



# Loan Funds for agriculture in Estonia: results so far and future policy options

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# Outline of the presentation



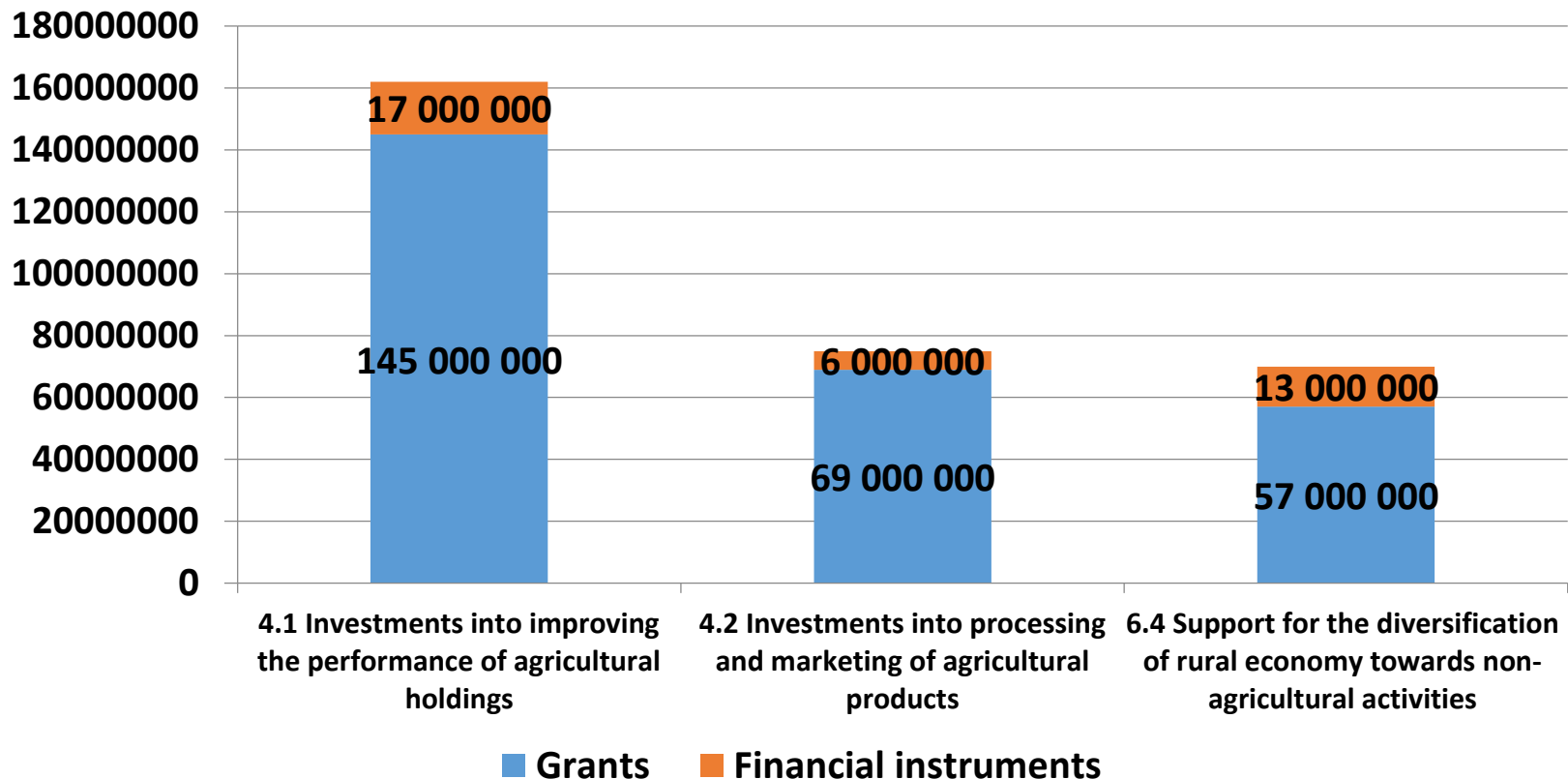
- Ex ante assessment
- Financing – measures and instruments
- Implementing body
- Results
- Lessons learned
- Proposals for future



