

"GO NETWORK" PROJECT

WORK PACKAGE 3 – WORKSHOP

January 16th - 17th, 2006
Pula

Istrian Development Agency
Mletačka 12/IV, 52100 Pula

MINUTES

LIST OF PARTICIPANTS

PROJECT PARTNERS	
Istrian Development Agency (HR, PP10)	Darko Lorencin (DL)
	Boris Miletic (BM)
Austria Wirtschaftservice - AWS (A, PP8)	Roswitha Mosburger (RM)
	Doris Benedicter (DB)
Finest (IT, PP3)	Alessandro Morelli (AM)
Umbria Region (IT, PP4)	Marco Tili (Gepafin S.p.a.)
	Tiziana Celani (Interimprese)
	Daniela Rosati (Consultant)
	Barbara Sabatini (Consultant)
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GUESTS	
HAMAG (Croatian Agency for Small Business)	Tomislav Kovacevic (Executive Board President)
Università di Perugia	Prof. Loris Nadotti

MEETING's OBJECTIVES

The main purpose of the meeting was the updating of the current situation of the guarantee consortium and discussion and subsequent definition of the parameters for the financial model for a new regional guarantee fund in Istria as well as the drafting of different scenarios of the financial model for the business plan. Furthermore the milestones and timing for the road shows for potential donors and other stakeholders as well as for the training had to be worked out during the meeting.

MEETING's RESULTS

1. Update of Situation

1.1. Activities of IDA / Consortium Istria 21

DL gives a short update on developments of the first guarantee frame under the consortium Istria 21, which is handled by IDA:

The guarantee frame with a fund capital of HRK 3.4 million (approx. EUR 460,000) was established in 2005. Target companies are either small companies or craftsmen active in the production industry. The focus is also on export oriented companies. The guarantee frame is handled through OTB Bank on a contractual basis. OTB was selected out of several banks because of their best offer concerning conditions for loans covered by IDA's guarantees.

Istria 21/IDA has received applications for around 50 loan guarantees, 27 projects were approved by the guarantee committee of the consortium and forwarded to OTB Bank. The maximum guarantee quota is 50 %, depending on availability of other collateral (OTB asks for 130 % collateral). The average loan volume of the applications is EUR 100.000 – 130.000,-.

The fund capital is deposited at OTB Bank; interest on fund capital is used as an interest rate subsidy, which means that the loans guaranteed by the consortium are issued at an interest rate of three-month EURIBOR or CHF/LIBOR plus 2.0 %. The applicants pay a one off guarantee fee in the amount of 0.2 % of the loan amount to the consortium. The fund capital deducted by losses on defaults will be remitted to Istria 21 in August 2008.

Istria 21/IDA receives additional security from the debtor in form of a personal guarantee. In a case of default payment will be effected almost immediately to the bank (90 days).

1.2. Update on legal situation

According to the Banking Act in Croatia a financial guarantee can only be issued by bank in the sense of the Banking Act or, as in the case of HAMAG, if the guarantees are regulated by a special law. Personal guarantees can be issued under the Civil Law. Therefore the consortium Istria 21 was founded with IDA as fiduciary agent which issues the guarantees under the Civil Law.

The national government supports the idea of local guarantee institutions and has expressed the wish to support the creation of 4 – 6 local guarantee schemes in Croatia. In this context some changes of the legal situation (either amendment of law governing activities of HAMAG or issuing

of new law for local guarantee institutions) are very likely. DL is a member of the Task Force dealing with these issues and can thus forward the interest of IDA and the consortium.

Possible ways of co-operation with HAMAG were discussed with Mr. Kovacevic. In the short term a collaboration on a contractual basis could be established, were the consortium as a local guarantee institution guarantees part of a loan and HAMAG offers additional coverage for the same loan (e.g. total guarantee quota 60 %, were 30 % are covered each by IDA and HAMAG). This co-operation would increase the leverage for IDA and on the other hand help HAMAG to access new clients and develop their co-operation with Croatian Banks.

In the medium term for IDA or the body issuing the guarantees a counter guarantee from a national institution, either HAMAG or one of the Ministries concerned would be more advisable, as it does not have immediate effect on the budget but would enhance the credit standing of the guarantee fund tremendously.

1.3. Update on funding

IDA will receive an additional EUR 600.000 for a guarantee frame from the Istrian Region. The national government has expressed its willingness to support the local guarantee institutions but details on the type of support have yet to be discussed.

AM and RM have introduced the pilot project briefly to various national initiatives and Italian and Austrian commercial banks. Further institutions will be contacted (see time frame at the end of the minutes) to evaluate the level of interest and decide which institutions will be included in the road shows to be organised in May 2006.

1.4. Update on status of business plan

The draft of chapter 4.3. of the business plan (roles of parties and stakeholders involved) provided by RM is discussed. The input from the other partners will be included in the updated version.

A timeframe for the finalisation of the business plan is agreed upon (see below).

2. Assumptions for guarantee fund

DB gives a short overview of the required parameters for the financial projections for the guarantee fund. A base case scenario is developed with the input from BM and DL on the basis of the already existing guarantee frame. A sustainable scenario is developed taking into account the future plans for the local CGO, the experience of IDA as well as of AWS and Finest.

3. Milestones and Road Shows

See time frame below.

4. Training

The representatives of Umbria Region join the meeting on January 17th to discuss the further steps concerning the training sessions in Istrian Region.

BM presents the reflections of IDA on the training needs (topics to be covered during the training sessions, suggestions for people to be trained, possible time schedule).

A time frame for the further steps concerning the training is developed.

Timeframe Next Steps

Responsible	Task	Deadline
AWS (RM)	Contact with Austrian Ministry for Economy, Stability Pact, Austrian Banks with interest in Croatia (Hypo, Erste, Raiffeisen)	asap
IDA (BM)	Information on guarantee business done by IDA so far (No of applications, no of approved, guarantee quota, loan volume, guaranteed volume, etc.)	asap
AM	Contact with Italian Ministry of Industry, Italian CGOs, Italian Minority, CEI, Italian Banks with interest in Croatia	asap
IDA (DL)	Contact with Croatian branch of EBRD, World Bank, EU Delegation in Zagreb	asap
AWS (DB)	Preparation of financial projections for the Istrian CGO for different scenarios	31.01.2006
AWS (RM)	Provision of short presentation on CGO (used for Hypo) to IDA in English	31.01.2006
IDA (BM)	Review of data in Draft of Business Plan on Istria/Croatia, especially Chapter 2.2. (accuracy, latest available data used?, etc.)	31.01.2006
IDA (BM, DL)	Write part on current legal situation of Consortium 21/CGO in Istria and planned changes to legal situation concerning CGOs in Croatia (also mentioning government initiative on local CGOs and task force)	31.01.2006
Umbria Region	Draft for programme on trainings in Croatia	31.01.2006
Umbria Region	Draft on contents concerning training for manual for 4 th Technical Meeting in Vienna	31.01.2006
AWS (DB)	Preparation of draft of chapters 5 and 6 of the business plan	07.02.2006
AWS, IDA, AM	Review of training plan	Mid February
AWS (RM)	Preparation of Power Point Presentation for potential donors and other business partners	10.03.2006
Umbria Region	Final Training Plan plus presentation on training for 4 th Technical Meeting in Vienna	27.03.2006
PPs WP3	4 th Technical Meeting	31 st March
IDA, AWS, AM	Road Shows for potential donors and other stakeholders	2 nd – 12 th May (4-5 days)