


# THE EUROPEAN INVESTMENT BANK IN **CROATIA**



European  
Investment  
Bank

*The EU bank* 





**Dario Scannapieco**  
Vice-President

Since 1977, the European Investment Bank has partnered with private Croatian companies and with the country's public sector to provide affordable long-term financing and crucial advice that improves everyday life for Croatian citizens.

We have signed more than €6.5 billion in financing in Croatia to support regional development, strengthen economic competitiveness and boost the water, healthcare, transport and energy sectors. We are advising Croatian cities and islands to help them become smart, modern, innovative and green.

As the EU's climate bank, the European Investment Bank pioneers improvements in energy efficiency and protects biodiversity and the environment in Croatia. Our climate finance also helped Rimac Automobili, a Croatian company, become a global leader in electro-mobility innovation.

We are committed to building a modern Croatian economy and are proud of our contribution to a great future for the people of Croatia.

# CROATIA'S ECONOMY AT A GLANCE

**Economic activity has recovered, but more investment is needed.** Growth in Croatia has been positive since 2015, following a six-year recession, with real GDP growth averaging 2.8% per year. Investment, which plummeted to 20% of GDP in 2011, has stagnated at that level and is expected to accelerate in the next couple of years. That's because business prospects and financing conditions remain supportive for private investment, while public investment should benefit from accelerated absorption of EU funds. Nevertheless, weak total factor productivity and low labour utilisation constrain potential output growth (1.7% in 2019).<sup>1</sup> Policy measures should be designed to encourage productive investments, especially those focusing on innovation and skills.

**Financing of innovation and investment in intangible assets is particularly important.** At 0.86% of GDP, expenditure on research and development is still below the 2020 target of 1.4%.<sup>2</sup> Relative to the European Union, Croatian firms also underinvest in the broader category of intangible assets, such as software, data and training (45%, compared to an EU average of 53% of total investments). Higher innovation requires adequate financing. Yet the share of finance-constrained firms in Croatia is among the highest in Europe<sup>3</sup>, especially for small and medium-sized enterprises (SMEs), and firms cite collateral requirements as the most constraining factor in obtaining external financing.

**Enhancing human capital and skills is crucial to the further consolidation of recent gains in job creation.** The unemployment rate (6.9% in the third quarter of 2019) reached its lowest recorded level. Youth unemployment also decreased considerably, but remains high (18.7%), while the activity rate is still among the European Union's lowest (66%, compared to the EU average of 74%).<sup>4</sup> Croatia performs worse than the EU average in terms of skills gaps. Improving education, vocational education and training, especially in digital skills, would increase productivity.

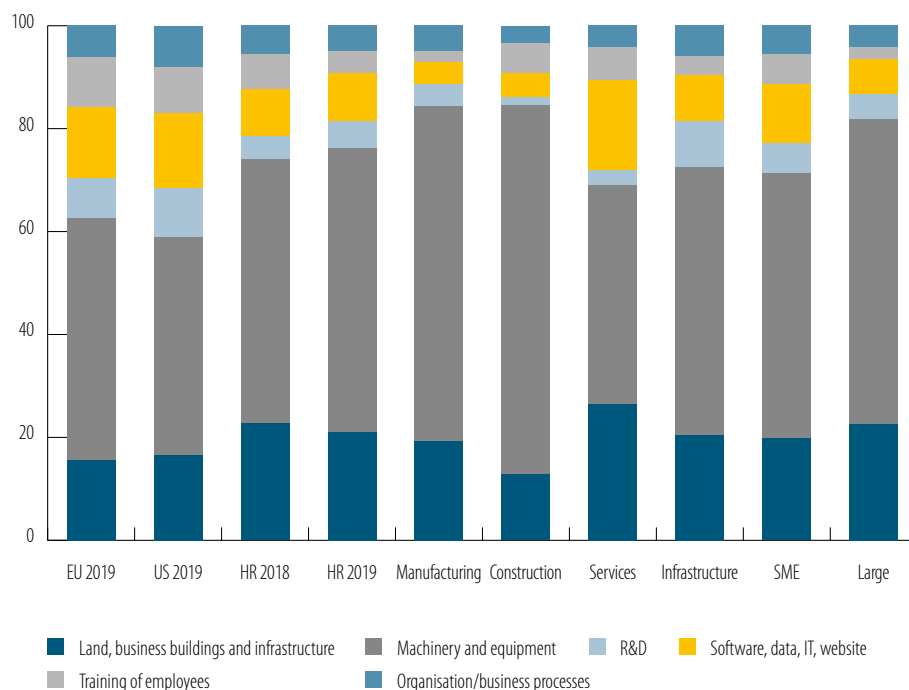
1 Potential GDP growth estimated by the European Commission.

