

- EAFRD
 - EUR 11.8 million
 - Food industry SMEs and start-ups
 - Germany
- ... supporting the market launch of innovative products ...*

Food and agricultural loan fund 2014-2020

Mecklenburg-Vorpommern, Germany

Case Study



DISCLAIMER

This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union or the European Investment Bank. Sole responsibility for the views, interpretations or conclusions contained in this document lies with the authors. No representation or warranty express or implied is given and no liability or responsibility is or will be accepted by the European Investment Bank or the European Commission or the managing authorities of Structural Funds Operational Programmes in relation to the accuracy or completeness of the information contained in this document and any such liability or responsibility is expressly excluded. This document is provided for information only. Financial data given in this document has not been audited, the business plans examined for the selected case studies have not been checked and the financial model used for simulations has not been audited. The case studies and financial simulations are purely for theoretical and explanatory illustration purposes.

The case projects can in no way be taken to reflect projects that will actually be financed using financial instruments. Neither the European Investment Bank nor the European Commission gives any undertaking to provide any additional information on this document or correct any inaccuracies contained therein.

This document has been prepared with the support of a consortium of five companies: Sweco (lead), t33, University of Strathclyde – EPRC, Infeurope and Spatial Foresight.

Abbreviations

Abbreviation	Full name
EAFRD	European Agricultural Fund for Rural Development
EIB	European Investment Bank
ERDF	European Regional Development Fund
ErLa	Darlehen für Ernährung und Landwirtschaft (Food and Agricultural Loans)
ESIF	European Structural and Investment Funds
EU	European Union
RDP	Rural Development Programme
SME	Small and medium-sized enterprise



Table of contents

Abbreviations	2
1 Summary	4
2 Objectives	6
3 Design and set-up	7
3.1 Ex-ante assessment	7
3.2 Selection of the implementing body	9
3.3 Funding and governance	10
4 Implementation	12
4.1 Financial products and terms	12
4.2 State aid	13
4.3 Appraisal process	13
5 Output	15
6 Lessons learned	17



1 Summary

The food and agriculture loan fund (ErLa)¹ was set-up under the Rural Development Programme (RDP) Mecklenburg-Vorpommern 2014-2020 in Germany. This financial instrument was designed to address a lack of bank finance for the market launch of innovative food and agriculture products. Micro, small and medium-sized enterprises (SMEs), as well as start-ups, could apply for working capital and investment loans provided under the financial instrument. This is how LunchVegaz, for example, a small supplier of vegan ready meals, financed the expansion of its plant for producing and marketing, which created six new jobs.

ErLa was the first financial instrument in Germany financed under the European Agricultural Fund for Rural Development (EAFRD). Therefore, the state of Mecklenburg-Vorpommern and the managing authority played a leading role in developing this new approach for a sustainable use of public funds in a financial market largely based on grants.

The planned volume of the financial instrument was EUR 11.78 million, with EUR 10 million from the EAFRD (85%) and the remaining EUR 1.78 million (15%) as national co-financing from the state budget of Mecklenburg-Vorpommern. The fund manager was awarded to Bürgschaftsbank Mecklenburg-Vorpommern, a local guarantee bank with experience of managing financial instruments supported by European Structural and Investment Funds (ESIF).

The fund was set up to offer loans of between EUR 80 000 and EUR 1 million, with a maximum maturity ranging from eight years for working capital finance, to twenty years for investment finance. Interest rates have been based on the company's creditworthiness and the risk profile of the project. To avoid market distortion, rejection of an earlier loan application by another financial institution was established as a prerequisite for being financed under the financial instrument. Since the launch of the financial instrument, two companies have each received both an investment and a working capital loan. By March 2018, the total financing of EUR 684 800 had supported the creation of 10 new jobs and secured an additional 18 jobs, while at the same time allowing the companies to become operational and start growing.

This financial instrument was a new type of funding in Mecklenburg-Vorpommern so the managing authority required time and resources to ensure it was promoted to stakeholders. A key factor of success in raising interest has been the proactive and open dialogue with multiple stakeholders about the financial instrument, which was expected to also support demand.

1 ErLa-Darlehen Finanzierungen für neue Produkte in der Ernährungs- und Landwirtschaft (ErLa), although the full title translates as 'Loan fund for promoting market launch of innovative products in the food industry' the financial instrument has been marketed as Darlehen für Ernährung und Landwirtschaft (ErLa), 'Food and Agricultural Loans'.



