



Financial Services for Small-Scale Enterprises in Brandenburg

Status Quo in Brandenburg

Study within the framework of the ESF Article 6 Project „ChaBaLEU – Using the Character Based Lending approach as a tool of a market oriented MSME-financing system in the EU”

- SUMMARY -



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Thank saying

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH and FIDES would like to express sincere appreciation to everyone, who by their interest and cooperation, contributed to the success of this study. This particularly applies to the representatives of the Ministry of Economics of the county Brandenburg, the Future Agency Brandenburg (ZAB), all addressed banks, the founder centres and consulting facilities, the Federal Agency to Work, the Economy Development mechanisms - and particularly the enterprise founders and small businessmen, who devoted much time and energy into consideration and discussion of the present situation and possible solutions. Furthermore, the European Social Fund has given the framework and support by co financing this study.

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1. Introduction

Today, Income and occupation for millions is created by Microfinance. This innovative financing technique has proved effective in both the reduction of poverty and the promotion of small enterprises in developing countries. This phenomenon is called the “*Microfinance Revolution*”.

Microfinance could also play a major role as an instrument for job creation in developed countries in the EU like Germany. Therefore, the promotion of micro- and small enterprises (MSE) enjoys high political attention. The European Commission is promoting the development of innovative financing mechanisms that facilitate the empowerment of the MSE-sector as a key economic player. This study is part of a project called “CHABALEU – Using the Character Based Lending Approach as a tool for the market oriented MSME-financing system in the EU”, which is co-financed by the European Social Fund.

For this reason, GTZ (German Development Agency) and FIDES (French Microfinance Consultancy) undertook investigations in the county of Brandenburg (Germany) in 2006/07. The objective of these investigations was to evaluate the need for, and the access to financial services available to business start-ups and small-scale businessmen, as well as the framework conditions and the relevance of MSME for the regional economic development. Emphasis was put on understanding the needs of the target group in order to define the present status quo.

This report describes objectives and methodology of the survey, outlines the most important results and proposes a solution to the issues raised.

In order to understand the demand for financial services, dialogues and discussions lasting several hours were held with owners of micro- and small enterprises (MSE) in Brandenburg. By virtue of this time-consuming approach, qualitative factors such as the social environment of the enterprises could be included.

Role and Motivation of GTZ and FIDES

GTZ and FIDES have in-depth experience in the development of institutions that offer financial services to small-scale businessmen and start-ups in numerous developing and transforming countries. In this context, innovative credit technologies, such as the character based lending, are applied, which show good repayment rates (also without classical bank collaterals) and make operational sustainability of microfinance institutions possible.

GTZ and FIDES decided to engage in this EU-project that gives the framework of this study in order to examine to what extent their know-how can be used for the solution of the outlined problem. In analysing and evaluating the situation, the potential of a transmission of microfinance technologies that have worked satisfactorily in other countries to Germany can be estimated.

2. Context

Microfinance in Germany

The credit technology of German banks is not adapted to the needs of MSE. Fixed costs and the risks for small loans are too high, while expected yields are considered too low. The provision of adequate, small scale financial services thus remains unattractive to traditional banks. At the same time, existing microfinance initiatives (KfW Middle Class Bank¹ and founder centres on the local level) had only marginal effects so far. This report comes to the conclusion that many MSE lack access to appropriate and well matched financial services for their needs – often despite their sound creditworthiness. Usually requests for loans are denied because bankable collaterals are missing. This leads to a market gap of small-scale financial services. Lack of working capital and investments weakens small-scale enterprises while the existing loan programmes mainly concentrate on start-ups.

In Germany, access to financial services for small-scale enterprises is therefore seen increasingly critical. Some say that restricted access of MSE to capital and credit is an important obstacle to their development and therefore to job-creation and safeguarding of existing jobs.

Investigation Area: Brandenburg

Brandenburg, one of Germany's 'new counties' in former East Germany, is considered an economic hot spot: a large unemployment rate meets weak interior demand. The economic performance varies within different regions of Brandenburg: 6 out of 7 districts with above average growth directly border on Berlin ("bacon belt") while 5 out of 7 districts with below average growth are remote regions (i.e. border area Poland).

Enterprises in two geographical regions were investigated particularly intensively:

- 1) The economically active areas ("bacon belts") around Berlin, with stronger growth, smaller drift and good infrastructure
- 2) The Lausitz, one of the areas with strong drift, high unemployment and weak domestic markets

GTZ and FIDES suggest addressing the central problem of the lacking bankable collaterals by the creation of a guarantee mechanism that is based on the so-called *character-based-lending-approach* (see chapter 6).

