

MAY 2025



Farmer Insurance and Financial Instruments

A Climate Adaptation Policy Blueprint: Systems Approach to Ukraine's European Union Integration

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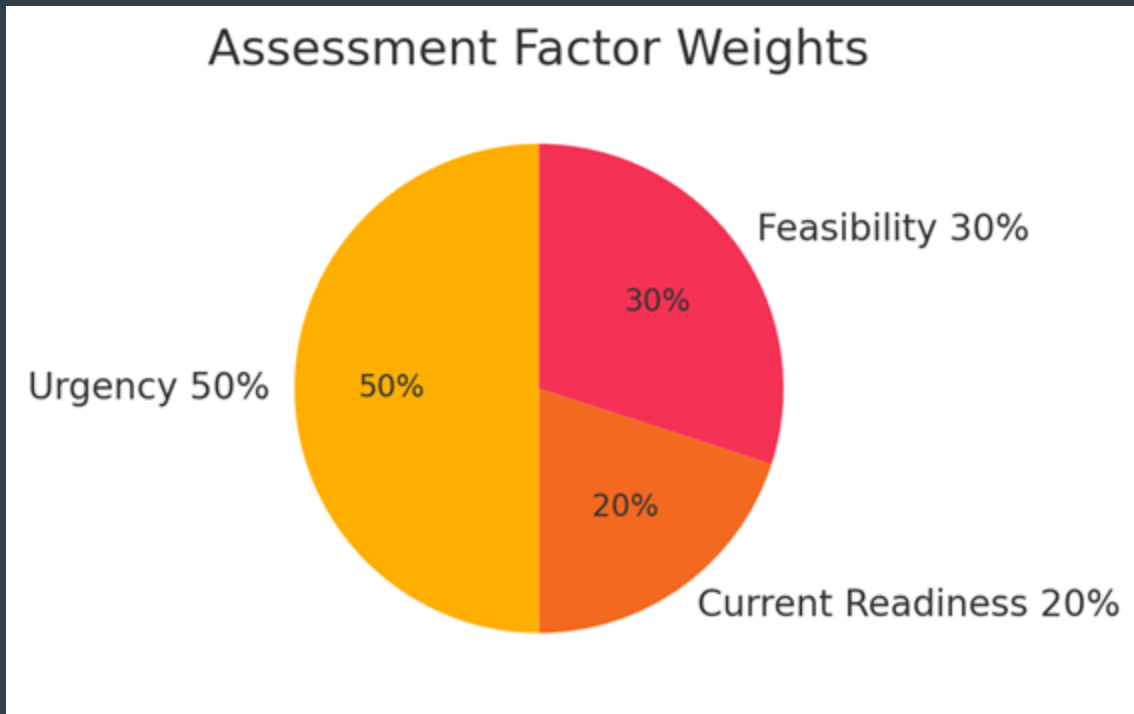
Purpose

Develop a risk reduction framework that seeks to **create and integrate** CAP-aligned instruments for farmer insurance and financial support, which incentivize **adoption of climate-adaptive agricultural practices**, while protecting Ukrainian farmers from market instability, price volatility, and unreliable profitability.

Overview



Key Risk Assessment Questions and Considerations



Key Risk Assessment Questions and Considerations

Assessment Factor	Guiding Question #1	Guiding Question #2
Urgency	To what extent is immediate, nationwide insurance coverage essential?	How critical is it to insure small- and medium-sized farms specifically?
Current Readiness	How capable are existing Ukrainian insurance frameworks of integrating farmer insurance ?	How prepared are financial institutions to assist farmers with premiums and payouts?
Feasibility	Do Ukrainian farmers actually want climate-risk insurance?	Is a public-private partnership (PPP) model realistic for administering the scheme?

