

# Program “Credit to Success”

## The Croatian Ministry of Business and Crafts

### Objective of Good Practice:

Offer entrepreneurs and microenterprises cheaper credit lines by subsidizing interest rates.

### Timeframe of Good Practice:

2014 - 2015

### Keywords:

Successful Partnership, Financial Services

## Overview of Good Practice

In the framework of the country wide programme “Credit to Success”, the Croatian Ministry of Business and Crafts (MINPO) developed a partnership with financial intermediaries and local administrations to offer affordable loans to microenterprises. In the framework of this partnership, MINPO and local administrations provide the funds to subsidize microloans while the financial institutions are in charge of assessing proposals received from the microenterprises and the disbursement of the loans.

The Programme offers a 5% interest rate subsidy from the ministry off from the 8% that commercial banks typically charge microenterprises. In some regions, the further involvement of regional and local administrations allows for more interest rate reduction.

In terms of products features, the loans offered under this program range from EUR 4.000 to 26.000 with a 3% maximum interest rate (reduced to 2% in case of local administrations involvement). The repayment period up is up to 4 years including a 6-month grace period. Eligibility criteria are the same as traditional loans and were established by the Croatian agency for SMEs in cooperation with MINPO. The subsidy component helps the main target group since many microbusinesses operating in Croatia cannot bear the market interest rate.

## Innovativeness

The partnership framework includes national, regional and local administration involvement with traditional financial institutions. This ensures the possibility for local government and cities to join the program and ensure more favorable conditions to clients. In addition, in spite of the presence of multiple programme partners, a 1 stop shop approach has been adopted.

## Efficiency and Sustainability

This program lasted for a year and ended in 2015. Nevertheless, thanks to its good results and number of entrepreneur applications, there is a possibility for the programme to be renewed.

## Outcomes

1.500 loans were disbursed in the year of the program. The total budget allocated by the MINPO for the programme was EUR 40 million.

The county of Koprivnica Križevci contributed to this program by ensuring a 1% additional interest rate subsidy, so instead of 3%, local entrepreneurs paid only an interest rate of 2%.

## Lessons Learned

The key lesson learned from implementing this programme is that cheaper credit lines established by subsidizing interest rates can be highly motivational for entrepreneurs. The good results of the programme indicate that the Good Practice can be replicated in other locations.

## Institutional profile

The Croatian Ministry of Business and Crafts performs administrative and other tasks related to SMEs, crafts and cooperatives. It also works on the promotion of exports and foreign investment, the improvement of competitiveness of SMEs and balances regional development of entrepreneurship.

## Type of Organization

Government Body

## Country

Croatia

## Products & Services provided

- Financial: Business microloans
- Non-financial: None

## Gross Loan Portfolio

N/A

## Number of clients

N/A

## Target Audience

Entrepreneurs who want to expand their business

## Organization Website

<https://www.mingo.hr/>