Most German MSE who would fail under the *document-based-approach* could make use of this *character-based-lending-approach* to get access to loans.

The goal would be, however, not to create another relatively short-dated assistance program. Rather the aim is to develop a cost-effective mechanism, which, after an initial subsidised pilot phase, is able to sustainably serve a significant part of the market.

¹ KfW is a state-owned bank that offers special promotion programmes for SME

3. Objectives and methodology

Objectives

- Evaluation of the unfulfilled demand for financial services
- Qualitative and quantitative assessment of the existing offer available to start-ups and existing small-scale enterprises in Brandenburg
- Survey of the unfulfilled credit needs of the MSE - even where the threshold for micro credits (up to 25 TEUR, as defined by the European Union), is exceeded
- Inclusion of qualitative factors such as business- and social environment
- Involvement of enterprise promoters and businessmen into the dialogue

Methodology

- Conduction of intense, time-consuming interviews with approx. 60 entrepreneurs on-site, no questionnaires were used
- Conversations were held inside the enterprises
- Clear trends were derived from detailed examination of the individual cases ²
- Entrepreneurs involved in the study were selected for different criteria: classical bank customers, users of consultancy offers from start-up centres or chambers of commerce; existing founders.
- Contacts were established by different institutions, direct recommendations of entrepreneurs and spontaneous addressing of businessmen on the streets. This way, all categories could be included (small businessmen, unemployed start-ups and enterprises with transition problems)
- The range of existing financial services offered to MSE and start-ups was included and seized as far as possible. Focus was put on the products and their outreach to the target groups.

4. The economic situation in Brandenburg³

	2001	2002	2003	2004	2005	2006
Gross domestic product *	45.9	46.6	47.9	48.3	48.1	49.5
Change to previous year in %	2.1	1.4	0.8	2.9	-0.5	3
Gross value creation ** (altogether)	41,409	42,028	42,320	43,663	43,380	44.595
change to previous year in %	2.3	1.5	0.7	3.2	-0.6	+2.8
producing trade	10,505	10,184	10,365	10,728	10,798	11,437
- processing trade	5,583	5,518	5,752	6,193	6,573	7.234
- construction industries of service ranges	3,166	2,872	2,774	2,589	2,258	2,328
Service sector	29,676	30,827	31,120	31,789	31,654	32,205
- trade, guest trade and traffic	7,835	8,257	7,981	8,254	8,237	8,457
- financing, letting and enterprise services	9,605	10,146	10,763	11,020	11,131	11,404
- public and private service	12,236	12,425	12,377	12,524	12,286	12,344
Job market						
unemployment ratio ***	17.4	17.5	18.8	18.7	18.2	17,0

² Comparison of the quantitative results with statistical data for MSE's classification in Brandenburg, shows only very small deviation

³ Source: Schnellinfo zur Wirtschaftlage: <http://www.wirtschaft.brandenburg.de/media/gsid=lbm1.a.1312.de/Schnellinfo.pdf>

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unemployed person	233,650	237,903	252,967	250,709	243,875	226,413
change to the previous year in %	3.2	1.8	6.3	-0.9	-2.7	-7.2

* at respective prices in billion EUR ** nominally *** basis: all civilian employees

Gross Domestic Product

- Since 2000: hardly any growth
- 2004: for the first time small gross economic growth, driven by growth in service and industry
- 2005: again decrease due to reductions in the material gross value creation in construction industry (-11.6%) as well as with the public and private services (-2.8%) and land and forestry, fishery (-5.5%).

