



FRIDGE

Development of food industry SME competitiveness for better potentials in growth

Report on self-assessment of the regional policies Region of Bavaria

March 2020

The aim of this overview is to provide a good insight into the funding opportunities for SMEs. A matrix on the financial instruments is provided to give an insight into the use of the systems. Then a brief list of the major actors behind the support system is given. The list does not claim to be complete. Finally, a short assessment and comments on challenges are given.

1. Regional Policies and SMEs of food and drink sector in Bavaria, Germany

This study is based on two pillars:

A. **Main financial instruments – policies** that support SMEs of food and drink sector and especially those that promote competitiveness and exports

B. **Key actors of the support system** whose position and interactions are critical for the subject of the project (competitiveness and exports of regional food and drink companies)

The acronyms used in the following are:

Abbreviation	German term	English term
StMFH	Bayerisches Staatsministerium der Finanzen und für Heimat	Bavarian State Ministry of Finance and for Home
StMWI	Bayerisches Staatsministerium für Wirtschaft, Landesentwicklung und Energie	Bavarian State Ministry of Economics, Regional Development and Energy
StMELF	Bayerisches Staatsministerium für Ernährung, Landwirtschaft und Forsten	Bavarian State Ministry of Food, Agriculture and Forestry
LfA Förderbank	Landesförderinstitut	State Development Institute
KErn	Kompetenzzentrum für Ernährung	Competence Center for Nutrition
BMEL	Bundesministerium für Ernährung und Landwirtschaft	Federal Ministry of Food and Agriculture
ERDF	Europäischer Fonds für regionale Entwicklung	European Regional Development Fund
ELER	Europäischer Landwirtschaftsfonds für ländliche Entwicklung	European Agricultural Fund for Rural Development

1.1. Main Financial Instruments supporting SMEs in food sector in Upper Franconia

Companies in Upper Franconia and all of Bavaria can get mainly support from 3 different instances. For a better overview, the funding programme and its actors are presented in the following table according to regional, national or international level. At the regional level, the Bavarian State Ministries are primarily responsible. The "LfA Group" is the responsibility of the StMWI.

The financial instruments are linked to the respective websites, if possible, in the language mentioned:

located support for our region	financial instruments in English	original declaration with Link to website in German	support is provided primarily by
regional support	Funding Guide	Förderwegweiser	StMWI and LfA
	Measures to strengthen the processing and marketing of agricultural products	Maßnahmen zur Verstärkung der Verarbeitung und vermarktung landwirtschaftlicher Erzeugnisse (VUV)	StMELF
	State develop Bavaria	Landesentwicklung Bayern	StMWI
	Bavaria innovative	Bayern innovativ	StMWI and LfA
	Bavarian Food Cluster	Cluster Ernährung	StMELF and KErn
	Regional Management	Regionalmanagement	StMWI
national support	Enterprise value: human resources	unternehmensWert: Mensch	BMEL
International support	LEADER	LEADER 2014 - 2020	ELER
	EU structural funding		ERDF
	Horizon 2020	Horizont 2020	EU funding & private investments

Support on regional level (Bavaria):

1.1.1. Funding Guide

The LfA and the Bavarian State Ministry of Economics, Regional Development and Energy in Bavaria have been offering a wide range of support for SMEs for decades. In 2018, the development bank was able to commit around EUR 1.9 billion in promotional program loans for around 4,700 SMEs. The numbers suggest that the LfA's offer is well received and adapted to the needs of Bavarian SMEs. The central aim of Bavarian economic policy is to offer the best possible conditions to companies of all sizes and ages, e.g. established SMEs, start-ups and large entrepreneurs.

The funding opportunities for small and medium-sized enterprises in Bavaria include business start-up and business succession, promotion of investments, location support, advice, research, innovation and technology, energy support programs, risk relief, foreign trade, consolidation aids and labour market policy assistance.

All companies should find a supportive business environment in the Free State of Bavaria in order to remain competitive and be able to stay in the market.

The strategy for achieving this goal is a diverse range of support services tailored to the respective company situation. This includes an offering of newly founded, acquired, expanded or modernized companies.

1.1.2. Measures to strengthen the processing and marketing of agricultural products

The aim of Bavarian agricultural policy is to strengthen the rural area as an independent and diverse living space. With the VuVregio and VuVöko parts of the program, the VuV programme supports projects of small regional enterprises in the areas following agricultural production, which serve to strengthen the processing and marketing of regional and regional organic products and regional cycles.

Conditions for funding:

- At least two of the following basic criteria must be met:
 - strengthening the processing and marketing of regional or local organic agricultural products
 - improving the product quality of regional or local organic products
 - Securing existing jobs or creating new jobs in the regional or local organic food industry
 - Improving environmental protection, nature conservation and animal welfare
- The profitability of the planned project is given.
- The overall financing of the project is secured.
- The project must not have been started before approval.
- The majority of products must be purchased from producers or producer groups in the region for at least 5 years after completion of the project.

Receivers of the grants may be producer groups and associations of such groups, producer associations and processing and marketing enterprises.

The VuVregio programme is delimited by the amount of eligible expenditure up to EUR 250,000.

Support is granted for investments in the processing and marketing of agricultural products:

Collection, storage, slaughter, refrigeration, sorting, processing, packaging, labelling, preparation and marketing in line with market requirements and single expenditure on preparation and development, including the implementation of marketing measures

Grants:

- The grant is up to 20 % of eligible expenditure (VuVregio).
- The grant amounts to up to 25 % of eligible expenditure if the applicant submits and implements a conclusive concept for processing and marketing regional premium products.
- In the case of exclusively organic farming in accordance with the Organic Farming Regulation, the subsidy amounts to up to 30 % of the eligible expenditure (VuVöko).
- The volume of funding per project is limited to a maximum of EUR 250,000 for investments and EUR 50,000 for single expenditure (marketing measures).
- Subsidies will not be granted if the eligible expenditure is less than EUR 25,000 for investments or EUR 5,000 for single expenditure (marketing measures).
- For investments in the anaesthetization of slaughtered animals, the minimum investment amount (net) is 5,000 € if the investment is put into

1.1.3. State development Bavaria

The central tasks of state development is to support, order and secure Bavaria and its sub-areas. The main objective is to create and preserve equal living and working conditions in all parts of the state.

