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The Credit for Agriculture Producers Project

PROGRESS UPDATE

Ukrainian oblast authorities demonstrate increased interest in financing that credit unions can provide to rural Micro, Small and Medium Enterprises (MSMEs).

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The CAP Chief of Party opens discussion at the agricultural finance forum to discuss and explain how credit unions are central to economic development.

(Photo credit: Mykola Zarytski, CAP Project Staff).



Participants listen in at the agricultural finance forum as they learn about new financing mechanisms and approaches to support agribusiness development in the Kharkiv oblast.

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Sustainability is key to the success of any project. Local buy-in from market players, with support of local authorities, is critical to long-term results. As Ukraine is in the process of decentralization, leaving local-level structures with more budgetary and decision-making authority, the USAID Credit for Agriculture Producers (CAP) project emphasizes close collaboration and partnership with oblast-level authorities, partner credit unions, and other development initiatives to streamline and combine efforts to spur long term rural economic development.

On December 18, 2017 in Kharkiv in eastern Ukraine, the CAP project conducted an agricultural finance forum, “New opportunities in financing for small and medium sized agribusiness producers” in response to a request from the Kharkiv oblast state administration. The local administration seeks new opportunities to grow the MSME sector in the oblast and to close the gap in access to finance for rural MSMEs and farmers, which is critical to economic growth.

The event opened a dialogue on rural economic development. The Kharkiv oblast authorities aim to develop comprehensive support programs to address the lack of financial services by using credit unions as core providers for the rural population and agribusinesses. Credit unions are in many cases the only viable and socially responsible source of financial services. The event was hosted by the Kharkiv National Technical Agricultural University and attracted more than 100 participants, including more than 80 farmers from the Kharkiv oblast interested in learning about new opportunities to access finance for business expansion and agribusiness development. With the combined efforts of CAP partner credit unions and local authorities these new mechanisms are being developed.

Building on their previous collaboration with CAP, two USAID technical assistance projects, the Agriculture and Rural Development Support (ARDS) project and the Decentralization Offering Better Results and Efficiency (DOBRE) project both highlighted ways their projects contribute to rural development. MSMEs and farmers can support agribusinesses, agribusiness cooperatives, and their members through ARDS which offers grants to SMEs and agricultural cooperatives. DOBRE can support local communities by helping them draft economic development plans, business strategies, and can create projects to support entrepreneurs.

Furthermore, the International Finance Corporation (IFC) and AgriAnalytica, partners of CAP, introduced a set of modern tools for risk assessment and risk hedging instruments to participants that go hand-in-hand with additional financing provided by CAP partner credit unions. For example, the AgriAnalytica tool can be used by farmers for business planning and management of cash flow for production purposes. The credit unions in turn can look at the farmers’ AgriAnalytica results to assess potential borrowers. The farmers expressed their interest in cooperating with credit unions which are to become the boosters of regional economic growth in small and micro size agribusiness operations, with support of the CAP project, and local authorities.

Kharkiv is not the first oblast to reach out to the CAP project, as the Lviv oblast now works closely with the CAP project and local credit unions, seeking to boost the development of their regions and local businesses through targeted development programs. The Cherkassy oblast is also considering similar actions. Through collaboration with local authorities and through the support of the CAP project, the credit unions can amplify their impact in rural regions.



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