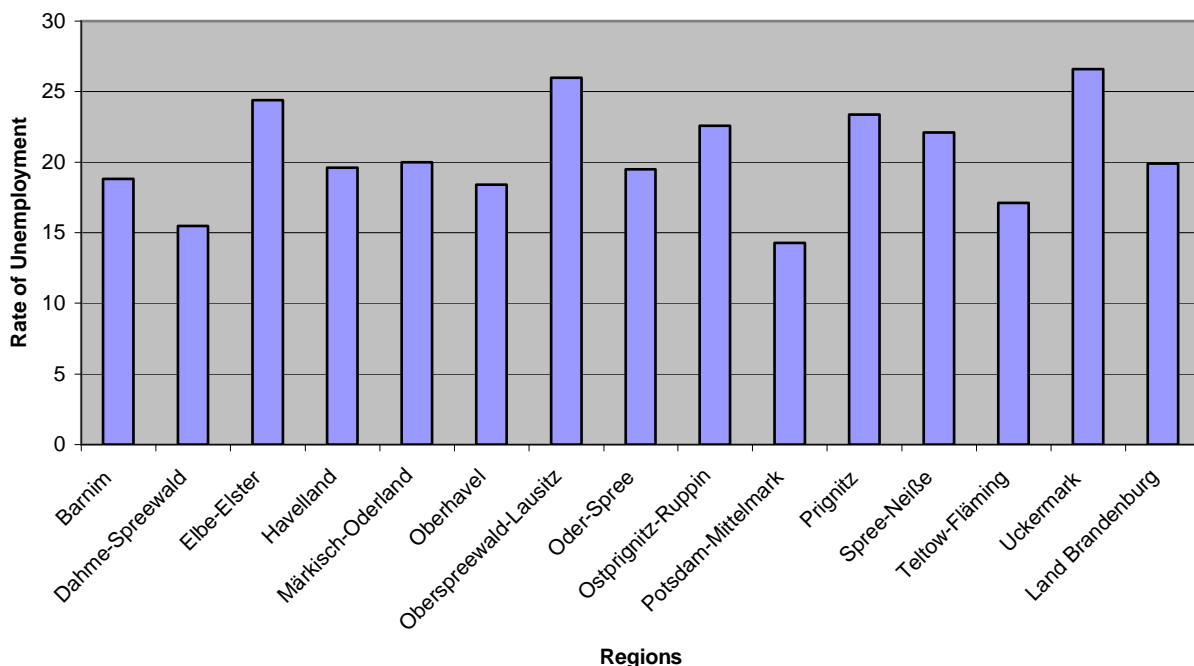
Gross Value Creation (GVC)

- More than 70 % of the GVC occurs in the service-sector, which also employs $\frac{3}{4}$ of all employed persons.
- Other important economic sectors are trade, guest trade and traffic (20 % of the GVC), as well as financing, letting and other enterprise services (25.7 % the GVC, 1/7 of the persons employed).
- Important changes since 2000 have occurred in the producing trade: employment -22.5 % (due to construction industry losses -30.8 %).

Unemployment Ratio

- Critical 18.2 % (2005) compared with the Federal average of 11.8 %.
- Since 1999 continuous growth of unemployment ratio, 2005 showing a change of trend for the first time.
- Turning point due to job market measures for the promotion of the federal program to co-fund single-person-start-up-"companies" (*Ich-AG*) and mini jobs.

Unemployment in Brandenburg (2005)



Commuters

In 2005, 26.5 % of Brandenburg's employees worked outside of the county (of which 2/3 worked in Berlin) - a new highest level. Commuter ratio: 15.6 %.

Income Use (2003⁴):

Expenditure exceeds income:

- consumer expenditures about 57 billion EUR
- gained income: 47 billion EUR

The gap of 1/5 between income use and income emergence is financially closed by public transfer services and/or direct investments of foreign enterprises.

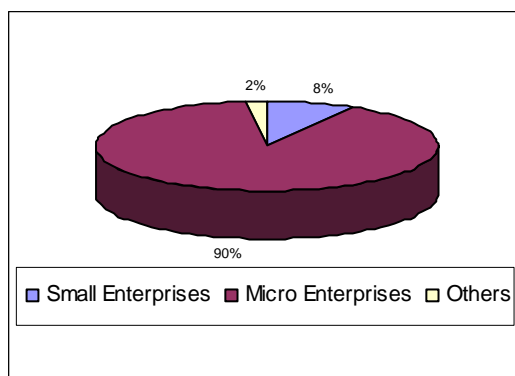
5. Study Results

5.1 The demand for financial services in Brandenburg

Quantitative analysis of the demand

MSE in Brandenburg

At the end of 2006, there were 170,991 MSE in Brandenburg, comprising 153,344 micro enterprises and 14,222 small enterprises. MSE constitute an essential part of the economy and represent a



⁴ This is was the latest data available

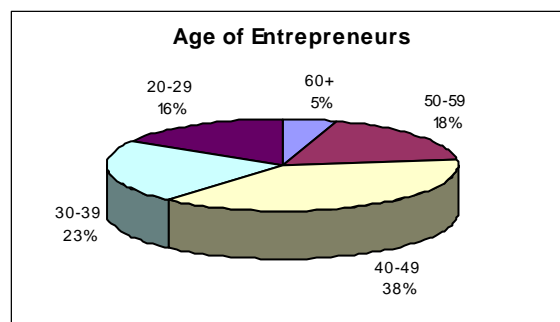
significant factor for the future economic development of the whole of Germany.

