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

Dr Györgyi Nyikos

MFB Hungarian Development Bank

Hungary

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Experiences with implementation of FEI in Hungary - *Combined Microcredit*
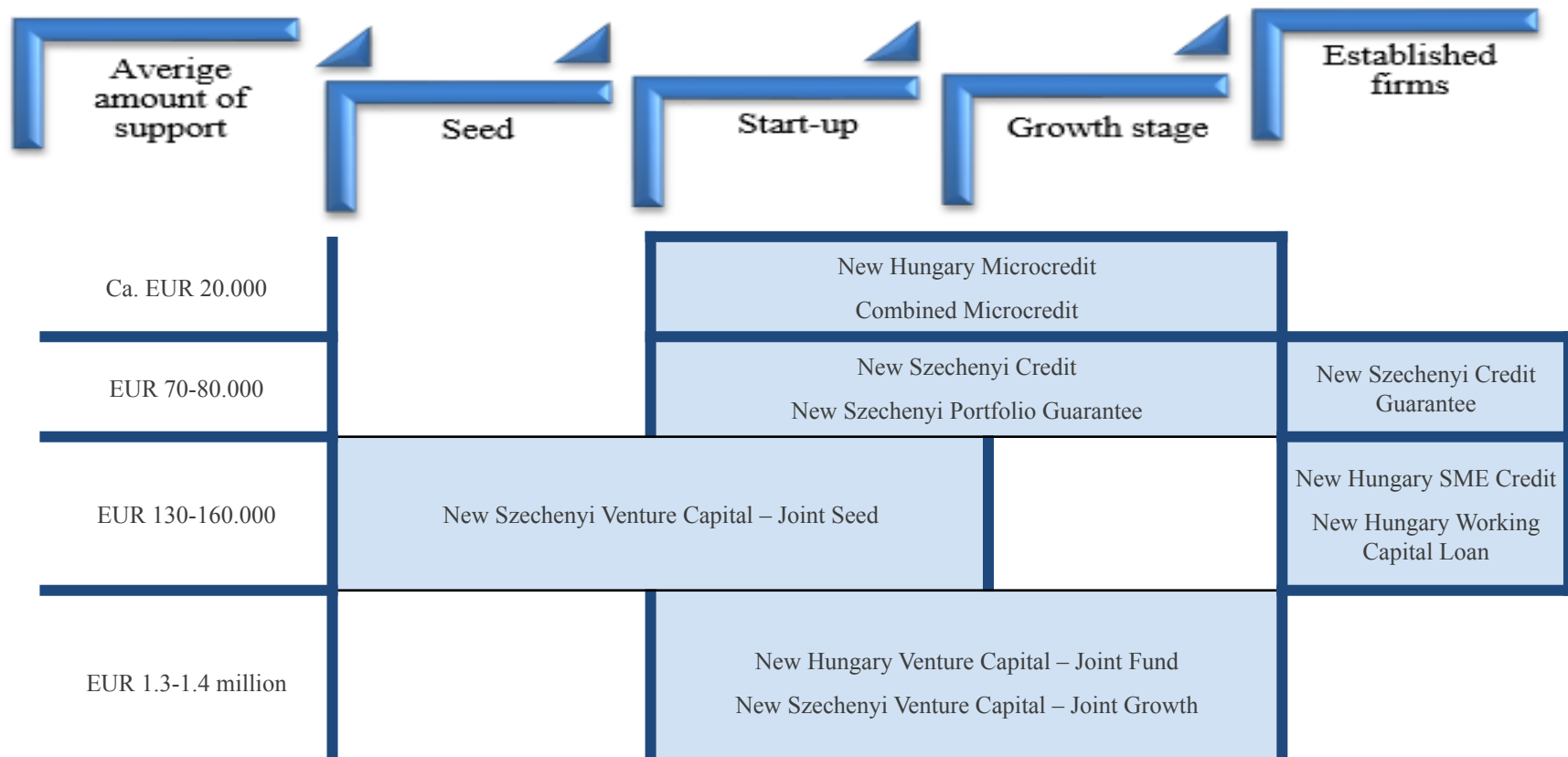
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FIs in the OPs in Hungary (2007-2013)

