel networks active in different region of Spain where their focus is to improve that particular region. Madrid, Barcelona, Catalonia and Valencia have many active business angel networks.

The Spanish legal system does not recognise the status of business angels and there is no favourable tax treatment for their activity. Some Autonomous Communities (Madrid, Catalonia, Galicia and Navarre) have introduced fiscal support measures but they are of limited scope due to the conditions and restrictions on the maximum amount to be tax deductible (4,000 euros in Catalonia recently increased to 6,000 euros). At a national level, in July 2011, the Government introduced a favourable tax treatment for tax on capital gains from investment in newly created companies. In particular, the capital gains generated by the transfer of shares or units in such initiatives are exempted from tax when the investment is in new or recently created companies (there is exemption from tax on

[257] In 2012, Spain's R&D intensity stood at 1.30%, versus 1.39% in 2009, despite a shrinking GDP.

capital gains from the sale of shares whose value does not exceed 25,000 euros per year). Law 4/2008, of 23 December, took off the Wealth Tax and introduced some amendments in tax regulations. The third additional provision of the aforementioned Law named 'Analysis of new figures to promote the creation of small and medium companies' foresees that the Spanish Government will examine the existing systems in the comparative Law to encourage the creation of small and medium companies and support entrepreneurs responding to the name of 'business angels' analysing its feasibility in Spain and the legal and tax regime that would be applicable. Another important Act 14/2013, of 27 September 2013 is to support entrepreneurs and their internationalisation which included a number of measures to facilitate SME access to capital markets, support the internationalisation of businesses, promote the participation of SMEs in public procurement, simplify the business environment to ease company start-ups, and introduce entrepreneurship content in education[258]. Spain has also decided to adopt the 'one-in, one-out' principle to reduce administrative burdens. The law on entrepreneurship has also enhanced the insolvency framework for corporate by introducing a new debt refinancing procedure with the possibility of a partial debt discharge through Royal decree-law 4/2014, of 7 March 2014. The law has also facilitated out-of-court debt refinancing agreements and has narrowed the personal liability of limited liability entrepreneurs. The government has also adopted a new law on the refinancing and restructuring of corporate debt which aims to facilitate these procedures by speeding them up and increasing their flexibility. However there are some tax incentives for business angels at regional level.

According to Law 7/2011, of 27 July there is Individual, Tax incentive for Catalan business angels, the investor business angel can apply for a deduction in terms of income tax (IRPF) for stock acquisitions or investments in start-ups or companies recently created. The taxpayer, in the income tax part corresponding to Catalonia Region, and with effect since 1 January of 2010, will have a deduction of 30% of the quantities invested in start-ups during the previous exercise with a maximum deduction of 6,000 euros. The stockholding acquired cannot exceed the 35% of the Social Capital of the start-up. In the Madrid Region, Law 10/2009, of 23 December, establishes a similar measure in the income tax for Madrid Business angels. In this case, the deduction will be the 20% of the investment in start-ups with maximum quantity of 4,000 euros. The stockholding acquired can't exceed the 40% of the Social Capital of the start-up. In the Balearic Region, the Royal Decree 1/2014, of June 6, establishes a similar measure to regions. In this case, the deduction will be the 20% of the investment in start-ups with maximum quantity of EUR 600. This amount is much lower as the previous examples.

Initiatives for business angels and alternative financing

Even though the Spanish legal system does not recognise the status of business angels and there is no favourable tax treatment for their activity at this point, however in recent years there have been initiatives recognising the importance of Business Angels and the need for supporting them. Besides the Proposition of law to support entrepreneurs outlined above, there is Programme of Impulse to Business Angel Networks launched by the Ministry of Industry, Tourism and Trade, and several co-investment fund schemes. In 2010, then Ministry of Industry, Tourism and Trade (now Ministry of Industry, Energy and Tourism) launched an initiative to encourage BANs 'Programa de impulso a las Redes de Business Angels (Programme of Impulse to Business Angel Networks)[259]. The aim of this programme is to strengthen and professionalise organisations that perform brokerage services between enterprising companies and potential investors (or business angels) so that the services are provided in a more professional manner. At a regional level there are also other co-investment initiatives with business angels, as

[258] http://www.boe.es/boe/dias/2013/09/28/pdfs/BOE-A-2013-10074.pdf
[259] Programme of Impulse to Business Angel Networks
http://www.ipyme.org/enus/SubvencionesAyudas/RedesBusinessAngels/Paginas/ImpulsoRedesBusinessAngels.aspx

launched by the Generalitat de Catalunya. The IFEM, a subsidiary of the Catalan Institute of Finances (ICF), has a collaboration agreement with, to date, 11 BANs to co-invest in start-ups. These companies will receive between 50,000 euros and 200,000 euros with the condition that the business angels have to provide the same amount as the IFEM.

The Spanish regulator was one of the first to impose some level of legislation for alternative finance activities. In 2015, Spain saw a number of changes (both already implemented and proposed) with the goal of clarifying rules applicable to the various models, especially around investor protections and capital requirements at the firm level. Despite continued cooperation and dialogue between Spanish firms and the regulator, only 17% viewed existing national regulation as 'adequate or appropriate', whilst 13% viewed it as 'inadequate and too relaxed'. A resounding 43% of firms perceived exist in national regulation as 'too strict and excessive' which is relatively high as compared to other countries in Europe[260]. Spanish alternative finance platforms have grown at an average of 75% during the period 2013-15. In 2015, the Spanish online alternative finance volume grew by around 39% from 36million euros in 2014 to 50million euros in 2015[261].