2 Latest available data for R&D investment as of 2017, Eurostat.

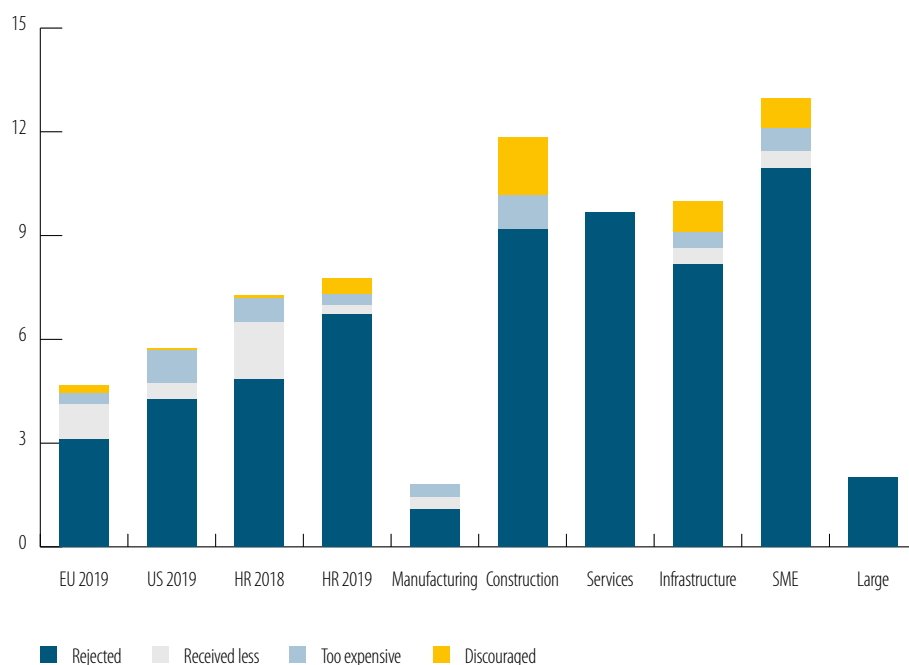
3 EIB Investment Survey 2019.

4 Source: Eurostat. Active population as a percentage of total population from 15 to 64 years as of 2019 Q2; seasonally adjusted data.

**In the last financial year, how much did your business invest in each of the following for the purpose of maintaining or increasing your company's future earnings? (in %)**



**Share of finance-constrained firms (in %)**



Source: EIB Investment Survey 2019.

Finance-constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged).

A man with a beard and mustache, wearing a blue sweater and a dark jacket, is focused on working on a large industrial machine in a workshop. The background is filled with various mechanical parts and tools, creating a sense of a busy manufacturing environment. The lighting is dramatic, with strong highlights and deep shadows.

EIB lending  
since 1977  
**€6.5bn**

European Investment Bank projects financed  
in Croatia during the last five years will support

**160 000 jobs**  
while they're being implemented.

In the long-run, they'll create

**50 000 new jobs.**

# CROATIA AND THE EUROPEAN INVESTMENT BANK

The European Investment Bank has been active in Croatia since 1977, committing over €6.5 billion to key projects.

