PROGRESS

Promoting Green Deal Readiness in the Eastern Partnership Countries

On behalf of:

Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety

of the Federal Republic of Germany

IKI INTERNATIONAL CLIMATE INITIATIVE

Assessing the Capacity Needs of Farmers and Agribusiness Enterprises to Access Financing for Sustainable Agricultural Investments in the European Union Eastern Partnership Countries

Ukraine Report

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ABBREVIATIONS

AMFA – Azerbaijan Micro-Finance Association

BDF – Business Development Fund

BMUV – German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection

CNA – Capacity Needs Assessment

CRM – Customer Relationship Management

DSIK – German Sparkassenstiftung for International Cooperation

EaP countries – Eastern Partnership countries

EBA – European Business Association

EBRD – European Bank for Reconstruction and Development

EU – European Union

EUR – Euro

FGD – Focus Group Discussions

GIZ – German Agency for International Cooperation

IEF – Institute for Economics and Forecasting

IKI – International Climate Initiative

JSC – Joint Stock Company

KII – Key Informant Interview

LTD – Limited Liability Company

OECD – Organisation for Economic Cooperation and Development

OJSC – Open Joint Stock Company

PCGF – Partial Credit Guarantee Fund in Agriculture

PROGRESS – Promoting Green Deal Readiness in the Eastern Partnership Countries

RECC – Regional Environmental Centre for Caucasus

UAH – Ukrainian Hryvnia

UCO – Universal Credit Organization

VAT – Value Added Tax

INTRODUCTION TO CAPACITY NEEDS ASSESSMENT

This 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.

The project 'Promoting Green Deal Readiness in the Eastern Partnership Countries' (PROGRESS) is implemented on behalf of the International Climate Initiative (IKI) of the Federal Government of Germany. Within the Federal Government, the IKI is anchored in the Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN). Selected project is also the responsibility of the Federal Foreign Office (AA). PROGRESS is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, as the lead agency, in partnership with the Organisation for Economic Co-operation and Development (OECD), the Regional Environmental Centre for the Caucasus (REC), the European Business Association (EBA) Moldova and the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine (IEF).

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

The main goal of the assignment is to assess the capacity needs of farmers and agribusiness owners in EU Eastern Partnership countries (Armenia, Azerbaijan, Georgia, and Ukraine) in terms of access to finances for sustainable agricultural development. In accordance with the goal, the following objectives were outlined for the study:

- Assess the financial knowledge and literacy levels of small farmers and agribusinesses
- Identify gaps preventing them from accessing finance for climate-resilient investments
- Provide a basis for developing targeted capacity building for these target groups.

The target group of the study includes small and medium-sized farm and agribusiness enterprise owners, men and women, as well as representatives of financial institutions in each target country.

Across the four countries, the study involved 17 focus group discussions (FGDs) with 104 farmers and agribusiness owners, of whom 50 were women (48%). The FGDs were conducted online and included participants from more than 30 regions, ensuring a geographically diverse sample. Armenia contributed 4 FGDs with 27 participants, Azerbaijan - 4 with 30 participants, Georgia - 5 with 26 participants, and Ukraine 4 as well with 21 participants.

Moreover, 10 key informant interviews (KIIs) were carried out with financial institutions, which included major banks, microfinance institutions, and agricultural credit unions actively engaged in agricultural finance; in particular: 2 KIIs in Armenia with Farm Credit Armenia UCO (Universal Credit Organization) and ACBA Bank OJSC; 2 in Azerbaijan with Azerbaijan Micro-Finance Association (AMFA) and Unibank, 2 in Georgia with JSC TBC Bank and JSC Microbank Crystal, and 4 in Ukraine with JSC Creditwest Bank Ukraine, JSC Oschadbank, the Business Development Fund (BDF), and The Partial Credit Guarantee Fund in Agriculture (PCGF).

Participants represented a wide range of agricultural sectors, most prominently horticulture, vegetables, fruits, berries, nuts, beekeeping, animal husbandry, grain production, and small-scale processing. Across countries the majority were micro- and small-scale farmers employing between 1 and 10 workers, with annual turnover most commonly ranging from €1,500 to €10,000. A significant share of participants operated informally, while others were registered as individual entrepreneurs, LLCs, or cooperatives. Association membership varied by country but remained modest overall, with Ukraine showing the highest engagement.

The sample captured both female and male farmers, new entrants and experienced operators, as well as smallholders and medium-sized agribusinesses, providing a comprehensive picture of financial literacy levels, climate-awareness, and access-to-finance challenges across the region.

Despite differences in country contexts and the varying scope of issues explored in each assessment, farmers and agri-entrepreneurs across all four countries report broadly similar types of constraints that limit their ability to access finance, adopt climate-resilient practices, and expand their agricultural

activities; however, given the qualitative nature of the study, the severity of these challenges cannot be directly compared between countries.

Budgeting and record-keeping among smallholder farmers remain major cross-country gaps, as they tend to rely on informal and compliance-driven bookkeeping practices used mainly for preparing loan applications or grant proposals. As a result, their creditworthiness is often weak, creating significant barriers to access formal finance. In contrast, medium and more established farms typically employ professional accountants, use specialized accounting programs, maintain structured reporting systems, and rely on these insights to guide their farming activities.

Although awareness of state and donor programs is generally high, particularly in Georgia and Ukraine, farmers often rely on family members, acquaintances, or paid consultants to prepare grant proposals. Individuals with prior experience in such programs tend to achieve higher success rates, whereas those applying for the first time frequently lack the information and skills required to submit competitive applications.

In all four countries, farmers express satisfaction with subsidized state loan programs, which significantly reduce interest rates and make borrowing more accessible. Without these subsidies, interest rates become prohibitively high for many farmers, especially smallholders. Farmers also emphasize that bank lending practices are highly risk-averse, with procedures that do not sufficiently account for the long investment cycles typical of horticulture, beekeeping, and other agricultural sectors. As a result, newly established and small-scale farmers face the greatest obstacles in obtaining credit, while medium and larger farms with long-standing banking relationships experience fewer difficulties.

Gender-related barriers are recognized to varying degrees across the four countries, with notably lower acknowledgment in Azerbaijan. A common pattern nevertheless emerges while women often benefit from donor and state-funded grant programs targeting female entrepreneurship, they remain relatively disadvantaged in accessing bank loans. This disadvantage is shaped by cultural stereotypes, gender roles, lower levels of property ownership, and difficulties demonstrating financial stability. Some banks in the region offer specialized programs for women farmers and entrepreneurs, which helps to narrow the gender gap, although these initiatives vary in availability and effectiveness across countries.

Climate change is perceived across all four countries as an increasingly severe and unpredictable threat. Farmers report experiencing more frequent frost, drought, extreme heat, irregular rainfall, and emerging diseases and pests, all of which reduce yields and increase expenditures. The effects are described as worsening year by year, and farmers often feel unprepared and under-resourced to respond. While some medium-sized farms have adopted irrigation systems, renewable energy solutions, or other adaptive technologies, smallholders remain limited by high costs, low awareness, and lack of technical expertise. Awareness of climate-related financial products and subsidies is consistently low across all countries. In Ukraine, climate impacts are further exacerbated by wartime destruction, water scarcity following major infrastructure damage.

