

Agri Vision Program

Concept Briefing Note



The Agri Vision Program aims to integrate small farmers into the formal economy, improve access to sustainable finance, enhance financial literacy, and promote modern agricultural practices.

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1) EXECUTIVE SUMMARY

The Agri Vision Program is a transformative initiative aimed at revitalizing Ukraine's agricultural sector by addressing systemic challenges faced by small farmers. The program's mission is to integrate small farmers into the formal economy, improve access to sustainable finance, and promote modern agricultural practices.

By leveraging partnerships with international financial institutions (IFIs), large agricultural corporations (agroholdings) and digital platforms, Agri Vision provides innovative financial solutions and capacity-building tools to small farmers, stimulating economic resilience, sustainability, and rural development.

Ukraine's agricultural sector is crucial to its economy, contributing over 10% of GDP and 40% of exports. However, the ongoing war has severely impacted the sector, leading to reduced sown areas, limited access to resources, and disrupted supply chains. This magnifies the challenges for the small farmers, which have already faced limited access to credit, lack of formalization, and exclusion from value chains. With an estimated \$19 billion financing gap in the agricultural sector, the need for targeted, innovative solutions has never been more pressing.

The Agri Vision Program offers a blended finance model to address these challenges through:

Bilateral Credit and Risk Sharing Facilities: Large agricultural corporations (agroholdings) leverage bilateral credit lines and portfolio guarantees from IFIs at concessional rates, before on-lending to small farmers (100-700 ha) in the form of trade credits and advances.

Digital Integration: The program incorporates the WeAgro platform to streamline and automate the credit process, including scoring, underwriting, contracting, and portfolio monitoring. Possible integration with the State Agrarian Registry (DAR) ensures transparency, compliance, and scalability. Using agrarian notes as collateral and integration with the Central Depository System provides enforceable collateral mechanism. The AgroAnalytica digital platform is used to support farmers' basic bookkeeping and VAT administration, easing the administrative burden of becoming a formalised and transparent business.

Capacity Building: Training programs focused on financial literacy, use of bookkeeping and VAT administration platform, and sustainable crop growing practices, improving the bankability of small farmers and aligning operations with ESG (Environmental, Social, Governance) standards. By promoting ESG-compliant practices, the program addresses environmental sustainability while contributing to Ukraine's agricultural recovery and resilience.

Agri Vision Target Audience: Initially focusing on farmers cultivating 200–700 hectares, with plans to gradually include smaller farms (100–500 hectares) in subsequent years.

The program's anticipated impacts include:

- Mobilizing up to **\$1 billion** in financing for small farmers over five years.
- **Formalizing 100%** of participating farmers, increasing their access to institutional credit.
- Boosting rural economies by **enhancing tax inflows** and creating wealthier rural communities.
- Strengthening Ukraine's **agricultural value chain** through sustainable and transparent practices.

By supporting Agri Vision, donors can contribute to a scalable, replicable model of agricultural development that addresses Ukraine's urgent needs while aligning with global priorities of sustainability, economic recovery, and food security.

The program invites donor support in the form of grants for technical assistance, interest rate subsidies, and concessional loans to ensure the success and scalability of this critical initiative.

2) BACKGROUND AND CONTEXT

Agriculture in Ukraine

Ukraine is a global agricultural powerhouse, often referred to as the "breadbasket of Europe." The sector contributes approximately 10% of GDP and employs 18% of the workforce, with nearly 40% of total exports originating from agriculture. Pre-war, Ukraine accounted for 10% of global wheat exports, 15% of barley and corn, and 50% of sunflower oil. The country's agricultural strength lies in its vast arable land, which constitutes over 32 million hectares.

Structure of Ukraine's Agricultural Sector

Ukraine's agricultural sector is a diverse and dynamic ecosystem comprising several types of producers and operations, each contributing differently to the national economy and agricultural output. The agricultural sector of Ukraine has the following structure:^[1]

Corporate Farms and Agroholdings

Large-scale corporate farms dominate the Ukrainian agricultural landscape in terms of land use and output. There are approximately 10,000 corporate farms, which operate on an average of 1,650 ha per entity, collectively managing over 16.3 million ha of arable land. These farms account for almost 50% of total agricultural output, largely due to their focus on high-value crops such as grains, oilseeds, and sunflower products, which dominate Ukraine's export markets.

Agroholdings refer to large-scale farming enterprises with at least 10,000 ha of land under management. They are an agglomeration of multiple farms and enterprises, often structured as a parent entity with control over subsidiary firms or corporate farms. Agroholdings represent the most industrialized segment of the sector. These mega-farms manage landbanks ranging from 30,000 to 500,000 hectares, contributing significantly to the country's export-oriented agriculture. Before the full-scale invasion the top ten agroholdings together control over 2.6^[2] million ha, while over 6.4 million ha^[3] is cultivated by top 117 agricultural holdings. Their vertical integration allows them to control production, processing, logistics, and even international trade. However, their scale and export focus often leave smaller domestic producers at a disadvantage.

Public Agricultural Enterprises

Publicly owned agricultural enterprises represent a small segment of the sector, with only 278 entities operating on an average of 2,863 hectares each. These farms are typically involved in research, public services, or managing state-owned agricultural assets. Their contribution to overall agricultural output is minimal compared to private enterprises.

Individual Commercial Farms (Small and Medium Enterprises)

Small and medium-sized farms, often referred to as individual commercial farms, play a critical role in local markets and rural economies. With over 30,441 active farms, these producers cultivate around 4.5 million hectares, representing 13% of Ukraine's arable land. The average farm size is approximately 105 hectares, making them smaller in scale compared to corporate entities but large enough to operate beyond subsistence levels.

