



shaping the future



S M E L O A N F U N D S I N S A X O N Y - A N H A L T



p r e f a c e

ARE YOU IN A POSITION TO ...MAKE LONG-TERM PLANS? ...CREATE A VIABLE *f i n a n c i a l s t r a t e g y*? ...ENSURE YOU HAVE ENOUGH COLLATERAL? IS IT EVEN POSSIBLE IN THIS DAY AND AGE? IN SAXONY-ANHALT, OUR *d e s t i n a t i o n : f u t u r e* STRATEGY HAS BEEN METICULOUSLY THOUGHT THROUGH TO GIVE YOU THE MEANS AND RESOURCES TO DO JUST THAT. IN THIS BOOKLET, YOU WILL FIND AN OVERVIEW OF WHAT WE CAN OFFER YOU. *i m i t a t i o n* IS EXPRESSLY DESIRED AND HIGHLY RECOMMENDED.



c o n t e n t s



The SME Loan Fund

is a financial
engineering instrument
of the region
Saxony-Anhalt
in the 2007–2013
EU-funding period.
The SME Loan Fund
was co-financed
by the ERDF.



4	foreword	<i>The Minister-President of the Federal State of Saxony-Anhalt on the issues</i>
6	head start	HISTORY OF PROMOTIONAL FUNDS AND THE LAUNCH OF THE SME LOAN FUND
8	origin	GRANT OR REVOLVING FACILITY – A COMPARISON
10	experience	<i>An Interview with the Chairwoman of the EU Committee for Constitutional Affairs</i>
14	purpose	THE SME LOAN FUND – A STRATEGIC MOVE BY THE STATE THE SME LOAN FUND – A LONG-TERM SUCCESS STORY AND CATALYST FOR GROWTH STRATEGIC FINANCIAL GOALS – ADVANTAGES FOR ENTERPRISES AND THE STATE STRATEGIC ECONOMIC GOALS – PROMOTING POSITIVE FUTURE DEVELOPMENT THE SME LOAN FUND – THE MARKS OF SUCCESS
18	impetus	
22	dialogue	<i>An interview with the Minister of Economy, Science and Digitalisation of the Federal State of Saxony-Anhalt</i>
24	synergy	ADMINISTRATION OF THE FUND – EXPERTS AT WORK COMMON GOALS – OTHER CAPITAL-BASED FUNDING PRODUCTS
26	effects	<i>Growth and market opportunities</i> SELECTED CASES OF COMPANIES SUPPORTED IN SAXONY-ANHALT
46	future	<i>An interview with the Minister of Finance of the Federal State of Saxony-Anhalt</i>
48	ways forward	ECONOMIC PROMOTION AND REVOLVING FUNDS – AN OUTLOOK



*Dr. Reiner Haseloff,
the Minister-President
of the Federal State of
Saxony-Anhalt, talks
about the issues*





At its core, our market-based economic order thrives on people with entrepreneurial courage. Conversely, the task of politicians is to take responsible action that underpins this courage.

This is precisely the reason why we in Saxony-Anhalt have established a variety of quite different instruments. One of them – the SME Loan Fund – has been tailor made for small and medium-sized companies that continue to form the backbone of our economic growth. In addition to creating a large number of jobs, they frequently make it easier for young people, in particular, to get a foot on the career ladder. It is the small businesses and mid-cap companies that act in an exemplary way in terms of the number of apprenticeships and training places they offer and skilled young people they train up.

Mid-caps – the traditional German ‘Mittelstand’ – form the backbone of the structure of our economy in Saxony-Anhalt. That is why I am extremely pleased that the SME Loan Fund has enabled us to offer good conditions for innovative investments, to encourage growth in our federal state and to improve companies’ competitiveness. Access to financial resources and strengthening a company’s equity base are often decisive factors in putting an idea into practice.

I would like to thank everybody who has contributed to this success story and I would be delighted to see a similar level of commitment in the current funding period, so that we can build on the experience we have gathered in recent years.

Dr. Reiner Haseloff, Minister-President of the Federal State of Saxony-Anhalt



origin THE HISTORY OF PROMOTIONAL FUNDS AND THE LAUNCH OF THE SME LOAN FUND

8

A PIONEERING ROLE: ERP FUNDS

In the scope of the Marshall Plan and the European Recovery Programme (ERP), in **1950**, West Germany and the United States agreed a comprehensive package of financial aid to support the German economy. The fund that had to be managed amounted to around 6 billion Deutschmark and proceeds from loan repayments were able to be redistributed.

In **1953**, a law was passed that led to the creation of the ERP Special Fund, which was earmarked for granting long-term investment loans for the reconstruction and support of the German economy – in practice, it acted as a revolving source of funding.

In the decades that followed, the range of areas which the fund supported was extended, in particular to include smaller and medium-sized businesses, to finance investments on a municipal level in the 1960s and, from 1990 onwards, to financial aid for the reconstruction of East Germany. In 2007, the German federal government reorganised the ERP Special Fund. In those days, the fund's capital stock amounted to approximately 12 billion euros.

SUPPORT GRANTS: EU FUNDS

In **1957**, European promotional funding policy was kicked off with the launch of the first structural fund – the European Social Fund (ESF). This was followed by the European Agricultural Guidance and Guarantee Fund (EAGGF) in **1962** – which was replaced by the European Agricultural Fund for Rural Development (EAFRD) in 2007. Finally, the European Regional Development Fund (ERDF) came into being in **1975**.

The targeted funds have primarily been used as grants for regional development. Since **1990**, they have also had a long-term impact across the entire German federal state of Saxony-Anhalt.



ON THE AGENDA: SME LOAN FUND

Even after **2006**, the EU programmes ERDF, ESF and the European Agricultural Fund for Rural Development EAFRD (with a total volume of EUR 3.4 billion) were the primary sources of funding and finance for targeted economic and social development in rural areas as well as for providing people with long-term prospects for their lives.

However, due to changes in the target areas – especially as a result of the expansion of the EU into Eastern Europe – it was already clear then that the amount of EU subsidies allocated to Saxony-Anhalt would soon be considerably lower. In the long run, the federal state needed complementary financing and funding concepts. Furthermore, in view of declining structural funds as well as uncertain levels of funding options after **2013**, the idea of revolving funds for the funding period of 2007–2013 was placed on the agenda, to which the EU Commission provided support and significant impetus. This meant that the way was clear for Saxony-Anhalt to launch the SME Loan Fund, co-financed by ERDF.

NEW FUNDING APPROACH: PROMOTIONAL LOANS

For the first time a rule was established in the EU funding period of **2000–2006** that permitted structural funds to be disbursed in the form of loans in order to meet EU funding goals, with the provision that the primary aim of the loans and equity funding were to provide equity to SMEs and to support them in accessing venture capital. Provision was also made for such loans to be combined with other EU funding instruments.

THE FOLLOWING GOALS AND OPPORTUNITIES SHIFTED INTO FOCUS:

- = possible realignment of promotional funding policy in Saxony-Anhalt,
- = improved efficiency of promotional funds deployed by widening the scope of recipients,
- = instead of a one-off deployment of 'lost grants*', long-term establishment of a funding capital stock to support new projects,
- = reduction of the burden on the federal state budget,
- = leverage effects that open up additional public and private funding.

* Term of national budget law for non-repayable subsidies and means the effect, that financial resources are lost for national budget after an one of payment.



A GENERAL COMPARISON

of grants and revolving financial engineering instruments (funds) that illustrates the different ways in which they work:

GRANTS

Source

- derived from EU and state funds and federal governments (under certain condition)

Recipients

- SMEs and their plans and projects that meet the funding criteria



Grant programmes

- create incentives, provide partial support
- one-off (lost) grants without any repayment

LOANS FROM REVOLVING FUNDS

Source

- derived from EU and state funds and federal governments (under certain condition)

Recipients

- SMEs and their plans and projects that meet the funding criteria



Loan programmes

- offer complementary finance building blocks to close funding gaps
- returns refill the fund's resources and
- can be used several times
- products can be structured so as not to contain state aid



A HEAD START WITH ADVANTAGES

The foreseeable reduction in the level of structural aid, especially after the expansion of the EU into Eastern Europe, as well as the related gradual loss of Objective 1 funding eligibility*, led to the development of alternative funding and financing concepts in Saxony-Anhalt.

Motivation

In the long run, the regional and economic development of the federal state required additional promotional incentives and investment impetus. Therefore, apart from grants, the establishment of revolving funds shifted into focus. From the perspective of promotional funding policy, this opened up scope for new opportunities.

The EU Commission supported initiatives such as the co-financing of financial engineering instruments like these using the European Regional Development Fund (ERDF). This approach corresponded to the objectives of the ERDF, the primary aim of which is to support regions whose economies lag behind.

