Advancement with CAP Strategic Plans and programming of new financial instruments and experiences from the use of EAFRD FIs in Estonia

Marko Gorban, Deputy Secretary General for Agricultural and Rural Life Policies, Estonia

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Outline of presentation

- Current state of implementation
- Experience
- Post 2020 preparations and CAP Strategic Plan
- Programming new FI

Current state of implementation

- Where are we?
  - Shortly – we have used funds for current period
    - Budget (EUR 39.4m) is 100% used
      - M 4.1 (2A) – EUR 21 121 689
      - M 4.2 (3A; 6A) – EUR 9 724 141
      - M 6.4 (5C; 6A) – EUR 8 614 170
    - Number of projects – 216

- How is this possible?
  - Actually it is not ☺ because…
    - EUR 2.8m of paid back resources – which are also returned to use

Existing financial products

Growth loan for micro- and small enterprises

- **Target group**: micro and small enterprises
- **Loan amount**: EUR 5 000 – EUR 200 000 (direct or co-loan)
- **Collateral**: at least 50%
- **Period**: up to 15 years (incl. up to 5 years of grace period)
- **Interest rate**:
  - Micro and small enterprises ≥ 4%+
  - Young farmers and producer groups ≥ 2%+

Long-term investment loan

- **Target group**: SME
- **Loan amount**: EUR 200 000 – EUR 400 000 (co-loan 50/50)
- **Collateral**: at least 50%, producer groups at least 30%
- **Period**: up to 25 years (incl. up to 10 years of grace period)
- **Interest rate**:
  - SME ≥ 2%+
  - Young farmers and producer groups ≥ 1%+

Experience

- Positive impact on jobs in rural area – 553 in total
  - Biggest contribution from M 6.4 – 304 jobs

- Implementing is easier and faster than for grants

- There is never enough financial resources…
  - …but we can use paid back resources again and again!

Post 2020 preparation and CAP Strategic Plan

- SWOT analysis – reviewing in process

- Identification of needs – reviewing in process

- Identification and compilation of interventions
  - Involvement of sector – discussions in working groups

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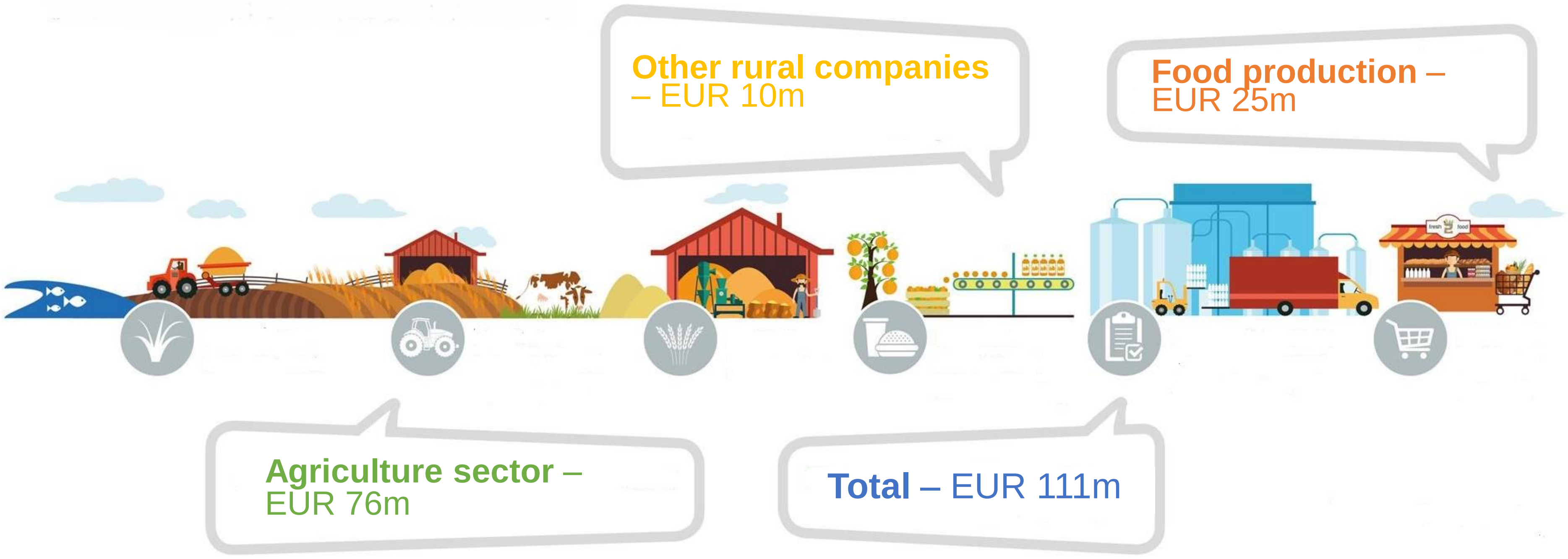
Programming new FI