Despite their contribution to 9% of the gross agricultural output, SMEs face significant challenges in accessing financing, integrating into export markets, and scaling their operations. They often lack access to advanced technologies and modern farming techniques, limiting their productivity. Nonetheless, these farms are pivotal for diversifying production and supporting rural employment.

Household Farms

Most Ukraine's agricultural producers are small household farms. There are approximately 4.6 million households engaged in agriculture, collectively cultivating 15.7 million hectares, with 89.4% of this being arable land. These farms typically operate on small plots, with an average size of just 2.8 hectares, and rely heavily on manual labor and traditional farming methods. Household farms are vital for Ukraine's food security, producing a significant share of certain commodities (99% of potatoes; 89% of vegetables; 78% of raw milk). While these farms are indispensable for national food supply, their small size and informal operations pose challenges for integrating into formal value chains.

Furthermore, only 22.6% of household farms have access to machinery and equipment, limiting their ability to increase productivity. Small farms and agricultural households contribute significantly to Ukraine's output, producing over **50%** of the sector's total yield. They dominate the production of potatoes, vegetables, milk, and beef. However, systemic challenges such as financial exclusion, lack of formalization, and reliance on informal markets continue to limit the sector's full potential.

Defining small farmers[4].

Defining micro and small agricultural enterprises (SMEs) in Ukraine remains complex due to discrepancies between legal definitions and on-the-ground realities. The Economic Code of Ukraine (National Bank of Ukraine) and the Accounting Law (State Statistics Agency), offer varying criteria based on annual revenues, asset values, and staff numbers. However, these official methodologies often fail to reflect the operational factors for agricultural businesses, particularly small and micro farmers.

Nevertheless, Kyiv School of Economics provides an informal segmentation of farms according to their size: small farms are those with land holdings between 100-500 ha, medium farmers are 500 to 10,000 ha and large farms are above 10,000 ha. Farms below 100 ha are considered micro farms. Table 1 considers this typology in depth::

Size criteria	Annual income, mln		Number of staff	Estimated size of the farm based on the production of:				
Farm	from	to		Grains, ha	Oilcrops, ha	Vegetables, ha	Fruits and berries,	Milk, herd size
Economic Code of Ukraine and NBU								
Large	50	-	> 250	> 70000	> 64000	> 8000	> 21000	> 29000
Medium	10	50	< 250	< 70000	< 64000	< 8000	< 21000	< 29000
Small	2	10	< 50	< 14000	< 13000	< 1500	< 4000	< 6000
Micro	0,5	2	< 10	< 3000	< 2500	< 310	< 825	< 1200
	0,05	0,5	< 10	< 697	< 644	< 78	< 206	< 289
	0	0,05	< 10	< 70	< 64	< 8	< 21	< 29
Private entrepreneur (FOP 3d group)	-	-	< 10	337	312	38	100	140
Prices, UAH/t				3867	8321	4497	6494	8198
Yields, t/ha, head				5.4	2.7	41.5	10.8	6.1

Table 1: KSE calculation based on the Economics and Tax Codes, NBU and Ukrstat data

State Agrarian Registry (DAR)

The State Agrarian Registry (DAR) is an essential digital platform established in Ukraine to streamline the application process for state support among agricultural producers. Officially launched in August 2022, DAR enables registered farmers to apply electronically for various forms of assistance, including subsidies and credit guarantees. As of September 2024, over 176,000 agricultural producers were registered, managing more than half of Ukraine's cultivated area. The recent adoption of the "Law on the State Agrarian Registry" in October 2024 mandates broader participation, transforming DAR into a comprehensive information system that integrates with other databases to improve transparency and efficiency in agricultural administration. Looking forward,

DAR is poised to enhance its functionality by evolving into a comprehensive State Register of Agricultural Producers, aligning with Ukraine's legal standards for public electronic registries. This upgrade will facilitate better monitoring of state support and ensure accountability in fund allocation, with oversight from international partners. The system aims to provide a transparent framework for accessing state assistance while promoting effective resource management within Ukraine's agricultural sector, thereby supporting the country's aspirations for EU integration and modernization of its agricultural policies.

The Problem

Low Level of Formalization and Challenges in Assessing Agricultural SMEs in Ukraine

The low level of formalization among small and medium agricultural enterprises (SMEs) in Ukraine is a systemic issue that significantly impacts their ability to access financing and integrate into formal supply chains. A large proportion of agricultural SMEs operate informally, which means they often lack official business registration, comprehensive financial records, and adequate reporting structures. This informality creates "invisibility" vis-à-vis financial institutions, making it difficult for these SMEs to prove their creditworthiness or qualify for government support programs.

Informal agricultural activities contribute to a substantial shadow economy in Ukraine. KSE estimates suggest that approximately 6-7 million ha of agricultural land operates under informal use^[5], circa. 22% of arable land area in Ukraine. Up to 12% of agricultural output can be assumed to be produced in the shadow economy. This informality includes unregistered land use, cash-based transactions, and the avoidance of taxes such as VAT. The shadow agricultural economy not only undermines government tax revenues but also perpetuates inefficiencies within the value chain.

Grey Market Practices

Farmers often rely on grey market transactions to avoid VAT costs, further limiting their eligibility for institutional credit and keeping them outside formal economic channels. Informal cash-based transactions dominate small-scale farming, making it challenging to verify revenues and assess the financial stability of these businesses.

Challenges in Access to Financing

The informality of agricultural SMEs creates a ripple effect throughout Ukraine's agricultural economy. Banks hesitate to transact with small farmers due to higher perceived risks, insufficiency of collateral, and the high cost of managing numerous small-scale transactions. Lack of proper accounting records and inadequate business planning expertise further hinder access to credit. The absence of crop insurance or similar mechanisms prevents agro producers from using future harvests as collateral, limiting their ability to secure financing and adding financial uncertainty during challenging times.