The standard of state development is sustainability, which means that economic, ecological and social/cultural concerns must be given equal priority and balanced with each other.

Rural development is particularly concerned with

- strengthening Bavaria's competitiveness at national and international level,
- the preservation of the basis of life, healthy environmental conditions, ecological functions and natural beauty of our country,
- the coordination and harmonization of different space usage requirements,
- the initiation of development impulses and
- the regional/infrastructural conditions for development in all parts of the country.

1.1.4. Regional Management

As an instrument of state development, regional management makes an important contribution to improving the quality of life in the region by establishing regional interdisciplinary networks in districts and independent towns. These networks are intended to make optimum use of the existing potential in sub-regions and strengthen their autonomous development in the long term. The aim is to compensate for the weaknesses of a region as far as possible and to secure and further improve existing strengths. The support is based on action plans and by using project

managers in the region, so-called regional managers, regional management shapes development through project and networking.

Responsibilities:

The regional management pursues a multidisciplinary and cross-sectoral approach.

It systematically takes up the idea of networking and focuses on the interaction between business and science and other possible networking partners in the region.

In particular, the relevant stakeholders from business, politics and administration should be involved. At the same time, networking is also intended to stimulate and promote regional participation processes.

The tasks of regional management include

- Development and implementation of defined projects of the region
- Establishment, maintenance and consolidation of a network of contacts to existing local initiatives and between companies, universities, chambers, associations, service providers and capital providers etc.
- Promotion of an active transfer of opinion, knowledge and know-how
- Coordination with as many development strategies and initiatives currently being implemented in the region as possible
- Introduction of regional projects to funding programs at EU, federal and state level
- Implementation of and participation in events on important topics of the region.

The tasks are not final and must be adapted or supplemented according to the needs of the specific region.

Financial support:

The basis for funding is the Förderrichtlinie Landesentwicklung (FöRLa) which belongs to the Bavarian State Ministry of Finance and for Home (dt. Bayerisches Staatsministerium der Finanzen und für Heimat – StMFH). The funding period is three years. Depending on the achievement of objectives and the development status of the funded projects, the support can be continued for a further three years. The funding amount per year and initiative is generally 100,000 €. Regional management and cooperations of more than two administrative districts that are mainly located in areas with a special need for action can receive a supplement of up to 50,000 € per funding year, i.e. to a maximum of 150,000 € per year. This funding amount is also possible for conversion management in the case of particularly affected districts. Funding is provided in the form of partial financing as a grant within the framework of project funding. Project costs, including the personnel expenses required for project implementation, are eligible for funding. The subsidy rates are scaled. The basic funding rate is 50 %. Increases in subsidies are dependent on certain conditions. The maximum subsidy rate is 90 %. In addition, the subsidies are linked to topic-related projects from selected future topics of land development.

1.1.5. Bavaria innovative

An important element of the work of Bayern innovativ is the support programs for future projects. This includes creating transparency about funding opportunities and access to funding sources – at Bavarian, national or European level. Bayern innovativ offers advice to companies, research facilities, founders and institutions on suitable funding programs for their future projects. Furthermore, Bayern innovativ is the project sponsor of several Bavarian funding programs: Project Management Agency Bavaria and Enterprise Europe Network.

1.1.5.1 Project Management Agency Bavaria

The Bavarian State Ministry of Economic Affairs, Regional Development and Energy has given the project sponsor Bavaria from Bavaria innovative the responsibility of implementing numerous technology development programs.

They support innovative projects from application to successful conclusion. In addition, the Project Management Agency Bavaria act as a funding pilot and is the first point of contact for questions regarding technology-oriented funding programs of the Free State of Bavaria, the federal government and the EU. Companies, research institutions and founders are informed intensively and relevant contact persons of the Bavarian Research and Innovation Agency and other project sponsors are arranged.

The Bavarian support programs also include "Technology-Oriented Start-Ups" (BayTOU), the Bavarian Technology Support Program plus (BayTP+) and the Bavarian Alliance Research Program (BayVFP) as well as many other support programs.

1.1.5.1.1 Bavarian support program "Technology-oriented start-ups" (BayTOU)

This programme provides support for business start-ups and young technology companies.

With the program for the support of technology-oriented start-ups, the Bavarian State Government assists company founders and young technology companies in the development of new products, processes and technical services as well as in the development of a business concept. The aim of the funding is to encourage the establishment of companies in promising technology sectors and thus contribute to the creation of highly qualified jobs and to strengthening the competitiveness of the Bavarian economy.

Support is available for development projects aimed at building and strengthening the technological base of start-ups and small enterprises.

Funding can be provided in two phases:

- Elaboration of a technological concept for the foundation of a company
- Implementation of a development project up to the prototype

1.1.5.1.2 Bavarian Technology Promotion Program plus (BayTP+)

The aim of the Bavarian Technology Promotion Programme plus is to provide support programs for medium-sized companies.

With this program, the Bavarian State Government supports companies in the development of new products and the application of modern technologies and their accelerated introduction.

Development projects that meet one of the following criteria are supported:

- Development of technologically new or significantly improved products, production processes and/or knowledge-based services
 - Phase I: from the idea to the first basically functional sample (pre-prototype)
 - Phase II: from the pre-prototype to a prototype fulfilling all functions
- Site-relevant technology projects which are of special strategic importance in terms of employment effects, economic benefit, technological ambition or the strategic importance of the technology for Bavaria as a business location.

These projects are supported in the form of financial assistances.