Financial institutions across the region are at varying stages of integrating climate-related considerations into their lending portfolios. Ukrainian banks, often supported by international donors, are the most

advanced in offering financing for irrigation, renewable energy, and energy-efficient machinery, reflecting both increased demand and stronger donor engagement. In Georgia, Armenia, and Azerbaijan, dedicated climate finance products are less developed, although banks occasionally integrate environmental assessments into subsidized loan programs.

Across all four countries, farmers express a strong interest in capacity-building initiatives, particularly those that are practical, hands-on, and tailored to their specific sector and region. Participants consistently emphasized the importance of learning through demonstration farms, peer exchange, and applied workshops rather than theoretical training. They also highlight the need for support with bookkeeping, budgeting, project proposal preparation, and understanding climate-smart technologies.

The recommendations developed across the four countries focus on improving farmers' financial literacy, strengthening practical training on climate-smart technologies, and expanding access to finances for women and smallholders. On the financial sector side, recommendations emphasize the need for more flexible collateral requirements, loan products that reflect long agricultural investment cycles, gender-responsive financing, and dedicated instruments for climate adaptation. While many recommendations are shared across all countries due to common structural challenges, several are tailored to specific contexts and aim to create a more resilient, inclusive, and climate-responsive agricultural finance ecosystem.

1. ASSESSMENT METHODOLOGY, CRITERIA, AND PROCESS IN UKRAINE

The study applied qualitative research methods to gather in-depth insights on access to finance for sustainable agriculture in Ukraine.

Data collection and analysis

Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs) were conducted. In total, 4 FGDs were held with 21 farmers and agribusiness entrepreneurs, exploring gaps and needs in sustainable agricultural development and assessing participants' openness to potential interventions. FGDs were organized online via Zoom and WhatsApp to accommodate participants' availability and included farmers and agribusiness entrepreneurs from various sectors, regions, ages, and gender with women making up 33.3% of participants.

4 KIIs were conducted with representatives of local financial organizations: Creditwest Bank Ukraine, Oschadbank, the Business Development Fund (BDF[1]), The Partial Credit Guarantee Fund in Agriculture (PCGF[2]) focusing on lending challenges, clients' financial literacy, and awareness of climate-related financing options.

All FGDs and KIIs were recorded, transcribed, and systematically coded using MaxQDA 2024[3] to ensure an in-depth analysis without loss of relevant information.

Ethical considerations

Data collection followed high ethical standards to protect participants' rights and safety. Informed verbal consent was obtained before each FGD and KII, with clear explanations of the study's purpose, voluntary participation, the right to withdraw, and confidentiality. Data were securely stored, and findings are reported in aggregate form to prevent identification of individuals.

[1] https://bdf.gov.ua/en/ A public Agency operating under the Ministry of Finance of the Ukraine to improve access to finance for micro, small, and medium enterprises (MSMEs).

[2] https://aecm.eu/partial-credit-guarantee-fund-in-agriculture-pcgf/. A financial institution with a mission to support the sustainable development of agricultural MSMEs, particularly small farmers. Establishment and development of PCGF is supported by the Ministry of Agrarian Policy and Food of Ukraine and the World Bank and European Union.

[3] A software used in qualitative analysis which ensures an in-depth and systematic analysis of qualitative data without losing relevant information.

2. DEMOGRAPHIC CHARACTERISTICS OF FOCUS GROUP PARTICIPANTS[4]

The total number of focus group participants amounted to 21 people, representing diverse demographic groups and different sectors across Ukraine's agricultural sector.

In terms of gender representation, focus groups in Ukraine were predominantly composed of male farmers and agri-entrepreneurs, with representation of 14 male (66.7%) and 7 female (33.3%) participants (see Figure 1).

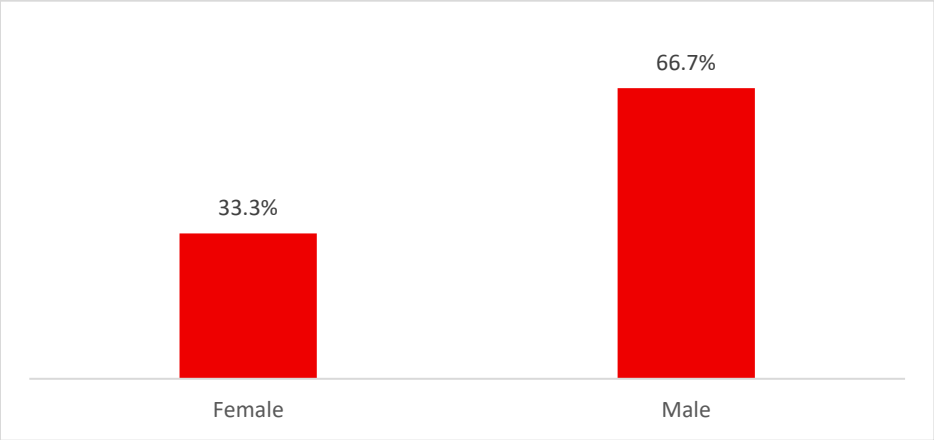

Figure 1: Gender distribution among FGD participants

The majority of participants were between 35 and 54 years old, accounting for over two-thirds of the total. Smaller proportions represented younger (25–34) and older (55+) age groups (see Figure 2).

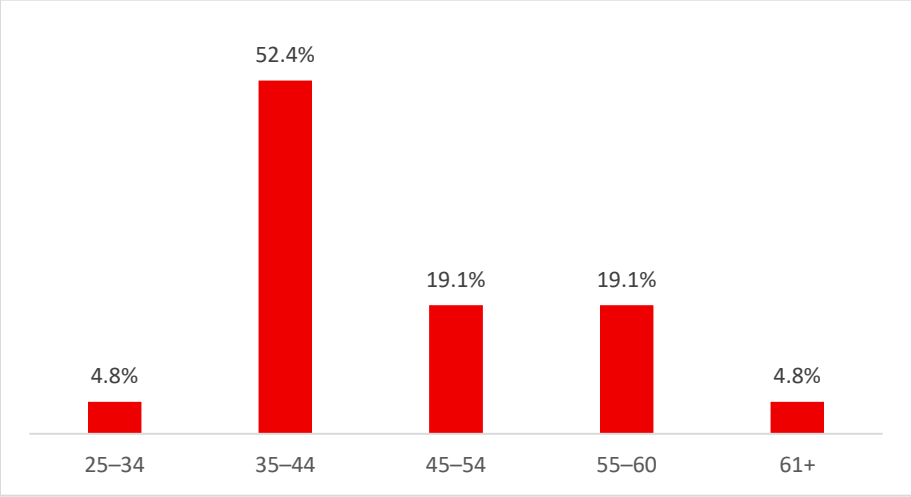

Figure 2: Distribution of age groups among participants

[4] Percentages presented in this chapter may not total exactly 100% due to rounding.

