



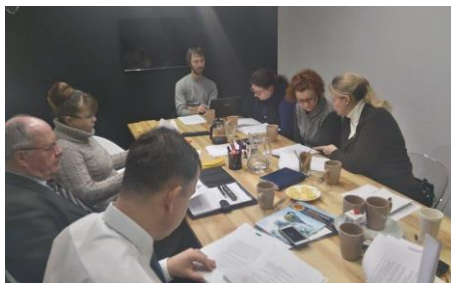
The Credit for Agriculture Producers Project

PROGRESS UPDATE

Effective Partnership Yields Legislative Breakthrough for Credit Unions in Ukraine



Credit union representatives from both Ukrainian associations, AUCUA and UNASCU, met on November 8, 2016 to begin the process of coordinating their efforts to reform the Ukrainian credit union sector. (Photo credit: Andriy Kozynets, UNASCU).



Credit union representatives of AUCUA and UNASCU finalized the draft law for submission to the Regulator on December 20, 2016 (Photo credit: Nataliya Lischytovych, CAP Project).

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After more than a decade of efforts to reach consensus, the two major Ukrainian credit union associations, have agreed on critical reforms for the credit union sector that will create an enabling environment for credit unions in Ukraine – often the only financial service providers in rural areas/for rural populations, and hence credit unions will contribute to financial inclusion goals for rural populations in Ukraine. This has been possible through the support of the USAID-funded Credit for Agriculture Producers (CAP) Project, which began in August 2016.

The legal and regulatory environment for credit unions in Ukraine has been long overdue for an update. The current credit union law constrains growth by not allowing legal entities – micro and small enterprises to receive much-needed credit in order to grow their rural and agricultural businesses—and, in turn, improving the economic circumstances of families and communities.

However, to develop achievable reforms, it was important that the two Ukrainian credit union associations, the All Ukrainian Credit Union Association (AUCUA) and the Ukrainian National Association of Savings and Credit Unions (UNASCU) have one voice on the draft credit union law. Forging partnerships and cooperation between the two Ukrainian credit union associations is an important objective of the USAID CAP Project, implemented by World Council of Credit Unions (WOCCU) through the Volunteers for Economic Growth (VEGA) Alliance.

On November 8, 2016 representatives of credit unions and their two national associations, guided by CAP—came together to discuss proposals to improve the legal and regulatory environment. Specific priorities included: a revision of the list of services that credit unions can provide to their clients, allowing credit unions to serve legal entities, clarification of an applicable tax regime, and guaranteeing deposits. This was the first meeting to promote improvements to the enabling environment for credit unions—virtually the only lenders accessible to micro and small agribusinesses in rural Ukraine—to expand and improve the quality of financial services offered to rural communities throughout the country. This began a marathon of joint consultations by the associations and by the CAP team, to prepare and agree upon the updated draft credit union law that would be responsive to the needs of Ukrainian credit unions.

Finally, on December 8, 2016 a new draft law was completed and agreed upon as a joint effort of both associations with CAP support. The new draft law, if passed, would allow credit unions to serve legal entities including agricultural and rural enterprises and protect credit union members' deposits using the state Deposit Guarantee Fund. The draft law was submitted jointly to the National Commission for Financial Services Market Regulation on December 20, 2016.

After consultations with the Regulator, the draft law will be sent to the Committee on Financial Policy and Banking for review. The CAP Project will then share international best practices with the credit union associations, to support the passage of the law through Parliament. Furthermore, the CAP Project will tap into America's best resource—its highly skilled citizens and spirit of volunteerism. Volunteers from the U.S. and Poland, including Ukrainian diaspora, will provide high-level expertise throughout the program. This person-to-person diplomacy will help forge responsive partnerships with Ukrainian counterparts for more sustainable results.



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