

Conditions for the Financial Instrument of Interest Subsidy for Loans under the National Recovery and Resilience Plan (NRRP)

The Recovery and Resilience Facility (RRF) has been introduced as part of the NextGenerationEU instrument. With its National Recovery and Resilience Plan (NRRP) 2021 – 2026 (hereinafter: NRRP), as part of the C1.1.1. R4-12 Financial instrument for micro, small and medium-sized enterprises, Croatia has made preconditions for HAMAG-BICRO to establish a fund for subsidizing interest on bank investment loans approved within the existing guarantee programs for green and digital transition projects of SMEs and projects aimed at strengthening competitiveness and resilience, in accordance with the Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation 2021/C 58/01, which are implemented in accordance with the Technical guidance on sustainability proofing for the InvestEU fund (2021/C280/01) and relevant EU and national legislation.

All financial institutions that have signed the Business Cooperation Agreement, are eligible to participate in this Financial Instrument.

Eligibility criteria for applicants and terms and conditions for the guarantee are defined in the Guarantee Programme 'PLUS'.

Investments which qualify for interest subsidy under the National Recovery and Resilience Plan (NRRP) are defined by this Financial Instrument.

1. INTEREST RATE SUBSIDY

Interest rate subsidy is intended for:

- Green transition projects or environmentally friendly production processes and projects improving resource efficiency of SMEs
- Digitalisation of business of SMEs
- Strengthening competitiveness and resilience

Green transition projects or environmentally friendly production processes and projects improving resource efficiency of SMEs require the attainment of at least one of the following environmental goals:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Green transition projects include, among others, investments in green technologies, business models based on the circular economy, renewable energy sources, energy efficiency, etc.

Digitalisation of business of SMEs includes introduction of digital technologies in all areas of business and their complete integration and education of employees and users, which requires investment in, for example:

- digitalisation of production, procurement and sales, as well as in other business processes
- digitalisation of services
- Industry 4.0

Projects aimed at strengthening competitiveness and resilience are projects with loan funds used for investment in new technologies, vehicles and equipment for:

- the construction and/or extension and/or adaptation/modernisation/renovation of business and/or production and/or service facilities, etc.
- other purposes of importance for expanding business volume, strengthening productivity, employment, internationalisation of business, etc.

2. PURPOSE

List of ineligible activities:

1. Activities that limit individual rights and freedoms or that violate human rights;
2. The use, development, or production of products and technologies for defence activities, that are prohibited by applicable international law;
3. Tobacco-related products and activities (cultivation and production, distribution, processing and trade);
4. Activities excluded from financing pursuant to the relevant provisions of the Horizon Europe Regulation: research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings which could make such changes heritable; and activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer (SCNT);
5. Gambling (activities related to production, construction, distribution, processing, trade or software);
6. Sex trade and related infrastructure, services and media;
7. Activities involving live animals for experimental and scientific purposes if compliance with the European Convention for the Protection of Vertebrate Animals for Experimental and other Scientific Purposes cannot be guaranteed;
8. Real estate development activity, such as an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings, as well as construction of new projects. However, activities in the real estate sector related to the special objectives of the Invest EU Programme, as Article 3, paragraph 2 provides (*supporting financing and investment operations related to sustainable infrastructure, supporting financing and investment operations related to research, innovation and digitisation, including support for the scaling up of innovative companies and the rolling out of technologies to market, increasing the access to and the availability of finance for SMEs*) and to the areas eligible for financing and investment operations under Annex II, such as investments in energy efficiency projects or social housing, shall be eligible (investment in renewable energy and energy efficiency projects, commercial property renovation projects focused on energy savings and projects related to tourism and social institutions are not excluded);