Also, European Angels Fund S.C.A. SICAR – Fondo Isabel La Católica (EAF Spain)[262] is a EUR 30 million initiative funded by the EIF, Instituto de Crédito Oficial (ICO) and Neotec set-up to provide equity to Business Angels and other non-institutional investors for the financing of innovative companies in the form of co-investments. The initiative has initially been launched in November 2012 in close cooperation with ICO and Axis. Empresa Nacional de Innovación, S.A. (ENISA)[263], a public body is devoted to invest in creating and developing small and medium companies is jointly investing with Spanish major business angels' networks on a stable basis. On 2010, ENISA and AEBAN signed a co-operation agreement in order to finance small and medium-size enterprises. ENISA will finance these companies through participating loans. Institut Català de Finances (ICF)[264], another public financing body of the Catalan Government, in 2012 has set up IFEM, a new co-investment line for Catalan start-ups. ICF provide participating loans to those start-ups that have already been invested by some of the local business angel networks. The last call was launched in late 2011 and funded a total of 80 start-ups until 2015 for a total amount of 10 million euros.

According to data collected by BAE, Total money invested by business angels in Spain for the year 2015 is 55 million euros. Further facts show that more than 60% business angels have the capacity to invest over 100K per year and more than 30% business angels invest cross border. Internet and digital start-ups represents more than 75% of business angel portfolios. Only 27% of business angels use the tax incentives and financial tools promoted by the public administration[265].

[260] Zhang, B. et al (2016): Sustaining Momentum. The 2nd European Alternative Finance Industry Report. Cambridge University https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf

[261] https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2016-european-alternative-finance-report-sustaining-momentum.pdf

[262] http://www.eif.org/what_we_do/equity/eaf/Spain.htm

[263] http://www.enisa.es/

[264] http://www.icf.cat/ca/inici/

[265] Taking the Pulse "The European confederation for Angel Investing" www.businessangelseurope.com

Sweden

General presentation of the country[266]

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
population	9,798,871	18,102,951	GDP per capita in PPS EU	123	100
Unemployment rate %	7.9	10.47	GDP growth rate (average 2012-2014)	1.8	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	7.1	10.8	Enterprise death rate (2012)	7.3	9.61
Entrepreneurial Intention	8.5	11.5	Enterprise survival rate (2013)	84.4	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	222,677		Total patents filed under PCT In applicant's country of residence	3761,8	
Venture and growth capital	3440		Personnel in R&D	16,757	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-6.99 %		Business Enterprise R&D expenditure (BERD) By economic activity (total)	9,125.79	
No of SME Bankruptcies	7,158		GOVERD as % of total public expenditures on R&D	4453.371	
Interest rate SMEs	2.68 %				
Interest rate larger firms	2.12 %				

Average Costs Required for Starting a Business: SEK 2200 or SEK 1900 (~ 230- 1800 euros)

Minimum Capital Required for Starting a Business: SEK 50,000 (~ 5200 euros)

Corporate Income Tax: 22%

266 Data collected on 23/03/2017

Short overview

Sweden weathered the global 2008-09 economic crisis with limited damage,[267] thanks to a competitive and diversified business sector Sweden's economic growth has slowly accelerated since 2012 and is expected to remain strong in the coming years with GDP growth rate (1.8%) above the EU average. Expansionary fiscal policy, low interest rates and inclusive and sustainable growth over the past two decades reinforced the vision of a high quality of life for Swedes. The rapid population expansion since 2011 is mainly due to a strong increase in the number of migrants. The country has welcomed more than 80,000 refugees in 2014 and almost 163 000 persons in 2015 (equivalent to almost 1.7 % of the total population)[268]which have both contributed to and benefitted from economic prosperity.

The data on entrepreneurial activity, which refer to the 2012-2014 period seem to be misleading. Sweden is one of the countries that experienced a noticeable increase in entrepreneurship and in 2017 ranks 4th in the "2017 Global Entrepreneurship Index"[269] and it is a world leader in innovation[270]. Overall, in Sweden the regulatory framework is business friendly including: easy access to information and counselling and tax incentives to foster small and medium enterprises that generate employment and innovation. However, there is still room for improvement regarding labour market flexibility even though the labour market functions reasonably well (high employment rate with a high level of women's participation in the workforce).

Policies and Regulations supporting business angel investment

The Swedish is the second-best country in the world when it comes to producing modern billion-dollar start-ups[271]. The Swedes have used the living well factor, government foresight and infrastructure planning as a facilitator to mature an innovative and modern ecosystem that supports start-ups. Despite being a country with successful start-ups, there are still some barriers like penalty taxes for entrepreneurs, employment barriers regarding non-European passports and shortage of housing[272].

There are no specific tax incentives in Sweden for corporations. However, some generally applicable regimes exist, for example, Sweden has a tax relief for foreign key personnel (25 percent reduction of taxable income of a foreign key person[273]) which provides an additional advantage to companies who need foreign expertise. Moreover, Sweden has an accruals reserve regime that allows for a tax-deductible appropriation for corporations of 25% of the taxable profit before appropriation to a reserve[274].

Only Silicon Valley beats Stockholm when it comes to unicorns per capita. But this refers to only a handful of companies. Ninety-nine percent of all companies in Sweden are small businesses and today they account for four of five jobs. This is not reflected in Sweden's politics where the focus lies on big corporations, and where the biggest slice of state funds is allocated to mature companies and regional policy regulations, with a very slim investment in, and understanding of, new and growing businesses. Lack of clear and foreseeable rules that international investors understand, and that can be relied upon not to change in an unexpected, untimely and/or unwarranted fashion, makes it difficult to attract certain international institutional investors to funds domiciled in Sweden. That Sweden is not offering any tax transparent, or equivalent, type of legal structure without any withholding tax considerations is

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[267] OECD Economic Surveys http://www.oecd.org/eco/surveys/Sweden-2017-OECD-economic-survey-overview.pdf
[268] Country Report Sweden 2016 http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_sweden_en.pdf
[269] http://thegedi.org/global-entrepreneurship-and-development-index/
[270] http://ec.europa.eu/DocsRoom/documents/17858/attachments/1/translations/en/renditions/native
[271] http://en.start-upmanifesto.se/
[272] The Swedish Start-up Manifesto http://en.start-upmanifesto.se/#tab3
[273] http://skatterattsnamnden.se/forskarskattenamnden/summaryinenglish/taxreliefforforeignkeypersonnel.4.383cc9f31134f01c98a800018147.html
[274] http://taxsummaries.pwc.com/ID/Sweden-Corporate-Tax-credits-and-incentives

another key issue that risks making the Swedish tax regulation, not modern and inappropriate for funds and their investors. This is also true in case of 3:12 regulation, often called the entrepreneur tax, where a proposal this year (2017) will raise taxes on almost all Swedish entrepreneurs and early-stage investors[275].