For SMEs, this means limited access to financing and exclusion from modern value chains, perpetuating a cycle of inefficiency and low productivity.

State-backed programs, such as the 5-7-9 program, provide loans at interest rates as low as 5% per annum, but not all agro producers qualify. Average tickets to agro clients are well over USD 100,000 with only two banks - Privat and Oschad - providing smaller loans with average ticket size of below USD 100,000 threshold. But in the case of Privat all these loans fall under portfolio guarantees, while for Oschad 24% of disbursements fall under portfolio guarantees. Non-State loans can have rates as high as 40% per annum for banks. Many agro producers find such rates unsustainable, especially when combined with increased operating costs. Banks' reduced risk appetite has led to longer approval times for loans. For example, loans under the 5-7-9 State program can take up to 3 months for approval (See Table 2 in Section 11).

Limited Non-Financial Support: agro producers often lack access to consulting services, financial literacy programs, and tools for business planning, which could improve their creditworthiness and ability to secure loans.

Impact of War: The ongoing conflict has damaged infrastructure and disrupted supply chains, increasing operational costs and reducing profitability for agro producers. Export bottlenecks and falling sales prices further exacerbate the financial burden. KSE reported the following war impact on the agricultural industry of Ukraine[6].

As a result of Russia's full-scale invasion in 2022, sown areas decreased by 21%.

- Between 2022 and 2023, approximately 5.4% of territories previously used for crop production were reclaimed, while about 15% remain under occupation. Limited access to fertilizers and fuel have seen lower crop yields.
- Agricultural production continues to decline due to labor shortages and ongoing attacks. Over two-thirds of the total grain and oilseed harvest is exported, forming a significant share of foreign trade revenues. However, the blockade of seaports has caused a noticeable drop in export volumes.

Although the signing of the Grain Agreement and the creation of Ukraine's own "grain corridor" have partially facilitated exports, high logistical costs continue to negatively impact domestic prices, preventing farmers from fully benefiting from export opportunities.

Market Gaps

Kyiv School of Economics estimates a financing gap in Ukraine's agricultural sector of \$19 billion. This primarily affects small farmers who require working capital for inputs and operational costs. Key gaps include:

Access to Financing: Banks and financial institutions are hesitant to lend to small farmers due to lack of formalization and perceived risks. Private sector financing has historically dominated, accounting for 95% of working capital in agriculture.

Operational Challenges for Large Corporations: High transaction costs and compliance risks deter large agroholdings from engaging with small farmers. Export disruptions, such as the closure of Black Sea ports, exacerbate supply chain inefficiencies.

Lack of Sustainable Support Mechanisms: Limited government and public sector investment in agriculture—just 0.33% of GDP—constrains the sector's ability to address financing and operational challenges. Addressing these systemic issues is critical for unlocking the full potential of Ukraine's agricultural sector, driving rural development, and supporting post-war economic recovery.

3) PROGRAM OVERVIEW

Mission and Key Features

Agri Vision aims to bridge the financing gap for small farmers in Ukraine by partnering with large agricultural corporations and leveraging innovative digital platforms. The program integrates small farmers into the formal economy, provides access to finance, enhances their financial literacy, and supports Ukraine's agricultural recovery and sustainability.

Bilateral Credit and Risk-Sharing Facilities from IFIs to Ukrainian Agroholdings: The program leverages bilateral credit lines from international financial institutions (IFIs) to agroholdings at concessional rates. The bilateral credit lines have a tenor of up to five years with short-term (12 months) revolving tranches, and have a strict goal of providing trade credit or advances to small farmers to finance their crop growing cycle. Risk-sharing facilities provided by IFIs mitigate financing risks and encourage agroholdings to extend credit and advances to small farmers.

Trade Credit and Advances: Large agroholdings serve as intermediaries, channeling trade credit and advances directly to small farmers. These trade credits and/or advances are collateralised with future harvest through agricultural notes. The loans have a tenor of one crop growing season and are to be repaid within 12 months. Interest rate on these loans will be compensated to small farmers in the form of cash back payable after repayment of the loan. These cash-backs will be subsidized through the donor support program. This whole mechanism ensures timely access to capital for purchasing inputs, conducting planting and harvesting operations, and improving productivity.

Digital transformation: The program integrates digital platforms **WeAgro** to automate end-to-end credit process, including scoring, underwriting, contracting, collateral management and portfolio monitoring and **AgriAnalytica** for easy accounting and VAT administration for the farmers. Agrarian notes are introduced as innovative, digital financial instruments to serve as enforceable collateral based on future harvests, ensuring security for both agroholdings and IFIs. Integration with government registries ensures streamlined compliance, reporting, and transparency. Simple digital platform for bookkeeping and VAT administration for small farmers eases the paperwork burden and manages lack of financial expertise.

Capacity-Building Initiatives: The program prioritizes financial literacy training to enable farmers to adopt formal bookkeeping, VAT administration, and transparent operations through bank accounts. Educational programs focus on improving business acumen and aligning farming practices with sustainable and ESG-compliant standards. Agroholdings will share their more sustainable crop growing technologies to ensure effective agricultural practices among their partner farmers. Farmers are incentivized to formalize operations, improving their bankability and long-term access to financing. Including farmers into formal rural economy will fill local budgets which in turn will create more working places and sustain rural communities.

Target audience: In years 1-3 years, the program targets small farmers cultivating 200–700 hectares, gradually expanding to include farmers managing 100–500 hectares in years 4–5. This approach ensures early scalability and allows for gradual onboarding of smaller-scale farmers into the formal financing system. In order to participate in the program the small farmers have to comply with the pre-set criteria which include business formalisation (registered as a legal entity or a private entrepreneur), registered land (in State Agrarian Registry) and commencing transactions through bank accounts.

