



Mikrodarlehen

Microloans for entrepreneurs and start-ups in Saxony, Germany

Case Study

June 2022





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Abbreviations

Abbreviation	Full name
BAV	Description of tasks and processes
CPR	Common Provision Regulation
ERDF	European Regional Development Fund
ESF	European Social Fund
KfW	Reconstruction Credit Institute Development Loan Corporation (Kreditanstalt für Wiederaufbau)
MA	Managing Authority
MFI	Microfinance Institutions (Mikrofinanzinstitute)
OP	Operational Programme
SAB	Saxon Development Bank (Sächsische Aufbaubank)
SFC	Electronic data exchange system for shared fund management
SMWA	Saxon State Ministry of economic affairs, labour and transport (Staatsministerium für Wirtschaft, Arbeit und Verkehr)
SO	Specific Objective
TO	Thematic Objective



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1. Summary

This report describes the main features of the Microcredit (*Mikrodarlehen*) scheme implemented under the 2014-2020 ESF Operational Programme in Saxony, Germany. It targets business founders and micro-enterprises during the first five years of operations and aims to improve their access to financing. It addresses a financing gap resulting from information challenges for assessing potential business founders and a lack of interest of financial institutions in microcredits. Examples of final recipients illustrate how the microcredit helped them in starting their businesses, and how they succeeded in obtaining external funding.

The case study illustrates a transparent and straightforward governance approach to implementing financial instruments. Such approach builds on previous experience with similar financial instruments and a legal framework acknowledging the competence and capability of a state-owned fund manager to offer the microcredit as a one-stop-shop. In addition, it illustrates how the European Social Fund (ESF) and regional co-funding is reused over time by setting up a state fund dedicated to. Finally, the case study is an example of a cooperative approach between financial microcredits for start-ups experts (i.e. the fund manager) and business experts representing the sectors in which applicants are working (i.e. chambers).

The Saxon Development Bank (SAB) is the fund manager in charge and manages all application and implementation processes. ESF resources account for 80% of the Microcredit fund and Saxon state resources provide the remaining 20%. Final recipients may receive up to 80% of project costs or a maximum loan of EUR 20 000. Final recipients targeted by this financial instrument are usually unable to obtain commercial loans due to a lack of collateral, credit history or the perceived riskiness of their start-up, thus showing one of the benefits of the microcredit in the opportunity it provides to raise funding for self-employment. In addition, a particularly low interest rate, no fees or collateral needed, and some flexibility in the repayment, add to the advantages of the financial instrument. According to recipients' needs, advisory services for start-ups can complement the financial instrument, with support from different measures under the 2014-2020 ESF Operational Programme. By the end of 2020, 418 loans with an average volume of EUR 17 000 had been allocated, of which 254 investments were already subject to the proof of use. It should be noted that nearly half of the final recipients were women, exceeding the target of 35%.

The financial instrument is communicated to the final recipients in a transparent fashion and its terms allow for some adjustments according to needs, e.g. suspending the repayment in the aftermath of the COVID-19 pandemic. Such flexibility and transparency have been key success factors of the financial instrument. Fund manager, applicants and final recipients find administrative duties challenging, and this should be considered when setting up a relatively small financial instrument with a comparatively low loan amount.



Microcredit Saxony, Germany
THE FINANCIAL INSTRUMENT
Funding source ESF, Operational Programme of the Free State of Saxony, 2014-2020 Programming Period
Type of financial products Microloans, may be combined with the ESF grant measure 'Advisory services for start-ups'
Financial size EUR 17 million OP resources (EUR 13.6 million from ESF, EUR 3.4 million from national funding) for transition regions in Saxony; more developed regions in Saxony are supported by a state fund under the same financial instrument ¹
Thematic focus Policy Objective 8 "Promoting sustainable and quality employment and supporting labour mobility", Investment Priority 8iii "Self-employment, entrepreneurship and business creation including innovative micro, small and medium sized enterprises" Specific Objective "Strengthening start-ups and entrepreneurship"
Timing From March 2016 to September 2023
Partners involved Saxon State Ministry of economic affairs, labour and transport (managing authority) Saxon Development Bank (SAB) (financial intermediary)
ACHIEVEMENTS
Absorption rate Total amount of disbursed OP resources divided by allocated programme resources. 39.6% (as of December 2020)
EU leverage Expected leverage 1.33 times ² , achieved leverage 1.22 times (by the end of 2020)
Main achievements (so far) Until end of 2020: 418 contracts signed, 254 assisted start-up investments completed, EUR 6.7 million investments supported, 46% of final recipients are females, 320 jobs created.

¹ Transition regions are most parts of the NUTS 2 regions Dresden and Chemnitz, more developed regions belong to the NUTS 2 region Leipzig and a few municipalities of the county of Central Saxony. See e.g. https://www.strukturfonds.sachsen.de/download/ESF_Sachsen_Buergerinfo_zum_Durchfuehrungsbericht_2018.pdf and Figure 3.2.

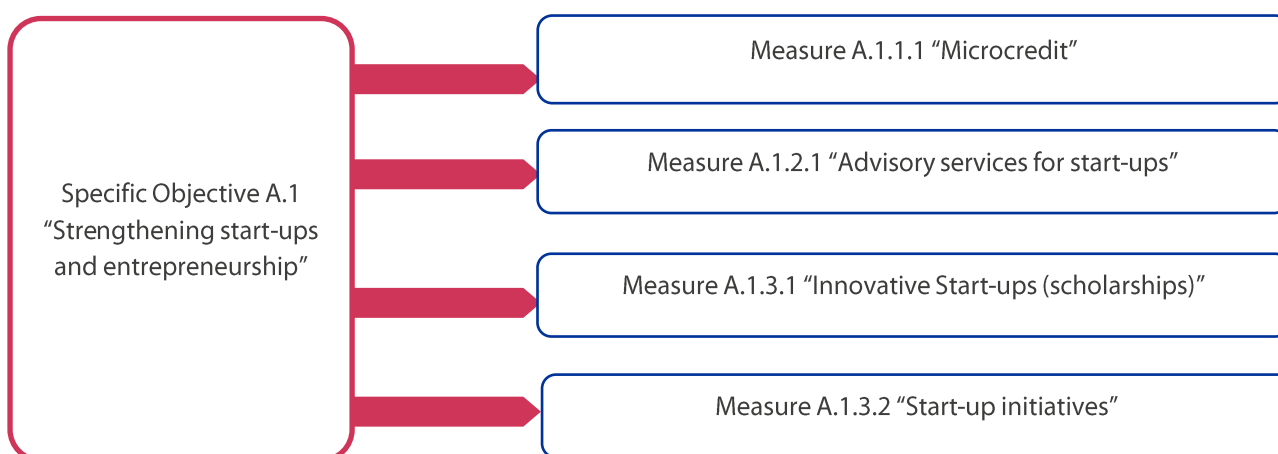
² EU leverage is calculated as the total amount of finance to eligible final recipients, divided by the total amount of ESIF allocation to this financial instrument. It does not include the reuse of resources returned to the instrument.

2. Objectives

In Saxony, the number of enterprises is below the German average, with 67.7 enterprises per 1 000 inhabitants in working age (2012 data). Small and micro enterprises dominate the Saxon company structure (90% of enterprises with less than ten employees subject to social insurance contributions) and there is a lack of large enterprises. Adding to this, start-up intensity³ continuously decreased between 2004 and 2014, more acutely in Saxony compared to Germany as a whole. As a result, the overall start-up intensity was among the lowest in comparison with other federal states in Germany in 2014, when the 2014-2020 programming period started.⁴

The microcredit scheme was set up under the Specific Objective (SO) “Strengthening start-ups and entrepreneurship”. This SO was defined to counter the above-described lack of start-up activity in Saxony, and to support the Saxon Start-up Strategy.⁵ It is part of the interventions under Thematic Objective (TO) 8 “Promoting sustainable and quality employment and supporting labour mobility” and Investment Priority 8iii “Self-employment, entrepreneurship and business creation including innovative micro, small and medium sized enterprises”. The EUR 17 million allocation to the microcredit scheme represents about 9% of the allocation to the priority axis addressing TO 8.⁶

Figure1 Microcredit Saxony in the framework of SO “Strengthening start-ups and entrepreneurship”



The financial instrument is one of four complementary measures addressing start-up dynamics and entrepreneurship under the Saxon ESF OP 2014-2020 (Figure 2.1). Final recipients may use measure A.1.2.1 ‘Advisory services for start-ups’⁷ to prepare an application under the framework of the financial instrument. These advisory services support SMEs in preparing a business foundation or the take-over of a competitive enterprise. Advice may refer to the financial

³ Start-up intensity is calculated as the number of commercial business start-ups in relation to the population in the age between 18 and 64 years.