Food and Agricultural Loans (ErLa) 2014-2020, Mecklenburg-Vorpommern, Germany

THE FINANCIAL INSTRUMENT

Funding source

EAFRD, RDP – Mecklenburg-Vorpommern 2014-2020

Type of financial products

Loans for working capital and investments

Financial size

EUR 11.78 million RDP resources (EUR 10 million from EAFRD, EUR 1.78 million from national contribution)

Thematic focus

Support for improving the competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply chains, producer groups and organisations and inter-branch organisations (EAFRD focus area 3a)²

Timing

From 2016 to 2022

Partners involved

Ministry of Agriculture and the Environment of the State of Mecklenburg-Vorpommern (managing authority)
Bürgschaftsbank Mecklenburg-Vorpommern (fund manager)

Local organisations such as the Chamber of Industry and Commerce involved in marketing the financial instrument to final recipients.

ACHIEVEMENTS

Absorption rate

6% by March 2018 (loans provided for EUR 684 800)

EU leverage³

1.18

Main achievements

Two final recipients assisted through the loans under the financial instrument supporting investments of EUR 985 000, as well as contributing to the creation of 10 new jobs and 18 other jobs maintained as at the end of 2017.

- 2 EAFRD focus area 3a) 'Improving the competitiveness of primary producers by improving their involvement in the food chain through quality schemes, increasing the value added of agricultural products, promoting sales for local markets and short supply routes, producer groups and organisations and trade associations.'
- 3 EU leverage is calculated as the total amount of finance to eligible final recipients, i.e. EUR 11.78 million, divided by the total amount of EAFRD allocation to this financial instrument, i.e. EUR 10 million. It does not include the reuse of resources returned to the instrument.



2 Objectives

Ahead of the 2014-2020 programming period, the food industry was one of the biggest employers in the federal state of Mecklenburg-Vorpommern, especially in rural areas. In addition to the socio-economic analysis in the context of programming the RDP, the Ministry of Agriculture recognised the importance of the food industry for the future, initiating a broad-based master plan process for its sustainable development.⁴ When the financial instrument was established, domestic sales had not been increasing and the export market had significant potential for development from a relatively low level.

A need to support the market launch of innovative agri-food products was identified in the RDP in the 2014-2020 programming period. The managing authority saw a good opportunity to introduce a financial instrument to facilitate the development of innovative products and their market launch. Rather than providing interest rate subsidies in a low interest rate environment, providing loans specifically to SMEs stimulating innovations in the food industry was seen as a more effective way of supporting and developing local production.

During the 2007-2013 programming period, there had already been some initial reflections on the use of financial instruments. However, existing legal frameworks and interest in established subsidy programmes as well as financial products offered by the main commercial banks and the Landwirtschaftliche Rentenbank⁵, prevented managing authorities from using this kind of support.

The managing authority saw the potential to introduce a financial instrument when it started planning for the 2014-2020 programming period as it was also aiming at increasing the more sustainable use of public funds across the region.

On this basis, the set-up of a financial instrument was programmed under RDP sub-measure 4.2 'Promoting the processing and marketing of agricultural products' to contribute to EAFRD focus area 3a) 'Improving the competitiveness of primary producers by improving their involvement in the food chain through quality schemes, increasing the value added of agricultural products, promoting sales for local markets and short supply routes, producer groups and organisations and trade associations'.

4 In 2012, a commission under the Ministry of Agriculture was formulating a master plan covering the agriculture, forestry and food industries and the rural development of Mecklenburg-Vorpommern. This included a comprehensive discussion process with online participation.

5 Landwirtschaftliche Rentenbank (www.rentenbank.de) was established by law in 1949 as the central refinancing institute for the agriculture and the food industry with its headquarters in Frankfurt am Main. The bank is a federal institution under public law with a statutory promotional mandate. Rentenbank provides refinancing to banks within the European Union (EU) involved in financing agriculture, related sectors thereof and rural areas. The bank focuses on providing promotional loans to agribusinesses and rural areas in Germany.

3 Design and set-up

An ex-ante assessment from June to August 2015 verified the possibility of using a financial instrument. The assessment identified a market gap for financing the market launch of innovative food products. Following the completion of the ex-ante assessment, an EU-wide call for tenders to select a fund manager was launched in November 2015. In April 2016, a funding agreement was signed between the managing authority and the Bürgschaftsbank Mecklenburg-Vorpommern. The financial instrument opened for applications to final recipients at the end of 2016.