THE MOST IMPORTANT TYPES OF FUNDS FOR REVOLVING FUNDS IN PROMOTIONAL FUNDING POLICY ARE

Loan funds

- ▬ regional managed fund assets are disbursed as subsidised loans
- ▬ are available to recipients as debt capital or as substitute equity
- ▬ interest payments as well as loan principal repayments flow back to loan funds
- ▬ fund assets can be managed by a trustee or by the state itself

Venture capital, risk capital or equity funds

- ▬ fully liable equity for the SME or equity-like capital (typically silent partnership)
- ▬ financial resources have a fixed term and, in addition to interest, flow back to the fund
- ▬ in contrast to loan funds, however, capital returns do not occur on a continuous basis but usually in a lump sum after exit

Guarantee funds

- ▬ fund assets serve to grant additional collateral in the form of guarantees for loans or other financial obligations
- ▬ level of utilization of the fund depends on the respective default risk of the principal claim
- ▬ guarantee payments are made when the guarantee is drawn
- ▬ 'repayment' in the form of undrawn guarantee amounts that are freed up

* Objective 1 supports under-developed regions. Regions are supported whose GDP per capita is less than 75 percent of the community average for all EU countries.



experience



*Interview with Danuta Hübner,
former EU Commissioner
for Regional Policy, former
chairperson of the EU Committee
on Regional Development,
chairperson of the EU Committee
on Constitutional Affairs*



What were primary motives for you to use a revolving loan fund as a financial engineering instrument in the EU funding period of 2007–2013 in addition to the proven grant schemes?

Danuta Hübner: Cohesion policy has been designed to correct a number of economic, social and territorial differences between European regions and cities. For this reason, it is not sufficient to rely solely on grants. Since the economic and social challenges are becoming more complex, cohesion policy instruments have to be adjusted in order to ensure the EU budget is deployed in an efficient and effective way. Under certain conditions, the EU provides financial instruments that may be more efficient than grants. Access to finance is the second most important problem for SMEs in the whole of Europe – a problem that was exacerbated by the financial crisis. Many countries registered a strong fall in lending to SMEs and venture capital providers withdrew from the market for early stage investment.

Financial instruments help to mobilise additional public and private co-investments. They also help to increase the efficiency and effectiveness of the allocation of public resources. Financial instruments provide a variety of incentives to improve performance, including greater financial discipline on the level of the supported projects.

The main advantage of revolving instruments is that resources leveraged (public or private) have a greater direct political impact. In addition, revolving funds provide long-term support that remains in the programme region. Experience also shows that, thanks to these instruments, the financing is secured before the investment is made – in contrast to grants. Furthermore, the quality of investments in projects improves if the funds have to be repaid.

During your visit to Saxony-Anhalt, you gave a significant boost to the creation of SME loan funds.

What memories do you associate with your visit to Magdeburg, especially to the Development Bank of Saxony-Anhalt?

Danuta Hübner: I visited Saxony-Anhalt in October 2005 in my capacity as Commissioner for Regional Policy. During this visit, the idea of the 2000–2006 SME Loan Fund and preparations for ERDF support using financial engineering instruments for the 2007–2013 programme period were presented to me by the Chairman of the Management Board of the Development Bank. I encouraged Saxony-Anhalt to increase the use of repayable forms of aid using financial engineering instruments in the 2007–2013 period.



What is your assessment – in terms of promotional funding success – of the implementation of the SME Loan Fund in Saxony-Anhalt, also in comparison to other regions?

Danuta Hübner: Looking back at the programme planning period of 2007–2013, the managing authorities of member states had registered a total of 1,052 financial engineering instruments by the end of 2015. The ERDF and ESF paid out more than EUR 11.6 billion in financial instruments. In 25 member states, a total of 887 specific funds for companies were established, which included loans, guarantees and equity. More than 200,000 individuals and companies received support for developing their businesses, town and city projects and investments in energy efficiency and renewable energy. The expectation is that funds for innovative financial instruments in the period from 2014–2020 will lead to additional investments of between EUR 40–70 billion, with an even higher multiplier effect in the real economy from support by private investments.

From 2007–2013, 15 out of 18 German ERDF programmes made use of financial engineering instruments. Products in convergence regions are mainly credit instruments, while equity capital funds predominate in regions with the goal of ‘increasing competitiveness and employment’. Overall, 41 instruments were established with the support of ERDF funds. The total ERDF contribution to financial instruments in Germany in this period amounts to EUR 1,092.74 million and is thus equivalent to 6.8 percent of the ERDF contribution to ERDF programmes.

In the scope of the 2007–2013 programme period in Saxony-Anhalt, EUR 321.8 million in ERDF support (approx. 12 percent of the operational programme) were allocated to the SME Loan Fund. By 2016, 954 SMEs were supported and 1,359 loan applications approved. More than 17,000 jobs were secured thanks to successful investments by the fund. This is good news.

During the previous programme period, the financial engineering instruments significantly improved access for many companies and reduced financing costs. One important result of support by the ERDF during this period was that it helped SMEs to compensate for the effects of the financial crisis. It provided an important source of credit at a time when other sources of finance from banks or governments had dried up. This meant that SMEs were able to invest in the modernisation or expansion of facilities and in R&D activities, which would otherwise not have been possible.

At the same time, the ERDF not only played a role in helping companies to weather the crisis, which was the case in many regions. It also supported innovations and the take-up of technologically advanced manufacturing processes as well as the development of new products. The findings of surveys and case studies conducted in the scope of evaluating supported projects show that support by the ERDF has resulted in investments being retained, increased and/or accelerated, which leads to higher revenues, profits and exports. We can see that financial instruments are able to play an important role, not only in generating growth and jobs but also in improving the competitiveness of our economy. There are promising signs in respect of the sustainability of invested funds.



For some operational programmes, including ERDF in Saxony-Anhalt, there are strong indications that the funds disbursed flow back to the loan funds and are therefore available for new investments. At the end of the day, financial instruments have clearly supported a trend away from a culture of subsidies towards an entrepreneurial culture.

In terms of promotional funding policy, what recommendations would you give Saxony-Anhalt and other coordinators of promotional funds for future activities with revolving funds?

Danuta Hübner: Some of the lessons that can be learnt from our evaluations have already been incorporated into the present programme planning period and included in the regulations and guidelines for managing authorities. The requirement for support to be more results-oriented is a particularly good example.

In part, this is ensured by detailed negotiations between the European Commission and managing authorities in respect of specific goals that must be achieved and how they should be reached. It is also about the adoption of an 'intelligent specialisation approach', which takes factors of comparative advantage into account in the development of regional policy for supporting businesses.

This also applies, to a certain extent, to improvements to monitoring systems and to the selection of indicators that they contain as well as to the more systematic use of evaluations, in order to assess the effectiveness of the funds in achieving the prescribed goals. The extent to which expectations placed in these developments are fulfilled remains to be seen. It is important to monitor progress in the current funding period.

However, certain aspects of the deployment of revolving funds are of great significance for the successful planning of future programme periods. One important lesson learnt from the 2007–2013 funding period, for example, is that the design and implementation of co-financed financial instruments are context-specific. This context encompasses local economic conditions, banking and legal systems as well as previous experience in the implementation of financial instruments. This is because the underlying economic situation and existing institutional structures and practices determine the parameters according to which the financial instruments operate; and domestic political decisions determine what instruments are co-financed. Furthermore, a successful implementation of co-financed financial instruments requires the establishment of effective links and relationships between the most important players, including those in the private sector.

Financial instruments may take on a number of different forms, e.g. as loans, guarantees and equity capital funds. The Commission has proposed simple standard templates and agreements for all of these products – so-called 'off the shelf instruments' – the use of which I support.

In order to provide the knowledge and inspiration for the design, construction and implementation of revolving funds, the European Commission and the European Investment Bank have jointly launched a technical advisory platform for financial instruments (www.fi-compass.eu).



A BRIEF REVIEW: In the 2007–2013 funding period, the European financial and structural aid focused on promoting growth and employment. Saxony-Anhalt designed its range of promotional instruments in order to stimulate economic growth and efficiency and to strengthen the structurally crucial mid-cap sector. In addition, the state government placed small and medium-sized enterprises (SMEs) as well as self-employed business people at the centre of its promotional funding policy.

At this time, it was already clear that the amount of EU funding would decline in the long run. As an alternative, innovative and modern promotional ideas and products would be able to help. That is why Saxony-Anhalt restructured its promotional funding system for mid-cap companies – away from lost grants towards more funding using loans, which was akin to a **paradigm shift** ten years ago.

Finally, the state's analysis of funding activities and possibilities led to the decision to

create revolving SME Loan Funds – a financial engineering instrument pursuant to Article 44 of Council Regulation (EC) no. 1083/2006. Management of the fund was transferred to the Development Bank of Saxony-Anhalt (Investitionsbank Sachsen-Anhalt, or IB).

In November 2007, Dr. Reiner Haseloff, who was then the federal state's Minister of Economy, fired the official starting gun for the SME Loan Fund. The 'Funding Strategy for Mid-Caps' that was presented met with a positive response from companies, new and existing customers, commercial and private banks as well as from private equity companies across the state – as well as from Chambers of Industry, Commerce and Crafts, professional associations, network partners and business development agencies. As it turned out, the establishment of the fund was an important strategic move and, in terms of promotional policy, it was an instant success!

The initial financial resources of the SME Loan Fund amounted to 237.9 million euros (for 2007–2013). EUR 174.8 million of this came from the European Regional Development Fund (ERDF) and EUR 63.1 million was contributed by the federal state via the Development Bank (IB).