In addition, projects involving the application of new technologies that have not yet established themselves in the relevant sector may be supported in the form of a loan.

1.1.5.2 Enterprise Europe Network

In 2008, the European Commission launched the Enterprise Europe Network. With around 600 organisations in all EU Member States and over 20 other partner countries, the Enterprise Europe Network (EEN) is the largest support network for small and medium-sized enterprises. Due to funding by the European Commission and regional co-financing, most of the network's offers and services are free of charge.

The goal of Bayern innovativ as a partner in the Enterprise Europe Network as a driving force is the strategic orientation of companies to access European markets and increase their innovative ability.

The offer includes transnational cooperation initiation through participation in cooperation exchanges and business trips, transnational technology transfer through the search for business and project partners, increasing competitiveness through the development of foreign markets, securing economic success through the analysis of the innovation management of SMEs and support in the generation of new ideas.

Particular benefits are gained through the value added by the cooperation of companies and scientific institutes in the European environment, through the exchange of information and experience between countries and through interdisciplinary networking.

1.1.6. Bavarian Food Cluster (connected to the Competence Center for Nutrition)

The Bavarian Food Cluster is a platform for those involved in the agricultural and food industry in Bavaria. The Food Cluster supports innovative projects and pilot projects of Bavarian food companies. Additionally, there is a special focus on funding marketing tools for national associations and food cooperatives.

The cluster is also networked internationally and offers access to export markets, trips abroad and international trade fairs through the cooperation with the "agency for food products from Bavaria" („Agentur für Lebensmittel - Produkte aus Bayern“ (alp Bayern)) and Bayern International.

The cluster plans numerous events, and projects on regional association, qualification and innovation:

Regional association:

The Bavarian Food Cluster supports regional actors, producers, and interest groups in setting up and developing regional value chains. Whether brands or logo development, trade fair presentations, and training offers or the development of quality criteria or certification procedures.

Qualification:

The "Genussakademie Bayern" (engl. Indulgence Academy) forms a pillar of the "Premium Strategy Bavaria" of the Bavarian State Ministry of Food, Agriculture and Forestry, initiated in 2017. Under its umbrella, professionals working in the food industry will find practice-oriented qualification courses on all aspects of culinary pleasure and taste development. The courses



range from one-day workshops with a broad diversity of topics to sommelier classes lasting several weeks.

Ennovation:

The innovation series of the Bavarian Food Cluster strengthens, together with companies, associations, universities and colleges, the Bavarian food industry. In branch specific and cross-branch events, the latest insights and research findings from science are prepared in a way which is relevant for practice for companies and, in this way, made available for use in an innovative way.

Support on national level (Germany):

1.1.7. Enterprise value: human resources – BMEL

The "unternehmensWert:Mensch" programme is a support program of the Federal Ministry of Food and Agriculture (BMEL). They offer consulting services to small and medium-sized enterprises for a sustainable personnel policy. Demographic change, sickness-related bottlenecks or a shortage of junior staff – the personnel requirements for companies are manifold, and retaining skilled workers is a challenge that spans all industries. However, small and medium-sized companies often lack the resources to react with tailor-made strategies. This is where the program *unternehmensWert:Mensch* comes in.

It is a support program that helps companies to create a sustainable personnel policy with a low degree of difficulty. With the participation of the employees, professional process consulting is used to initiate sustainable changes. With the participation of the employees, professional process consulting is used to initiate sustainable changes.

Target groups are small and medium-sized companies that want to develop forward-looking and employee-oriented personnel strategies.

Funding: the program grants 50 or 80 percent of the consulting costs depending on the size of the company. The remaining costs are covered by the companies themselves. Consulting directly in the company can last a maximum of ten days and cost a maximum of 1,000 euros per consulting day.

The following conditions shall be considered as eligibility criteria:

- Seat and place of work in Germany
- Annual turnover less than EUR 50 million or annual balance sheet total less than EUR 43 million
- Less than 250 employees
- At least one full-time employee subject to social insurance contributions
- At least two years of existence of the company

Support on International level (EU):

1.1.8. EU structural funding 2014–2020

A central policy issue of the European Union is cohesion and structural policy, which provides about one third of the EU budget. The objective is to improve living conditions in the various European regions by investing in key areas of action. The European Union supplies the necessary financial resources for this through various structural funds. One of these funds is the European Regional Development Fund (ERDF).

In Bavaria, the European Regional Development Fund supports the funding objectives "Investments in growth and employment" and "European territorial cooperation (INTERREG V)" in the funding period 2014 to 2020.

In order to achieve these objectives, EU funds of around 495 million euros are available for investments in Bavaria. A total of 197 million euros from Europe will be used for transnational projects within the framework of INTERREG, especially in the Bavarian border regions.

ERDF-financed activities contribute to strengthening economic, social and territorial cohesion by correcting the main regional imbalances. On the one hand, the regional economies are to be developed and structurally adapted. On the other hand, cross-border, transnational and interregional cooperation is to be supported in order to contribute to sustainable territorial development.

1.1.8.1 Investments in growth and employment (IWB)

Bavaria will receive EU funding of around 495 million euros from the European Union for the ERDF programme under the objective "Investments in Growth and Employment" (IWB) from 2014 to 2020.

These funds will be used to strengthen the innovation and competitiveness of the economy and to support sustainable regional economic areas. At the same time, they also ensure the creation of equal living and working conditions and equal opportunities in all Bavarian regions and give people comparable starting and development opportunities. This is particularly important in terms of the challenges resulting from demographic change.

Accordingly, demographic development and the respective regional labour market and social welfare factors are the determining parameters for the definition of a new "ERDF priority area" in the 2014 to 2020 programming period. 60 % of future ERDF funding is reserved for a new priority area covering around 30 % of the Bavarian population.

