

NIRAS-led consortium oversees €400 million 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 is making very substantial resources available to companies, financial institutions, and public sector entities.



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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 (DCF-TA) 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 the €400 million Ukraine Agri-food APEX Loan, which makes available very substantial resources for mid-caps and SME investments in an effort to increase their productivity and profitability. Ukraine will repay the loan as part of its sovereign debt.

Technical assistance to expedite lending

However, now in its fourth year of war and continuing to face issues of macroeconomic instability and extensive poverty 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 will be available for intermediary banks serving mid-cap firms ($\leq 3K$ employees) and small/medium-sized enterprises (≤ 250 employees) based in Ukraine. The types of invest-

80%

of Ukraine's fish consumption
is imported

4.3M
tonnes

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

ments eligible for financing include, 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.

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)

Location

Ukraine

Contract value

€5,395,000

Duration

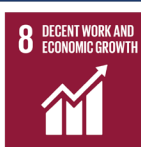
2019-2022



Photo by Maxim Lugina

“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



Reaching final beneficiaries directly and indirectly

Based in Kyiv, the NIRAS-led project team will work 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 is 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, will coordinate the loans, all of which must be approved by the Ministry of Finance. The Ministry of Agrarian Policy and Food will help identify projects suitable for investment. State-owned enterprises can apply for funding through the EIB loan, but must do so on the same basis and in the same way as private-sector enterprises, through financial intermediaries and Ukreximbank.

Closely aligned with the EU-Ukraine Association Agreement, support for the technical assistance comes 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 must focus not only on facilitating access to credit, but also on aligning investments and related agri-food practises and processes with EU standards.