Figure 3.1: Timeline of the financial instrument

Date	Event
March 2015	Public procurement procedure launched to select ex-ante assessor
June to August 2015	Ex-ante assessment preparation
November 2015	Public procurement launched to select the fund manager
April 2016	Funding agreement signed with the financial intermediary
End of 2016	Opening of applications for loans to final recipients
May 2017	First disbursement under the financial instrument

3.1 Ex-ante assessment

During formulation of the master plan, the Ministry of Agriculture had identified the need for investment to cover the market launch of innovative food products. Interviews with stakeholders such as the Chamber of Industry and Commerce and the Landesförderinstitut (a federal state promotional institution) confirmed a funding gap. In view of its economic importance with many businesses and significant share of employment in Mecklenburg-Vorpommern, a funding gap in the market was identified, which also took into account the support by the European Regional Development Fund (ERDF). Further discussions with the European Commission led the managing authority to include the potential use of financial instruments in the RDP.

According to the 2014-2020 programming period regulatory framework an ex-ante assessment is a requirement for the use of an ESIF financial instrument. The managing authority wanted a critical examination of its own assessments, so in March 2015, the Mecklenburg-Vorpommern regional authority initiated a public procurement process to select an organisation to carry out the ex-ante assessment. In May 2015, the contract was awarded to PricewaterhouseCoopers PLC (PwC), who carried out the service in the period from June to August 2015.



The ex-assessment methodology included literature review, data analysis and structured interviews with stakeholders.

Literature review covered analyses by the managing authority, studies on the food industry, including research and development in Mecklenburg-Vorpommern, as well as evaluations of financial instruments in rural areas and comparable ERDF instruments.

Data analysis was based on regional data from the Office for National Statistics and supplemented by national and European data from the Farm Accountancy Data Network, the Regional Innovation Scoreboard of the European Commission, as well as monitoring data from the previous programming period.

Representatives from the EAFRD and ERDF managing authorities in the State of Mecklenburg Vorpommern were interviewed. Other interviews covered the financial sector through Bürgschaftsbank Mecklenburg-Vorpommern and the East German bank association. The food industry was covered through the Chamber of Commerce and Industry as well as Agrarmarketing Mecklenburg-Vorpommern, an association and network of the agri-food industry. The science sector was covered through the Centre for Food Technology.

The ex-ante assessment clarified that there was no funding gap for agriculture in general, but market launches of innovative food products often failed due to a lack of finance. This particularly applied to start-up companies without regular income and to companies with very large projects compared to the size of the company. Access to finance was limited by a lack of credit and corporate history, uncertainty regarding the success of the project, uncertain profitability and insufficient collateral. An estimated funding gap of about EUR 2 million annually especially affected SMEs.⁶

To address this gap, the ex-ante assessment compared the RDP approach of using subsidies to a possible financial instrument. Providing a loan or equity is associated with higher added value compared to grants, mainly due to the revolving effect of resources.

The ex-ante assessment also indicated that there was no potential to attract additional resources at the level of the financial instrument due to the comparatively high risk of market launches failing to repay investments, as well as the concentration of risk in a specific sector. From the assessors' point of view, this situation could not be resolved by preferential remuneration.

For implementation options, the ex-ante assessment highlighted the importance of the fund manager being close to target companies and understanding the local financial market. The assessors proposed a tailor-made financial instrument aligned with the needs of target companies.

⁶ The financial requirement of EUR 2 million was based on expert estimates of the financing needs through finance not granted and rejected applications.



A wide range of subsidies, loans, investments and guarantee instruments was already available for food industry SMEs in the region. From the assessors' point of view, these instruments could cover the existing financing requirements of innovative companies. The intended financial instrument would not be in direct competition but would complement such support by focussing on the market launch phase.

In conclusion, the ex-ante assessment provided a good opportunity to critically and impartially examine the managing authority's own assumptions that were based on its own experience and initial queries with the stakeholders in the sector. This was why the managing authority adopted an open approach regarding the evaluation from the outset, to enable an informed decision as to whether, where and how a revolving financial instrument could be used. The ex-ante assessment also provided more clarity as to whether the envisaged financial instrument would be able to address a gap in the market.