Nevertheless, a bright side could be some programmes such as Vinnova (Sweden's official innovation agency) which provides funding through a range of grants aimed at different industries and ALMI (Sweden's most active investor in young growth companies).Other proposals are currently being prepared to promote entrepreneurship and to support the availability of sources of finance for SMEs (alternative to traditional bank lending).However, at the moment of writing, the implementation of the new regulation has not been finalised.

Initiatives for business angel and alternative financing

The development of business angels market in Sweden is difficult to assess, nonetheless, its scope is estimated to have increased over the past decade. According with to two studies conducted between 2004 and 2006 the business angels market in Sweden includes around 3,000-5,000[276] potential investors and the investment volume (using a broad definition of business angels) can be estimated between the range of 385,000,000-444,000,000 euros or approximately half of the investment volume for the narrow definition of business angels[277].

The Government has not prioritized a direct role in the development of the business angel market. The policies to support business angels have been mainly indirect and the main focus has been on promotion of BANs and the development of a national association to promote networking and activities to increase investment readiness. Certain initiatives, as ALMI Invest, for the provision of equity finance to high technology start-ups also contribute to the development of the business angel market. Since December 2013, there is a scheme aimed for business angels investing as private persons. The business angels can deduct up to SEK 650,000 (~ 66568 euros) from a maximum investment amount of SEK 1,300,00 million (~1,330,00 million euros) and gain a tax incentive of 30% on the deduction. In addition, there is an ongoing discussion on other tax incentives for business angels, being one potential outcome an extended tax deduction to apply also for privately held business angel investment companies.

In comparison, the Swedish Government had a more direct role in the development of the domestic venture capital industry. The first venture capital fund was established in 1973 as a collaboration between the government and the private sector[278]. Sweden is among the top countries in terms of access to venture capital. In 2006, the European Investment Fund (EIF) in close co-operation with the Swedish Agency for Economic and Regional Growth carried out an analysis of the opportunities to support access to equity capital for Swedish early-stage high-growth enterprises[279]. Additionally, twelve regional venture capital funds were created covering 8 regions of the country. ALMI Invest regional subsidiaries manage 8 of the 12 funds and the remaining are managed by other regional public-private partnership organisations[280]. Other sources of funding such as, crowdfunding, went mainstream with crowdfunding companies extensively working with business angels and incubators. Yet Sweden still has not legal regulation or had followed the example of Denmark, which has already established a Crowdfunding Association.

[275] http://blogg.pwc.se/taxmatters-en/proposed-new-312-regulations
[276] http://ec.europa.eu/DocsRoom/documents/7862/attachments/1/translations/en/renditions/pdf
[277] Swedish Agency for Growth Policy Analysis https://www.tillvaxtanalys.se/download/18.c3240fe15749a9cd7ddbefd/1476084623008/rapport_2016_03_Effects+and+experiences.pdf
[278] http://www.svca.se/info-in-english/
[279] http://www.eif.org/what_we_do/resources/swedish_venture_initiative/index.htm
[280] http://ec.europa.eu/DocsRoom/documents/7862/attachments/1/translations/en/renditions/pdf

In a recent publication by the Swedish Financial Authorities (Finansinspektionen) it was pointed out that under certain circumstances it is even unclear which public authorities should execute supervision on crowdfunding. Within the next upcoming 18 months, a close cooperation between Swedish crowdfunding platforms and banks is expected[281].

According to Swedish Tech Funding Report of 2016, 2016 ended on a high note, with a record number of investment rounds and amount of capital raised. The strong increase in number of deals, twice the number of 2015's, primarily stemmed from a record-breaking amount of seed stage investments. This also explains the more than doubled increase in number of active investors, as a very high number of new angel investors dipped their toes for the first time in 2016. Just like in 2015, the most popular sector for venture funding was FinTech. More interesting to note however was this year's runner-ups. E-commerce climbed to a second place and while Enterprise SaaS had another strong year, MediaTech fell sharply while Digital Health and Gaming instead gained significant momentum[282]. According to same report, business angels remain most active backers of tech start-ups with 56% total investment coming from business angels for the year 2016 followed by VC with total contribution of 23% whereas, rest of the funding came from Corporate VC, accelerators, investment firms, others[283]. This shows overall a competitive business environment in Sweden with major funding coming from business angels.

281 http://www.crowdfundinghub.eu/current-state-crowdfunding-sweden/
282 http://industrifonden.com/wp-content/uploads/2017/01/Swedish-Tech-Funding-Report-2016.pdf
283 http://industrifonden.com/wp-content/uploads/2017/01/Swedish-Tech-Funding-Report-2016.pdf

Switzerland

General presentation of the country

Demographic data	2014	EU-28 average	GDP and employment	2014	EU-28 average
Total population	8,139,631	18,102,951	GDP per capita in PPS EU	162	100
Unemployment rate %	4.70	10.47	GDP growth rate (average 2012-2014)	1.85	0.08
Entrepreneurial Activity		EU-28 average	**Entrepreneurial Activity**		EU-28 average
Enterprise birth rate (2013)	/	9.91	Enterprise death rate (2012)	/	9.61
Entrepreneurial Intention (2014)	7.07	9.43	Enterprise survival rate (2013)	/	64.57
Financial situation	2014		**R&D indicators**	2014	
Outstanding business loans	526 532		Total patents filed under PCT in Applicant country	4 302.6	
Venture and growth capital	228		Personnel in R&D	47 750.213 (2012)	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-9.7		Business Enterprise R&D expenditure (BERD) By economic activity (total)	10,636.356 (2012)	
No of Bankruptcies	5 867		GOVERD as % of total public expenditures on R&D	4816.224	
Interest rate SMEs	2.04%				
Interest rate larger firms	1.16%				