Key Risk Assessment Questions and Considerations

Assessment Factor	Why These Questions? (Key Risks)
Urgency	<ul style="list-style-type: none">• Some regions left unprotected, extreme events (dam breach, drought) cripple farms.• Small farms face reconstruction cash crunch, delaying tech upgrades.
Current Readiness	<ul style="list-style-type: none">• Misappropriation/delayed payouts erode trust.• Low enrolment keeps premiums high, weak monitoring causes inequity.
Feasibility	<ul style="list-style-type: none">• Farmers distrust recurring premiums.• Up-front investment costs still unmet, investors wary of policy risk.

Key Risk Assessment Questions and Considerations

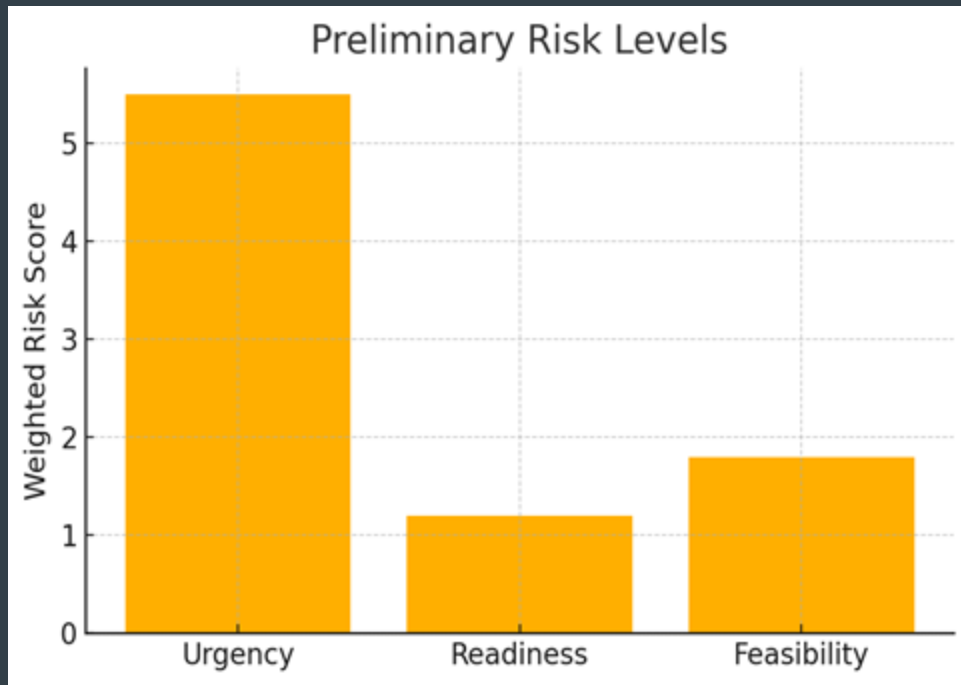
Taking Critical Action points:

The Sum of Weighted Assessment

Factor Score = Assessment Factor

Score \times Factor Weight

(Urgency - 64.7%, Feasibility - 21.2%
Readiness - 14.1%)