The programme will be implemented in five funding areas:

- Strengthening research, technological development and innovation
- Strengthening the competitiveness of small and medium-sized enterprises
- Climate protection
- Flood protection
- Sustainable development of functional spaces

1.1.8.2 European Territorial Cooperation – Interreg

The European Territorial Cooperation is in the funding period 2014–2020 and is part of the cohesion and structural policy of the European Union and promotes cooperation between the regions in Europe. Its aim is to strengthen harmonious, balanced and sustainable development, as well as European cohesion and competitiveness.

European Territorial Cooperation covers three pillars:

- INTERREG A: cross-border cooperation between partners from at least two countries in a common border area
- INTERREG B: transnational cooperation between partners from several Member States in so-called cooperation areas

- INTERREG EUROPE: interregional cooperation between partners from several Member States EU-wide

The thematic orientation as well as all rules for application and funding is laid down in the respective "Cooperation Programs". Cooperation takes place in projects which are usually developed "bottom-up". In each project there is a partner with a leading responsibility, the "lead partner".

The Member States are responsible for the European Territorial Cooperation programs. All decisions are taken jointly by the Member States participating in each programme. For each programme there is a Joint Managing Authority in a country participating in the programme. A total of EUR 8,948 million is available for European Territorial Cooperation from the European Regional Development Fund for the period 2014–2020.

1.1.9. LEADER

Through the EU program Leader (motto: Citizens shape their homeland), Bavaria supports its rural regions on the path to self-determined development. Leader is a funding instrument that is not only aimed at several municipalities, but also at cooperation and cohesion between entire regions. Through Leader, the State of Bavaria supports above all innovative projects and measures for the independent development of rural regions. LEADER (French: Liaison entre actions de développement de l'économie rurale, English: Link between actions to develop the rural economy) has supported innovative actions in rural areas since 1991. The support is not limited to the food sector. The aim is to support the rural regions of Europe on their way to independent development. The programme is financed by the European Agricultural Fund for Rural Development (ELER).

For the funding period 2014–2020, 68 Local Action Groups (LAGs) are recognised. This means that the Bavarian LEADER area covers 86 % of the state area and 58 % of the population. Around 115 million € of EU and state funds are available for the projects.

LEADER is a region-based development approach based on the basic idea that each region has its own special features and potential, which should be discovered and developed as an opportunity for an independent profile and a stronger identification of the population with their region. A precondition for taking up such opportunities is a broad participation of private and public regional actors. This requires the mobilisation of regional self-initiative. The actors jointly develop a strategy for finding and using regional development potentials. The fields of action, objectives and projects are presented in a Regional Development Concept (LES).

Content characteristics for funding:

- LEADER funding is granted as project funding (grants) by partial financing.
- In the case of productive investments (with the intention of making a profit), the subsidy amounts to a maximum of 40 % of the eligible expenditure.
- In the case of projects implementing the local development strategy, the grant amounts to a maximum of 60 % of acceptable expenditure.
- For inter-territorial cooperation projects with other Local Action Groups (LAG), the maximum grant is 70 %, transnational 80 %.

- As a rule, projects may not have been started before approval. In individual cases, the granting authority may agree to an early start of measures.
- Funds from other donors will be used to finance the fundable expenditure, provided that they are included in the financing plan attached to the application for funding. If such funds are added at a later date, they must be deducted proportionally from the LEADER funding as additional covering funds.
- Applicants must in principle contribute at least 10 % of the eligible expenditure from their own funds.
- Own contributions may be recognised as eligible expenditure under certain conditions.
- Expenditure on replacement purchases, repairs and current operating expenditure such as telephone charges, rents, leases, equipment, interest, leasing costs, etc. is not eligible. The printing of books, maps, brochures etc. is only eligible for funding if they are supplied free of charge. Expenditure on the purchase of used technology and equipment is not eligible for funding.
- In principle, grants for projects are limited to € 200,000 per project. The LAG can decide to exceed this limit if the project in question contributes to more than one development and action goal of the LES and achieves at least 80 % of the maximum number of points in the project selection procedure.
- Projects with a grant of less than € 3.000 will not be granted.

For LEADER, partnerships between communal, economic and socially engaged actors in the region are important. The Local Action Groups are also in the focus of LEADER. They are responsible for drawing up and implementing the Local Development Strategy in their respective regions and carry out the project selection procedure for LEADER independently. They decide which projects are to be supported by LEADER based on their project selection criteria.

It is therefore important that the locally responsible action groups are involved in the project development at an early stage. During project implementation, the applicant is obliged to provide them with necessary information on request.

Whether a project will be funded depends on certain selection criteria. These mandatory criteria include aspects such as an Innovative approach of the project, environmental contribution, contribution to the mitigation of climate change/adaptation to its effects, reference to the topic of demography, level of networking, experience value and so on.

1.1.10. Federal Ministry of Education and Research – Innovation in SMEs

Support to SMEs does not necessarily have to be provided through direct funding. In the context of Horizon 2020 and beyond, there are some calls for proposals and support programs aimed at organisations such as cluster initiatives, business development agencies or banks from which SMEs can benefit indirectly.

These are usually coordination and support measures that help to improve the business environment for SMEs. The INNOSUP (innovation support for small business) measures are only suitable for individual enterprises to a very limited extent, but aim at networking advisory and support institutions for the target group of SMEs. In addition, in order to provide targeted support to companies to bring their innovations faster to market, a number of EU instruments for direct innovation support have been introduced in Horizon 2020. The European Union is making

available a total of approximately 77 billion € in funding in Horizon 2020. In all funding areas, an appropriate participation of SMEs is aimed for. In the programme priorities industrial and key technologies and societal challenges, 20 % of the funding is planned for SMEs.

The Enhanced European Innovation Council Pilot (EIC Pilot) brings together the most important EU instruments for promoting innovation. These range from innovative technology research to market-oriented project funding and risk financing instruments. The funding instruments are open-ended and target market-creating innovations that prepare the way for radically new, groundbreaking products, services, processes and business models.