Program Governance

Key Partners:

The program is managed by a Program Management Unit. This is led by **89 Global** which provides strategic oversight, stakeholder coordination, and programme monitoring.

EY supervises legal aspects of program, and provides strategic guidance for the implementation for agrarian notes.

PwC supervises financial, audit and ESG advisory aspects of the project.

Activitis, owner of the We Agro platform, will integrate additional platform features such as agrarian notes and provide technical oversight of platform.

AgriAnalytica, the owner of the digital platform will support support bookkeeping and VAT administration to ease the administrative burden for small farmers on their formalization path.

Four major agroholdings have agreed to participate in the program: **Kernel, MHP, Astarta, and Epicentr**.

Role of Digital Tools

Digital platforms are crucial in ensuring transparency, compliance, and scalability. Key functionalities include:

- **Credit Process and Monitoring:** Automated scoring models to assess and underwrite small farmer deals, contract management, collateral of future harvest through agricultural notes, portfolio monitoring.
- **Compliance Tracking:** Integration with government registries to validate eligibility and ensure adherence to regulations.
- **Streamlining VAT administration** for small farmers without financial expertise.
- **Reporting and Analytics:** Dashboards for real-time reporting and portfolio performance analysis to facilitate informed decision-making by stakeholders.

Governance Framework:

The Program Management Unit (PMU) oversees the implementation and monitoring of the program. It ensures adherence to international standards in environmental, social, and governance (ESG) practices and manages relationships with IFIs, agroholdings, and other stakeholders.

Clear eligibility criteria and regular evaluations ensure that participating farmers and agroholdings comply with the program's objectives of formalization, transparency, and accountability.

4) STRATEGIC RATIONALE FOR DONOR SUPPORT

Unique Value Proposition

Sustainable Financing Model: The program leverages international financial institutions (IFIs) to provide bilateral credit and risk-sharing facilities to large agricultural corporations at concessional rates. This ensures affordable liquidity and reduces financing risks, enabling these corporations to extend trade credit and advances to small farmers.

Private Sector Leadership: Agroholdings are uniquely equipped to serve as financial intermediaries, offering operational expertise, knowledge of the agricultural ecosystem, and mechanisms like accepting future harvests as collateral.

Technology-Driven Impact: The program integrates advanced digital solutions, such as credit scoring, digital bookkeeping, and VAT administration, to ensure transparent and efficient credit disbursement and monitoring. Providing actual instruments to increase transparency and formalization in the agriculture sector.

Impact Alignment

The Agri Vision program aligns strongly with the mission and priorities of potential donors, including International Financial Institutions (IFIs), Development Finance Agencies (DFAs), and impact funds. These organizations focus on driving sustainable development, fostering economic resilience, and supporting vulnerable communities - objectives that resonate deeply with the program's goals of transforming Ukraine's agricultural sector and empowering small farmers. By targeting small farmers and integrating them into the formal economy, the program strengthens the agricultural sector's transparency, resilience, and capacity for growth. For example:

Resilient Economic Development: The Agri Vision program supports economic resilience in Ukraine by addressing the financing gap in the agricultural sector and formalizing small farmers, which aligns with the EBRD's and EIB's focus on post-crisis recovery and infrastructure rebuilding.

Sustainability and Climate Goals: IFIs prioritize sustainable agriculture and climate-resilient investments. Agri Vision integrates these priorities by promoting digital platforms for resource optimization, improving access to new financial instruments (e.g., agrarian notes allowing to collateralise future harvest), and encouraging sustainable farming practices through knowledge sharing from more sustainable large agricultural businesses. The program incorporates Environmental, Social, and Governance (ESG) criteria by formalizing agricultural operations, promoting sustainable practices, and ensuring transparency through digital tools. This aligns with donors' growing focus on funding ESG-compliant initiatives.

Inclusive Growth: The program's emphasis on financing small and medium farmers, especially those marginalized in formal credit systems, directly supports the IFIs' mission of fostering inclusive economic growth. The program addresses barriers to financing for small farmers by introducing risk-sharing mechanisms and innovative financial instruments, aligning with DFAs' objectives of strengthening financial inclusion and developing local markets.

Private Sector Development: IFIs prioritize mobilizing private sector capital for development. Agri Vision's collaboration with agroholdings, leveraging their trade credit mechanisms, represents a scalable, market-based solution that aligns with the IFC's and DFC's focus on crowding in private investments.

Catalyzing Additional Funding: Agri Vision offers a blended finance model by leveraging public and private capital, a structure highly favoured by IFIs, DFAs, and impact funds. Co-financing opportunities with these donors can magnify the program's impact.

Food Security and Rural Development: USAID's agricultural and food security programs are directly aligned with Agri Vision's objective to formalize and support small-scale farmers, ensuring improved livelihoods, enhanced productivity, and greater rural resilience.

Social Impact: Impact funds focus on uplifting underserved communities. Agri Vision's emphasis on supporting small farmers through formalization and access to affordable financing contributes directly to poverty alleviation and improved livelihoods. With small-scale farmers disproportionately affected by the ongoing conflict, the program ensures resources reach the most vulnerable, addressing the social equity goals shared by these donors.

Scalability and Replicability: The program's use of digital platforms and aimed integration with the State Agrarian Registry (DAR) makes it highly scalable and replicable, offering a clear pathway for impact investors.

Measurable Outcomes: The program is designed with clear KPIs, such as the number of farmers formalized, funds mobilized, and environmental compliance achieved, which aligns with the rigorous impact measurement frameworks employed by these funds.