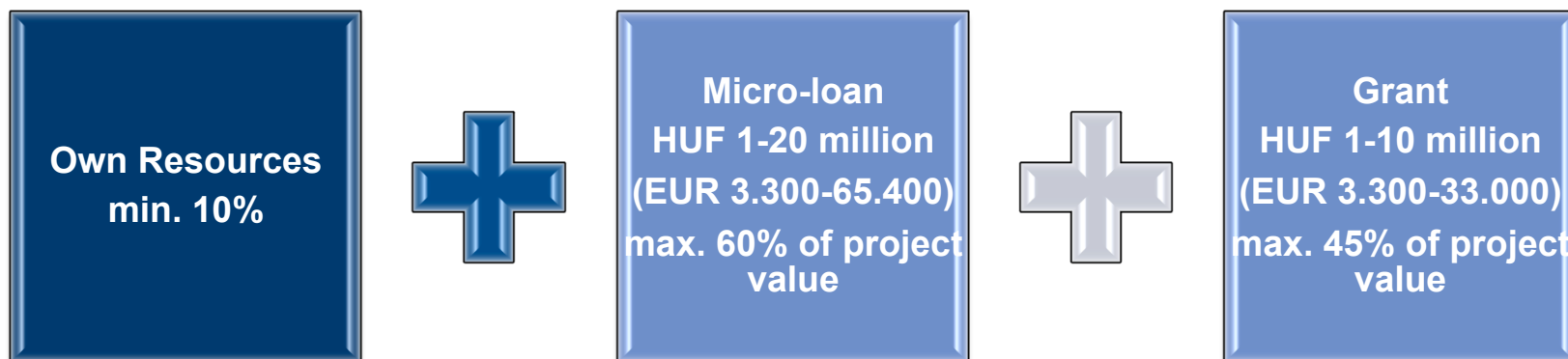| Ops	Budget of OP (without TA)	FI forms in the OP	FI budget in the OP	FI in % of the OP
Economic Development Operational Programme 2007-2013 (EDOP) which covers the convergence regions (6 regions out of 7)	EUR 3,257 million	Credit, Guarantee, VC	EUR 727 million (the total FI priority axis)	22%
Central Hungary Operational Programme 2007-2013 (CHOP) for the Regional Employment and Competitiveness objective	EUR 1,663 million	Credit, Guarantee, VC	ca EUR 117 million (FIs cover part of the 1st priority)	7%
6 Regional Development Operational Programmes (RDOP) for the Convergence regions	EUR 4,881 million	VC	EUR 7 million /OP (in Strengthening the region's SME sector priorities)	0,8%

Different FIs in the business development cycle

Averige amount of support	Seed	Start-up	Growth stage	Established firms
Ca. EUR 20.000		New Hungary Microcredit Combined Microcredit	New Hungary Microcredit Combined Microcredit	
EUR 70-80.000		New Szechenyi Credit New Szechenyi Portfolio Guarantee	New Szechenyi Credit New Szechenyi Portfolio Guarantee	New Szechenyi Credit Guarantee
EUR 130-160.000	New Szechenyi Venture Capital – Joint Seed	New Szechenyi Venture Capital – Joint Seed		New Hungary SME Credit New Hungary Working Capital Loan
EUR 1.3-1.4 million		New Hungary Venture Capital – Joint Fund New Szechenyi Venture Capital – Joint Growth	New Hungary Venture Capital – Joint Fund New Szechenyi Venture Capital – Joint Growth	

