



# SUCCESS STORY:

## Credit Unions and Cooperatives Collaborate to Provide Access to Tailored Financial Services for Agri-producers



President of Anisia CU and Chair of GorboGory Cooperative signing the Memorandum on Cooperation. Pustomy, Lviv Oblast, July 2019. (Source: CAP Project)



CUs from CAP Project Working Group visiting a snail farm – member of GorboGory Cooperative – as a part of training session on cooperatives. Pustomy, Lviv Oblast, July 2019. (Source: CAP Project)

*Disclaimer: This success story is made possible by the support of the American people through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of World Council of Credit Unions and do not necessarily reflect the views of USAID or the United States Government.*

**July 2019** – Ukrainian credit unions (CUs) have always faced a challenge in expanding services to broader groups of clients, as they are legally bound to only provide services to individuals. This often impedes the development of agribusinesses in rural areas; small agri-producers are unable to afford modern machinery, benefit from better prices for inputs, or conclude pre-sales contracts, except by means of consolidating in cooperatives, which also lack financing to support growth of their members. Although CUs are considered the best source of credit for cooperatives—given the reluctance of banks to serve small producers—Ukraine’s legal structure prevents CUs from directly financing cooperatives.<sup>i</sup>

Driven to find an innovative solution to promote collaboration between CUs and cooperatives, the Credit for Agriculture Producers (CAP) Project designed an **extended cooperation structure** where, in a collaboration agreement between a cooperative and a credit union, the cooperative acts as a guarantor for loans granted by the CU to the cooperative’s individual members. This structure provides access to affordable finance for borrowers who lack hard collateral, while mitigating CU risk through the cooperative guarantee.

CAP pioneered this structure for Ukrainian CUs, starting with Anisia CU as a replication model for others. CAP provided the partner CU with required technical knowledge and best practices, including through training sessions on credit risk mitigation in value chain finance. Through this structure, Anisia CU collaborates with GorboGory Farming Cooperative, chaired by Anton Milchevych which unites 33 small farms engaged in different types of agriculture, from snail breeding to apple chip production in Pustomy, Lviv Oblast. In addition to supporting cooperative members in opening a local shop to sell their products, GorboGory provides access to technologies and information on specific agricultural activities for its members through local agri-research institutions.

In Spring 2019, at the International Agricultural Exhibition and Forum on Supporting Farming AGROPORT LVIV 2019, CAP organized a discussion panel, titled “Finance to Agri-producers: Services, Tools, Opportunities,” where representatives of GorboGory Cooperative and Anisia CU discussed practical nuances of their future cooperation. On July 17, 2019, GorboGory and Anisia officially signed a Memorandum on Cooperation as part of a CAP training session on cooperation between CUs and agribusiness cooperatives.

“Today our cooperation (...) clearly demonstrates that we will not only talk, but also work together. We will provide services to our members (...). Together with Anton [Milchevych] and his team, we will work out different financial products to create a possibility for farmers to get quick and quality access to finance. We are ready to grant UAH 2-3 million in loans for the development of the cooperative members’ businesses, as finance is the blood stream of a body,” concluded Volodymyr Sydorovskiy, President of Anisia CU.

Following methodologies for loan product development suggested by CAP’s international experts, Anisia and GorboGory have jointly designed a customized loan product to meet the financial needs of cooperative members; this product will be ready-to-use starting in the next agricultural season, early in 2020.

“The more cooperatives collaborate in Ukraine, the stronger rural area development will be,” stated Anton Milchevych, “especially now, when they can be supported by financial providers like credit unions that understand the agricultural business and are ready to serve small agri-producers.”.

<sup>i</sup> CAP worked with local stakeholders to present and advocate for a new draft CU law which will enable CUs to serve legal entities including cooperatives. The new draft CU (#1110) has been registered with the new Parliament.