3.2 Selection of the implementing body

Due to the lack of sufficient technical and human resources, the managing authority did not consider itself to be in a position to implement the financial instrument, so it decided to delegate this to an external partner with appropriate expertise. In November 2015, fund management was put out to tender. Selection criteria for the fund manager included experience in dealing with financial instruments as well as professional and geographical proximity to the target group in Mecklenburg-Vorpommern.

Fund management of the ErLa loan fund was awarded to Bürgschaftsbank Mecklenburg-Vorpommern, an established financial institution in the state. The Bürgschaftsbank was founded more than 25 years ago as a private-sector organisation of regional chambers, associations and financial service providers from Mecklenburg-Vorpommern. Its main objective has been to improve access to loans for SMEs with insufficient collateral by providing guarantees to local banks. The bank's range of products and services has also expanded to include loans, providing even more active and comprehensive support for regional SMEs. Bürgschaftsbank has experience with financial instruments, as it manages an ERDF-supported financial instrument aimed at commercial, crafts, trade and service SMEs (BMV loans).

The funding agreement between the managing authority and Bürgschaftsbank was signed in April 2016. The contract covers implementation, rules on loan conditions and management costs, payment arrangements and the use of repaid resources.

The tendering and selection process was quickly implemented due to the preparatory steps undertaken by the managing authority and the outcome of the ex-ante assessment. Only five months passed between publication of the public procurement and signing the funding agreement, which was considered very time-efficient. From the managing authority's point of view, the challenge was to find a suitable partner, preferably from Mecklenburg Vorpommern, with the technical abilities to manage this kind of financial instrument successfully and in accordance with the new EU rules. These requirements limited the number of eligible financial intermediaries and, in the end, there was only one applicant.



3.3 Funding and governance

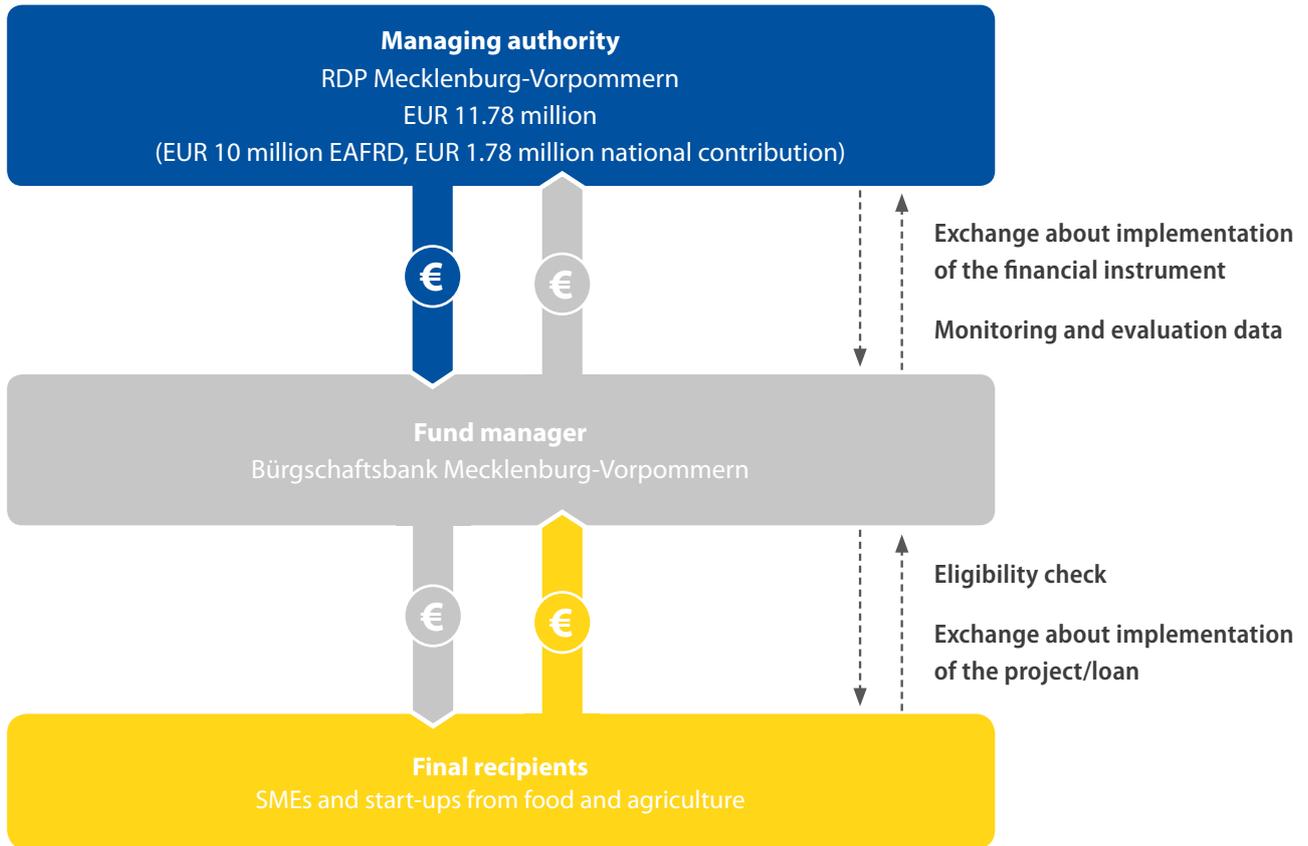
Bürgschaftsbank Mecklenburg-Vorpommern is a regional institution established under private law. As fund manager, it has been responsible for the entire lending process, from marketing to approaching and advising potential final recipients, processing their applications and supporting them until full repayment of the loan.

