

CASE STUDY: IDF CHANGES LOAN CONDITIONS BEFORE REPRESENTATIVES OF OPPOSITION ENTERED THE GOVERNMENT

I: INTRODUCTION: At the beginning of May 2016, before representatives of the opposition entered the Government of Electoral Trust, the Investment and Development Fund (IDF) adopted the Decision on amending four loan programs, which predicted favorable conditions for loan beneficiaries, i.e. making down payments within one year from the date of concluding the loan contract.

II: IDF'S FINANCIAL SUPPORT FOR ELECTION YEAR OF 2016: At the end of December 2015, the IDF adopted a Decision on financing 23 support programs for the coming year,¹ including Support to Entrepreneurship Development Program, Crediting Program for Youth in Business, Start-up Financing Program and Support to University Graduates Program.

Concerning the aforementioned loans, the IDF envisaged financing up to 70 percent of the total investment, while loan beneficiaries had to make 30 percent down payment.

IDF finances 70 percent of the investment, whereas loan beneficiaries make 30 percent down payments

Crediting Program for Youth in Business is aimed at persons under 35 years of age who will be able to obtain maximum loan of up to €50,000, with the repayment period of up to 12 years, grace period up to four years, an interest rate of 2.5 percent per year and benefits fee of 0.5 percent of the amount of approved loans that is granted in the north of the country and in Cetinje, Ulcinj and Niksic, i.e. one percent in other municipalities.

Providing loans to new entrepreneurs, or the so-called start-up, applies to new enterprises and entrepreneurs, and is aimed at creating new jobs. Loan conditions are the same as in the Crediting Program for Youth in Business, with the interest rate of 3.5 percent per year. In addition, stimulating measures for entities who employ five or more new employees are envisaged, in the form of reducing interest rates by one percent, as well as loans that are approved with guarantees of commercial banks, where the interest rate is reduced by 1.5 percent.

¹ Decision on adopting the financial support program of the Investment-and Development Fund of Montenegro for 2016 (Official Gazette 076/15, 28 December 2015); link: <http://www.sluzbenilist.me/PravniAktDetalji.aspx?tag={7E116ACD-4B9C-4159-A66C-A6EA6AB998C7}>

When it comes to University Graduates Program, for the first time in the election year of 2016, the IDF envisaged that university graduates who were registered with the Employment Agency of Montenegro could apply for a loan. As explained, the goal is to reduce unemployment of university graduates, who are provided interest-free line of credit, with a maximum loan of up to €50,000.

Finally, Support to Entrepreneurship Development Program, which aims to encourage young people, women, students and disabled persons to commit themselves to business, the IDF predicted a maximum loan of up to €50,000, with a repayment period of up to 12 years, grace period of up to four years and an interest rate of 2.5 percent per year. Loan processing fees are not envisaged for these credit arrangements.

III: AMENDING FOUR PROGRAMS BEFORE OPPOSITION REPRESENTATIVES ENTERED THE GOVERNMENT:

At the end of May 2016 the Government of Electoral Trust was elected in Montenegro in order to prepare the free parliamentary election,² and already at that time the announcement of the parliamentary election was likely to happen.³ Several opposition ministers were appointed in the Government of Electoral Trust, while the IDF assistant director was appointed from the ranks of the opposition.

Just before the government representatives entered the Government in May, the IDF Board of Directors adopted amendments to the existing four loan programs.⁴ The IDF lowered criteria, i.e. envisaged that borrowers can make 30 percent down payments of the total investment only within one year from the date of concluding the loan contract.

O D L U K U
O DONOŠENJU DOPUNE PROGRAMA KREDITIRANJA VISOKOŠKOLACA

1. Donosi se dopuna Programa kreditiranja visokoškolaca.
2. U Programu kreditiranja visokoškolaca, u Glavi 2, poslije stava 2 dodaje se novi stav 3 koji glasi: „Podnosioci zahtjeva za kredit mogu sopstveno učešće u iznosu do 30,00 % vrijednosti ukupne investicije obezbijediti u roku od godinu dana od dana zaključenja ugovora o kreditu“.
3. Sve ostale odredbe Programa kreditiranja visokoškolaca ostaju nepromijenjene.
4. Zadužuje se Stručna služba Investiciono-razvojnog fonda Crne Gore A.D. da stupanjem na snagu ove Odluke sačini prečišćeni tekst Programa kreditiranja visokoškolaca.
5. Ovu Odluku objaviti u „Službenom listu Crne Gore“.
6. Ova Odluka stupa na snagu danom donošenja.

Odluka broj: 0201-292
Podgorica, 05.05.2016. godine

IDF's decision on adopting amendments to university graduates crediting Program, May 2016

² Link: <http://www.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/1076/1129-7289-23-3-16-1.pdf>

³ Parliamentary election in Montenegro was announced on July 11, and held on 16 October 2016.

⁴ Decision on making amendments to Support to University Graduates Program No. 0201-282 on 5 May 2016, Decision on making amendments to the Support to Entrepreneurship Development Program, No. 0201-293 on 5 May 2016, Decision on making amendments to the Crediting Program for Youth in Business No. 0201-290 on 5 May 2016 and Decision on making amendments to the Start-up Financing Program No. 0201-291 on 5 May 2016, all published in the Official Gazette No. 29/2016 on 6 May 2016; link: <http://www.sluzbenilist.me/SluzbeniListDetalji.aspx?tag={E91EF32E-BF82-454D-98A2-033CE30A63C5}>

*Author: MANS Investigation Center
Podgorica, November 2016.*