1.1.10.1 INNOSUP

Support to SMEs does not necessarily have to be provided through direct funding. In the context of Horizon 2020 and beyond, there are a number of calls for proposals and support programs aimed at organisations such as cluster initiatives, business development agencies or banks from which SMEs can benefit indirectly. These are usually coordination and support measures which help to improve the business environment for SMEs. The INNOSUP measures are only suitable for individual enterprises to a very limited extent, but aim at networking advisory and support institutions for the target group of SMEs.

<https://www.nks-kmu.de/ausschreibungen-innosup.php>

1.1.10.2 European Innovation Council (EIC)

The European Innovation Council Pilot brings together the main EU instruments for promoting innovation. These range from innovative technology research to market-oriented project funding and risk financing instruments. Applicants can propose the topics of the projects for the most part themselves.

The European Innovation Council (EIC) is to provide more targeted support for innovation at EU level from 2021. It brings together the most important EU instruments under one roof. The European Commission's aim is to bring innovations to market more quickly and thereby create growth and jobs.

Already in the last program period of Horizon 2020 from 2018, the essential elements of the EIC will be tested as an "extended EIC pilot" with its own work program. This will create the basis for the EIC "umbrella brand" and set the course for the next framework program for research and innovation, "Horizon Europe". In most cases, already established instruments will be continued under a new name. The funding instruments are kept open to topics and also offer scope for interdisciplinary ideas. They are aimed at market-creating innovations that pave the way for radically new, groundbreaking products, services, processes and business models. They are intended to open up new markets with great growth potential in Europe and beyond.

<https://www.nks-kmu.de/foerderung-eic.php>

1.1.11. Horizon 2020

Horizon 2020 is the biggest EU Research and Innovation program ever with nearly € 80 billion of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market.

Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness.

Seen as a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the members of the European Parliament. They agreed that research is an investment in our future and so put it at the heart of the EU's blueprint for smart, sustainable and inclusive growth and jobs.

By coupling research and innovation, Horizon 2020 is helping to achieve this with its emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation.

Horizon 2020 is open to everyone, with a simple structure that reduces red tape and time so participants can focus on what is really important. This approach makes sure new projects get off the ground quickly – and achieve results faster.

The EU Framework Program for Research and Innovation will be complemented by further measures to complete and further develop the European Research Area. These measures will aim at breaking down barriers to create a genuine single market for knowledge, research and innovation.

For the first time, all parts of the program were combined into one overall programme, as described in the following:

- EU Research Framework Programme (FP)
- Framework Programme for Innovation and Competitiveness (CIP)
- European Institute of Innovation and Technology (EIT)

The main focus is on addressing the major societal challenges up to 2020.

"Promotion of innovation" is the buzzword of this decade, and it runs like a red thread through all current research funding. The aim is to bridge the gap between knowledge and marketability, in particular by increasing the participation of SMEs.

1.2. Matrix of Financial Instruments supporting food and drink businesses

Matrix of Financial Instruments supporting food and drink businesses in Upper Franconia/Bavaria, including an utilization rate estimation until 2020.

Financial Instrument	Objective	Priority sectors	Fields/Territorial context	Structural Funds	Utilization rate estimation by food and drink businesses
funding guide	to offer the best possible conditions to companies of all sizes and ages	newly founded, acquired, expanded or modernized companies	Business start-up and business succession, promotion of investments, location support, advice, research, innovation and technology, energy support programs, risk relief, foreign trade, consolidation aids and labour market policy assistance	Bavarian State Ministry of Economics, State Development and Energy StMWI	high
Measures to strengthen the processing and marketing of agricultural products VUV-Program	Measures to strengthen the processing and marketing of agricultural products	Bavarian agricultural policy; Support small regional enterprises	Support is granted for investments in the processing and marketing of agricultural products: Collection, storage, slaughter, refrigeration, sorting, processing, packaging, labelling, preparation and marketing in line with market requirements	Bavarian State Ministry of Food, Agriculture and Forestry StMELF	high

			and single expenditure on preparation and development, including the implementation of marketing measures		
State development Bavaria	Support, order and secure Bavaria and its sub-areas; create and preserve equal living and working conditions in all parts of the state	All sectors	Sustainability, economical, ecological, social and cultural aspects	Bavarian State Ministry of Food, Agriculture and Forestry StMELF	medium
Regional Management	Improving the quality of life in the region by establishing regional interdisciplinary networks in districts and independent towns; Aim is to compensate the weaknesses of a region as far as possible and to secure and further improve existing strengths	Including development and implementation of defined projects of the region; relevant stakeholders from business, politics and administration should be involved	Multidisciplinary and cross-sectoral approach, networking and focusing on the interaction between business and science	Bavarian State Ministry of Finance and for Home StMFH Förderrichtlinie Landesentwicklung (FöRLa)	medium
Bavaria innovative	Support programs for future projects; Creating transparency about funding opportunities and access to funding sources	They support innovative projects in all sectors, not only food sector	Project Management Agency Bavaria and Enterprise Europe Network	Bavarian State Ministry of Economics, State Development and Energy StMWI	high
Bavarian Food Cluster	Support for those who are involved in the agricultural and food industry in Bavaria	Support for innovative projects and pilot projects of Bavarian food companies	Special focus on funding marketing tools for national associations and food cooperatives; international networking and offer to access to export markets, trips abroad and international	Bavarian State Ministry of Economics, State Development and Energy StMWI	high

			trade fairs		
Enterprise value: human resources	the program aims at initiating sustainable learning and change processes in companies	The target groups are SMEs that want to develop forward-looking and employee-oriented personnel strategies.	The focus is on personnel management, equal opportunities & diversity, health and knowledge & competence.	BMEL Federal Ministry of Food and Agriculture	no information available
EU structural funding 2014–2020	Improved living conditions	Various European regions	Investments in growth and employment	European Regional Development Fund ERDF	no information available
LEADER	Through LEADER, the State of Bavaria supports above all innovative projects and measures for the independent development of rural regions.	partnerships between communal, economic and socially engaged actors in the region are important	local and regional aspects are particularly important	European Agricultural Fund for Rural Development ELER	high
Federal Ministry of Education and Research – Innovation in SMEs	Help improving the business environment for SMEs	Support programs aimed at organisations such as cluster initiatives, business development agencies or banks from which SMEs can benefit indirectly	Faster innovation and innovative products, further sections	European Union Funding	no information available
Horizon 2020	Biggest EU research and innovative program	It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market. open to everyone	Research and innovative projects	EU funding and private investments	high

1.3. Identification of key actors

The identification of the key actors, their position and interactions in the support system is critical for the self-assessment of regional policies. The criteria for the selection of the key actors were the relevancy to the subject of the project (i.e. they aim to support competitiveness, exports, etc.).

