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The Credit for Agriculture Producers Project

PROGRESS UPDATE

Oikocredit Ukraine and the CAP Project Build the Capacity of Credit Unions in Ukraine



A credit union strategic planning session is held on March 25, 2017 in Lviv, Ukraine with the general manager for Oikocredit EDCS U.A., with staff members from the Anisia credit union accompanied by the CAP Project’s Agricultural Specialist. (Photo credit: Vitalina Kutsyba, CAP Project Agricultural Specialist).

Credit unions face challenges accessing funding in Ukraine, especially long-term funding that is needed to expand their lending operations. Inter-credit union lending proves to be insufficient, especially during times of high-demand during the spring planting season in agricultural regions. One of the goals of the Credit for Agriculture Producers (CAP) Project—implemented by World Council of Credit Unions (WOCCU) through the Volunteers for Economic Growth Alliance (VEGA)—is to facilitate access to external resources for on-lending and to build the capacity of credit unions to ensure they have additional capital to generate loans.

Availability of Ukrainian hryvnia (UAH), the local currency, is critical in the current economy in Ukraine, where the UAH is fluctuating, where credit unions cannot borrow from a Forex, and where currency risks are too high for credit unions. Oikocredit EDCS U.A., a worldwide cooperative and social investor, with its office in Lviv, has a history of working with credit unions since 2006 and wants to commit approximately UAH 30 million to interested and qualified credit unions for on-lending. Specifically, the funding will be used to expand agricultural lending, which is a key priority for the CAP Project.

The collaboration between CAP and Oikocredit aims to grow selected and qualified Ukrainian credit unions, by providing them with a combination of needed liquidity in the form of a local Oikocredit currency credit line, and individualized technical assistance provided by the CAP Project to help the credit unions effectively utilize the additional funding and grow their agricultural loans.

Once approved by Oikocredit for a loan, the credit union will receive tailored training from CAP in strategically important areas that have been identified as weak elements of their lending operations. This could include support in liquidity management, agricultural loan analysis, developing new agribusiness products, attracting new clients and increasing marketing efforts, just to name a few. The technical assistance will be provided by CAP’s staff and expert volunteers from PUM Netherlands, a non-profit organization.

After several months of planning, in February 2017 Oikocredit and the CAP Agriculture Finance Specialist identified the first interested credit union eligible to participate. The preliminary due diligence report shows positive financial trends over the past three years and therefore the credit union is a solid candidate to receive a local currency credit line from Oikocredit. If the credit committee of Oikocredit International in the Netherlands approves the deal, this credit union will be the first to receive an Oikocredit loan since 2014. There are several other credit unions interested in borrowing from Oikocredit.

It is the intention of both Oikocredit and CAP to work with at least three Ukrainian credit unions during 2017, with preference given to credit unions with a strong focus on and potential to expand their agricultural loan portfolios, contributing to the rural development of the respective regions in which the credit unions are located. Selection of the next credit union to undergo due diligence is underway and the process should be completed in May 2017.



**World Council
of Credit Unions**

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