⁴ *isw, Ex-Ante-Evaluierung zur Auflage eines Mikrodarlehensfonds im Rahmen der ESF-Förderung des Freistaates Sachsen in der Förderperiode 2014-2020* (Halle, 2015).

⁵ SMWA, *Operationelles Programm des Freistaates Sachsen für den Europäischen Sozialfonds (ESF) im Förderzeitraum 2014-2020, 2020* <https://strukturfonds.sachsen.de/download/Operationelles_Programm_ESF_SN_FZR_2014-2020_Stand_12.06.2020_mit_Anlage.pdf>.

⁶ The share refers to the allocation according to the Operational Programme as of the end of 2020.

⁷ For further information see https://www.sab.sachsen.de/f%C3%B6rderprogramme/sie-m%C3%B6chten-ein-unternehmen-gr%C3%BCnden-in-ihre-unternehmen-investieren-oder-ihre-gesch%C3%A4ftst%C3%A4tigkeit-ausbauen/gr%C3%BCndungsberatung.jsp#tab_program_examples

aspects, development of the business concept, staff management or environmental aspects. The ESF microcredit thus has a primary social objective that derives from high unemployment rates in the early 2000s, when the first microcredit scheme was developed. It complements other business support funded by the European Regional Development Fund (ERDF) and state resources that target more resource intensive start-ups with a stronger competitiveness objective and, often, with a more technology-oriented focus.⁸

Hairdresser in rural area – Objectives

Being a master of the hairdressing profession for some 20 years, Erika Mustermann* grew an increased wish to open her own salon. The aim was to obtain a better balance of work, life and income. She investigated the different options and ultimately decided to establish a salon on her own premises, located in a village in the county of Zwickau. Being a start-up, commercial loans were hardly available and the ESF microcredit was the sole opportunity to make the necessary small scale investment. With the micro-loan, she was able to finance the necessary refurbishment of a new entrance area, equipping the salon with two seats, other equipment and material needed to start the business.



* fictional name

Recently established small enterprises, but qualified business founders as well, frequently lack access to commercial microcredits, due to scarce appeal of start-up loans for commercial banks, and a lack of financial track record of business founders.⁹ Such situation negatively affects start-ups in Saxony, as described above, as well as their chances of survival. The persistency of such market failures, together with the successful previous experience with ESF financial instrument (see the box below) supported the decision to carry on the established ESF microcredit fund, as envisaged by the ESF Operational Programme (OP) 2014-2020.

Continuation of the previous financial instrument also takes into account other non-commercial support for small-scale start-ups. The previous microcredit schemes of the German National Promotion Bank (KfW) have been increasingly combined with other schemes, leading to a comprehensive offer for start-up financing where microcredits were marginal. In Saxony, three microfinance institutions (MFI)¹⁰ offer microcredits to enterprises under the framework of the Microcredit Fund Germany. These are, however, considered to be complementary to the ESF microcredit due to their different target groups (not only start-ups) and requirements. Finally, employment agencies and job centres offer start-up support to the unemployed in form of one-off grants.

⁸ See e.g. the start-up and growth loan scheme at <https://www.sab.sachsen.de/f%C3%B6rderprogramme/sie-m%C3%B6chten-ein-unternehmen-gr%C3%BCnden-in-ihrem-unternehmen-investieren-oder-ihre-gesch%C3%A4ftst%C3%A4tigkeit-ausbauen/sachsenkredit-gr%C3%BCnden-und-wachsen.jsp> and SMWA, *Operationelles Programm des Freistaates Sachsen für den Europäischen Fonds für Regionale Entwicklung (EFRE) in der Förderperiode 2014 - 2020, 2021* <https://strukturfonds.sachsen.de/download/2021-07-20_EFRE-OP_2014-2020_LesefassungOP_REACT_o_ae.pdf>.

⁹ For more details on the market failure, see Section 3.1.

¹⁰ MFI must cooperate with commercial banks to comply with the banking monopoly in Germany.



The Saxon ESF microcredit scheme targets business founders and micro-enterprises during their start-up phase (up to five years from foundation), notwithstanding the legal form of their business but excluding a few branches.¹¹ It primarily targets businesses aiming to employ full-time the founder(s), but also businesses with part-time employment can be supported, if aiming to move to full-time. With this target group in mind the microcredit scheme is considered 'micro enterprise lending' as opposed to 'social inclusion lending'.¹²

ESF Microcredit fund history in Saxony

The Saxon ESF Microcredit fund was established in 2006. The evaluation of the financial instrument for the 2007-2013 period showed that actual start-ups are in good proportion to the used funding resources. Microcredits allowed business ideas to be developed, especially in the areas of retail, various service branches, craft businesses and health care. The share of women using the scheme was approximately 37%, which is higher than the share of women in self-employment in Saxony. Including the full-time positions of the founders, the foundations supported created about 1 600 jobs. Microcredits enabled qualified founders to implement their business ideas despite their inability obtain commercial loans.¹³

MKT Metal construction Kenny Tyrock – Information sources

After completing his master craftsman training as a metal worker, Mr Tyrock wished to become independent to make the best use of his newly attained skills. The micro-loan, supplemented by his own funds, laid the foundation for the acquisition of machines and tools, some of which were acquired second-hand, while making the start-up as cost-effective as possible. The Chamber of Trades, where the master craftsman's training took place, provided information about the Saxon Microcredit scheme and demonstrated its possibilities.



© <http://www.metallbau-kt.de/>

¹¹ For excluded branches, see Section 4.1.

¹² *isw, Ex-Ante-Evaluierung zur Auflage eines Mikrodarlehensfonds Im Rahmen der ESF-Förderung des Freistaates Sachsen in der Förderperiode 2014-2020* (Halle, 2015).

¹³ *SMWA, Operationelles Programm des Freistaates Sachsen für den Europäischen Sozialfonds (ESF) im Förderzeitraum 2014-2020*.

3. Design and set up

An ex-ante assessment carried out in 2015 identified unfavourable market conditions on the supply and demand sides, and a consequent financing gap. In accordance with the law, the Saxon Development Bank acts as implementing body of the financial instrument and is also the contact point for final recipients. The Microcredit differentiates between the more developed regions, served by a state fund, and transition regions receiving support from the ESF co-funded Microcredit Fund.

Table1 Timeline of the financial instrument

Time period	Action taken
April 2015 to October 2015	Ex-ante assessment
March 2016	Microcredit Directive adopted by SMWA
	Selection of the implementing body: Direct procurement following the rules of the law on establishing the Saxon Development Bank as outlined in the Microcredit Directive
May 2016	Funding agreement signed between the SDB and managing authority
June/July 2016	First application approved on 30 June 2016, first loan disbursement to final recipient
December 2023	End of the financing eligibility period (31 December)

3.1. Ex-ante assessment

The ex-ante assessment¹⁴ builds on two pillars, the identification of major market challenges and the analysis of market failures and non-optimal investment conditions. Main market challenges were identified in accordance with the EC guidance on ex-ante assessments¹⁵ of financial instruments. In the case of the Saxon microcredit fund this refers to the regulatory framework conditions for microcredit supply and the framework conditions for start-ups in Saxony. The market failure assessment differentiates between the supply and demand sides. Supply analysis uses quantitative data for Saxony describing the (a) relevant stakeholders offering start-up and/or microcredit financing, (b) financing products addressing founders and micro-enterprises and (c) the development of financing volumes. Demand analysis uses quantitative data for Saxony and to some extent at the national level, to assess the annual number of actual and potential beneficiaries, the chances of survival of micro-enterprises and the financial needs of the target group that cannot be met through their own resources. As far as possible, these analyses cover the period from 2009 to 2014. Quantitative data is complemented by document analysis and expert assessments covering both the demand and supply side.

