

# PROGRESS

Promoting Green Deal Readiness in  
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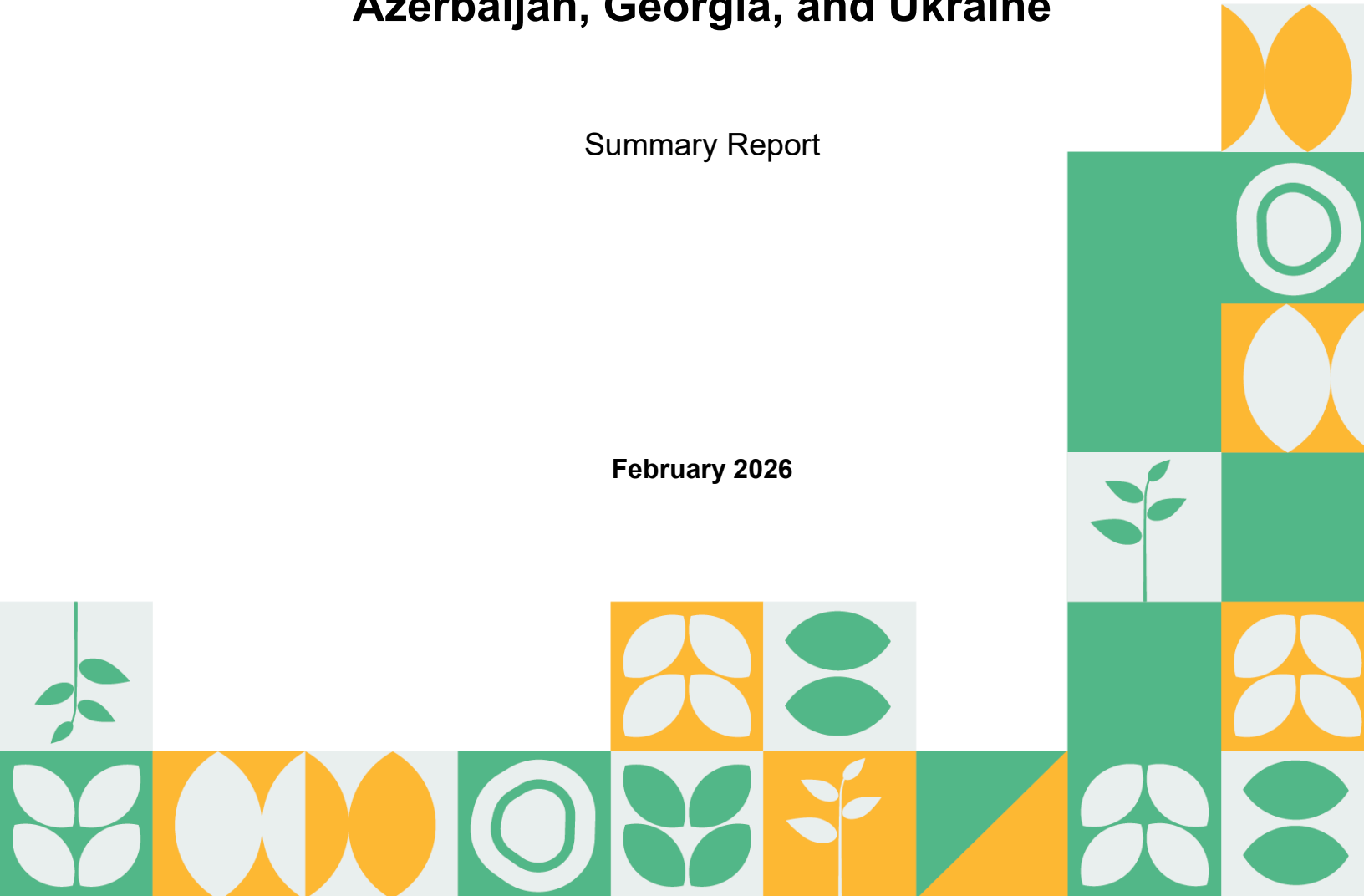
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## Assessing the Capacity Needs of Farmers and Agribusiness Enterprises to Access Financing for Sustainable Agricultural Investments in Armenia, Azerbaijan, Georgia, and Ukraine

Summary Report

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# Introduction to the Capacity Needs Assessment

The study - Assessing Capacity Needs of Farmers and Agribusiness Enterprises - was conducted within the framework of the project “Promoting Green Deal Readiness in Eastern Partnership Countries” (PROGRESS). The goal of the capacity needs assessment (CNA) is to examine the challenges and opportunities farmers and agribusiness owners face in Armenia, Azerbaijan, Georgia, and Ukraine in terms of accessing finance for sustainable agricultural development, with a particular focus on climate-resilient investment.