The ErLa loan fund was a new and very specific financial instrument, not only for the region, but also for RDPs across Europe. In addition to a business plan, the fund manager drafted contracts, forms, pricing tools and product information for final recipients, including a website. The fund manager then focused on awareness raising and marketing the product. This included leaflets, press releases and advertising the website, as well as information stands at trade fairs. Potential final recipients and stakeholders had already been approached. The product was publicised through professional associations such as the Chambers of Industry and Commerce and Agrarmarketing Mecklenburg-Vorpommern e.V.. In addition, companies and entrepreneurs were also contacted directly.

Before approving, disbursing and monitoring loans under the financial instrument, Bürgschaftsbank has consulted with prospective recipients and submitted applications, which could involve a substantial workload. Not every project has fully met the specific requirements and financing focus of the financial instrument. Applicants have often needed comprehensive consultation to determine whether, for example, the product was already developed to market maturity. Processing the application was also demanding. Even after disbursement, Bürgschaftsbank has continued to accompany the market launch through regular contact with the final recipient, as well as by reviewing business documents.

There has been regular contact between the Bürgschaftsbank and the managing authority since the financial instrument was launched. Not only have details of the implementation status and potential borrowers been provided, but also opportunities for further marketing of the product have been discussed. In addition, Bürgschaftsbank has provided monitoring and evaluation data to the managing authority, including for the annual implementation reports. The managing authority has been interested in maintaining a longer term relationship with final recipients. Loans under the financial instrument enable this, as opposed to grants where contact often ends once support is paid to the beneficiaries.

Figure 3.2: Governance structure



The paying agency has not been actively involved in direct implementation of the financial instrument (except certain roles related to payments and audit), nor has the certifying body. However, both were actively involved in drafting and preparing the funding agreement to ensure that all regulatory requirements were met. The Bürgschaftsbank has granted the loans and checked their proper use, but appropriate audit trails and procedures in the agreement ensured the sustainability of control also for the paying agency.



4 Implementation

Implementation to early 2018 was slower than the managing authority expected, mainly due to the complexity of assisting potential final recipients prior to application and of verifying projects given the narrow investment focus.

4.1 Financial products and terms

The ErLa loan fund has focused on the market launch of innovative products in the food industry sector. To this end, the fund has provided investment loans for market launches as well as working capital loans for the related investments. According to the EU rules applicable in 2014-2020, a final recipient cannot receive only working capital finance.

Figure 4.1: Financial products

	Working capital finance	Investment finance
Target group	Start-ups and SMEs from the food industry sector.	
Loan amount	Between EUR 80 000 and EUR 1 million.	
Maturity	Up to 8 years	Up to 20 years
Interest rate	The interest rate for an individual loan is based on the company's creditworthiness and the specific project risk.	
Repayment	Equal monthly instalments. Up to two-year grace period. Early repayment at any time allowed.	

The ErLa loan fund was set up to target start-ups as well as SMEs in the food industry based in Mecklenburg Vorpommern, though agricultural businesses intending to develop and launch innovative products could also apply. Businesses engaged in any form of fishing, aquaculture or in the processing these products could not apply.

