



# Financial instruments under EAFRD and EMFF – Estonian experience

**Merle Saaliste**    **Ministry of Rural Affairs**    **17.03.2015**  
**[merle.saaliste@agri.ee](mailto:merle.saaliste@agri.ee)**





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# 1. History of FIs in agriculture sector

The **Estonian Rural Development Foundation** (MES) was founded by the Government in 1993

## MES provides:

- loans
- interest and capital support
- guarantees to bank loans

## Target group:

- agricultural holdings
- processors of agricultural products
- small and medium-sized companies from rural area





## 2. FIs under EFF 2007-2013 and EMFF 2014-2020 1

- In 2012 MES got the task of managing of FIs co-financed from EFF 2007-2013
- The amount of Fund was 4 mln €, in Dec. 2014, the amount was increased by 0.9 mln €
- Dec. 2015 – 17 loan agreements, total loans amount 5 mln €, 13 loan recipients



## 2. FIs under EFF 2007-2013 and EMFF 2014-2020 2

- Main conditions for loan -  
recipient SME, invest. into the aquaculture farm or processing unit, max 500 000 €, duration 5-15y, inc. max 7y of grace period, co-lending with banks, inters rates= inters rates required by the bank
- EMFF 2014-2020 ?

## 3. FIs under EAFRD 2014-2020 1

### Progress

- Common ex ante assessment for the EAFRD and the EMFF (Dec. 2013-Dec.2014, assessor Ernst & Young Baltic AS)
- General description of FIs in RDP (February 2015)
- Preliminary negotiations with the possible FI implementer (MES) were carried out (Jan.-Sept. 2015)



## 3. FIs under EAFRD 2014-2020

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### Progress

- State procurement procedure for selecting the FI implementer (by way of negotiated procedure without prior publication of a contract notice) was carried out (25.09.2015-15.01.2016)
- The financing contract with MES was signed on 29<sup>th</sup> of January 2016

## 3. FIs under EAFRD 2014-2020

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### Progress

- MES started receiving and processing applications since 8<sup>th</sup> of February 2016
- The first payment to the FI fund was made by PA on 29<sup>th</sup> of February 2016
- RDP amendment (more precise description of FIs) is under preparation



## 3. FIs under EAFRD 2014-2020 4

### 36 mln € for FIs in RDP 2014-2020

- M04.1 Investments to improve the performance of **agricultural** enterprises – **17** mln euros
- M04.2 Investments to **process and market** agricultural products – **6** mln euros
- M06.4 Investments in the **diversification** of economic activities towards non-agricultural activity in rural area – **13** mln euros



# 3. FIs under EAFRD 2014-2020

	Growth loan for micro- and small enterprises	Long-term investment loan
4 y target	14,2 mln €	16,1 mln €
Target group	Micro- and small enterprises	Micro-, small- or medium-sized enterprises
Amount of loan	5000 – 100 000 euros (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



## 3. FIs under EAFRD 2014-2020

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### Statistics

8 applications received (10.03.2016)

- 1 approved (growth loan, 100 000 €, agriculture invest.)
- 2 rejected (1 agriculture, 1 diversification)
- 5 under processing (1 long-term loan, 900 000 €, agriculture; 4 growth loans, agriculture, 100 000 + 15 000 + 61 500 + 90 000 =266 000€)



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