By aligning with the strategic priorities of IFIs, DFAs, and impact funds, the Agri Vision program offers a compelling opportunity for donors to invest in Ukraine's agricultural transformation. Its focus on resilience, sustainability, and inclusivity positions it as a high-impact initiative that supports long-term economic recovery while fostering measurable social and environmental outcomes. This alignment not only meets the donors' objectives but also creates a scalable model for agricultural development in conflict-affected and transitioning economies.

Donor Involvement

By contributing to the program, donors can support critical areas:

Technical Assistance: Building small farmers' capacity for formalization, financial literacy, and sustainable farming practices by:

- Capacity building for agroholdings to engage with micro and small-scale farmers effectively.
- Training small farmers in digital bookkeeping, VAT administration, and sustainable farming practices.
- Support for a robust Program Management Unit (PMU) to oversee implementation, monitoring, and reporting.
- ESG monitoring and advisory services to ensure compliance with international standards.

Tailoring of Digital Platforms: Scaling tools for credit process automation, agrarian notes, and compliance tracking.

- Scaling and customizing digital tools for credit disbursement, portfolio tracking, and agrarian note issuance.
- Integration with government registries to streamline compliance and ensure transparency.
- Developing a simple to use digital bookkeeping and VAT administration solution, supporting farmers in use of the platform

Risk Mitigation:

- Enhancing risk-sharing mechanisms to encourage agroholding participation.
- Subsidies for interest rates on trade credit provided to small farmers.

5) OBJECTIVES AND EXPECTED OUTCOMES

Program Objectives

The Agri Vision Program is designed to address the systemic challenges faced by small farmers and strengthen Ukraine's agricultural ecosystem. Its primary objectives are:

1. **Expand Access to Finance:**

- Provide predictable and affordable trade credit and advances to small farmers who lack access to formal banking systems.
- Facilitate bilateral credit lines from IFIs to agroholdings at concessional rates, enabling these corporations to serve as intermediaries for small farmer financing.

2. **Enhance Formalization of agricultural SMEs:**

- Transition small farmers from informal operations to formal business practices through education and technical support.
- Encourage adoption of VAT administration and digital bookkeeping systems, reducing reliance on cash transactions.

3. **Strengthen the Agricultural Value Chain:**

- Enable agroholdings to manage reliable and transparent supply chains, reducing the influence of grey traders.
- Promote sustainable farming practices to boost productivity and environmental compliance.

4. **Promote Economic and Social Equity:**

- Increase the incomes and margins of small farmers by providing fair pricing mechanisms and access to affordable inputs.
- Build a wealthier layer of rural households, fostering economic stability and community development.

Expected Outcomes

The program is structured to deliver measurable outcomes across three key domains: farmers, agroholdings, and the broader Ukrainian economy.

Outcomes for Small Farmers

- **Improved Access to Capital:** We anticipate up to \$1 billion in additional funding mobilized over five years through trade credits and advances, as well as greater affordability of inputs due to reduced cost of funding and risk-sharing mechanisms.
- **Formalization and Bankability:** 100% of program participants are expected to register as formal businesses, alongside increased adoption of digital bookkeeping and VAT administration systems.
- **Economic Benefits:** Increased profit margins through fair pricing are expected, reducing dependency on grey markets, and enhancing productivity. This comes alongside strengthened resilience to economic shocks through access to reliable credit and structured financial systems.

Outcomes for Large Agricultural Corporations

- **Supply Chain Reliability:** A sustainable and transparent supply base will be created by integrating small farmers into formal markets. Meanwhile there will be improved ESG compliance through traceable transactions and documented operations.
- **Operational Efficiency:** Reduced transaction costs will be associated with sourcing from informal and unregistered farmers. There would also be enhanced capacity to scale financial support programs to a larger number of small farmers.

Outcomes for the Ukrainian Economy

- **Sector Stabilization and Growth:** Agricultural output will be strengthened through improved financing, technical support, and formalization of small farmers. There will be greater resilience of the agricultural sector to external shocks, including economic crises and conflicts.
 - Increased tax inflows as farmers transition to formalized operations and adopt VAT administration.
- **Community Development:** The creation of wealthier rural households, will boost local economies and job opportunities, while there will be strengthened rural infrastructure and services through increased farmer incomes and tax contributions.
- **Environmental Sustainability:** We anticipate the adoption of advanced and sustainable farming practices, contributing to climate-smart agriculture goals. This will occur alongside enhanced ecological stewardship through responsible use of inputs and technologies. By achieving these objectives and outcomes, the Agri Vision Program will not only transform Ukraine's agricultural sector but also set a model for scalable, inclusive, and sustainable development.

6) PROGRAM IMPLEMENTATION PLAN

Phased Approach

- 5 year phased implementation of Program
- 1-year pilot with 3-4 agroholdings and gradual expansion to 10 agroholdings by year 5, based on initial success.
- "Graduated" farms become bankable and can enjoy other financing opportunities through Ukrainian banks.
- Steadily Ukrainian banks will take over the role of financial intermediaries, incorporating agricultural notes as hard collateral to mitigate the credit risks.
- Scale digital platform adoption and technical assistance programs.

Eligibility Criteria:

- Initially, participating agroholdings will be those already known and rated by IFIs. They will be large agroholdings in Ukraine with significant client bases and the ability to reach large numbers of farmers.
- Criteria for participating farmers will include: formal registration, land documentation, ability and willingness to provide agro notes.