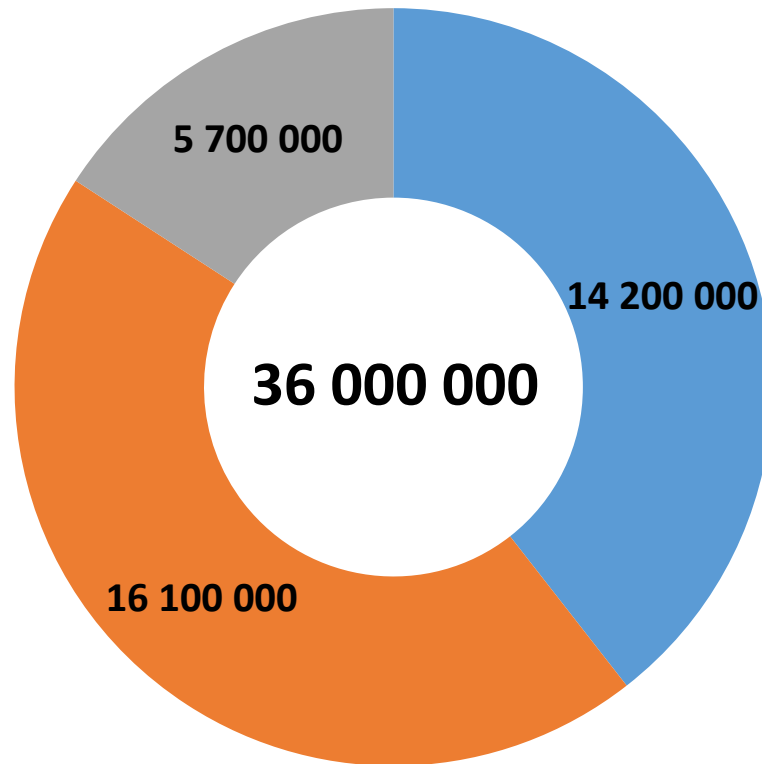


- Common ex ante assessment for the EAFRD and the EMFF (Dec 2013 – Dec 2014, Ernst & Young Baltic AS)
- Limited access to grants
- Enterprises in start-up phase and micro-enterprises have difficulties in access to capital
- Limited availability of long-term loans
- Not sufficient guarantees

# Measures involved



# Financial instruments



- Growth-loan for micro and small enterprises
- Long-term investment loan
- Guarantee for producer groups and young farmers



- Public procurement (25.09.15-15.01.16)
- Contract 29.01.2016, started receiving and processing applications 8.02.2016
- Rural Development Foundation
- Founded by state in 1993
- Field of activity:
  - Financial services (guarantees, loans, financial instruments) for bio-economy and economy in rural areas
  - Advisory services