In Croatia, as in the other EU Member States, the European Investment Bank supports investment projects designed to reduce disparities in regional development, strengthen economic competitiveness and improve living standards and quality of life. Finance for projects that contribute to economic progress in EU-assisted areas remains the Bank's key activity. The whole territory of Croatia consists of regions fully qualifying for European Investment Bank loans, and for allocations from the EU Structural and Cohesion Funds.

## EIB RESULTS IN CROATIA, 2018

EIB Group  
signatures  
**€507m**  
EIB **€444m**  
EIF **€63m**

EIB financing as %  
of national GDP  
**0.98%**



**€50 million** to upgrade Rijeka Clinical Centre, a major hospital and university training facility that serves around 600 000 people (15% of Croatia's population).



# PUBLIC SECTOR LENDING

Public infrastructure is a crucial part of the European Investment Bank's lending in Croatia. The Bank's projects boost Croatia's economy, helping to improve conditions for sustainable growth and prosperity.

Across the country, the European Investment Bank helps update water, healthcare, transport and energy infrastructure. Our support delivers tangible results for Croatians, making the Bank one of the major public financiers in the country.

Our work has supported the rebuilding of several parts of Croatia's national railway network and motorway sections of the Pan-European Corridor Vc, linking Croatia to Hungary and Bosnia and Herzegovina.

We also financed the expansion and upgrading of Dubrovnik airport. This project improves traffic flows, alleviates congestion at peak hours, and enhances security and services.

In Zagreb, the European Investment Bank supported the modernisation of the city's electricity and heat supply, which will contribute towards lower greenhouse gas emissions.

## **AFTER ALMOST 100 YEARS, A NEW HOSPITAL FOR RIJEKA**

We are providing €50 million to upgrade Rijeka Clinical Centre, a major hospital and university training facility that serves around 600 000 people (15% of Croatia's population).

The project involves the construction of a modern Mother and Child Care Unit, a new thermal-power block and a new parking lot. It will also be an important step in the relocation of hospital units scattered across the city on a single site. This will improve healthcare infrastructure and service quality for patients, medical professionals and teaching staff. The hospital's strategic development plan was prepared with technical assistance support from the European Investment Bank through the European Investment Advisory Hub.

## COLLABORATING WITH THE CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Since 2001, the European Investment Bank has cooperated with the Croatian Bank for Reconstruction and Development (HBOR) to support public and private projects. HBOR's main task is to promote the development of the Croatian economy. EIB-supported projects including Rijeka General Hospital (KBCRI) and Dubrovnik Airport Development have benefited from HBOR cooperation.

In 2017, the European Investment Bank approved a €800 million multiannual lending framework for HBOR. A €250 million tranche supports SMEs in industry, services, tourism and other eligible sectors. A €392.5 million tranche across two loans supports mid-caps and other priorities. A €15 million tranche helps SMEs, mid-caps and other priority projects under the Natural Capital Finance Facility. This facility combines funds from the European Investment Bank and the European Commission's LIFE Programme (for the environment and climate action) to support green infrastructure, ecosystem maintenance, the compensation of adverse impacts on biodiversity and the promotion of biodiversity and environmental protection.



# PRIVATE SECTOR LENDING

A large part of the European Investment Bank's activity in Croatia's private sector targets small and medium-sized enterprises. Small businesses are the backbone of Croatia's economy. In Croatia and across the EU as a whole, over 99% of all enterprises are SMEs, accounting for two out of every three jobs. These businesses often struggle to access finance to grow and prosper. The EIB supports the development of small businesses through credit lines designed to address the scarcity of long-term funding. The preferential terms of our support for financial institutions and banks improve the overall availability of credit.

In addition, the European Investment Bank provides direct loans to Croatian businesses. For example, in 2018, we signed Croatia's first private loan under the European Fund for Strategic Investments to assist Croatia's leading tourism firm, Valamar Riviera d.d. We also supported Rimac Automobili, which is developing battery technology for the world's fastest electric car, providing jobs in Croatia and innovating electro-mobility.

