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**EUROPEAN
INVESTMENT
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FINANCING INVESTMENT IN EUROPE AND IN CROATIA – A EUROPEAN PERSPECTIVE

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Vice President European Investment Bank

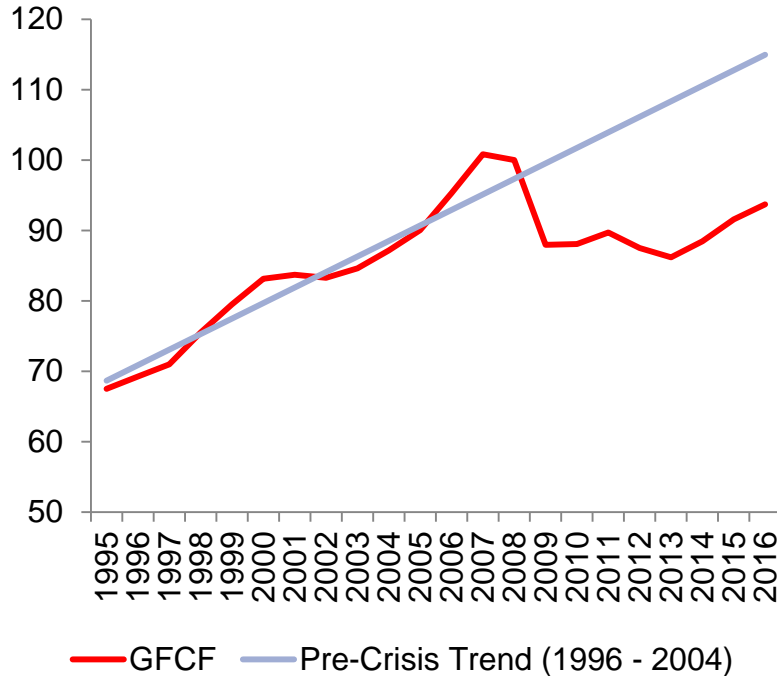
President European Investment Fund

Zagreb, 27 September 2017

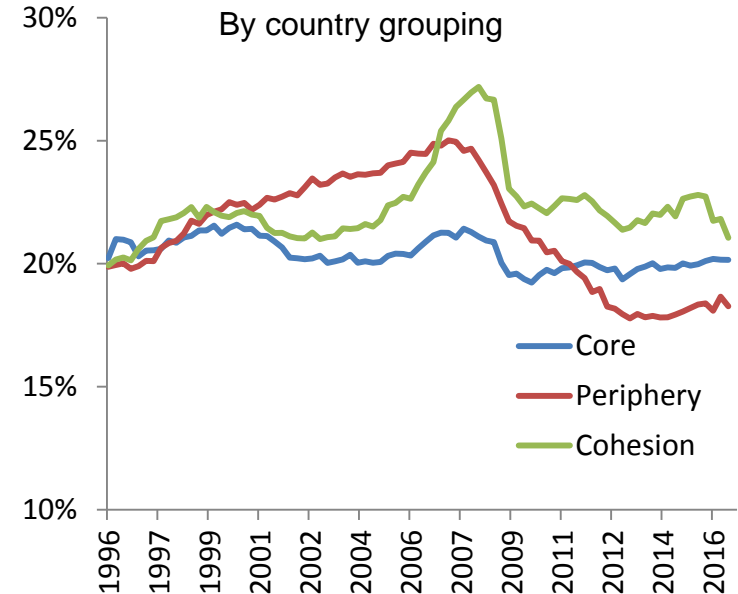
Investment in Europe: latest development

Slow recovery of investment; differentiated across countries

Real Gross Fixed Capital Formation
(2008=100)



