



Loan and Guarantee Fund in Croatia

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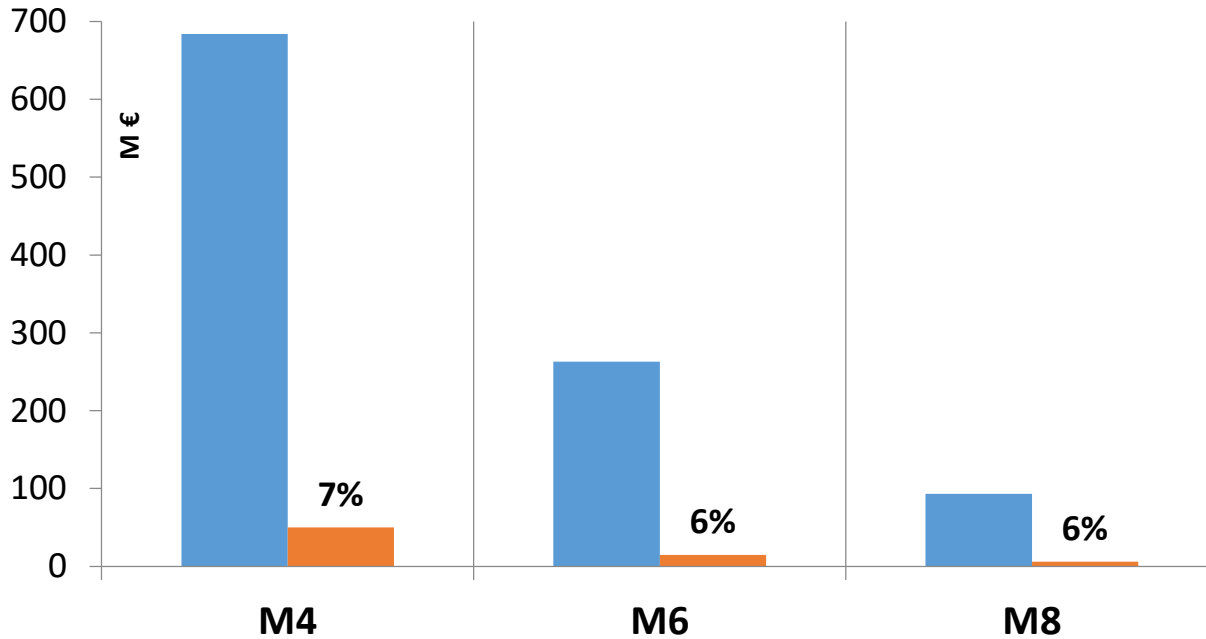
**EAFRD Financial Instruments:
Croatian Experience
Loan and Guarantee Fund in Croatia**



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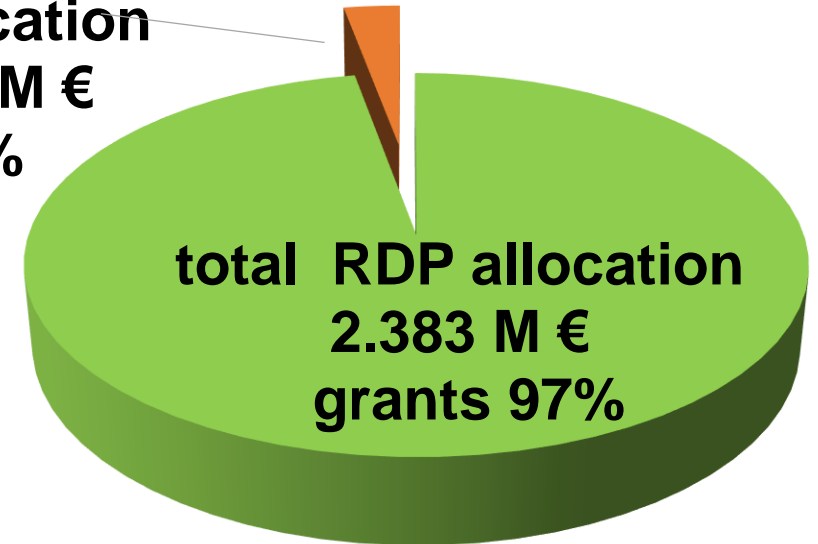