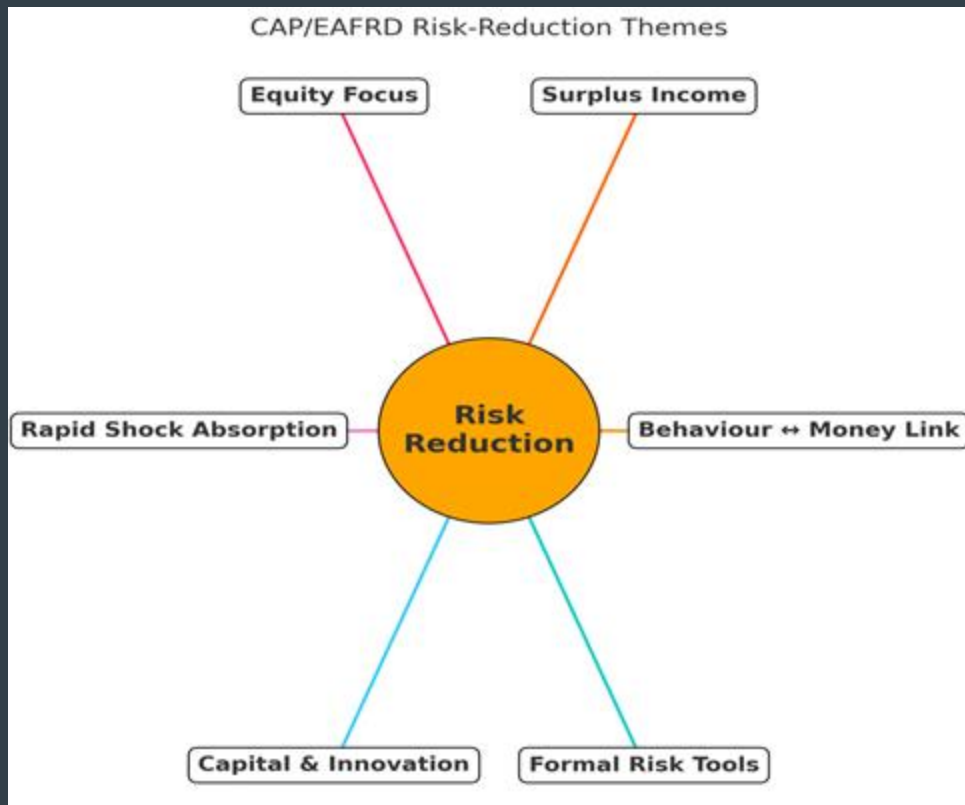
Relevant CAP Mechanisms

Bucket	Mechanism	What It Does
CAP Pillar 1	Conditionality	Couples policy compliance with a tangible benefit (“follow the rules, keep the money”).
	BISS (Basic Income Support for Sustainability)	Annual direct payments = stable cash-flow buffer.
	CRISS (Complementary Redistributive Income Support)	Re-channels support toward small & medium farms for fairness.

Relevant CAP Mechanisms

Bucket	Mechanism	What It Does
CAP Pillar 2	EAFRD Natural-Disaster Compensation	Fast-tracks unused rural-dev funds into lump-sum relief when $\geq 30\%$ production lost.
	EAFRD Farm & Business Development	Grants/loans for rural start-ups → injects capital & innovation.
	EAFRD Risk - Management Tools	Co-funds insurance premiums, mutual funds, income-stabilisation schemes.

Relevant CAP Mechanisms



Behaviour ↔ Money Link – Farmers see *material reward* for compliance (Conditionality).

Surplus Income – Direct payments (BISS) smooth cash-flow, letting farmers pay insurance premiums or invest in resilience.