FGD participants represented multiple regions of Ukraine and the capital city, with the highest shares from Kyiv region and multi-regional[5] participants (19.1% each), followed by Cherkasy, Vinnytsia, and Ivano-Frankivsk (9.5% each) (see Figure 3).

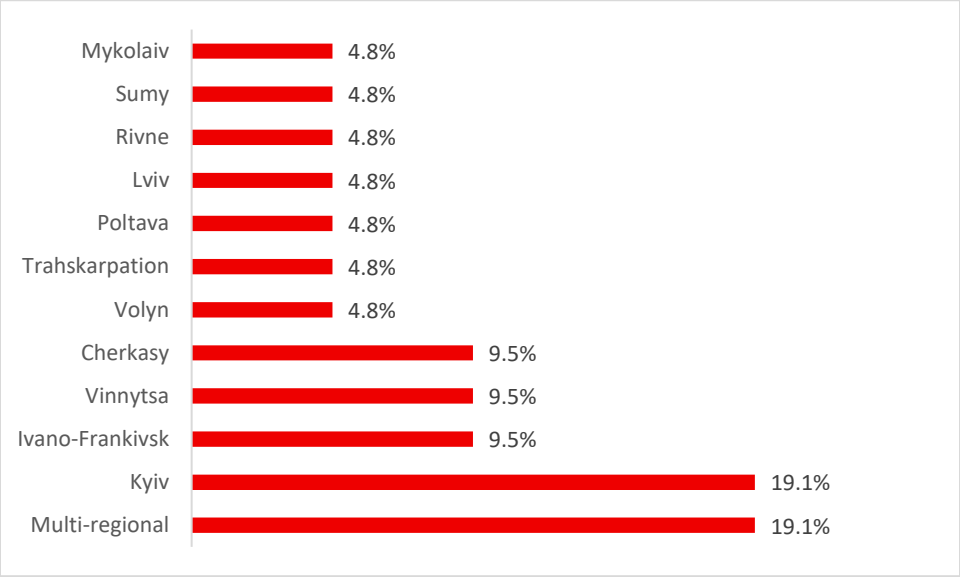

Figure 3: Regional distribution among FGD participants

FGD participants represented a diverse range of agricultural sectors, with the largest shares engaged in vegetable and berry production (33.3% each) followed by beekeeping activities (14.3% each) (see Figure 4).

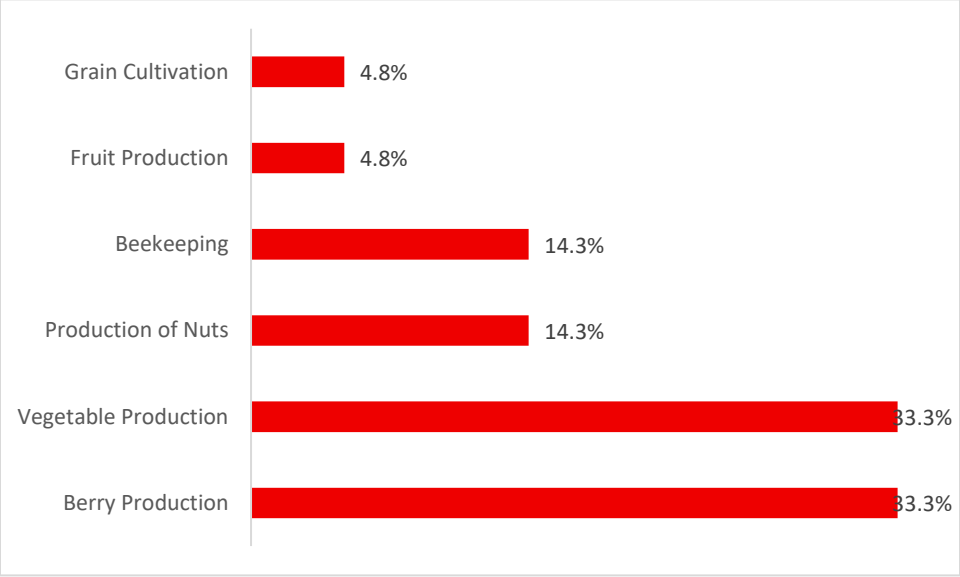

Figure 4: Sectoral distribution among FGD participants

[5] Multi-regional representation reflects the participation of individuals affiliated with associations, enabling them to share not only their personal experiences but also insights from association members across different regions.

Participants operated under varied legal statuses, with the largest shares registered as limited liability companies (LTDs) (30%) or not specifying their legal form (30%). Smaller proportions were individual entrepreneurs and associations (15% each), while cooperatives and private enterprises each accounted for 5% (see Figure 5).

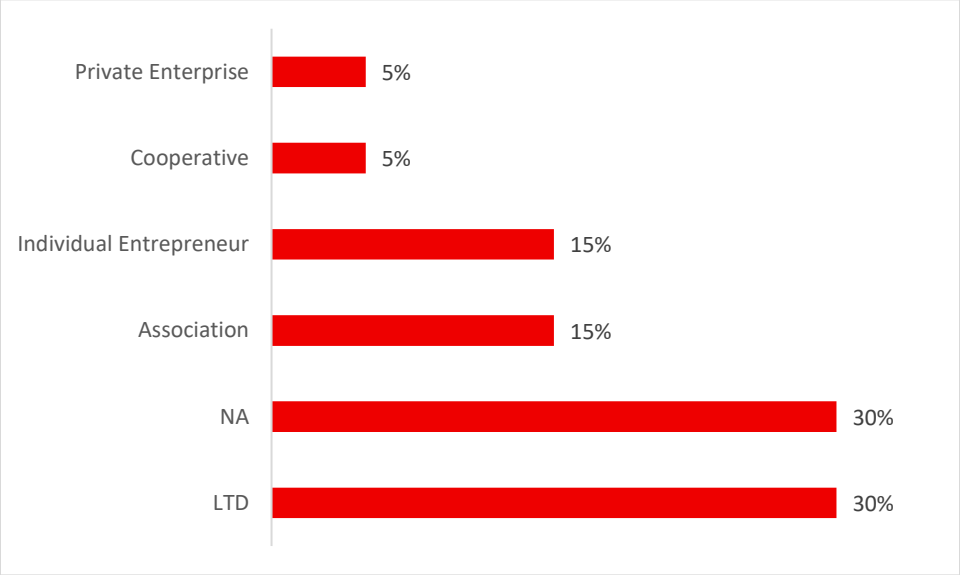

Figure 5: Distribution of FGD participants by legal status

Most participants (43%) reported employing 2–5 people, followed by 29% employing 6–10 people. Smaller shares (around 9.5% each) had 11–20 or 21–50 employees, while only a few (4.8%) employed more than 50 people (see Figure 6).