FI allocation



■ Measure total allocation ■ FI allocation

FI allocation
70.6 M €
3%

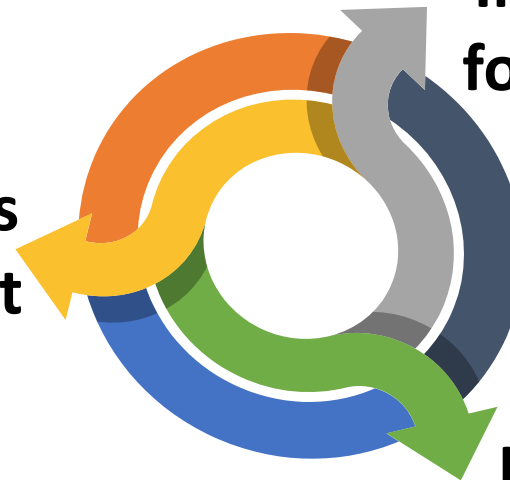


Proposed FI Investment Strategy



FIs facilitating growth and development of agricultural producers, food processors and forestry sector

Micro and Small Loans for Rural Development



Individual Guarantees for Rural Development

Investment Loans for Rural Development



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Launching RDP FIs: steps taken



**Management structure set up:
signing Financing agreements**
(Financing agreements signed in April 2018)

Ex-ante assessment
(finalized in March 2018)



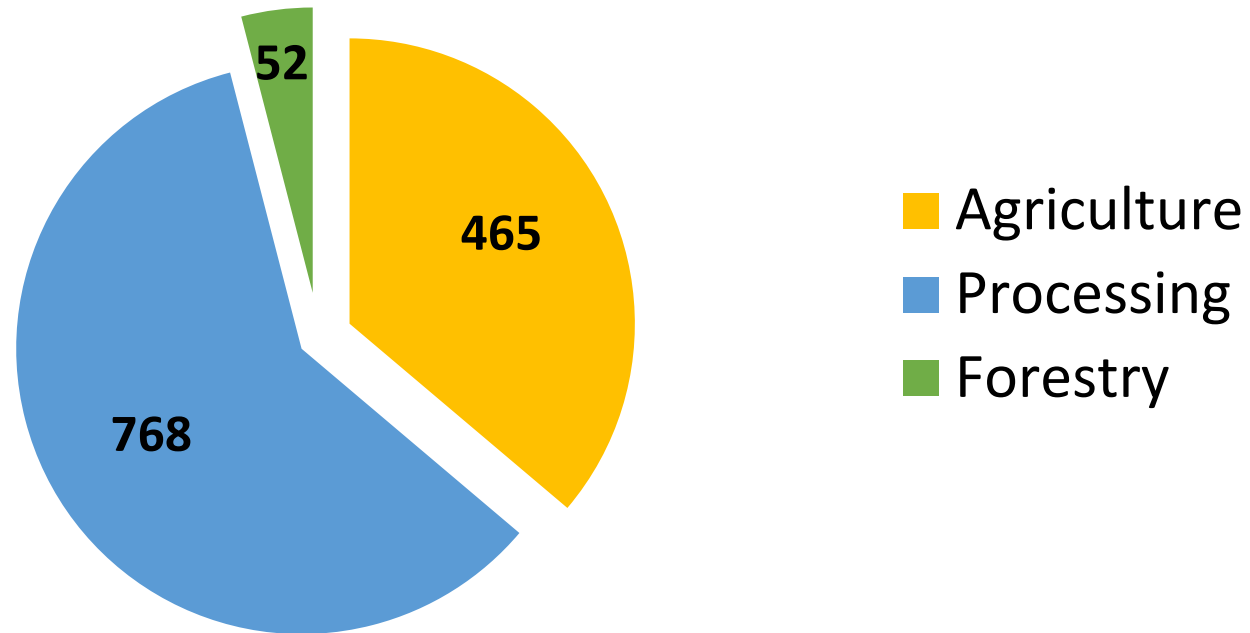
**Modification of the RDP
to incorporate FI**
(modification RDP v 5.3 approved)