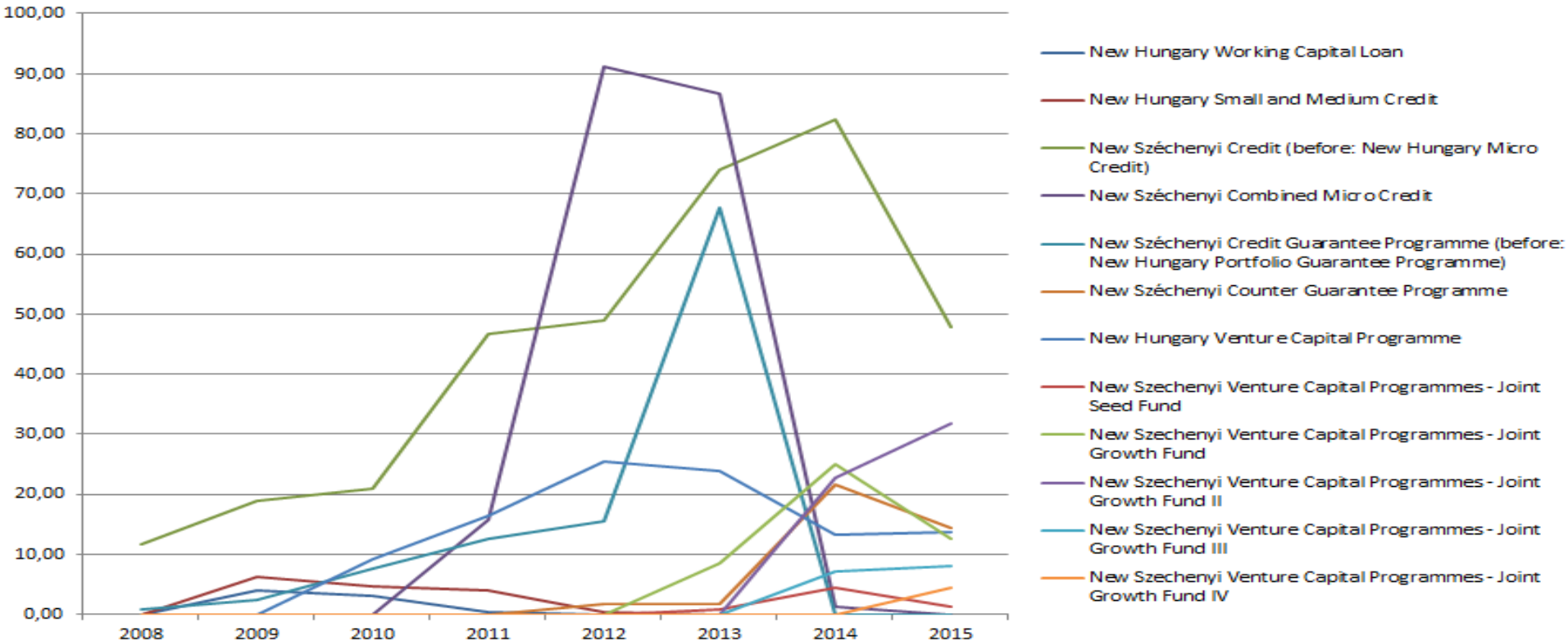| OP	FIs	Short description	Launching the program
EDOP, CHOP	"New Széchenyi" Combined Micro Credit and Grant	For micro enterprises, for 120 months Min HUF 1 million, max HUF 20 million (ca min EUR 3,500, max EUR 70,000) 10% own resources, 45% micro credit, 45% grant	2011
EDOP, CHOP	"New Széchenyi" Credit (previously Micro Credit)	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)	2007
EDOP, CHOP	"New Hungary" Small and Medium Credit	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)	2008 (closed in 2012)
EDOP, CHOP	"New Hungary" Working Capital Loan	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)	2008 (closed in 2010)
EDOP, CHOP	Portfolio guarantee	Up to 80%	2007
EDOP, CHOP	Venture capital	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.	2009
7 RDOPs	Equity fund	Venture capital in the regions.	2010

Combined microcredit - project structure/ financing

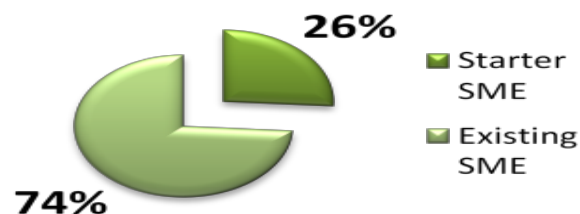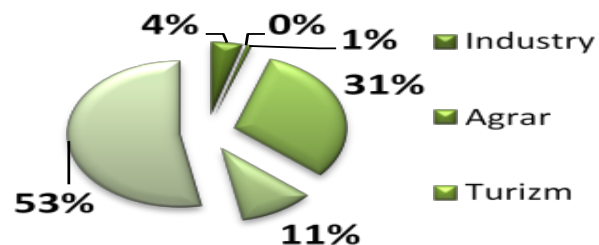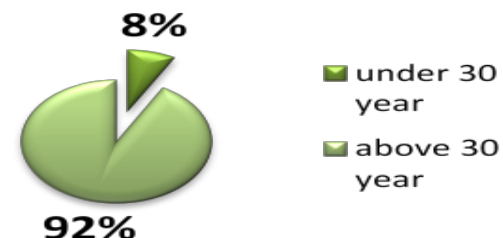|				
Own Resources **min. 10%**	➕	**Micro-loan** **HUF 1-20 million** **(EUR 3.300-65.400)** **max. 60% of project value**	➕	**Grant** **HUF 1-10 million** **(EUR 3.300-33.000)** **max. 45% of project value**