New business registrations

- Strong fluctuations: increase between 2003 and 2004 of +25.6 %, due to the *Ich-AG* boom in 2004.
- Positive balance between new starts and deregistration has almost doubled between 2003 and 2004; but in the two following years, again strong decrease.
- Self-employed rate of 11.8% (2005) lies above the federal average of 11.1%; although regional unemployment rate is declining, trend to establish a micro enterprise continues.

Entrepreneur statistics

- approx. 60 entrepreneurs
- 2/3 = male, 1/3 = woman
- Age structure and sexes: women: 30-59 Y
- men: even distribution (second largest group 20-29-year-olds)



Family conditions

- Majority of the entrepreneurs surveyed were married with at least one child
- High proportion of the entrepreneurs with a strong background of family support gives a clear implication that MSE are supported by their family, rather than just those members involved in running the business.

Motivation for Self-Employment

- 43 % were led by pull factors: higher salary, more autonomy, independent working conditions
- 35 % were led by push factors: mainly existing or threat of unemployment
- 18 % were led by both pull and push factors

Sectors

- Most entrepreneurs surveyed worked in the service sector (service enterprises are fairly easy to build up due to low investments)
- Dominance of the service sector leads to the assumption that particularly micro enterprises in the service sector can continue and/or be created since they do not require high investments. This observation could reflect the lack of access to adapted financial services

Occupation Structures

- Only more than 40 % of the enterprises employ further employees.
- 65 % employed up to 2 persons.
- 15 % of these enterprises employed 2 – 5
- 5 % employed 5 - 9 persons.
- only 3 enterprises employed more than 9 persons (category of small enterprise)

Qualitative analysis of the demand

The study reveals numerous entrepreneurs who have sufficient ideas and expertise to be able to lead their enterprises and develop appropriate strategies to succeed. This applies to micro founders with their self-help strategy to escape unemployment in the same way as to already established enterprises, who would need to have access to new markets. Despite substantial emigration (particularly young people), the examined group shows important and sustainable business potential.

Situation of Small-Scale Enterprises:

- Families possess less capital funds and possessions than in the western side of the Federal Republic, so small investments cannot be financed by the immediate family. Credits often cannot be collateralised because real estates are outside regions that are economically attractive to lenders.
- There is an imbalance between offers for consultancy and possibilities for financing. It was assessed that consultancy offers for start-ups lack means to give financing⁵.
- Of central importance and substantial success factors are family and business networks. They offer advice, experience and information. These “soft criteria” that cannot be “observed” by the banks relying on “documents”.
- Weak domestic demand and unemployment leads to substantial pressure on the profit margins and is a further cause for the reluctance of the banks.
- The financing needs of MSE are less with new businesses. Many start-ups are financed from own resources. Stronger needs exist in the growth phase of young MSE (cash with purchase order (no credit), or investment financing of working capital).
- Strong demand for financial services exist for take-overs: often, potential acquirers of MSE do not succeed in taking over the existing operational fund line of the house bank from the old owner.
- For small founders, financing needs are between 5 and 25 TEUR. If a micro credit is the suitable instrument here, must still be considered. Instruments of the micro equity financing type seem more suitable for the establishment of MSE (which show high insolvency risk in the foundation phase).
- Financing needs for working capital and the acquisition of means of transport, in particular for service providers for the local market.
- Important need for credits above 100 TEUR: weak regional domestic markets force many enterprises to offer their products and services outside the region which leads to high transporting costs.

5.2 The existing offer of financial services in Brandenburg

Existing Credit Technology of the Banks

- Interest incomes and service yields are overcompensated by refinancing and processing costs.
- Smaller credits are not profitable for banks (the treatment of a 10 TEUR credit is as expensive as this of a 100 TEUR credit).

⁵ this is due to the German bank law which limits the right to hand out credits exclusively to banks

- In an attempt to reduce their costs, banks resort to simplified methods of analysis: "industry traffic lights" define - irrespectively of the actual quality of the enterprise/entrepreneur's creditworthiness - clear denial criteria for certain sectors.
- Bad experiences of high credit losses after reunification have restrained banks from granting credits.
- Even subsidised loans of the KfW are not actively marketed by banks: profits are too low.
- The main reason for the refusal of financing requests is insufficient bankable collaterals.