Average Costs Required for Starting a Business: CHF 1320 (~ 1200 euros)

Minimum Capital Required for Starting a Business: CHF 20,000 (~18500 euros)

Corporate Income Tax: 12-30%

Short overview

During the latest years, Switzerland had a period of sustainable economic growth as the average GDP growth rate for the period of 2012-2014 almost reached 2% (well above of the EU-28 average) and is a consequence of a period of yearly growth. Also, the Swiss GDP per capita in PPS is remarkable positive and high, while the unemployment rate stayed below 5%. In terms of entrepreneurial activity, and despite the lack of comparable data, the level on entrepreneurial intention in Switzerland is below EU-28 average. But the national authorities are committed to create a fruitful environment for the creation and development of enterprises with high growth potential, including reforms on taxation lowering several corporate taxes (e.g. La 2e réforme de l'imposition des entreprises), although further reforms on the tax system are currently under discussion.

Switzerland's performance and legislative structure depends largely on the distribution of powers among the three levels of governance: federal, cantonal and communal. Due to this factor some key policies are affected (e.g. those related to R&D&I fields or to the corporate taxes) generating complex legislative frameworks to be administered according to different levels of competence and impact. Several policy measures were recently set in place to foster and stimulate R&D and innovation, taking the forms of R&D incentives via tax deductions or innovation cheques for SMEs, and award of excellence in research (Multi-year programme 2017-2020 of the Swiss National Science Foundation which is a planning document for federal authorities).

Policies and Regulations supporting business angel investment

Specific efforts of the Swiss government target entrepreneurship and new ventures in order to support the flourishment of new enterprises through the provision of training, support to match processes and networking along with access to business angels and venture capital and specific vouchers are available as (CTI entrepreneurship, CTI invest, CTI start-ups, CTI innovation mentors and CTI voucher). Latest and upcoming reforms on Swiss national policies intent to lower corporate income tax burden, to diminish double taxation on SMEs owners/managers and to introduce R&D and innovation incentives These reforms will contribute to improve the already good performance on market conditions, access to finance as well as Creation and diffusion of knowledge. In line with this, specific efforts are being made to strive for excellence in research, through a programme of the Swiss National Science Foundation aiming at supporting and fostering excellence and internationality in research, young researchers' independence and promoting knowledge transfer and innovation. Complementarily, support to entrepreneurship, new ventures and start-ups is available, through different sub-programs with different objectives and providing entrepreneurs with a tool box of options which include networking, mentorship, training, access to finance, etc., which can contribute to improve Swiss performance in this policy area.

Switzerland aggregates a set of framework conditions favourable to emergence and growth of new businesses. For instance, in line with a large and recent set of R&D infrastructures the country benefits from two worlds' foremost financial centres (Geneva and Zurich) which are providing mature markets to Medtech, Cleantech, and Biotech sectors. Despite a general risk-adverse culture together and an entrepreneurial intention below the potential, around 200 start-ups are created every year in Switzerland. Nevertheless, the country has not yet adopted the philosophy that defines other "hubs" and the current education system does not actively foster the entrepreneurship culture either. Again, the distribution of powers among the different levels of governance is fragmenting the existing measures (for instance, every Canton is creating its own facilities for incubation with self-designed programs). Moreover, the Swiss Federation levies corporate income tax at a flat rate of 8.5 % on profit after tax of corporations and cooperatives. For associations, foundations and other legal entities as well as investment trusts a flat rate of 4.25 % applies. Because taxes are deductible, the effective federal corporate income tax rate is approximately 7.8%.

However, a very positive initiative exist called Start-up.ch [284], a platform for Swiss start-ups to present themselves and get in contact with top investors and experts from the Swiss start-up scene. Start-up.ch is provided by the IFJ Institut für Jungunternehmen (Institute for Young Entrepreneurs), which has accompanied founders since 1989 and supports them on their way to successful entrepreneurship. Start-up.ch offers also various programs for young entrepreneurs and their start-ups, including Online-Company-Foundation, guides and checklists, courses, business plan software as well as lectures and networking events at 13 locations in Switzerland.

Initiatives for business angel and alternative financing

There is no direct incentive available for business angels. However, CTI Invest is an independent association under private law that helps new companies find business angels and venture capital, both in Switzerland and abroad. It supports the match process (access to information, networking events, and companies) although it does not provide a financial contribution itself[285]. In fact the creation of start-ups and the growth of recently established enterprises could be strengthened if conditions to access to venture capital were more favourable (in general, the access to venture capital by Swiss entrepreneurs is reduced, both in early and expansion stages). As the entrepreneurship culture and intention seem below the country's potential, the creation of new measures addressed to students and young entrepreneurs and the strengthening of existing ones could contribute to improve the country performance at this level. Moreover, these policies should be implemented at a national level in order to create a coherent and sound strategy that could be trans-regionally followed. For example, the Swiss taxation system, which should be harmonized by the Tax Harmonization Act (THA) whilst in practice it is highly unequal since the majority of taxes do not comply with the THA and that is because of the distribution of powers among the three levels of governance: federal, cantonal and communal. Since there is lack of access to finance, alternative financing as Crowdfunding started in Switzerland in 2008 with the crowd lending platform Cashare. Since then, the market has seen strong growth. In 2010, the first crowd investing platform was launched. 100-days and wemakeit, both reward-based, were launched in 2012 and seem to be the largest ones, the total volume in 2015 reached CHF 27.3m (about 25 million euros)[286]. Currently, matching funds, state aid or tax benefits for alternative finance are not available in Switzerland.

