



Estonian EAFRD Loan Fund State of play and outlook

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Topics



- General overview
- Measures involved
- Aid rules applied
- Financial products
- Statistics
- Lessons learned



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General overview 1



- ✓ Common **ex ante assessment** for the EAFRD and the EMFF (Dec.2013-Dec.2014, Ernst & Young Baltic AS)
- ✓ General **description of FIs in RDP** (February 2015)
- ✓ **State procurement procedure** for selecting the FI implementer (by way of negotiated procedure without prior publication of a contract notice) was carried out (25.09.15-15.01.16)
- ✓ **The financing contract** with the Estonian Rural Development Foundation (MES) was signed on 29th of January 2016



General overview 2



- ✓ MES started **receiving and processing applications** since **8th of February 2016**
- ✓ **The first payment to the FI fund** was made by PA on 29th of February 2016 (EUR 7,6 mln)
- ✓ **RDP amendment** (more precise description of FIs) was submitted to the European Commission on 19th of February 2016 and approved on 3rd of April 2017
- ✓ **General Block Exemption information** was submitted on 4th of March 2016



Measures involved 1



EUR 36 mln for FIs in RDP 2014-2020

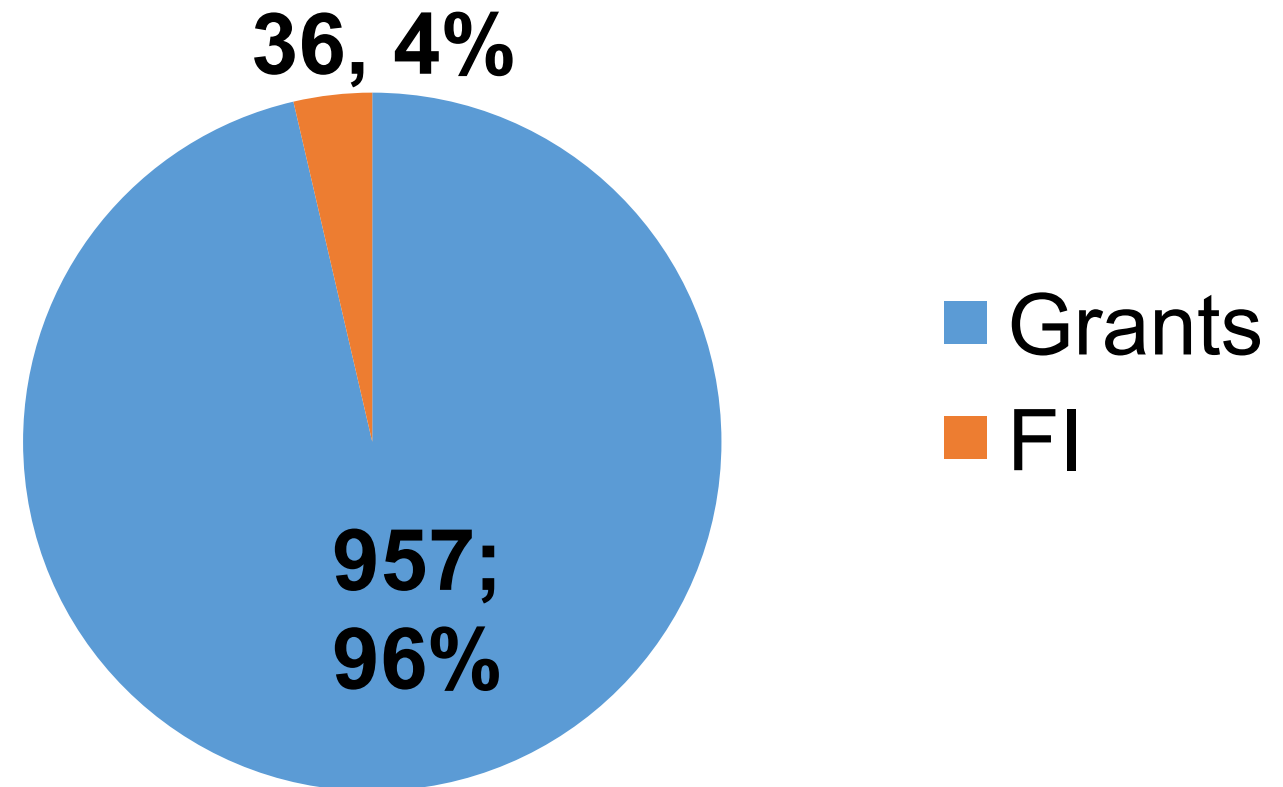
- M 4.1 Investments to improve the performance of **agricultural enterprises** – EUR 17 mln
- M 4.2 Investments to **process and market** agricultural products – EUR 6 mln
- M 6.4 Investments in the **diversification of economic activities** towards non-agricultural activity in rural area – EUR 13 mln