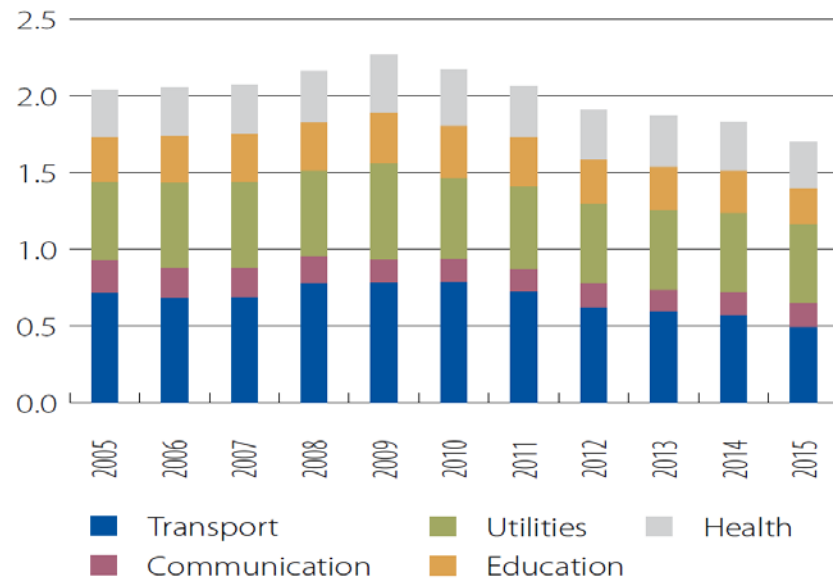
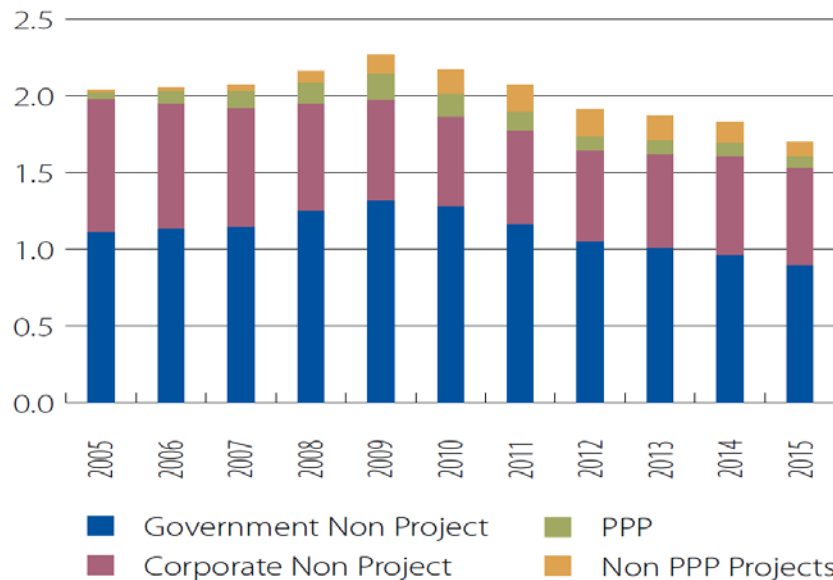
Real GFCF, % GDP
1996-2016



Source: EIB, based on National Accounts and Eurostat

Infrastructure investment is low mostly due to government

Infrastructure Investment (in % of GDP)

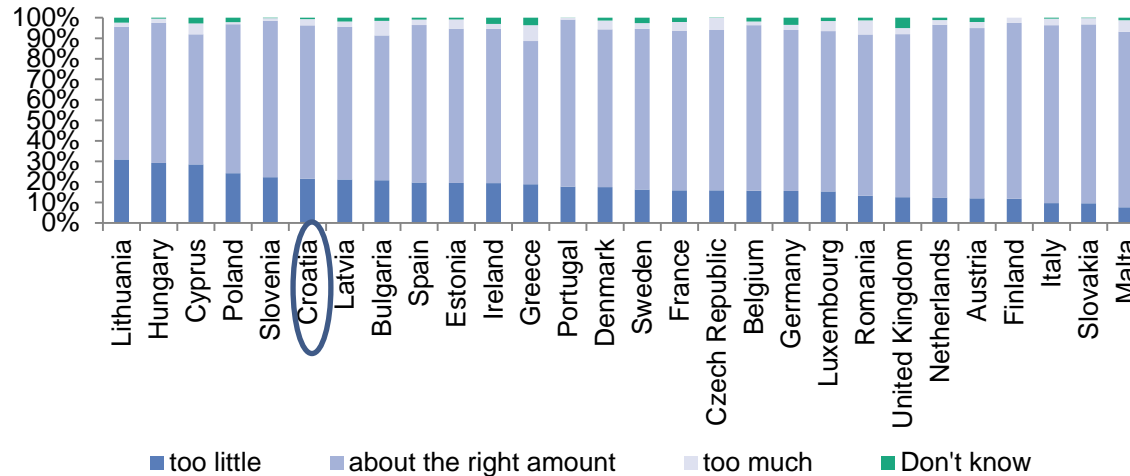


Notes: Belgium, Croatia, France, Greece, Lithuania, Poland and Romania are excluded from the analysis due to missing data.
Source: EIB (2016a), Investment and Investment Finance in Europe.



