

Urban Development Fund

In the capacity of the Management Body for the 2021 - 2027 Integrated Territorial Programme, the Ministry of Regional Development and EU Funds of the Republic of Croatia assigned to the Croatian Bank for Reconstruction and Development (HBOR) the task of implementing the Urban Development Fund financial instrument, for which the funds are provided by the European Regional Development Fund (ERDF) and HBOR, and from which new long-term investments of local or regional government units or companies, institutions, agencies and other legal entities owned by local or regional government units or by the Republic of Croatia are financed in accordance with rules on aid.

1. Borrowers	Public sector entities: • Units of local or regional government (LRGUs): municipalities, cities and counties; • Companies, institutions, agencies and other legal entities owned or majority-owned by LRGUs and/or the Republic of Croatia Ineligible Borrowers are defined in Schedule 1 to the Loan Programme: Ineligible Activities and Borrowers.
2. Purpose of Loans	Capital investments (investments in fixed assets - tangible and intangible assets) of public sector entities in mixed commercial/public infrastructure, i.e. investments that, in addition to the public element, also have a certain commercial content that implies the generation of revenues from the collection of service fees and whose goal is to encourage the projects of environmental protection, energy efficiency and renewable energy sources and generally the construction of multi-purpose, sports, tourist, socio-cultural, business and similar infrastructure, as well as housing infrastructure¹ exclusively for lease of apartments.
3. Eligible Investments	• Financially sustainable investments² • Investments on the territory of the Republic of Croatia, except for investments in housing infrastructure that are eligible exclusively on the territory of Integrated Territorial Investments - functional urban areas³ • Investments in line with territorial strategy or other equivalent strategic document on the included areas that contains the following elements: a) Geographical area covered by the strategy, b) Analysis of development needs and potentials of the area, including economic, social and environmental interconnections, c) Description of integrated approach to solving the established development needs and potentials of the area, d) Description of the participation of partners in the preparation and implementation of the strategy.

¹ Includes residential buildings as well as residential and commercial buildings

² Eligible are financially profitable projects, i.e. those projects with the potential to generate adequate cash flows sufficient for regular loan repayment.

³ ITI – Integrated Territorial Investments – EU Funds Croatia

The investments need not necessarily have to be listed in strategic documents, but they must be aligned with their strategic goals.

The compliance of the investments with the relevant strategic documents is confirmed by the Borrower by the "Declaration of Conformity" in the loan application form.

Ineligible investments are defined in Schedule 1 to the Loan Programme: Ineligible Activities and Borrowers.

4. Manner of Implementation	• Direct lending to borrowers – application and related documentation shall be submitted to HBOR by the borrower • Loans are approved from ERDF funds and HBOR funds in a 50:50 ratio with the possibility of writing off a part of the ERDF loan principal (up to a maximum of 50% of the total loan amount) upon the fulfilment of predefined criteria Borrowers may submit more than one loan application provided that the previous project, financed under this loan programme, has been completed and put into operation as evidenced by relevant documentation (e.g. occupancy permit or other applicable document).
5. Loan Amount	• Minimum loan amount: generally, loans below EUR 100,000 are not approved • Maximum loan amount: EUR 10,000,000 It is possible to finance up to 100% of the estimated investment value without VAT. Also, it is possible to finance up to 100% of the estimated investment value including the corresponding VAT if the borrower will not use the VAT deduction for all delivered goods and services for the investment financed under this Loan Programme.
6. Loan Currency	EUR
7. Capital discount (write-off of a part of loan principal)	Borrowers can exercise the right to a capital discount, i.e. a write-off of a part of loan principal as an aid in the form of a grant. The right to a capital discount is realised upon the fulfilment of the given criteria and it can amount to a maximum of 50% of the total loan amount, provided that a part of loan principal from the ERDF funds is written off in the amount of the calculated capital discount. The criteria for the capital discount and the percentage of write-off of a part of loan principal that can be realised on the basis of each fulfilled criterion are defined in Schedule 2 to the Loan Programme: Criteria for Capital Discount.
8. Interest Rate	• On the part of loan principal from the ERDF funds: 0.00% p.a., fixed • On the part of loan principal from HBOR funds: The interest rate is determined three-monthly; it stands at 3.46% p.a., fixed for the period until 30 September 2026 and is applied to loan applications received by 30 September 2026 and indicative offers that will be issued by 30 September 2026.

	Interest rates stated in the indicative offer are applied to loan applications received on the basis of the issued indicative offers of HBOR, whose validity period has not expired by the date of loan application submission. HBOR reserves the right to change the interest rates before 30 September 2026.
9. Fees	• Loan application processing fee: no fee is charged • Commitment fee: no fee is charged Other fees in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation are charged on the part of loan financed from HBOR's funds. Other fees are not charged on the part of loan financed from the ERDF funds.
10. Period and Manner of Loan Disbursement	• Generally, disbursement period is up to 24 months; depending on the purpose and dynamics of investment, it is also possible to approve a longer period of loan disbursement • Generally, the funds are disbursed to the account of seller/supplier/contractor based on the documentation evidencing the use of loan funds for earmarked purposes • Refund is allowed only for eligible expenses which were incurred after the date of making of investment announcement or, if the announcement was not made, after the submission of loan application and which were paid after the making of loan approval decision.
11. Period of Repayment	Up to 25 years, up to 12-month grace period included
12. Manner of Repayment	Generally, in equal monthly, three-monthly or semi-annual instalments
13. Collateral	• Financing of LRGUs is possible if secured only with debentures, depending on the assessment of HBOR • In the case of loans to companies, institutions, agencies and other legal entities owned or majority-owned by LRGUs and/or the Republic of Croatia, it is necessary to obtain guarantees of LRGUs or the Republic of Croatia in addition to debentures, unless the legislation and/or the articles of incorporation stipulate that LRGUs or the Republic of Croatia guarantee/guarantees for the obligations of the borrower jointly and severally and with unlimited liability
14. Schedules	• Schedule 1 – Ineligible Activities and Borrowers • Schedule 2 – Criteria for Capital Discount • Schedule 3 – Short instructions to loan applicants for the preparation of project/technical documentation for the criteria of DNSH and infrastructure resilience to climate change
15. Related Documents	• General Eligibility Criteria • List of Documentation (Urban Development Fund) • Decision on the General Terms and Conditions of HBOR Lending Activities

The Loan Programme shall apply as of 1 July 2024.

The loans can be disbursed to borrowers until 31 December 2030, whereas the criteria for the capital discount can be fulfilled after that date.