Measures involved 2



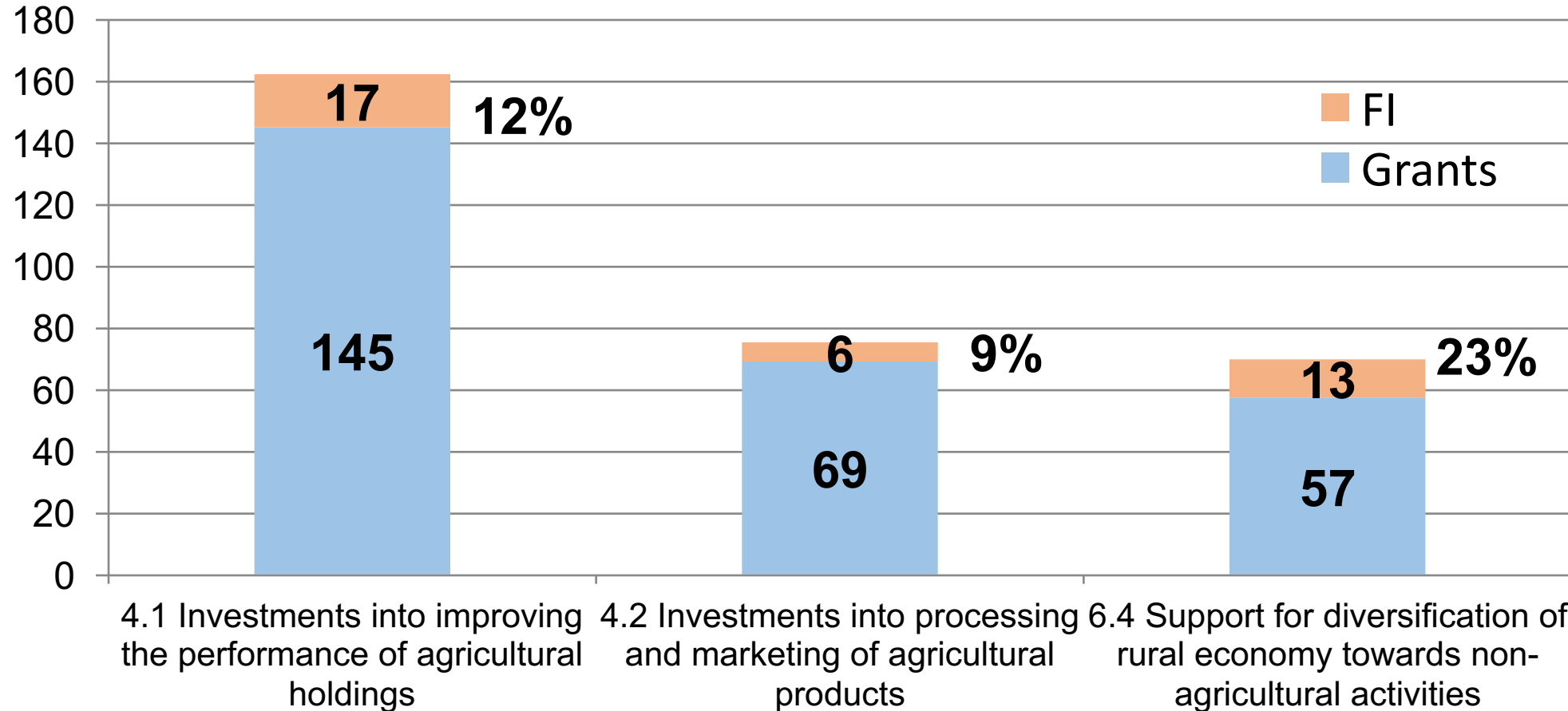
The share of FI in total RDP budget (EUR 993 mln, 31 measures)