Corporate investment gaps widen in many countries

Reported Adequacy of Past Investment



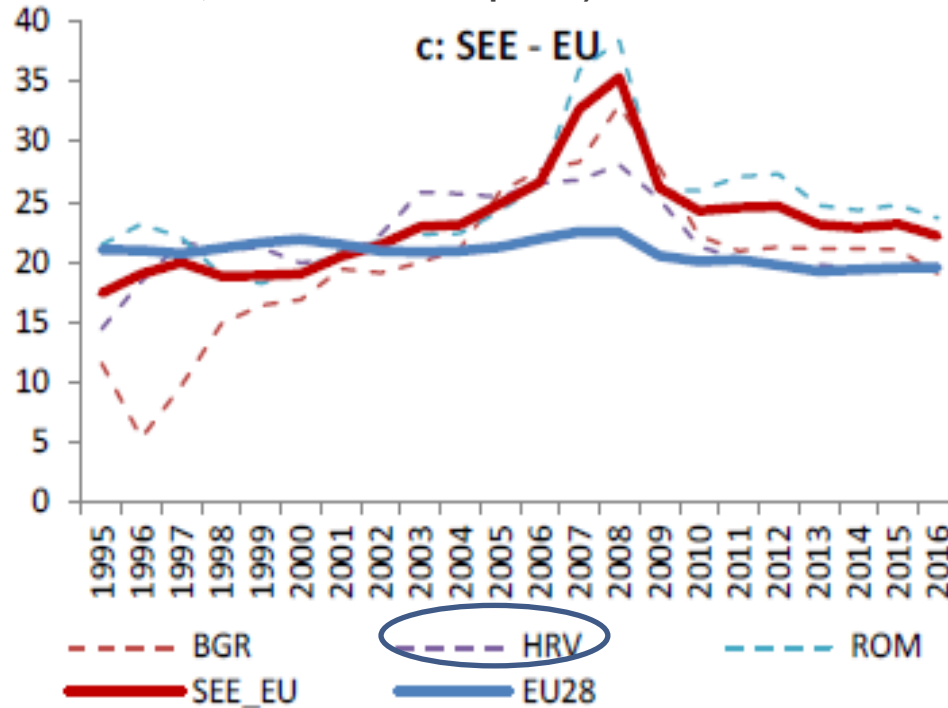
Base: All firms.

Question: Looking back at your investment over the last three years, was it too much, too little, or about the right amount to ensure the success of your business going forward?

SEE and Croatia: is the wind changing?

Investments in SEE - EU

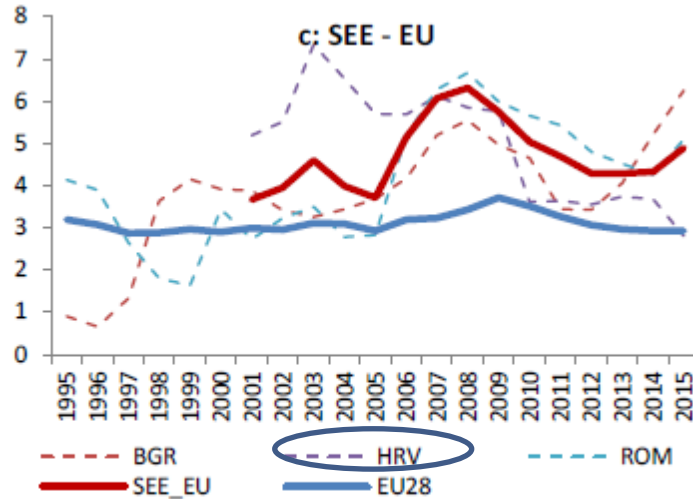
Gross fixed capital formation as a share of GDP (in %, at current market prices)