Ex-ante assessment: financing gap



Yearly sectorial financing gaps
(MEUR)



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Ex-ante assessment: findings



Key issues in access to finance:

- insufficient collateral
- financial sector highly selective approach to financing agricultural producers
- high interest rates
- loan processing fees and various related insurance policies increase investment costs
- lack of own contribution

Financing needs:

- working capital
- refinancing
- purchase of tangible and intangible assets: livestock, annual plants, production space, machinery & equipment
- rent of machinery & equipment
- launching new products % services
- developing international activities & entering new markets
- improving energy efficiency of companies

Selection of bodies implementing FIs: relying on national capacities



Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO)

- *As per CPR Art 38 (4b) iii (national public SME agency)*
- *2 years experience in ERDF FIs: Micro and Small Loans, Individual and Portfolio Guarantees (150 MEUR ERDF contribution)*
- *Vast experience in providing loans & guarantees from national schemes to agricultural sector*

Croatian Bank for Reconstruction and Development (HBOR)

- *As per CPR Art 38 (4b) ii (national public development bank)*
- *2 years experience in ERDF FIs: Growth & Expansion Loans (110 MEUR ERDF contribution)*
- *Vast experience in providing loans from national schemes to agricultural sector*

Key features

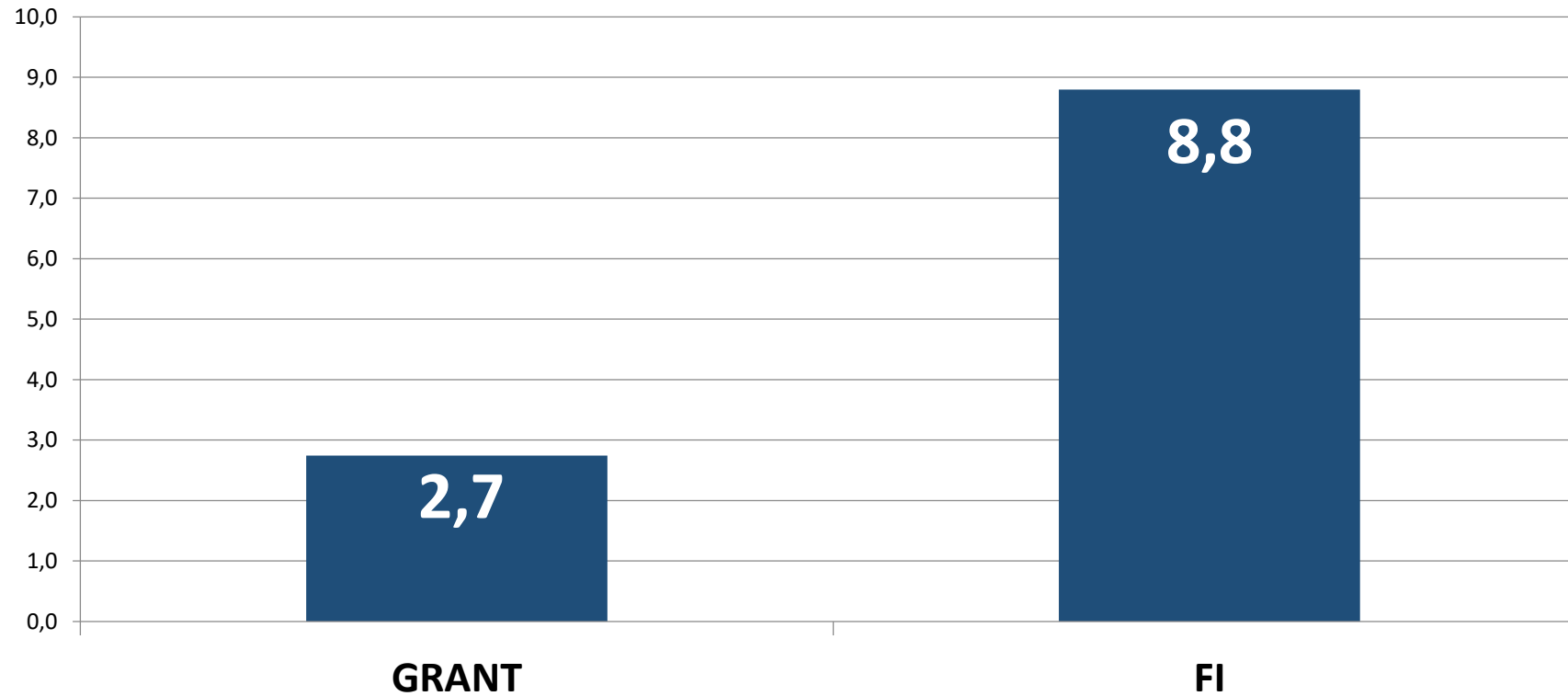


- Faster delivery & faster realisation of investment
- Processing of applications '1st come 1st served'
- Eligible costs: live animals, annual plants, used machinery, working capital
- Less reporting obligations
- Ineligible costs: incurred before submission of request for financing, non-recoverable VAT, refinancing
- No combination with any ESIF grants and/or FIs