The funds were available for four new, modern funding schemes that the Development Bank (IB) offered and distributed on behalf of the federal state government:

== **Sachsen-Anhalt IMPULS**

The IB Mid-Cap and Start-up Loan Scheme

== **Sachsen-Anhalt MUT**

The IB Order Pre-financing Scheme

== **Sachsen-Anhalt WACHSTUM**

The IB Mezzanine Loan Scheme

== **Sachsen-Anhalt IDEE**

The IB Innovation Loan Scheme

Thanks to the flexibility of the fund structure, it was possible to secure additional ERDF funds before the end of the funding period and increase the fund assets to EUR 321.8 million.



THE SME LOAN FUND – A LONG-TERM SUCCESS STORY AND CATALYST FOR GROWTH

BY LAUNCHING THE SME LOAN FUND AS A PROMISING ALTERNATIVE TO SUBSIDIES compared to grants, Saxony-Anhalt was entering new promotional territory and assumed a certain pioneering role in Germany. The original size of the fund exceeded the fund volumes of other federal states in the eastern part of Germany by a two to five-fold margin. The state government decided to deploy around 10 percent of the EU funds via revolving fund instruments. The associated expansion of promotional loan programmes was also a strategically important factor for the Development Bank (IB), especially in relation to how it would position itself as a development bank in future.

The motivation for state policy was clear: sustainable growth and a targeted increase in employment require a dynamic and efficient economy. In the long run, this depends on a strong and competitive mid-cap segment.

On the one hand, for the development of businesses and the region, grants continued to play a key role in terms of funding activities – also for simultaneously raising the profile of infrastructure and so-called soft location factors. On the other hand, SMEs shifted into the special focus of promotional policy. This was because it was clear that the effectiveness and future extent of funding activities was, to a certain extent, dependent on innovations as well as modern funding ideas and products, such as the revolving SME Loan Fund.

The anticipated general effects and advantages of the operation of the new range of instruments were soon felt. The needs-based allocation of fund resources was continuous across the entire funding period and, compared to conventional grant-based funding schemes, was more flexible. The disbursement of funds was secured in an optimal and efficient way, both in terms of the funding period as well as of the variety of projects that had been conceived.

The range of products and their multifaceted scope of application were successfully communicated through a wide variety of channels and multipliers. Apart from presenting the financial engineering instruments, which were initially new, the focus was always on customer-oriented advice, short distances and the provision of funds in a way that was as quick and straightforward as possible.

As a consequence, the SME Loan Fund became a long-term success story for promotional funding policy and acted as a trigger for companies.



WITH THE IMPLEMENTATION OF THE SME LOAN FUND, the federal state was pursuing and realising a whole raft of financial and strategic economic policy goals. In line with the 'Regional Development Strategy of the Federal State of Saxony-Anhalt for the Deployment of EU Funds 2007–2013', which was anchored in the ERDF operational programme, fund resources were used in the scope of the aforementioned funding schemes. In this respect, the following factors and goals were at the heart of joint efforts in terms of strategic financial policy:

== **High up on the list** was the reduction of SME-specific financing obstacles by utilising the newly created loan products. Companies often had too little or insufficient collateral. The equity required for investments was frequently not available. That is why funding schemes were needed for strengthening the economic equity of SMEs.

== **Structural difficulties**, which SMEs faced when raising capital on the financial markets, could be more effectively compensated for by including promotional loans. In particular, this paved the way for companies with poor ratings and in higher risk classes, which had previously found it difficult to raise funding in this way, to access the capital markets.

== **The subsidised (low interest) loans from the fund** provided help in a variety of different ways. Generally, the range of products was used to close funding gaps and to round off companies' operational financing concepts.

== **The products were particularly effective when** SMEs were able to combine the loans with other financial engineering instruments. Business promotion and development became a holistic system of instruments and thus could be put to targeted and effective use.

== **Competition neutrality** was consistently upheld. The fund loans acted as a door opener for a company's principal bank. The banks used the complementary funding building blocks to share risk and were incentivised into providing customer-oriented financial concepts. SME loans were only granted by IB when market forces 'failed' and loans were refused. With the beginning of the low interest rate phase, demand for promotional funding declined.

== **State policy has recognised the long-term possibilities** and has taken the chance to collect fresh capital, in the form of interest payments and loan returns, and to create reusable fund assets. These funds are available to the federal state beyond the current funding period for promotional business activities. In the final analysis, the revolving SME Loan Fund, with its newly accrued capital for investment and promotional funding, contributes to reducing the burden on the state budget.



THE STRATEGIC ECONOMIC GOALS FOR PROMOTIONAL POLICY in the 2007–2013 period as a whole, and thus also for the SME Loan Fund as a financial engineering instrument, are essentially focused on the main aspects of state development in Saxony-Anhalt. The newly provided loan products support all phases of development and funding cycles of companies – from the start-up and profile-raising phases all the way to succession or sale of the company.

The aim is to help start-ups become a success as well as to simulate and consolidate the growth of companies.

Loans for pre-financing orders, in particular, contributes significantly to this, just as the concept intends. The aim is for companies to grow sustainably and establish themselves on the market. The key areas of research, development, innovation, investment funding as well as training and qualification are important areas of activity.

Support for SMEs corresponds to the small-scale structure of companies in Saxony-Anhalt. Around 99.7 percent of businesses employ less than 250 people. In a similar way to the German national average, only 0.3 percent of enterprises in Saxony-Anhalt are major companies with a higher number of employees – a disadvantage is the lack of any corporate headquarters in the state. In the manufacturing sector, however, Saxony-Anhalt has a significant higher share of SMEs (93.4 percent) than Germany as a whole (90.4 percent).

Those behind the SME Loan Fund want to trigger additional stimuli for more economic dynamic in the state. Accordingly, they aim to:

- == **facilitate viable investments** in facilities and equipment in Saxony-Anhalt,
- == **encourage and exploit innovations** as well as support the use of modern technology,
- == **optimise corporate lending** to take advantage of opportunities for profitable, growing and innovative companies.

In this way, the financing offers that the loan fund provides are focused on strengthening the competitiveness of SMEs across all sectors in Saxony-Anhalt. Important goals in this respect include seizing opportunities, making ideas practical, developing marketable products and boosting sales and market presence. Promotional policy is implemented in a practical way using a market-like instrument, in which the projects that are funded are realised in line with the market – **without any deadweight effect.**

A central aspect is securing existing, viable jobs. This improves economic attractiveness in the regions and contributes to shaping the prospects for people's livelihoods.



THE STATE'S GOALS FOR PROMOTIONAL POLICY have been a success. As agreed, the accounts of the revolving SME Loan Fund were prepared using data as of 30 June 2016 for the closure of ERDF Operational Programme in the 2007–2013 funding period. Total funding disbursed for specific purposes amounted to EUR 321.8 million.

954 different companies were able to close funding gaps with the 1,359 loans that were granted. This enabled planned projects, which would otherwise not have gone ahead, to be realised – more quickly and on a larger scale. The average loan amount was around EUR 245,700. Over the entire funding period, these loans secured almost 18,000 jobs.

The promotional funding activities described had no effect on the federal state's budget. Neither the loan disbursements nor the administration costs placed any burden on the budget. So far, approximately EUR 180 million in interest payments and loan principal repayments have flowed back into the fund.

The resources continue to be used to provide companies with finance and secure the fund assets, which complements subsidies in the 2014–2020 structural fund period in a sustainable way.

OVERVIEW OF ACCOUNTS OF SME LOAN FUND

Number of loan agreements granted	1,359
Number of companies	954
Total amount of loans disbursed	EUR 332.5 million
Total sum invested (30/06/2016)	EUR 321.8 million
thereof ERDF funding	EUR 236.5 million
thereof national funding	EUR 85.3 million
Returns to date from interest and repayments:	EUR 180.0 million
Number of jobs secured (30/06/2016)	17,913
thereof for women	4,126



In terms of the distribution by sector of the disbursed loans, the focus was clearly on manufacturing industry. Of the total loan amount, around 56 percent flowed into this segment and 502 applications were approved.