The assessment identifies a commercial financing gap that is mainly due to:

- lack of information regarding the risk assessment of start-up projects and professional track record of the founders;
- lacking profitability for the granting of micro loans.

¹⁴ This section is based on isw, 'Ex-Ante-Evaluierung zur Auflage eines Mikrodarlehensfonds Im Rahmen der ESF-Förderung des Freistaates Sachsen in der Förderperiode 2014-2020' (Halle, 2015), except where otherwise specified.

¹⁵ European Commission and EIB, *Ex-Ante Assessment Methodology for Financial Instruments in the 2014-2020 Programming Period*, 2014.



Compared to other EU Member States, the institutional framework for the provision of commercial microcredits may be considered restrictive. The ex-ante assessment calculated about 3 300 start-ups with full-time employees/founders in need of microcredit support, thus identifying a financing gap, resulting from market failure and sub-optimal investment conditions, of about EUR 20 million to EUR 30 million.

The ex-ante assessment was carried out by an external provider, *isw Gesellschaft für wissenschaftliche Beratung und Dienstleistung mbH* (Corporation for scientific consultancy and services Ltd.) located in Halle (Saxony-Anhalt). SMWA opted for an external provider to complement internal resources with independent expertise. To be selected, *isw* had to demonstrate knowledge of start-ups in general, and particularly in Saxony, together with the ability to conduct a market assessment. Previous start-up related experience and contacts to relevant multipliers were required for this.

The financial instrument complements other public start-up support, in kind and in the form of grants, to address the lack of sufficient private and commercial capital supply. The financial instrument is a means to target the identified market failure, providing the financial resources needed for self-employment and, as such, support the set-up and development of micro-enterprises in Saxony that would otherwise not be feasible.¹⁶ In turn, the financial instrument contributes towards strengthening the resilience of the regional economy in Saxony. Compared to grants, the repayment obligation minimises the windfall effects and the risk of market distortions. From the managing authority standpoint, the financial instrument offers the opportunity to use the reflows, thereby multiplying the magnitude and impact of ESF resources. Furthermore, in view of the likelihood of public funding decreasing, the revolving nature supports stable business development in Saxony.

The ex-ante assessment calculated an expected EU leverage effect of 1.33, based on the calculation of four potential sources for leverage:

- Based on the general 80% co-financing rate applied for the Saxon ESF programme, anticipated public co-financing of the fund through the Free State of Saxony is 20%;
- No contributions from other financing sources to the microcredit fund (fund level) are expected, as the ESF microcredit fund is not attractive enough for private investors;
- Based on experience from the 2017-2013 programming period, the final recipients of the microcredit scheme mobilise only little additional funding by third parties for the supported start-ups (project level). Previously it was equal to 6% of the external funding amount;
- Reuse of repaid resources not expected during the programming period.

In view of the legal framework (see the next section) and the existing microcredit fund under the responsibility of the SAB, the ex-ante assessment does not differentiate the options according to Article 38 ESIF in detail, but rather focuses on the particularities of the framework for financial instruments in Saxony.

Building on previous experience with microcredits and other ex-ante assessments (for the ERDF) conducted in parallel, procurement and implementation phases of the financial instrument did not face significant challenges. The ex-ante assessment took about six months, confirming the principal design of the microcredit and suggesting the continuation of similar conditions regarding the size of microloans, payment and re-payment conditions while maintaining the implementation of advisory services and the financial instrument as separate operations.

¹⁶ SMWA, *Operationelles Programm des Freistaates Sachsen für den Europäischen Sozialfonds (ESF) im Förderzeitraum 2014-2020*.



3.2. Selection of the implementing body

Selection of the implementing body for the Saxon microcredit fund was straight forward, as it built on the law establishing the Saxon Development Bank (SAB), on previous experience with financial instruments and on a complementing analysis in the ex-ante assessment.

According to §2 (1) of the Law for Constituting the Saxon Development Bank¹⁷, SAB is the single institution in Saxony responsible for, inter alia, implementing labour market and business development measures. The responsible state ministry (here: SMWA) may however assign the implementation of a programme or parts thereof to another public organisation or other institution if this is considered to be more appropriate in view of a more efficient implementation of the assigned task.¹⁸

The draft 2014-2020 ESF OP suggested the potential to use a financial instrument to provide funding for start-ups. This led to the above-mentioned ex-ante assessment of the microcredit scheme, which confirmed the opportunity for a financial instrument dedicated to start-up support. Given the existing legal framework, including the Common Provision Regulation (CPR) and the SAB responsibility for labour market and business development measures, as well as the ex-ante assessment findings, no further selection procedures were required. The result of such process was the continuation of the microcredit fund implementation, with the SAB appointment considered as the most efficient option due to:

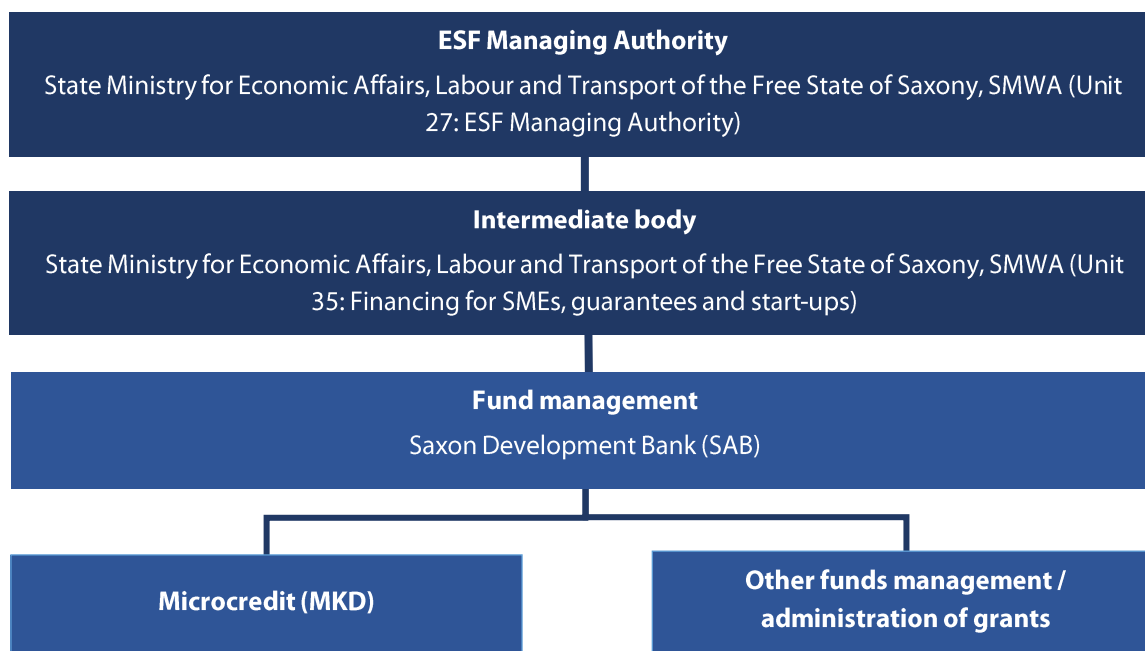
- existing efficient governance structures for start-up support and experience with implementing an ESF-funded microcredit fund;
- the specific territorial focus of the microcredit fund on development objectives of Saxony;
- the existence and experience of the SAB as a Saxon financing institution with corresponding capacities and responsibilities;
- the lack of sufficient resources within the ESF managing authority.¹⁹

¹⁷ Sächsischer Landtag, Gesetz zur Errichtung der Sächsischen Aufbaubank - Förderbank - (FörderbankG) vom 19. Juni 2003 <<https://www.revosax.sachsen.de>>.

¹⁸ See §2(4) of aforementioned law.

¹⁹ isw, *Ex-Ante-Evaluierung zur Auflage eines Mikrodarlehensfonds Im Rahmen der ESF-Förderung des Freistaates Sachsen in der Förderperiode 2014-2020* (Halle, 2015), pp. 57–58.