9. Financial activities (e.g. purchasing or trading in financial instruments). In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded;
10. Activities forbidden by applicable national legislation;
11. Decommissioning, operation, adaptation or construction of nuclear power stations;
12. Activities and facilities related to fossil fuels, including further use Except for projects in the field of electricity and/or heat production and related transmission and distribution infrastructure, in which natural gas is used, which comply with the conditions set out in Annex III to the Technical Guidelines on the Application of “Do No Significant Harm” Principle (2021/C58/01)
13. Activities and facilities under the EU Emission Trading System (ETS) with projected CO₂ emissions that are not lower than the relevant benchmarks If the supported activity achieves projected greenhouse gas emissions that are not substantially lower than the relevant benchmarks, the reasons why this is not possible need to be explained. The benchmarks for the allocation of emission allowances for activities covered by the ETS are set out in the Commission Implementing Regulation (EU) 2021/447).
14. Activities and facilities related to disposal of waste to landfill facilities, incinerators This exclusion does not apply to investments in plants exclusively dedicated to treating non-recyclable hazardous waste and existing plants, where the investment is for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided that such activities do not result in an increase in the capacity of waste treatment plant or prolongation of the lifetime of the plant.) and mechanical biological treatment plants (This exclusion does not apply to investments in existing plants for mechanical biological treatment, where the investment is for the purpose of increasing energy efficiency or subsequent incorporation of separate waste into recycling processes for the purpose of composting biowaste and anaerobic digestion of biowaste, provided that such activities do not result in an increase in the capacity of waste treatment plant or prolongation of the lifetime of the plant.).
15. Activities and facilities where the long-term disposal of waste may cause harm to the environment;
16. Agricultural and fishing activities and other business activities excluded by applicable De Minimis Aid Regulation (Commission Regulation (EU) No. 2831/2023);
17. Financial and insurance activities (apart from related services) and trade in cryptocurrencies;
18. All activities that are not eligible for funding by aid from the relevant state aid regulations, such as GBER, ABER, *de minimis* and other regulations applicable to this financial instrument.

3. INTEREST SUBSIDY

With the Financial Instrument of Interest Rate Subsidy borrowers are granted:

De minimis aid according to the Commission Regulation (EU) No. 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid and the HAMAG-BICRO Rules on De Minimis Aid.

4. SECURITY INSTRUMENTS

Security instruments are regulated by the Agreement between HAMAG-BICRO and the financial institution *pari passu*.

5. APPLICATION SUBMISSION

The end recipient submits a request for loan/leasing approval to the financial institution, with the 'PLUS' Guarantee and Interest Subsidy under NRRP. The financial institution sends HAMAG-BICRO its Loan Approval Decision with the required documentation, as listed below, in accordance with Item 6. Required Documentation hereof.

The financial institution submits requests by email, mail or in person at the addresses published on The HAMAG-BICRO's official website.

6. REQUIRED DOCUMENTATION

HAMAG-BICRO will publish the list of documents required for applying for the Guarantee Programme 'PLUS' and Interest Subsidy under NRRP on the official website of HAMAG-BICRO.

7. OTHER PROVISIONS

There is no right to the guarantee and interest subsidy. The investment must be economically justified and have clear financial structuring. HAMAG-BICRO makes the decision on a guarantee and subsidy application approval using internal methodologies. In case of a minor deviation from the terms and conditions of this Financial Instrument and with proof of a justified reason, individual exceptions can be made with the approval of the Management Board of HAMAG-BICRO.

Interest rate can be subsidized exclusively for investment loans with a minimum maturity of 5 years (including the grace period). The interest rate subsidy is provided for a maximum of half of the amount of the total interest for the entrepreneur established in the initial repayment plan.

The interest subsidy is paid to the financial institution after the issuance of the HAMAG-BICRO's guarantee, upon the expiry of the loan period and upon the receipt of the final repayment plan.

In the event of early maturity of the principal (e.g. early loan repayment, bankruptcy, etc.) when the financial institution has not charged the total regular interest under the repayment plan, the financial institution has to notify HAMAG-BICRO and make a refund of the subsidy overpayment.

The paid interest subsidy at loan closure cannot exceed 50 % of due interest.

The funds disbursed under a loan with a HAMAG-BICRO guarantee must be used for their intended purpose only.

8. FINANCIAL INSTRUMENT VALIDITY PERIOD

This financial instrument comes into effect on the adoption date and will remain valid until the funds have been exhausted, but no later than 30 June 2026.