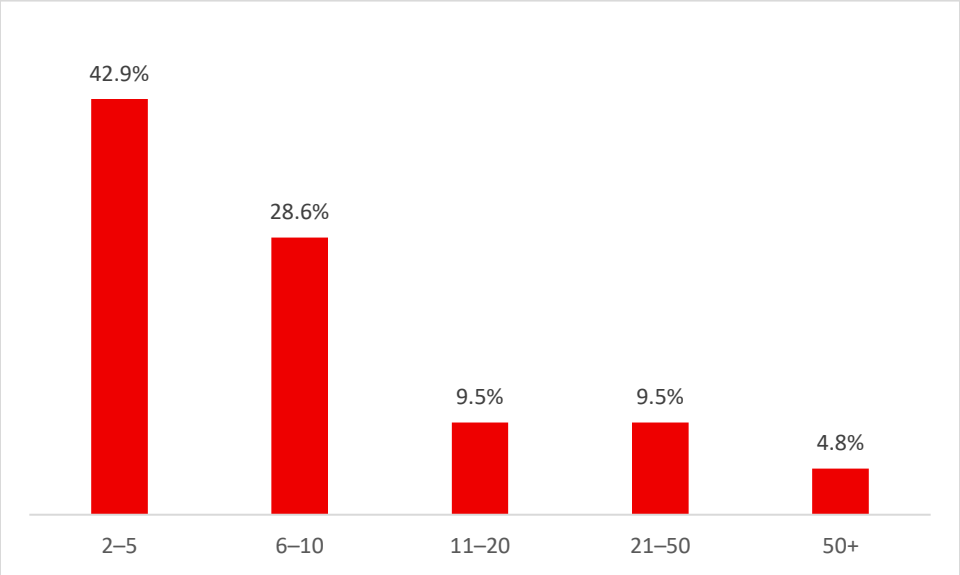

Figure 6: Distribution of the number of employees within farms and enterprises among FGD participants

Annual turnovers varied widely among participants. The largest share (38.1%) did not disclose their income, while most (14.3%) reported annual earnings between 1,500 and 35,000 EUR, followed by 9.5% earnings of 35,001–160,000 EUR. Only a few indicated very low or high turnovers (see Figure 7).

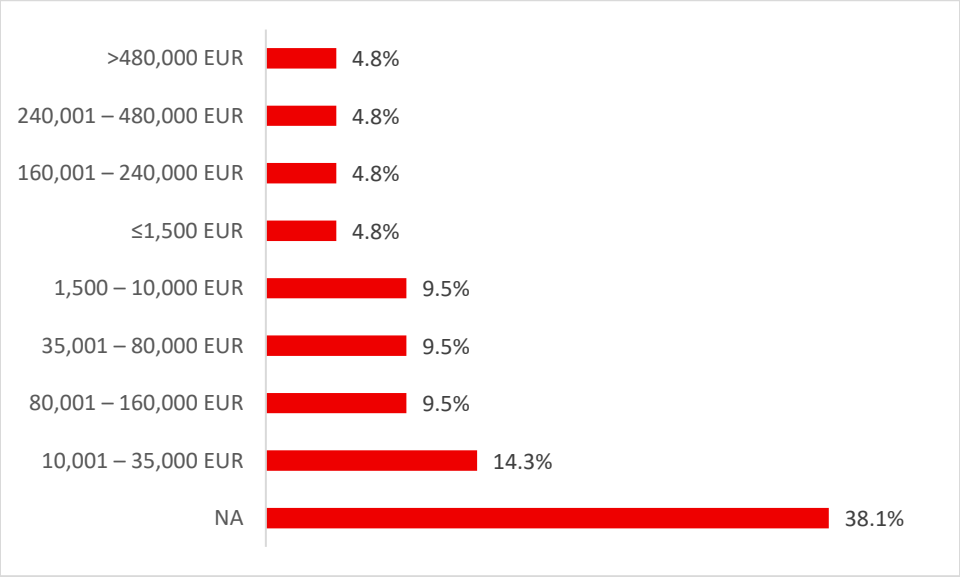

Figure 7: Distribution of annual turnover within farms and enterprises among FGD participants.

Over half of the participants (57%) reported being members of associations or clusters, while one-third (33%) had no membership, indicating moderate levels of formal networking or institutional engagement (see Figure 8).

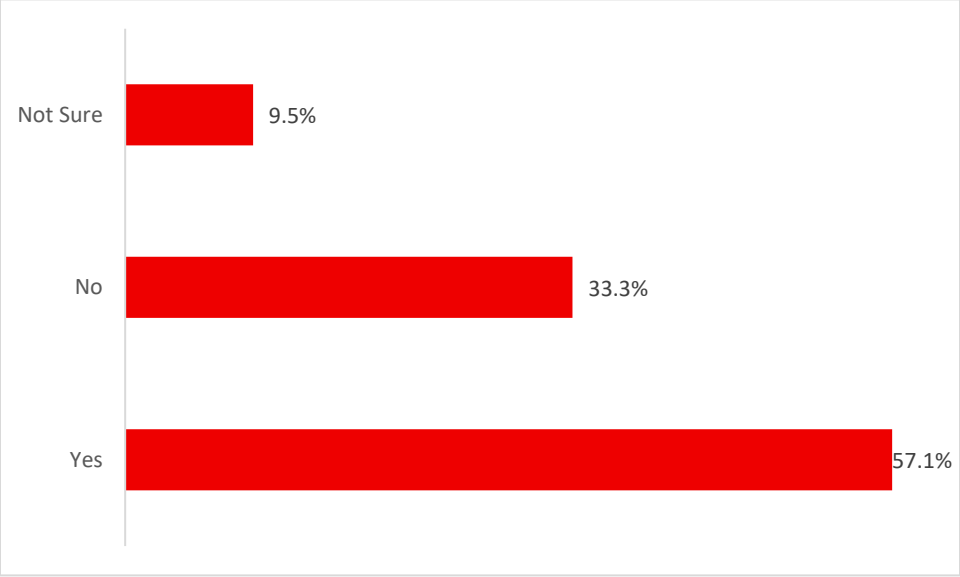

Figure 8: Distribution of association/cluster membership among FGD participants

3. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

3.1. FINDINGS

3.1.1. Financial Literacy

Farmers' and agri-entrepreneurs' approach to managing finances and bookkeeping varied by scale of the activity and experience. Smaller or newer farmers tend to manage everything independently or with minimal outside help. Many use Excel sheets or notebooks and build their skills overtime, often through trial and error or occasional short trainings. Outsourced accountants are used rarely, mainly for tax filing or grant-related reporting. For smallholder farmers, bookkeeping is largely intuitive and focused on managing routine operations rather than producing detailed financial reports or using insights to guide future investment decisions.

In contrast, larger or more established farmers and entrepreneurs maintain structured financial systems and employ professional accountants or entire accounting departments. On one hand, they use more structured and transparent practices due to tax compliance requirements, often utilizing digital or CRM-based systems. Moreover, these farms and enterprises view accounting as a strategic function that supports planning and improves access to credit or grants. Smaller farms, by contrast, tend to see bookkeeping as a burden.

