



# Free and Hanseatic City of Hamburg

## Ministry for Economics and Labour Affairs

### **Directives from the Ministry for Economics and Labour Affairs on support of the establishment of microenterprises by jobless people**

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#### **1. Purpose of support, legal basis**

On the basis of these Directives pursuant to article 44 of the State Budget Ordinance (Landeshaushaltsordnung) and the administrative rules which have been issued thereto, the Free and Hanseatic City of Hamburg will grant support to people who are out of work or threatened by unemployment.

Support can be granted on the basis of a written application.

The applicant has no automatic right to receive support. It is instead the task of the granting authority to make a decision at its discretion after due assessment of the circumstances and in view of the available budget funds.

#### **2. Businesses eligible for support**

The aim is to promote the establishment of commercial or professional microenterprises by granting a loan for investment and working capital and, where appropriate, through making advisory services available.

The types of business which are excluded on principle from the scheme are mobile sales stands, activities within the framework of multi-level marketing schemes, financial advisory services or the brokering of financial or telecommunications services, import and export transactions and similar areas of business. Nor may support be given for new start-ups or taking over an existing enterprise if these are essentially based on legal transactions between close relatives or people living together in one household.

#### **3. Who is entitled to apply**

Natural persons are entitled to apply if their main place of residence has been registered in Hamburg for at least three months. The applicant must be unemployed or threatened by unemployment and may not have been engaged in any form of self-employment immediately prior to submitting the application (i.e. this will generally mean the three-month period prior to the date of application).

#### **4. Prerequisites for support**

The applicant must have sufficient knowledge of a professional and commercial nature, be able to produce a viable concept for a business (including a schedule of investment and budget needed) and be personally able to offer sufficient guarantee that he/she will fulfil the contractual duties entered into and be in a position to ensure the newly founded enterprise can work successfully.

The start-up enterprise must have its registered office in Hamburg.

As a rule support may only be granted if in the two years prior to the application the Applicant has received no start-up aid under the provisions of the Social Code SGB II or SGB III (enterprise start-up grant, transition payments) or under the provisions of this Regulation.

#### **5. Nature and amount of support**

##### **5.1. Type of support**

To promote the project, investment and working capital loans may be granted of up to 12,500 € per person and up to 25,000 € per company, if two people are founding a joint company. The prerequisite for granting a loan to a joint company is that the people are neither related to each other nor living in a common household. Moreover, the newly founded enterprise must represent the major source of earned income to both people.

The total capital requirements of the enterprise that is to be established should not be in excess of 25,000 € per person or 50,000 € per enterprise.

A loan will only be granted to cover the shortfall between total capital requirements and the Applicant's private funds.

##### **5.2. Type of funding**

Support will be granted as a fixed sum.

##### **5.3. Form of support**

Amount: a loan up to a maximum of 12,500 € per person and no more than 25,000 € per enterprise (if two entitled people file an application).

Repayment: after a maximum of twelve months without capital repayment, the loan is to be repaid within five years at the most in equal quarterly instalments (annuity loan).

Interest rate: the nominal rate of interest is based on the base rate of interest at the time the loan is granted pursuant to art. 247 Civil Code, plus a fixed additional rate of six and a half percentage points. The nominal rate of interest will remain fixed for the

entire currency of the loan agreement, including the capital repayment-free period.

Security: transfer of title of ownership as security or assignment of fixed or financial assets (if available and suitable).

## **6. Other provisions for support**

An application must be made before the start of the project.

In individual cases the grant of the loan may be conditional upon the Applicant undertaking to seek suitable business advice and to prove that he/she has done so.

The loan recipient is obliged to assist whenever the Ministry for Economics and Labour Affairs or any third parties authorized by the Ministry undertake steps to check the success of the business enterprise.

## **7. Procedures**

### **7.1. Application procedure**

Applications for support may be submitted to the Johann Daniel Lawaetz-Stiftung, Neumühlen 16-20, 22763 Hamburg. Here an initial check will be made (e. g. whether the application is complete and plausible) before the application is sent to the Ministry, i.e. Behörde für Wirtschaft und Arbeit, Abteilung Arbeitsmarktpolitik (Labour market policy department), Alter Steinweg 4, 20459 Hamburg, where the final decision will be made.

The application must include the following documents:

- (1) A business concept;
- (2) Investment and budget plan including liquidity planning;
- (3) The founder's CV/Resumé;
- (4) Founder's disclosure of financial status;
- (5) If necessary: concession or official permit;
- (6) Schufa (credit rating institution) report on the founder;
- (7) Copy of identity card;
- (8) Copy of benefits statement for unemployment benefits Alg I or Alg II.

The Ministry for Economics and Labour Affairs will check whether the applicant is entitled to support and may ask the applicant for more documents if deemed necessary, (e. g. a tax clearance certificate).

### **7.2. Granting procedure**

The Ministry for Economics and Labour Affairs will decide on the applications at their discretion in due consideration of the circumstances.

The loans will be granted on the basis of a written contract. The contract will, for example, state the purpose of the loan and the dates by which the recipient of the loan is to demonstrate that it has been used for the purpose for which it was

intended.

### **7.3. Procedure for calling on the loan and disbursement**

As a rule the Ministry for Economics and Labour Affairs will disburse the loan that has been granted in one single payment. Payment will be by bank transfer no earlier than four weeks before the date on which it is required by the Applicant in accordance with his investment and budget plans.

### **7.4. Procedure for documenting correct use**

The loan is granted on condition that the recipient undertakes to furnish evidence to the Ministry for Economics and Labour Affairs no later than six months after disbursement showing what the loan has been spent on.

This proof of usage will consist of a statement of facts and documentation on revenues and expenditure.

### **7.5. Applicable regulations**

The support given under this Regulation constitutes a subsidy within the meaning of the Federal Law on Subsidies dated 29 July 1976.

Improper acceptance of the loan is a criminal offence under art. 264 of the Criminal Code in conjunction with art. 2 of the Federal Law on Subsidies and art. 1 of the Hamburg Subsidies Act of 30 November 1976.

The granting, disbursement and repayment of the loans, proof of usage and checks thereon, likewise any cancellation of loans and demands for repayment of the loan sum which may become necessary, are governed by the general collateral provisions relating to support of the promotion of projects and Hamburg's Administrative Procedures Law, unless this Regulation permits anything at variance thereto.

## **8. Entering into effect**

These Directives enter into effect on 01 April 2006 and end on 31 December 2008. They replace the Joint Regulation issued by the Ministry of Economics and Labour Affairs and the Hamburg Agency for Labour on Support of the Establishment of Microenterprises by the Unemployed, including Recipients of Alg II Unemployment Benefits as defined in the Social Code SGB II, which came into force on 01 March 2005.