DISBURSED LOANS BY INDUSTRY

Sector	share of total volume	number of loans
Manufacturing	56.3%	502
Trading, transportation and repair of motor vehicles	11.7%	240
Construction	8.7%	192
Freelance, scientific and technical services	3.8%	61
Miscellaneous business support services	3.4%	70
Transportation and warehousing	3.0%	63
Information and communication	2.9%	45
Hospitality	2.9%	61
Remaining ten sectors	7.3%	125

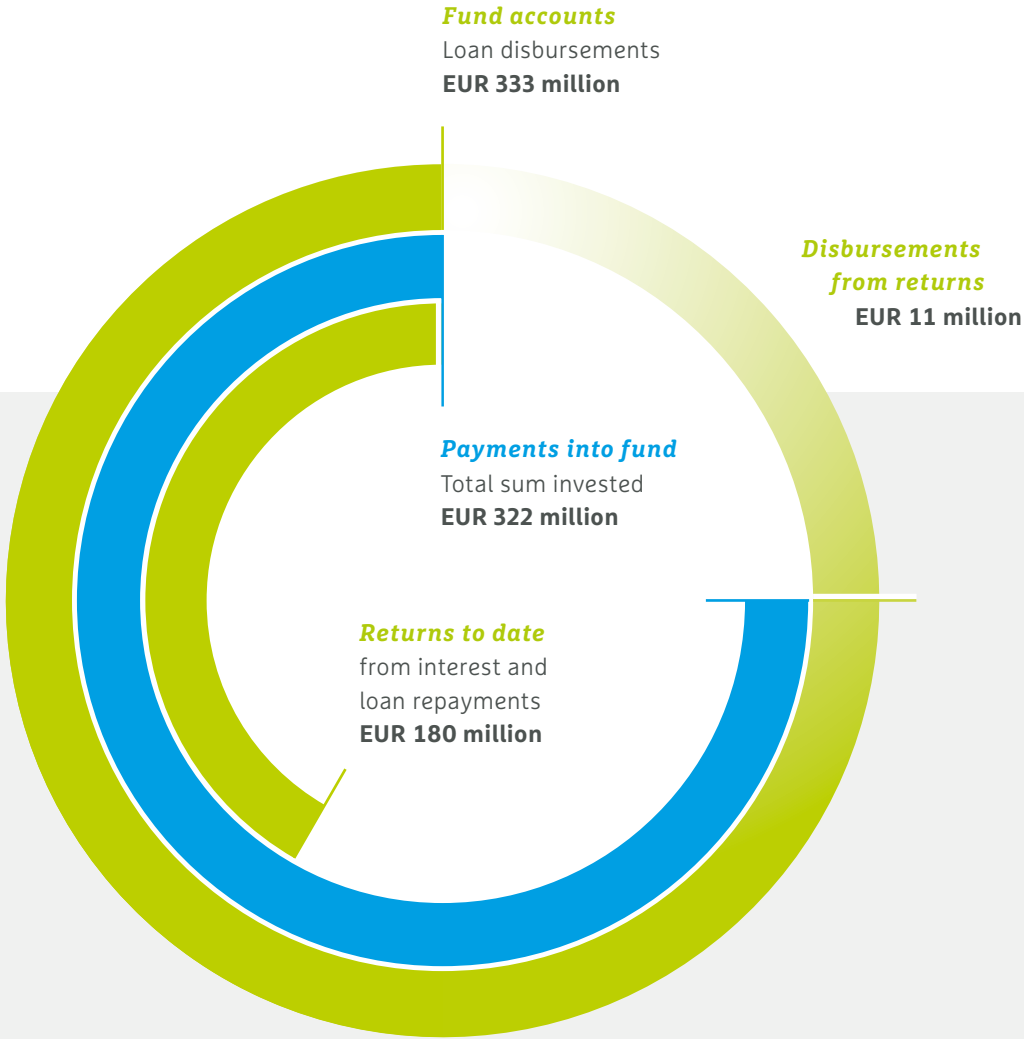
THE SME LOANS IMPROVED competitive-ness and created growth for solvent companies, start-ups and freelancers, in particular by:

- == pre-financing investments and orders,
- == increasing equity ratios,
- == providing an impetus for start-ups,
- == encouraging the development of new processes and launching them on the market.

IT ALSO BECAME CLEAR that the loans could be integrated into companies' financing concepts as an important complement in the range of funding schemes. Furthermore, the loan criteria ensure that the financial resources are used economically. Across the federal state, the loans spurred investment activity and acted as an impetus for economic growth as companies in Saxony-Anhalt received numerous orders. Overall, a leverage effect set in, which was in addition to the use of public and private financial resources.

During the international economic and financial crisis of 2009/2010, the fund made an important contribution to improving the liquidity position and thus to strengthening the resilience of companies.

The reasons why a credit crunch did not materialise in Saxony-Anhalt can be found in the funding instrument itself as well as in the volume of finance available. Both of these were instantly available for use. Ultimately, this made a decisive contribution to companies.



ANALYSIS BY SECTOR

<i>Sector</i>	<i>number</i>	<i>total loan disbursements</i>
Manufacturing	502	187,093,933.46
Trading, maintenance and repair of motor vehicles	240	38,966,461.50
Construction	192	28,770,340.00
Provision of freelance, scientific and technical services	61	12,551,059.09
Provision of other economic services	70	11,201,800.00
Transportation and warehousing	63	9,978,260.00
Information and communication	45	9,789,480.00
Hospitality	61	9,598,000.00
Water supply, sewerage and waste management and remediation activities	17	8,431,800.00
Health and social care	21	3,217,125.00
Arts, entertainment and recreational activities	28	2,876,018.00
Provision of other services	23	1,864,000.00
Other	36	8,155,794.57
Total	1,359	332,494,071.62

ANALYSIS BY DISTRICT

<i>District</i>	<i>number</i>	<i>total loan disbursements</i>
Altmarktkreis Salzwedel	75	17,591,066.92
Anhalt-Bitterfeld	74	26,507,539.42
Börde	91	23,461,124.01
Burgenlandkreis	63	17,896,708.78
Dessau-Roßlau, City	50	16,730,450.00
Halle (Saale), City	92	25,094,988.65
Harz	178	48,736,135.00
Jerichower Land	79	18,929,000.00
Magdeburg, State Capital	235	43,483,077.34
Mansfeld-Südharz	60	16,243,850.00
Saalekreis	96	29,687,162.50
Salzlandkreis	104	19,796,074.00
Stendal	72	14,498,295.00
Wittenberg	90	13,838,600.00
Total	1,359	332,494,071.62



dialogue



*Interview with Prof. Dr. Armin
Willingmann, Minister of Economy,
Science and Digitalisation of the
Federal State of Saxony-Anhalt*





How significant have economic development activities been in the overall spectrum of funding instruments – especially grants and loans – and how important will they be in the years to come?

Minister Willingmann: From 2020, economic development activities will see major changes. The future funding system will no longer distinguish between east and west, but instead between structurally weak and economically strong regions. Furthermore, the assumption is that the financial resources available will decline and that the emphasis will shift more strongly towards, for example, well paid work, an improved work/life balance as well as gaining skilled workers and investment.

What contribution has the SME Loan Fund made so far towards fulfilling the ERDF Operational Programme in respect of state, cross-cutting and priority objectives?

Minister Willingmann: The provision of around EUR 322 million to the fund demonstrates its considerable importance for economic development. The fund accounts for more than a third of ERDF resources that have been deployed to improve the competitiveness of SMEs. Approximately 1,400 approved loans have made a noticeable contribution to improving the financial position of companies and loan returns have resulted in the establishment of a capital stock for future funding.

What sectors and important key areas are expected to shift into focus more strongly or for the first time from the perspective of economic or promotional policy?

Minister Willingmann: For me, supporting start-ups and the issue of company succession are particularly important topics. The large number of imminent transfers of businesses to the next generation represents a major challenge to us, but one that also provides opportunities: the transfer can mean realising the desire for independence and may bring a breath of fresh air into a company, while protecting jobs. Financial support for successions will be a key area of promotional funding.

What measures are going to be taken so that the new Mid-Cap and Start-Up Fund is able to continue the success story of the SME Loan Fund as a long-term source of finance and funding?

Minister Willingmann: Just like the SME Loan Fund, the new fund will act according to the principle of an opportunity-oriented approval of loans. The success story can be expected to continue for the simple fact that, with this fund, the federal state has an instrument at its disposal in order to close gaps in finance for start-ups and for innovative companies focused on growth.

Who are the partners and what will be expected of them?

Minister Willingmann: Our most important partner is the state-owned Development Bank, IB. It is the fund administrator and thus responsible for the efficient management of the fund's resources as well as for the careful selection of borrowers. In addition, co-operative and collaborative relationships with the borrowers' banks active in the state and with the other promotional institutions, such as Bürgschaftsbank Sachsen-Anhalt, the Mittelständische Beteiligungsgesellschaft and KfW, are vital for the successful deployment of fund resources.



THE SUCCESSFUL IMPLEMENTATION OF THE SME LOAN FUND was based on a clear objective in terms of the funding concept as well as on the constructive and committed collaboration between state policy makers, the Development Bank (IB) and additional partners. The future viability of revolving loan funds for promotional policy was resolutely and convincingly demonstrated.

The fund was initially established in 2008 when the management contract and financing agreement were signed between the federal state and the Development Bank Sachsen-Anhalt (IB).

As a result, the development bank ensured that all necessary technical, personnel and organisational requirements were met – from the administration, the capital inflows, the lending activities, the respective accounting

tasks and the account management all the way to reporting duties and the associated successful preparation of accounts for Brussels.

The financing elements were successfully launched with a campaign using the slogan ‘Mitgemacht 2008’ (‘Participate 2008’) and, as the financial and economic crisis arose, immediately served the purpose they were designed for.

The reporting requirement for the fund’s administration and management was fulfilled at all times. The annual on-the-spot verification of the fund management strengthened the close working relationship between the Ministry of Economy, Science and Digitalisation and the Development Bank (IB).

