



SME's Financial instruments in Republic of Croatia (RoC)

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Financial instruments

► Improvement of access to finance through:

- Better availability of financing
- More favorable financing conditions:
 - Decreasing of collateral level
 - Decreasing of financing costs
- More private source investments

Main Development Institutions for Financial instruments in RoC

- ▶ Croatian Agency for SMEs, Innovation and Investments (HAMAG)
- ▶ Croatian Bank for Reconstruction and Development (HBOR)

Current HAMAG Financial instruments

Instrument		Ammount ESIF [EUR]	Amount State Budget (EUR)	%
1.	ESIF Limited Portfolio Guarantee	28,000,000	30,000,000	32.22%
2.	ESIF Individual Guarantee	94,000,000	15,000,000	60.55%
2. 1.	- <i>Individual Guarantee without interest rate subsidy</i>	<i>69,000,000</i>	<i>15,000,000</i>	<i>77.07%</i>
2. 2.	- <i>Individual Guarantee with interest rate subsidy</i>	<i>25,000,000</i>	<i>0</i>	<i>22.93%</i>
GUARANTEE AMOUNT		122,000,000	45,000,000	92.78%
3	<i>Interest Rate Subsidy</i>	<i>13,000,000</i>	<i>0</i>	<i>7.22%</i>
TOTAL AMOUNT OF FI		135,000,000	45,000,000	100%
COVID Loans		279,000,000	0	100%

- ▶ Covid Loan for Working Capital
- ▶ ESIF Micro Investment Loan

HAMAG - Eligible FI applicants

- ▶ Entrepreneurs that:
 - ▶ Are registered for eligible business
 - ▶ Are at least 50% privately owned
 - ▶ Have at least one full time employee
 - ▶ Do not have their business account blocked for more than 30 days in last 6 months
 - ▶ Do not have unpaid taxes and/or fees (some exceptions regarding Covid pandemic)
 - ▶ They should be registered in Republic of Croatia
 - ▶ Are not Entrepreneurs in difficulty

HAMAG - ESIF Portfolio Guarantee

Feature	ESIF Portfolio Guarantee
Minimum guarantee amount	It is not defined
Maximum guarantee amount	150,000 EUR
Maximum guarantee duration	10 years
Risk premium	Free of charge
Guarantee coverage	Loan principal + Interest
State aid	De Minimis
Intended use	Fixed assets and/or working capital

HAMAG - ESIF Individual Guarantee

Feature	Measure A - ESIF Investment Loans Individual Guarantee	Measure B - ESIF Working Capital Individual Guarantee
Minimum guarantee amount	150,000EUR	150,000EUR
Maximum guarantee amount	4,000,000 EUR	1,000,000 EUR
Maximum guarantee rate	80%	80%
Minimum guarantee duration	1 year	1 year
Maximum guarantee duration	10 years	5 years
Working capital %	Up to 30% of loan amount	100%
Risk premium	0.25% - 0.5% of guarantee amount	0.1% - 1% of guarantee amount
Guarantee	Loan principal	Loan principal
State aid	De Minimis and/or GBER	De Minimis

Current HAMAG BICRO Loans

- ▶ Covid Loans for Working Capital
- ▶ ESIF Micro Investment Loan

HAMAG - Covid 19 Loan

- ▶ Eligible applicants:
- ▶ SME's that worked for at least 3 months in 2019, and:
 - ▶ are closed because of Government decisions (for example bars and restaurants)
 - ▶ have income decrease of at least 60% or more in 2020 comparing to 2019
 - ▶ have income decrease of at least 20% or more in 2020 comparing to 2019 that are registered in less developed regions of Republic of Croatia

HAMAG - Covid 19 Loan

Instrument feature	COVID-19 Working capital loan
Target group	SME's
Amount	Up to 50.000,00 EUR
Interest rate	0,25%
Grace period	Up to 1 year if repayment period is minimal 2 years
Repayment period	Up to 5 years including grace period
Collateral	Promissory note
State aid	De Minimis
Intended use	Working capital – 100% loan amount

HAMAG - ESIF Micro Investment Loan

Instrument feature	ESIF Micro Investment Loan
Target group	▪ Micro and Small enterprise ▪ Natural person – at the time of applying for a loan they do not have a registered own economic entity but if the loan is approved, it is necessary to register an economic entity because the Loan Agreement is contracted exclusively with a registered economic operator
Amount	1,000 - 25,000 EUR
Interest rate	0.1% - 0.5%
Grace period	Up to 1 year if the repayment period is minimum of 2 years
Repayment period	Up to 5 years, including the grace period
Collateral	Promissory note and other collaterals according to the risk assessment
State aid	De Minimis
Intended use	▪ Fixed assets (tangible and intangible assets) ▪ Working capital – up to max 30% of the loan amount