"Our enterprise has been operating for 34 years, and we have a well-established accounting department. We have an accountant and a separate specialist who manages the agricultural side. It's much more difficult for small entrepreneurs - not everyone can afford an accountant. For example, an acquaintance of mine who received a grant has to manage financial reporting on his own, and this creates significant difficulties." (Vegetable Production, Male)

"This is our first time in business, so we've made some mistakes. This year, we completed a training program from the Kyiv Chamber of Commerce and Industry, where we received consultations on financial and organizational matters. Currently, we manage all finances ourselves without involving outside help." (Berry Production, Female)

The disparity between large and small producers is particularly pronounced in frontline regions, where participants reported a significant shortage of qualified accountants. Many professionals have relocated or exited the market, reducing the availability of accounting services - a challenge that affects larger farms and agri-entrepreneurs and is even more acute for smallholders.

"In frontline regions, finding an accountant with knowledge of VAT is often impossible. There are few professional accounting firms in Ukraine, and their services are very expensive, so most farmers do their own bookkeeping or use the services of individual specialists." (Fruit Production, Male)

KIIs with financial institutions confirmed these farmer perspectives, emphasizing that many small producers lack structured financial management, which makes it difficult for banks to assess creditworthiness and therefore limits their access to finance. Many still operate in cash or without

transparent reporting. Bank representatives noted that while state programs have encouraged more farmers to formalize operations, many continue to submit incomplete financial statements, forcing banks to offer alternative loan formats - such as unsecured credits or guarantee-backed financing, which are typically smaller, short-term, and less flexible than standard commercial loans.

"The simplest option is an unsecured (blank) loan. For example, for purchasing seeds, fertilizers, or crop protection products, we can provide unsecured financing up to 10 million UAH, which is usually sufficient to cover sowing needs." […] For larger working capital loans, we use risk-sharing mechanisms where our partners provide partial guarantees… the EBRD covers up to 50% of the risk, and the Government of Ukraine provides guarantees of up to 80%." (Oschadbank)

Financial institutions also highlighted the need for continuous financial education and technical support, stressing that improved bookkeeping and financial planning are key to expanding access to affordable credit and donor-backed programs in the agricultural sector. Interestingly, farmers themselves expressed growing interest in financial literacy and budgeting, recognizing that would help them to improve access to financing.

3.1.2. Access to Finance

Farmers across FGDs showed a high level of awareness of existing grant opportunities from both donor and state programs. However, their ability to participate effectively varied depending on their experience and technical capacity to handle the application process. Many described the grant application process as complex, time-consuming, and highly specialized, requiring a deep understanding of donor methodologies and detailed project documentation. For the majority of farmers, these demands made it difficult to apply independently, and as a result, many relied on external consultants or project-writing companies for support.

"We used an external company both times. Preparing it independently is very difficult due to the specifics and the need for a dedicated staff member solely for grants. One needs to understand the methodology of each donor, have a specific approach. People working in this field are mostly involved in it. It's important to hire someone with experience. Writing a grant is difficult: we wrote many, received two." (Vegetable Production, Male)

While external assistance was often seen as necessary, participants also highlighted that its quality and reliability varied significantly. Some reported that these specialists, who were supporting them in the grant writing process, lacked sufficient agricultural knowledge, leading to errors or outdated information in submitted applications. At the same time, a smaller group of more experienced farmers demonstrated that independent participation is possible. Those with prior exposure to donor projects or international cooperation described successfully preparing and managing complex applications.

"We have experience in preparing applications, even complex ones. You just need to approach it very seriously, meticulously, and responsibly. We have already reported on the first part of the grant, and so far, no issues have arisen, and this is not our first one." (Vegetable Production, Male)

FGDs indicate that taking loans from banks is a common practice among participants, particularly among more established or formally registered agricultural enterprises. Many reported having experience with loans for working capital or investment purposes, obtained either directly from commercial banks or through banks participating in state-subsidized programs such as the 5-7-9%[6] initiative. These farmers described maintaining regular relationships with financial institutions, gradually building credit histories, and securing increasingly favorable terms over time. They view loans as an integral part of operating and expanding farming activities.

"When we established the company in 2016, we had to build our reputation in the banking market. That doesn't happen immediately; it takes years. Currently, we have secured good credit funds at very favorable interest rates. I would say, very close to European ones. But that all takes years and years." (Grain Production, Male)

On the other hand, smallholders and newly established farm owners appeared more cautious, reporting challenges related to collateral requirements and high interest rates that make borrowing less attractive or feasible. Participants also noted that banks tend to prioritize larger farmers and agri-entrepreneurs, offering financial products that are insufficiently tailored to the needs of smallholders. Moreover, FGD participants mentioned that even within state programs, stringent collateral conditions often discourage farmers from seeking loans, prompting them instead to rely on grants or their own capital.

"Banks don't communicate with small farmers at all… they spend as much time as on a large client, but lend only tens of thousands-so it isn't interesting for them. [..]" (Fruit Production, Male)

"They [5-7-9% programs representatives] have stated many times throughout the program's duration that the limits need to be expanded, with a slightly broader accessibility, specifically for micro-businesses, especially those that have not yet established a credit history. Everyone will have to start somewhere, and the state also needs to think about how to involve micro- and small businesses. This will be especially relevant in the post-war period." (Vegetable Production, Male)

At KIIs representatives of financial institutions partially acknowledged above-mentioned constraints. Most banks require farmers to submit at least two years of financial statements demonstrating profitability. However, lenders noted that they often accommodate incomplete reporting by using alternative assessments - reviewing cash flow, evaluating business plans, or accepting additional collateral. Insurance and collateral requirements were reported to be applied with a degree of flexibility, depending on the borrower's reliability, credit history, and type of activity.

FGD participants further emphasized that banking products often fail to reflect the specific realities of agriculture - particularly the delayed profitability of sectors like horticulture or beekeeping, where income could be generated only after several years of investment. They also noted that these products do not take into account the broader context of the ongoing war in the country, which has further increased uncertainty and elevated production costs, disrupted production cycles.

[6] https://mof.gov.ua/en/news/minfin_za_programoiu_5-7-9_pidpriiemtsi_otrimali_2641_tis_dostupnikh_kreditiv_na_697_mlrd_grn__infografika-3177 .

“Banks do not have a methodology for working with industries where income appears after 2–3 years (for example, in horticulture). Therefore, they do not understand the specifics of the sector.” (Berry Production, Female)

“Banks often act as "information collectors" rather than institutions that actually provide services. They demand proof of profitability even during wartime, ignoring that horticulture is a long-term business where income appears only after several years. Therefore, most such applications end in rejection”. (Vegetable Production, Male)

When describing their experiences, participants largely agreed that the technical process of applying for loans was not particularly difficult, especially for those familiar with financial documentation. Bank representatives interviewed during KIIs confirmed that they use digital or semi-automated systems to process and manage loan applications, which have simplified procedures. As a result, most participants were able to complete their applications independently or with minimal support from bank staff.

Across all focus group discussions, participants consistently reported that men and women have largely equal access to financial services, yet they highlighted differences between grant and loan opportunities. When it comes to grants, participants agreed that women generally have better access, as many donor and state-funded programs are specifically designed to support women’s entrepreneurship and agribusiness development. Participants noted that these women-focused grants tend to be smaller in size (typically up to €30–50,000) but more widely available.