Source Eurostat, AMECO and HIS

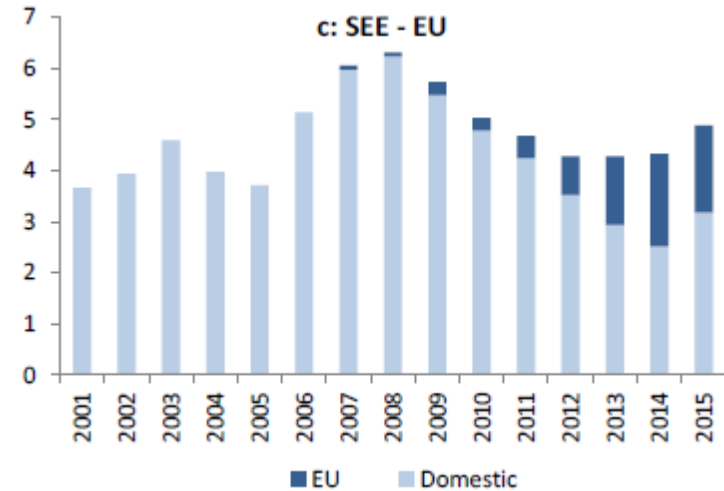
Investments in SEE - EU

Public sector investments as a share of GDP (in %, at current market prices)



Source: AMECO

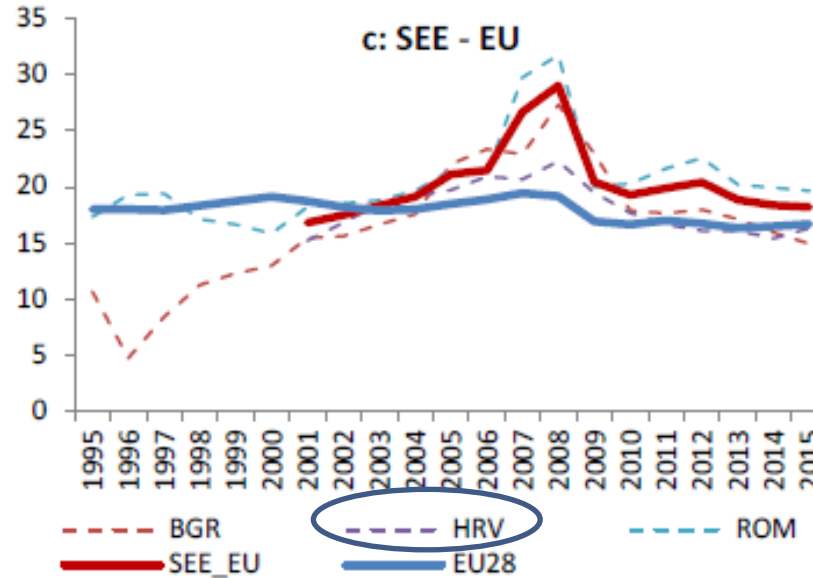
Approximate share of EU Funds in public sector investment as a share of GDP (in %, at current market prices)



Source: Eurostat, European Central Bank, and European Commission.

Investments in SEE - EU

Private sector investments as a share of GDP (in %, at current market prices)