Initiatives

- Public promotion banks (KfW Middle Class Bank, Investment Bank Brandenburg, Loan Guarantee Bank Brandenburg) offer loan- and participation programs.
- Due to their strong regional orientation private-sector oriented banks and savings banks are often more engaged in MSE finances than business banks.
- Some regional financing initiatives for start-ups exist in co-operation with local bank/savings banks (Enterprise Berlin Brandenburg, Garage Lausitz, TGZ Belzig, and YC).

Financing offers in Brandenburg (see table below)

The offer/services of the institutions mentioned above are listed in the table below (quantification, number of new contracts, granted promotions and length of the promotions were evaluated within one period (2005)). By quantifying the offers available on the market, it becomes clear if different offers really reach the intended target group of MSE.

6. Proposal of action

The three main bottlenecks for an improved offer of financial services to MSE could be addressed by

1. complementing bank credit appraisal technologies by the *character based lending approach*
2. outsourcing of the credit analysis, decision and monitoring to a Special Purpose Vehicle
3. providing collateral guarantees (risk coverage for involved banks by 100%)

Complementing bank credit appraisal technologies by the *character based lending approach* means to base the decision to provide a loan to MSE (mainly) on the "character" of the entrepreneur (his individual competence and qualifications, social environment, business idea and its current and expected cash flows). This information is then complemented by balance sheets, profit and loss statements and – if available – by collateral provided by the MSE. This approach is being successfully used in transforming countries and would need to be adjusted to the context of Germany/Brandenburg.

The time-consuming credit analysis could be outsourced to a *Service Agency* which would cooperate with the Loan Guarantee Bank (who could give a 100% guarantee in order to solve the problem of collaterals) and local house banks. The house banks would not need to do any audits and would conclude an agreement and hand out the loan.

7. Conclusion

Target groups for micro-scale financial services are

- (1) Founders of new enterprises (start-ups)
- (2) Acquisitions and
- (3) Existing micro and small enterprises (MSE).

The predominant part of the programs on the market is targeted to start-ups, although established MSE play a substantial role for job creation and offer a smaller loss risk. This imbalance is not justified from an economic point of view.

Looking at the relevance of own capital funds, it becomes obvious that the supply of own capital funds is of central importance, especially for business start-ups. Experience shows that loan-based financing during the business start-up phase often leads to high indebtedness.

The main reasons for the ineffectiveness of existing promotion programs are that the target group is often unaware of available financing programmes. Also, the incentive systems are not aligned to high numbers of loans: high costs and no cost-recovery. Small numbers of loans seem economically rational, in order to avoid high costs. Banks stick to document based lending⁶.

It is estimated that, apart from the Federal Agency for Work who promoted more than 7,558 start-ups in 2005 in Brandenburg, the number of start-ups and MSE, who received financing from the above described institutions in 2005, was no more than 1,500⁷. Considering the high numbers of MSE in Brandenburg⁸ and the needs for finance expressed by the entrepreneurs during the interviews, a financing gap for small-scale enterprises is clearly visible. The existing programs offer, however, already various solutions. But these offers are not sufficient to cover the demand of the MSE in a satisfying quantity.

⁶ Banks rely exclusively on financial statements

⁷ this figure is a rough estimation based on the data available and might only give an idea of the extent to which financial needs of MSME are not matched

⁸ Existing MSEs: 168.978. – thus only a very small part is served

Table: Financial services for small businesses in Brandenburg - study results

(Numbers correspond to the year 2005 (if not indicated otherwise))