The identified key actors are:

1.3.1. Bavarian State Ministry of Economics, State Development and Energy; Bayerisches Staatsministerium für Wirtschaft, Landesentwicklung und Energie – StMWI

The Bavarian State Ministry of Economic Affairs, Regional Development and Energy is a ministry of the Bavarian State Government with headquarters in Munich. The Minister of State is Mr. Hubert Aiwanger. The tasks of the StMWI include matters of basic economic issues and general conditions, responsibility for individual branches of industry, location, media promotion and media policy, energy and technology.

1.3.1.1 Goals and tasks

Strengthen Bavaria as a highly competitive location. The aim of economic policy is to create the basis for the highest quality of life, the best employment prospects and successful companies throughout the State of Bavaria. The Bavarian State Ministry of Economic Affairs, Regional Development and Energy works to keep Bavaria competitive as a business location, to strengthen the performance of Bavarian companies, to promote innovation, to support founders and to contribute to the creation of attractive employment opportunities.

In this way, prosperity is created for all people in our state. One of the great opportunities for the location is digitalization. It is a challenge for the world of work and life that we in Bavaria are tackling resolutely. The regulatory model is the social market economy, the economic order of freedom and competitive efficiency, social justice and securing the future.

1.3.1.2 The Ministry is divided into the following departments:

1. Legislation and Law
2. Economic policy, Coordination, Industry
3. Medium-sized businesses, crafts, trade, liberal professions
4. Innovation, research, technology, digitisation
5. Investment, financing, structural policy
6. internationalization, location policy, Invest in Bavaria
7. Tourism
8. Energy policy, energy infrastructure and research
9. Renewable Energies, Energy Dialogue
10. Land development
11. Central tasks

<https://www.stmwi.bayern.de/>

1.3.2. Bavarian State Ministry of Food, Agriculture and Forestry; Bayerisches Staatsministerium für Ernährung, Landwirtschaft und Forsten – StMELF

The Bavarian State Ministry of Food, Agriculture and Forestry is one of twelve state ministries in the Free State of Bavaria and thus part of the Bavarian State Government. State Minister is Mrs. Michaela Kaniber.

1.3.2.1 Goals and Tasks

The aim is to secure the agricultural, forestry and food location of Bavaria for the future for the whole of society and rural areas. Central to this are the strengthening of entrepreneurs in competition as well as the future fields of climate and resource protection, nutrition, research and innovation, diversification, renewable resources and marketing.

In order to implement this strategy, they are working at state, federal and EU level to create appropriate framework conditions. Their work focuses on initial, further and continuing training for professions in the agricultural sector and home economics, consulting, practice-oriented research, the promotion of agricultural and forestry enterprises and nutritional education. Rural development is supported by the Ministry and subordinate authorities.

1.3.2.2 Departments

- Central Tasks and Legal Matters
- Fundamental issues of agricultural policy
- Training and advice
- Agricultural production
- Food and market
- Rural areas and renewable resources, Administration for Rural Development
- Forest and forestry, forest administration
- Funding and paying agency

<http://www.stmelf.bayern.de/>

1.3.1. Bavarian State Ministry of Finance and for Home; Bayerisches Staatsministerium der Finanzen und für Heimat – StMFH

The central goal is the creation of equal living conditions and regional culture. Minister of State is Mr. Albert Füracker. This includes the promotion of regional initiatives in the Free State of Bavaria for future state development projects.

For this purpose, a funding guideline for regional development was published to support these processes. (Förderrichtlinie Landesentwicklung (FöRLa))

1.3.1.1 Departments

- State budget, financing, cash and accounting
- Civil service law and personnel management
- Taxation, tax policy, organisation and automation of tax administration
- State holdings, basic fund
- Home
- financial relations, federal government, states, communes, EU, legal affairs

- Digitalization, digital band and measurement

<https://www.stmfh.bayern.de/>

1.3.2. LfA Förderbank Bayern

The task of LfA Förderbank Bayern is to financially support projects of commercial enterprises and other measures to improve and strengthen the economic, transport and environmental structure of Bavaria and thus to secure or create jobs. This is done in accordance with the political objectives of the Bavarian State Government and in compliance with the state aid rules of the European Union.

In order to fulfil this mission in a targeted approach, the LfA provides special financing instruments. They always take effect when the products offered by the market are not sufficient for the realization of entrepreneurial projects.

1.3.2.1 Objectives of the promotion business

The sustainable promotion of the Bavarian economy, realizing consistent risk prevention by means of an optimal promotion offer, is the deciding goal of the business policy.

The engagement serves the location Bavaria as a whole by

- facilitating market entry for young companies,
- strengthening the performance of small and medium-sized enterprises,
- helping companies to bring new products and processes to the market,
- reducing differences in regional economic power,
- financing the reduction of environmental pollution caused by operations,
- helping companies out of economic crises in the interest of employees,
- supporting foreign investment if it strengthens the location in Bavaria,
- improving the conditions for growth by expanding the infrastructure close to the economy,
- securing the financing of major projects in conjunction with other credit institutions.