A welcome fact: around 80 percent of companies who were surveyed in the scope of an evaluation of the practical implementation of the SME Loan Fund rated as positive the disbursement of the funding, the advisory service and the co-operation, especially with IB as the funding provider. The latter is where many borrowers received initial information about the loan schemes.

Furthermore, multipliers, such as management consultants and the borrowers’ own bank advisers, also played an important role in accessing funding.



IN THE SPECTRUM OF FUNDING

ACTIVITIES, with their multifaceted programmes and funding products, there is an interplay between individual instruments and synergies. For example, companies operating within the scope of structural fund and state aid rules can combine loans with grants, venture capital finance, guarantees as well as other public funds.

In this respect, there is a close connection between the funding goals of the SME Loan Fund and those of two other single-enterprise capital-oriented promotional products – Joint Task of the federal government and the Länder for Improvement of Regional Economic Structures-Trade and Industry" (GRW commercial) and the IBG Venture Capital Fund II for Saxony-Anhalt. Ultimately, the aim is to provide incentives for investment with customer and project-specific, tailor-made solutions for companies.

By the end of the funding period, 38 percent of total ERDF funding of EUR 1.79 billion for 2007–2013 in Saxony-Anhalt was deployed in three capital-based instruments (GRW, IBG Venture Capital Fund and SME Loan Fund), which the weighting of the programmes also underscores:

== GRW (commercial)	22.0 percent
== SME Loan Fund	13.2 percent
== Venture Capital Fund IBG II	2.8 percent

A note on the importance of GRW funding:

In Saxony-Anhalt, it will continue to play a significant role in achieving federal state development goals. The use of investment grants for the commercial business sector will remain necessary, in the same way as awarding grants in general. Within the broad promotional funding spectrum of programmes and instruments, lost grants are an important source of finance for start-ups and to consolidate companies.

GRW funding, which is allocated as an investment grant, forms a key building block for promotional business development. It:

- == promotes productive investments to create or protect jobs in companies,
- == improves conditions for economic growth in companies,
- == increases operational productivity and competitiveness,
- == is an important incentive to encourage companies to relocate to the region, especially in the industrial sector as well as in business-related services,
- == is in line with the regional policy goal of reducing the productivity gap in Saxony-Anhalt compared to the rest of Germany and the EU.

Especially in combination with revolving promotional loans, this potential is only fully unleashed when finance-based solutions are developed.

effects



universal and innovative

PLASTIC FROM DESSAU FOR BERLIN, BOSTON AND COLANI



Company: FVK GmbH Dessau **Project:** Realising large-scale orders, such as driver's cabins for trams in Hanover as well as commuter trains in Hamburg. **Objective:** to reliably complete existing and gain additional orders; to boost efficiency; to improve the company's market position. **Effect:** Strengthening the company's expertise and protecting jobs at the firm's location in Dessau-Roßlau. **Products:** Sachsen-Anhalt MUT and Sachsen-Anhalt IMPULS **Investment volume:** EUR 1,000,000 **Promotional loan:** EUR 1,000,000 combined with a GRW grant

There are only few things that Andreas Franze and his team cannot imagine making out of plastic. That is why the customer base of FVK GmbH Dessau includes manufacturers of rolling stock, aircraft, cars, caravans and wind turbines. 'We manufacture plastic components that must satisfy the absolute highest requirements in many respects. Our customers need individually moulded components that exhibit an extremely high load-bearing capacity at a relatively low net weight, can be produced at almost any size and, if possible, have a lifespan that is unlimited', says the managing director.

The question as to what material can meet such extreme requirements is what Andreas Franze and his father, Dr. Klaus-Dieter Franze, posed when they set up FVK GmbH as early as 25 years ago. They researched a variety of combinations of different raw materials and manufacturing options using fibre-reinforced plastics and finally achieved the desired results. In this way, the company is able to produce components that have practically any desired property.

The multitude of manufacturing processes and compounds of plastics result in an impressive array of products: rolling stock components, aircraft fuselages, wings, rotor blades, chassis, control panels, airflow systems, vehicle body parts, cladding and furnishing elements, in addition to decorative objects, are just a few examples for variety of products that FVK GmbH supplies its customers around the world. 'The choice of Dessau as a manufacturing location turned out to be particularly advantageous because, depending on their format, transporting manufactured components is both possible by road as well as by rail and even using inland waterways or by air freight', Andreas Franze says.

If you get on a commuter or underground train in Berlin, Boston or Melbourne, it will be using a component made by FVK Dessau. The cladding of the ICE 4's wheel set in Germany is also from Dessau. Even the star designer Luigi Colani has made a beeline for Dessau, in order to take advantage of the technical expertise and skilled craftsmanship of FVK's staff

for his design of the twin-engine business jet TT62 Alekto. The well-known designer, with his flamboyant form of design, was immediately welcomed with open arms at the Dessau-based company. 'Whenever it is a case of merging individual design concepts with the highest possible functionality while ensuring that the product remains economical, we are happy to place our experience and abilities at the customer's disposal', the managing director proudly explains.

In the last few years, the company's range of products has become ever more varied. Meanwhile, shipbuilders, architects, designers, shopfitters and stand builders for trade fairs, event organisers and even amusement park operators have found a partner in FVK GmbH, who transforms their ideas into a 'really great shape' – just as the company's slogan promises. Equal attention is paid to the creation of a single prototype as to the serial production of almost any quantity of finished products. 'The exactest level of precision, down to a tenth of a millimetre, even with very big parts, underlines the high quality of our products', Andreas Franze adds.

The company also has customers – such as electric vehicle manufacturers – who ask FVK about the possibilities of plastic compounds with organic materials, such as jute or sisal. E-mobility is a segment that is increasingly gaining in importance, particularly for environmental considerations, and also represents one of the exciting topics of the future for the company from Dessau. 'We produce high-quality and particularly durable products that stand in stark contrast to a so-called throw-away society', says managing director Franze on the issue of sustainability.

FVK GmbH also follows a long-term approach to its HR development activities. The company trains apprentices and offers jobs with promising future prospects to young people from the region. The areas of application of plastics are as diverse as the fields of work in FVK's enormous manufacturing facilities.



effects



the driving force in the rappbode valley



HARZDRENALIN FROM ELBINGRODE IS KICK-STARTING THE TOURISM INDUSTRY



Company: Harzdrenalin UG **Project:** Expansion of tourist attractions for active holidaymakers in the Harz Mountains region, among other things the Megazipline (Europe's biggest dual-cable zipline) over the Rappbode dam. **Objective:** To realise innovative business ideas in the tourist industry. **Effect:** Creating new jobs, stimulating the Harz region as a tourist destination. **Product:** Sachsen-Anhalt IMPULS **Investment volume:** EUR 581,000 **Promotional loan:** EUR 121,750 combined with a GRW grant **Financial partner:** Harzsparkasse, an IB co-operation partner

Grey clouds, wind and sleet – a typical January day at the Rappbode dam. Maik Berke is looking across to the other side of the dam and points to a large concrete base next to a crane. The managing director of the Harzdrenalin company is planning to achieve a world record. Up to now, the longest pedestrian rope suspension bridge has been in the Russian town of Sochi. 'We will break this record. If you want to cross the longest rope bridge in future, you will have to come to Elbingerode', says a grinning Maik Berke. In addition, there are plans to attach a cable car to the bridge, from which those who are brave enough can jump into the Rappbode Valley below. After jumping, you swing backwards and forwards like Tarzan on a rope, 100 metres above the river.

With the suspension bridge and the swinging rope, the Rappbode Valley is going to become a place of superlatives. Here, Harzdrenalin already operates the so-called 'Megazipline', the largest dual-cable zipline in Europe, where adrenaline fans are latched onto a rope using equipment on their backs and then, at a height of 120 metres, race one kilometre across the valley at speeds of up to 90 km/h. Near the Megazipline is the 43-metre high wall of the Wendefurth dam. Here, Harzdrenalin offers 'wallrunning', in which daredevils can run down the dam wall secured with protective equipment.

The bridge is expected to be completed in the spring and is certain to be a big success, in a similar way to the wallrunning and Megazipline attractions. Since Harzdrenalin was founded in 2011, active tourism has received a boost like nowhere else. Behind Harzdrenalin is the story of the brothers Stefan and Maik Berke, who originate from Elbingerode and had worked for many years as carpenters and roofers on building sites the length and breadth of Germany. 'To see your children growing up from a distance is no long-term solution. That is why we wanted to return to our home area. But in our professions, earnings prospects are very modest in our region', Maik Berke explains. That is why the two brothers developed a business idea that could be successful in the Harz region.

'We quickly came upon the idea of tourism, which has a long tradition in our region while simultaneously offering good future prospects. However, we wanted to create a unique business idea. That led to the idea of extreme sport adventures', says the former master roofer. For two years, the brothers developed a convincing concept at the same time as going about their regular work, before finally giving up their original professions. Initially, Harzdrenalin launched with guided Segway tours, with which tourists could explore the town centre of Wernigerode or the Brocken mountain on the popular electric scooters. Meanwhile, preparations were underway for the wallrunning and Megazipline attractions. The right location, parking spaces, toilets and refreshment facilities all the way to TÜV certification – there was a lot to consider. Harzdrenalin began operations in 2011 with a small team of two employees. Today, this has grown to 25 people: on-site support, customer service, marketing and accounting. 'Our customers essentially forced us to grow, that is how positive the response to our services was', says Maik Berke. Apart from 'adrenaline addicts' from all over Germany, visitors from 43 countries have also taken advantage of Harzdrenalin's services – the oldest user of the Megazipline was 87 years old.