PROGRESS is a regional initiative covering the five EU Eastern Partnership (EaP) countries - Armenia, Azerbaijan, Georgia, Moldova, and Ukraine. The project supports these countries in achieving long-term mitigation, adaptation, and sustainable development consistent with the EU Green Deal objectives and the 1.5°C pathways of the Paris Agreement. A particular emphasis is placed on horticulture, alongside efforts to enhance the competitiveness and trade opportunities of the fruit and berries sectors from the EaP region in EU markets.

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In line with its overarching purpose, this capacity needs assessment pursues three key objectives which are:

- 1) Assessment of the financial knowledge and literacy levels amongst small farmers and agribusinesses
- 2) Identification of the gaps preventing above mentioned target group from accessing finance for climate-resilient investments
- 3) Provision of a basis for designing targeted capacity-building initiatives tailored to these groups.

By addressing these objectives, the assessment seeks to contribute to stronger, more sustainable agricultural systems in the Eastern Partnership region and to ensure that farmers and agribusiness entrepreneurs are better equipped to access finance, adapt to climate risks, and seize new market opportunities.

## Executive Summary

This synthesis brings together country-level capacity needs assessments conducted between 2020 and 2025 in Armenia, Azerbaijan, Georgia, and Ukraine. In each case, earlier technical or sector needs assessments (2020–2022) are compared with a 2025 study focused on the capacity of farmers and agribusinesses to access financing for sustainable agricultural investments, enabling an examination of how sector priorities and structural conditions have evolved over time.

Across the four countries, the assessments point to a gradual shift from foundational capacity challenges - such as limited financial literacy, weak business management practices, and constrained access to finance - toward more complex issues related to climate resilience, sustainable finance, institutional access, and inclusive participation.

Although country contexts differ, the findings reveal a broadly consistent pattern: awareness of emerging risks and opportunities has grown, but the institutional, financial, and technical capacities required to respond effectively have not advanced at the same pace.

## Studies Conducted and Their Scope

- **Armenia:** Comparative analysis of 2022 Technical Needs Assessment and the 2025 sustainable finance capacity assessment.
- **Azerbaijan:** Comparison of 2022 Technical Needs Assessment with the 2025 sustainable agricultural investment capacity assessment.
- **Georgia:** Multi-year comparison using 2021–2022 MSME studies and the 2025 financing capacity assessment.
- **Ukraine:** Comparison between a 2020 rural economic development pre-feasibility assessment and the 2025 sustainable investment capacity study.

While earlier assessments emphasized structural financial and management weaknesses, the 2025 studies expanded the analytical scope to include climate adaptation investments, gender inclusion, ecosystem effectiveness, and sustainable finance mechanisms.

# Main Findings Across the Four Capacity Needs Assessments

Across Armenia, Azerbaijan, Georgia, and Ukraine, the assessments identify a largely consistent set of structural and capacity-related challenges affecting farmers' and agribusinesses' ability to access finance and invest in climate-resilient agriculture.

- 1. Financial literacy and record-keeping remain major bottlenecks.** Smallholder farmers across all four countries generally rely on informal or compliance-driven bookkeeping practices, often keeping limited financial records and using them mainly for grant or loan applications rather than business planning. This weakens creditworthiness and reduces access to formal financing, while medium and larger farms with professional accounting systems face fewer constraints.
- 2. Access to finance is constrained primarily for small and new farmers.** Although subsidized loan programs improve affordability, commercial lending remains risk-averse, with strict collateral requirements and procedures that do not reflect the long investment cycles typical in agriculture. Newly established farmers and smallholders therefore face the greatest difficulty accessing credit, while established farms with stronger banking relationships obtain financing relatively easily.
- 3. Climate change is increasingly perceived as a major operational risk.** Farmers across countries report rising frequency of droughts, frost, heat stress, irregular rainfall, and pest outbreaks, yet many lack the financial resources, technical knowledge, or awareness of climate-related financial instruments needed to adopt adaptation technologies. Adoption of irrigation systems, renewable energy, and climate-smart practices is concentrated among larger enterprises.
- 4. Gender disparities persist despite targeted support programs.** Women increasingly participate in agriculture and benefit from donor-supported grant programs but continue to face barriers in accessing bank loans due to lower asset ownership, social norms, and difficulties demonstrating financial stability. Gender-responsive financial products remain unevenly available across countries.
- 5. Strong demand exists for practical capacity-building and advisory support.** Farmers consistently request hands-on training in bookkeeping, budgeting, proposal preparation, climate-smart technologies, and financial planning, preferring demonstration-based and peer-learning approaches over theoretical training formats.