- Ex-ante assessment
  - Main findings:
    - insufficient collateral
    - too short loan repayment period
    - lack of suitable micro loans
    - banks are not familiar with sectors specifics
    - young farmers and start-ups economics indicators and business plans do not meet banks requirements
    - lack of equity
  - To conclude: market failure has not changed over time
- Extent of market failure

Other rural companies		Food production		Agriculture		Total
EUR 201m	+	EUR 87m	+	EUR 165m	=	EUR 453m

Funding needs 2021–2027



EUR 111m **fund of financial instruments ensures** sustainable agriculture and rural development, creating **living and business environment in which people set up both – their homes and businesses.**

FI in interventions

- We have identified 10 interventions where FI can be implemented
  - *Tangible and intangible investments by farmers*
  - *Tangible and intangible investment in food industries*
  - *Cooperative investments in fixed assets*
  - *Encouraging young entrepreneurs starting agricultural activities*
  - *Development of small farms*
  - *Investments for the development of rural enterprises*
  - *Investments to develop a rural business environment*
  - *Start-up aid for rural entrepreneurship*
  - *Developing the bioeconomy to increase the competitiveness of rural enterprises (forestry)*
  - *Enhancing forest carbon capture and climate change mitigation capacity*

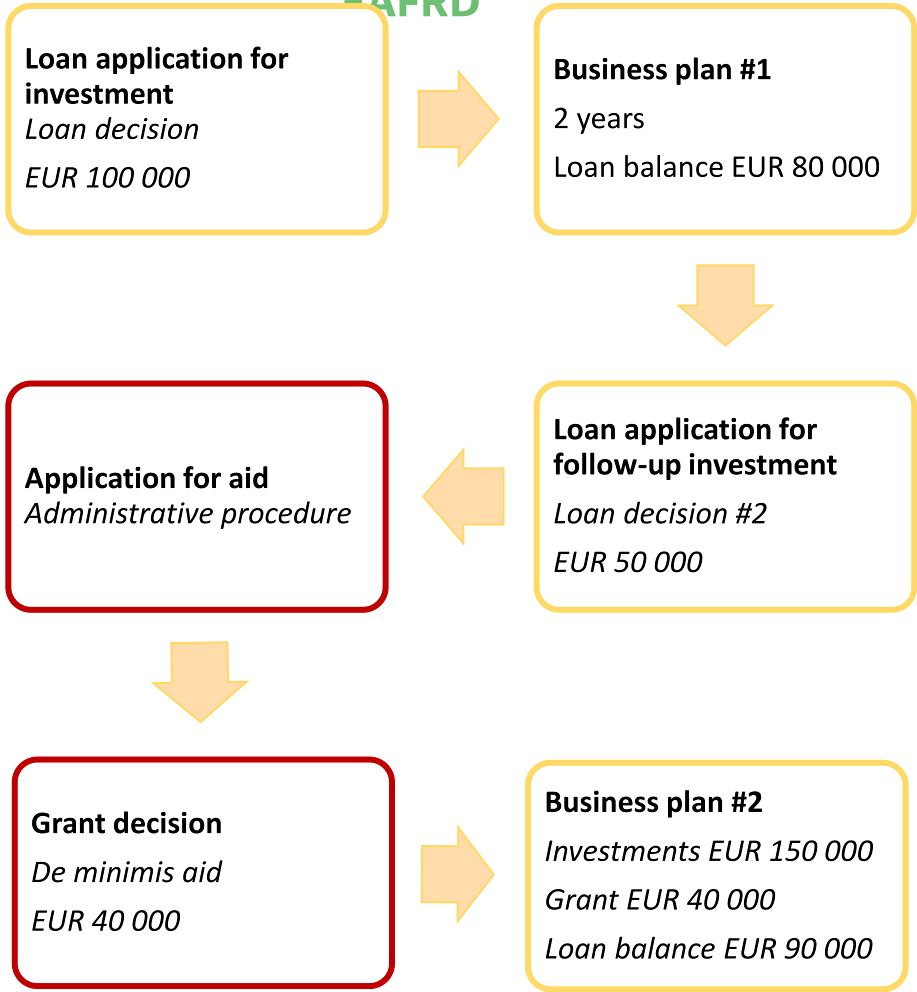
Proposals from ex-ante assessment for new products