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Measures involved 3



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Measures involved 4



- Conditions for grant and FI for the same measure are not the same
- Grant conditions are more restrict, it concerns:
 - target group
 - types of activity
 - support rates
 - aid schemes





Combination of FI and grant

- is allowed if the **sum of grant and the FIs gross grant equivalent** for the same project is less or equal to:
 1. amounts of support or support rates stated in the **annex II** of the regulation **1305/2013** for this measure
 2. total amounts for the period stated in the **Estonian RDP** for this measure

Aid rules applied

2



M	Grant	FI
4.1	Only Reg. (EU) No 1305/2013 and RDP restrictions	
4.2	Reg. (EU) No 1305/2013 and RDP restrictions Reg. (EU) No 651/2014 (GBER), Art. 14 Regional investment aid	
6.4	Reg. (EU) No 1305/2013 and RDP restrictions Reg. (EU) No 1407/2013 (<i>de minimis aid</i>)	
-		Reg. (EU) No 651/2014, (GBER) Art. 14 Regional investment aid, 40 Investment aid for high-efficiency cogeneration, 41 Investment aid for the promotion of energy from renewable sources, 46 Investment aid for energy efficient district heating and cooling, 47 Investment aid for waste recycling and re-utilisation, 53 Aid for culture and heritage conservation, 55 Aid for sport and multifunctional recreational infrastructures



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Financial products



	Growth loan for micro- and small enterprises	Long-term investment loan
4 y target	EUR 14,2 mln	EUR 16,1 mln
Target group	Micro- and small enterprises	Micro-, small- or medium-sized enterprises
Amount of loan	EUR 5000 – 100 000 (direct loan or co-lending)	EUR 250 000 – 1 000 000; producer groups EUR 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

Statistics

(30.06.2017)

1



99 applications received – EUR 25 mln, 69% from budget

- 63 growth loans – EUR 5 mln
- 36 long-term loans – EUR 20 mln

71 applications approved – EUR 17 mln, 47% from budget

- 49 growth loans – EUR 4 mln
- 22 long-term loan – EUR 13 mln

8 applications in processing – EUR 1 mln

- 7 growth loans – EUR 0,5 mln
- 1 long-term loan – EUR 0,5 mln

17 applications rejected – EUR 6 mln)