The European Investment Bank will continue to prioritise access to finance for small businesses by ensuring the availability of intermediated financing. EIB loans for small businesses and mid-caps in a wide range of sectors are currently available through HBOR and several commercial banks<sup>5</sup> operating in the country.

## SAVE YOUR ENERGY FOR BUSINESS

We signed a €40 million loan with the largest commercial bank in Croatia, Zagrebačka Banka, under the Private Finance for Energy Efficiency (PF4EE) financial instrument, a joint programme between the European Investment Bank and the European Commission. The loan supports energy efficiency and small renewable energy investments, mainly in the private sector. Projects will generate energy savings and enhance energy efficiency in buildings and production facilities, supporting Croatian and European targets, as well as the European Union's climate change mitigation and security of energy supply objectives.

<sup>5</sup> ERSTE & STEIERMAERKISCHE BANK d.d., Hrvatska poštanska banka d.d., Privredna banka Zagreb d.d., Raiffeisen Leasing d.o.o., Zagrebačka banka d.d.

**“I’m really proud that I’m working in a company that is part of global change, a company that actually has a positive impact on the world and the environment,” Elizabeta says, “and that all this is happening in a country as small as Croatia.”**



## MORE LASTING THAN BRONZE

Tourism is a key sector in Croatia, generating about 20% of GDP and providing 10% of employment. Istria is Croatia's most popular tourist region, with sights like the Roman amphitheatre built by Emperor Vespasian in Pula in the 1<sup>st</sup> century AD.

The European Investment Bank signed Croatia's first private sector loan under the European Fund for Strategic Investments (EFSI) with leading tourism company Valamar Riviera d.d. The €16 million loan, which is part of the Investment Plan for Europe, complemented a €44 million loan intermediated to Valamar through the public development bank HBOR. It mainly supports the modernisation and upgrading of existing Istrian hotel facilities with an increased focus on providing services for families.

## ELIZABETA AND THE ROAD TO INNOVATION JOBS

When Elizabeta Žalac was born in Đurđevac, a town of 6 000 people in northern Croatia, her parents still drove a Soviet-built Lada. Now she works on one of the world's fastest cars.

Jobs were scarce, so Elizabeta Žalac thought she would have to leave home to find work: "but I really wanted to stay here, close to my family and friends." The European Investment Bank helped keep this talented young engineer in her native country.

Elizabeta saw an ad for a job as a battery engineer at Rimac Automobili, Croatia's sole home-grown carmaker, and now she's working on a sports car with a top speed of 412 km/h. Rimac manufactures cutting-edge battery technology, which can also be used in trains, buses and even wheelchairs. The European Investment Bank first backed Rimac with a loan through HBOR. Then, in December 2018, the Bank signed a €30 million loan to support the firm's further development of its electric driving technologies. The project is helping Rimac transform into a technology provider for electric vehicles and an industrial-scale producer of components for the global automotive sector. The financing comes in the form of a growth capital loan under the European Growth Finance Facility. Backed by a guarantee from the European Fund for Strategic Investments, the loan allows Rimac to continue its strong growth, accelerate its research and development, and increase sales and marketing efforts to enable its planned expansion into Asia and Europe.

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**EIB lending to Rimac**  
**€30 million**



# THE EUROPEAN INVESTMENT FUND IN CROATIA

The EIB Group, which is made up of the European Investment Bank and the European Investment Fund (EIF), offers a number of financial instruments to help support small and medium-sized enterprises across Croatia.

The European Investment Fund specialises in providing risk finance for SMEs. The Fund provides guarantees to credit intermediaries with the aim of stimulating lending to SMEs and commits financial resources to private equity funds that focus on SME investment.