HBOR – Current ESIF Growth and Expansion Loan (via 3 commercial banks)

Feature	ESIF Growth and expansion loan
Target group	▪ SMS's that: ▪ have been operating in Republic of Croatia for at least 2 years before the submission of loan application ▪ meet all eligibility criteria ▪ plan to invest in eligible sectors
Amount	10,000 – 3,000,000 EUR
Interest rate	- On the part of loan principal from ESIF funds - 0% - On the part of loan principal from commercial bank's funds in accordance with commercial bank's business decision
Grace period	Up to 2 years (as an exception for tourism industry, up to 4 years)
Repayment period	Up to 12 years (for tourism industry up to 17)
Collateral	In accordance with assessment/request of commercial bank
State aid	De Minimis / GBER
Purpose	▪ Long-term assets (tangible and intangible) ▪ Working capital – up to 30% of total loan amount

- ▶ 220,000,000 EUR (50% ESIF, 50% commercial banks)
- ▶ Until 31st July 2021 110 loans (cca 81,500,000 EUR)

Future FI - Recovery Plan (2022-2026)

HAMAG BICRO – Future Recovery Plan FI (2021-2026)

- ▶ The budget allocation for these financial instruments is determined as follows:
 - 25% for environmentally friendly production processes and resource efficiency in SME's (40% for reduction of greenhouse gases)
 - 10% digitalization of processes in SME's
 - 65% will be investments aimed at strengthening competitiveness and resilience

HAMAG BICRO – Future Recovery Plan FI (2021-2026)

- ▶ Direct loans up to 100,000 EUR (allocation 40,000,000 EUR) – repayment period of 10 years, with grace period of 2 years
- ▶ Interest Rate Subsidy on SME's Loans with HAMAG BICRO guarantee (allocation 13,300,000 EUR)
- ▶ Subsidy - half of interest rate
- ▶ Estimation FI for 800 Entrepreneurs

HBOR – Recovery Plan FI (2022-2026)

- ▶ A financial instrument to foster the competitiveness and green and digital transition of SME's:
 1. Direct loans to specific target groups
 2. Interest rate subsidy on loans for SME's
 3. Private Equity and Venture Capital funds

DNSH principle for investments

- ▶ DNSH stands for "do no significant harm"
- ▶ A sustainable activity is expected to be significantly contributing to the environmental objectives and it should also not harm any of those 6 objectives:
 - ▶ Climate change mitigation
 - ▶ Climate change adaptation
 - ▶ Sustainable use & protection of water & marine resources
 - ▶ Pollution prevention & control
 - ▶ Transition to a circular economy
 - ▶ Protection and restoration of biodiversity & ecosystems

HBOR – Direct Loan to Specific target group

Target groups that have difficulty accessing traditional sources of funding or do not have access to traditional sources of funding such as:

- a) start-ups,
- b) young entrepreneurs,
- c) women entrepreneurs,
- d) investment in economically less developed areas and
- e) RDI

Allocation of 66,000,000 EUR - Loan amounts above EUR 100,000, as amounts up to EUR 100,000 are covered by Hamag-Bicro measures

HBOR - Interest Rate Subsidy on Loans for SME's

- ▶ Improving access to finance for SME's in the stages of growth and development through improved financing conditions and reducing the cost of financing new investments aimed at the competitiveness of economic entities and the green and digital transition
- ▶ Subsidy up to 3% basic points
- ▶ Allocation of 26,000,000 EUR
- ▶ Cooperation of HBOR and financial intermediaries (banks and leasing companies)
- ▶ Guarantee schemes for SMEs are provided by Hamag Bicro

HBOR - FI for encouraging the development of the equity and quasi-equity markets in the RoC (PE and VC activities)

- ▶ Development of alternative sources of financing on the market of the Republic of Croatia in cooperation with European Investment Fund
- ▶ RRF funds are planned to provide additional support to the development of equity and quasi-equity financing markets, and increase their availability to domestic entities (especially SME's)
- ▶ Supporting of existing or developing new PE and VC initiatives

PE and VC activities

- ▶ Funds should developed their own Environmental and Social management System (policies, organizational structure, planning, responsibilities, praxis, procedures and resources).
- ▶ SME's and large companies (up to 3,000 employees)
- ▶ Allocation – 30,000,000 EUR

Thank you!

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