In addition to the pedestrian rope bridge, including a swinging rope, Harzdrenalin is also expanding the infrastructure in the Rappbode dam. For instance, they are increasing the size of the car park, building a new reception centre with a digital ticketing system as well as a large play area with picnic benches. Children can enjoy all of Harzdrenalin's services in miniature on the playground. Furthermore, there are plans to establish hiking routes with interactive points.

The neighbouring districts, hotel operators and restaurant owners quickly recognised the opportunities for the region associated with active tourists. People visiting the Megazipline or the rope bridge are not just going to get straight back into their cars and drive home afterwards. If they are there anyway, they are going to want to look around the area and do some shopping, have something to eat and drink and perhaps stay the night. 'We put all our eggs in one basket in those days. But nobody expected our concept to develop such a dynamic momentum of its own. I am glad that our services are revitalising tourism in the whole region', Maik Berke concludes.



35



effects



growing with lasers

37



TEPROSA GMBH IN MAGDEBURG ARE RESEARCHERS AND SERVICE PROVIDERS



Company: TEPROSA GmbH **Project:** Setting up a new production line at a larger location. **Objective:** The implementation of new medium and long-term projects, production of significantly higher unit quantities. **Effect:** Expansion of capacities, sustainable consolidation of existing jobs and creation of new jobs at the Magdeburg location. **Products:** Sachsen-Anhalt MUT and Sachsen-Anhalt IMPULS **Investment volume:** EUR 1,650,000 **Promotional loan:** EUR 1,070,000 combined with a GRW grant **Financing partner:** Volksbank Magdeburg eG

‘Even though we have just moved, we are expanding our office space again’, says Markus Barth. The CEO of TEPROSA GmbH is sitting in his small office in the Paul-Ecke-Straße in Magdeburg-Brückfeld. Nearby, there are, among other things, a company for medical technology, a compressed air system manufacturer and a food technology company. There are companies here which have outgrown the start-up phase and have successfully passed the first test. ‘Our sales have doubled in each of the past four years. We have learned a lot in this time. Structures had to be adapted continuously and our strategic alignment has gained in profile and clarity’, explains Markus Barth proudly.

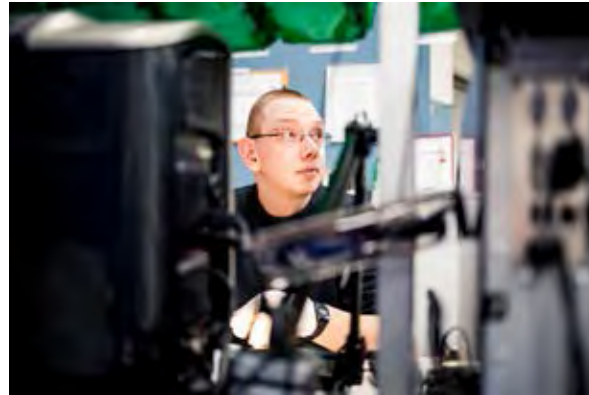
In 2009, TEPROSA started out as a high-tech start-up of the Otto-von-Guericke University in Magdeburg. At the time, the company saw itself as a platform for small and medium-sized enterprises to develop new procedures in the area of connection and microsystem technology as well as injection moulding technologies. ‘We performed basic research, which should particularly benefit regional automotive supply companies’, says Markus Barth.

The benefits of this close cooperation with the University were a cost-effective way for TEPROSA to make use of laboratories and facilities as well as to benefit from the structures of the Faculty of Electrical Engineering and Information Technology. Ideal conditions, as long as the aim was to develop prototypes and small series. However, as the possibility of major series production arose, the existing structures reached their limits. As a result, in the year 2013, the company established its first own production line and since then it has been on a steady growth path. ‘We come from research and want our know-how to flow into our manufacturing processes and the development of intelligent components in the future. In-house production is the mainstay which gives us leeway in development’, says Markus Barth.

Take, for example, the manufacture of stainless steel filters for cold water pumps. Hundreds of thousands of them are produced by TEPROSA every year for a plastics technology and injection moulding company which supplies nearly all automobile manufacturers. Using laser technology, TEPROSA cuts and drills the very challenging elements from a highly robust steel alloy. This kind of filter has 4,000 holes – the diameter of each hole is just 100 μm . The plant developed on behalf of TEPROSA requires less than one minute per part. ‘The stainless steel filters represent a significant share of our business’, says Markus Barth. Seven days per week, production runs in shift operation.

Another field surrounded by great expectations at TEPROSA is 3D-MID. For this, the Magdeburg company invested in new production plants for laser direct structuring for three-dimensional circuit carriers. The MID technology enables the use of three-dimensional plastic components as circuit carriers for electronic or mechatronic modules. In addition to more freedom in design, costs and higher functional density are potential advantages of this technology over traditional methods. MID components are mainly used in the automotive and telecommunications industry as well as in medical technology. ‘There are many ways of using injection moulding parts more intelligently than has been the case in the past. In this area, we see good opportunities in the future for us’, says CEO Barth with certainty. Whether through new manufacturing processes using laser technologies or innovative, high-performance electronics systems – TEPROSA wish to be developers and service providers in the future, too. In future, customers will be offered a comprehensive service package from the first design to the creation of a prototype to series production to the customer.

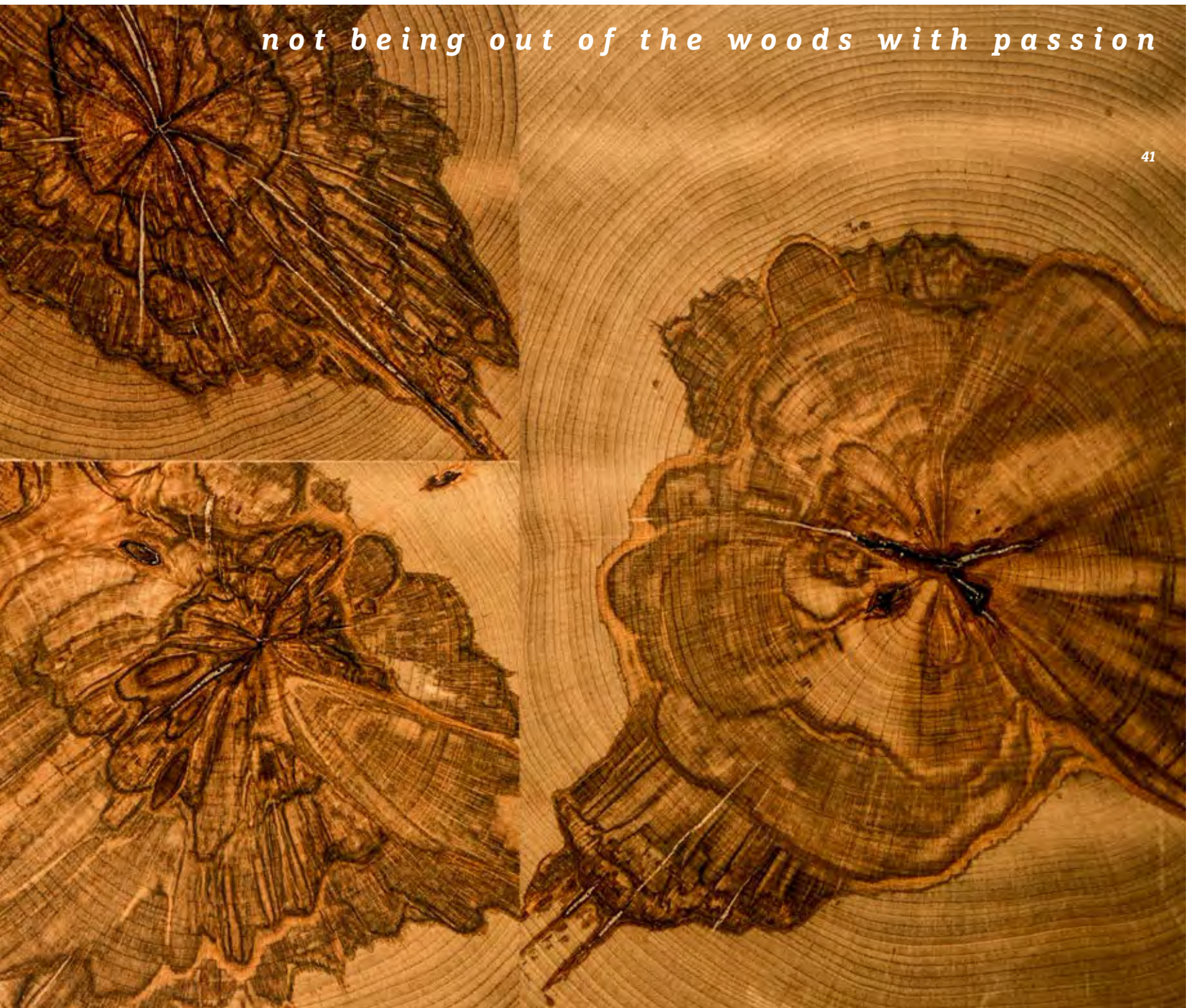
Markus Barth has further office space in the Paul-Ecke-Straße in his sights. ‘There is office space coming free across the street. This will make our space situation easier’, says the CEO. Because TEPROSA also aims to grow in the future.