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Absorption process of the different Hungarian FIs

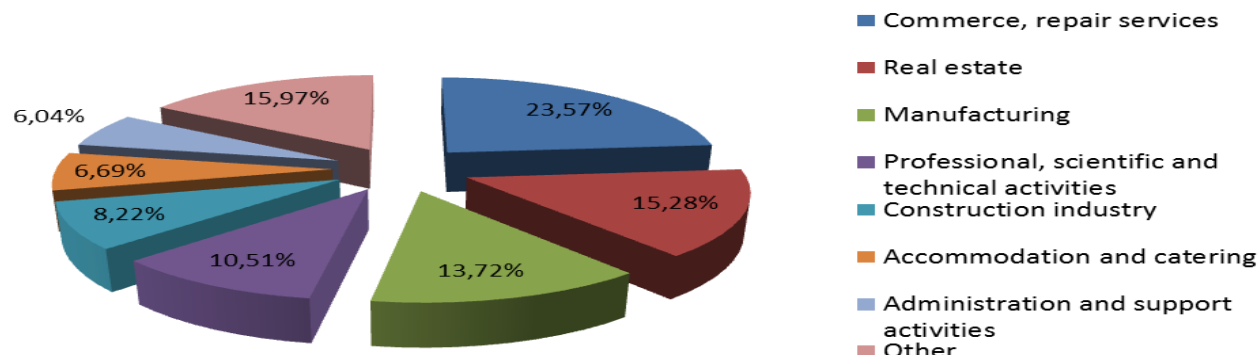# Breakdown of the *combined microcredit* beneficiaries

41% / 59% — Man, Woman

47% / 53% — Urban, Rural

8% / 92% — under 30 year, above 30 year

4% / 0% / 1% / 31% / 53% / 11% — Industry, Agrar, Turizm

26% / 74% — Starter SME, Existing SME
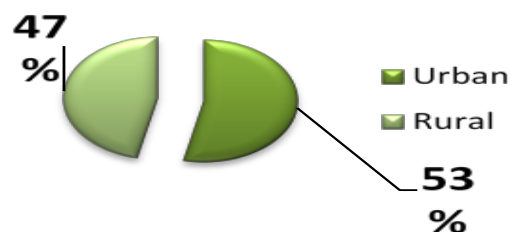
200 million EUR   - 9347 projects

2007-2013

Percentage of sectors in the whole portfolio (loan and guarantee)

- Commerce, repair services
- Real estate
- Manufacturing
- Professional, scientific and technical activities
- Construction industry
- Accommodation and catering
- Administration and support activities
- Other

Contracted sources	Proportion
44,81	23,57%
29,04	15,28%
26,08	13,72%
19,98	10,51%
15,63	8,22%
12,71	6,69%
11,49	6,04%
30,35	15,97%

Percentage of sectors in combined microcredit programme

- Commerce, repair services
- Real estate
- Manufacturing
- Professional, scientific and technical activities
- Construction industry
- Accommodation and catering
- Administration and support activities
- Other
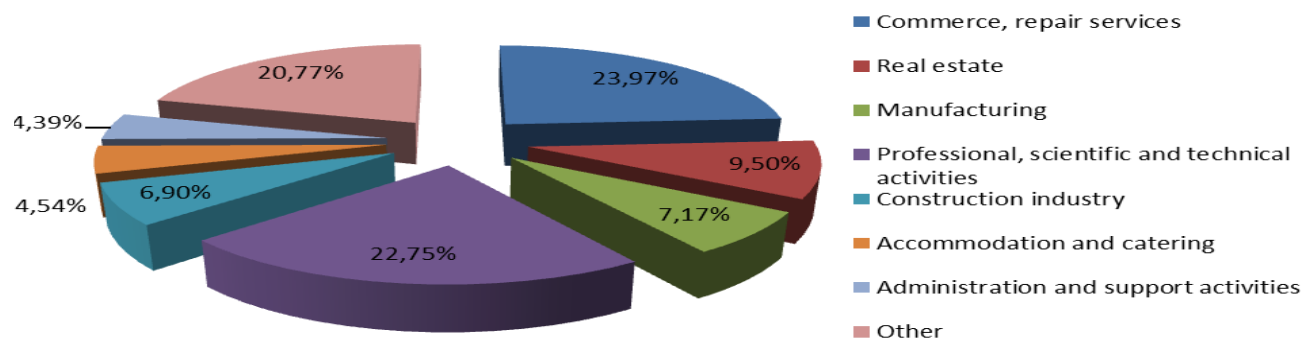
Contracted sources	Proportion
12,45	23,97%
4,94	9,50%
3,73	7,17%
11,82	22,75%
3,58	6,90%
2,36	4,54%
2,28	4,39%
10,79	20,77%

