



EAFRD Loan Fund for Agriculture in Estonia

Madis Reinup, Member of the Management Board, Rural Development Foundation, Estonia



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Financial instruments in EAFRD of Estonia



Financial instruments (FI) in EAFRD – EUR 39.5m

Investment loans to:

- “Agriculture” – 53%
 - “Food processing” – 25%
 - “Rural diversification” – 18%
 - “Renewable energy” – 4%
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- **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



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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 lower interest rates, lower requirement for collateral, larger loans.

Are Young Farmers using FI?



“**Agricultural investments**” - 73 projects (EUR 16.3m) including **27** 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



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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**



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