effects



not being out of the woods with passion



MASTER CARPENTER RAINER BÖHME COMBINES CRAFT AND INNOVATION



Company: Carpentry Rainer Böhme GmbH **Project:** Storage expansion **Objective:** Implementation of new production processes and product programmes (grain-cut wood) and cost-effective production, marketing, procurement and storage of more economical batch sizes. **Effect:** Consolidation of the market position and financial flexibility of this traditional company, consolidation of existing jobs at the site in Sangerhausen. **Product:** Sachsen-Anhalt MUT **Promotional loan:** EUR 100,000

You can tell Rainer Böhme's love for his profession at first glance. A tie made of wood dangles on his shirt. 'Even in my childhood, I was obsessed with wood, I sawed it, sanded it and glued it. My father was a carpenter and I never wanted to be anything else', says Rainer Böhme. The master carpenter sits in the presentation room of his large workshop on the edge of the town of Sangerhausen. Before him is a mirror-smooth disc of grain-cut wood with clearly visible annual rings. The patent was filed seven years after the initial idea. Because a lot of brain power has gone into Rainer Böhme's grain-cut wood. He spent countless hours working meticulously on it and testing it.

Grain-cut wood is made from round wood cross sections, so that the annual rings are fully visible. 'The special characteristic of grain-cut wood is its high-pressure resistance. Its visual appearance makes it a favourable flooring. Grain-cut wood can also be used as a decorative design element', says Rainer Böhme. The problem: grain-cut wood discs tend to form severe cracks and distortions during the drying process due to inner tensions. Therefore, master carpenter Böhme thought about how these unwanted drying effects could be prevented. He came to the conclusion that it is necessary to withdraw water from the wood under pressure and a special liquid, a trade secret of Rainer Böhme, must be injected into the wood. This procedure makes cracks and surface tensions a thing of the past.

To use this method on a large scale and make it fit for series production, an innovative production process needs to be developed. Rainer Böhme searched for competent partners for this goal. Together, they founded the 'Grain-Cut Wood' project. The development of a modification system for grain-cut wood is the task of Kasanit Stahl- und Metallbau GmbH of Sangerhausen. The medium-sized machine and plant manufacturers will also work on a device for the careful transport of grain-cut wood discs from the modification plant to the drying chamber.

The University of Applied Sciences Rosenheim is in charge of the sub-project of the procedure development for grain-cut wood modification and the analysis of the relevant material

properties. Because the production processes must be specially developed and adapted for each type of wood. The project is being coordinated by the Holzimpulszentrum (Wood Impulse Centre) Rottleberode/Südharz, which performs an advisory and networking function between regional companies and institutes. By 2019, the partners want to create a method to process the grain-cut wood discs to high-quality products for demanding applications in interior design. The bundling of different competencies should produce a product strategy which ensures eco-friendly and sustainably effective production and thus improves market access.

‘The creation of this cross-industry network opens completely new opportunities for all involved. Such cooperation needs to become more common, particularly for small craft business like ours. A project like this cannot be done alone because normal day-to-day business still goes on’, says Rainer Böhme. Since 1990, day-to-day business for Böhme has been interior and restorations. Rainer Böhme and his employees are in-demand across Germany for design, production and installation. The carpentry from the southern Harz has made its name in the preservation of historical monuments as well as in the renovation of staircases.

In addition to the craft, Rainer Böhme is especially fascinated by the creative-artistic aspect of his work. ‘Wood is a fantastic, incredibly versatile and a renewable material. Wood has a force that always challenges my imagination’, says the master carpenter. In addition to his daily work in the company, Rainer Böhme reads a lot about wood. He is interested in the latest studies as well as the knowledge of past generations. For example, when it comes to the influence of the time of felling on the quality of the wood.

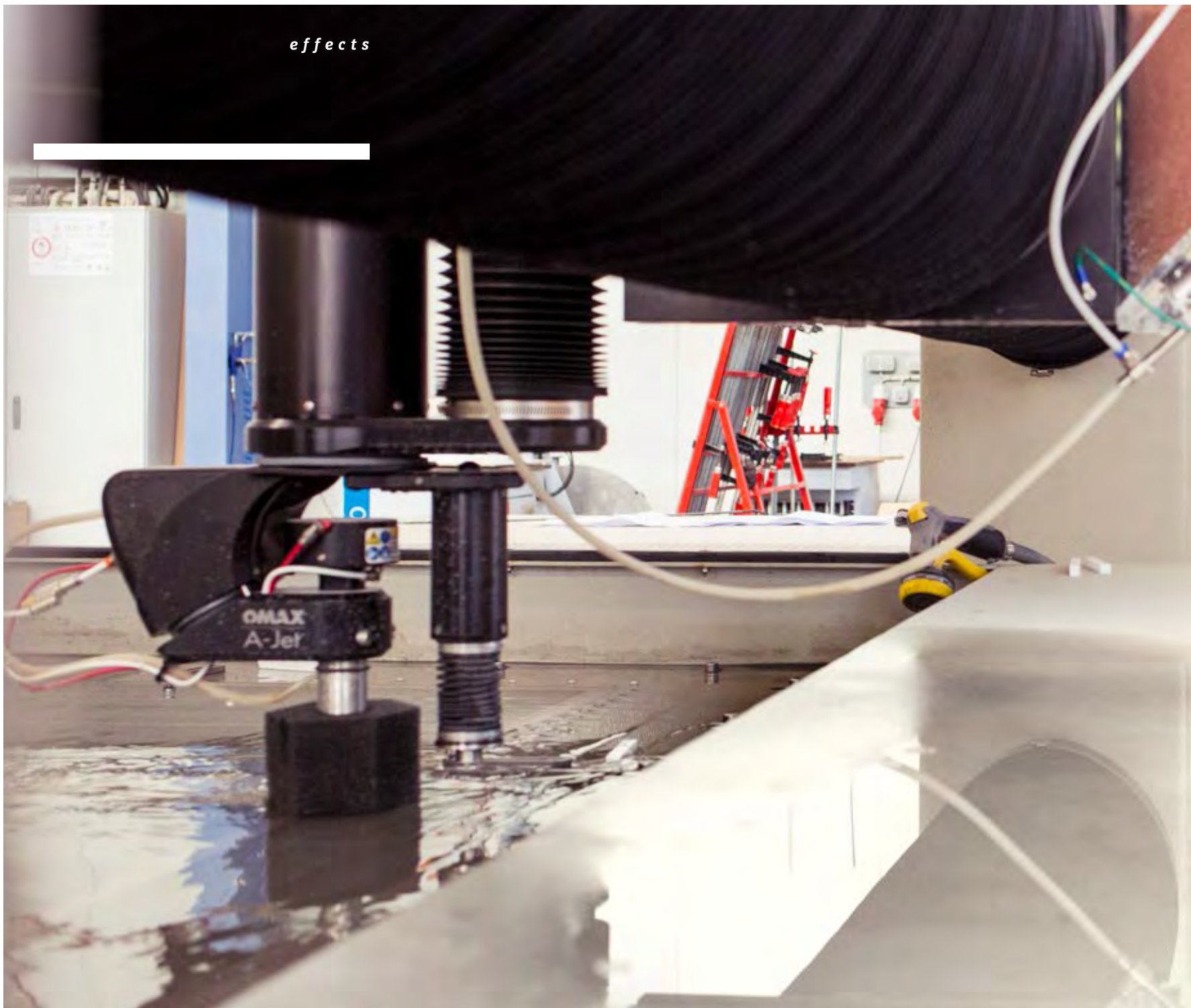
Whenever Rainer Böhme wants to relax, he sits on his turning lathe. ‘Then I forget what time it is and come to rest’, he says. Woods which hold a very special attraction for him are larch and plum. Rainer Böhme does not only have a wooden tie, he also has a very personal wooden accessory. Now and again he wears a self-turned hat made of beech wood.



43



effects



the ones with the bird



THE KIEBITZBERG GROUP AROSE FROM A SMALL WORKSHOP IN HAVELBERG



Company: Kiebitzberg Möbelwerkstätten Andreas Lewerken **Project:** New 6-axis CNC waterjet cutting system. **Objective:** Optimal performance and production conditions, significantly shorter processing times. **Effect:** Increase of the share of jobs, better market presence, flexible pricing and more individuality, employees gain space for other work. **Product:** Sachsen-Anhalt IMPULS **Investment volume:** 156,000 EUR (total commitment of business group) **Promotional loan:** EUR 156,000 combined with a GRW grant

‘When I met my husband, he was just 18 years old and wanted a company with 50 employees’, says Renate Lewerken. Andreas Lewerken sits next to her and nods: ‘I had a precise idea of what I wanted to do. It was clear from the beginning that it had to be a larger operation.’ The pair sit in their office in Havelberg with a fantastic view of the reverend St. Marien cathedral. Renate and Andreas Lewerken are the managing directors of the Kiebitzberg Group with over 100 employees. Today, the corporate group includes the areas of furniture making, mineral materials processing, metal and shipbuilding as well as a hotel.

