

Grant component leads to greater responsibility

The experience of Mobiasbanca - Groupe Société Générale, the leader in accessing external credit lines due to a high level of transparency, shows that, to a large extent, finance from foreign credit lines has a very good repayment quality. According to the President of the Management Board – CEO Mobiasbanca, Antoine Gabizon, funding associated with grant component or other facilities makes companies more responsible.

Margareta MOCREAC

Profit: After the crisis in the banking system in 2014, many international financial institutions have stopped financing for a number of banks. Thus, over the last three years the significant part of external assistance has been channelled to beneficiaries through transparent banks, with Mobiasbanca being the first in the list. What loan facilities from foreign resources are currently available via Mobiasbanca and for what purpose?

A.G.: Mobiasbanca has always benefited from the support of international financial institutions (IFIs). Over the last few years the relationship with the IFIs has strengthened considerably and the bank became a leader in terms of access to foreign funding. From the current offers, the bank has selected the most interesting and advantageous for clients, those that are "equipped" with special benefits: grant component, VAT and tax exemptions, technical consultancy and financial guarantees in case of insufficient collateral. The number of programs available through Mobiasbanca is impres-



sive. The most recent projects to which the bank has adhered to are the EU4Business-EBRD Credit Line facility for companies which are planning to align production processes to EU standards and to access the EU market and the projects of the European Investment Bank "Orchard of Moldova" and "Filiere du Vin" for agricultural companies activating in horticultural and wine sectors.

There are several other projects, including the project of the European Investment Fund "InnovFin" targeting companies implementing innovation elements in their business and not having sufficient collateral, the World Bank "Competitiveness Enhancement Project" for exporters and an IFAD project with grant component focusing on young entrepreneurs developing businesses in the rural area.

Profit: Which are the most popular credit lines?

A.G.: It would be difficult to say that there are more and less popular facilities because different programs have different advantages and targets. It depends on the company's activity (agriculture, winemaking, general industry) and on the benefits the company would like to have. Of course, the most requested programs are those with a grant component and we try to make these facilities available to companies. We also offer complex solutions. We can combine more programs so that the client benefits from a full range of facilities.

Profit: What are the general requirements for accessing this type of financing? Are there any specific conditions that a company needs to comply with?

A.G.: The company should be an active enterprise with satisfactory performance and qualitative management, and of course the applicant needs to comply with the legislation in terms of fiscal policy, environmental protection and corporate governance.

Profit: One of the most important loan facilities implemented through Mobiasbanca is the EU4Business-EBRD credit line, which is a joint program of the EBRD and the EU. What makes this project different?

A.G.: The EU4Business-EBRD Credit Line is an EBRD initiative that has been launched under the DCFTA and which is an effective financing

tool for SMEs. The purpose of the program is to support companies to implement new standards in the production process and to achieve performance in phytosanitary hygiene and food safety, aligning them to EU requirements which facilitate access to the EU market, one of the most developed and rich markets in the world.

Profit: What kind of companies have benefited from EU4Business-EBRD Credit Line since its launch last April? For what purpose were the loans taken?

A.G.: We have good results in using this line and an impressive pipeline. The beneficiary companies and potential receivers of financing are small and medium enterprises operating in agriculture, food industry (meat processing, dairy product, winemakers), furniture industry etc. Some companies have chosen simple investment projects by purchasing high-performance equipment, others complex projects by building up production facilities according to new standards. All the investments enable optimization, efficiency, modernization.

Profit: Several credit lines, including EU-4Business-EBRD, also involve a grant component. What conditions should companies meet in order to be eligible for the grant component?

A.G.: The grant component could be offered only to a company performing an investment. The investment needs to be performed according to EU standards or in line with one of EU directives in the area of phytosanitary hygiene or food safety. This is the first important condition and an EBRD requirement. Other important criteria are proven good financial situation and sustainable business. Gambling, tobacco or hard drink are not eligible industries. It is worth mentioning that the grant component is paid at the beginning and can be used as the company decides: to pay partners and suppliers, or meet cash requirements.

Profit: Tell us please about the repayment of loans offered from external resources. What

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is the percentage of bad loans in this case and what is the reason (inconsistent business plans, unfavourable climatic conditions, etc)?

A.G.: I would mention that the loans granted out of external resources have better quality because financing associated with grant or other facilities leads to greater responsibility. The beneficiary can be verified by IFI representatives, but this procedure is standard and does not differ from the bank's post-monitoring procedures. Obviously, there are factors and risks that do not depend on the bank or client (currency risk, macroeconomic factors) that can have a negative effect on repayment capacity. However, in this situation, based on mutual agreement with the client, we are looking for solutions to overcome the difficult moments.

Profit: Do applicants for these types of loans have to come to Chisinau or can they address Mobiasbanca's branches in the region?

A.G.: Mobiasbanca has a wide network of subsidiaries covering the entire territory of the Republic of Moldova. Thus, any potential or existing client of the bank can come to any branch located nearby for advice and support, and there is no need to travel to Chisinau. At the same time, for efficient communication, there are telephone conferences organized with the client, the bank manager and the IFI expert, in order to identify the needs and the right solution for the client. In Chisinau and in the regions, we have a group of young, energetic and professional advisers who, if necessary, can even go to the client's office.

Profit: How long does it take to analyse and approve the credit file documentation?

A.G.: It depends on the size of the project investment. For simple investment such as purchasing equipment, replacing boilers and windows, the process takes up to two weeks. For complex projects, such as building up production spaces,

the approval process could take up to four weeks as EBRD consultants perform site visits and work out special investment plans.

Profit: How frequently does the bank reject applications for finance from external resources and why?

A.G.: The rate of rejection of applications from external resources does not differ from standard applications. The main reasons for rejection are failure to meet EBRD requirements mentioned above, poor financial situation, bad credit history. But each application is analysed in a complex way and the bank offers tailored solutions so that all risks linked to the financing projects are mitigated in an acceptable way.

Profit: Was Mobiasbanca ready for an increase in the lending volume activity? Was it necessary to hire new specialists? What challenges does the bank face while examining and approving applications?

A.G.: Mobiasbanca has a long experience of collaboration with International Financial Institutions, including the EBRD, the EIB etc. This successful partnership creates synergies in supporting the local economy, brings know-how and knowledge. Under the framework of the EU4Business-EBRD program, several training sessions were organized where Mobiasbanca' advisers have been familiarized with program's procedure and conditions. The challenge is to spread out the information about the existing funding opportunities and benefits to as many clients as possible. Anyway, the situation has improved in the recent years as companies have been looking for all funding opportunities and conditions of access, and their representatives come to the bank with specific questions for a specific program. Due to this, the dialogue is built as between two partners who know what to do and what target to reach.■