<https://lfa.de/website/de/index.php?f=www.lfa.de>

1.3.3. European Agricultural Fund for Rural Development – ELER

The aim is to support the vibrancy and economic viability of rural communities through rural development measures. The rural development measures reinforce the market measures with strategies and funding to strengthen the EU's agri-food and forestry sectors, environmental sustainability and the wellbeing of rural areas in general.

The long-term rural development aims include:

- fostering the competitiveness of agriculture;
- ensuring the sustainable management of natural resources, and climate action;
- Achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

The EAFRD budget for the 2014–20 period amounts to around € 100 billion. The budget will be spent over the course of this period, through the implementation of rural development programs which run until the end of 2023.

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/rural-development_en

1.3.4. European Regional Development Fund – ERDF

The European Regional Development Fund aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The focus for the investments are on several key priority areas and include innovation and research, the digital agenda, Support for SMEs and the low-carbon economy. The ERDF resources relate to these priorities will depend on the category of region.

https://ec.europa.eu/regional_policy/en/funding/erdf/



1.4. Mapping actors and their functions in the support system

	StMWI	StMELF	StMFH	LfA Förderbank Bayern	ELER	ERDF
Function 1: Technical consulting	The Bavarian State Ministry of Economic Affairs, Regional Development and Energy has given the project sponsor Bavaria the responsibility of implementing numerous technology development programs.			Innovation and technologisation are central objectives of the LfA.		INTERREG Programs can also cover technical issuers if they help to achieve the main aim of ERDF.
Function 2: Resource mobilization	The funding guide has a very wide range support system which nearly covers all topics, also themes what are similar to this.					

<p>Function 3: Fostering networking and partnerships</p>	<p>The funding guide has a very wide range support system which nearly covers all topics, also themes like a supportive business environment though better networking.</p>	<p>The main objective here is to strengthen regional products and producers. Networking contributes significantly to this.</p>	<p>Especially the exchange with stakeholders from business, politics and administration play an important role in this support program.</p>		<p>The promotion of social inclusion, the fight against poverty and economic development are part of ELER.</p>	<p>The main objective of INTERREG is a permanent exchange and partnerships beyond the national border, i.e. international networking.</p>
<p>Function 4: Information gathering and dissemination</p>	<p>The funding guide has a very wide range support system which nearly covers all topics, also themes like advice and research.</p>				<p>The objective of ELER is to promote knowledge transfer and innovation.</p>	<p>This international learning described above consists of constant exchange of experience and knowledge. Research is not done here.</p>
<p>Function 5: Commercialization</p>	<p>The funding guide has a very wide range support system which nearly covers all topics, also themes like labour market policy assistance.</p>					

Function 6: Branding and legitimation	The funding guide has a very wide range support system which nearly covers all topics, also themes like branding.					
--	---	--	--	--	--	--

1.5. Assessing the support system

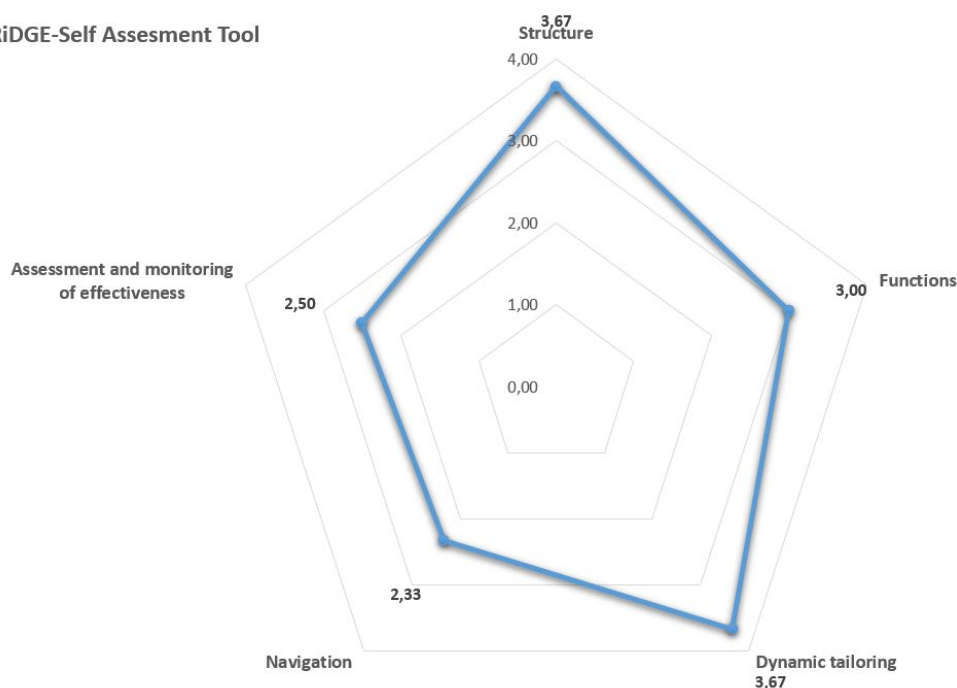
The final step of the assessment of the regional policies dealing with SME competitiveness and to what extent does it address food industry specially includes a questionnaire in which you respond to questions/statements either as individuals or in a group under the key areas suggested.

All questions were answered, and a spider diagram was automatically generated. The results for the region of Upper Franconia/Bavaria are:

Question	Total points	Total questions	Average points
Questions 1–3	11	3	3,67
Questions 4–9	18	6	3,00
Questions 10–12	11	3	3,67
Questions 13–15	7	3	2,33
Questions 16–17	5	2	2,50

The spider diagram generated is the following:

P5: FRiDGE-Self Assessment Tool



Analysing the results

1. Structure: 3,67

Based on this assessment, we conclude that the support system in our region is often very fragmented, but nevertheless particularly effective. The networks themselves are often state-based and have existed for a long time and are structured according to target group or manufactured product.