Green colour: all offers/services relevant to MSE

Institution	KfW Middle Class Bank							Federal Employment Agency		
Legal Status	Institution under public law							Federal Agency		
Legal property	State-owned (confederacy: 80%, Countries: 20%)							State-owned		
Refinancing	Capital market, state-run subsidies							Social security contributions		
Program	KfW-Start-up moneys	KfW Micro25	KfW Micro10	Entrepreneur loan	Entrepreneur capital			ERP-Start-up fund	Start-up allowance	Allowance for new employees
					ERP-Capital for start-up	ERP-Capital for growth	Capital for employment and investments			
Formation	1999	2002	2005	2003	2004	2004	2004	Nov 04	2006	
Financial products	Loan	Loan	Loan	Loan	Loan	Loan	Loan	Shareholding	Allowance	Allowance
Target Group	natural persons, also for supplementary income; small enterprises (max. 100 employees) up to 4 years after establishment	natural persons, also for supplementary income; small enterprises (max. 100 employees) up to 4 years after establishment	natural persons, also for supplementary income; small enterprises (max. 100 employees) up to 4 years after establishment	natural persons, in and foreign enterprises, which are by the majority in the private property, self-employed persons	natural persons, who aim at the full existence, as well as recent enterprises until 2 years after establishment	Entrepreneurs and enterprises, whose business admission is past more than two and at the most five years	medium-size enterprises and freelance transacts, which are active for at least 5 years at the market	newly created technology enterprises in the legal form finance company	Unemployed persons and person employed in provisions of work and structural adjustment measures, which take up an independent activity	Persons who have founded an enterprise more than 2 years ago
Eligible Costs	Expenditures on capital assets in the context of the business start-up, including operational funds	Start-ups and safety devices during the first three years, renewed establishments of an enterprise; Enterprise assumptions, active participation	Start-ups and safety devices during the first three years, renewed establishments of an enterprise; Enterprise assumptions, active participation	Business start-ups; Enterprise assumptions; active participation; Investments in Germany, which suggest a lasting economic success	Business start-ups (except agriculture); Strengthening investments; Enterprise assumptions, active participation	Investments in Germany (e.g. purchase of real estates, operating and business equipment, machines, operational funds); Enterprise assumptions, active participation	Investments in Germany that will create new jobs abroad and in Germany. Expectation of lasting economic success and secured existing jobs	Development of the firm's structure, the business plan or first product and process developments by own capital funds, benefit right capital; first and subsequent investments for innovation projects	Living costs and social security in the starting time of the business start-up	Pay during employment of unemployed persons
Geographic Outreach	National	National	National	National	National	National	National	National	National	National

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Number of new contracts/ Year*	67 (2004)	38 (2004)	n.s.	216	69			Approx. 7.000 per year	
Exchange/ Year*	2.043 TEUR	669 TEUR	n.s.	50.7 Mio. €	17.7 Mio. €			n.s.	
Maxim Amount	50.000 €	25.000 €	10.000 € (min. 5.000 €)	Max. 5 Mill. €	Max. 500.000 €	Usually up to 2 Mio. €	in the early phase (first 6 months) max. 1.500.000? afterwards altogether max. 3 million € per enterprise	Subsidy of the amount of the unemployment pay paid last + flat rate social insurance contributions, subsidy of 300 € in the last 6 months.	Max. 50 % of the agreed wage including ancillary labour costs for max 2 employees
Duration	Up to 10 years with max. 2 grace years	Max. 5 years (6 months grace period)	Max. 5 Years (6 Months grace period)	Usually up to 10 years, max. 20 years	Max. 15 years (7 years grace period)	Up to 20 years including max. 3 years of grace period		15 Months	max. 12 Months
Average Amount*	30.493 €	17.605 €	n.s.	198.250 €	245.778 €			n.s.	n.s.
Other	House bank principle	House bank principle	House bank principle	House bank principle	House bank principle	House bank principle	House bank principle	KfW middle class bank	

Continuation (I)

