Macro-regional conference on EAFRD financial instruments for agriculture and rural development in 2014-2020

Dr Györgyi Nyikos
MFB Hungarian Development Bank
Hungary

#ficompass
Experiences with implementation of FEI in Hungary - *Combined Microcredit*

Dr Györgyi NYIKOS PhD
# FIs in the OPs in Hungary (2007-2013)

<table>
<thead>
<tr>
<th>Ops</th>
<th>Budget of OP (without TA)</th>
<th>FI forms in the OP</th>
<th>FI budget in the OP</th>
<th>FI in % of the OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development Operational Programme 2007-2013 (EDOP) which covers the convergence regions (6 regions out of 7)</td>
<td>EUR 3,257 million</td>
<td>Credit, Guarantee, VC</td>
<td>EUR 727 million (the total FI priority axis)</td>
<td>22%</td>
</tr>
<tr>
<td>Central Hungary Operational Programme 2007-2013 (CHOP) for the Regional Employment and Competitiveness objective</td>
<td>EUR 1,663 million</td>
<td>Credit, Guarantee, VC</td>
<td>ca EUR 117 million (FIs cover part of the 1st priority)</td>
<td>7%</td>
</tr>
<tr>
<td>6 Regional Development Operational Programmes (RDOP) for the Convergence regions</td>
<td>EUR 4,881 million</td>
<td>VC</td>
<td>EUR 7 million /OP (in Strengthening the region’s SME sector priorities)</td>
<td>0.8%</td>
</tr>
</tbody>
</table>
Different FIs in the business development cycle

- **Seed**
  - Ca. EUR 20,000
    - New Hungary Microcredit
    - Combined Microcredit
- **Start-up**
  - EUR 70-80,000
    - New Szechenyi Credit
    - New Szechenyi Portfolio Guarantee
  - New Szechenyi Credit Guarantee
- **Growth stage**
  - EUR 130-160,000
    - New Szechenyi Venture Capital – Joint Seed
  - New Hungary SME Credit
  - New Hungary Working Capital Loan
- **Established firms**
  - EUR 1.3-1.4 million
    - New Hungary Venture Capital – Joint Fund
    - New Szechenyi Venture Capital – Joint Growth
<table>
<thead>
<tr>
<th>OP</th>
<th>Fs</th>
<th>Short description</th>
<th>Launching the program</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDROP, CHOP</td>
<td>“New Széchenyi” Combined Micro Credit and Grant</td>
<td>For micro enterprises, for 120 months Min HUF 1 million, max HUF 20 million (ca min EUR 3,500, max EUR 70,000) 10% own resources, 45% micro credit, 45% grant</td>
<td>2011</td>
</tr>
<tr>
<td>EDROP, CHOP</td>
<td>“New Széchenyi” Credit (previously Micro Credit)</td>
<td>For micro and small enterprises, for 36/120 month (depending on the type of the credit, e.g. investment or asset) Max. HUF 50 million (ca max EUR 175,000)</td>
<td>2007</td>
</tr>
<tr>
<td>EDROP, CHOP</td>
<td>“New Hungary” Small and Medium Credit</td>
<td>For small and medium sized enterprises, for 10 years Min HUF 10 million, max HUF 100 million (ca min EUR 35,000, max EUR 350,000)</td>
<td>2008 (closed in 2012)</td>
</tr>
<tr>
<td>EDROP, CHOP</td>
<td>“New Hungary” Working Capital Loan</td>
<td>For small and medium sized enterprises, for 1-2 years Min HUF 1 million, max HUF 200 million (ca min EUR 3,500, max EUR 700,000)</td>
<td>2008 (closed in 2010)</td>
</tr>
<tr>
<td>EDROP, CHOP</td>
<td>Portfolio guarantee</td>
<td>Trough venture capital fund management firms, tasked with raising a fixed proportion of additional private funding to the resources committed by Venture Finance Hungary Plc. The abovementioned partners were selected by open tender in the second half of 2009.</td>
<td>2007</td>
</tr>
<tr>
<td>EDROP, CHOP</td>
<td>Venture capital</td>
<td>Trough venture capital fund management firms, tasked with raising a fixed proportion of additional private funding to the resources committed by Venture Finance Hungary Plc. The abovementioned partners were selected by open tender in the second half of 2009.</td>
<td>2009</td>
</tr>
<tr>
<td>7 RDOPs</td>
<td>Equity fund</td>
<td>Venture capital in the regions.</td>
<td>2010</td>
</tr>
</tbody>
</table>
Combined microcredit - project structure/financing

- **Own Resources**
  - min. 10%

- **Micro-loan**
  - HUF 1-20 million (EUR 3.300-65.400)
  - max. 60% of project value

- **Grant**
  - HUF 1-10 million (EUR 3.300-33.000)
  - max. 45% of project value

#ficompass
Absorption process of the different Hungarian FIs

Breakdown of the combined microcredit beneficiaries

- 200 million EUR
- 9347 projects
2014-2020

The following Hungarian OPs are planning to use FIs:

<table>
<thead>
<tr>
<th>OP</th>
<th>million EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDIOP total</td>
<td>7684,2</td>
</tr>
<tr>
<td>FI sources</td>
<td>2235,2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority Structure (DIVIDED BY THEMATIC OBJECTIVES, BN HUF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC 3</td>
</tr>
<tr>
<td>TC 1</td>
</tr>
<tr>
<td>TC 2</td>
</tr>
<tr>
<td>TC 4</td>
</tr>
<tr>
<td>TC 8</td>
</tr>
</tbody>
</table>

The following Hungarian OPs are planning to use FIs:

- Economic Development and Innovation OP: ERDF
- Competitive Central Hungary OP: ERDF
- Human Development OP: ERDF/ESF
- Integrated Transport OP: ERDF/CF
- Rural Development OP: EAFRD

Connecting EDIOP priorities:

1. SME
2. R&D
3. ICT
4. Energy
5. Employment

4 loan products 7 combined loan products

2 guarantee program
4 venture capital
Conclusions

- Wider possibilities of financial instruments
- Positive experiences of the combined products
- According to regulation combination with grant is possible, BUT restrictive COM interpretation

**2007-2013**
- Short and limited rules and few guidance
- Free rein to Member States to explore

**2014-2020**
- More sophisticated regulation with several guidance
- Rules are not in line with MS practices
Thanks for your kind attention!

DR. GYÖRGYI NYIKOS PHD
DIRECTOR
EU COMPETENCE CENTER DIRECTORATE
MFB HUNGARIAN DEVELOPMENT BANK PRIVATE LIMITED COMPANY
H-1051 BUDAPEST, NÁDOR STREET 31.
TEL.: +36 1 42 81 390
E-MAIL: nyikos.gyorgyi@mfb.hu