

Production Modernisation Loans

In the capacity of the Management Body for the 2021 – 2027 Competitiveness and Cohesion Programme, the Ministry of Regional Development and EU Funds of the Republic of Croatia assigned to the Croatian Bank for Reconstruction and Development (HBOR) the task of implementing the „Production Modernisation Loans“ financial instrument, for which the funds are provided by the European Regional Development Fund (ERDF) and HBOR, and from which, in accordance with the rules on aid, financially sustainable investments are financed that contribute to boosting productivity and competitiveness of micro, small and medium enterprises by enabling more favourable financing conditions for investments that contribute to the goals of digital transformation of operations and companies.

1. Borrowers

Private sector business entities, which at the moment of submitting loan application, i.e. at the moment of loan approval meet the following criteria:

- a) micro, small and medium enterprises pursuant to the definition from the Recommendation of the Commission 2003/361/EC of 6.5.2003;
- b) registered in accordance with the National Classification of Activities 2025 - NKD 2025 (Narodne Novine, the official gazette of the Republic of Croatia No 47/2024) for performing activities in the area of manufacturing in Section C, except for those excluded by the applicable state aid rules and the ERDF and by this Loan Programme;
- c) not later than at the moment of entering into loan contract have a registered business unit or a branch in the Republic of Croatia.

2. Purpose of Loans

- Investments in fixed assets (investment in tangible and intangible assets that is related to „initial investment“ referred to in Article 2 item 49 of the Commission Regulation (EU) No 651/2014)
- Working capital of up to 30% of contracted loan amount

3. Eligible investments

- Eligible are investments in tangible and intangible assets related to:
 - establishment of a new business unit
 - expansion of capacities of an existing business unit
 - diversification of a business unit's production into products that the respective business unit did not produce previously
 - fundamental change in the overall production process of an existing business unit
 - Eligible investments may also include the following activities if they are related to „initial investment“ referred to in Article 2 item 49 of the Commission Regulation (EU) No 651/2014:
 - strengthening of digital skills and employee education for the use of procured solutions (including e-Learning platform)
 - implementation of new/reconstruction of existing accessibility elements (measures in accordance with the Technical Regulation on Providing Accessibility of Buildings for Persons with Disabilities and Reduced Mobility (Narodne Novine, No 12/2023))
 - investments in renewable energy sources
 - Ineligible investments are defined by Schedule 1 to the Loan Programme – Ineligible activities and borrowers
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4. Manner of Implementation	<ul style="list-style-type: none"> • Direct lending to borrowers – Application and related documentation shall be submitted to HBOR by the Borrower • Loans are approved from ERDF funds and HBOR funds in a 50:50 ratio, with the possibility of writing off a part of the loan principal from ERDF funds (up to a maximum of 50% of the total disbursed loan principal amount), upon the fulfilment of predefined criteria • During the implementation of the Loan Programme, only one loan can be contracted with one Borrower
5. Loan Amount	<ul style="list-style-type: none"> • Minimum loan amount: EUR 100,000 • Maximum loan amount: EUR 3,000,000 <p data-bbox="491 600 1431 667">HBOR can generally finance up to 85% of the estimated investment value, in accordance with the state aid regulations.</p> <p data-bbox="491 705 1431 875">If the Borrower is granted regional aid, it must provide a financial contribution of at least 25% of eligible costs (<i>exclusively for investments in fixed assets</i>), from its own or other sources, in a form free of any State aid, in accordance with the State aid regulations, i.e. up to 75% of the estimated investment value can be financed.</p> <p data-bbox="491 913 1431 1016">The estimated investment value does not include VAT, except for the Borrowers supplying goods or providing services exempt from VAT calculation and/or Borrowers that do not operate in the VAT system.</p>
6. Loan Currency	EUR
7. Capital discount (write-off of a part of loan principal)	<ul style="list-style-type: none"> • The Borrower can exercise a right to a capital discount, i.e. write-off of a part of loan principal • Capital discount is approved in accordance with the aid regulations, and is an aid in the form of a grant • The right to a capital discount is realised upon the fulfilment of the given criteria and it can amount to a maximum of 50% of the totally disbursed loan principal amount, provided that a part of the loan principal from the ERDF funds is written off in the amount of the calculated capital discount • The criteria for the capital discount and the percentage of write-off of a part of loan principal that can be realised on the basis of each fulfilled criterion are defined in Schedule 2 to the Loan Programme: Criteria for Capital Discount
8. Interest Rate	<ul style="list-style-type: none"> • On the part of loan principal from the ERDF funds: 0.00% p.a., fixed • On the part of loan principal from HBOR funds: fixed interest rate that is determined separately for each individual loan on the basis of risk assessment
9. Fees	<ul style="list-style-type: none"> • Loan application processing fee: no fee is charged • Commitment fee: no fee is charged <p data-bbox="491 1827 1431 1930">Other fees in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation are charged on the part of loan financed from HBOR's funds.</p> <p data-bbox="491 1948 1410 1980">Other fees are not charged on the part of loan financed from the ERDF funds.</p>

10. Period and Manner of Loan Disbursement	<ul style="list-style-type: none"> • Generally, disbursement period is up to 12 months; depending on purpose and dynamics of investment, it is also possible to approve a longer period of loan disbursement • Loan amount intended for the financing of fixed assets is disbursed to the account of the seller / supplier / contractor based on the documentation providing evidence of loan utilisation for earmarked purposes • Loan amount intended for the financing of working capital can be disbursed to the account of the Borrower with obligatory justification by documentation evidencing the use of loan utilisation for earmarked purposes
11. Repayment Period	Depending on the purpose and structure of investment, up to 14 years, including a grace period of up to 3 years
12. Manner of Repayment	Generally, in equal monthly, three-monthly or semi-annual instalments
13. Collateral	<ul style="list-style-type: none"> • In accordance with HBOR's internal documents (e.g. bills of exchange, debentures, blank debentures, pledge of property with insurance policy for the property endorsed in favour of HBOR, business shares insurance, bank guarantees and other security interests customary in banking operations), and the risk assessment of the investment and the Borrower
14. Schedules	<ul style="list-style-type: none"> • Schedule 1 – Ineligible activities and Borrowers • Schedule 2 – Criteria for Capital Discount • Schedule 3 – Brief instructions to the applicant for the preparation of project and technical documentation for DNSH criteria and infrastructure resilience to climate change
15. Related Documentation	<ul style="list-style-type: none"> • General Eligibility Criteria • List of Documentation (Production Modernisation Loans) • Decision on the General Terms and Conditions of HBOR Lending Activities

The Loan Programme shall apply as of 29 January 2025.

The loans can be disbursed to Borrowers until 31 December 2029, whereas the criteria for the capital discount can be fulfilled after that date as well.