

**CONTACT:** Jane Bech Larsen**DONOR:** European Investment Bank**CLIENT:** The Ministry of Finance, the Ministry of Agrarian Policy and Food, the State Export-Import Bank of Ukraine (JSC Ukreximbank)**CONTRACT VALUE:** €5.9 million**DURATION:** 2019-2023

Closely aligned with the EU-Ukraine Association Agreement, support for the technical assistance came from two grants: one from the EU's Neighbourhood Investment Facility, which supports partner countries in their efforts towards better governance and economic and social development, and the other from the EIB's Eastern Partnership Technical Assistance Trust Fund, a multi-donor, multi-sector fund to enhance the quality and development impact of the EIB's operations in Ukraine, Moldova, Armenia, Azerbaijan and Georgia. As a result, the technical assistance focused not only on facilitating access to credit, but also on aligning investments and related agri-food practices and processes with EU standards.

## **NIRAS oversaw a €400M loan to strengthen Ukraine's agri-food sector**



# In a bid to boost productivity and competitiveness in the cereals, oilseeds and fisheries value chains, the EIB strengthened access to credit for mid-caps and SMEs.

Ukraine is one of the most important producers and exporters of cereals and oilseed crops in the world and a country with abundant natural resources for fisheries and aquaculture. And yet, confronted with seasonal and unpredictable cashflows, for decades Ukrainian banks have looked on the agri-food sector as a high risk venture. This has resulted in steep interest rates and prohibitively high collateral requirements, which particularly impact small and medium-sized enterprises, effectively cutting off access to finance for long-term investments in mechanisation and technology upgrades to improve storage, processing capacity, and logistics infrastructure. In the cereals, oilseeds, and fisheries/aquaculture value chains, such modernisations are needed to meet EU technical, sanitary, and phytosanitary standards and to be competitive both in and outside the Deep and Comprehensive Free Trade Area (DCFTA) that went into force at the end of 2017.

To increase private-sector investment in the selected value chains, the European Investment Bank (EIB) and the Government of Ukraine jointly agreed on the €400 million Ukraine Agri-food APEX Loan, which made available very substantial resources for mid-caps and SME investments in an effort to increase their productivity and profitability.

## Technical assistance to expedite lending

However, faced with an ongoing war and issues of macroeconomic instability and insecurity, Ukraine is a complex place to work. And so, while the loan can improve the situation, the limited, albeit growing, capacity of the Ukrainian authorities and private sector make its effective use more difficult.

As a result, NIRAS and its consortium partners – AESA, TA Consult, and Unicon - were brought in to provide technical assistance to ensure timely, appropriate, and efficient distribution and use of loan funds.



The €400M line of credit was available for intermediary banks serving mid-cap firms ( $\leq 3K$  employees) and small/medium-sized enterprises ( $\leq 250$  employees) based in Ukraine. The types of investments eligible for financing included, for example, quality control and certification systems, agricultural machinery, production, drying or storage facility upgrades or aquaculture and cold chain infrastructure in the fish sector. Potential beneficiaries therefore include input suppliers, farmers, processors, storage and logistics operators, as well as testing laboratories, research, and education institutions and extension services that contribute to the functioning of target value chains.

## Reaching final beneficiaries directly and indirectly

Based in Kyiv, the NIRAS-led project team worked on two levels, providing support and advice to intermediary banks (including commercial banks and agricultural leasing companies) lending to SMEs and mid-caps in the cereals, oilseeds, and fisheries sector and, then, directly to the loan applicants themselves on how to meet the loan requirements.

An important aspect of the project was to build local capacity both among the intermediary banks – in terms of training on identifying potential bankable projects and conducting due diligence – but also through mentoring of local specialists based in oblasts (Ukrainian regions) who provide advisory services to farmers and other loan applicants, for example on business training and the requirements necessary to make their farm a business and a bankable client. These specialists could include local government, particularly the oblast and community agricultural departments, but also NGOs such as the national Agricultural Advisory Service or business associations such as the Ukrainian Grain Association or the Ukrainian Agrarian Confederation and their local affiliates.

Ukraine's State Import-Export Bank, Ukreximbank, coordinated the loans, all of which had to be approved by the Ministry of Finance. The Ministry of Agrarian Policy and Food helped identify projects suitable for investment. State-owned enterprises applied for funding through the EIB loan, but did so on the same basis and in the same way as private-sector enterprises, through financial intermediaries and Ukreximbank.

# 80%

of Ukraine's fish  
consumption is imported

# 43m tonnes

Ukraine's grain and vegetable  
oil exports (2016-17)



“ The future of Ukraine and the Ukrainian people remains of utmost importance to the EU and to the EIB ... The loan project has been designed to remove key bottlenecks in investments that will help Ukrainian enterprises realise their competitive potential on national and global markets.”

*Heinz Olbers, EIB's Director for Operations in Neighbourhood Countries*

The project team reached out to banking intermediaries to make them aware of the APEX loan and the services offered through project, which were outlined in a general call for interest by Ukreximbank. In order to expand lending to the targeted value chains, loan personnel generally needed training to develop expertise and understanding of agricultural credit in value chain lending. In terms of the specific sectors, the project worked with the banks to gain deeper knowledge and better understand the risks and how to manage them using the risk tools such as crop receipts and off-take contracts and early warning systems for possible defaults.

As the banking sector in Ukraine is complex and in flux, an assessment of the possible financial intermediaries was done. The project also assessed regional agricultural extension services, business service

provider capacity, potential final beneficiaries in the three targeted value chains. In addition to the above-mentioned, during the project implementation after March 2022, the technical assistance team collected information and disbursed it through 30 issues of a bi-weekly information digest about the agri-finance sector. The team also prepared and conducted 30 webinars which provided a wide range of information from changes in procurement sourcing of agricultural inputs, logistics, situation of the retail sector, etc.

The project wrapped up activities in November 2023. We would like to thank the EIB for the flexibility, support and excellent cooperation during the entire project implementation.