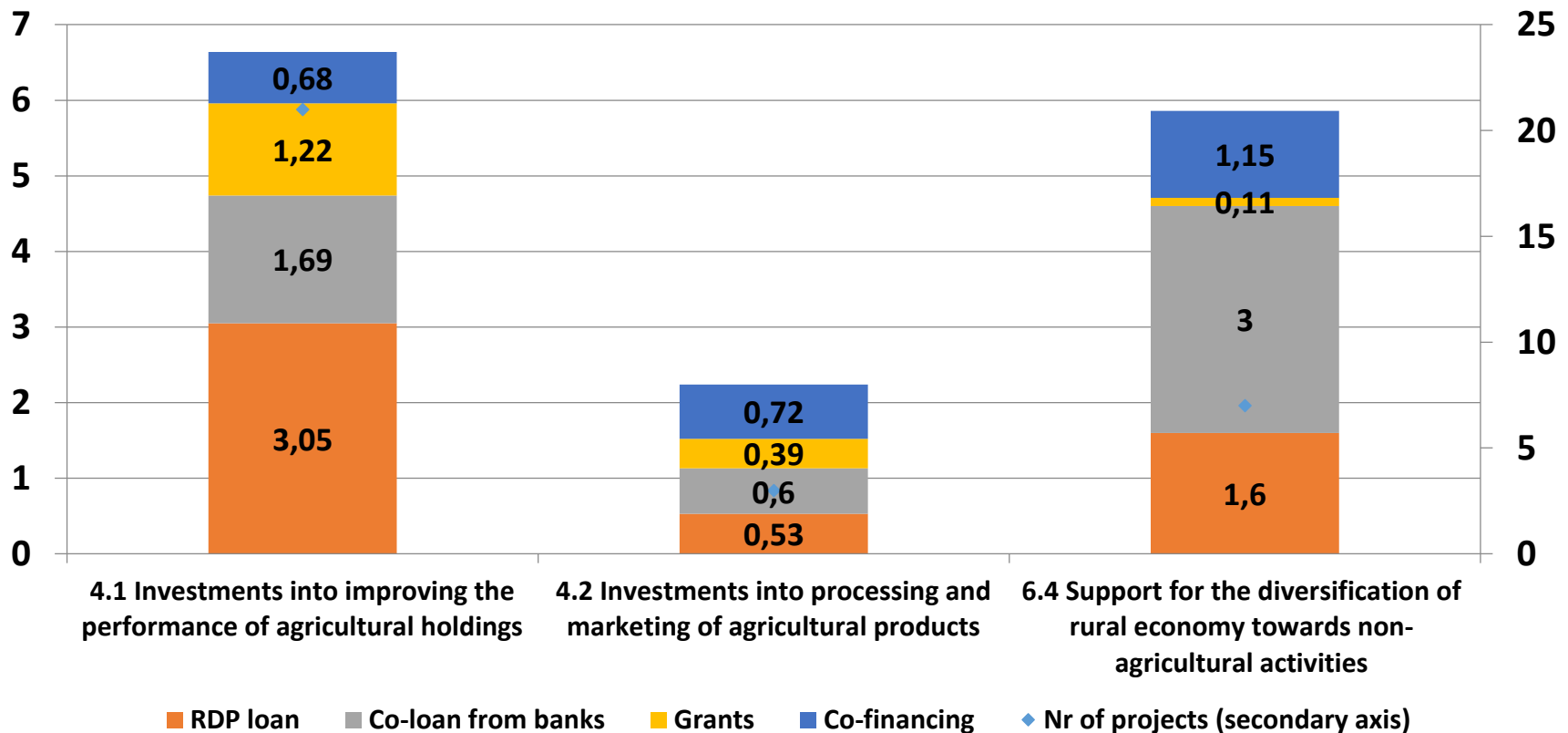
# Financial products



	Growth loan for micro- and small enterprises	Long-term investment loan
Budget	14,2 mln €	16,1 mln €
Target group	Micro- and small enterprises	Micro-, small- or medium-sized enterprises
Amount of loan	5000 – 100 000 € (direct loan or co-lending)	250 000 – 1 000 000 €; producer groups 250 000 - 3 000 000 €, co-lending with banks (bank at least 50%)
Security	At least 50%	At least 80%; producer groups at least 30%
Duration of loan	Up to 5 years (+ up to 3 years of grace period)	1 to 15 years (+ up to 5 years of grace period)
Interest generally	Subsidised interest 6%+ ECB's refinancing rate	On market conditions (bank loan interest)
Subsidised interest	Young farmers and producer groups 2%+ECB' RR; Starting and microenterprises, people with disabilities, women 4% + ECB' RR	Young farmers and producer groups 1% + ECB's RR; Starting and microenterprises, people with disabilities, women 2% + ECB's RR