2. Functions: 3,00

The result shows that our networks are very active. Especially the exchange within the networks leads to a high functionality. What somewhat devalues this point is the fact that the networks are often less well connected to the outside environment.

3. Dynamic tailoring: 3,67

The high dynamic adaptability is due to the fact that change is usually followed by the formation of new groups based on existing networks.

4. Navigation: 2,33

The fundamentally good assessment of this point is due to the fact that we have built up good networks. The fact that our marketing can be expanded and our adaptability, which in some cases can be improved, have a devaluing effect.

5. Assessment and monitoring of effectiveness: 2,50

The main aim of the support system is to revive regionalism and tradition. On balance, there is little monitoring of the economic and social aspects, which would be very important here.

2. Comments & Conclusion (Food Industry)

The most basic deficiencies and gaps in the food and beverages industry are identified in the following areas:

2.1. Main Weaknesses

2.1.1. Small-scale structure of the economy

Even though the predominantly small and medium-sized business structure of the food industry is characterised by tradition (keyword family business) is strength of the Bavarian food industry (see above), it also implies a weakness. The sector as a whole remains characterised by small company sizes. The resulting consequences for competitiveness, such as low capital resources, low economies of scale and the resulting productivity shortfalls, a limited sales radius and too low production capacity/production volumes, are quite obvious and affect the development opportunities of enterprises. Due to the large number of smaller companies with low production

figures, hardly any synergy effects can be achieved, which keeps the costs per unit produced high and tends to make the companies less competitive.

2.1.2. Missing structures of the risk and crisis management

The small-scale structure of the food industry also has a negative impact on the potential to establish and maintain modern risk and crisis management. It is true that small and medium-sized companies are not generally worse prepared when it comes to product recalls etc. - in many cases they are even superior to the large corporations in this regard. Nevertheless, the increasing number of food scandals and consumer protection campaigns in the last few years has placed new demands on companies, which in many cases can only be met by joint efforts. For example, a credible and offensive communication strategy (also preventive) in view of sensitive consumers is an essential factor in maintaining public confidence in the event of a crisis. The necessary internal coordination and networking within the industry can usually only be guaranteed by superordinate structures.

2.1.3. High competitive and price pressure

In addition to small companies, large food retailers have also become more important in the Bavarian food industry in recent years. Competition in the food industry has intensified considerably with the large retail groups.

In general, intensive domestic competition is not a weakness per se, as it also provides constant impetus for rationalization and innovation. However, small and medium-sized companies are particularly affected by the increasing price pressure. It is hardly possible for these companies to meet their demands for high quality and at the same time keep up with the competition from the large retail groups.

2.1.4. Globalised markets vs. regional markets

Bavaria now has a dual-track marketing structure. In the area of quantitatively significant products with a high export share, the focus is on process quality, i.e. safety, hygiene, compliance with territorial trade standards and supply availability. This applies in particular to cheese, meat and grain. In regional markets, product quality i.e. the expression of the taste and typicality of the products - is becoming increasingly important. This is creating new quality requirements, which in many cases can only be covered to a limited extent by trade standards and which could possibly lead to a splitting of the markets.

2.1.5. Expandable infrastructure in the region

Although Bavaria as a whole has well-developed transport routes, at the same time the infrastructural conditions in the rural regions of the Free State as the headquarters of numerous companies in the food industry still have room for improvement. For example, parts of the state do not have comprehensive and fast Internet connections; in the course of digitization, many rural food industry enterprises are thus excluded from this development.

2.1.6. Lack of new staff

In general, many professions in the food industry suffer from a comparatively poor image. Although this is not a specific feature of Bavaria, smaller companies located outside the urban centres in particular are finding it increasingly difficult to train junior staff and retain them in the long term.

2.2. Biggest risks

2.2.1. Devaluation of the image

Products from Bavaria have a high image potential due to regional, qualitative and traditional aspects. However, the image is also directly dependent on consumer confidence. This trust can be shaken by food crises, for example, and in some cases even permanently withdrawn, so that this central factor of Bavarian competitiveness remains at least latently threatened.

As a counter-strategy, the consistent further development of the "Bavarian brand" in all its diversity is important on the one hand, as is the establishment of a networked risk and crisis management system for regional processors. The Certified Quality Bavaria quality assurance system provides a good basis for this.

2.2.2. Further increasing shortage of skilled workers

For Bavaria's manufacturing industry in general and for the agricultural and food industry in particular, demographic change and the emigration of the population from rural regions will continue to be a structural risk. The concrete manifestation of this is above all a further increasing shortage of skilled workers in the companies.

2.2.3. Price and buyer power

Bavaria's small-scale food industry continues to face major challenges due to the concentration of trade and the associated market and price power. The low production output of small and medium-sized enterprises can prevent products from being listed in large retail chains.

2.2.4. Cost volatility

Due to climate change, crop failures and speculation, raw material prices will remain factors that are difficult to calculate, especially for small and medium-sized companies.

The food industry in Bavaria will therefore have to deal intensively with securing its raw material base in the future. This includes the establishment of contractual systems with agriculture and its businesses. The greater volatility of energy prices also plays a particularly important role here, especially since the increased costs can only be passed on to the consumer to a very limited extent.

2.2.5. Traditional industry vs. change in acceptance by the population

Within the Bavarian food industry, the meat industry is of particular importance. The overall social trend of vegetarianism is counteracting this position in principle, although currently still at a low level. The increased consideration of value-driven aspects in the production process (keyword animal welfare) will also tend to increase. The focus on traditional Bavarian products carries the risk that adaptation to the new eating habits of many consumers will be slow. So far, for example, farms have shown little intention of producing vegetarian products.

2.2.6. Increasing price sensitivity

A general weakening of the economic situation also poses a risk for the Bavarian food industry, since the products are characterized by high quality and thus also a higher price level. In an environment that continues to be price-sensitive for German consumers, it is possible that the willingness to pay for quality products will decline.