## Common Trends Shared Across Target Countries

### **A. Persistent financial literacy and business management gaps**

Across all countries, weak bookkeeping, informal financial practices, and limited strategic planning remain major barriers to accessing finance. Some gradual improvement in awareness and basic record-keeping is observed, especially among medium-sized enterprises, but smallholders continue to face structural capability constraints.

### **B. Shifting nature of access-to-finance barriers**

Earlier studies identified limited financial products, low awareness, and institutional restrictions as key constraints. By 2025, financial ecosystems show partial improvement (e.g., green loans, donor-supported instruments), yet behavioral barriers, collateral constraints, and documentation requirements remain the dominant limitations, particularly for smallholders.

### **C. Climate risks emerging as a central development driver**

Climate variability and environmental stress have intensified significantly across the region, transforming climate change from a secondary concern into a primary operational and investment risk. Although awareness has risen substantially, farmers' capacity to implement adaptation measures - through insurance, climate-smart technologies, or green finance - remains limited.

### **D. Growing demand for practical, specialized training**

Training needs have evolved from production-focused agronomic skills toward financial management, climate adaptation, digital skills, investment planning, and grant/loan application capacity. Farmers increasingly prefer experiential, demonstration-based, and locally tailored learning formats.

### **E. Gender inclusion becoming more visible**

Earlier assessments either underrepresented or did not analyze gender dynamics, whereas 2025 studies incorporate gender as a cross-cutting issue. Women's participation in agriculture and financing programs is increasing, yet informal biases, asset ownership constraints, and limited gender-responsive lending products continue to affect outcomes.

## Key Differences Across Countries

### Context-specific structural pressures

- Ukraine shows the most severe structural deterioration due to conflict-related disruptions affecting institutional services, infrastructure, and financial access.
- Armenia demonstrates notable financial-sector improvements (green finance expansion), but farmer-level behavioral and informational gaps remain the primary bottleneck.
- Azerbaijan continues to face persistent structural lending barriers, with additional cultural and informational constraints influencing borrowing decisions.
- Georgia shows steady but incremental improvements in financial awareness and institutional engagement, with remaining structural collateral constraints.

### Institutional ecosystem evolution

- Institutional and financial ecosystems are gradually strengthening in Armenia, Azerbaijan, and Georgia, albeit unevenly.
- In contrast, Ukraine's ecosystem faces operational weakening due to conflict, reducing the effectiveness of advisory and infrastructure systems.

### Pace of behavioral vs. structural change

- Some countries (e.g., Armenia) show notable improvements in financial products, yet farmer uptake remains somewhat limited.
- Others (e.g., Azerbaijan, Ukraine) show limited structural change, with persistent systemic barriers dominating.

## Overall Cross-Country Synthesis

Taken together, the analyses indicate that agricultural sectors in target countries are transitioning from basic capability deficits toward resilience-oriented development challenges, where climate risk management, sustainable finance integration, and inclusive institutional systems are becoming central determinants of agricultural competitiveness. However, progress remains uneven, and capacity development, particularly among smallholders, lags behind financial system and policy innovations, creating a growing implementation gap between available opportunities and farmers' ability to utilize them effectively.

# Country-Specific Trend Development Across Studies – Summary Tables

## ARMENIA

Dimension	2022	2025	Change
<b>Financial Literacy</b>	Overestimated skills; limited record-keeping; weak business planning	Greater awareness; demand for practical bookkeeping and financial management training	Progress in awareness, limited improvement in practice
<b>Access to Finance</b>	Structural barriers (collateral, trust, restrictive criteria); low awareness of products	Improved financial products; behavioral barriers (debt aversion, low information access, digital gaps)	Constraint shifted from system-level to farmer-level
<b>Entrepreneurial Skills</b>	Low prioritization; gaps in marketing, planning, branding	Recognized importance; need for proposal writing and project management capacity	Shift toward valuing business skills
<b>Climate Awareness &amp; Action</b>	Low awareness; minimal insurance use; adaptation not prioritized	High awareness; impacts recognized; interest in practical adaptation	Notable rise in awareness, weak linkage to solutions
<b>Gender Dynamics</b>	Male-dominated sample; limited analysis	More balanced sample; informal biases persist; higher women’s engagement	From invisible to visible, but structural gaps remain
<b>Training Motivation &amp; Preferences</b>	Short, practical agronomy-focused sessions	High demand; climate, finance, and digital skills prioritized; hands-on coaching preferred	Stronger motivation and more complex training needs
<b>Institutional Support &amp; Ecosystem</b>	Weak extension; limited outreach; need for investment	More green finance; donor support	Supply-side improvements, demand-side weakening
<b>Risk Preparedness</b>	Minimal preparedness; reactive mindset	Improved awareness but limited action; lack of tools	Awareness up, readiness still low