According to Swiss Venture Capital report 2017, In general, capital availability has improved over the phase and investment levels, and the financing rounds are more balanced than in previous years with fewer individual 'big winners'. Also, the sector is more strongly represented within the top 20 with financing volume of 12 million euros or more. This has always been the domain of the life sciences, but now reputed Anglo-Saxon investors have been attracted by ICTs. Overall, this is certainly an encouraging trend. The situation with seed and start-up financing up to 0.86 million euros is similar to the previous year. Start-ups are able to finance relatively well, thanks to a business angel networks that has developed in recent years[287]. Amongst the established clubs in Switzerland are A3 Angels, Business Angels Switzerland (BAS), Go Beyond Early Stage Investing, or StartAngels[288].

[284] http://www.start-up.ch
[285] http://www.cti-nvest.ch/Home.aspx
[286] http://www.mme.ch/fileadmin/files/documents/Publikationen/Crowdfunding_Monitoring2016_english.pdf
[287] http://www.start-upticker.ch/uploads/File/Attachments/VC%20Report%202017_web.pdf
[288] https://www.gbnews.ch/angel-investing-who-are-the-players-in-switzerland/

To conclude, until now, the business angel community has established itself with hesitation in Switzerland. There is need to take some steps for further network integration of Swiss Business Angels in order to advance the investment into innovative companies of the country.

Turkey

General presentation of the country

Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	76,667,864	18,102,951	GDP per capita in PPS EU	53	100
Unemployment rate %	10.10	10.47	GDP growth rate (average 2012-2014)	3.07	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)		9.91	Enterprise death rate (2012)		9.61
Entrepreneurial Intention (2013)	28.10	9.43	Enterprise survival rate (2013)		64.57
Financial situation[289]	2014		**R&D indicators**	2014	EU-28 average
Outstanding business loans	871 992		Total patents filed under PCT In applicant's country of residence	900.1	
Venture and growth capital	124 397		Personnel in R&D	61 945.433	
Bankruptcies, SMEs (%, Year-on-year growth rate)	-51.06 (2013)		Business Enterprise R&D expenditure (BERD) By economic activity (total)	3013.941	
No of Bankruptcies	69 (2013)		GOVERD as % of total public expenditures on R&D	3040.805	
Interest rate SMEs	/				
Interest rate larger firms	/				

Average Costs Required for Starting a Business: TRY 1605 (~ 450 euros)

Minimum Capital Required for Starting a Business: TRY 2,500 (~650 euros)

Corporate Income Tax:20%

[289] Turkish Lira,Millions

Short overview

Turkish GDP per capita in PPS corresponds to around half of the EU-28 index, being very low. However, the country has gone through a period of growth over 2012-2014 (average growth above 3% and remarkable growth in 2013 above 4%). The average growth of the period is very good and well above the EU-28 average performance. Nevertheless, the unemployment rate in Turkey remains high when compared to the EU-28 average, although a slight decrease is observed in recent data published in March 2016.

An extraordinary enterprise birth rate (more than double of the EU-28 average rate) and an interesting enterprise survival rate shows a high intensive entrepreneurial activity, despite a low entrepreneurial intention rate. The business dynamism is however affected by a high enterprise death rate (higher than the EU-28 average rate). Recent reforms related to the regulatory conditions for doing business might have a negative impact in the entrepreneurial dynamics as some conditions are now more difficult or at a higher cost (e.g. notary and registration fees; taxes for employers' social security contribution; increase of the minimum capital requirement). However Turkish government is investing in measures to accelerate the business development, especially in the form of financial incentives. Turkey as one of the most liberal legal regimes for foreign direct investment among the OECD countries as most sectors are open to the Turkish private sector are also open to foreign participation and investment. Specific policies are set in place to support employment and competitiveness of Turkish enterprises, such as Micro Small and Medium Enterprise and Large Enterprise Supply Chain Finance Project (with the support of the World Bank Group), to develop capacities in R&D in specific economic sectors, such as Large-Scale Investment Incentives Scheme (provision of investment schemes for 12 sectors).

Policies and Regulations supporting business angels investment

Turkey is a market with high potential for entrepreneurship. It has a large domestic market, it is strategically located between key markets in Europe, the Middle East, Russia and Central Asia and the government released a set of policy measures attracting foreign direct investments into the country. However, there is no formal structure to develop and provide support actions to entrepreneurs. Start-up Turkey event[290]is being important to support entrepreneurial and start-ups ecosystems in the country, but also to attract higher visibility to Turkish ventures. It consists of a Demo Day event for start-ups from Turkey, EuroAsia and MENA for seeking investments and is gathering around 700 participants, more than 100 start-ups and 150 investors. Complementarily other initiatives for support are set in place, such as e-Tohum[291] a marketplace aimed to bring entrepreneurs well versed in the new economy, who want to establish their own internet company with other companies, investors and professionals. It mostly acts as a catalyser, selecting business ideas and start-ups to pitch to investors. In 2013, Turkey set an ambitious target to become one of the ten largest economies in the world by 2023. After the economic crisis of 2007, Turkey attracted more than its share of investment as a relatively stable emerging market with a promising trajectory of reforms. But over the last years, progressive economic and democratic reforms seem to have slowed down and even been replaced by tendencies that lean towards economic protectionism. Most sectors that are open to the Turkish private sector are also open to foreign participation and investment. All investors, regardless of nationality, face some challenges: excessive bureaucracy, a slow judicial system, high and inconsistently applied

[290] Start-up Turkey - http://start-upturkey.com/)
[291] http://www.etohum.com/),

taxes, weaknesses in corporate governance, unpredictable decisions made at the local government level, and frequent changes in the legal and regulatory environment. Turkey also hosts the World Business Angels Investment Forum (WBAF) every year in Istanbul - which brings together key players of the equity market to debate the benefits and challenges for the angel investment community in achieving successful growth for their businesses and to discuss what more could be done to connect the early-stage market ecosystem. The Forum gathers ever year in Istanbul in February. Gathering stakeholders from five continents of the globe, WBAF is the biggest entrepreneurship and angel investment event in Turkey connecting Turkish start-ups, scale-ups and high-growth businesses with global angel investors. WBAF every year hosts around 600 participants from 70 countries. 200 of them are entrepreneurs and around 400 of them are angel investors. TBAA (The Turkish Trade Association for Business Angels) is the only trade association on early stage investment markets in Turkey. 12 of the 16 business angel networks in the country are full members of the TBAA. TBAA is very active in advocate of angel investors in the economic world of Turkey. TBAA is the Vice President of EBAN and President of the WBAF.