Figure 2 Implementation structure of the financial instrument



This paved the way to setting-up the legal framework for the microcredit scheme. In March 2016, the State Minister for Economic Affairs, Labour and Transport signed the corresponding directive (Richtlinie Mikrodarlehen).²⁰ In Article VII, the directive designates the application and awarding authority tasks to the SAB and describes the procedures that SAB must apply, from application to payment stages, as well as concerning the preparation of its financial statements (see also Section 3.3 below).²¹ SAB is the sole financing sector body involved, as it is responsible for implementing the microcredit fund as well as engaging with final recipients. No other financial intermediaries are involved in the process, with an aim to keep the implementation as lean as possible.

Due to slight programming delays, there was a short period of a few months during which no microcredits could be applied for. Overall, initiating the ex-ante assessment in April 2015 and launching the first investments in July 2016 was considered an acceptable lead-in time for the financial instrument.²²

²⁰ Rules of this directive are, inter alia, subject to the ERDF/ESF framework directive and its ancillary provisions (in their latest version): SMWA, *Richtlinie des Sächsischen Staatsministeriums für Wirtschaft, Arbeit und Verkehr mit allgemeinen Bestimmungen zur Förderung von aus dem Europäischen Fonds Für Regionale Entwicklung (EFRE) sowie dem Europäischen Sozialfonds (ESF) mitfinanzierten Vorhaben in der Förderperiode 2014 bis 2020 im Freistaat Sachsen (EFRE/ESF-Rahmenrichtlinie) vom 6. März 2020, 2020* <<https://www.revosax.sachsen.de>>.

²¹ SMWA, *Richtlinie des Sächsischen Staatsministeriums für Wirtschaft, Arbeit und Verkehr zur Förderung von Existenzgründern und jungen Unternehmen durch Gewährung von Mikrodarlehen (Richtlinie Mikrodarlehen) vom 22. März 2016, 2016* <<https://www.revosax.sachsen.de>>.

²² Interview with SMWA.



SAB track record in ESIF financial instruments

According to the Law for Constituting the Saxon Development Bank, SAB has several tasks, including a list of 19 fields of support in the framework of fund management and grant administration. These include, inter alia, support to the implementation of businesses, independent professions, set-up of enterprises, risk capital implementation, technology and innovation funding.²³



Corresponding to this variety of tasks, support programmes are diverse and SAB has extensive ESIF experience. Programmes address many sectors, public and private investments, social and economic objectives. Support is provided in the form of grants, loans, guarantees and equities as well as advisory services and includes 216 programmes (October 2021)²⁴. ESIF related programmes include loans to prefinance EAFRD grants, ERDF grants supporting the market introduction of innovative products and ERDF loans to SME supporting the regional economic structure.

3.3. Funding and governance

Table2 Funding sources and amount

Funding sources	EUR
ESF	EUR 13.6 million
Other EU	N/A
Public	EUR 3.4 million
- national	N/A
- regional	EUR 3.4 million
- local	N/A
Private	N/A

The ESF is the main funding source of the Saxon microcredit fund available for start-up support in transition regions. It accounts for 80% of the fund. The remaining 20% is co-funding provided by the State of Saxony. Microcredits for the more developed regions of Saxony are provided from a separate state fund established from the repayments of previous ESF Microcredit schemes.²⁵ This territorial separation as visualised in Figure 3.2 helped to reduce the administrative burden for the bodies implementing the microcredit.

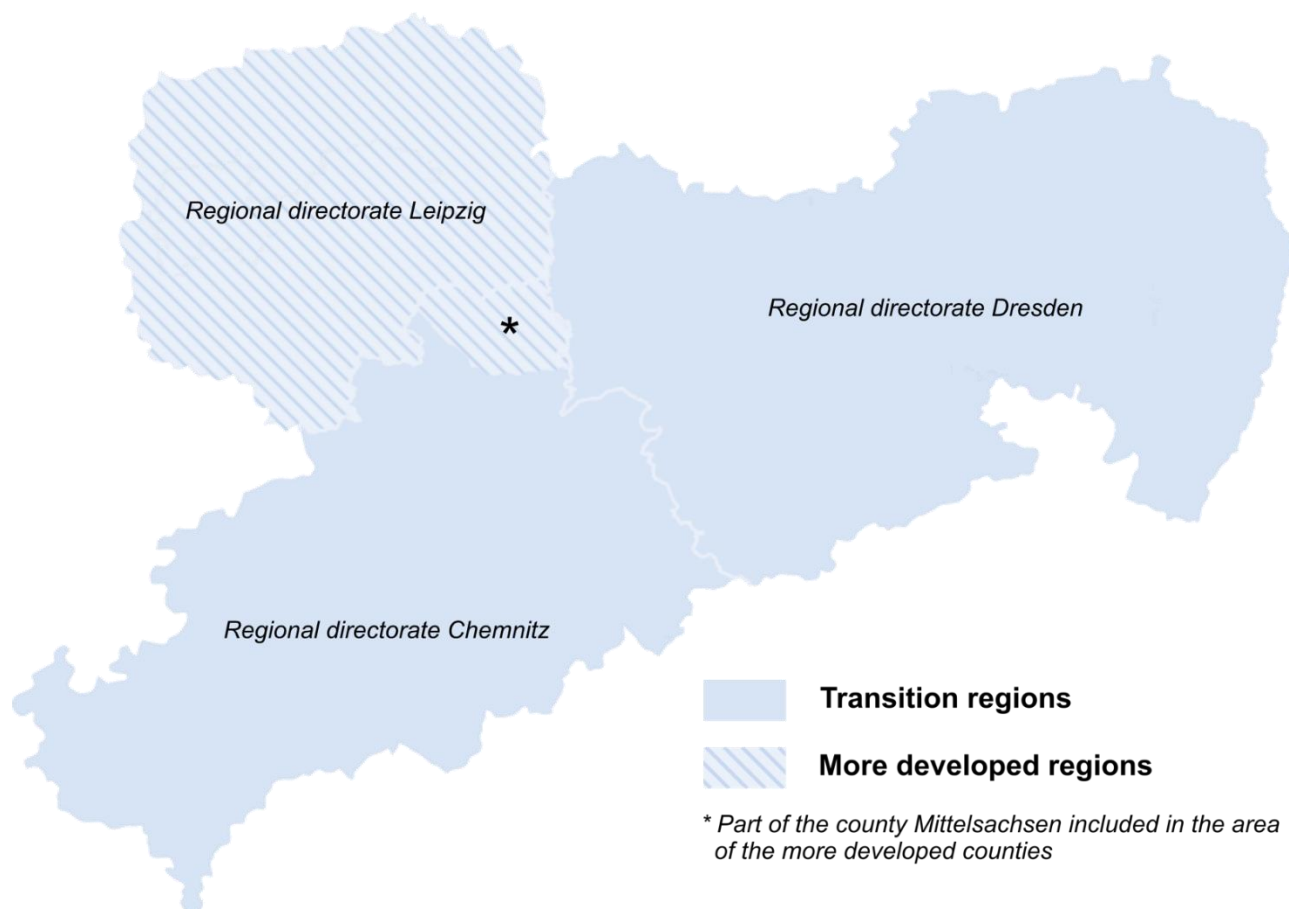
The fund for transition regions consists of two accounts that are considered as 'sub-funds'. The first provides the microcredit resources. Repayments are allocated to the second sub-fund which, in the ongoing programming period, accumulates resources. Thus, no investments using reflows will take place until the end of the programming period. The decision of SMWA about further use of the repayment is outstanding. Repayments may be returned to the ministry or kept in an SAB state fund for future (similar) credit schemes.

²³ For the full list of tasks in the framework of fund management and grant administration see Sächsischer Landtag, §2.

²⁴ <https://www.sab.sachsen.de/meta/f%C3%B6rderfinder.jsp>

²⁵ The analysis focuses on the ESF co-funded financial instrument (e.g. for indicators, amount of funding), notwithstanding the joint implementation of the microcredit in transition and more developed regions (e.g. regarding the governance).