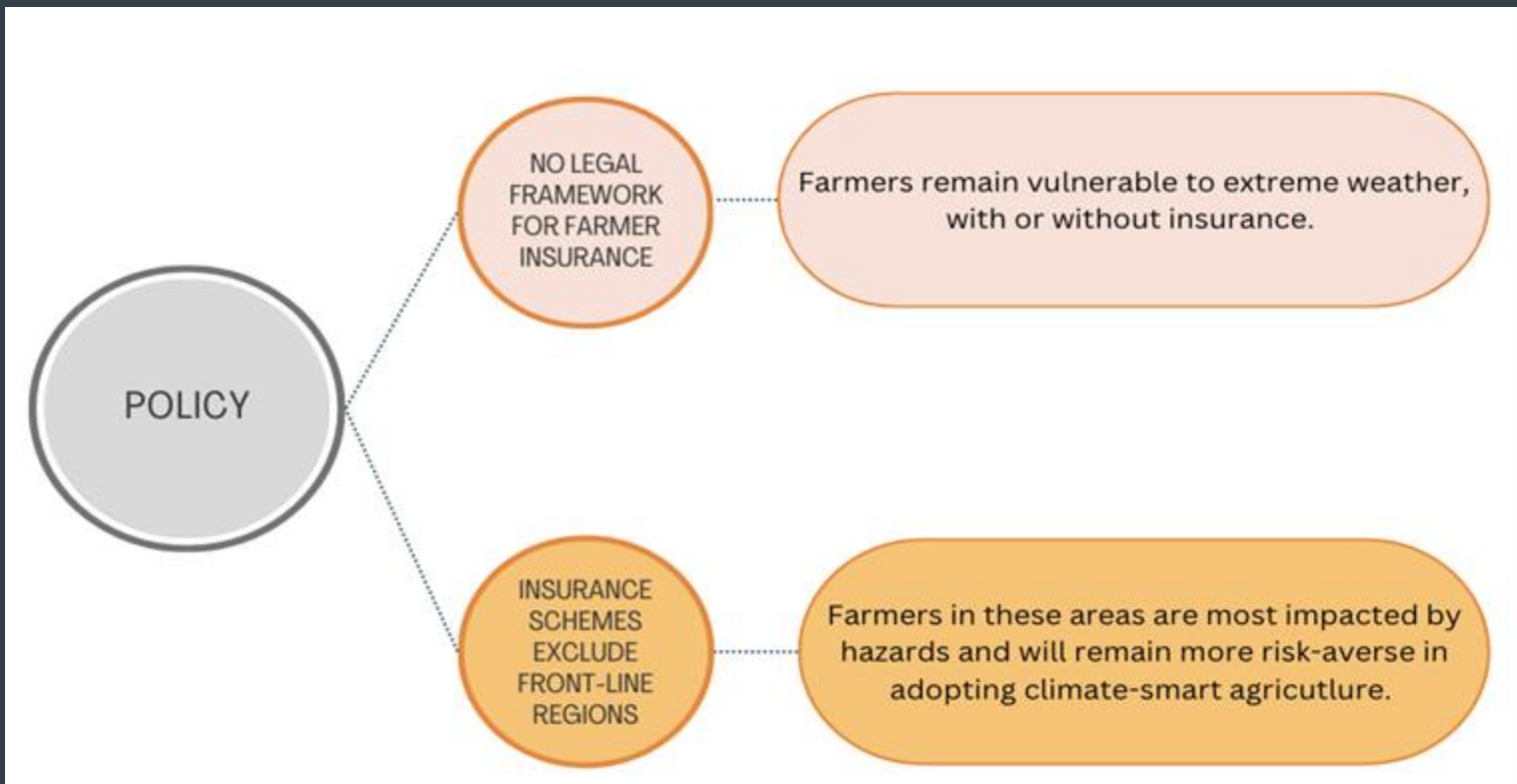
Equity Focus – CRISS pushes extra support to the most vulnerable producers.

Rapid Shock Absorption – EAFRD *lump-sum* compensation covers disaster losses quickly, preventing farm closures.