Andreas Lewerken endured a long, sometimes rough journey before his long-held dream became a reality. The trained carpenter specialised in therapeutic and educational wooden toys and founded the manufactory ‘Wooden toys from Kiebitzberg’ in 1985. The logo: a lapwing (Kiebitzberg means ‘lapwing mountain’). In the early years, Andreas Lewerken worked together with his wife, later he recruited the first employees. In the course of the economic changes caused by German reunification, wooden toys from the Kiebitzberg were no longer wanted. ‘I started again from scratch and deliberated on my training as a cabinetmaker. We invested in a modern machine park, quickly won orders and had to recruit staff’, says the CEO Andreas Lewerken. New machines, larger workshop areas, more employees – the continuous expansion of the company became normal for the Lewerken family.

After several investors had failed in the tradition-rich Havelberger shipyard, the Lewerken couple bought the shipyard in 1998 and founded the Kiebitzberg shipyard. Two years later, the completely renovated shipyard laid down its first ship. A new mineral production facility for exclusive design facilities was also constructed on the site of the shipyard which developed into a central pillar of Kiebitzberg. In 2007, the Lewerkens acquired an empty hotel and grounds in Havelberg and thus realised a dream. The ‘ArtHotel’ combines all the units of the Kiebitzberg business areas of the company and

has become a lively show house of the company. 'Our products of wood and plastic are reflected in the hotel. The ArtHotel is the result of our work. It is an overall picture', says Renate Lewerken.

Creating beautiful things with lasting value – this is the motto of the Kiebitzberg Group. 'Our facilities are elaborate and really have a lasting value. You must decide whether you want to do business to make money quickly or to bring the customer lots of joy. That is a fundamental decision. The effort we make sometimes even gets in our way. But we keep to it firmly and make no compromise', says Andreas Lewerken on the philosophy of the company.

For the future, the Kiebitzberg Group wishes to expand in order to create more sales opportunities. In Leipzig, therefore, there is a branch office in the Leipziger Baumwollspinnerei – a popular art district. The company wants to show presence also in Rostock and Hamburg, present itself to the large urban audience as an exclusive installer and open up a new customer base. The aim of the offices is to secure the production site in Havelberg. In the area of new technologies, the company wants to stay on the ball and constantly invests in new equipment. 'In the CNC area, we have introduced five-axis technology. In addition, we want to transform furniture construction and plan modern processes which are faster and more effective. A company must always be nimble and be able to adjust to external conditions quickly', explains the CEO.

In ten years, Renate and Andreas Lewerken wish to gradually withdraw from the business. Their son Florian is already a Junior Manager and Operations Manager in the company and daughter Agnes works in Sales. The foundation for a successful transfer to the next generation is laid. On his private property, Andreas Lewerken still has a small carpentry workshop, where he would like to work on his own ideas. Maybe he will make wooden toys again.



47





*An interview with
André Schröder,
Minister of Finance
of the Federal State
of Saxony-Anhalt*





How do you evaluate the function of revolving funds for promotional funding policy and its impact on the federal state budget?

Minister Schröder: Ten years ago, we made EU funds available for use in revolving funds – the cabinet decision at that time to invest at least ten percent of EU funds in revolving funds was a very important step. In this sense, these funds have already made an impact: they relieve the burden on the federal state budget and give us much more flexibility in aid for companies, for example. Financial instruments are thus an important complement to the classical support with grants. Parallel to further profiling of the investment bank, revolving funds are also becoming more and more important.

What role did the SME Loan Fund play during the financial market crisis 2008/09 and what effect is it having in the continuing phase of low interest rates?

Minister Schröder: The financial crisis in 2008 also led to a credit crunch in the banking sector, many companies found it very difficult to refinance. Since the SME Loan Fund has been able to play to its strengths, it was possible to bypass critical financing bottlenecks in small and medium-sized enterprises in Saxony-Anhalt. But even today it is frequently required as a complementary source of financing – it will remain important for tailor-made funding offers.

What is the control effect of the revolving funds as to, for example, the overall utilization of the entire OP funds?

Minister Schröder: With the funds, we have the possibility to adjust the funding quickly and precisely to the respective requirements of the company. Looking back, with the ERDF, for example, I find that it was precisely the revolving fund that allowed us to retain and secure EUR 61 million of ERDF funds at the end of the funding period to 2013, which might otherwise have had to be paid back. It was possible to commit more than 10% of the total ERDF funding in the SME Loan Fund in this way. A further important aspect and an element for control of funding effects is also given by the fact that loans must be repaid. This way we can guarantee the most effective use of our money in businesses.

How do you assess the development, management and settlement of the SME Loan Fund?

Minister Schröder: The administrative implementation of the SME Loan Fund is positive overall. In all the above areas, we have gained multi-faceted experiences in the course of the funding period, which have particularly been incorporated in the design of the financial instruments of the current funding period. The involvement of different partners was of particular importance here. In many situations, however, extensive and complicated requirements made the processes more difficult. Eventually, however, the settlement of the fund was successfully implemented. In the context of the accompanying evaluation, the fund also had very good certified results.

Which financial and promotional funding policy conclusions are there for the next few years in terms of innovative funding products?

Minister Schröder: The basis for the continuation of the use of financial instruments in Saxony-Anhalt is laid down with the support of the Mid-Cap and Start-up Loan-Fund as well as the Venture Capital Fund III in the current funding period. In order to establish financial instruments in the future, it is crucial that the expense for grants and innovative funding products is identical. It should be left to the federal state to decide whether and to what extent financial instruments are used. Only in this way can the various requirements be complied with.

WITH REVOLVING FUNDS, SAXONY-

ANHALT is setting German economic history on a new footing according to a noble tradition – a financial instrument that has been used successfully since the foundation of the Federal Republic (see page 6). After European Structural Funds were used by the federal state for the establishment of a revolving loan fund in this order of magnitude for the first time, funding loans have been used more in the past ten years.

The years since the start of the EU funding period 2007–2013 have shown: the economic and promotional policy instrument has become more versatile. Saxony-Anhalt has become a European and German pioneer of sustainable, innovative promotional funding policy. New financing opportunities have expanded the range of funding available, made it more flexible and comprehensive.

Experience values

The path described here for Saxony-Anhalt, the priorities and the results of the use of the revolving SME Loan Fund are shown particularly well by the following facts and observations:

- The pragmatic use of funds was pursued consistently and with a range of ideas, resulting in significant economic effects – improved efficiency, positive impulses for business developments and for the labour market.
- The SME Loan Fund has proven itself to be a suitable means of surmounting the financial barriers, especially for small and medium-sized enterprises.
- Opportunity-specific support can be provided for companies with innovative, sustainable concepts.
- Experience with revolving loans as a pillar of economy stimulus provides good

approaches for the future use of such funds. Through the combination of different funding options – both of loans as well as by grants – expenditure and effects are bundled.

Findings

The state policy now has its own detailed information for the coming years on working with a revolving fund and the targeted allocation of funding and loans as finance and aid. This pool of information is a good basis for the future design of similar programmes. The associated funding process can be further qualified by economic and scientific analyses.

The origin of the resources (whether federal state, federal government or EU) plays a subordinate role. Because in any case, it is public money which flows into the funding circuit with defined target coordinates. Here, the implementation and the desired effects



are of particular economic relevance. There are benefits to both the funding body as well as for the receiver, i.e. usually the businesses.

The advantage of the use of structural fund resources were also shown in the settlement and documentation obligations toward the EU. The financial resources (according to the n + 2 rule in which a grant must be made within two years) were regarded as disbursed with the payment into the funds. This resulted in more flexibility in use of resources for the entire operational programme. This breaking of the annuality principle is a great advantage of revolving funds. The 'December Fever', which often leads to the selection of unattractive projects at the end of the year to prevent the loss of funds, was avoided.

In addition, due to the repayment obligation of a loan, there is a self-selection of projects which ensures an efficient use of the funds.

Together with the sustainability and the budgetary discharge, this efficiency aspect makes revolving funds a popular and preferred funding instrument. And finally, from the point of view of the company, the advantage of revolving funds exists in facilitated access to borrowed, mezzanine and equity capital, less in material subsidy.

These are all valuable insights obtained from interviews with the borrowing party. The evaluation of the SME Loan Funds draws the following forward-looking conclusion: 'The results of the business survey [...] suggest that the required financing instruments can play an important role in covering future finance requirements.'

Further effects could be investigated by empirical research, which, it must be said, is still at its initial stage.

Experience shows: for an appropriate financing requirement, revolving loan funds are a suitable means of further developing the use of this financing instrument in a sustainable manner and of even creating new funds. The implementation and the objectives of the fund must meet the strategic funding objectives of the federal state and of the regional policy of the EU. The efficient use of funds and the development of innovative instruments remain important components of future investment financing – design leeway which Saxony-Anhalt can use for the benefit of federal state development.



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