Figure 3 Territories covered by the ESF and the state funded Microcredit in Saxony



Source: fi-compass based on SMWI

The funding agreement between SAB and SMWA (Microcredit 'Special Agreement') entered into force in May 2016 and is complemented by several documents providing further governance and funding details. The funding agreement includes the overall funding principles and the investment plan of the financial instrument. The agreement's Annex 'Business plan of the Microcredit funds III' details the fund management, e.g. annual payments and credits, target values, management costs etc. SMWA and SAB each have a 'Description of tasks and processes' (BAV) that clarifies their roles and responsibilities. SAB complements this with 'Rules of procedure set out in written' (SFO) containing detailed information on all processes.

SAB's responsibility to act as both application and awarding authority includes the following procedures:²⁶

- Application
 - SAB makes standardised application forms publicly available via internet;
 - SAB ensures adequate applications, e.g. regarding correct applicant involvement, certification by applicants to contribute monitoring, analyses.

²⁶ As outlined in Sächsischer Landtag, §2.



- Approval
 - SAB and final recipient sign a public-law loan contract that is subject to the ERDF/ESF framework directive and its ancillary provisions for project and ESF support;
 - authorisation period ends with the use of the loan or the latest 12 months after complete disbursement.
- Disbursement and payment
 - SAB ensures disbursement when the following conditions are fulfilled: (i) final recipient's contract signature, (ii) all other mandatory disbursement conditions are fulfilled and (iii) an adequate official start-up confirmation is provided (from trade or tax office).
- Expenditure proof
 - SAB collects expenditure proof 12 month after complete loan disbursement, including information on number of jobs created and implementation state of the business plan;
 - SAB may request additional information, if needed, and conducts the controls/checks at the level of the final recipients.

The intermediate body provides the framework for the tasks of SAB by:²⁷

- designing the financial instrument, including the drafting of the directive, the BAV and the special agreement with SAB;
- monitoring the SAB through plausibility checks of data and annual in-house audit at SAB;
- acting as granting authority for the funds to be transferred to SAB;
- transferring data to the electronic data exchange system for shared fund management (SFC) at the level of the fund (SFC data on loans is transferred by SAB);
- communicating the microcredit, e.g. with a web-page, annual conference contributions, articles in the Saxon magazine 'EU-ZEIT'.²⁸

There is no administration fee charged to final recipients and the management costs of the financial instrument are paid from fund and state resources.

Remuneration of the SAB, as detailed in the business plan, is based on product specific calculations. The calculation scheme allows for each product to calculate costs from its application to its closure. For all tasks it illustrates how often they are carried out and the time/staff involvement required for each task. The resulting total calculation is the basis for overall management costs. In accordance with the applicable regulation, basic remuneration is related to the amount committed in the fund, while the performance-based remuneration depends on actual disbursements.

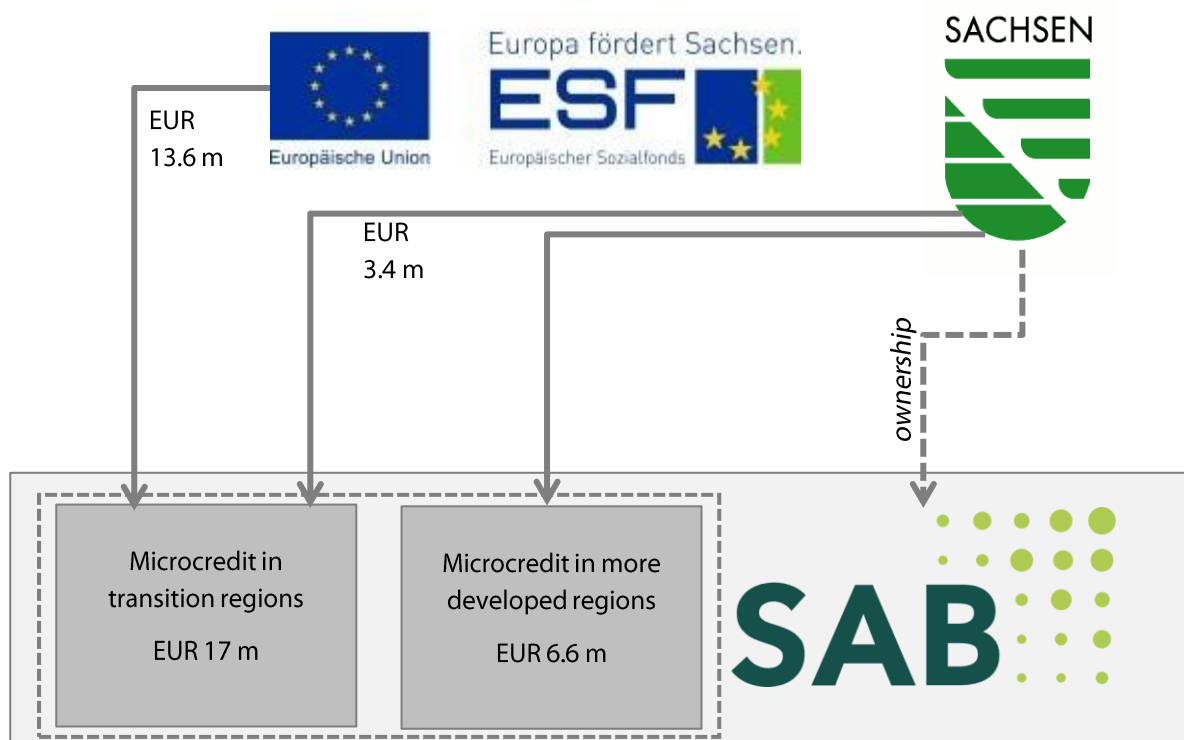
Slightly deviating from the ex-ante assessment, the ESF is not co-funding microcredit in all regions of Saxony; instead, different sources of funds are used in different sub- regions (see Figure 3.3). Calculation of targets and milestones was amended accordingly. This amendment is, however, only relevant for the fund managers. Applicants may notice the difference only in light of the separate application forms, while all other conditions and requirements are not affected by this distinction.

²⁷ Interview SMWA.

²⁸ <https://publikationen.sachsen.de/bdb/artikel/37790>



Figure 4 Funding sources of the financial instrument





4. Implementation

Microcredits provide financial support, in addition to the own contributions of business owners, covering up to 80% of project costs. The loan is subject to *de minimis* rules. Apart from eligibility checks, the appraisal process focuses mainly on economic viability, credibility of the business concept and expected debt servicing capacity.

4.1. Financial products and terms

The microcredit scheme is in its third cycle, which allowed for building capacity for the managing authority, the intermediate body and the SAB, as well as managing repaid resources.²⁹ Such repaid resources have been credited in a regional state fund managed by SAB, which in turn feeds the microcredit scheme in the more developed regions of Saxony³⁰ (see Figure 3.3).

The Saxon Microcredit Fund offers loans as contribution to finance start-up projects. Final recipients are founders of a new business or micro-enterprises during the first five years following foundation. This includes 'second-chance' start-ups, company successions and acquisition of a share of above 25% in an existing business for self-employment.³¹ A follow-up microcredit is possible during the first five years after business foundation, to consolidate the new business and allow for growth opportunities. The loan is for investments in tangible assets and equipment to support the start-up phase, or to pay for salaries. Rental and staff costs are also eligible as part of equipment support.

The maximum loan size is EUR 20 000 and may represent up to 80% of overall project costs. The minimum is usually EUR 5 000, with an historical average loan of approximately EUR 17 000. The microcredit is usually disbursed upfront. The interest rate is specified by SAB's conditions³², currently at 1% per annum and independent of the recipient's credit rating. The interest rate is agreed for the whole maturity period. No collateral is requested, and recipients are personally liable, including company associates. Maturity is up to six years with a monthly fixed repayment. A grace period of 6 or 12 months is possible, as well as early repayment. No fee is charged to the recipients, either in the disbursement phase or in the case of premature repayment.

