



EAFRD Loan Fund for Agriculture in Estonia

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Financial instruments in EAFRD of Estonia



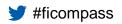
<u>Financial instruments (FI) in EAFRD – EUR 39.5m</u>

Investment loans to:

- "Agriculture" 53%
- "Food processing" 25%
- "Rural diversification" 18%
- "Renewable energy" 4%
- **Growth loans** EUR 5,000 100,000;
- Long-term investment loans EUR 250,000 EUR 1,000,000 (co-lending with banks in final beneficiary level).

31.12.2018 – 121 projects, EUR 28.8m committed to final beneficiaries







Why should Young Farmers use FI?



- Special conditions to certain groups:
- New companies
- Micro enterprises
- Producer organisations
- Young Farmers
- Etc.

Young Farmers

Growth loan interest rate - 2%+

Long-term loan interest rate -1%+

Special conditions include possibility to <u>lower interest rates</u>, <u>lower requirement for collateral</u>, <u>larger loans</u>.







Are Young Farmers using FI?



"Agricultural investments" - 73 projects (EUR 16.3m) including27 projects from young farmers

23 growth loans

- EUR 1.6m
- 2,61%
- GGE of aid 18 projects, EUR 0.14m
- EAFRD investment grant 10 projects, EUR 0.69m

4 long-term investment loans

- EUR 1.8m
- 2,5%
- GGE of aid 3 projects, EUR 0.15m
- EAFRD investment grant 3 projects, EUR 1.13m





FI – tool for several jobs?



- FI is not only tool for dealing with (financial) market failures, but can be as much a tool for (rural) policy making.
- FI with very favourable condition for certain sectors (0%, extra low collateral) ...

... is very **risky** and is **not self-sufficient** in very long term ... and makes **difficult to attract private investors** on Fund level,

- ... it still enables to attract private banks in final beneficiary level (co-lending),
- ... provides projects with better quality, decreasing also "grant dependency"
- ... and is more efficient (than cash grants) in terms of using taxpayer's money



