



Financial Instruments 2014-2020 under European Structural and Investment Funds (ESIF)

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*Financial instruments from EAFRD/EMFF in
Estonia*

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Financial instrument vs Grant

- Financial instrument (FI)– just another way of delivering support? ... Or is it?
 - **EU taxpayer's view:**
 - FI is much more easier for a budget – FI actually can be sustainable or at least much cheaper;
 - **Entrepreneur's** (*who possibly will get a grant (non-repayable support)*) **view:**
 - FI is NOT an alternative to a grant. Grant is a free money
 - **Decision-maker's view:**
 - Taxpayers are not directly involved designing rural development plan/fisheries strategy;
 - Grant is much more popular in the sector than a loan;
 - If administrative burden for FI and grants is the same (EMFF, EAFRD) for a entrepreneur, there is a very small incentive to move from grants to FI.

Ex-ante assesment for financial instruments 2014-2020 (EAFRD, EMFF)

- *Ernst&Young Baltic AS*
- **Target**
 - Measuring investment needs in sectors;
 - Finding market gaps (in financial marekt);
 - Create relation to non-repayable supports;
- **Year 2014 – ca 700 enterprises consulted**
 - Agriculture, fisheries, food processing, PO-s, ports, other enterprises in rural areas;
- **Method**
 - internet based survey and detailed interviews

Ex-ante assesment for financial instruments 2014-2020 (EAFRD, EMFF)

- **Findings**

- No big difference in financial market gaps for different sectors
- Banks are not interested in:
 - *New enterprises*
 - *Micro enterprises*
 - *Investment loans less than 100 000 EUR*
- Long term (7+ years) investment loans not offered;
- Different opinion of valuating collateral fairly (from view of the sectors);
 - No sector-specific knowledge in banks
- Alternative financial market (risk capital etc) is missing;
- NB! Gap in financial market is a moving target!!!

Possible financial instruments 2014-2020

- **100 000 EUR/5y investment loan for:**
 - Micro and small enterprises in rural areas;
 - Possible subsidised interest rate for selected subsectors;
 - Co-financing with banks possible, but unlikely;
- **500 000 – 6MEUR/15y investment loans for:**
 - Agriculture, fisheries, PO-s;
 - Co-financing with banks – leverage min 2,0
- **Subsidised guarantee fund**
 - Subsidised to selected subsectors
 - Leverage max 4,0
- **Risk capital fund?**

Some examples of unfinished business ...

- **Working capital issue:**
 - Is it allowed under EAFRD/EMFF when part of the investment?

- **Equity investments in EMFF:**
 - Can you apply it as one of the financial instruments?
 - Relation to EMFF art 11(e) – *transfer of ownership of a business is ineligible.*

Thank You!