Key milestones over five years

Season 1: Pilot Initiation and Program Launch (Spring 2025 to Autumn 2025)

- **Launch:** Establish the Program Management Unit (PMU) and initiate partnerships with key stakeholders, including large agroholdings and international financial institutions (IFIs).
- **Pilot Implementation:** Begin 2-year program pilot with **3 agroholdings** to validate operational frameworks and digital platform
- **Mobilize funding:** \$45,000,000
- **KPIs:** **15%** program coverage of registered farmers

Season 2: Expansion of Coverage and Registered Farmers (Spring 2026 to Autumn 2027)

- **Evaluation of Pilot Results:** Assess the outcomes of the pilot phase, gathering feedback from participants to refine processes.
- **Participation:** Increase participation to **5 agroholdings**
- **Mobilize funding:** \$146,300,000
- **KPIs:**
 - **35%** program coverage of registered farmers
 - **11%** growth in registered farmers between 200-700 ha

Season 3: Expansion and Scaling (Spring 2027 to Autumn 2027)

- **Participation:** Increase participation to **7 agroholdings**.
- **Mobilize funding:** \$229,140,000
- **KPIs:**
 - **45%** program coverage of registered farmers
 - **22%** growth in registered farmers between 200-700 ha

Season 4: Formalization and Financial Access (Spring 2028 to Autumn 2028)

- **Integration of smaller farmers:** Involve small farmers between 100-200 ha, aiming for initial coverage of 10%.
- **Participation:** Increase participation to **8 agroholdings**.
- **Mobilize funding:** \$231,065,000
- **KPIs:**

50% coverage of registered farmers between **200-500 ha**

19% growth in registered farmers between **200-500 ha**

25% coverage of registered farmers between **100-200 ha**

Season 5: Consolidation of Smaller Farmers (Spring 2029 to Autumn 2029)

- **Participation:** Increase participation to **10 agroholdings**.
- **Mobilize funding:** \$299,835,000
- **KPIs:**
 - **55% coverage** of registered farmers between **200-500 ha**
 - **13% growth** in registered farmers between **200-500 ha**
 - **35% coverage** of registered farmers between **100-200 ha**
 - **11% growth** in registered farmers between **100-200 ha**

7) BUDGET & FUNDING REQUIREMENTS

Funding needs include grants for technical assistance, digital platform development, and program management. They also include risk sharing and interest rate subsidies expected to mobilise bilateral credit lines to agroholdings.

Agri Vision 5-Year Budget (USD)

Category	Season 1	Season 2	Season 3	Season 4	Season 5	Total
Bilateral credit (USD)	45,000,000	146,300,000	229,140,000	231,065,000	299,835,000	951,340,000
Technical assistance (USD)	6,200,000	7,315,000	9,165,000	11,553,250	11,993,400	46,226,650
TOTAL	51,200,000	153,615,000	238,305,000	242,618,250	311,828,400	997,566,650

Table 3: Total Program funding needs

Technical Assistance fixed scalable costs:

Technical Assistance: Digital platforms development and integration, Compliance, Agri Notes Advisory, ESG Compliance, ESG Oversight, Audit and Accounting, Outreach to Small Farmers, Data Collection and Analysis, Impact Assessment, Financial Modelling, Capacity Building.

Program Management Unit:

Program Coordination, Strategic Oversight, Donor Relations, Communications.

Bilateral Credit Mobilization

Bilateral credit lines will provide liquidity and risk sharing to agroholdings over the course of a five year program. Funding needs are based on a calculation of registered small farmers between 200-700 ha, the expected rate of registering new farmers, as well as the anticipated coverage of farmers by the program across five years. The model also anticipates the formal incorporation of smaller farmers between 100-200 ha in season 4 of the program's lifecycle, whilst dropping the larger segment of farmers between 500-700 ha.

It anticipates an average ticket size of \$50,000 in season 1 and \$76,000 in seasons 2-3. For season 4-5, the model anticipates an average ticket size of \$30,000 for farmers operating 100-200 ha.

[Tables Overleaf].

Season #	Farmer size, ha	Number of registered farmers	Annual growth of registered farmers	% of Program outreach	Number of farmers covered	Program outreach, USD	Land bank covered, thousand ha
1	200-700	4,942	0	15%	760	45,000,000	342,000
2	200-700	5,500	19%	35%	1,925	146,300,000	730,542
3	200-700	6,700	22%	45%	3,015	229,140,000	1,144,199
4	200-500	6,250	19%	50%	3,125	190,635,000	1,093,750
5	200-500	7,063	13%	55%	3,885	236,985,000	1,359,628

Table 4: Anticipated financing needs - excluding farmers of 100-200 ha

Season #	Farmer size, ha	Number of registered farmers	Annual growth of registered farmers	% of Program outreach	Number of farmers covered	Program outreach, USD	Land bank covered, thousand ha
4	100-200	5,393	0	25	1,348	40,440,000	202,200
5	100-200	5,986	11%	35	2,095	62,850,000	314,250

Table 5: Anticipated financing needs - farmers of 100-200 ha only

The two models are integrated in order to produce aggregate figures for the total credit requirements for the Program:

Season #	Farmer size, ha	Number of registered farmers	Annual growth of registered farmers	% of Program outreach	Number of farmers covered	Program outreach, USD	Land bank covered, thousand ha
1	200-700	4,942	0	15%	760	45,000,000	342,000
2	200-700	5,500	19%	35%	1,925	146,300,000	730,542
3	200-700	6,700	22%	45%	3,015	229,140,000	1,144,199
4	100-500	11,604	*	**	4,437	231,065,000	1,295,950
5	100-500	13,049	*	**	5,980	299,835,000	1,673,878

Table 6: Anticipated financing needs - aggregate

**Different rate for 100-200 and 200-500

****Different % for 100-200 and 200-500

8) ANTICIPATED IMPACTS

Financial Inclusion: The Agri Vision program will drive the formalization of agricultural businesses, enabling them to access financial services more readily. As farmers register with DAR, they will gain visibility with financial institutions, improving their creditworthiness and eligibility for state support programs.

The program would address the financing gap in Ukraine's agriculture sector by facilitating access to low-interest loans and credit guarantees for small farmers. This will empower farmers with the working capital necessary for operational costs and investments, helping to rebalance and stabilise the sector, and reduce the impact of grey traders.