²⁹ Unless otherwise stated the following is based on SAB, 'Mikrodarlehen (MKD). Für Existenzgründer Und Junge Unternehmen', 2019 <https://www.sab.sachsen.de/cd-flyer/flyer_mikrodarlehen.pdf>, SAB, *Mikrodarlehen. Informationen Zum Förderprogramm*, 2020 <<https://fs.egov.sachsen.de/formserv/findform?shortname=sab60681&areashortname=sab>> and SAB interview information.

³⁰ Interview SAB.

³¹ SMWA, *Richtlinie Mikrodarlehen*, Article II.

³² <https://www.sab.sachsen.de/service/konditionen-wirtschaft/index.jsp>



Table 3 Key features of the financial product

Loan amount	Max EUR 20 000
Fund contribution	100%
Maturity	Up to 6 years
Grace period	6 or 12 months (optional, upon request)
Interest rate	1% p.a.
Collateral	No collateral required
Repayment	Monthly

Conditions do not differ between types of final recipients, however, the microcredit is not available to all economic sectors. The rules explicitly list the sectors which are not eligible for the microcredit in Saxony³³ and refer to excluded sectors as indicated by Article 1 of Regulation (EU) 1407/2013 (*de minimis* aid). Other exclusion criteria are related to certain trade activities and conditions of the business (e.g. insolvency procedures).

Applicants eligible for the microcredit may also benefit from the non-financial support under the ESF measure 'Advisory services for start-ups' that is implemented by a separate department of SAB. About 50% of applicants take advantage of this measure. Advisory services are implemented as a separate operation and can be used to develop the application. Whether the start-up advice improves the application quality depends on the consultant selected by the potential founder and the potential combination of involving the consultant for both application and extended advisory services.

From the beginning of 2021 the microcredit can be combined with crowdfunding resources. For a two-year pilot, SAB teamed up with Startnext Crowdfunding GmbH³⁴ to offer microcredit scheme applicants additional support for raising at least 20% of project costs to cover the own contribution (programme Sachsen-MikroCrowd).

Cooperation agreement between SAB and 'Startnext'

The trigger for concluding a cooperation agreement was the Saxon location of 'Startnext' in Dresden and SAB's interest new financing models. The agreement is the basis for the mutual promotion of the microcredit and 'Startnext', for which SAB pays a fee. Due to the timing in the framework of crowdfunding, more flexible conditions for the call for funds and grace period are used for applicants who raise their own contribution via 'Startnext'. The first microcredit application on this basis was submitted in autumn 2021.

4.2. State aid

In view of the reduced interest rate and the maximum size of the loans, *de minimis* regime applies. Cumulated loans from the current and previous two years may not exceed the thresholds of the *de minimis* regulation. SAB provides specific guidance for applicants on the *de minimis* rules including examples of *de minimis* calculations and procedures applied.³⁵

Procedures to ensure compliance with *de minimis* are described as follows:

³³ These are sales representatives, car dealer and traders of automotive parts, petrol stations, caretaker services, fishery and aquaculture businesses, businesses in primary production, processing and marketing of agricultural products, coal mining businesses and for road freight transport businesses the purchase of road freight transport vehicles is ineligible.

³⁴ Startnext Crowdfunding GmbH was founded in 2010 based on crowdfunding and is owned by its founders. See www.startnext.com

³⁵ See SAB, *De-Minimis-Regel*. Informationsblatt <<https://fs.egov.sachsen.de/formserv/findform?shortname=sab60380&areashortname=sab>>.



- SAB, as the granting authority, is obliged to certify the payment and amount of *de minimis* support to the enterprise/start-up. This ensures that the final recipient has knowledge of all received *de minimis* support and can assess whether it has reached the threshold.
- The applying enterprise/start-up is obliged to
 - provide a complete overview of all *de minimis* support received in the current and previous two years. This must include the enterprise and its company group. To collect information from the company group and provide the declaration, two declaration forms are available ('*de minimis* declaration' and its annex).
 - store the certificate of the granted *de minimis* support.

4.3. Appraisal process

SAB is the key contact point for the application and appraisal process. Applications may be sent continuously to the SAB (on-going application procedure). In addition to information at SMWA, all information and forms are available via the SAB's webpage. This includes information on the main characteristics and conditions of the microcredit scheme and application procedure. Brochures, fairs, and advice from various chambers (e.g. the Chamber of Industry and Commerce) complement this information.³⁶

Applicants may choose to apply electronically or in writing. Application forms differ for natural persons and companies and depend on the location of the applicants. The latter differentiates between the more developed NUTS 2 region (Leipzig) and the transition regions (Dresden and Chemnitz) of Saxony.

Apart from the sector limitations outlined above and the focus on start-ups and young enterprises the following requirements must be met:

- The project must be implemented in Saxony;
- In line with the EU definition, the applicant is a micro-enterprise;
- The start-up aims for a durable main occupation;
- Own contribution for the project is ensured, i.e. the applicant can provide a minimum of 20% own funding from sources other than the microcredit.

The application must include further supporting documents that illustrate the potential for a successful project, including:³⁷

- a long-term business concept with profitability projections for at least three years, and including an expenditure and financing plan. The concept presents in detail the entrepreneurial idea including the description of the product, target groups, location, competition in the market, business development;³⁸
- a supporting appraisal from a relevant sector institution. This may be the Chamber of Industry and Commerce or another sector specific association suitable to assess the marketability of the product;

³⁶ Unless otherwise stated, information under the current section is based on SAB interview and data.

³⁷ SMWA, *Richtlinie Mikrodarlehen*, Article IV.

³⁸ The requirements for the business concept are detailed in a guidance document: SAB, *Mindestanforderungen an das Unternehmenskonzept. Mikrodarlehen*, <<https://fs.egov.sachsen.de/formserv/findform?shortname=sab60380&areashortname=sab>>.

- proof of professional and business knowledge needed for self-employment, e.g. Curriculum Vitae and certificates.

Further documentation annexed to the application includes information about the applicant's identity, credibility proof (SCHUFA report). The investment must not start prior to submitting the application, notwithstanding the microcredit being granted.

The evaluation is primarily carried out by the loan department of SAB applying the "four-eyes-principle"³⁹. So-called competent bodies, e.g. the Chambers of Industry and Commerce, are involved through providing an opinion on the business concept. Evaluation is guided by two central aspects:

- whether the application meets the **formal preconditions** as outlined above; and
- whether **economic** viability is realistically outlined, the concept is plausible and debt service capacity can be expected.

Applications are rejected if there is no prospect of meeting the requirements above, otherwise the intention to support start-ups is guiding the decision-making. Since 2016, about one third of the applications have been either rejected by SAB, or withdrawn by the applicants. The latter account for more than 50% of the applications that did not succeed. The remaining cases were refused because of a lack of eligibility, lack of documents or other reasons.

Only about 5% of applications are complete when submitted for the first time. SAB needs about two working days to conduct their overall assessment, which means that it takes about four weeks until these applicants receive the contract. Processing delays result from the extended workload due to the majority of applications being incomplete. They imply time-consuming follow-up processes to request additional documentation or clarification. In consequence, these applicants receive the contract after some eight to twelve weeks. On average, disbursement usually happens after another two weeks. Staff related bottlenecks also contribute to these delays and result from the small size of the team in charge and absences due to illness (COVID-19) and holidays.

Hairdresser in rural area – Application procedure

The project was carried out in 2018. The master hairdresser Erika Mustermann* submitted her application to the trade office in January 2018 and received her license after about two months. After the intensive consultation with the Chamber of Trades that accompanied the application for the micro-loan, she submitted the loan application in April 2018 and received an advance notice after about four weeks with no approval guarantee. From the time of the advance notice, eligible measures could be financed. However, this required bridging financing until the loan was disbursed at the end of August.

Without further start-up advice, the support of the Chamber of Trades was crucial for the applicant to submit the required documents. This sped up the approval process. The main challenge was obtaining financing to bridge the three months between the advance notice and the loan disbursement.



*fictional name

³⁹ This refers to procedures where always at least two experts of SAB are involved in the evaluation.



5. Output

Use of the microcredit fund in the 2014-2020 programming period is slightly below initial expectations, due to the changing framework conditions.⁴⁰ The COVID-19 pandemic negatively affected the microcredit scheme in several ways ranging from the applications and approval to the repayment schedule.