- 7 growth loans - EUR 0,5 mln
- 10 long-term loan – EUR 5,5 mln

3 applicant give up – EUR 1 mln

- 3 long-term loan – EUR 1 mln



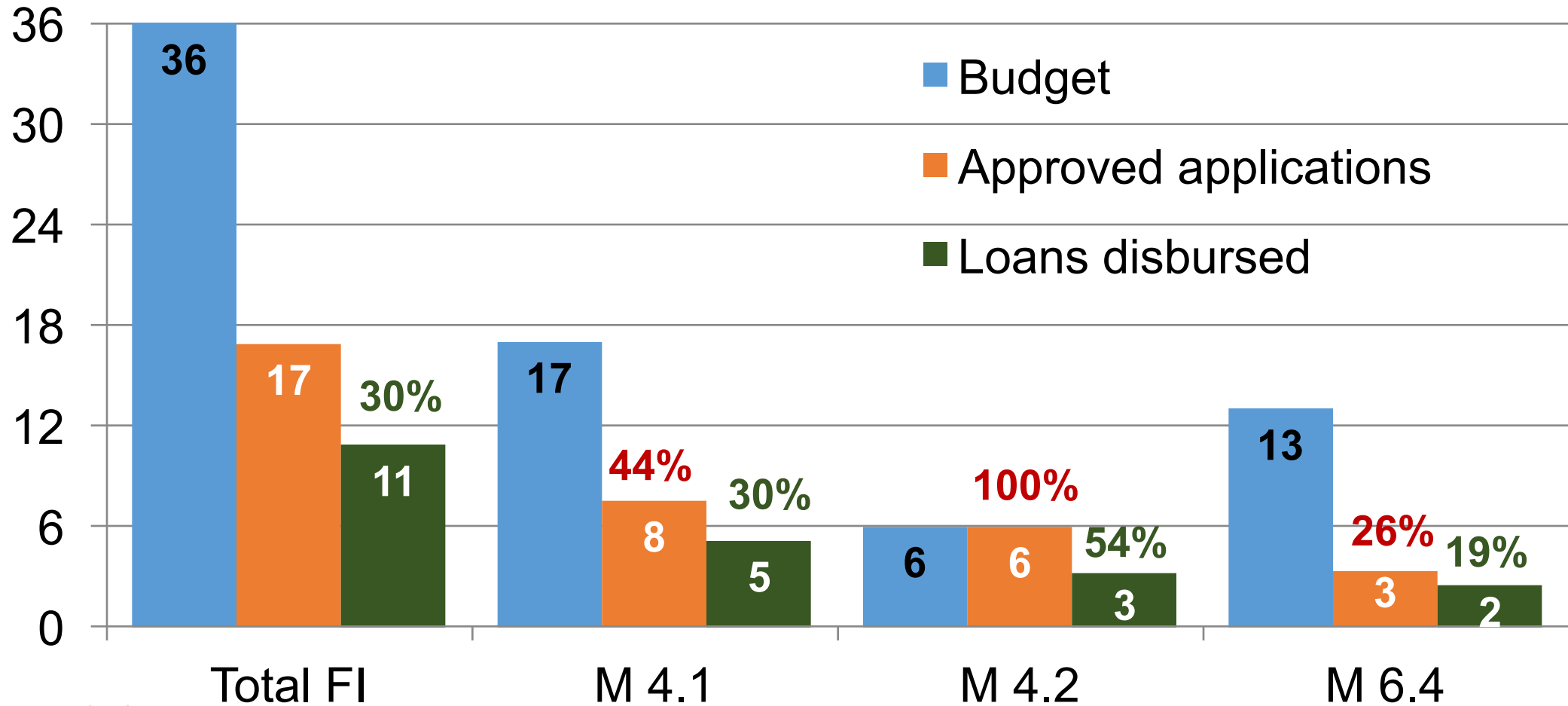
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Statistics

(30.06.2017)

2



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Statistics

(31.12.2016)

3



1. RDP measure	2. No. of contracts disbursed	3. No. of grants	4. Grant, %	5. No aid (market conditions)	6. GBER/ <i>de minimis</i>
M 4.1	22	13	59,1	12	
M 4.2	3	0	0,0	1	
M 6.4	8	1	12,5	3	3 / 2
Total	33	14	42,4	16	



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Statistics

(31.12.2016)

4



Enterprise category	No. of contracts	No aid (market conditions)
Starting enterprises	7	2
Micro enterprises	18	11
Women entrepreneurs	3	3
Young farmers	4	0
Producer groups	1	0



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Statistics

(31.12.2016)

5



Enterprise category	The amount of loans disbursed, mln EUR	Money from a bank, mln EUR
growth loans	2,4	0,1
long-term loan	3,3	5,6



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Lessons learned



- 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/collateral requirements can be used as **tool for policy making** (young farmers, producer groups)
- **grace period is attractive** for new businesses





Thank you for your attention!



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