“Large grants are evaluated mainly on financial indicators and risks; gender does not play a role. Small grants are often targeted at women, so it is easier for them to obtain them due to the larger number of such programs.” (vegetable Production, Female)

Regarding loans, participants emphasized that access is equally available to both men and women, as banks apply the same lending criteria. However, they acknowledged that the share of women taking loans may be lower than that of men, largely because women tend to have less experience in entrepreneurial activities. At the same time, participants highlighted that women’s role in sustaining and developing the agricultural sector has become increasingly important. Many men have been mobilized due to the ongoing war in the country and are no longer able to continue their work. In this context, they suggested that certain programs or promotional initiatives could be directed toward women to further support their endeavors in agriculture.

“I don’t think there’s a big difference. Perhaps women have less experience, but I believe access to information is fine.” (Production of Nuts)

“Women's farming is currently being actively promoted, and there is a more loyal attitude towards it, partly because many men have been mobilized. Women are represented in all age categories, while male farmers are either young people without experience or individuals of pre-retirement or retirement age.” (Vegetable production)

KIIs reveal that banks take different approaches to supporting women farmers and agri-entrepreneurs. Oschadbank, with the backing of international donors and state programs, has taken proactive steps by offering dedicated financing mechanisms and capacity-building initiatives for women. In contrast, a representative of Creditwest Bank noted that lending is currently provided under standard conditions for women, though they expressed openness to launching dedicated programs if external support becomes available.

"We are currently the provider of the "Create 2.0" grant program for women in business, initiated by the Ministry of Economy of Ukraine with support from an international fund. Under this program, a female entrepreneur can receive up to USD 15,000 for business purposes, with a total program budget of USD 1 million. There are also grant programs for women's education, implemented with support from the EU, Germany, Poland, and Estonia as part of the multi-donor initiative "Skills for Recovery." (Oschadbank)

"We do not currently have special products for women farmers; lending is provided under standard conditions. However, the "women in business" direction is interesting for us, and we are considering it for the future." (Creditwest Bank)

3.1.3. Challenges in Financing Climate-Resilient Investments

Across FGDs, farmers and agri-entrepreneurs described climate change as a severe and widespread challenge with direct consequences for agricultural production and income. Participants pointed to frequent early and late frosts, prolonged droughts, extreme heat, and strong winds that have caused substantial yield losses - reaching up to 70% in some cases. The destruction of the Nova Kakhovka Dam[7] was highlighted as a major factor that intensified drought and disrupted irrigation, leaving many southern regions with critically dry soils and large areas of failed crops. It was noted that the combined effects of war and uncontrolled agricultural practices have further exacerbated the impacts of climate change, intensified drought, soil salinization, and declining water quality, and making farming increasingly unpredictable and risky.

"Last year was a very difficult year. That year had a particularly hot summer, accompanied by frequent power outages. And we lost almost up to 70% of our harvest. This was due to the fact that we didn't have our own wells that year. And since it turned out that there were constant power outages, the water tower barely functioned. We hardly had enough water; we were finding and bringing in water, and it was, indeed, a risk. This year, the open ground also didn't yield very well, despite irrigation, due to the extremely difficult climatic conditions in the south." (Beekeeping, Male)

The problems are caused not only by global but also by local factors - irrigation, water quality, and accessibility. The state has not controlled these processes for a long time. Due to improper agricultural practices, the soil becomes saline. Farmers are supposed to return the land in the same condition, but this is not monitored. The war has also changed the structure of water resources, and after the destruction of

[7] https://www.bbc.com/news/world-europe-65818705.

Kakhovka, large-scale geological exploration is needed to understand where water is available and of what quality. This requires assistance from Western donors." (Fruit Production, Male)

Across FGDs, farmers described a growing but uneven capacity to adapt to climate change, with strategies largely shaped by farm size and available resources. Medium-sized and more established producers reported investing in irrigation systems, soil moisture sensors, and even shifting to greenhouse cultivation to protect crops from frost and drought. In contrast, smaller farmers highlighted their limited means, often relying on basic or temporary measures such as shade netting or manual watering, which they acknowledged as only partially effective. Medium-size farms were generally more aware of advanced technologies like micro-sprinklers and fertigation systems but cited high costs and restricted water access as key barriers to broader adoption.

Participants agreed that smallholders, in particular, lack access to funding and technical support to implement meaningful adaptation measures, leaving them more exposed to losses from extreme weather events. For this reason, farmers believe the government should take a more active and coordinated role in supporting adaptation through irrigation development, resource management, and organized collaboration among groups of farmers, as individual farmers cannot manage these challenges alone.

*"It is very challenging, and we encountered a problem in securing an energy supply. To get it, we had to pay up to 80,000 hryvnias to have it 200 meters from the transformer. It would be beneficial if the state had developed a program or offered some form of compensation or cost reduction for these expenses. Because if a beginner is just starting their business, and there are such immediate expenses, nothing yet, and you give away 80,000 [**UAH**] for them to run 200 meters of wire and install three poles for you, I would say that this is quite a burden at this time." (Vegetable Production, Male)*

"It is impossible to fight climate change - it's a global problem. The authorities should be responsible for preserving moisture, water resources, and forests. A farmer can only partially adapt, for example, by implementing irrigation. [...] However, overall, this is a matter of state policy." (Fruit Production, Male)

Across FGDs, participants expressed strong interest in capacity-building initiatives on climate change adaptation, emphasizing practical, experience-based learning over theoretical training. Many stated that, although they already use certain technologies, they are seeking more effective methods and greater automation to improve efficiency and reduce risks. They viewed peer-to-peer exchange through seminars, field visits, or study trips as the most valuable, allowing them to observe real practices and share solutions. While online training was appreciated for its accessibility, participants preferred blended formats combining virtual learning with in-person networking and practical workshops. Smaller farmers favored local or low-cost options, whereas medium and larger producers were more interested in international exchanges and expert cooperation.

KIIs with financial institutions revealed that commercial banks such as Creditwest Bank Ukraine and Oschadbank, with support from international donors and the Ukrainian government, are increasingly providing dedicated financing in the area of climate adaptation and sustainable agriculture. These include loans for irrigation systems, renewable energy installations (such as solar panels and biogas units), and energy-efficient agricultural machinery, often combined with grant cashback mechanisms from partners

like the EBRD or state programs. However, the coverage of these instruments remains limited due to several factors identified in FGDs and KIIs: farmers' low awareness of available climate-related programs, high upfront investment costs even with concessional financing and restricted water access in certain regions that limits the feasibility of irrigation technologies.

At the same time, environmental compliance standards are becoming more systematically integrated into agricultural financing products supported or implemented through the Partial Credit Guarantee Fund (PCGF) and the Business Development Fund (BDF). Financial institutions noted that green financing is expected to grow organically, driven by increasing demand from farmers who are seeking to adopt climate change mitigation and adaptation measures in response to rising environmental and energy challenges.