## AZERBAIJAN

Dimension	2022	2025	Change
<b>Financial Literacy</b>	Informal, minimal bookkeeping; weak planning	Slight improvement with more Excel use among medium farmers; smallholders still mostly informal	Slight progress
<b>Access to Finance</b>	Low loan uptake; information gaps; dependence on grants; collateral constraints	High interest rates, collateral burdens, delays; climate finance poorly understood; some religious constraints	Barriers persist but broaden in type
<b>Business and Entrepreneurial Knowledge</b>	Weak marketing, branding, and value-added skills; limited strategic planning	Continued gaps plus new issues: licensing struggles, digital marketing needs	Gaps persist
<b>Climate Awareness</b>	Limited climate awareness; reactive responses; minimal insurance use	High awareness of climate impacts; low preparedness; high perceived vulnerability	Considerable increase in awareness, but limited action
<b>Gender Sensitivity</b>	Gender barriers recognized superficially; limited analysis	Gender-responsive loans exist; women's cooperatives rising; nuanced informal barriers identified	Moderate progress
<b>Training Motivation</b>	Low motivation; limited exposure to structured training	High demand for practical, hands-on training, especially on climate adaptation, marketing, and licensing	Positive change
<b>Risk Preparedness</b>	Very weak	Improved awareness, low action	Moderate progress
<b>Institutional Support</b>	Weak institutional coordination; low cooperative engagement	More grant programs and donor-bank initiatives; women's cooperatives emerging; climate finance messaging still weak	Incremental growth

## GEORGIA

Dimension	2021-2022	2025	Change
Financial Literacy	Basic, minimal bookkeeping	Compliance-focused, modest improvement	Slight progress
Access to Finance	Awareness gap	Structural and collateral barriers	Shift in constraint type
Climate Awareness	Low, reactive	High, recognizing impact	Considerable progress
Gender Sensitivity	Absent	Integrated	Moderate progress
Training Motivation	Low	High, practical	Positive change
Risk Preparedness	Very weak	Improved awareness, low action	Moderate progress
Institutional Support	Weak ecosystem	Emerging green finance	Incremental growth

## UKRAINE

Dimension	2020	2025	Change
<b>Financial Literacy</b>	Informal bookkeeping; low financial literacy; minimal planning; limited use of digital tools	Slight improvement among medium farms using structured systems; smallholders still rely on basic, informal methods	Small, gradual progress
<b>Access to Finance</b>	Banks reluctant to lend to smallholders; strict collateral requirements; few tailored loan products	Structural barriers remain; war and climate risks add new obstacles; strong reliance on grants; limited awareness of green/climate finance	Barriers persist and expand
<b>Business and Entrepreneurial Knowledge</b>	Limited business planning, weak marketing, and low value-added activities	Similar gaps continue; new challenges include complex grant paperwork and greater need for digital marketing and investment planning	Gaps remain with new pressures
<b>Climate Awareness</b>	Low climate awareness; climate seen as a future issue; very low insurance use	High awareness due to extreme weather and war-related disruptions; limited adaptation due to high costs and poor water access	Awareness increases notably; action remains limited
<b>Gender Sensitivity</b>	Gender considerations minimal; no targeted financial products	Women more active in agriculture due to mobilization; better grant access; few gender-sensitive loan products	Moderate improvement
<b>Training Motivation</b>	Weak coordination among institutions; limited rural financial infrastructure; early-stage reforms	Institutional gaps deepened by war; fragile support systems; information on climate finance unclear; some donor-bank programs emerging	Incremental growth but still weak
<b>Risk Preparedness</b>	Very limited awareness and planning	Greater recognition of risks (climate, energy, war), but adaptation and insurance use remain low	Some progress in awareness, low in action
<b>Institutional Support</b>	Low motivation for training; limited exposure to structured programs	Strong demand for practical, hands-on, and climate-focused training; preference for peer-to-peer learning	Positive shift