



Country Sheet Germany

Overview



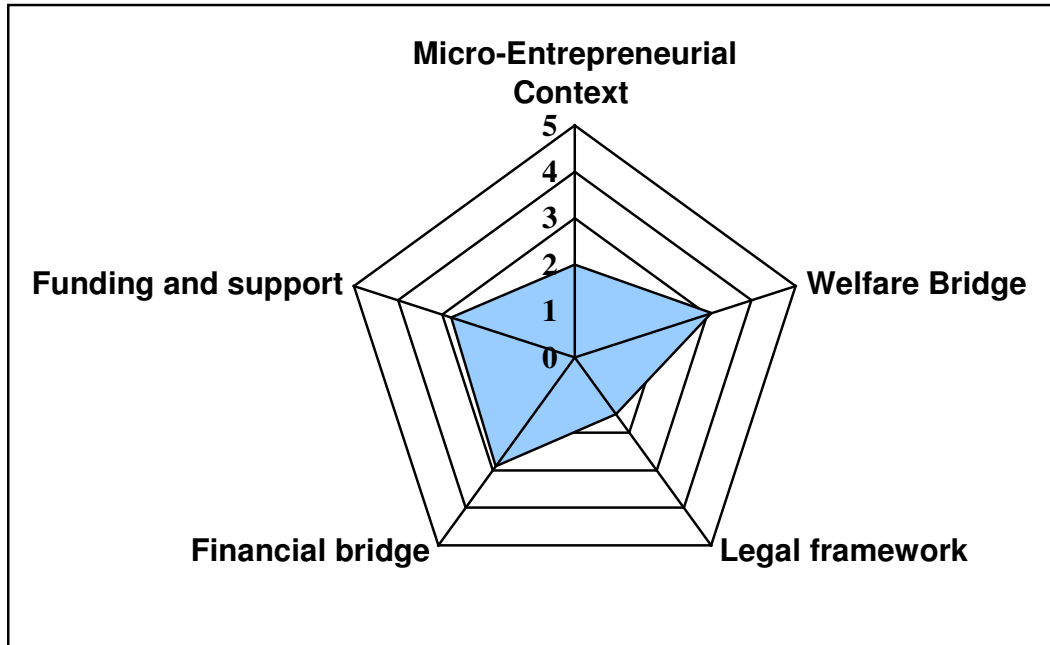
Key Data 2005	
GDP growth	2,5%
% of self-employed/active population	11,6%
Unemployment rate (2005)	9,5%
Risk of poverty as % of total poulation	15%
National proportion of Nascent entrepreneurs (GEM)	

Source: Eurostat; GEM

Germany is a federal republic with approximately 82 million inhabitants.

Overall, the entrepreneurial context in Germany exhibits various deficiencies. After years of slow growth the economical dynamic has strengthened in 2006, but entrepreneurial activity remains slow, due to missing entrepreneurier spirit and abilities in the population. Overall, the policy for micro-enterprises in Germany isn't as supportive as for SMEs and lacks outreach and impact. The transition into self-employment still presents a considerable risk to people who receive welfare benefits. Government programmes that migigate that risk are in place, but lack the right design to support people at risk of poverty. The legal framework for micro-finance providers in Germany is very restrictive, the bottleneck being the bank status regulation. Therefore the financial sector in Germany is characterised by a strong local banking culture, but a rising access threshold for socially excluded people and microentrepreneurs. In general you could say that there is a cultural problem in Germany that prevents seeing the social purpose in a revolving loan fund. The business world and the social world are culturally not linked, particularly not in banking. Overall, the funding structures in Germany aren't very supportive for micro-credit providers.

Dimensional Scores



Dimension A	Micro-Entrepreneurial Context	2,0
Subdimension A.1	Macro-Economic situation	1,3
Subdimension A.2	Entrepreneurial culture/economic ecology	2,0
Subdimension A.3	Public support of micro-entrepreneurism	2,5
Subdimension A.4	Diversity of entrepreneurship	2,0
Dimension B	Welfare Bridge	3,1
Subdimension B.1.	Inactivity trap	4,0
Subdimension B.2	Welfare Regime / National Labour Market Policy	2,3
Subdimension B.3	Self-employment out of unemployment	3,0
Dimension C	Legal framework for microfinance activity	1,5
Subdimension C.1	Specific regulation on micro-finance activity	1,0
Subdimension C.2	Usury regulation	3,0
Subdimension C.3	Institutional Variety	1,0
Subdimension C.4	Regulation for Non-for-profit NGOs	1,0
Dimension D	Financial bridge	2,9
Subdimension D.1	Banking sector: Small lending culture and infrastructure	5,0
Subdimension D.2	Microfinance sector: Existence and impact of MFIs	2,5
Subdimensions D.3	Public sector: Financial support for microenterprises and self-employed (without grants)	3,0
Subdimensions D.4	Cooperation between sectors	1,0
Dimension E	Funding and support for MF	2,8
Subdimension E.1	Growth operating margin: possibility for financial self sufficiency	4,0
Subdimension E.2	Public support for microfinance activity	3,0
Subdimension E.3	Donor culture and bank support	2,0
Subdimension E.4	National allocation of EU-Funds	2,0

Policy tools

Here, we make the distinction between:

- the tools, practical examples and policies that Germany can bring in as an example for the other European countries
- the tools, practical examples and policies that might be useful for Germany to make use of from other investigated European countries

The lessons learned from Germany are:

- The usury regulation of Germany supports MFIs and takes care of consumer protection issues at the same time. That could ease problems in France, UK and Poland for example.
- The experience with the German “Ich-AG” shows, that a financial income bridge from unemployment to self-employment is a success in terms of demand: hundred thousand new self-employed persons! However, it has to be designed carefully to avoid free-riding effects and has to be flanked with an entrepreneurship fostering policy of the employment agencies to achieve real impact. Crucial is also that the employment agencies push less and pull more into self-employment in their day to day advise sessions. Regional ideas to run assessment centers are the way forward to find a lot of new entrepreneurs but do not push hopeless cases into it.

The lessons for Germany to be learned from other European countries are in the field of:

- Bank regulation: An exception clause in the national bank regulation for social banking (like in France) would help to open the financial market for financial actors with an explicit focus on banking the socially excluded and would surely stimulate the MFI-sector (as seen in Poland with full freedom and France where ADIE grows to a very successful West European micro-lender).
- Involvement of saving banks in microfinance: In the light of the strong saving bank sector in Germany, it seems conceivable, that an involvement of saving banks in microfinance like in Spain, would have a strong impact on the financial inclusion of self-employed and excluded people. In Spain the saving banks have explored microfinance as a new business sector: La Caixa, the largest saving bank started 2004 a nationwide product distribution. Caixa de Catalonia started already 2001 a daughter company to pilot micro finance. Some German saving banks cooperate with microfinance organisations already, but so far invade the market not themselves.