

QUARTERLY UPDATE

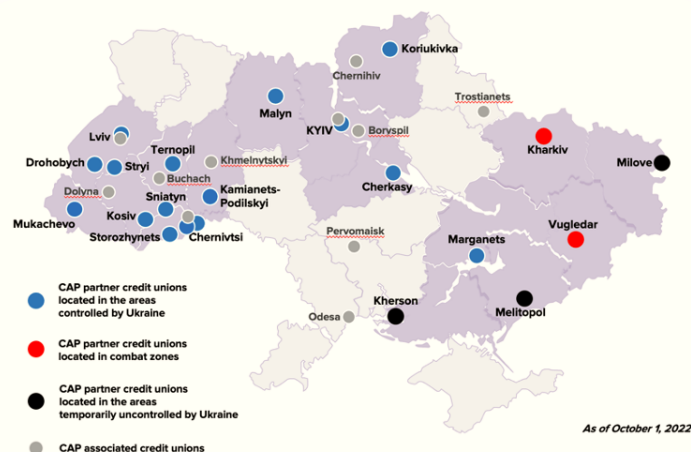


CREDIT FOR AGRICULTURE PRODUCERS (CAP) PROJECT IN UKRAINE

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Project Partners Map:



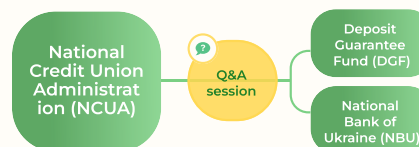
On February 24, 2022, Russia launched an unprovoked and unjustified war against Ukraine.

Despite the difficult operating environment, the CAP Project continues to support Ukrainian credit unions and stimulate agricultural lending, along with helping its partners overcome the new challenges of operating in wartime.

The CAP Project in Ukraine focused its activities on the following areas:

1. Legal & Regulatory Framework

- **Q&A session** for the Deposit Guarantee Fund (DGF) and the National Bank of Ukraine (NBU). Seasoned experts from the National Credit Union Administration (NCUA) – the US credit union regulator – shared the **US experience of building a deposit insurance system for credit unions**.



- **Credit Union Financial Recovery Plan Framework** developed and shared with the NBU, drawing from the related guidelines also developed by CAP.
- **New regulatory reporting** in the drafting process by the NBU, analyzed by international experts to account for best credit union regulation practices.

New regulatory reporting by NBU

Drafting stage

2. USAID/Worldwide Foundation for Credit Unions Liquidity Fund

- The second and final tranche of the Liquidity Fund is now fully disbursed and utilized.
- To provide financing to agricultural producers in wartime, **476 credit union loans** have been issued since April 2022 to **454 rural, MSME borrowers**, for a total of **UAH 29,23 million** (USD 800,000).

476 credit union loans

UAH 29,23 million

- Since its inception in April 2021, the Liquidity Fund has supported **682 agricultural MSME borrowers** that received over **800 loans**, for a total of **UAH 52.89 million** (USD 1.5 million) through **16 partner credit unions**.

682 borrowers

800 loans

through 16 credit unions

3. Digitalization

- **Designs of new, modern websites** were finalized for 45 credit unions.
- A workshop on **developing a core banking system (CBS)** was organized for a group of partner credit unions to help them finalize their approach and the requirements necessary for its implementation and utilization, which included **data migration and services integration**.



4. Risk Management

- Official commentary was shared with the NBU regarding the draft **regulations on risk management and internal controls for NBFIs**.
- Consultations were provided to All-Ukrainian Credit Union Association (AUCUA) member credit unions on **key risk management concepts**, including setting an institution's risk appetite and independent risk management functions.
- United Credit Union of the Ukrainian National Association of Savings and Credit Unions (UCU of UNASCU) **approved a high-level risk management policy** developed with CAP support prior to the war.

588
loans
totaling UAH
25,72 million
(USD 735,465)

disbursed by

16
credit
unions

this quarter

+

adding to a
total of new
loans under
the CAP
project that
now sits at
17,028.

5. Agricultural Lending

- **Value chain financing**
 - The most suitable **models for value chain engagement** were identified for each pilot credit union in Lviv, Cherkasy and Dnipropetrovsk Oblasts.
 - **Loan proposals for value chain actors** were developed, and CAP assisted in negotiations with potential value chain actors.
 - Sample bilateral agreements on **cooperation** between credit unions and agribusiness representatives were developed.
- **Agribusiness financing**
 - Two **webinars** for partner credit unions **on vegetable and fruit processing** were conducted. These areas are identified as having the most potential at the agricultural MSME level, with credit unions providing access to finance.
 - Information presented during the webinars will help credit unions to **improve their credit analysis of agricultural processors and promote value-added production**.
- **Cooperation with the Worldwide Foundation for Credit Unions** continued to provide immediate support to agricultural producers and to stimulate lending to them in wartime.

- The program providing **partial reimbursement of loans** issued to small agricultural producers after February 24, 2022, supported **517 credit union members** with a total loan reimbursement of **UAH 1.35 million** (USD 40,000).

517 credit union
members

Loan reimbursement
of UAH 1.35 million

- The Worldwide Foundation purchased 64,000 liters of diesel fuel and provided coupons to CAP partner credit unions for distribution to their member farmers. More than 160 agricultural producers will be able to use the coupons to purchase fuel free of charge and continue essential agricultural activities in wartime.

- **Guidelines and recommendations for partner credit unions**

"15 tips for preparing for and managing local financial institutions during wartime, shared per the Palestinian experience." In cooperation with Vitas Palestine, a set of recommendations was developed on preparing for and managing operations at local financial institutions during wartime.

"How to deal with (high) inflation?" Practical recommendations for agricultural producers whose businesses are affected by a significant increase in the inflation rate in Ukraine were developed in cooperation with senior experts from the foundation PUM Netherlands.

6. Psychological Support & Women's Leadership Group

- Developed and distributed recommendations on **"Principles of effective communication with credit union clients and employees in wartime."**
- **Individual psychological consultations** were facilitated for employees and members of partner credit unions, with full confidentiality.



- Two online training sessions for Women's Leadership Group were held, focusing on **enhancing leadership skills** critical during martial law and adjusting approaches to **counseling credit union members on financial literacy during wartime**.
- A planned **training program for women leaders** was completed.