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Factsheet for case **HR-2020-14/513**

Micro loans for rural development

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Country	Croatia, applies nationwide
Time period	Open ended, started on 02 April 2020
Type	Legislation or other statutory regulation
Category	Supporting businesses to stay afloat – Access to finance
Case created	12 April 2020 (updated 30 April 2020)

Background information

Croatia has serious problems in rural development, primarily the age profile of farmers is very unfavorable. Over 60% of holders of family agricultural holdings are over 55 and less than 4 % under 35. The economic crisis and the previous wartime events have contributed to migratory movements from rural to urban areas, particularly of the younger population, resulting in a general decline in the rural population and an increase in the ageing population. This poses a serious threat to the further development and even survival of the rural areas themselves. Young people are a key resource for the development of a modern and competitive agricultural sector, primarily because of their willingness and ability to adapt easily to technological changes, new practices and changing market conditions which is a requirement to increase productivity and competitiveness. Some achieved progress has come under the question due to the recent crisis.

Content of measure

The target groups of financial instruments Micro loans for rural development are primarily small business entities in the agricultural, processing and forestry sectors. Loans can be obtained in the amount of € 1,000 to € 25,000 and the funds are provided from the Rural Development Program. The repayment period is up to three years with an interest rate of 0.5 percent and a grace period of up to 12 months. The measure offers the possibility of settling bills created up to three months before the loan application is received, with significantly less documentation and a prepared Business Plan form. The Business Plan form is quite simple with pages on two-page questions, which significantly shortens the time of preparation of the application and enables easier and faster processing.

Due to restricted movement of possible beneficiaries and with the desire to simplify the procedure, the Croatian Agency for SMEs, Innovation and Investments (HAMAG-BICRO) recommends on-line applications. The use of these loans can be an important step in improving the economic performance of farms and facilitating farm restructuring and modernization, notably with a view to increasing market participation and orientation. Furthermore, such financial sources can be of crucial importance to needed agricultural diversification.

Use of measure

The number of possible applicants and available resources are currently unknown. However, due to serious problems in the observed sector it can be estimated that the interest for this type of financing will be significant. Particularly in positive that red tape is reduced and application is relatively simple.

Actors, target groups and funding

Actors	Target groups	Funding
National government	SMEs	European Funds National funds

Social partners

Role of social partners	No involvement
Form of involvement	No involvement

Due to the nature of the measure, social partners were not involved.

Sectors and occupations

This case is sector-specific (only private sector).

Economic area	Sector (NACE level 2)
A - Agriculture, Forestry And Fishing	A1 Crop and animal production, hunting and related service activities
	A3 Fishing and aquaculture

This case is not occupation-specific.

Sources

- 02 April 2020: Odluka o usvajanju Izmjena i dopune Programa »Mikro i mali zajmovi za ruralni razvoj« (narodne-novine.nn.hr)
- 07 April 2020: Dvije nove mjere za dodatnu likvidnost poduzetnicima, obrtnicima i poljoprivrednicima (www.seebiz.eu)