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Institution	Promotion Bank of Brandenburg (ILB)						Loan Guarantee Bank Brandenburg			Responsible tax office			
Legal Status	Institute of the public right, promotion bank of the country Brandenburg						GmbH (limited liability company)			Federal Office for finances			
Legal property	50 % NRW Bank 25 % country Brandenburg 25 % Bank of Berlin						PPP(IHK, HWK, trade associations, guilds, insurance, savings banks and banks)			State-owned			
Refinancing	Capital market, state-run subsidies						Capital market, guarantees of Brandenburg and the confederacy			Incomes at income tax or corporation tax			
Program	GA promotion of the commercial economy (GA-G)	Innovation assistant	Innovation fund	Single operational promotion of agricultural enterprises			Agrarian seasonal loan	Market development	Start-up and growth financing	Guarantee without Bank (BoB)	Take over of guarantees	Take over of guarantees	Investment allowance
Formation	since 1990 in Brandenburg		1994				end 2004			1999	1991	1991	1999
Financial products	allowance	allowance	shareholding, loan	loan	allowance	Adhesion discharge	loan	allowance	loan	surety	surety	Guarantee	Direct promotion
Target Group	Existence founder, enterprise with primary effect (supraregional concept)	SME, start-ups	Technology-oriented SME, research establishments, development enterprises	Agrarian enterprises	Agrarian enterprises	Agrarian enterprises	Farmers, gardener, forestry	SME, networks of SME	Natural persons; SME; freelancer	Start-ups; SME; freelancer	Start-ups; SME; freelancer	SME	Natural persons in new countries of Federal Republic
Eligible Costs	Establishment, conversion, extension and fundamental rationalization of operating places	Labour costs during employment of a high and/or a specialized university assistant	Innovation projects for the development of new technical products, procedures and services	Creation of structural and technical facilities			Pre-financing of operational funds (e.g. seeds)	Consulting and training course achievements, participation in fairs and exhibitions	Business start-ups; Enterprise take-overs; active participation; Growth investments within 8 years; Jump investments; new unemployed persons	all forms of the financing by borrowing for operational projects to 250.000 € are guaranteed	Business start-ups; Enterprise take-overs, active participation; Growth investments; Operating misalignments	Participation, extension of own capital funds basis for financing of operational projects, credits and avals	in the enterprise for 3 years remaining expenditures on capital assets, modernization measures at renting objects and property objects
Geographic Outreach	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	Country Brandenburg	New countries of the Federal Republic
Number of new contracts/ Year**	321	102	1	46	635	17	n.s.	180	52	124	148 (guarantees altogether)		
Exchange/ Year*	224.763 TEUR (assuring volume)	2.795 TEUR (assuring volume)	255 TEUR (assuring volume)	13.233 TEUR	12.190 TEUR	3.697 TEUR	n.s.	2.684 TEUR	5.298 TEUR	Ca. 10 Mio. €	363		
Max. Amount	A-assisted area: 35 % (until 2004) B-assisted area: 28 % (until	1 st year 50 %, at the most however 20.000€ for	Max. 255.000 €	max. 1.250 TEUR	max. 1.250 TEUR		n.s.	UP to of 50 % of the allowable expenditures, max. 50,000	Usually up to 2 Mio. €, of which max. 500.000 low interests	Max. 250.000 €	81.000 TEUR		10 % of the investment amount, 20 % in enterprises with less than 250 employees; 15 % when modernisation of the buildings

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	2004) max. Promotion of 50 % for SME	each graduate, 2. Year: 40 %, at the most however 10.000€ of the gross salary						EUR in 3 years					
Duration	n.s.	Max. 2 graduates for each 24 Months	Loan: max. 10 years, of it max. 2 of grace participation: max. 15 years	max. 10 years, max. 20 y during real estate financing	max. 10 years, max. 20 y during real estate financing		6 to 9 months		Up to 20 years with max. 3 grace years	According to credit period, max. 23 years (building projects), average 15 years	According to credit period, max. 23 years (building projects), average 15 years	According to credit period, max. 23 years (building projects), average 15 years	n.s.
Average Amount*	700.000 €	27.401 €	255.000 €	26.417 €	1.196 €	211.588 €	n.s.	14.711 €	101.884 €	ca. 80.645 €	223.140 €		n.s.
Other	max. promotion of SME up to 50 %		Request at ZAB, max. 40 % of the promotable costs	House bank	House bank	house-bank	House bank, minimum amount 10.000 €		House bank, interest reducing and non-liability possible	Endorsement promise independently of endorsement bank given of and before the financing promise of a bank	house-bank, deficit-guarantee up to 80 % of the loan amount	house bank, guarantee up to 80 % of the shareholding	Investment premium is paid from the incomes and body-taxes, direct promotion to investing enterprises, under certain conditions exists a legal claim

Continuation (II)

