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Germany is dissolving the bailout fund

On 25 January, Minister of Economy Rainer Brüderle closed operation of the Deutschlandfonds. This fund, with assets worth 115 billion euros, was created in March 2009 to support with loans and guarantees firms which had suffered as a consequence of the global financial crisis. The fund's liquidation may mean trouble for German shipbuilders, which had been able to count on loan guarantees equivalent to as much as 90% of the value of the ships built by them.

Deutschlandfonds was created as part of the second stimulus package aimed at stabilising the German economy. The fund, which had at its disposal assets worth 75 billion euros for loan guarantees and 40 billion euros for loans, was to support small and medium-sized companies. In total, it offered financial support worth 14 billion euros to 20,000 firms. In practice, the fund was a significant instrument of support, for example, for shipbuilders which following the dissolution of the fund will be able to seek support only from the federal states in the form of loan guarantees covering up to 80% of the risk incurred by the institutions which finance the building of the ships.

The fund ended its operation as planned despite protests from organisations linked to the industry, which were appealing for an extension of its operation for one more year. The decision was dictated mainly by the tough stance taken by the FDP, which wants a reduction of subsidies. If the financial situation of shipyards worsens, this may adversely affect voter support for the CDU and the FDP in the elections in Mecklenburg-Vorpommern scheduled for this September. <pop>