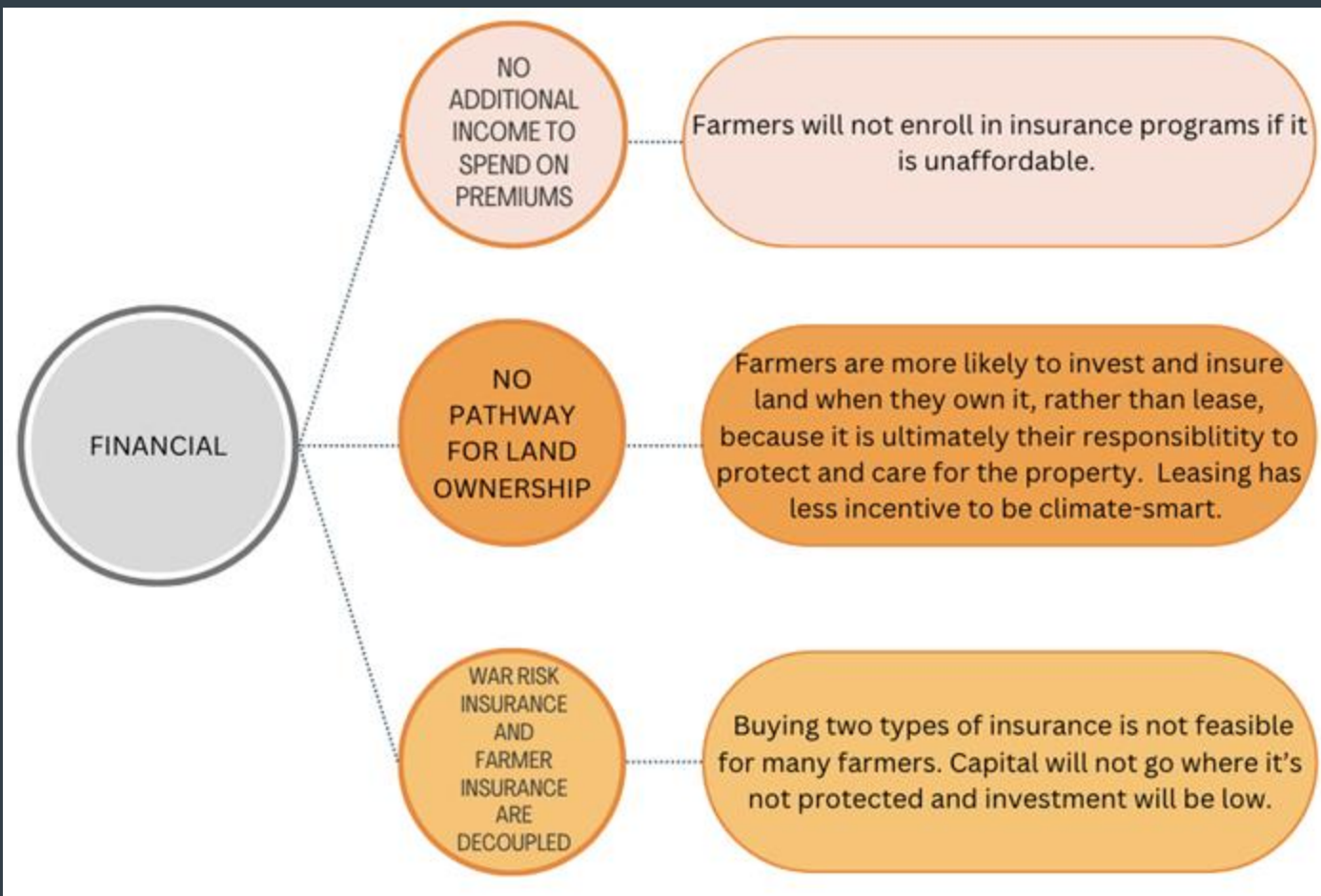
Capital & Innovation – Development window seeds new businesses, diversifying rural economies.

Formal Risk Tools – Co-funded premiums & mutual funds under Pillar 2 make insurance affordable and scalable.