Source: AMECO

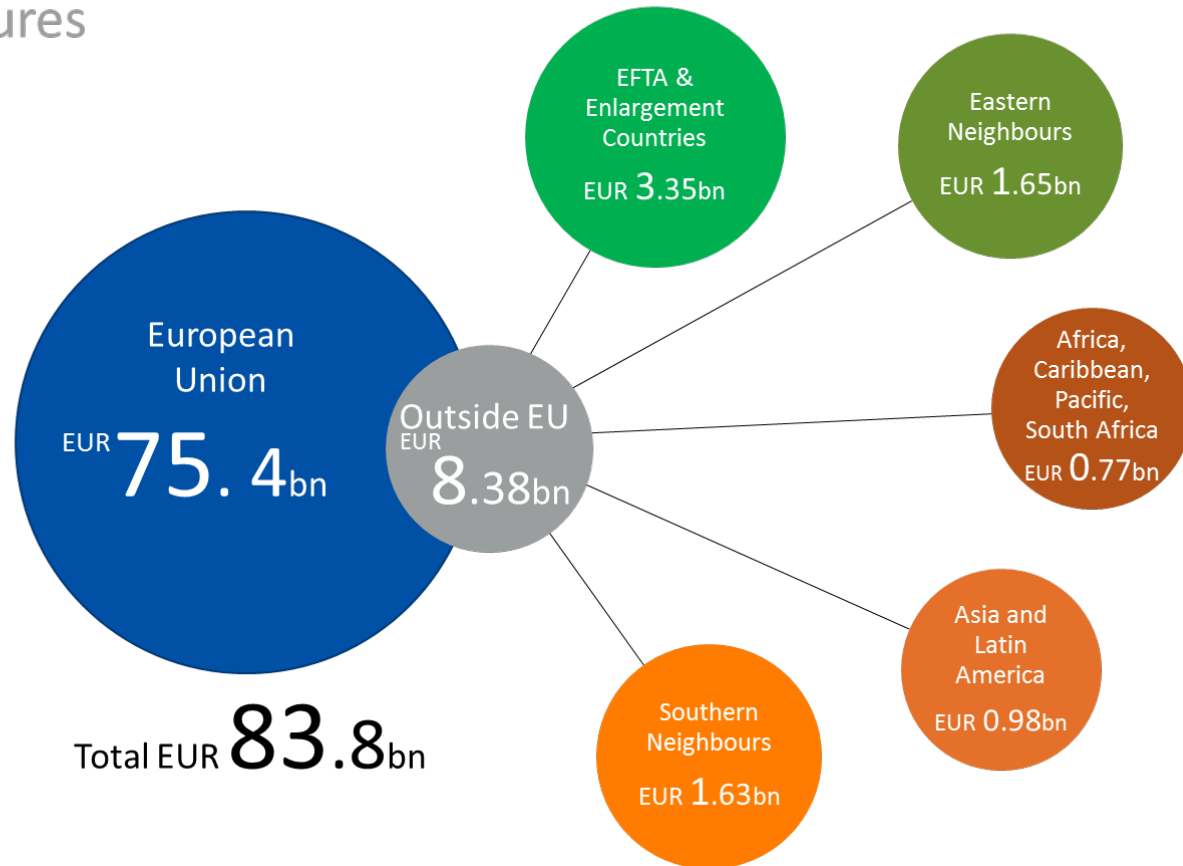
How the EIB can support the change of wind in Croatia

The EIB at a glance

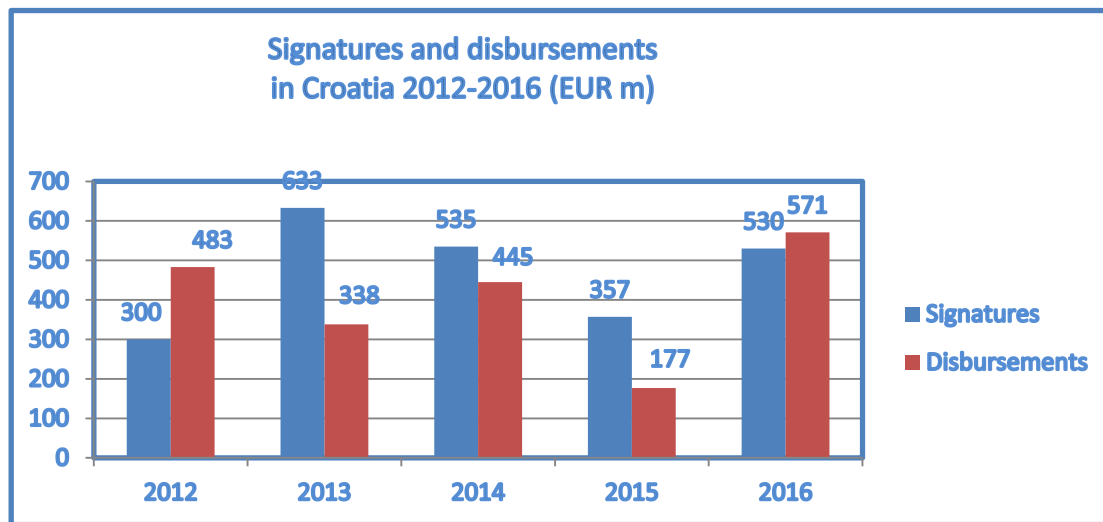
- Largest multilateral lender and borrower in the world
 - We raise our funds on the international capital markets
 - We pass on favourable borrowing conditions to clients
 - EIB balance sheet (December 2016): 574 bn EUR
 - EIB borrowing operations in 2016: 66,5 bn EUR
- Some 450 projects each year in over 160 countries
- Headquartered in Luxembourg, with 40 local offices
- Around 3 000 staff:
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
- Almost 60 years of experience in financing projects for long-term impact