The Fund has been present in Croatia since 2010 with a range of guarantee, equity and inclusive finance instruments deployed through key local financial institutions. Croatia has benefited from EU-wide mandates such as the Programme for the Competitiveness of SMEs (COSME) and InnovFin, as well as regional mandates such as the Western Balkans Enterprise Development & Innovation Facility and, more recently, instruments such as the Croatian Venture Capital Initiative. This initiative was launched in cooperation with the Croatian Ministry of Regional Development and EU Funds and supports early-stage companies, complementing the Croatian Growth Investment Programme, a later-stage equity initiative launched in cooperation with HBOR. This range of complementary initiatives has improved access to finance for businesses in Croatia, and, in particular, enhances support for risky or innovative SMEs, start-ups and micro-enterprises.



The EIF has committed over **€207 million** in SME financing, mobilising over **€708 million** for more than 2 800 SMEs

The EIF financing allowed Agrivi to accelerate its growth, both in terms of market outreach and by nearly doubling its staff.

Agrivi has more than  
**30 000 clients**  
in **150 countries**





## **THE MOST POWERFUL FARM MANAGEMENT SOFTWARE**

Matija Žulj had an idea. He wanted to change the world. Or, at least, to change how farmers produce our food. He left a corporate job and focused on developing revolutionary farm management software.

First, he started his own blueberry farm to understand what exactly it means to grow food. Very soon, he faced the same challenges as other farmers around the world. Best practices in farming were difficult to access and there was no simple, affordable software on the market to help him make data-driven decisions.

Matija founded his company Agrivi in 2013, aiming to build a comprehensive, knowledge-based farm management tool that allows farmers to plan, monitor and analyse all activities on their farms.

Tillage, planting, crop protection, fertilisation, irrigation, harvesting and all other activities are managed with a few clicks, which ultimately leads to improved productivity and information sharing, including best practices and experiences with other farmers. The regular monitoring and data analysis functions also help recognise and protect crops and yields from diseases in a timely manner, ensuring more sustainable and profitable agricultural production.

Agrivi was named World's Best Startup in 2014. Southern Central Ventures, the fund managers for the Western Balkans Enterprise Innovation Fund, supported by the European Investment Fund, recognised the significant impact of Agrivi's visionary software development work and invested in the company from the early stages. The financing allowed Agrivi to accelerate its growth, both in terms of market outreach and by nearly doubling its staff. Today, the company has more than 30 000 clients in 150 countries.



# ADVISORY SERVICES

Apart from our lending activities, the European Investment Bank supports its Croatian counterparts throughout the project lifecycle. Our advisory services harness our wide-ranging experience and expertise, helping beneficiaries through project design and implementation. We also blend our own lending and technical assistance with the resources of other EU programmes.

The European Investment Bank has signed an advisory agreement with Croatia's Ministry of Regional Development and European Funds, enabling the EIB Group to provide advisory services to public and private entities.

Advisory services help identify, prepare and develop investment projects within the framework of the European Investment Advisory Hub. The Hub, a partnership between the European Investment Bank and the European Commission, is part of the Investment Plan for Europe and provides a single point of entry in Croatia to comprehensive advisory and technical assistance. Our financing of Rijeka Clinical Centre, a major hospital and university training facility, was supported by the European Investment Advisory Hub. During the preparation of the loan, the hospital received targeted technical assistance to build its strategic development plan and to make sure the project and the financing meet sustainability standards.

The Bank's advisory teams also work on Croatian smart cities. With the public and private sectors, the Bank's advisory services are discussing new ways in which smart financing solutions and investment platforms can help cities and islands become more prosperous and sustainable. The European Investment Bank's technical assistance for smart cities in Croatia encourages greater use of new financial tools (instead of grants), groups together projects that otherwise would be too small to obtain financing and coordinates more advisory support for urban matters.

To unlock the potential for faster development of cities and islands, the European Investment Bank and the Croatian Ministry of Regional Development have signed an advisory agreement. It supports the design of an investment platform for the country, and allows the Bank to help raise awareness about financing opportunities, analyse investment needs and financing gaps, and recommend improvements to urban strategies.

The **European Investment Bank** is the European Union's bank, owned by the EU Member States. In 2018, the EIB Group provided nearly **€80 billion** for investments in and outside Europe. We are the **world's largest multilateral borrower and lender**.



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