There are also some tax incentives available. Any company that qualifies to operate within the government designated "Technology Development Zones" holds the following exemptions until 31 December 2023. 1)The R&D Personnel who work within the zone are exempt from personal income tax;2) The company is exempt from corporate tax that applies to the R&D income relating to the R&D activities within the zone;3) The company is exempt from applying Value Added Tax to the software products that are developed within the zone.

And there is also good news for business angels, in order to benefit from government support regarding tax incentives, business angels should make their application through an Accredited Business Angels Network. Accredited Business Angels Networks are aiming to bring investors together with entrepreneurs and they are licensed and regulated by the Treasury. Under the terms of Turkish Legislation, certain number of tax incentives provided for angel investors. In that respect, the total amount of 75% of the shares invested into qualified Turkish resident joint stock companies can be deducted from the angel investor's annual income tax base in the calendar year, such investment is made. In order to do so, the shares should be held for at least two years. If the angel investor participates in private venture companies whose projects are related to research, development and innovations programs that are supported for five years before the investment by Scientific and Technological Research Council of Turkey, Small and Medium Enterprises Development Organization and the Ministry of Science, Industry and Technology, then the applicable incentive rate will increase to 100%. However, the annual deduction from income tax cannot be higher than TL 1,000,000 (~2, 54962 euros). Another important incentive is Turkey's regional incentives program which divides various regions of the country into one of six different zones, providing the following benefits to investors: corporate tax privilege; customs tax exemption; Value Added Tax (VAT) exemption; employer's share insurance contributions support; allocation of investment locations; income tax withholding support; land allocation; and government support for credit interests. The sectors to be supported in each region are determined in accordance with the scale and potential of the local economy in each region. The level of encouragement given by such incentives varies depending on the level of development in each region.

Initiatives for business angels and alternative financing

Apart from the direct incentive of 75% of tax relief for business angels, the government also provide tax relief to business angels when they co invest or use angel funds. To benefit from tax incentives, the capital to be invested into each individual qualifying private venture company cannot be less than TL 20,000 and more than TL 1,000,000 (~2,54962 euros) annually. In case of investments in different venture capital companies, the maximum total investment amount of TL 1,000,000 can exceed. However, when considering co-investments, the capital to be invested in each venture capital company can be maximum TL 2,000,000 (~459611.90 euros).

In Turkey, access to finance is perceived as the single most severe obstacle by firms of all sizes. Turkish firms are more dependent than their peers in other countries on bank finance to fund their investments in fixed assets. This is especially true for medium size firms, for which bank finance accounts for 47% of total funding. However, when compared to micro and large firms, applications of SMEs for bank credit are faced with onerous collateral requirements and high rejection rates. In Turkey, there are several organizations that address the financial bottlenecks to the expansion of SMEs. Organizations such as the Small and Medium Scale Enterprises Development Organization (KOSGEB), the Credit Guarantee Fund (KGF), and the union of Chambers and Commodity Exchanges of Turkey (TOBB) provide financial and/or non-financial assistance for development of SMEs. However, many SMEs are either not aware of alternative financial sources that are available to them or they have difficulties in accessing these sources. Hence expanding the reach of support schemes of these organizations would lead to significant improvements in the growth prospects of SMEs in Turkey.

Talking about crowdfunding, the potential of crowdfunding is seen controversially in Turkey. Turkish financial regulations neither allow crowdfunding as a financing method, nor provide special protection policies for such methods. There are significant cultural and historical impediments. Although it can be a valuable alternative financing method for entrepreneurs and start-ups. However, the decision is up to policy makers, as a comprehensive regulatory approach is needed. For now, there are only three active crowdfunding platforms at the moment operating in the country. They focus on creative and cultural projects. It is true that in Turkey, Tax exemptions are more than in United Kingdom but still the low numbers show that Turkey has a long way to go with angel investments, though this is a field with major potential for expansion. But the most sensitive spot for angel investment is stability and an environment of trust. Turkey's political turmoil could well discourage angels as well as major investors[292].

[292] http://www.al-monitor.com/pulse/originals/2016/05/turkey-angel-investors-support-new-entrepreneurs.html#ixzz4kHEoqk43

United Kingdom

General presentation of the country[293]					
Demographic data	2014	EU-28 average	**GDP and employment**	2014	EU-28 average
Total population	64,351,155	18,102,951	GDP per capita in PPS EU	109	100
Unemployment rate %	6.10	10.47	GDP growth rate (average 2012-2014)	2.55	0.08
Entrepreneurial Activity	2014	EU-28 average	**Entrepreneurial Activity**	2014	EU-28 average
Enterprise birth rate (2013)	11.66	9.91	Enterprise death rate (2012)	10.83	9.61
Entrepreneurial Intention	6.88	9.43	Enterprise survival rate (2013)	75.40	64.57
Financial situation	2014		**R&D indicators**	2014	
Venture and growth capital	1815		Total patents filed under PCT In applicant's country of residence	5044,9	
Outstanding business loans	434 875		Personnel in R&D	177 947.6	
No of SME Bankruptcies	18 425		Business Enterprise R&D expenditure (BERD) By economic activity (total)	24,730.058	
Interest rate SMEs	3.43%		GOVERD as % of total public expenditures on R&D	12,542.737	
Interest rate larger firms	2.45%				
Bankruptcies, SMEs (%, Year-on-year growth rate)	-8.2%				