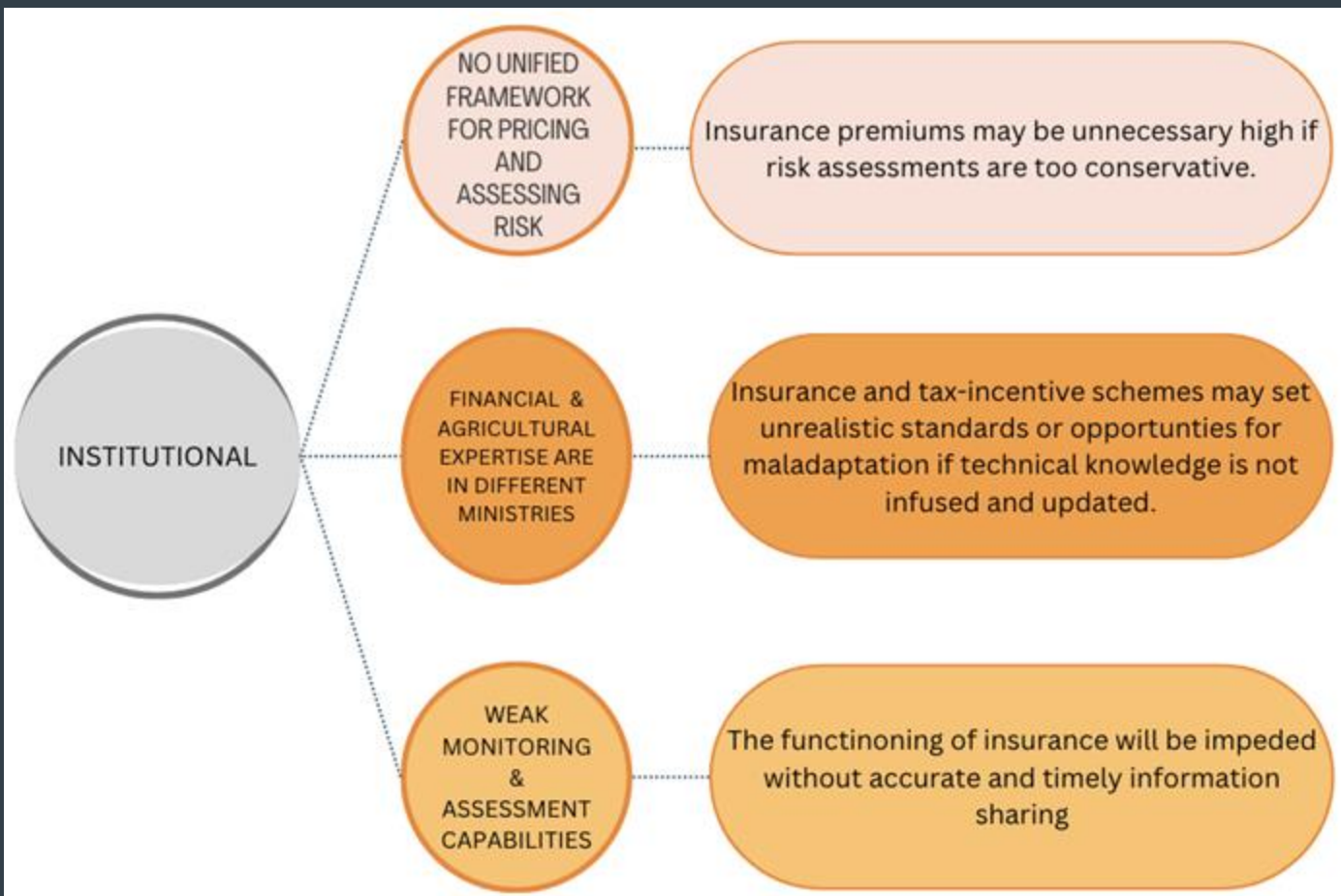
Key Barriers and Risk if Unaddressed



Key Barriers and Risk if Unaddressed



Key Barriers and Risk if Unaddressed



Proposed Solutions to Key Policy Barriers

LEGAL FRAMEWORK

Draft CAP-aligned policy recommendations

- Use former EU accessions (e.g., Poland, Lithuania) as guides
- Model Ukraine policy after EU Member CAP strategies.

FRONT-LINE EXCLUSION

Create geographically segmented insurance

- Risk assessment will vary by region
- Create appropriate pricing for high-risk regions to bring in private investment, but GoU subsidizes additional cost to farmers

Proposed Solutions to Key Financial Barriers

LIMITED INCOME

Subsidize or lower premiums to make recurring payments affordable

- Poland subsidizes some forms of crop insurance.
- When voluntary insurance programs are subsidized, more farmers enroll.

WAR RISK COSTS

GoU and international backers can guarantee the protection of investments or give preferable interest rates

- Global insurers have a blanket exclusion of Ukraine.
- “Cashing in” on Ukraine could cost \$20B of losses to insurers (OECD)

EXPENSIVE LAND

Restructure and regulate land markets to keep prices attainable

- Total amount of land controlled by oligarchs, corrupt individuals, and large agribusinesses exceeds 28 percent of Ukraine’s arable land.