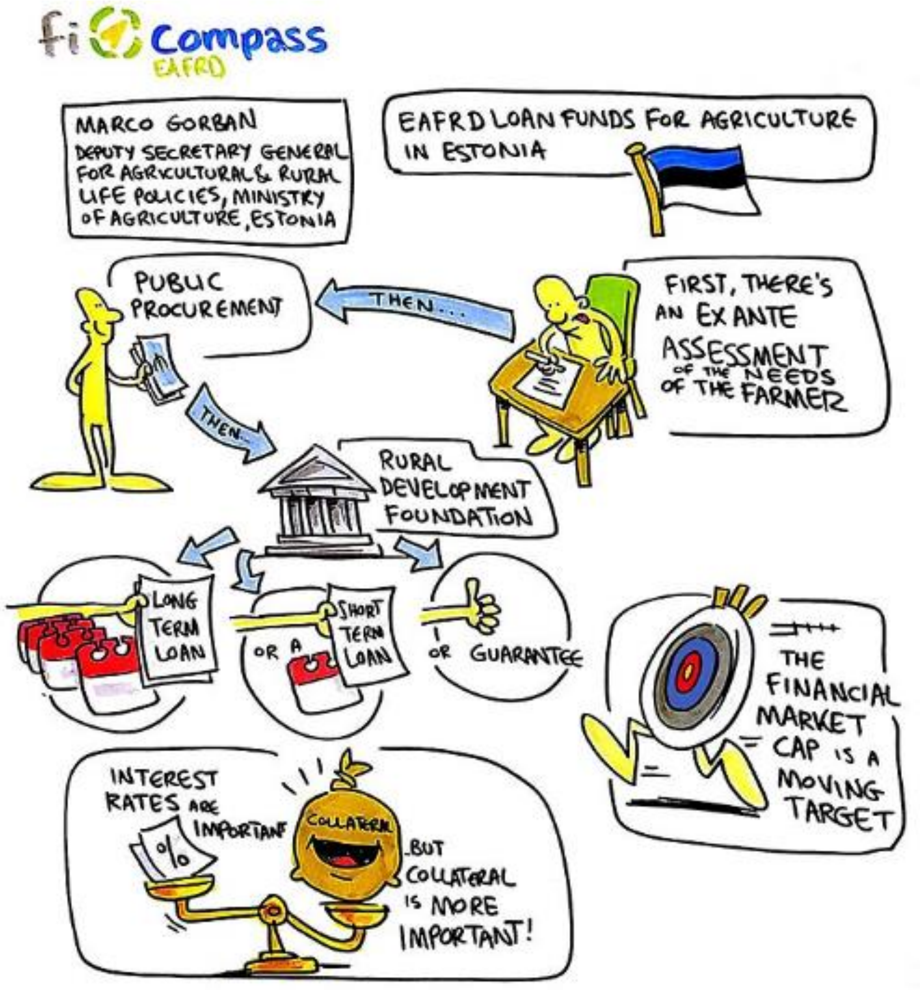
	Growth loan for micro and small enterprises	Long-term investment loan
Target group	Micro and small enterprises	SME
Amount	EUR 5 000 – EUR 200 000 (direct or co-loan)	EUR 200 000 – **EUR 2 000 000** (co-loan 50/50)
Collateral	At least 50%	At least 50% (producer groups at least 30%)
Period	Up to 15 years (incl. up to 5 years of gace period)	Up to 25 years (incl. up to 10 years of grace period)
Interest rate	Micro and small enterprises ≥4%+ Young farmers and producer groups ≥2%+	SME ≥2%+ Young farmers and producer groups ≥1%+

	Start-up loan (art 69)
Target group	SME
Amout	EUR 5 000 – EUR 100 000
Collateral	At least 50%
Period	Up to 6 years (incl. 1 year of grace period)
Interest rate	5%+

Proposals from ex-ante assessment for new products

- **Hybrid loan** – *type of loan where applicant starts with loan (FI or bank) and in the second phase there might be opportunity to turn existing loan into grant*
  - **Purpose:**
    1. To select out applicants whose intention is not grant
    2. Speed up the second phase of start-ups
  - **Breach of principles?**
    - Yes – it is aimed for companies who could survive without support
    - Yes – it compensates already incurred costs/risks
    - Yes – it does not push new investments, but it creates the capacity to make them
  - **BUT:**
    - It selects the beneficiaries who came 2-3 years ago TO DO BUSINESS
    - It improves the financial position of companies already in existence, which provides an opportunity (based on experience) to develop on a market-based basis
    - Development of companies that have made investments in first phase (to fixed assets) tend to halt in 2-4 years as the (short-term) loan burden is high
- ***Goal is help to make a (development) jump for those (young companies) who are operating!***





Thank you!

Marko Gorban

Deputy Secretary General for Agriculture and Rural Life Policies

Estonian Ministry of Rural Affairs

Marko.Gorban@agri.ee

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