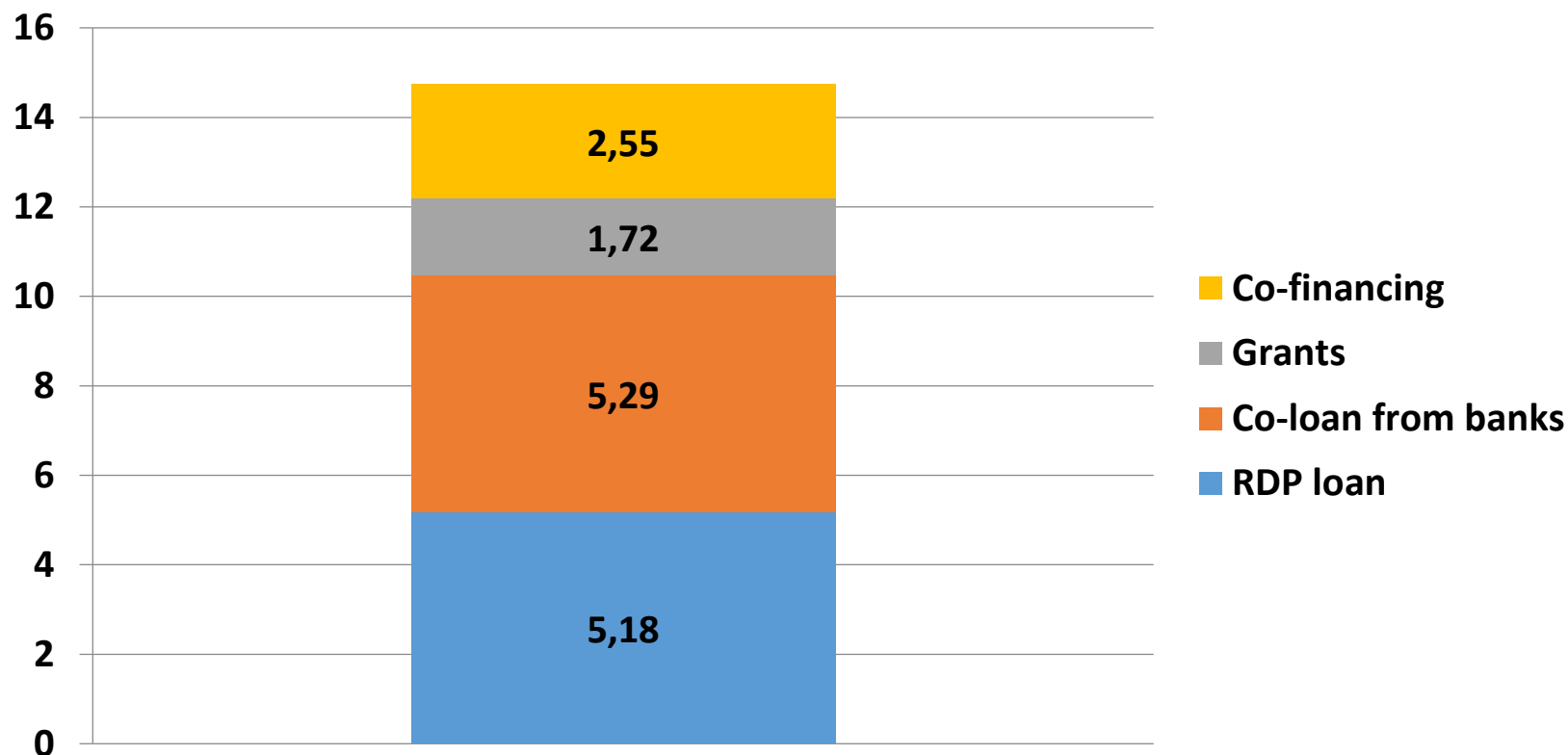


# Results so far





# Additional funds involved



# Lessons learned



- Banks may have sector based (negative) financial policy, so loan applications individually might not be even considered, especially in the time of declining markets
- Financial market cap is a moving target, because financial policy of banks might change rapidly – need for flexible FI
- Investments financed by loans are more carefully calculated than grants
- In certain cases loan can lead to economically more viable (cheaper) investment decision than grant
- Interest rates are important, but amount of collateral is the key to deal with „access to finance“ problem
- Interest rates can be used as tool for policy making (young farmers, producer groups)
- Grace period is attractive (for new businesses)

# Vision for 2020+



- In the circumstances of limited resources, investments should be financed through financial instruments, as they guarantee higher levels of investments and less market distortion
- Investments supported in the form of grants should be limited to the areas with EU level added value (e.g. environment, innovation, restructuring)
- The use of financial instruments should be significantly easier and more flexible than the use of non-repayable grants





financial instruments  
added value **ERDF** funding agreement  
governance revolving **ESF** capacity building  
EU guidance  
technical support seminars leverage financial intermediaries ex-ante assessment  
co-financing **ESIF** microfinance case studies  
investments **fi-compass** final recipients  
business plan **Thank you** thematic objectives  
advisory services guarantees banks loans **EaSI** equity  
private investors life cycle combination of support  
**EAFRD** conferences factsheets  
fund of funds **EMFF** investment strategy **CF**  
managing authorities manuals