Proposed Solutions to Key Institutional Barriers

PRICING SCHEMES

Create standards for risk assessment across government ministries

- Use agro-meteorological models to understand climate and environmental hazards in a region.
- Models may standardize risk assessment for environmental factors.

DIVIDED EXPERTISE

Form an interagency task force for creating and administering farmer financial instruments

- EU countries, like Austria, successfully developed interagency teams for administering some farmer insurance.

WEAK MONITORING

Develop a dedicated capability for monitoring insurance claims and enrollment

- Remote sensing techniques, like satellite imagery, allows for continuous monitoring and can guide assessment.

Funding

CAP Result	Pays For	Why It Matters
R.4 – Standards & Practices	Direct payments linked to compliance	Drives a <i>culture of good practice</i> ; farmers keep funds only if they meet eco- & safety rules.
R.5 – Risk Management	Up to 70 % EU share of premiums; mutual funds & income-stabilisation tools	Slashes entry cost and builds collective safety nets.
R.6 – Small-Farm Redistribution	Extra top-ups for holdings < €100k	Levels the playing field; liquidity lets small farms join insurance schemes.
R.16 – Climate-Smart Investment	Grants/loans for resilient tech (drought irrigation, hail nets)	Lowers actuarial risk → cheaper premiums over time.

To be eligible: clearly specified covered risks + co-financing by national governments (typically 30-40% match funding)

Recommended Policy Action Plan (Risk Reduction)

Priority Level: HIGH



Increased Climate Threats
(Drought, Flood)



Financial Vulnerability
(Conflict, Market Uncertainty))



Institutional Coverage Gaps

First Three Actions

1

Framework Drafting

Stakeholder consultations
(subsidies, coverage scope)

2

Institutional Coordination

Inter-ministerial team & training

3

Pilot Launch

High-risk regional
insurance trial

Recommended Policy Action Plan (Risk Reduction)

Stakeholder bureaus and departments from participating ministries:

- Agricultural Market
- Financial Instruments and Budget Policy
- International Cooperation and European Integration
- Rural Development Department
- Financial Policy and War Risk Insurance
- Regulatory Policy
- Entrepreneurship Department of Investment Attraction and Interaction with International Organizations
- Public Investments.

Lead Ownership



Agrarian Policy & Food



Ministry of Economy

Key Supporting Actors



Agricultural Extension



Rural Agencies / NGOs



International Partners



Private Insurers

Recommended Policy Action Plan (Risk Reduction)

Phase	Years	Actions
Short	2025-2035	Pilot & Evaluation, Initial Training, Draft Legislation
Medium	2036-2045	Nationwide Expansion, Education Programs, Digital & AI Tools
Long	2046-2060	Secure Long-term Funds, Mandatory National Insurance Scheme

Policy Timeline

SHORT

2025-2026: Legislative drafting, determining scope for pilot program.
 2025-2027: implement training programs for insurance rollout, initial subsidies, and evaluations.

MEDIUM

2036-2040: scale up insurance and financial products to nationwide
 2037-2042: expand farmer-focused education on insurance options
 2038-2045: expand digital and AI-based financial tools + risk assessment.

LONG

2046-2060: Secure long-term funding and formalize a (possibly) obligatory national farmer insurance and financial support system

2025 2030 2040 2040 2045 2050 2060

Recommended Policy Action Plan (Risk Reduction)

PREMIUM SUBSIDIES

Lower costs
→ increase
participation

Scale increases
→ gradual
reduction



MUTUAL RISK FUNDS

Funds for
small claims
Quick settlement



DATA-DRIVEN INDEX INSURANCE

Agricultural data

Fast payouts

Recommended Policy Action Plan (Risk Reduction)



Public-Private Partnerships (PPP)

- Leverage private expertise & funds
- Conditional govt. subsidies & oversight



Preventive & Eligibility Measures

- Compulsory climate-resilient practices linked to funding
- Proactive, sustainable farming incentives



Fiscal Discipline & Targeted Support

- Strategic budgeting & resource allocation
- Set clear budget caps & eligibility criteria