"Banks are becoming increasingly interested in financing alternative energy sources for agricultural enterprises. Not because banks find it interesting, but because they are receiving more requests. Why are they receiving more requests from farmers? Because the problems with energy are clear. Farmers have realized that they will be cut off from energy, from power sources, and they are starting to worry about how to conduct their activities in such conditions. Therefore, the demand for photovoltaics and other sources is growing. Consequently, the demand for applications asking "can the bank finance this?" It is also growing. That's why banks are starting to take an interest in this." (PCGF)

"As a bank, we have responded by building partnerships with leading irrigation system providers, including Nafim (an Israeli company), Agropoliv (the official dealer of the American brand Valley), and the Ukrainian manufacturer Variant AgroBuild. Through these partnerships, we have launched special financing programs - similar to those we offer for seeds and crop protection - but focused on irrigation and land reclamation projects, including construction of irrigation systems." (Oschadbank)

Across FGDs, farmers demonstrated low awareness and limited access to climate-related subsidies or insurance programs. Only a few participants mentioned knowing about initiatives promoting renewable energy, such as solar panels, windmills, or moisture sensors, or programs offered through banks like Ukrgasbank that finance green energy projects. However, most participants admitted they were not sufficiently informed about available subsidies, noting that information is scattered, outdated, or mainly accessible to larger enterprises. Some reported hearing about programs on social media but finding that funds were already depleted or unavailable for small farmers.

3.1.4. Opportunities and Associated Needs

Demand side (Farmers and agri-entrepreneurs)

- Farmers show growing interest in climate change adaptation financing opportunities, yet their awareness of existing financial instruments and programs in this area remains limited.
- Following the war, women have taken on an increasingly significant role in agriculture and therefore require greater access to financial resources to expand their contributions to the sector.
- Smallholders and new farmers continue to face significant barriers to accessing bank loans, primarily due to requirements to demonstrate consistent profitability, lack of sufficient collateral, and high interest rates.

- Farmers have expressed strong demand for training in financial literacy, bookkeeping, and budgeting to enhance their ability to access finance and manage investments effectively.

Supply Side (Financial institutions[8])

- Commercial banks, such as Oschadbank and Creditwest Bank, provide loans for irrigation systems, renewable energy installations, and energy-efficient machinery, often supported by donor or state-subsidized programs. These institutions are open to financing even larger programs.
- Dedicated financial products for women farmers are available but not universally offered across all banks.
- The financial products currently offered are primarily tailored to medium and large-scale farmers, with limited options for smaller farms.
- Banks have expressed interest in supporting capacity-building initiatives to enhance farmers' financial literacy and improve their ability to access and manage credit effectively.

3.2. CONCLUSIONS

The following conclusions synthesize the main insights from the research, outlining key behavioral patterns, challenges, and opportunities identified among farmers, agribusinesses, and financial institutions. They represent an interpretation of the collected data and reflect broader implications for agricultural development and support programs.

- Participants showed strong interest in practical, experience-based training on climate adaptation, seeking innovative and automated solutions to enhance resilience, with a preference for blended learning and peer-to-peer exchanges.
- Financial management practices vary by scale, with smallholders relying on informal day-to-day bookkeeping, while larger farms maintain structured accounting systems supported by professional staff.
- Weak financial reporting among small producers hinders credit access, underscoring the need for continuous training in financial literacy, budgeting, and planning.
- Farmers showed high awareness of donor and state grant opportunities. A portion of them faced difficulties applying independently due to the complexity of documentation and donor requirements.
- Access to bank loans was common among larger farmers and formally registered enterprises, while smallholders faced barriers related to collateral, high interest rates, and limited tailored products.
- Women farmers have better access to grants due to numerous donor and state programs targeting women's entrepreneurship, yet they rarely benefit from dedicated bank financing schemes, which remain largely gender-neutral.
- Women's role in sustaining and developing agriculture has grown significantly as many men have been mobilized and are unable to continue farming activities.
- Farmers view climate change as a severe and widespread threat that has led to significant production losses and increased uncertainty in agricultural activities.

[8] The supply-side analysis reflects insights from the banks with which KIIs were conducted and does not represent a comprehensive assessment of the entire financial market in Ukraine.

- The effects of climate change are further intensified by the destruction caused by the ongoing war and unsustainable agricultural practices, which have worsened droughts, soil salinization, and water scarcity across farming regions.
- Climate adaptation capacity varies by scale, with larger farms investing in irrigation and technology, while smallholders rely on basic measures and call for stronger state support because of high costs.
- Farmers see the need for stronger government coordination on irrigation development and financial mechanisms supporting climate adaptation.
- Despite the existence of several programs and subsidies for specifically climate adaptation, farmers showed low awareness of them and limited understanding of how to access available support.

3.3. RECOMMENDATIONS

Building on the key findings and conclusions, the following recommendations aim to address Ukraine's most pressing capacity and institutional gaps in agricultural finance and climate resilience. They emphasize practical measures to strengthen financial literacy, improve access to inclusive and gender-sensitive credit, enhance farmers' technical knowledge, and develop tailored instruments for climate adaptation and insurance. The recommendations are structured in two parts: those targeting the demand side, focusing on farmers and capacity-strengthening actors, and those addressing the supply side, which includes financial institutions providing agricultural finance. The proposed actions are designed to ensure that both farmers and financial institutions are better equipped to promote sustainable, climate-smart agricultural development across all regions.

Recommendations for supporting farmers' needs

- Develop targeted support programs for those entering agriculture, especially women and young people, to help rebuild the sector and replace the mobilized workforce.
- Issue national guidelines and specialized agronomic advice to promote sustainable and climate-smart agricultural practices to reduce degradation, improve soil health, and build long-term resilience**.**
- Provide practice-focused training in financial literacy, budgeting, and record-keeping for the agricultural sector to enhance smallholders' financial management skills and establish subsidized remote accounting services to support farmers in frontline regions.
- Strengthen government-led coordination on irrigation infrastructure development and establish accessible financial mechanisms to support farmers' climate adaptation efforts.
- Develop and disseminate climate change adaptation strategies that promote the use of innovative technologies and methods, tailored separately for smallholders and medium-sized farmers, to ensure solutions are relevant to their specific capacities, scopes, and budgets.

Recommendations to strengthen capacity of financial institutions

- Partner with banks to make credit systems more inclusive for smallholders and family farms by simplifying procedures, reducing collateral requirements, and promoting risk-sharing mechanisms.
- Partner with banks to tailor financial products to agriculture's long investment cycles, particularly in horticulture, beekeeping, and other sectors with delayed returns.

- Partner with banks to increase women's access to finance through women-specific funds and loan programs.
- Partner with banks to raise awareness and provide information on green financing opportunities and climate adaptation mechanisms to strengthen farmers' understanding of available resources for building climate resilience.

Implementing these recommendations will require coordinated efforts among government institutions, financial organizations, and development partners. Strengthening partnerships and ensuring continuous capacity-building support will be essential to create a more resilient, inclusive, and sustainable agricultural finance ecosystem in Ukraine.