Achieve more with less



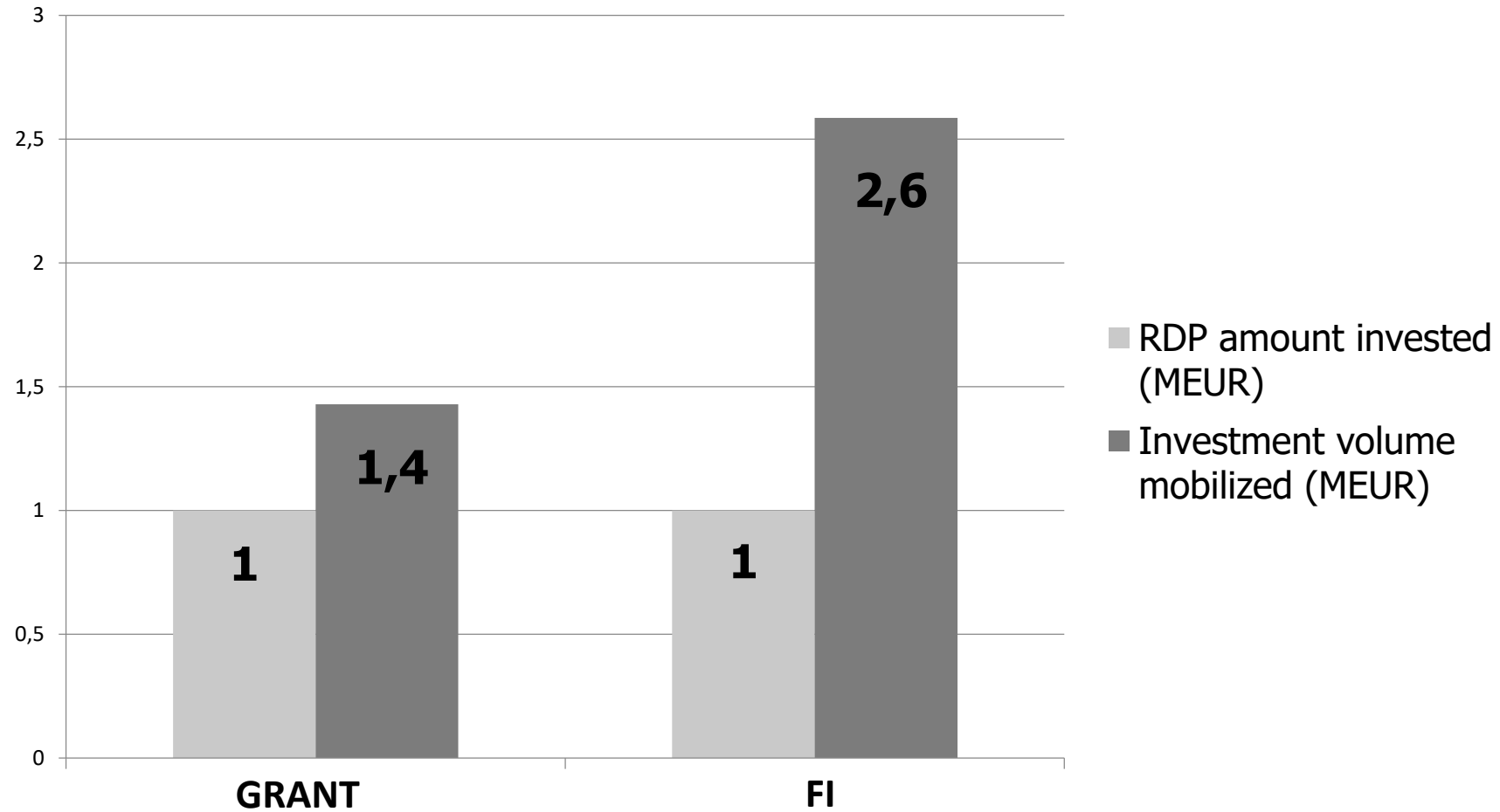
NO. OF FINAL RECIPIENTS/ 1 MEUR