2014-2020

The following Hungarian OPs are planning to use FIs:

OP	million EUR
EDIOP total	7684,2
FI sources	2235,2

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

FINANCIAL INSTRUMENT PRIORITY STRUCTURE (DIVIDED BY THEMATIC OBJECTIVES, BN HUF)

225		TC 3
202		TC 1
95		TC 2
176		TC 4
31		TC 8

2 guarantee program
4 venture capital
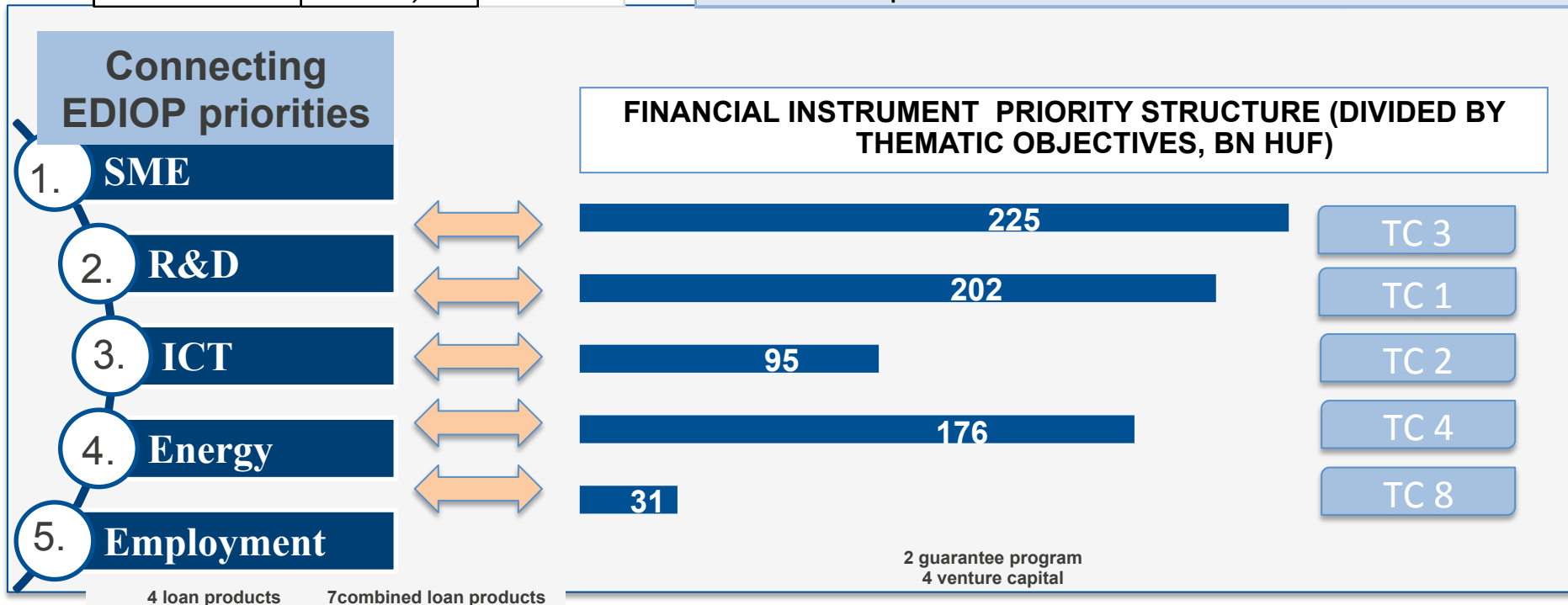
Conclusions

- 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	2014-2020
Short and limited rules and few guidance	More sophisticated regulation with several guidance
Free rein to Member States to explore	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*

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