4. COMPARATIVE ANALYSIS

4.1. INTRODUCTION

This comparative analysis examines the evolution of capacity needs among farmers and agribusinesses in Ukraine drawing on two key assessments conducted in 2020 and 2025 by German Sparkassenstiftung for International Cooperation (DSIK). Namely:

- Pre-Feasibility: Supporting Rural Economic Development in Ukraine, 2020
- Assessing the Capacity Needs of Farmers and Agribusiness Enterprises to Access Financing for Sustainable Agricultural Investments, 2025.

While both the 2020 and 2025 studies examine farmers' difficulties in accessing finance, the 2020 assessment concentrates on long-standing structural constraints - weak bookkeeping, low financial literacy, limited bank engagement with smallholders, and rigid collateral requirements. Its focus reflects a pre-war context where the central challenge was improving farmers' basic financial practices and integrating them more effectively into formal lending systems.

The 2025 assessment, however, situates these persistent gaps within a far more complex environment shaped by war-related disruptions, severe climate impacts, and evolving gender roles. It highlights farmers' growing need for climate-resilient investments, limited awareness of green financing tools, and the heightened barriers faced by smallholders and new entrants. Together, the two studies illustrate a shift from addressing foundational financial management issues to confronting urgent resilience needs tied to climate adaptation, sustainable finance, and post-war recovery.

4.2. KEY COMPARATIVE FINDINGS

4.2.1. Financial Literacy, Record Keeping, and Management

The 2020 study identifies weak financial literacy and informal bookkeeping as widespread among smallholders, limiting transparency and reducing bank confidence. These gaps are structural and largely rooted in long-standing rural practices, limited access to training, and mistrust of formal financial institutions.

By 2025, these challenges remain but have intensified in frontline regions where accountants have migrated or closed their businesses due to the war. The newer assessment reveals a sharper divide: small and new farmers continue to rely on basic, intuitive methods (Excel or notebooks), while medium and larger farms maintain sophisticated systems with dedicated staff. Banks in 2025 explicitly confirm that incomplete or inconsistent reporting remains a primary barrier for small borrowers, leading them to rely on unsecured micro-loans rather than standard lending instruments.

Key Insight: Financial record-keeping remains insufficient for most smallholders, and wartime disruptions have further weakened capacities.

4.2.2. Access to Finance

The 2020 findings indicate that access to finance is constrained by collateral shortages, high perceived risk, and products geared toward larger farms; smallholders are often excluded from mainstream lending. This situation persists in 2025 but is complicated by increased uncertainty due to conflict and climate shocks. While risk-sharing schemes (e.g., partial guarantees) have expanded since 2020, they remain insufficiently utilized by the smallest producers. Farmers in 2025 express greater dependence on grants, which they find more attainable than loans despite their complexity. Banks acknowledge improved digital processing but still apply strict profitability and reporting requirements, disproportionately affecting new entrants and micro-farms. Overall, the 2025 study indicates that structural access barriers identified in 2020 have not only persisted but, in many cases, become more pronounced.

Key Insight: Long-standing lending barriers persist and have intensified under conflict, pushing smallholders to depend more on grants than formal credit.

4.2.3. Business and Entrepreneurial Knowledge

In the 2020 study, smallholders generally lack structured business planning and have limited marketing capability, leading to low productivity and minimal engagement in value-added activities. The 2025 assessment finds that while some farmers have acquired experience through donor projects and market exposure, many still struggle with essential entrepreneurial competencies, especially when preparing detailed grant applications or designing investment proposals. The practice of hiring external consultants to handle complex documentation - rarely noted in 2020 - becomes a common feature by 2025, reflecting both the increasing sophistication of funding requirements and persistent gaps in farmers' ability to manage them. Thus, while awareness of opportunities has grown, the capacity to independently leverage them remains limited.

Key Insight: Entrepreneurial capabilities remain weak, and farmers still struggle to manage planning and documentation without external support.

4.2.4. Climate Awareness, Risk Management, and Insurance

Climate-related issues appear in the 2020 study as important but largely structural concerns requiring long-term policy interventions - soil degradation, water inefficiency, and climate variability. By 2025, climate change has become a dominant operational risk, with farmers reporting severe yield losses, water scarcity, and infrastructural damage compounded by war-related environmental disruptions such as the destruction of the Nova Kakhovka dam. Climate awareness has increased dramatically, but practical capacity for adaptation lags behind due to cost barriers, inadequate irrigation governance, and limited access to climate-smart technologies. Insurance uptake - already low in 2020 - remains minimal in 2025 because farmers lack both awareness of relevant products and trust in their effectiveness.

Key Insight: Climate risks have shifted from a long-term concern to an immediate threat, yet farmers still lack the resources, infrastructure, and insurance options needed to adapt effectively.

4.2.5. Gender Dynamics and Financial Inclusion

The 2020 study touches on gender only indirectly and does not treat it as a major determinant of financial access. In contrast, the 2025 assessment brings gender to the forefront, reflecting substantial shifts caused by wartime mobilization. Women are now more prominent in farm management and have better access to grants due to targeted donor programs. However, they still lack tailored lending products, as banks largely maintain gender-neutral policies. The 2025 findings highlight both an opportunity and a gap: while women's roles in agriculture have expanded, financial institutions have not kept pace with developing gender-responsive credit mechanisms that address women's asset constraints, risk perceptions, and support needs.

Key Insight: Women's roles and grant access have expanded, but financial institutions still offer few gender-responsive loan products.

4.2.6. Institutional and Ecosystem Support

The 2020 report focuses on improving the overall system that supports farmers - strengthening value chains, building better rural financial services, and helping local institutions work more effectively. It sees strong institutions as essential for giving farmers better and fairer access to finance. By 2025, however, the situation has changed. Because of the war, many support structures are weak or not functioning well. The biggest problems appear in irrigation, water management, and the lack of clear information about climate-related financial programs. Farmers say they receive mixed messages, don't know where to go for support, and often cannot find reliable guidance. In short, the big structural improvements recommended in 2020 are still needed in 2025, but very few of them have been implemented.

Key Insight: Irrigation, water management, and climate-finance information systems remain weak, and war disruptions have made them less functional.

4.2.7. Training Needs and Learning Approaches

The 2020 study calls for foundational financial and business training delivered through local institutions and geared toward improving smallholders' basic competencies. The 2025 assessment expands these needs considerably, as farmers now require training in climate adaptation technologies, long-term investment planning, green financing mechanisms, and navigating complex grant procedures. Importantly, the newer study highlights a strong preference for practical, demonstration-based learning - study tours, peer-to-peer exchanges, field days, and blended formats - reflecting farmers' desire for hands-on, directly applicable knowledge. This marks a shift from generic capacity-building toward more specialized, experiential, and context-specific learning formats.

Key Insight: Farmers now need practical, hands-on training focused on climate adaptation and investment planning, moving beyond basic financial skills.

5. SUMMARY TABLE – TREND DEVELOPMENT ACROSS STUDIES

Dimension	2020	2025	Change
Financial Literacy	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
Access to Finance	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
Business and Entrepreneurial Knowledge	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
Climate Awareness	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
Gender Sensitivity	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
Training Motivation	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
Risk Preparedness	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
Institutional Support	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