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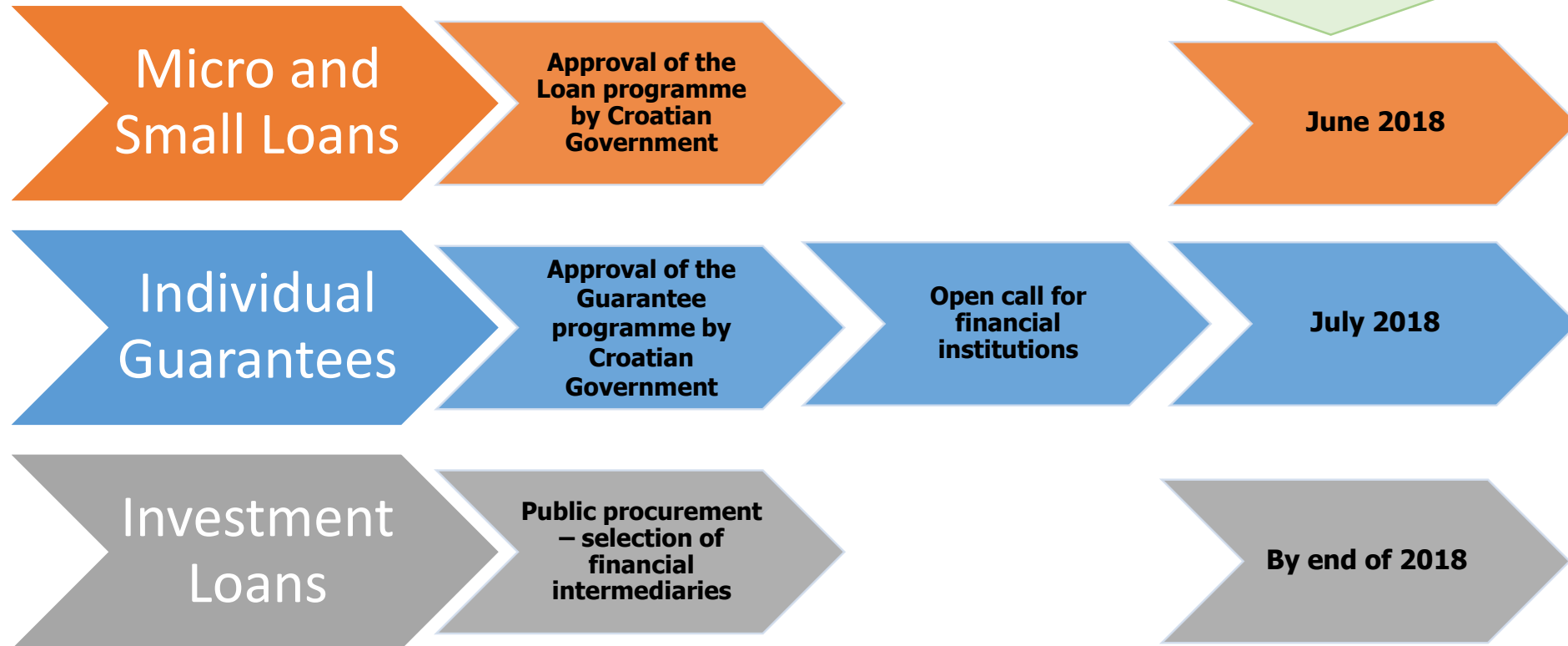
Value for money