ErLa loans should support projects related to the market launch of new products. Eligible costs cover personnel costs, pro rata material costs, public relations expenses, investment costs as well as other working capital expenses directly related to the investment.

4.2 State aid

In principle, the loans provided by the financial instrument do not constitute State aid. Nevertheless, if an ErLa loan were given at a lower than market rate, it would fall under *de minimis* aid under Regulation (EU) No 1407/2013. In this case, the total *de minimis* aid granted to the recipient may not exceed EUR 200 000 over three financial years.

The applicant must disclose all aid received during the relevant three-year period. To this end, Bürgschaftsbank has provided as part of the loan application package an information sheet on State aid, in particular *de minimis* aid. The borrower must submit a declaration on the use of aid with the application, with declarations examined by Bürgschaftsbank as part of the application procedure.

4.3 Appraisal process

Applicants for an ErLa loan must demonstrate market-ready, innovative product development in Mecklenburg Vorpommern, with good prospects. In addition, a rejection letter from a company's business or local bank not prepared to finance the project appropriately must be submitted.

Typically, the first step in the application process has been to discuss the suitability of the planned project with the loan product with a representative of the Bürgschaftsbank, to initially assess whether a loan is eligible. In this respect Bürgschaftsbank has had an important advisory role by providing the company with critical feedback on the prospects of success and, if necessary, specifying any need for improvement of the project.

With good chances of success and the suitability of the project, the company could submit an application before the start of the project using the loan application forms provided by the Bürgschaftsbank. Further documentation must include the declaration on State aid and self-certification, or official classification as an SME. The applicant must also submit a business plan and prove the ability to service the loan with documents such as annual financial statements, a cash flow plan or a sales and earnings forecast. It must also be made clear that overall financing of the project is secured by use of the ErLa loan and that existing equity capital would be used to an appropriate extent.

After submission of the loan application, document reviews and appraisal by the Bürgschaftsbank could take several weeks, depending on the type and scope of the project. The assessment should also verify the innovative nature of the product, the chances of a successful market launch or, for example, the company's ability to service the loan or provide collateral. In addition, there must be a positive opinion from the Chamber of Industry and Commerce before approval. In this review process, the Bürgschaftsbank has reserved the right to request further information in order to ensure a comprehensive overview of the project. During this evaluation phase, the Bürgschaftsbank would be in contact with the applicant and have an advisory role, especially on business management of the project.



If all the conditions and requirements have been met and the collateral suitably agreed, the interest rate would be determined on an individual basis dependent on the creditworthiness of the company and the risk of the project. The average interest rate for these loans has been 4.5-6.5%, which has been competitive given the policy objective of economic development. Payment has been made on submission of an invoice or proof of use, usually at short notice. In principle, no later than one week after the disbursement of the requested amount, a corresponding proof of payment must be submitted. So, the final recipient usually should not need alternative funding. The payment could be either in full or in instalments.

After disbursement, Bürgschaftsbank has continued to support the companies. This is because very few assumptions made in applications are precise, especially the sales forecasts which can be affected by conditions beyond the company's control, such as poor harvests. From the perspective of Bürgschaftsbank, active contact with the company is essential to a successful project outcome. Business documents at fixed intervals (e. g. semi-annually) and direct queries have made it possible for Bürgschaftsbank to gain an insight into the progress of the project and to assist the company in an advisory capacity, encouraging successful implementation of the project.



5 Output

A total of EUR 11.78 million has been earmarked for the ErLa loan fund under the RDP over its lifespan. By the end of 2017, the managing authority had paid EUR 2.5 million into the fund.

Four loans from the ErLa were approved to two companies by December 2017. Both companies received a working capital loan combined with an investment loan. The four loans totalled EUR 684 800 and triggered investments totalling EUR 985 000. Another 10 requests had been received.

Even though only four loans had been granted, the managing authority and the fund manager were satisfied with the development at that early stage of implementation and no adjustments had been made to the instrument or the product.

The instrument should contribute to the RDP output indicator 'Number of projects supported by investment' included in Priority 3a. Expectations in the ex-ante assessment were for this financial instrument to support some 25 companies.