5.1. Performance and the main output and results

By the end of 2020, the fund had received 85% of the ESF programme resources committed to the financial instrument. About half of the programme contributions were committed to final recipients through 418 signed contracts. The financial instrument is well known in Saxony, building on two previous implementation periods. Demand remained behind expectations mainly due to two factors:

- Start-up funding used to offer alternatives in view of relatively high unemployment in Saxony. The unemployment rate has decreased since 2007, reducing the share of businesses in need.⁴¹ Starting from above 17% prior to 2007 the unemployment rate was 8.8% in 2014 and reached its lowest level at 5.5% in 2019.⁴² Implementing bodies observed decreasing demand for microcredits proportionate to the decreasing unemployment rate;
- The COVID-19 pandemic has further decreased demand for microcredits (see Section 5.2).

These factors have affected the overall implementation of the microcredit scheme (see Table 5.1). About two-third of expected start-up investments have been undertaken to the end of 2020, of which 60% have finalised their investment. Among these investments, the share of supported women as well as the share of founders in self-employment one year after starting the investment (survival rate) are significantly higher than expected.

Management costs equal 2.68% of the resources paid to the fund. These costs are low compared to commercial loans. A commercial bank needs a higher margin due to the processing involved, which makes it also less attractive or even feasible for applicants of the microcredit scheme.

⁴⁰ Unless otherwise stated the following is based on interviews with the intermediate body at SMWA and SAB.

⁴¹ isw, *Ex-Ante-Evaluierung zur Auflage eines Mikrodarlehensfonds Im Rahmen der ESF-Förderung des Freistaates Sachsen in der Förderperiode 2014-2020* (Halle, 2015), p. 20.

⁴² Applying the unemployment concept of the German labour market office. See Statistisches Bundesamt (Destatis), 2021 (<https://www-genesis.destatis.de>).

*Table 4 Main performance indicators⁴³*

	Planned / Target	Achievements until end 2020
Committed/paid contributions to the programme	EUR 17 million	EUR 14.42 million
Programme contributions committed to final recipients		EUR 6.93 million
National/regional public contributions paid to final recipients	EUR 3.4 million	EUR 1.35 million
Private contributions	n.a. ⁴⁴	EUR 39 thousand
EU leverage	1.33	1.22
Number of signed contracts with final recipients	627	418
Number of investments	./.	410
Management costs and fees paid, of which: and performance-based remuneration	EUR 588.5 thousand	EUR 386 thousand
Base remuneration	EUR 240 thousand	EUR 139 thousand
Performance-based remuneration	EUR 348.5 thousand	EUR 248 thousand
Amount repaid to the financial instrument, of which	EUR 3.06 million	EUR 1.67 million
Repaid by final recipients	EUR 2.83 million	EUR 1.56 million
Profits	EUR 288 thousand (interest)	EUR 110 thousand
Output indicators:		
Women as share of final recipients	35%	46%
Number of interested start-ups / founders	720	254
Result indicator:		
Number of interested start-ups / founders in self-employment after one year	80%	89%

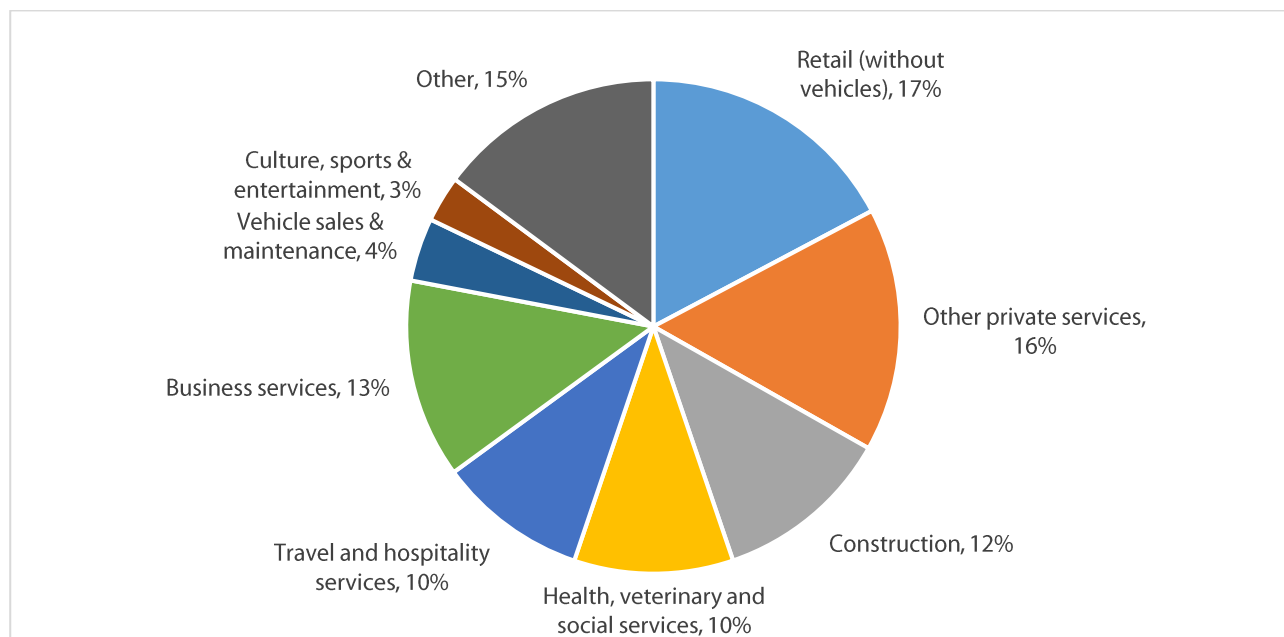
⁴³ SMWA, *Jährlicher Durchführungsbericht im Rahmen des Ziels 'Investitionen in Wachstum und Beschäftigung'*, 2021 <https://www.strukturfonds.sachsen.de/download/Jahresbericht_2020.pdf>. and interviews with SMWA and SAB.

⁴⁴ The main objective of the microcredit is to fill a market gap rather than achieving leverage through private co-financing.



The microcredit is most frequently used for start-ups in the retail and gastronomy sectors. The size of the microcredit is ideal for these sectors, where others often require higher loans and investments. However, the microcredit is also used by different craft businesses, as illustrated by the example of the metal construction start-up presented below and indicated in Figure 5.1, that shows the variety of feasible branches. Significantly more microcredits have been disbursed to applicants in urban areas compared to rural areas, both in absolute figures and in relation to the number of inhabitants.⁴⁵ Overall, distribution across sectors and regions depends on demand. Control of the fund's spending across sectors and regions (ring-fencing) is not necessary, as sufficient funds are currently available.

Figure 5 Distribution of ESF microcredits across sectors (EUR, until December 2020)⁴⁶



As the verification of the use of funds ends 12 months after disbursement, there is no information about further impacts on the final recipients, e.g. regarding their commercial creditworthiness. Final recipients indicated that they consider the conditions of the microcredit as very adequate. Given the size of the microcredit, the conditions for the grace period and maturity seem to be adequate under normal circumstances (see also the next section on the implications of the COVID-19 pandemic).

⁴⁵ Until the end of 2020, the volume of microcredits was about 1.5 times as high in the city of Dresden as compared to the average in Saxony (Calculations based on SAB & Statistisches Landesamt des Freistaates Sachsen, Kamenz, 2021).

⁴⁶ Own calculation based on SAB data, 2021

MKT Metal construction Kenny Tyrock – Results

Knowledge and the networks obtained during the master craftman's training were key to develop the client base by providing ideas to broaden relevant market segments. For example, Mr Tyrock was able to establish contacts with companies that rent construction and rubble containers. There are usually no repair services for these, which is why containers are either improperly repaired or not repaired at all. As a metalworker, MKT has explicitly included these repairs in its service portfolio and advertised the offered services to container rental companies. Around nine months after the company was founded in February 2021, MKT was able to hire an additional employee on a mini-job basis.