Economic Revitalization: By enhancing the productivity and profitability of small and medium-sized enterprises (SMEs), the program would increase agriculture's contribution to Ukraine's GDP, which currently stands at about 10%. Improved performance in this sector can drive overall economic recovery, especially post-conflict.

The program is expected to create numerous job opportunities within rural communities. By supporting SMEs and facilitating their integration into formal supply chains, the initiative will enhance local employment, particularly in agribusiness, processing, and logistics.

Enhanced Productivity: By promoting the use of modern farming techniques and digital tools like the State Agrarian Registry (DAR), the program will enable SMEs to increase their productivity. This transition is crucial for small farmers who currently lack access to advanced agricultural technologies.

With better access to financing and resources, farmers can invest in inputs such as fertilizers and quality seeds, leading to improved crop yields. This is essential for meeting both domestic food needs and export demands.

Sustainable Agricultural Practices: The program emphasizes sustainability by encouraging practices that align with global environmental standards. By integrating sustainability into agricultural operations, it aims to enhance resilience against climate change while ensuring long-term productivity.

Recognizing the vital role of household farms in food security, the program will provide targeted support to enhance their operational efficiency and market access. This includes training on sustainable practices that can improve yield without compromising environmental integrity.

Food Security and Export Capacity: By improving local production capabilities and integrating SMEs into formal supply chains, the program aims to bolster food security in Ukraine. Increased domestic production will reduce reliance on imports and enhance self-sufficiency.

With improved productivity and formalization, Ukrainian farmers will be better positioned to meet international market standards, thereby increasing their export capacity. This is particularly important given Ukraine's historical role as a major global supplier of grains and oilseeds.

Monitoring and Accountability

The use of WeAgro platform will ensure transparent credit process and monitoring of the portfolios. Integration of agrarian notes will support the credit risk mitigation and allow creditors and guarantors to track the potentially defaulted loans to their full repayment.

Integration with DAR will facilitate accountability and monitoring of the Program impact tracing newly registered farms and aligning with global best practices.

Key Performance Indicators (KPIs): to measure success, the program will track:

1. **Number of small farmers financed:** Targeting 6,000 small farmers over five years.
2. **Increased Bankability:** 50%+ of participating farmers which never received bank financing.
3. **Volume of trade credit disbursed:** Up to \$1 billion in total funding mobilized.
4. **Formalization rate:** 100% of participating farmers transitioning to formal businesses.
5. **Supply chain efficiency improvements:** Reduction in operational costs for participating agriholdings.
6. **Tax revenue growth:** Increase in tax inflows from newly formalized small farmers.
7. **Environmental impact:** Number of farmers adopting sustainable practices and technologies.

9) RISKS & MITIGATION STRATEGIES

Farmer Resistance to Formalization

Risk: Small farmers may resist formalizing their businesses due to a preference for cash transactions, low financial literacy, or fear of tax liabilities and increased administrative burden.

Mitigation Strategies:

- **Incentives for Formalization:** Offering tangible financial benefits, such as access to trade credit at concessional rates, discounts on inputs, support for VAT administration, cash-backs on interest rates upon debt repayment.
- **Capacity Building:** Providing targeted training programs to improve financial literacy and demystify formalization processes.
- **Digital Tools for Simplification:** Using easy-to-navigate digital platforms to streamline VAT registration, bookkeeping, and compliance reporting.

Limited Agroholding Participation

Risk: Agroholdings may hesitate to participate due to the perceived complexity of managing a large number of small farmers, potential credit risks, or lack of operational capacity.

Mitigation Strategies:

- **Risk-Sharing Facilities:** IFIs will provide credit guarantees and risk-sharing mechanisms to minimize the financial exposure of agriholdings.
- **Piloting and Phased Rollout:** Begin with a smaller number of agriholdings in the pilot phase to refine the program before scaling up.

Digital Platform Adoption Challenges

Risk: Farmers and agriholdings may face difficulties in adopting and utilizing digital platforms due to limited technological expertise or inadequate digital infrastructure in rural areas.

Mitigation Strategies:

- **Using existing and well-tested digital solution:** WeAgro platform has been launched in April 2024 and proved to be an effective financing mechanism for small farmers. Developing a series of KPIs include the number of loans to farmers, and the percentage of which have never used bank loans before.
- **User-Friendly Design:** Ensuring the digital platform is intuitive, multilingual, and compatible with basic devices.
- **Training and Onboarding Support:** Offer hands-on training sessions for both farmers and agroholdings to familiarize them with the platform.
- **Infrastructure Development:** Partner with local governments and development agencies to improve internet connectivity in rural regions.

Credit Default Risk

Risk: Small farmers may fail to repay trade credits or advances due to crop failures, price fluctuations, economic disruptions or due to other reasons.

Mitigation Strategies:

- **Collateralization:** Using agrarian notes backed by future harvests as collateral to secure credit and mitigate default risks.
- **Diversification of risk:** Portfolio will include a large number of small credits with low concentration.
- **Ongoing Support:** Providing technical assistance and advisory services to farmers to improve productivity and ensure timely repayment.

Regulatory and Policy Risks

Risk: Changes in government policies or delays in regulatory approvals (e.g., VAT registration and timely refunds, agrarian notes legislation) could disrupt program implementation.

Mitigation Strategies:

- **Stakeholder Engagement:** Maintain ongoing dialogue with government agencies to ensure alignment with national agricultural policies and secure regulatory support.
- **Policy Advocacy:** Collaborate with development agencies and donors to advocate for supportive legislation and regulatory reforms.
- **Contingency Planning:** Develop alternative mechanisms, such as donor-backed collateral instruments, to maintain program continuity in the event of regulatory delays.