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Next steps



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Obstacles faced



What we gave up	Why
Combination of FIs and grants	<p>Combination disables flexibility in eligibility of costs</p> <p>Grant calls should ideally be 'permanently' open calls</p> <p>Sequence of payment installments should be different (no advances - no refunds)</p> <p>Very likely prolonged approval procedure due to coordination in checking maximum support rates and amounts</p>
Stand alone working capital products	EAFRD more rigid requirements in the Guidance (requirements for investment to be supported via EAFRD)



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Prospects (expectations) (I)



- **Legal certainty:** clear, straightforward and timely legal framework
- **Substantial grants support** to types of operation which are not adequate for FIs
- **Easily manageable FI & grant combination** focused exclusively on maximum support rates and amounts at the completion of investment
- **Prerequisites for efficiency:** practical, flexible, simple, quickly implementable solutions enabling adaptability
- **Reducing complexity to ensure synergy** between grants and FIs



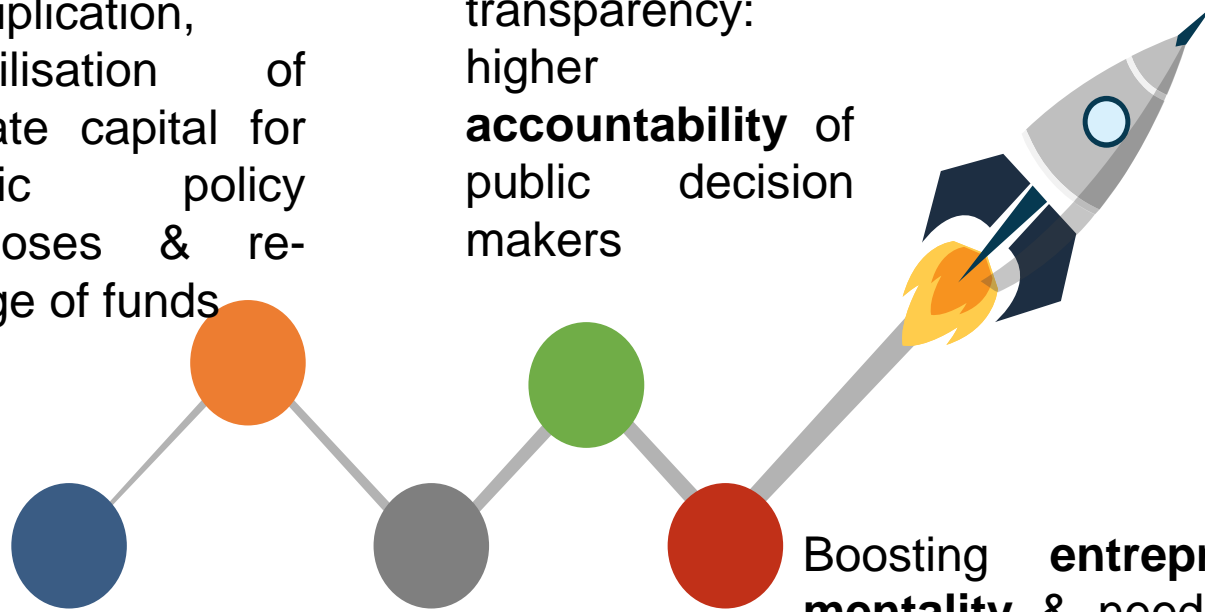
Prospects (expectations) (II)



Greater **financial responsibility**:
multiplication,
mobilisation of
private capital for
public policy
purposes & re-
usage of funds

Clearer **priorities**
and enhanced
transparency:
higher
accountability of
public decision
makers

More trust among
stakeholders: better
communication &
better governance
of CAP



Less complexity enabling
(MA) **fast response to
change**

Boosting **entrepreneurial collective
mentality** & needs driven applications:
away from process-orientation towards
result orientation



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Thank you!

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