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While the maximum microcredit amount of EUR 20 000 limits the use of the scheme across sectors, it positively affects the default rate. The fund's business plan assumes a default rate of 20%. The current rate is 4%. This is due to the favourable labour market situation, which usually allows final recipients to pay back the microcredit from wage income if they decide to drop the idea of the start-up and to accept another interesting job offer. However, it remains to be seen how the default rate will develop over the loan term of six years. At the same time, early repayments play a very minor role.

The maximum amount of the microcredit has been stable since its first introduction in the 2000-2006 programming period. Thus, increasing this amount is under consideration for future microcredit schemes (see Section 6.3).

5.2. COVID implications

MKT Metal construction Kenny Tyrock – Pandemic implications

The pandemic impacted MKT metal in two ways. On the one hand, it delayed the approval of the application. Being sure to fulfil all requirements, Mr Tyrock applied in January 2021 using the online application tool of SAB. Once all additional document requests were fulfilled, it took six weeks until his application was approved and another three weeks until the loan was disbursed. This delayed the acquisition of machines in order to minimise the necessary bridge financing.

On the other hand, providing trade services for business, public and private customers helped to balance the demand impacts of the pandemic, so there was no need to request a temporary deferral of repayments. However, uncertainty and increasing material costs have negatively impacted the demand by private customers.



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The COVID-19 pandemic has affected the microcredit in several ways:

- It further reduced demand for microcredits. The objective of supporting start-ups is at risk in view of the uncertainties induced by the pandemic. The specific focus of the microcredit on sectors affected by the pandemic, such as gastronomy and retail, led to a further decreasing number of applications. This trend is still ongoing while this case study is prepared;



- In 2021, applications from these sectors were more frequently declined in view of the particularly high risks beyond the usual perspectives for microcredits;
- Suspension of repayment has been requested more frequently since the beginning of the pandemic. Repayment suspension regulations have been relaxed and prolonged until 31 March 2022, implying that the impact on the fund cannot be assessed yet.

It remains to be seen how the pandemic will also affect the overall default rate.

6. Lessons learned

The main challenges were in assessing the need for funds and are in the administrative burden. Transparent communication structures, flexible low-cost conditions and sector specific knowledge of regional actors contribute to a successful implementation. However, for the 2021-2027 programming period no ESF funded microcredit scheme is anticipated.⁴⁷

6.1. Main challenges

Thanks to the previous experience of the involved bodies, there were no major challenges in designing and implementing the processes and key features of the financial instrument. The main challenge lay in assessing the need for funds and the corresponding control of fund spending. As mentioned above (Section 5.1), demand for this financial instrument strongly depends on the development of the labour market and the economic situation. In this context, the pandemic added to the previously existing degree of uncertainty.

Another challenge is in the very high processing effort in relation to the loan amount that is resulting from EU requirements. This implies considerable efforts on the side of the applicants and for the SAB, as most applications are not sufficient when first submitted. Depending on the type of applicant, i.e. whether it is a one-man business or a corporation, some 15 to 20 documents may have to be submitted.⁴⁸ SAB sometimes runs several rounds of requests before finally entering into the appraisal process. Additional effort is also required because of reporting and follow-up requirements. Alike the administrative effort of the SAB, the intermediary body faces a high administrative burden from managing the microcredit scheme. This refers in particular to the additional layer of administration for financial instruments (with the level of the fund) compared to grants. This implies more effort in the coordination of the monitoring and sharing of the information with the SFC.

In addition to these challenges, the 2016 evaluation of the ESF OP observes an increased willingness of commercial banks to offer loans to risky applicants and the use of family support.⁴⁹ If available, this may provide more flexible funding sources, e.g. in terms of the amount, and require less administrative work on behalf of the start-up when compared to the ESF microcredit.

In view of the previous experience and tested communication channels, low demand is not due to a lack of information, but can instead be linked to the three challenges described above. The attractiveness of the microcredit lies in offering an alternative to unemployment or migration to another region. With low unemployment, there is little demand for this alternative. Complementing this, the size of the microcredit and its administrative costs for applicants may not be proportional. This may also contribute to the high proportion of applications withdrawn. Experience has shown that creative industry start-ups, in particular, hesitate (or are reluctant) to apply, which may be a result of their tendency to lack experience when it comes to administrative procedures.

6.2. Main success factors

The success achieved so far is linked to a few specific features of this financial instrument:

⁴⁷ Unless otherwise stated, the following is based on interviews with SAB.

⁴⁸ For an overview see the checklists on https://www.sab.sachsen.de/f%C3%B6rderprogramme/sie-m%C3%B6chten-ein-unternehmen-gr%C3%BCnden-in-ihr-unternehmen-investieren-oder-ihre-gesch%C3%A4ftst%C3%A4tigkeit-ausbauen/mikrodarlehen.jsp?cookieMSG=allowed#program_form

⁴⁹ Moysies & Partner, *Endbericht. Teil A: Evaluierung des Operationellen Programms. Teil B: Durchführungsevaluierung*, 2017, p. 85 <https://strukturfonds.sachsen.de/download/2017-08-02_Endbericht_Evaluierung_2016.pdf>.

- **Transparent communication and implementation processes.** SAB is the sole institution responsible for approval and implementation. This is well communicated through different channels. SAB is a well-known actor at the level of the federal state for fund management in many sectors;
- **Using the expertise of local Chambers.** For many start-ups the Chamber of Industry and Commerce is an important first contact point. Chambers know about the microcredit and have a twofold role. They channel information about the financial instrument to potential applicants and they directly support the process with their sector specific knowledge when assessing the business concept of a potential applicant;
- **Favourable microcredit terms and conditions.** Flexibility in the type of own contributions, which includes contribution in kind and neighbourhood help, a low interest rate, the one-year grace period, opportunity for free early repayments and repayment suspensions are important features allowing the adjustment of the microcredit to different needs. Not least, the free of charge adjustments to repayment schedules are attractive to mitigate uncertainties of start-ups. Finally, it is possible to obtain a follow-up loan through the same scheme;
- **Possibility to use additional expertise granted by the 2014-2020 ESF OP.** Advisory services improve the business concept, support the application phase and help optimising the finances of the start-up. Without being compulsorily or directly linked to the microcredit, they offer additional support if needed.

The combination with crowdfunding was only established in 2021. No significant increase in applications is expected due to this combination but it is an additional marketing channel and opens new possibilities to make for the recipient's own contribution.

Hairdresser in rural area – Success factors

Notwithstanding the administrative efforts and reliance on support for the application by the Chamber of Trades, the microcredit was the sole alternative to obtain the funding for setting up the salon. Due to the large number of customers who followed Erika Mustermann* from her previous job, she was able to repay the loan at any time after the one-year grace period. The sustainable loan amount of less than EUR 20 000, with a low interest rate, contributed to the ability to continue the repayments during the period of the pandemic-related closings.



* fictional name

6.3. Future outlook

So far, there are no plans to use ESF funds for microcredits in the 2021-2027 programming period.⁵⁰

During the three funding periods in which ESF microcredits were granted, repayments fed into state funds that could be used for financial instruments in the future. The specification of the use of these funds is still pending (as of March 2021). Nonetheless, the draft ESF OP points to the continued low start-up intensity in Saxony, which could be supported, among other things, with state loans including a microcredit scheme.

This may overcome some of the challenges of the current ESF microcredit, e.g.:

⁵⁰ See the draft Operational Programme: SMWA, 'ESF Plus Programm 2021-2027 Sachsen. Entwurf - Stand: 15. November 2021', 2021.



- Heavy paperwork that sometimes lead to extended checks and requests for additional information. Revising such processes could reduce administrative costs and burden, both for final recipients and the fund manager, without challenging the viability of granted microcredits;

A revision of the maximum microcredit amount may take place to acknowledge inflation from the early 2000s, when the scheme was first introduced with the EUR 20 000 ceiling.

MKT Metal construction Kenny Tyrock – Future perspectives

In addition to hiring a part-time employee in November 2021, MKT moved to a larger workshop just a few months after founding the business with the aim of further expanding the customer base and market segments. In addition, the company owner is undergoing additional training as an international welding specialist, which is necessary to obtain important certifications for broadening potential assignments. In addition, more employees shall be hired and additional machines will be purchased in the long term. The necessary financing options will be determined as required.



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