GOOD PRACTICES - CASE IDENTIFICATION /1ST LEVEL ANALYSIS

GOOD PRACTICE No. 9.

1. **Good Practice title:**

Loan programme for increasing the competitiveness of SMEs under EDIOP 2014-2020 Category: 4. social and technological innovation in microfinance

2. **Territory of implementation/application (country/region/...)]**

6 convergence regions of Hungary: North Great Plain, South Great Plain, Western Transdanubia, Central Transdanubia, South Transdanubia, North Hungary. Excluded: Central Hungary

3. **Timeframe:**

year of introduction: 2016 year of termination: 0000 *(leave 0000 if ongoing)*

4. **Brief description of the promoting organization:**

Promoting organisation: Managing Authority for the Economic Development and Innovation Operational Programme at the Ministry for National Economy, Hungary. The Managing Authority (MA) is responsible for the overall management of the Economic Development and Innovation Operational Programme 2014-2020 in Hungary (EDIOP). EDIOP is financed from ERDF, ESF and co-financed by the Hungarian state budget. Total financial frame is EUR 8 813 million. EDIOP includes eight thematic priorities: 1. SME competitiveness; 2. R&D&I; 3. ICT; 4. Energy; 5. Employment; 6. Training; 7. Tourism; 8. Financial instruments including loan, guarantee and equity products. Total volume of financial instruments is EUR 2 235 million. Financial instruments are managed through a holding fund system. The EDIOP MA contracts the holding fund manager, which in turn contracts financial intermediaries that are in direct contact with SMEs.

The project is implemented through the Interreg Europe programme co-financed by ERDF.

5. **Main objective of the initiative:**

The objective of the loan programme is increasing the competitiveness of SMEs and enhancing their skills for modern product and service development through improving their access to finance. The loan can be requested to financially viable projects that cannot be financed from the market. This is a robust initiative both in terms of available resources and targeted SMEs. SMEs in any sector can apply for the loan (with the exception of the agricultural sector).

6. **Brief explanation of the initiative:**

The loan volume is EUR 3 300 to EUR 2 000 000. Projects may include purchase of machinery, equipment, purchase of immaterial goods, construction of new buildings, reconstruction of buildings, purchase of stocks (up to 30% of the loan amount). The loan is provided at preferential interest rate (0%) with costs and fees related to the loan strictly limited. Applicant SMEs must have at least 10% of the total project's costs as own resources (with the exception of purchase of used vehicles – in this case the minimum own resources should reach 20%). Loan duration is maximum 15 years.

7. **Target group and measures to involve the target group:**

Target group of the loan scheme is micro, small and medium enterprises. Track record (closed business year) is not a prerequisite. Projects excluded from non-refundable schemes may apply for the loan particularly tourism projects (development of hotels and other tourist accommodation, development of restaurants, thermal baths, theme parks, health tourism) and purchase of vehicles (excluding passenger cars). The project must be realised in one of the 6 convergence regions of Hungary.

8. **Innovativeness:**

This loan product is very robust since it is open for SMEs in all sector (except for agriculture). The loan volume moves between broad limits (EUR 3 300 to EUR 2 000 000). Furthermore, SMEs with track record but freshly founded enterprises are also eligible.

9. **Outcomes:**

The scheme was launched in 2016 with an initial financial frame of EUR 146 million. Because of the significant demand for the product the financial frame was raised by EUR 87 million in November 2016.