Institution	<u>Medium-size holding company</u>	<u>Equity investment company ltd.</u>	<u>Seed Capital Brandenburg ltd.</u>	<u>BC Venture ltd.</u>	<u>Mittelbrandenburgische Sparkasse</u>	<u>Berliner Volksbank</u>	<u>Enterprise Berlin-Brandenburg</u>	<u>Garage Lausitz Cottbus</u>	<u>TGZ Belgig</u>	<u>Young Companies</u>	<u>Bundesministerium f. Arbeit und</u>
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	Berlin										<u>Soziales</u>
Legal Status	GmbH	GmbH	GmbH	GmbH	Public savings bank	Loan bank	Association	GbR	GmbH		Federal ministry
Legal property	IHKs, HWK, trade associations, guilds, insurance, savings banks and banks	BC Brandenburg Capital GmbH (subsidiary of the ILB and the technology holding company)	BC Brandenburg Capital GmbH (subsidiary of the ILB and the technology holding company)	BC Brandenburg Capital GmbH (subsidiary of the ILB and the technology holding company)		Private(Associates)	private	private		Agency responsible for the project: STIC restaurant promotion economics MOL of ltd.	State-owned
Refinancing	Capital market, ERP association program of the KfW	country Brandenburg/share holding fund	EU, Brandenburg, Sachsen,	ILB, Delmora Bank, EIF		Capital market	ESF, public conveyances (MASGF), Heinz Nixdorf donation, German bank donation "Alfred Herrhausen", agency for work	Agency responsible for the project: SUPRA GbR, co-operation with savings bank Spree Neisse with granting of credit	Microfinance fund in cooperation with Volksbank Berlin	Cooperation with regional savings bank	Social insurance payments
Program	Participation in SME (also start-ups)	Participation in strongly growth oriented technology and middle class enterprises	Participation in young technology enterprises	Participation in strongly growth oriented technology and middle class enterprises	Foundation loan	start-ups StartKredit	Project "enterprise"		Microfinance fund	Young companies	Perspective 50+
Formation	1993	1996	1993	2001		2005	Jul 99	2003	2005	2005	2007
Financial products	typically silent and open participation	participation	participation	participation	Credit	Credit	Credit	Hand out of credit by regional savings bank	Credit	Hand out of credit by regional savings' bank	Consultation, labour costs subsidy, capital investment grant
Target Group	SME; freelancer; start-ups	Growth-oriented SME	young growth oriented technology enterprises in the legal form finance company	Participation at strongly technology and middle class enterprise, late phase growth orientated	Start-ups in the productive sector of SME	start-ups	Young start-ups that are threatened of unemployment	Young start-ups that are threatened of unemployment	start-ups	Young start-ups that are threatened of unemployment	Unemployed over 50
	Business start-ups; Enterprise take-overs; Financing of concrete investments, innovations in the form of typically quiet and open minority participations	Introduction on the market of products or procedure, enterprise growth, restructuring, MBO/MBI by minority participations	start-ups; Research and development, introduction on the market of products and procedure by minority participations	Introduction on the market of products or procedure, enterprise growth							Start-ups
Geographic Outreach	country Berlin and Brandenburg	Brandenburg	New countries, Region Berlin-	New and Old countries	Regional	Regional (Volksbanks)	Regional	Regional	Regional	Regional	Märkisch-Oderland

CHABALEU

Using the **Character Based Lending** approach as a tool of a market oriented MSME-financing system in the **EU**



			Brandenburg, Sachsen								
Number of new contracts/ Year**	10 - 15	39 (number of financed enterprises: 06/05)	46 (number of financed enterprises: 06/05)	12 (number of financed enterprises: 06/05)	500 – 1.000 (estimation)	16 (2005)	7	10	n.s.	8	No number available yet
Exchange/ Year*	3.000 - 5.000 TEUR	> 30.000 TEUR (shareholding amount)	>23.000 TEUR (shareholding amount)	11.000 TEUR (shareholding amount)		320TEUR			n.s.		n.s.
Max. Amount	Usually up to 1 Mio. €	min. 250.000 €, max. 2.5 Mill. €	min. 100.000 €, max. 1 Mio €	min. 0.5 Mill. max. 2.5 Mill		30.000 €	Max. 5.000 €	Max. 5.000 €	7.000 €	5.000 €	20.000€
Duration	Up to 15 Years	max. 10 Years		max. 10 years		max. 6 years (Loss insurance for max. 3 years)	Max. 5 years		3 - 5 years		n.s.
Average Amount*	~ 500.000 EUR	> 770.000 €	> 500.000€	~1 Mio. EUR		17.000 €			n.s.		n.s.
Other		active BC management for the support and consultation in commercial and technical questions	active BC management for the support and consultation in commercial and technical questions	active BC management for the support and consultation in commercial and technical questions		Credit is assigned only in connection with a loss insurance, additional becomes annually approx. 500 - 800 house bank credits at SME and existence founder assign			so far no credits were assigned (conditions: July 2005), Belzig financed by EFRE, ESF, as well as different federation and national Ministries	"Young Companies" is financed by ESF and MASGF	