LunchVegaz GmbH

As at April 2018, the company LunchVegaz GmbH with the brand LunchVegaz is producing gourmet, organic, vegan, convenience food without preservatives or flavour enhancers. The dishes of the company offer wholesome meals which can be categorised as healthy fast food. The dishes can be heated in the oven, steamer, frying pan or microwave and are based on recipes from all over the world (e.g. Asian, African, European). Healthy fitness dishes, such as soups as well as 'cakes in a jar' are also planned. Products can be purchased from retailers as well as through the company's own online shop. Businesses, canteens or kindergartens can install vending machines or refrigerators and can be supplied directly. Regarding the production, the company works together with regional organic farmers, not least to contribute to sustainable agriculture.



The first year of the company posed a great challenge. Estimates in the business plan had to be continuously adjusted, as processes such as customer acquisition and product development took longer than planned. This phase was financed by a corporate loan from a regional bank. Since the company already had contacts at Bürgschaftsbank due to a prior bank guarantee, they were made aware of the ErLa loan fund and its respective products. The offer was well suited to the needs of the company. Due to this and the opportunity to advance with the market launch, the company decided to apply for the loan. The application was processed without difficulties and documents were provided by LunchVegaz, as needed. The Bürgschaftsbank was available for the company at any time with advice and assistance. Overall, the application process was carried out in a trusting and constructive manner.

An ErLa loan was used to launch the products with a focus on marketing. In one year the company attended 56 events and trade fairs to address potential private and commercial (e.g. retail trade) customers and to raise the company's profile. In addition, the loan was used to buy vending machines and refrigerators for direct sales in the commercial sector, as well as blast freezers and other production machines. The acquisition of ten vending machines and refrigerators gave a sound foundation for direct commercial sales and enabled comprehensive testing of delivery, installation and usage evaluation of the machines. This made it possible to draw conclusions and adjust the supply accordingly.

Overall, the ErLa loan has accelerated the market launch and development of the company, which is shown in an increased visibility of the company and especially more customers. The loan gave the company the opportunity to advertise its products comprehensively and to make investments such as the purchase of vending and production machines, which made market entry faster. The loan helped create 4.25 full-time job equivalents and two mini-jobs⁷, as well as safeguard 4.5 full-time job equivalents.

⁷ In Germany a mini job is a form of marginal employment that is normally part-time with a low wage, exempting them from income tax. The German government enacted legislation that ensures that employers pay social insurance for mini job workers. Most mini jobs are in catering, retail, or domestic work.



6 Lessons learned

The managing authority took a new path with the ErLa loan fund not only in Mecklenburg Vorpommern, as the fund was the first EAFRD supported financial instrument to be implemented in Germany. From both the managing authority and the fund manager's points of view, developments from the first reflections up to implementation were positive. This success was helped by the ex-ante assessment, a smooth launch of the fund and appointment of a suitable fund manager. However, both organisations noted that they had expected more initial disbursement than occurred by March 2018.

Discussing the new approach openly with the main stakeholders contributed substantially to these positive developments. This included answering questions coming from any of the parties involved and collectively seeking solutions. In addition to dialogue with stakeholders, critical examination of market and intervention opportunities was essential to moving beyond reliance on the established system of support. The examination required parties with extensive expertise.

Since the ErLa loan was a new product in Mecklenburg-Vorpommern, it had to be publicised and differentiated from existing financial products. For this reason, another central success factor was the marketing approach. This required not only a website, leaflets and attending trade fairs but also many discussions with the parties involved, especially financial institutions. Despite a great deal of effort, the professional fund manager could integrate the product into established structures, reducing efforts to a manageable level.

Continuous marketing was noted as being advantageous when introducing a sector specific financial instrument. Highlighting specific features such as the use of working capital rather than traditional investments helped potential final recipients understand the potential advantages of the product. Such marketing required much effort but was an investment in establishing the instrument over the long-term.

Furthermore, an assessment of the disbursement has taken into account the specific focus of the financial instrument, the market launch of innovative products. Investments for further development of existing products have been more common but supported by other products, such as under the ERDF. The investment objective has made the search for suitable projects more demanding. In addition quick disbursement may not be the best indicator of success.

Ongoing implementation of a financial instrument can be challenging when the sector is very strongly geared towards subsidies. In this context, and considering the pioneering role of this financial instrument, achievements should be measured not only by disbursed funds, but by the experience that stakeholders gain.

Discussions on the benefits of this type of instrument were expected to continue, but the managing authority felt that a first step had to be taken. The managing authority considered the experience to be even more valuable considering limited policy resources and the increasing importance of revolving support in the future.