EIB Group financing in 2016: EUR 83.8bn

Signatures



EIB Group in Croatia in 2016



Disbursements of EIB loans in 2016 reached EUR **571m** (+**220% increase** compared to 2015)

Through allocations under **Structural Programme Loans with the Government**, the Bank is also able to support various ESIF co-financed sub-projects in Croatia covering a wide array of sectors including health, education, transport, energy efficiency, etc.

Total result of the EIB Group in Croatia in **2016** (EIB + EIF) amounts to **EUR 546m**, representing **1.2% of the Croatia's GDP** (3rd position among the EU Member States).

The **EIB** signed a total of EUR **530m** in new loans in 2016 - almost 50% increase compared to 2015.

The **EIF** committed EUR **16.2m** in three operations aimed at mobilising investments for EUR 76.4m.

EIB Group activities in Croatia in 2017

EIB operations

- **New lending framework with HBOR** agreed: EUR 800m for SMEs, Midcaps and other priorities, to be signed in several tranches over time.
- **New facilities for SMES**, Midcaps and other priorities with Privredna Banka Zagreb (second operation, EUR 60m) and HRVATSKA POSTANSKA BANKA (first operation, EUR 20m) targeted by the 2017 year-end.
- **First PF4EE (Private Finance for Energy Efficiency) transaction** in Croatia with Zagrebacka Banka (Unicredit) to support energy efficiency investments through a risk sharing scheme, with signature envisaged in the second half of 2017.
- A tranche of some **EUR 45m is earmarked for Midcaps located in Croatia under the EFSI Midcap Programme Loan** Italy, Slovenia, Croatia and Malta.

EIF operations

- **Three guarantee operations under InnovFin** to HBOR and Erste Bank and with Zagrebacka banka d.d – **total EIF commitment: 65 million euro**, which will **leverage 130 million euro**.
- A **guarantee to PBZ under COSME** – **EIF commitment 1.2 million euro**, **leveraging over 46 million**.

European Fund for Strategic Investments (EFSI) in Croatia

The potential Investment triggered by the EIB Group in Croatia thanks to **EFSI transactions** represents EUR 740.53m (at 19/09/2017):

- **EIB EFSI operations approved** in Croatia amount to **EUR 120.20m**, that will potentially trigger **EUR 493.51m of investment**;
- **EIF EFSI operations approved** in Croatia, to date, amount to **EUR 66.16m**, potentially mobilising **EUR 247.02m of investment** in the Country.
- **Examples** include:
 - An **EIB EUR 50m guarantee operation with HBOR** to finance MidCap companies and other priority projects in Croatia. This will enable HBOR to grant new loans up to EUR 100m
 - An **EIB EUR 50m investment loan** for the construction of a critical part of Zagreb's energy infrastructure: a new, up to 150 MWe/120 MWth gas-fired (CCGT) power plant supplying electricity to the power market and heat to the north western part of the capital
 - **EIF InnovFin agreements with HBOR and Erste Bank and with Zagrebacka banka d.d.** under the the UniCredit Umbrella transaction
 - An **EIF COSME agreement**, to launch three new PBZ loan products – total EIF commitment: .

Supporting investments in Croatia: key challenges and opportunities

- Sustained economic growth (**+ 3% of GDP growth** compared to 2.2% in 2015)...
- ...also due to **institutional reforms** (e.g. tax cut, increase in public sector wages)
- Strong performance of **tourism** – To be noted: EIB is developing a new strategy to increase lending in the tourism sector
- Opportunities from **EU Funds**: **EUR 11.7bn** of EU Funds available to Croatia until 2020. **Absorption rate to be improved** – EIB initiatives, like JASPERS, may contribute
- Outcome of **Agrokor's restructuring**
- Rising level of **emigration and labour shortage** in some industries (e.g. construction)
- Large level of **public debt**
- **Non-bank financing** (i.e. asset-based finance) or **equity instruments** (in particular venture capital but also microfinance) are **still underdeveloped** - would also be **beneficial for innovative and potentially high-growth startups**