Average Costs Required for Starting a Business: 15£ (~16 euros)
Minimum Capital Required for Starting a Business: 0£ (0 euros)
Cooperate income tax: 20 %

[293] Date of collection: 8/12/2016
Data Source: http://stats.oecd.org/
World Bank group http://www.doingbusiness.org/data/exploreeconomies/austria/paying-taxes

Short overview

Even though the British economy was affected by the financial crisis, the country has shown steady recovery tendencies. Despite a low entrepreneurial intention (below the EU-28 average) the UK presents interesting business dynamism as it is confirmed by a good enterprise birth rate (near 12%) and a strong enterprise survival rate, well distant from the EU-28 average. However, there are some obstacles to business growth as the enterprise death rate is also high and above the EU-28 average. The GDP growth rate has recovered to the pre-crisis levels as the average growth rate for the period 2012-2014 stands above 2% (higher than the EU-28 average) and the unemployment rate was slight above the 6% in 2014. Recent publish date shows that the British economy performance is on the right track as the unemployment rate is now below the 5% (April 2016), well below the EU-28 average.

Policies and regulations supporting business angel investment

UK holds the title to have a thriving business angel market in Europe. There are several policies that support overall entrepreneurial culture and specifically business angels. The UK Business Angel Association (UKBAA) is the trade body for angle investing in the UK. It was established in 2012, having superseded the previous trade body entitled British business angels which was set up in 2004. UKBAA represents the angel market in the UK and its main role is to build the ecosystem for angel investing. However, it is not easy to determine the size of business angel market in UK. With such a diverse marketplace for angel investing, many attempts have been made to capture the size of business angel market and despite these attempts to extrapolate, figures and surveys done so far have been relatively small scale or unrepresentative of the market.

In 2013 UKBAA carried out some research of the angel market in collaboration with Deloitte "Taking the Pulse of the Angel market in 2013" and looked at about 270 deals and spoke to over 60 angel investors across the country. Angels were asked their views on the angel market and 58% declared that they were investing more in 2013 with 20% saying they were maintaining the same level of investment, with only 22% investing less[294]. Within the visible market, the UK continues to be the leading country with 80 million euros invested in 2014 and 96 million euros in 2015[295].

There two very important schemes in UK that has been operating for the last 30 years and play a remarkable role in promoting investment known as "The Enterprise Investment Scheme" (EIS) and "Seed Enterprises Investment Scheme" (SEIS) and show the depth of government support for business angels and which has been across both Labour and conservative political parties. The latest figure is for EIS 2012 (which is always 12 months behind in terms of reporting) shows that the over 1.1billion euros was invested by investors in small businesses using this scheme in the financial year. It may not all be straight angel-type deals and that not all angels use the EIS scheme with potentially only around 70% of deals done through the EIS.

This figure was also the highest since 2001 EIS stats, and significantly higher than the stats during 2008-11 so it reflects considerable current growth in angel investing since 2012. What is notable as a comparator is that Venture Capital investment in early stage businesses in 2012 was only 358 million euros, going up to just over

[294] http://www.business-angels.de/wp-content/uploads/2015/12/BAE-The-European-Business-Angel-Market.pdf
[295] http://www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf

444 million euros in 2013, thus angel investing would seem to be about 2.5 times larger than the VC market for this stage of business. The main features of this scheme are as follow:

- 30% income tax relief on the amount invested;
- CGT relief on disposal of shares held (for a minimum of 3 years for EIS);
- CGT deferral relief and Share Loss Relief on investments made in EIS; and
- the maximum annual investment an individual can receive tax relief on is 1.1 million euros under EIS, and 222 361 euros for VCTs[296].

In 2012, the Government decided to give a further boost to investing in small business and not only raised the EIS tax relief from 20% to 30% but made a further bold decision to support start-ups and seed stage businesses by bringing in a new Seed Enterprise Investment Scheme. SEIS offers new 50% tax break for investments in seed stage companies. The scheme enables investors to invest up to £100k per year in seed businesses offering also the same capital gains deferrals. Also, if an investor is exempt from any capital gain on the sale of the business. If an investor makes any gain in sale of a business or property sale that are used to subscribe for shares in a seed stage business, then they get 50% exemption from capital gains for life. An investor cannot own more than 30% of the company's issued share capital, which offers important protection for the company. The company cannot take on more than 166770 euros in total of SEIS, and must have been trading for less than two years with less than 25 employees and no more than 222361 euros gross assets.

Therefore, The Seed Enterprise Investment Scheme (SEIS) is designed to help small, early-stage companies raise equity finance by offering tax reliefs to individual investors who purchase new shares in those companies. Under both EIS and SEIS, if the company fails, the remaining loss after front tax breaks can be set off against other income up to the highest rate of tax relief paid by the investor. This can mean that around 70% of the overall investment is covered by the Government through these tax breaks. In Scotland, the main association LINC Scotland receives a small amount of funding from Scottish Enterprise to help set up new Business Angel syndicates. This represents seed funding and after a short while syndicates have to pay their own costs. The establishment of new syndicates is a specific objective put on LINC. In other parts of the UK, a small amount of support was received from Regional Development Agencies although these bodies have now been abolished.