ESG and Compliance Risks

Risk: Agroholdings and farmers may face challenges in adhering to Environmental, Social, and Governance (ESG) standards or meeting compliance requirements.

Mitigation Strategies:

- **Capacity Building for ESG Compliance:** Provide training and tools to agroholdings and farmers to meet ESG and reporting requirements.
- **Robust Monitoring Framework:** Use digital platforms for ESG tracking and compliance reporting.
- **Expert Advisory:** Leverage the expertise of program partners (PwC) to guide participants on ESG standards and practices.

Farmer Default and Loan Recovery Challenges

Risk: Difficulty in recovering loans from farmers due to lack of formal credit history or enforcement mechanisms.

Mitigation Strategies:

- **Agrarian Notes:** Leveraging digital agrarian notes to create enforceable credit contracts tied to future harvests.
- **Gradual Scaling:** Targeting medium-sized farms initially (200–700 ha) with better repayment capacity, before including smaller farms (100–500 ha).
- **Monitoring and Early Intervention:** Use digital platforms to monitor farmer repayment performance and intervene early in cases of potential default.

War-Related Risks

Risk: macroeconomic instability could impact program implementation and farmer livelihoods. The ongoing war could disrupt program implementation through infrastructure damage, restricted access to farms, supply chain interruptions, or displacement of farmers.

Mitigation Strategies:

- **Program Flexibility:** Designing the program with adaptive mechanisms to adjust to changing geopolitical and economic conditions.
- **Donor and IFI Support:** Securing long-term commitments from donors and IFIs to ensure financial stability and continuity.
- **Portfolio diversification:** Developing credit policy which considers approach to farms located in higher war risk zones. High diversification of portfolio.
- **Secure Digital Operations:** Ensuring that all digital platforms have robust cybersecurity measures to safeguard sensitive data and maintain functionality despite disruptions.

10) CALL TO ACTION

Agriculture is a critical sector of Ukraine's economy, essential for the national recovery, and to global food security at large. The Agri Vision Program aims to revitalize Ukraine's agricultural sector, formalising small farmers between 100-700 ha in size, and facilitating bankability and better access to finance. We invite donors and international partners to commit financial resources to Agri Vision Program.

This includes blended finance in the form of grants and low-interest loans to cover Program management costs, technical assistance, and loan facilities. The Program seeks to mobilise the following amounts over the lifecycle of the 5-year project:

\$46,226,650 in grants for technical assistance and program management.

\$951,340,000 in concessional finance mobilized as credit loans to small farmers over five years.

By supporting this initiative, donors would be contributing to a prosperous and sustainable future for Ukrainian agriculture.

11) REFERENCE LIST & TABLES

References

[1] Report of Kyiv School of Economics (KSE) "Assessing the role of small farmers and households in agriculture and the rural economy and measures to support their sustainable development". Study produced within the framework of the Project Support to Agricultural and Food Policy Implementation in Ukraine (SAFPI), with the financial support of the European Union and published in 2021.

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[4] KSE "Assessing the role of small farmers and households in agriculture and the rural economy and measures to support their sustainable development" published in 2021.

[5] Report of KSE "Assessing the role of small farmers and households in agriculture and the rural economy and measures to support their sustainable development". Study produced within the framework of the Project Support to Agricultural and Food Policy Implementation in Ukraine (SAFPI), with the financial support of the European Union and published in 2021.

[6] KSE Report Агровигляд України 2024-2033 published in 2024. Available HERE: <https://kse.ua/ua/agroviglyad-ukrayini/>

Tables

#	Banks	Number of entities which attracted the loans		Volume of attracted financing, USDk		Average loan amount, USDk		Volume of attracted financing under portfolio guarantees, USDk			Interest rate	
		Total	Including 5-7-9 Program	Total	Including 5-7-9 Program	Total	Including 5-7-9 Program	Total	80%	below 80%	Min	Max
1	АТ «КРЕДІ АГРІКОЛЬ БАНК»	323	200	399,921	55,048	1,238	275	11,743	2,796	8,948	0.01	25.29
2	АТ «Райффайзен Банк»	2199	17	352,609	1,165	160	69	3,406	53	3,354	2.00	40.00
3	АТ КБ «ПриватБанк»	3823	3229	273,392	252,179	72	78	273,392	12,087	261,305	18.37	26.50
4	АТ «Ощадбанк»	2818	2485	252,471	185,951	90	75	109,661	58,323	51,338	0.01	25.05
5	АТ «ПроКредит Банк»	1109	805	222,989	128,369	201	159	43,926	16,872	27,054	3.45	23.47
6	АТ «ОТП Банк»	322	233	151,879	80,157	472	344	14,524	-	14,524	0.10	25.20
7	АТ «ПУМБ»	530	204	148,975	28,561	281	140	9,375	3,268	6,107	0.01	24.00
8	АТ «Укресімбанк»	166	137	147,241	70,503	887	515	59,308	34,715	24,593	2.86	28.19
9	ПАТ АБ «ПІВДЕННИЙ»	65	32	143,694	50,880	2,211	1,590	2,373	1,903	469	14.50	23.19
10	АТ АБ «Укргазбанк»	586	518	88,526	63,446	151	122	43,787	19,147	24,640	0.01	32.30
	Other banks	1147	890	303,721	200,099	265	225	24,429	7,568	16,861		
	Total loans attracted in 2024 by agri business	14,235	9,640	2,789,137	1,316,458	196	137	620,355	164,300	456,054		
	2023	13981	10914	1,875,743	1,059,070	134	97	594,284	153,493	440,791	0.01	45.00
	2022	43648		2,271,408	-	52	-	1,205,361	588,190	617,171	0.01	45.00

Table 2: Loans to agricultural corporations including under 5-7-9 Program in 2024

