



ERDF/ERDF financial instruments in Estonia

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Financial instruments vs Grants

- Financial instruments (FI) – just another way of delivering support? ... Or is it?
 - **EU taxpayer's view**
 - FI is much easier for a state budget – FI actually can be sustainable.
 - **Entrepreneur's view**
 - FI is not alternative to a grant. Grant is a „free money“.
 - **Decision-maker's view**
 - Taxpayers are not involved in strategic planning.
 - Grant is much more popular in the sector than FI.
 - For Managing Authorities grant system is known, FI's unknown.





Ex-ante assessment (EAFRD/EMFF)

- No big differences in **market gaps** for different sectors.
- Banks are **not interested** in:
 - New enterprises
 - Micro enterprises
 - Investment loans under 100 000 EUR
- Long term (7+) loans usually **not offered**.
- Different views on the **value of collateral**.
- **Alternative** financial market (risk capital etc) missing.
- NB! Market gap in financial market is a **moving target**.





EAFRD/EMFF financial instruments 2014-2020

- **Growth loan**

- 100 000EUR/8y
- Micro/small enterprises in rural areas.
- At least 50% collateral.
- Subsidised rates from 2-6%, sub-sector specific.

- **Long – term investment loan**

- 250 000 – 1 000 000EUR/15y, 3 000 000 EUR for Producer Organisations.
- 50/50 co – financing with banks – leverage min. 2,0.
- At least 80% collateral.
- Market based rate.
 - Subsidised rates (1-2%) for certain sectors.

- **Guarantee fund**



- Guarantees for up to 10y loans, 80%.
- Subsidised rates – 1,5%.
- Targeted to young farmers, producer organisations.





For entrepreneur FI and grant systems are not alternatives

- Grant does accelerates development, but:
 - ... is distorting competition inside the sector.
 - ... is more costly to a taxpayer.
 - ... is creating danger of overinvestment.
- FI is not so „interesting“ for sector, but:
 - ... is much more sustainable (for state budget).
 - ... is helping bigger number of entrepreneurs to do investment.
 - ... Is giving a message, that it is a „business“.



The question we should ask is:

„Why grants and not financial instruments?“

Thank you!