Initiatives for business angels and alternative financing

The UK Angel market has changed considerably over the past years and notably since the financial crisis. Angel investing in the UK was traditionally organized through networks, often with quite extensive levels of angel members. However, the angel market is now much more diverse with far fewer large networks and many more formal and informal syndicates, including Super Angel funds, Accelerators, online platforms and crowd funding. UK scene for angel investing has become much more diverse and much wider ranging. Angel investors are investing in a vast range of industrial sectors, ranging from hi-tech to traditional sectors, from manufacturing to service sectors. Nevertheless, the top 5 sectors for angel investments are: professional services, healthcare, ICT-software, food and drink, digital media, with retail and e-commerce, financial services and leisure industries, being the next most popular areas for investors[297]. To support the same, Business Angel Co-Investment Fund

[296] https://www.gov.uk/government/publications/the-enterprise-investment-scheme-introduction/enterprise-investment-scheme

[297] http://3pymgx13iq6338mm7t4caazw-wpengine.netdna-ssl.com/wp-content/uploads/2015/09/ERC_Nation_of_Angels_Full_Report.pdf

aims to support business angel investments into SMEs. It is a private sector body created with a grant from the Regional Growth Fund as well as support from the Business Bank. The CoFund makes equity investments alongside syndicates of business angels in SMEs identified as having high growth potential, which they would otherwise not be able to obtain due to a market failure in access to equity finance. The CoFund may make investments of between 11, 1180 euros and 1.1 million euros, with a maximum share in any funding round of 49%. Moreover, the London Small Business Centre provides a range of loan funds and 1-to-1 business advice for both start-ups and established businesses based in London. Funds are available to businesses that can't get all the finance they need through conventional sources, such as a high street banks[298]. Start-up Loans is another government-funded scheme that funds and mentors entrepreneurs. The person who asks for it will have a delivery partner (assigned by the Start Up Loans Company) who will help to develop a business plan. This will be assessed, and the funding is decided by the start-up Loans Company. The person gets a low-cost unsecured loan, business mentoring and a range of business support products, if the plan is approved. Then the loan must be paid back within 5 years[299].

Besides, there have been some great entrepreneurs identifying this opportunity, often using Fund vehicles with the backing of the EIS scheme to offer additional tax breaks and bringing direct hands on support and market connections, some developing an accelerator type scheme alongside their investing. Examples of such Entrepreneurial investors include:

- Brent Hoberman (ex-Last Minute.com) who has set up Profounders Capital;
- Stephan Glaenzer (ex- Last FM) and Eileen Burbidge (ex Beebo) who have set up Passion Capital;
- Ex Skype Brothers have set up Atomico;
- Richard Reed and cofounders (ex–Innocent Drinks) have set up: Jam Jar investments.

The UK's technology sector drew more investment than that of any other European country in 2016, according to data from London & Partners, the Mayor of London's promotional company. The research also showed London remains a leading hub for tech investment, attracting significantly more money than any other major European city last year. It is also important to have an idea of situation after Brexit, Since the EU referendum vote, a number of the world's leading technology companies have demonstrated their long-term commitment to investing in London with Google putting forward a 1.1 billion euros investment plan for a new headquarters in King's Cross, Facebook announcing an additional 500 jobs for London and Apple revealing its plans for new headquarters in Battersea. The research also shows that the UK remains attractive to investors despite the vote to leave the EU, with UK tech firms receiving more VC investment than any European country post-referendum. UK tech firms have also looked attractive to deal-makers with a sharp rise in merger and acquisition (M&A) activity during 2016, with British companies seeing more investment than any other European country after the 23rd June[300].

[298] https://www.gov.uk/east-london-small-business-centre-ltd-elsb
[299] https://www.start-uploans.co.uk/
[300] http://www.londonandpartners.com/media-centre/press-releases/2017/20170112-uk-tech-sector-leads-european-investment-in-2016

Ukraine

Short overview

The problems faced by Ukrainian angels are somehow different from those in other emerging markets. Among them is a lack of industry expertise, weak regulatory frameworks and low trust levels, a weak entrepreneurial ecosystem and limited educational resources. However, the most serious problem is a limited deal flow of a good quality. A typical conversation between angels mentions "1000 projects screened and not even one invested," while good projects stay under a low profile until they become too big for angels. Another huge macro problem that restrains venture market development and angel investments is the small size of the domestic market, with customer behaviour still unformed in numerous categories. In a country with a 46 million population, it will always be more profitable to sell FMCG (Fast-moving consumer) goods and clothing. Many Ukrainians are active smartphone users, and that is a recent trend that they have start using mobile devices for online banking, downloading apps and paid applications with 3G penetration (coverage of most of the country) and the percentage of online-payment is growing with currently being up to 30%. Since the percentage is still low, the tech entrepreneurs have a hard time validating their hypothesis on this market, achieving fast growth of their product and surviving. And not just surviving, but scaling their product and making it successful on a global market, which is expected by investors, as well as reaching an exit.

Angel investing is not absolutely new for Ukraine. There have always been individuals supporting risky ventures. They just didn't happen to know this comforting term 'angel' that could describe their sometimes impulsive and not very business-savvy actions. There are many venture capitals supporting new business. However, the reason of less active business angel networks is mainly because it's still unclear for investor how to operate in a right way. The majority do not know the basis of angel investing, with many acting erratically and not taking it as a hands-on process. It is still not accepted fact that the decision should be on the basis of an accurate calculation and a considered strategy and not followed by emotional impulse. Nevertheless, the Ukrainian venture industry has changed significantly over the last few years, a number of new members from various spheres have emerged and formed an ecosystem. These are funds that target early and late stage investments, incubators, accelerators, various hubs and co-working spaces, grant and education initiatives for entrepreneurs, numerous branch events from small meet-ups to internationally recognised conferences, and, of course, the whole segment of fervent entrepreneurs or those aiming to become them. As a result, the number of people that can be referred to as angel investors has increased.

Nevertheless, angel investing remains alluring for investors who cherish being in line with innovations. Technology penetration changes every sphere of our life and the deceleration of the traditional economy is pushing angels and entrepreneurs into each other's arms. Angels should therefore not only realize what their status comprises, but why they should stay together and what benefits they can receive from cooperation and associations such as UAngel[301].

[301] http://uangel.com.ua/

BAF

Business Angels Funding

inova

Innovation for Growth

European Commission

ZEW

Zentrum für Europäische Wirtschaftsforschung GmbH

Centre for European Economic Research